A secret ingredient for SMEs performance: Human resource management in cafés and restaurants in Auckland and Waikato, New Zealand

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Abstract

Though entrepreneurship theory has developed extensively over the last few decades, the drivers behind small business performance are underdeveloped in terms of human resource management (HRM) practices, particularly in café and restaurant businesses. This research has investigated the associations between entrepreneurship, HRM, and firm performance in the context of café and restaurant businesses in the Auckland and Waikato regions in New Zealand. The study used mixed methods: with priority to surveys first and conducting semi-structured interviews in later stage. The quantitative (survey) data comprised matched pairs of 107 small- and medium-sized cafés and restaurants owner/manager and a random employee. In addition, nine owner-manager qualitative interviews were conducted for enhanced understanding of HRM practices and entrepreneurship.

The research extends empirical evidence into HRM and entrepreneurship of small- and medium sized enterprises, and widens firm performance measures to non-financial outcomes and focuses on the employee by using two data sources: owner/managers and employees. How owner entrepreneurial traits and characteristics, and HRM practices influence not only the firm but the workers provide unique insights to the field.

The findings show the statistical significance of positive relationship of entrepreneurial traits, skills and motivation, and employee outcomes. The finding also identified the statistical significance of small size in the effect of a direct positive relationship between the HRM practices and service climate reported by owner/managers.

The study provides recommendations for future research, and implications for practice for small business owners/managers and policy-makers by suggesting how entrepreneurship and HRM can be linked to firm performance: improved communication, role of owner/entrepreneurs in HRM, and importance of flexi-time practice in cafés and restaurants.

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I sincerely appreciate the kindness of the café and restaurant owners and their managers, who participated and spent their valuable time with me. Doing this research allowed me to step out from my comfort zone by approaching and convincing them to participate into the study. From the time that I began my study till present, I have seen a number of business close, or change ownership, while a number of cafés and restaurants continue over the years. I would like to register here my acknowledgement of their invaluable role and inspiration in the entrepreneurship and human resource management aspect of this thesis.

Last but not least, I am grateful to my friends and family for all their support, encouragement, and understanding, especially Assistant Professor, Dr. Bangorn Benjathikul [President of Bangkok Thonburi University]. I dedicate this thesis to you.

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Chapter One: Introduction

This chapter provides an overview of the thesis. Section 1.1 explores the significance of entrepreneurship and Section 1.2 covers the context of small businesses in New Zealand, and cafés and restaurants in Auckland and Waikato regions. Section 1.3 deals with human resource management (HRM) practices in New Zealand, and in small businesses, especially cafés and restaurants; and Section 1.4 examines the factors affecting the performance of small- and medium-sized enterprises (SME). These four sections lead into the research questions in Section 1.5. Finally, Section 1.6 provides an overview of the structure of the thesis.

1.1 Entrepreneurship

1.1.1 Definition

Entrepreneurship refers to the process of starting - which is driven by opportunity recognition (Bhagavatula et al., 2010), and growing an enterprise, typically by generating an idea and starting up a business offering a product, service or process (Baron, 2008). Entrepreneurs have the capacity and willingness to develop, organise and manage their enterprises, as well as assuming the related risks in order to make a profit or to maximise social influences for a social enterprise (Potter & Porto, 2007). Entrepreneurship can be regarded as a job and, as with all jobs, being an entrepreneur generates income, which engenders a sense of personal purpose and satisfaction in individuals (the entrepreneurs themselves); and allows them to support themselves and their families; and contributes to the productivity of local and national economies (Bruni, Gherardi, & Poggio, 2005). Entrepreneurship is a variety of attitudes and actions, rather than a binary category (whether entrepreneurial or not). Therefore, this present research does not desire to separate business owners and entrepreneurs, as all business owners are, at least to a degree, entrepreneurs.

1.1.2 Entrepreneurship: Economic development

Entrepreneurship also can be viewed as an engine to prosperity and sustainable economic growth. From this perspective, entrepreneurs are the drivers of economic growth because they not only provide a source of income and employment for themselves, but also create employment for others. Policy makers and related stakeholders are acutely aware of the importance of entrepreneurship. For example, China's Ministry of Commerce has announced that entrepreneurial ventures are currently responsible for 75 percent of new jobs each year and 68 percent of exports, and, in recognition of this, it has started to focus on improving the regulatory and tax environment for new ventures and SMEs (Ortmans, 2014). Thus, entrepreneurship can be vital for a growing economy and overall economic prosperity for a nation.

The drivers of entrepreneurial activities vary from emerging and growing economies to mature economies. In developing countries or growing economies, entrepreneurs may start a business as a means of survival, to earn an income to cover basic needs, or as a tool to overcome unemployment. In developed countries or mature economies, on the other hand, entrepreneurs may be more motivated by lifestyle factors (e.g. being your own boss) and see entrepreneurship as a way to achieve financial freedom. Numerous studies (e.g. Bhide, 2000; Bird, 1992; Brettell, 2007; Cardon, Wincent, Singh, & Drnovsek, 2009) have investigated which factors compel an individual to become an entrepreneur and have shown that the most common reasons for undertaking entrepreneurial activity are alternative employment options; cultural and personal predisposition; a regulatory environment supportive of entrepreneurship; a commercially viable business idea; and access to capital.

In recent years, the global financial crisis has caused a massive economic downturn and resulted in a major loss of jobs. According to the International Labour Organization (ILO, 2014), 202 million people worldwide were unemployed in 2013, and if current trends continue, global unemployment is set to worsen further, with 215 million people expected to be unemployed by 2018. Hence, entrepreneurship is promoted by international organisations, government at all levels (nationwide, province, and council/city level), and educational institutes in order to overcome and pre-empt the jobless issue. This also aligns with the success of entrepreneurship in China (Ortmans, 2014), which was one of only a handful of economies to remain successful and buoyant throughout the global financial crisis.

Statistics New Zealand reports an unemployment rate in New Zealand that has averaged 6.26 percent from 1985 until 2014, reaching an all-time high of 11.20 percent in the third quarter of 1991 and a record low of 3.50 percent in the fourth quarter of 2007. This is detailed in Figure 1.1 (below). The New Zealand 2015 unemployment rate (5.9%) is closest to the USA rate (5.3%), lower than the European Union (9.6%), Australia (6.3%), and Canadian (6.8%) rates, although higher than some countries such as China (4.04%), Japan (3.3%), and India (4.9%) (Trading Economics, 2015). Entrepreneurship can be seen as a distinct form of employment. This means that the ideas relating to increasing entrepreneurship have a great deal in common with those concerning increasing employment. Therefore, the study of entrepreneurship is needed in order to enable promotion of entrepreneurship, through greater understanding of entrepreneurship, and the continuing development of theories which have enjoyed significant attention from researchers (e.g. Aldrich, 1990; Baron, 2008; Bygrave & Hofer, 1991; Calas, Smircich, & Bourne, 2009; Cardon et al., 2009; Casson & Godley, 2005; Covin & Slevin, 1991; Frederking, 2004; Ganco & Agarwal, 2009; Hofer & Bygrave, 1992; Lippmann, Davis, & Aldrich, 2005; Lumpkin & Dess, 1996; Reynolds & Renzulli, 2005; Ruef, 2005; Shane & Venkataraman, 2000; Yeung, 2002).

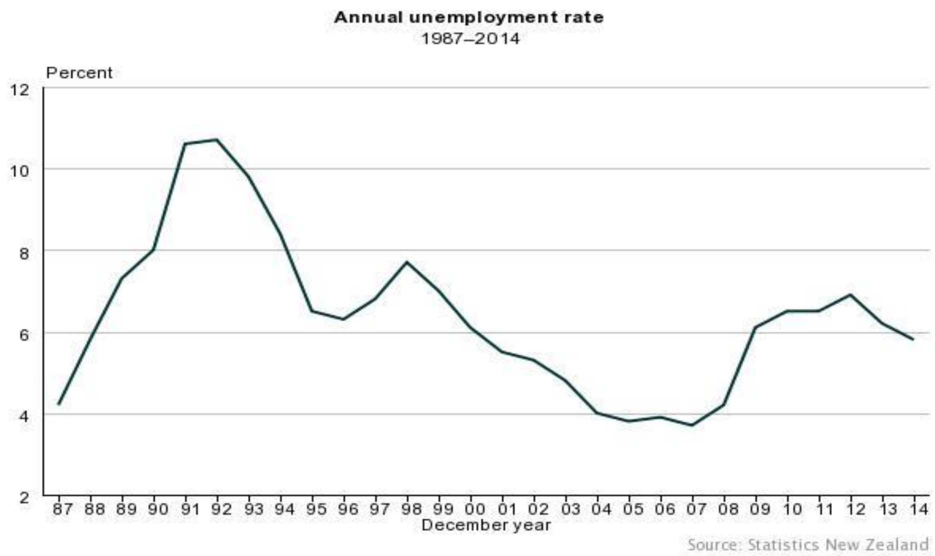


Figure 1.1 Unemployment rates in New Zealand

1.1.3 Entrepreneurship: Social development

It has been suggested that entrepreneurship will have a vital role in global development (Naude, 2011), as well as providing a way forward in terms of empowering women. In the development context, entrepreneurship can encourage gender equality. When women do not engage in entrepreneurship, economies lose benefits, such as providing new products and services, and generating additional revenue and new jobs. Long-term negative effects on workforce skills and education arise when half of the potential pool of labour is not developed. The effects of women's economic marginalisation further emphasise the need for gender equality and the economic empowerment of women. These gender gaps inflict real costs on society, as noted by Hillary Clinton:

> One of the biggest growth markets in the world may surprise you. You've heard about the opportunities opening up in countries like China, regions like Asia and industries like green technology. But one major emerging market hasn't received the attention it deserves: women. (UNIDOGender, p. 2)

1.1.4 Entrepreneurship in New Zealand

New Zealand has a population of about 4.3 million, made up of approximately 74 percent European, 15 percent Maori, 12 percent Asian, 7 percent Pacific Islander, and 1 percent of other ethnicities (Statistics New Zealand, 2013)[1]. The country has a large population of migrants and part of the migrant workforce is engaged in café and restaurant businesses. Auckland (population 1.4 million) and Hamilton (population 220 thousand) are two of its largest cities and are home to over 200 different ethnic minorities (Statistics New Zealand, 2011).

New Zealand is a country of diversity and people's reasons for entering into business in New Zealand vary. Shane, Kolvereid and Westhead (1991) found that New Zealanders (which includes migrants and New Zealand born citizens) became entrepreneurs in order to be able to control their own time and to have flexibility in their personal and family lives. They also found that status recognition was strong among New Zealanders; the desire to achieve a higher position for themselves in society, to be recognised for their achievements, and to increase the status and prestige of their families was high. Other factors, such as lifestyle benefits (e.g. flexible working hours that enable personal requirements such as parental time to be met), encourage local entrepreneurs to enter the café or restaurant business. More than a third of small firm owners reported that they started their own businesses for

[1] Note: Percentages can exceed 100% due to respondents having multiple options e.g., New Zealand European and Maori

lifestyle reasons (Ministry of Business, Innovation and Employment - MBIE, 2014). Also, according to the Organisation for Economic Co-operation and Development (OECD):

> Many migrants start ventures in tourism, restaurants, wholesale and construction; and different types of migrant businesses can fall anywhere in the spectrum between high-growth and small low-skill businesses. (OECD, 2010, p. 6)

Small enterprises make up a large part of the New Zealand economy (MBIE, 2014). New Zealand has 460,000 SMEs, which account for 97 percent of all New Zealand businesses (MBIE, 2014). Small businesses make a significant contribution to New Zealand's employment figures, with 584,000 people employed in firms with fewer than 20 people, making up 30 per cent of the workforce, excluding the self-employed (MBIE, 2014). Diane Foreman, who was the 2009 winner of New Zealand Entrepreneur of the Year, stated that:

> New Zealand has almost 500,000 small businesses so we're really entrepreneurial when you think of the fact that we're a country of four and a half million. (Ryan, 2015, "Best," para. 30)

1.1.5 Entrepreneurship: Research

Despite the importance of entrepreneurship, it is a concept that does not appear to be clearly understood, and it is precisely this mystery surrounding entrepreneurship that initially prompted this research. Kets De Vries (1977) highlights some of the key components of the research problem that this thesis seeks to address:

> Notwithstanding the multitude of articles written about entrepreneurship and the entrepreneurial organization, the entrepreneur has remained an enigma, his motivations and actions far from clear, a state of affairs aggravated because of contradictory theoretical and research findings. (p. 36)

Regardless of the entrepreneurial role of both employment during the big recession and the decaying social contract between employers and employees, as well as changing work and lifestyle preferences, entrepreneurship still makes positive contributions to the economy and society as a whole by creating jobs and opportunities (Ernst Young, 2015; ILO, 2014).

Shane and Venkataraman (2001) proposed three reasons for studying entrepreneurship: (1) entrepreneurship is an appliance by which people transform ideas into products and services; (2) entrepreneurship is a tool to reduce chronological and longitudinal difficulties in an economy; and (3) entrepreneurship is a driver of change in a capital economy. The poor comprehension of entrepreneurship renders the understanding of business context incomplete (Shane & Venkataraman, 2001). Therefore, this present study focuses on entrepreneurs, which simply means individuals who recognise opportunities and exploit them by starting business ventures, taking on some form of risk: financial risk, managing and growing their ventures, and employing other people. The discussion of entrepreneurship in this present study centres on entrepreneurs' actions and the owner-manager perceptions.

1.2 Café and restaurant businesses

New Zealand's Ministry of Business, Innovation, and Employment (MBIE) has shown that it is working on growing the food and beverage sector because it is crucial to achieving the government's growth agenda by getting more people into work. As such, this sector must be viewed as an important one for the development and growth of New Zealand economy.

The food and beverage sector is considered a cornerstone of the New Zealand economy. According to MBIE, this sector employs nearly one in five New Zealand workers, and produces over half of New Zealand's merchandise export earnings. A Statistics New Zealand report shows that employment in cafés, bars, and restaurants grew significantly from 2002 to 2012 (see Table 1.1). In 2012, approximately 75,500 people were employed in the café, bar and restaurant sector (Whiterford, van Seventer, & Patterson, 2014). In 2012, cafés, bars, and restaurants sector employment by region was in the Auckland region (26,555; 35.2%); in Wellington, (9,683; nearly 12.8%); in Canterbury (9,424; 12.5%); in the Waikato (6,206; 8.2%); and in other nine regions (23,661; 31.3%).

Table 1.1 Number of employees in the café, bar, and restaurant sector by key region

Region	Number of Employees

	2002	2012	Change 2002-2012 p/a Number
Auckland	20,232	26,555	6,323
Wellington	8,490	9,683	1,193
Canterbury	9,243	9,424	181
Waikato	5,500	6,206	706
New Zealand	64,716	75,529	10,813

Source: Statistics New Zealand, 2013

Based on the Statistics New Zealand census 2013, about 62 percent of business units in the sector had five employees or fewer, and mid-sized enterprises accounted for the majority of employment, with businesses with between 10 and 49 employees accounting for nearly 55 percent (of mid-sized enterprises) of employment in the café, bar and restaurant sector (see Table 1.2).

Table 1.2 Number of business units by number of employees

Number of Employees per business	Number of Businesses		Employment in Cafés, Bars and Restaurants
	Cafés, Bars and Restaurants	New Zealand	
0-5	6,577	443,363	7,892
6-9	1,465	26,403	10,252
10-19	1,620	21,254	19,436
20-49	843	11,832	21,085
50-99	112	3,657	6,159
100 and Over	14	2,399	10,704

Source: Statistics New Zealand, 2013

Work in the hospitality industry is typified by long hours, low pay and arbitrary supervision (Kelliher & Perrett, 2001). The café, bar and restaurant sector in New Zealand has the following unique characteristics: part-time (nearly 38% of workers in the café, bar and restaurant sector); more young workers than in the national economy (high proportion of 15-24 years, and 40% of employees under 25 years old); predominately female (57.4% of total employment in this sector); with lower education (almost 60% of employees in the café, bar and restaurant sector had no post-school qualifications in 2013); and a wide representation by Asians (24.3% compared with 11.1% in the national economy) (Whiterford et al., 2014). These characteristics mean this sector provides employment opportunities for the young, low skilled, and women. Setting up a café or restaurant is a popular choice for immigrant entrepreneurs, many of who are Asian. One simple reason for opening a café or restaurant is that people will always need to eat. Not only does this allow them to gain economic status, but also the barriers to entry, such as government regulations, are low (Altinay & Altinay, 2006; Leung, 2003; Ram, Sanghera, Abbas, Barlow, & Jones, 2000).

Despite their emerging significance, as outlined above, cafés and restaurants face similar difficulties to other small businesses due to managerial weaknesses (Stokes, 2000), limited access to expertise in core business specialities, as well as life style motivations (Ateljevic & Doorne, 2000), and limited access to external finance (Jarvis, 2006). The business environment for such small businesses is very challenging, as illustrated by Statistics New Zealand's (2011) report on the 'births and deaths' of businesses classified by industry.

The growth figures for the hospitality industry over the past decade are shown in Table 1.3 (below). The births refer to new businesses that have started up and the deaths refer to business closures. In 2010, the number of businesses that closed down exceeded the number that started up in the accommodation, café and restaurant category. Importantly, this is the first time in ten years that the death rate has exceeded the birth rate. This shows how difficult this hospitality industry can be for firms to survive and sustain their businesses. It is worth noting that there is a decline around 2006 and the 2010 negative net growth rate occurs around the time of the Global Financial Crisis (2008 onwards).

Table 1.3 Hospitality Industry Births & Deaths 2001- 2010

Industry	Reference period									
(ANZIC96)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
H: Accommodation, cafés and restaurants										
Births	983	1,196	1,439	1,645	1,554	1,389	1,374	1,372	1,337	1,210
Deaths	880	752	724	719	1,017	1,107	1,244	1,094	1,165	1,233
Net Growth	103	444	715	926	537	282	130	278	172	-23

Source: Statistics New Zealand (2011)

In light of the birth and death trends illustrated above, it is essential to keep café and restaurant businesses alive by maintaining their customer base and growing them through expansion or attracting new customers. The main challenges for these businesses are building and maintaining sales in the restaurant industry; fighting for customers from other businesses; and controlling costs in order to remain profitable (Restaurant Association, 2014). However, one of the key issues facing café and restaurant businesses in New Zealand was highlighted by one Auckland restaurant owner, who commented that:

> We simply have an oversupply of restaurants to population. They will not all survive and everyone - landlords, suppliers, even the IRD - will end up out of pocket if this happens.
> (Restaurant Association, 2014, p. 1)

This comment from within the industry itself suggests that business survival is a known issue in the industry. There are two key challenges for New Zealand's café and restaurant businesses in relation to human resources (HR): (1) labour cost, and (2) skilled labour. The primary challenge is labour costs. This has been reported since 2013 (Restaurant Association, 2014) and is expected to continue to be the biggest concern for business owners, as the minimum wage was also increased in New Zealand on 1 April 2015. Secondly, as recently reported by Bruce Robertson, the CEO of Hospitality New Zealand, there is a real shortage of talented supervisory and management staff in the hospitality industry (Robertson, 2015). This is in line with the previous year's report, which stated that the number two challenge in the hospitality industry was a lack of skilled employees, particularly chefs (Restaurant Association, 2014).

As discussed above, the importance of café and restaurant sector and its challenge to live and grow, is why the café and restaurant sector has been chosen as the field of study, representing entrepreneurship. This present study attempts to identify the reality for businesses in the café and restaurant segment by examining a number of factors in an attempt to demystify entrepreneurship, HRM, and firm performance in the context of cafés and restaurants in the regions of Auckland and Waikato, New Zealand.

1.3 Human resource management

Humans are the major source of competitive advantage; they are not just another element of production, like money or equipment. Diane Foreman comments:

> Business is all about people and you need to make sure you are bringing in the very best people. (Ryan, 2015, “Best,” para. 30)

It is costly and time wasting to hire the wrong person. Dismissing a wrongly recruited employee in New Zealand is expensive and time consuming. The function of the HRM is to ensure that the correct person is hired; someone who will contribute to building good team work. In the café and restaurant sector, a poor performing employee might also have disastrous consequence, for example, wrong orders, spilling drink on customers etc. These are likely to have detrimental consequences for the employing organisation. While HR expertise is needed, whether or not a company needs a HR profession depends on its size, category and the competitive challenges it faces.

Campbell-Hunt et al. (2001) studied New Zealand’s leading firms in the manufacturing sector. Similarities across the sample were the strongest in work design, and in training and development. They found that work design, which is perhaps the most important HR practice for acquiring organisational agility, was characterised by a distinctive focus on workplace flexibility, encouraging multi-tasking, and flat organisational structures. In terms of staffing practices, in their sample organisations, the preference was to employ from entry level and promote from within, but a lean organisational structure does limit career opportunities. Training and development were carried out according to personal competencies and specific job skills. Performance management was both informal and formal, whereas rewards were based on individual performance, team performance, and a profit sharing or a gain-sharing scheme. The aim of communication was to provide sufficient information for doing the job.

However, the HR practices in large firms in New Zealand and the *high-performance work systems* (HPWS) - which fall under the best practice category – cannot be assumed to represent a ‘one size fits all’ solution for SMEs. Also, there is considerable variety in terms of the use of HR practices amongst small-and medium-sized businesses (Cassell, Nadin, Gray, & Clegg, 2002), and the entrepreneur’s responsibility for managing their human resources remains a challenge. According to Baron (2003):

> Once a new venture is founded, becomes an organization, and hires its first employees, human resource issues and forces that exist in—and influence the success of—all organisations come into play. Indeed, growing evidence suggests that an inability on the part of some founders of new ventures to successfully manage HRM issues is an important factor in their ultimate failure. (p. 253)

Previous research (e.g. Katou & Budhwar, 2010; Patel & Cardon, 2010; Sels et al., 2006; Sheehan, 2014) suggests that HR practices tend to be comparatively ad hoc and informal in small firms since managers may lack time, financial resources and HR experts within their organisations. That is small firms tend to manage their people on the spot without forethought and possibly without any real expertise and forethought. Purcell and Sisson (1983) suggest that the traditional style (whereby labour is viewed as an element of production) is likely to be evident in small owner-managed firms operating in highly competitive markets, which have a low market share and low profit margins, emphasise cost control, and have few personnel specialists. However, other evidence demonstrates that HR practices in smaller firms are perhaps more sophisticated than previously assumed (Bacon, Ackers, Storey, & Coates, 1996; Golhar & Deshpande, 1997). Bacon et al. (1996) argued that small businesses are in many ways the ideal site for the development of HRM because of their direct communication, flat hierarchy, immense flexibility and the clear impact of each employee on organisational performance. Hence there is the potential for small firm HRM to be agile and organisation specific, thus making an important difference for organisations. However, in the café and restaurant sector currently very little is known of how the roles of HRM and the owner/entrepreneur are related. This provides a strong impetus for the focus of this PhD study.

Most studies into sets of human resource management practices, and in particular HPWS, have concentrated on the manufacturing sector and/or large companies. For example, Messersmith and Guthrie (2010) had a sample of small sized firms but these still had average turnover of US2.3 million dollars. The research in HPWS has been extended with new studies covering the US services sector, such as aged care (Harley, Allen, & Sargent, 2007), and casual dining restaurants (Murphy & Murrmann, 2009; Murphy & Olsen, 2009). However, a considerable number of the empirical studies on HRM in small businesses are "still in an explorative stage and mainly descriptive" (Sels et al., 2006, p. 84).

It is clear that the effective management of human resources is vital to the delivery of quality service. For many businesses, attracting new customers can cost more than retaining existing ones. In order to remain competitive, many organisations prioritise customer perceptions of service quality (Schneider, White, & Paul, 1998; Zeithaml & Bitner, 2003). Within a service industry context, the likelihood of repeat customers developing greater loyalty for a business is dependent upon the quality of the interaction between staff and customers, and this is critical to ensuring customer satisfaction (Liao & Chuang, 2004; Mohsin, McIntosh, & Cave, 2005). Soriano (2002) asserts that it is almost certain that a dissatisfied customer will not return, while there is no guarantee of a satisfied customer's repeat visit. This is especially so given the earlier comments where it is suggested that there may be an oversupply issue of cafes and restaurants within the industry. Schneider et al. (1998) suggest that improving the organisational service climate is a way of encouraging positive customer experiences. A positive customer experience is derived from service quality: this is how customers perceive the organisational service climate, which focuses on service employees' efforts and ability to deliver service quality. It is every owner or entrepreneur's duty to manage their employees to ensure that they deliver a good customer experience. This is because customers who experience great service are more likely to return to that café or restaurant.

In hospitality which provides services, the employees, particularly those who interface directly with customers, play a role in shaping service quality. A study by Bitner and Booms (1990) showed that an appropriate response from an employee could create customer service satisfaction even where there has been a failure in service delivery. They suggested that the employee has the ability to make an appropriate response, and that this ability is related to their levels of knowledge and control. These findings, therefore, have implications for the training and empowering of service employees. Redman and Mathews (1998) also noted the following:

> The role of the employee becomes much more critical since to a very real extent the employee is the service, given the absence of any tangible artefact. They carry the responsibility of projecting the image of the organisation and it is in their hands that the ultimate satisfaction of the consumer rests. (p. 59)

Managers of small firms are frequently not properly trained in HR practices. The failure does not come from a shortage of creativity or ideas, but often a dearth of day-to-day business knowledge or a reluctance to ask for help, according to feedback from a group of famous New Zealand entrepreneurs: chef, restaurateur and author, Al Brown; fashion designer, Kate Sylvester; chief executive of Moa Brewing, and chairman of Trilogy Group, Geoff Ross: and ex-cricketer and Triumph & Disaster founder, Dion Nash (White, 2014). Additionally, developing and maintaining a productive workforce is challenging when extreme competition exists in the marketplace. Small enterprises need to be specifically focused on maximising employee productivity (Patel & Cardon, 2010). Scholars have suggested that implementing HRM practices can enhance small firms' competitiveness (e.g. Williamson, Cable, & Aldrich, 2002) thereby improving their legitimacy, which might allow them to attract better qualified employees, thus increasing employee productivity and allowing them to be competitive.

In addition to the challenge of owner/manager management knowledge gaps, small firms also face the issue of high employee turnover. According to the *Small Businesses Sector Report* 2014, small enterprises tend to have higher worker turnover rates than larger firms. This is likely to be related to there being less opportunity for internal career progression in smaller firms, and may also reflect the higher proportion of part-time and casual workers employed.

In cafés and restaurants, the behaviour of employees, especially service employees, directly affects the performance of the business. Yet there is limited research on human resource management in SMEs, though it is likely to be important to customer service oriented organisations. Therefore, this present study attempts to offer a solution to the puzzle of the relationship between a bundle of HRM practices and firm performance in cafés and restaurants in Auckland and Waikato, New Zealand to provide empirical evidence extending the existing literature. It expands the strategic human resource management research in two ways by appreciation of entrepreneur as the driver of strategies in SMEs; and by showing the informal HRM practices in small- and medium-sized businesses.

1.4 Performance of small- and medium-sized enterprises (SME)

The classification of an SME varies from country to country. The OECD (2005) suggested that the most common upper limit designating an SME is 250 employees; the European Union uses this limit. Some countries set the upper limit at 200 employees, while the United States set the upper limit at 500 employees. SMEs in New Zealand are generally enterprises with 19 or fewer employees (Ministry of Economic Development, 2011). In the present thesis, SME is defined as a firm with fewer than 100 employees. Whatever the size of the business or the number of employees, organisational performance is a key concern. Businesses should properly manage their performance to remain competitive or attain a competitive advantage. Without monitoring and measuring performance, there is the potential for businesses to face serious challenges. In other words, businesses are likely to waste time and money on indicators rather than identifying strategic causes. This has become a real problem, irrespective of the size of the firm.

Peng and Jiang (2010) proposed a theory using data from 634 publicly listed large family firms in seven Asian countries (Hong Kong, Indonesia, Malaysia, Singapore, South Korea, Taiwan, and Thailand). They argued that the impact of family ownership and control on firm value is related to the level of shareholder protection personified in a country's legal and regulatory institutions. This concept would be applicable to SMEs. In addition, Terziovski (2010) found that SMEs were similar to large firms regarding the strategic drivers of their performance, and suggested that SMEs' performance could be improved by increasing the degree to which they echo large firms with respect to formal strategy and structure. A proper management system to improve the business processes and strategies could help to sustain business profitability and continuous growth.

There is a large number of small firms in the world that account for a substantial portion of total employment, and most of these enterprises fail to grow and evolve to become medium-sized or even larger businesses (Mason, 2012). A study by *Inc.* magazine and the National Business Incubator Association (NBIA) revealed that 80 percent of new worldwide businesses fail within the first five years. Across Latin American countries, the majority of small firms (mainly micro-businesses) fail to grow and become medium-sized, or even larger businesses that could reach broader markets and eventually become exporters (CAF, 2013). In the New Zealand hospitality industry, business death rates exceed birth rates, a failure also reported by Associate Professor Peter Sun of Waikato University, who pointed out that:

> Among SMEs born between 2001 and 2009, of those employing zero people - mum and dad operations - 69 per cent failed; of those employing 1-5 people, 51 per cent failed; and of those employing 6-9 and 10-19, 45 per cent had failed by 2009. (Fox, 2012)

A survey by MYBO New Zealand revealed that the amount of time required for small business owners to manage the day-to-day operation of their business has an impact on their ability to grow and reach their potential growth (Scollay, 2012). As such, small sized organisations face extensive pressures to remain in business – let alone pressures and challenges towards growing in size.

Business deaths potentially result in unemployment and loss to the economy and society. It is, therefore, essential to understand the factors that can help a business to perform, as well as to promote entrepreneurial success by creating a supportive environment. The public and private sector each have a role to play in ensuring the existence of supportive conditions, as well as rectifying the issue of access to funding, which remains the primary obstacle for entrepreneurs. The Ernst & Young G20 Entrepreneurship Barometer (2013) suggested that:

> The ideal entrepreneurial environment has five pillars: (1) access to funding; (2) entrepreneurial culture; (3) supportive regulatory and tax regimes; (4) educational systems that support entrepreneurial mind-sets; and (5) a coordinated approach that links the public, private and voluntary sectors. (p. 20)

If entrepreneurs manage, maintain and grow their businesses, they can provide employment opportunities and help to reduce social and economic costs. In the uncertain café and restaurant industry, it is therefore crucial to identify the traits, skills and motivators of entrepreneurs that lead to improved firm performance. As mentioned earlier, in small firms there is a lack of management knowledge in specialty disciplines such as human resource management. Thus, it is important to understand the role that HR practices play in the performance of small organisations, since these firms are frequently considered to be the major catalysts in formulating viable economies and increasing job creation (e.g. Kuratko & Audretsch, 2009;

Messersmith & Guthrie, 2010). High performance work systems (HPWS) are predicated on the theory that a system of HR practices (e.g. staffing, developing, and retaining a workforce) is aligned with an organisational strategy. These practices can increase organisational performance, and create competitive advantage (Huselid, 1995; MacDuffie, 1995). There are a number of studies of large firms (e.g. Appelbaum, 2000; Boxall, 2009; Giannikis, 2013; Messersmith et al., 2011; Shen, 2014) which provide empirical evidence to support links between HPWS and firm performance. It is also important to understand the mechanisms that build successful small firms. A small body of literature has suggested that management values and certain sets of practices (e.g. HPWS) may play an important role in the ultimate success of SMEs (Messersmith & Guthrie, 2010; Way, 2002), but much remains unknown.

This thesis contends that performance is related to entrepreneurship and human resource management. Uncertainty will remain with respect to the development and growth of small businesses until the drivers behind performance are better understood in terms of the right practices for operating a small business and the requirements for continuing to do business and growing sustainably over the long term. Thus, this present study explores the relationships between entrepreneurship and human resource management, and firm performance (service performance, organisation and employee behaviours and attitudes), and it does so in the context of café and restaurant businesses in the Auckland and Waikato regions in New Zealand.

1.5 Research questions

Given the research problems outlined in Sections 1.1 to 1.4 above, there is much potential for contribution. This thesis is concerned with exploring and understanding entrepreneurship (both the individual entrepreneur and the climate or culture they create), and the potential bundle/s of human resource management (HRM) practices and their relationship to firm performance within the framework of the following research questions.

1) What is the link between entrepreneurship and firm performance?
2) What is the relationship between a bundle of HRM practices and firm performance?

3) What is the link between entrepreneurship and HRM practices?
4) How do entrepreneurship and HRM work together to affect performance?

1.6 Structure of the thesis

This thesis has thirteen chapters and is structured as follows:

Chapter One provides background and overview of the research is presented: entrepreneurship in the world and in New Zealand; café and restaurant industry and regions – Auckland and Waikato; human resource management; firm performance; research questions; and structure of thesis.

Chapter Two presents an overview of the literature and the relevant theories concerning entrepreneurship, including definitions and paradigms. The conceptual framework of entrepreneurial traits, skills, and motivation used in this study is presented.

Chapter Three is an overview of the literature and the relevant theories concerning HRM, strategic HRM, and the bundle of HRM practices (high-performance work systems – HPWS). The link between the HRM practices and firm performance forms the research context. The aim of this chapter is to facilitate a deeper understanding of the nature of HPWS and its implications for firm performance.

Chapter Four presents specific literature reviews relating to HRM in small businesses, and research on the effect of entrepreneurship and HRM practices on firm performance. Additionally, it provides an overview of the literature involving the employee and organisation relationship which is used in this study.

Chapter Five describes the quantitative methodology and the interview method used to gather the data needed for thematic analysis. It begins with samples and procedures, continues with validity and reliability, pilot testing and measures and ends with the analysis of data.

Chapter Six illustrates the qualitative methodology and the method used to obtain the data needed for analysis. It begins with samples, continues with the procedures, questions and the analysis of the data and ends with a discussion of the relevant ethical issues.

Chapter Seven presents and analyses the results in respect of the univariate quantitative data. The chapter begins with dependent variable univariate statistics. Then, independent variable univariate statistic results are reported. Finally, control variable univariate statistical results are provided.

Chapter Eight analyses the bivariate statistical results in respect of the quantitative data. The chapter begins by examining the correlations between independent and dependent variables. It then presents the correlations between independent variables, correlations between dependent variables and owner/manager respondents, and correlations between dependent variables and employee respondents. It ends with correlations in demographic variables.

Chapter Nine discusses the multiple regression assumptions, covering independence of observation; linear relationship; homoscedasticity; multicollinearity; unusual points i.e. outliners, leverage, and influential points; and normality tests - graphic and numerical methods.

Chapter Ten presents the multi-variate results which were analysed using multiple regression. The chapter is divided based on four main associations: entrepreneurship as antecedent; HRM practices as predictor; combined entrepreneurship and HRM practices as antecedent; and the combination of entrepreneurship, HRM practices, and control variables as predictor for performance outcomes.

Chapter Eleven provides an interpretation of the interview data. The thematic analysis examines the data from the field research in relation to the literature. The chapter is divided into two main sections: dependent and independent variables.

Chapter Twelve presents a discussion and explanation of the key findings, and the conceptual model stemming from the analysis in Chapters Seven, Eight and Ten by comparison and contrast with previous research. The chapter is further developed and refined to explain the underlying nature of outcomes and the impact of the independent variables and ends with a discussion of the research limitations.

Chapter Thirteen draws conclusions on the key findings, the thesis contribution, and recommendations for future research. It ends with a discussion of the implications of this research for small business owner/managers and policy-makers.

Chapter Two: Entrepreneurship

2.1 Introduction

This chapter aims to provide the background that sets the stage for the entrepreneurship to be investigated. Entrepreneurship has been seen as a mystifying process. A complexity with studying entrepreneurship is that it is a consequence of social factors interacting with individuals (entrepreneurs), which varies in different situations. It is well accepted that it is a complex matter to develop a theoretical foundation for entrepreneurship (Brush et al., 2003; Bygrave & Hofer, 1991; Gartner & Birley, 2002; Gartner, Shaver, Gatewood, & Katz, 1994). Therefore, this chapter begins with the definition and paradigms of entrepreneurship, entrepreneurial traits and characteristics, corporate entrepreneurship, and examining the context of entrepreneurship and performance.

2.2 Definition and paradigms of entrepreneurship

Entrepreneurship is a complex subject that has not reached general agreement in definition. A number of scholars (e.g. Aldrich & Martinez, 2001; Low & MacMillan, 1988; Shane & Venkataraman, 2000) have agreed that a theory of entrepreneurship is difficult to formulate because of the influence of chance and the complexity of studying the confluence of entrepreneur, opportunity, and context. As such, this section offers a number of different definitions in order to provide a wide view of entrepreneurship.

2.2.1 Definition of entrepreneur and entrepreneurship

Scholars have been debating the definition of entrepreneur. The term “entrepreneur” is of French origin and means “one who takes between” (Deakins & Freel, 2006, p. 3). Knight (1921) focused on the entrepreneur’s ability to predict the future or similarly to Cantillon (written in the early 1730s and reproduced in 2015, 1931), to be considered as a risk taker. Schumpeter (1934) defined the entrepreneur’s role as innovator or a person who carries out new combinations. Kirzner (1973) linked entrepreneur and arbitrage relating to the ability to spot opportunity (for financial gain). The appreciation that the entrepreneur has an important role in economic development has been developed outside the mainstream of economic scholars (Deakins & Freel). Entrepreneurship involves “a bias toward action and a sense of urgency, but also demands patience and perseverance" (Timmons, 1999, pp. 82-83). Finally, Shane and Venkataraman (2000) argued that an entrepreneur must integrate opportunity recognition and specified that the research in entrepreneurship engages studying five unique areas: sources of opportunities; the process of discovery, evaluation, exploitation of opportunities; and the set of individuals, who find, evaluate and exploit these opportunities.

Cunningham and Lischeron (1991) presented six different schools of entrepreneurship: the great person, psychological characteristics, classical, management, leadership, and intrapreneurship schools. They summarised each of these perspectives and suggest researchers should acknowledge the contributions of these different schools in carrying out study and training on the wide range of states in which entrepreneurs are working.

First, the *great person* school assesses personal qualities of entrepreneurs by biographies (e.g., *Losing my Virginity* by Sir Richard Branson) and frequently recognises the intuitive ability of the entrepreneurs to find an opportunity and make appropriate decisions. This could help to understand the start-up stage of a firm.

Second, in the *psychological characteristics* school it is generally believed that individual's needs, drives, attitudes, beliefs, and values are principal factors of behaviours. Personality characteristics: personal value system, risk-taking propensity and the need for achievement (McClelland, 1961), have received substantial attention in the research.

Third, the *classical school* examined the differences between a manager and an entrepreneur. The key determinants of entrepreneurs are innovation, creativity, or discovery.

Fourth, the *management school* believed that "entrepreneurs can be developed or trained in the classroom" (Cunningham & Lischeron, 1991, p. 52) and suggested that an entrepreneur is a person who organises or manages a firm undertaking, assuming the risk for the sake of profit (*Webster's Third New International Dictionary*, 1966).

Fifth, the *leadership school* considered that a successful entrepreneur must also be a successful leader, who is a people manager in the way that s/he motivates, directs, and leads people (Kao, 1989). This leadership school concerns the great person and how a leader gets missions accomplished and reacts to the requirements of people (Hemphill, 1959). Entrepreneurial leadership involves more than personal traits or management style, it includes skills for preserving organisational personal relationships, and developing a human resource system (Kao, 1989).

Sixth, the *intrapreneurship* school relates to innovativeness and competitiveness within an organisation, sometimes labelled as corporate entrepreneurship. Intrapreneurs can behave as entrepreneurs and implement their ideas in semi-autonomous units without themselves becoming owners.

Additionally, Timmons (1999) mentioned varieties of entrepreneurs, including angel investors or harvested entrepreneurs, who privately invest in the succeeding generation of entrepreneurs, and lifestyle entrepreneurs who prefer convenience to way of life. As such, there may be a different type of entrepreneur who simply invests in other entrepreneurs and makes their money through financing the best opportunities of other entrepreneurs.

Table 2.1 below shows some key definitions of entrepreneur in chronological order, and it shows that there is repetition in the entrepreneur definition i.e. risk taker, innovator, and seizing opportunity.

Table 2.1 Selected definitions of entrepreneur

Entrepreneurial Model	Definition	Source
Classical	risk taker	Cantillon, 1755
Classical	person who co-ordinates resources	Say, 1816
Classical	risk taker	Knight, 1921
Classical	innovator and may not involve ownership	Schumpeter, 1934
Management	alert to opportunities	Kirzner, 1979
Classical	can be defined through the act of finding a business (or more than one)	Gartner, 1985: Westhead & Wright, 1998
Management	must incorporate opportunity recognition	Shane & Venkataraman, 2000

Source: adapted from Cunningham & Lischeron, 1991; Howorth, Tempest, & Coupland, 2005.

In considering the many definitions of an entrepreneur, it is difficult to separate the characteristics of the entrepreneur from their actions; where they are from, and what they do (Howorth et al., 2005). Several personal characteristics of founder entrepreneurs (Anna, Chandler, Jansen, & Mero, 2000; Cartwright, 2002; Chaganti & Greene, 2002), the source of opportunities in the market (Boyd, 2000; Chandler & Hanks, 1994a; Dimov, 2007; Ekanem & Wyer, 2007), and the method in which these opportunities are most usefully exploited (such Zarrugh, 2007) have been identified. Entrepreneurs are viewed as organisers of resources with their ability to access resources potentially leading to success (Casson & Godley, 2005). This vast array of what 'makes' an entrepreneur creates the challenge in understanding entrepreneurs.

Some researchers have made a distinction between entrepreneurs and others, such as small firm owners, firm managers etc. Freel and Robson (2004) suggested that small-firm owners' centre of attention is on firm durability and sustainability while entrepreneurs make best use of profit and generate new employment (Soriano, Dobon, & Tansky, 2010). This difference is somewhat problematic since a small business owner, or an entrepreneur, could create new employment whilst focusing on firm sustainability.

Baron (2004) in order to compare managers and entrepreneur suggested asking the following fundamental question: Why do some persons but not others choose to become entrepreneurs; recognise opportunities for new products or services that could be profitably exploited and have more success than others? On one hand, Hagen (1960, cited in Low & MacMillan, 1988) proposed that minorities set up an entrepreneurial venture to overcome a disadvantaged situation. On another hand, Baron proposed that entrepreneurs might be inclined to outline many situations in terms of losses and start businesses so as to not lose opportunity to succeed. Kahneman and Tversky (1979) argue that individuals frame many situations which relate to negative options prior to making a decision.

The decision to become an entrepreneur could also be influenced by several reasons, such as the optimistic bias and the illusion of control. For example, the assumption that things will turn out fine is likely to be found in persons who choose to become entrepreneurs (Baron, 2004). As noted earlier, the failure rate of businesses in the café and restaurant industry show that success is not a given. Baron suggested that it appears that some individuals may have an entrepreneurial alertness that helps them in their search for and recognition of opportunities. Also, successful entrepreneurs are likely to be better avoiding deceptions such as sunk costs. This might come from analytic systematic processing of information thinking which enables entrepreneurs to be more innovative in creating strategies.

Howorth, Tempst and Coupland (2005) proposed that paradigm interplay could provide an insightful definition of entrepreneurship research, and noted that an entrepreneur could not be separate from what they do. They suggested using contrast and connection of frameworks of the philosophy of social science and the nature of society (Burrell and Morgan, 1979), and of alternative paradigms in organisation theory (Alvesson and Deetz, 2000). The first principle is based on two continuums: (1) subjectivist – objectivist and (2) radical – regulation, which results in four paradigms: functionalist, interpretivist, radical humanist and radical structuralist. The later basis is in relation to dominant social discourse and the origin of concepts, which provides four perspectives: normative studies, interpretive studies, dialogic studies and critical studies.

Entrepreneur has been interpreted in several ways, as well as entrepreneurship being viewed as a multifaceted topic that has not reached general agreement in definition. It is problematic to separate characteristics of the entrepreneur from their accomplishment. In other words, it is difficult to distinguish between what they are and how they act, and requires understanding as a whole. Wagener (2010) analysed data from 194 business owners in the hospitality industry. He found that, compared to other business owners, entrepreneurs were more independent, more tolerant of ambiguity, more risk-taking, more innovative, and had more leadership qualities. However, once again, this was a matter of degree, as entrepreneurs and non-entrepreneurs do not form neat binary categories. Thus, in this present research, those who participated in the study are business owners, who founded the organisations and managed them in order to seize an opportunity in café and restaurant business. They are also entrepreneurs because they are imbued with the entrepreneurial spirit.

2.2.2 Paradigms of entrepreneurship

There are a number of perspectives from which to view entrepreneurship. According to Low and MacMillan (1988), entrepreneurship can be viewed from two main theoretical approaches: (1) strategic adaptation and (2) population ecology. The theory of strategic adaptation has usually identified key success factors that enhance the chances of survival, entry strategies and key failure factors.

Most entrepreneurship research has assumed this perspective of individual entrepreneurs who identify opportunities, develop strategies, assemble resources, and take initiatives. Generally, the studies of entrepreneurship focus on the personality or cultural background of the individual. Researchers have studied entrepreneurs who are founders or creators of an organisation. A large number of multi-disciplinary studies attempt to provide clarification of entrepreneurship and entrepreneur. Psychological theory provides a stream of research focused on personality characteristics such as need for achievement, locus of control, high risk-taking propensity, and tolerance for ambiguity. Demographic studies of entrepreneurs suffer from the same problems as psychological studies. Social-cultural theories suggest that certain cultures produce entrepreneurs. For example, Weber (1930) observed the effect of the Protestant work ethic and the spirit of capitalism on the extent to which more Protestants achieved high economic success than Catholics. Weber stressed the difference in the ethical values associated with Protestant and Catholic teachings. The findings of socio-cultural theories are mixed since network theories place an entrepreneur within a social context whilst entrepreneurs rely heavily on informal rather than formal networks. Recent research (e.g. Cardon et al., 2009; Ganco & Agarwal, 2009; Kuratko & Audretsch, 2009; Tan, 2008) focuses on the relationship between entrepreneur, organisation or environment, and strategic variables or the process by which individuals affect organisational outcomes such as performance. Most research in entrepreneurship focuses on a single level (individual, the firm, the industry, or society).

The second perspective takes a population ecology perspective. It suggests that firms which are well adapted to their environment will survive, similar to biological survival of the fittest. Through a natural selection mechanism, the environment will regulate the characteristics of population of organisations. For example, Greenfield and Strickon (1981) proposed using Darwinian biology to explain entrepreneurship. Organisational births are better explained by macro-variables such as technology and demographic shifts. Survival of entrepreneurial firms could be better explained by micro-variables such as strategy for surviving. As the strategic adaptation approach is limited, and some aspects of population ecology may enrich and improve understanding of entrepreneurship research (Low & MacMillan, 1988). For example, Aldrich (1990) focused on the environmental conditions that create variations in the number of new firms established over time. He found that rates for new firms were directly related to the quantity of failures and the quantity of prior start-ups in a population, and considered important to new firm establishment was rising density which is an increase in the quantity of firms within a population. Therefore, new firm creation was highly dependent upon the populations in which firms are attempting to develop.

Then, the population ecology approach was extended by Aldrich and Martinez (2001) to the evolutionary approach. The evolutionary approach encompasses the creation of new organisational structures (variation), the way entrepreneurs modify their organisations and resources to survive environmental changes (adaptation), the circumstances under which such organisational arrangements lead to success and survival (selection) and the way in which successful arrangements tend to be imitated and perpetuated by other entrepreneurs (retention). It has been proposed that there are distinctions between innovation and reproduction in entrepreneurial activities. The researchers also showed that innovation and entrepreneurship are not necessarily coupled and that entrepreneurs are subject to the same social pressures and constraints as other individuals.

Early entrepreneurship research generally focused on the personality or cultural background of the individual entrepreneur as a factor of entrepreneurial behaviour. The psychological characteristics school or entrepreneurial approach has identified certain personality characteristics or traits in individuals that seem to be possessed by successful entrepreneurs. Low and Macmillan (1988) also suggested examining the trend toward more contextual and process-oriented research by focus. Similarly, to Low and Macmillan's specification of focus in entrepreneurship, Deakins and Freel (2006) basically suggested the theories explicating entrepreneurial process by sources of contribution, which are economic approach, psychological trait approach, and a social-behavioural approach. Firstly, the contribution of economic theorists (e.g. Casson & Godley, 2005; Kirzner, 1973; Knight, 1921; Schumpeter, 1934) is on the influence of the entrepreneur in economic development and the economic theory application. Secondly, psychological theories or psychological trait approach has an emphasis on personality characteristics or traits of the entrepreneur. More detail of psychological traits and characteristics is provided later in section 2.3. Thirdly, a social-behavioural approach or social-cultural theories make an effort to link entrepreneurship to social context, such as the classic Weber's book *The Protestantism and the Spirit of Capitalism* (1930) which states a propensity of specific cultures influencing entrepreneurs and this appears to view culture as a basis of entrepreneurship. Hagen (1960) clarified that disadvantaged minorities find an alternative to status quo by taking an entrepreneurial channel. Brenner (1987) argued that an entrepreneurial risk is taken by group of those who have dropped in their social status. Some examples are the Jew communities in many countries and the Samurai in Japan (Greenfield & Strickon, 1981). However, some empirical evidence shows that not all entrepreneurs are results of hardship backgrounds (e.g. Shapero & Sokol, 1982). Therefore, it could be claimed that in some cases entrepreneurship is a reaction to lacking social movement through other paths. A social-behavioural approach is focused on the influence of the social environment and personality traits. Low and Macmillan (1988) further suggested the network theories (formal and informal networks) as more refined endeavours to engage the entrepreneur within a social setting. Aldrich and Zimmer (1986) expanded on this, arguing entrepreneurial process as being embedded in a changing network of ongoing social relations which enable and restrain connection between entrepreneur, resource and opportunities.

In addition, Austin, Stevenson and Wei-Skillern (2006) argue that there could be three conventional approaches to entrepreneurship research: (1) the economist approach, (2) the psychological and sociological approach, and (3) the entrepreneurial management process approach. This suggestion varies slightly from Timmons and Low and Macmillan as a proposed entrepreneurial management approach. The economist stream examines the impacts and results of entrepreneurship as mention earlier. The second stream is a psychological and sociological view, which focuses on entrepreneurs themselves and will be detailed in a later part of this chapter. The last stream emphasises the entrepreneurial management process, which ranges from research on start-up and venture capital, how to nurture innovation within established firms, organisational life cycles, and factors of entrepreneurial success (Austin et al., 2006).

Overall, it can be seen that it appears that the literature of entrepreneur definition and paradigms are interrelated and potentially interchangeable. The personal assessment of an entrepreneur's values, and those of entrepreneurial traits might assist in explaining the decision making and redirecting of organisations in competitive situations like the present time. Due to the varied nature of these differences it is beyond the scope of this thesis to explore all the potential theories and avenues of entrepreneurs. This literature is developed more in below section.

2.3 Entrepreneurial traits, skills and motivation

From 1961 to 1990, entrepreneur personality traits, organisational factors and environmental factors have been researched as causes of new venture success, but only weak effects were found (Aldrich & Wiedenmayer, 1993). Some of personality traits become noticeable; they are not signified as being for only entrepreneurs. For example, some abilities and skills could be applied to both thriving entrepreneurs and successful managers. Original research was carried out by McClelland (1961), who identified key competencies of successful entrepreneurs. McClelland argued that the key psychological characteristics of entrepreneur needed for achievement is gained through culture. Later on McClellend (1986) studied other personality characteristics such as initiative, assertiveness, efficiency orientation, systematic planning, and commitment to work contract. This is problematic, as the need for achievement and other personality characteristics is not unique to the entrepreneur but rather common to successful individuals. Brockhaus (1982) concluded that another characteristic, which is locus of control, has proved no more useful to distinguish entrepreneur from the non-entrepreneur.

In his research, Johnson (1990) concluded that less than seven percent of the variance in new firm performance was explained by the need of achievement whereas the need of achievement was the most significant trait predictor. Aldrich (1990) proposed to change from a traits approach to a rates approach by using an ecological perspective, which emphasised the organisation's salience as the primary constituent of environments. Timmons (1999) added innate attributes of entrepreneurs: high energy coupled with emotional stability, creative and innovative ability, conceptual ability, and vision combined with a capacity to inspire.

On contrary, the traits' weak effect was unpredicted because entrepreneurs themselves specified that entrepreneurs' personal characteristics are a prime reason of success (Sexton, 2001). Some empirical research findings support the psychological theory approach. For example, Caird has developed the General Enterprising Tendency (GET) test used by Durham University Business School.

Cromie (2000) did test the GET as a composite instrument for assessing entrepreneurial tendencies and found it useful for practitioners and academics. Sexton and Bowman (1985) found a moderate level of risk-taking propensity in entrepreneurs that did not differ from managers and general population, but entrepreneurs have the ability to manage high risk situations. The study which focuses on the relationship between entrepreneur and the organisation and on the process by which entrepreneur's characteristics affect organisational outcomes, has a significant implication than simply focusing on the entrepreneurial traits (Low & MacMillan, 1988). Schein (1983) studied the role of the founder entrepreneurs within an organisation in the way that they create organisational culture, and the process through which the entrepreneurs interrelated with their organisation involvement to determine culture.

Psychology-based studies have restored the importance of entrepreneur's personal characteristics as predictors of success by an extended focus on traits to research on competencies, motivation, cognition and behaviour (Baum, Locke, & Smith, 2001b; Busenitz & Lau, 1996; Mitchell, Smith, Seawright, & Morse, 2000). Baum et al. (2001b) in their longitudinal two-year research argued that personal characteristics were insignificant for new firm performance, and failed to identify the indirect effects and personal characteristics other than traits. Baum and Locke (2004) expanded their research to include entrepreneurial traits and skills: passion, tenacity and new resource skills, and situational specific motivation, which measures communicated vision, self-efficacy and goals. They thoroughly reviewed other traits and motives which were frequently referred to by leading researchers and entrepreneurship theorists as significant for success. Secondly, they reviewed the traits, rejected those trait candidates which yielded discouraging results in entrepreneurship or leadership quantitative research, and selected those candidate traits which enabled individuals to cope with competition as business nature. Ultimately, Baum and Locke found that goals, self-efficacy and communicated vision had direct effects on firm performance and these factors mediated the effects of passion, tenacity, and new resource skills on subsequent firm growth.

In a meta-analysis, Raunch and Freese (2007) found positive relationships between business owners' personality traits (self-efficacy, and need for achievement), business formation, and success. Their study concluded that investigating personality traits, such as passion for work and tenacity (Baum & Locke, 2004), provided a good grounding for entrepreneurship research. Scholars in this area have addressed processes and conditions affecting the link between personality traits and entrepreneurial behaviour. These areas should be explored in future research.

A recent study by Baron, Mueller, and Wolfe (2016) used Baum and Locke's traits (self-efficacy, and goal). They found that entrepreneurs, who are high in self-efficacy, had a tendency to set goals that are unrealistic; and the relationship between goal difficulty and business performance is curvilinear (inverted U-shape).

The following traits, skill and situational specific motives (passion, tenacity, new resource skills, communicated vision, self-efficacy and goals) are adopted in the present study based on Baum and Locke (2004) as these seemed promising in a variety of factors and in terms of entrepreneurship theoretical support (Baum & Locke, 2004; Locke, 2000) as predictors of firm performance. Furthermore, no study within the café and restaurant industry has utilised these constructs providing an additional contribution to the wider literature. This present thesis is explored these six factors in some detail below.

Passion for work has had limited empirical research (Baum & Locke, 2004) whereas love of one's work had been identified in a number of qualitative studies. Baum and Locke (2004) believe that entrepreneurs who have passion or a genuine love of their work have the tenacity to pursue their goals, given the many challenges that they would confront. Bird (1989) pointed out that entrepreneurial behaviour was "passionate, full of emotional energy, drive, and spirit" (pp. 7-8). Smith (2000) stated that "Passion will take you anywhere, reward your singularity with success, fame and inevitably, riches" (p. 94) and the passion quality has been proven for many of New Zealand's business leaders and entrepreneurs. Locke (2000) identified passion as a core trait of great wealth creation. They assessed passion for work as similar to the emotions of love, attachment, and belonging. Passion can be seen over time in the long hours worked during the business start-up and growth phase and in the propensity for entrepreneurs to take their firm's successes and difficulties as personal events (Cardon, Zietsma, Saparito, Matherne, & Davis, 2005). As such, entrepreneurs with less passion might give up before their venture is successful, while an entrepreneur high on passion, with a love for their venture, might work long and hard to see their idea become a reality.

Entrepreneurs are passionate about their business and the determination involved in starting the business. Passion keeps entrepreneurs continuing working, even on the days when they may not feel like working (Chang, 2001). Baum and Locke (2004) established that passion had an indirect correlation through the traits of communicated vision, goals and self-efficacy and could be used to enhance each of these entrepreneurial traits. In addition, Haar, Taylor and Wilson (2009) studied a high level of owner passion in a sample of 146 owner-managers as well as the same dimensions reported by a sample of 124 employees from the same firms in the New Zealand context. The results of this study suggested that an owner's passion played a significant role in the development of entrepreneurial culture within their firms. Given that studies New Zealand context it also aligns well with the current thesis study, although that study did not include any businesses within the café and restaurant industry.

Tenacity has been repeatedly recognised as an entrepreneurial trait relating to the perseverance or endurance involved in facing market entry barriers when starting up, and sustained goal-oriented action and energy to confront difficulties. Tenacity has been recognised consistently as an entrepreneurship trait because business involves the confrontation of obstacles, especially in the start-up stage. Hence, one important factor that enables entrepreneurs to work through the problematic issues of start-up and operation is their tenacity and ability to not give up. Entrepreneurs, who hold on to their goals and do not wish to give up, increase their opportunity of start-up survival and success (Timmons, 1999).

Baum and Locke (2004) found no direct effect of tenacity on venture performance, but proposed that this trait may rather have indirect effects on performance rather than direct effects. Recently, there a survey research from 1,500 participating entrepreneurs in Malaysia confirmed that tenacity is one of the factors which is vital to the success of native Malaysian entrepreneurs (Abdullah, Hamali, Abdul, Saban, & Abg Zainoren, 2009). Hence, there is international support for this trait beyond a typical western approach, such as the United States by Baum and Locke (2004) and Haar et al. (2009) in New Zealand. Though it is a commonly held perception that tenacity or perseverance is necessary to successfully start and operate a firm, the perseverance process and tenacity strategies have received little research attention (van Gelderen, 2012).

New resource skills or organisational skills as studied in Baum et al. (2001b) was defined as the capability to obtain and systemise the functioning of required resources to start and develop a business. Finding capital and human resources and setting up new operations and new systems are exhibited as entrepreneurs' new resource skill (Bhide, 2000). A thriving entrepreneur has to recognise how to search for and acquire resources, both financial and human, while facing resource shortages, extreme uncertainty and new markets (Bhide, 2000; Smith, Smith, & Bliss, 2011). Entrepreneurship has been designated as the acquisition, merging, and redeployment of resources to provide new products and services through new firms to new markets (Bygrave, 1993). For example, a founder of a leading growth firm demonstrated new resource skill when he persuaded the manufacturer to give him the prototype machine and a year of free factory supervision plus maintenance in exchange for three years of promotion to show the new machine to potential buyers (Baum & Locke, 2004). The study by Baum and Locke was claimed to be the first empirical study of new resource skill in entrepreneurship. They found that new resource skill encouraged more challenging visions, higher goals and self-efficacy. New resource skill was significant for entrepreneur's motivation and motivation factors were a direct predictor of firm growth in their research because skill is acquired through experience. Their findings could support an insight into why consecutive and habitual entrepreneurs were more reliable founders of successful businesses (Wright, Westhead, & Sohl, 1998).

Communicated vision was believed to be a major factor because vision is a content of motivating high firm performance (Baum & Locke, 2004). Vision is a projected concept or intellectual image of what a leader desires to accomplish (Bass & Stogdill, 1990) and can be informal or formal or even confidentially held. Vision is also a motivational general goal. An entrepreneur has a vision of the organisation that s/he wants to create which includes reflections of growing businesses, reputation, and personal prosperity (Bird, 1989). Communicated vision could enable support for entrepreneur and employee goals. An empirical study of vision content by Larwood, Falbe, Kriger and Miesing (1995) suggested that the amount of executive control over their firms and the rate of organisation change were related to the content of vision, but they did not study the relationship of vision content to firm performance. Other laboratory studies were about independent effects of vision upon task performance (Howell & Frost, 1989; Kirkpatrick &

Locke, 1996). Baum and Locke (2004) were the first to suggest that communicated vision was independently and quantitatively related to performance over a multiyear period. They further proposed that vision not only had a direct effect on growth but also an indirect effect through specific goals.

Self-efficacy signified a confident sense of capability which an entrepreneur draws from experience and business achievement. In social cognitive theory, Bandura (1997) defined self-efficacy as particular task self-confidence. Self-efficacy also refers to individual's opinion of him/herself being able to attain a goal. For instance, empirical research shows that high self-efficacy is fundamental in most human performance including efforts at attaining high academic achievement and social influence (Bandura, Pastorelli, Barbaranelli, & Caprara, 1999) and, most importantly, upon organisational performance (Bandura, 1997). Furthermore, entrepreneurs who are more confident about their entrepreneurial abilities may achieve business growth in an entrepreneurship setting in which the outcome is uncertain (Baum & Locke, 2004). For example, persons high in self-efficacy not only prefer challenging situations, they also show higher staying power in those pursuits (Bandura, 1997). Therefore, it is probable that entrepreneurs who have high self-efficacy will outperform entrepreneurs with lower levels of self-efficacy: similarly, because the incentive to act is highest when entrepreneurs believe that their actions (e.g., starting a new venture) lead to achievable outcomes (e.g., successful business). High self-efficacy is an important determinant of successful entrepreneurial behaviours, but overconfidence could be risky if it is based on invalid conditions and assumptions (Baum & Locke, 2004).

Goals were considered to be significant factors in firm growth and new business survival. Goal-setting theory was first introduced into industrial-organizational psychology by Vroom (1964). Substantial research on goal setting shows that challenging goals (ones that are difficult and specific) boost performance on many diverse tasks (e.g., Latham & Locke, 2006; Locke & Latham, 2013). Entrepreneurship scholars cited "goals as important factors in venture growth and new venture survival" (Baum & Locke, 2004, p. 590). The independent effects of goals among entrepreneurs that were tested by Baum and Locke (2004) exhibited the positive effects for goals, which was consistent with the results from other performance studies. However, they cautioned that goals could lead to disaster when risks were foolish.

2.4 Entrepreneurship and performance

Firm performance is multifaceted because “performance is a multidimensional concept” (Rauch, Wiklund, Lumpkin, & Frese, 2009, p. 765). Performance can be measured in various ways, but in essence, categories of performances are financial and non-financial or operational parameters. First, financial indicators are, for example, sales growth, profitability, return on investment, return on sales, return on equity, earning per share, market or value based indicators such as market-to-book and stock-market returns. Second, non-financial parameters, or operational indicators, range from market-share, new product introduction, product quality, marketing effectiveness, manufacturing effectiveness, technological efficiency, and human resources, growth in the number of employees and turnover rates of employees.

In the last three decades, there have been studies on small firm performance, which were mostly focused on financial performance (e.g. Birley & Westhead, 1990; Bracker, Keats, & Pearson, 1988; Richard, Barnett, Dwyer, & Chadwick, 2004). However, while some studies enjoy database access (particularly so for large firms) and thus are able to test financial performance with actual data. However, this approach is not the norm and thus financial performance can also be predominately perception based (such as compared to entrepreneurs nearest competitors, e.g., Spanos and Lioukas, 2001).

Venkatraman and Ramanujam (1986) suggested ten approaches in two dimensions for measuring business performance from a strategic viewpoint. The first dimension concerns the use of financial versus broader operational criteria, while the second focuses on two alternative data sources - primary versus secondary (Venkatraman & Ramanujam). For example, research by Masakure, Henson and Cranfield (2009) on microenterprises in Ghana suggested that the firm performance in profits depend on in-firm specific resources, which are echoed in the characteristics of the entrepreneur and the enterprise itself over and above the location, sector, market condition and business milieu which it operates.

Jogaratnam, Tse and Olsen (1999) attempted to predict and validate the relationship between entrepreneurship and performance in the US restaurant industry by a questionnaire mailed to a random sample of 1,500 owners/general managers with a response rate of 20.7 percent. They explored the entrepreneurial strategic positions which are associated with high and low performance among restaurants. Performance was the dependent variable, and the dimensions of entrepreneurial strategic posture were designated as the independent variables. The outcomes show that:

> …certain competitive methods and business practices are more strongly related to high performers than low performers. Exploring relationships between entrepreneurial strategic posture and performance is of value, and it is timely given the mature as well as increasingly complex and uncertain environmental conditions faced by entrepreneurs in today's ever more competitive economy. (Jogaratnam et al., 1999, p. 339)

2.5 Conclusion

For over twenty years, much of the entrepreneurship literature has focused on defining entrepreneurship and identifying individuals' motives for becoming an entrepreneur (e.g. Allen, Langowitz, & Minniti, 2006; Bygrave & Hofer, 1991; Carland, Hoy, Boulton, & Carland, 1984b; Cartwright, 2002; Casson & Godley, 2005; Davidsson, 1989; Dean, Shook, & Payne, 2007; McGrath, MacMillan, & Scheinberg, 1992; Stevenson & Gumpert, 1985; Zahra, 2007). After that, the emphasis of entrepreneurship research shifted from the entrepreneur to the entrepreneurial process as academics agree to develop a better theory of entrepreneurship (Davidsson, Low, & Wright, 2001; Gartner, 2001; Low, 2001; Shane & Venkataraman, 2000). However, as a small body of literature suggested that management values and practices may play an important role in the ultimate success of small- and medium-sized firms much remains unknown (Messersmith & Guthrie, 2010; Way, 2002).

Additionally, there is much to explore and to understand around the integration of entrepreneurship and the influence of human resource management on firm performance by the investigation of multiple firms in a single industry. This could provide a specific context and allow insight into multi-levels of research data in the individual (entrepreneur) level and the organisational outcome level. Furthermore, entrepreneurship has received much attention as a research topic, yet there lingers doubt as to what it really means to be an entrepreneur. In this present research, entrepreneurship is simply defined as the creation of new enterprise (Low & MacMillan, 1988).

The present research is focused on small organisations, which represent the majority of New Zealand businesses, without addressing the issues of *Who* is an entrepreneur? and *Which* firms are entrepreneurial? Shane and Venkatraman (2000) suggest that, to explain entrepreneurship, researchers should focus their attention on individuals and opportunities while also taking into account the environmental effects. Therefore, rather than simply analysing the connection between entrepreneurship and HRM practices, this present research has attempted to examine the following issues: firstly, under which conditions entrepreneurial factors (including traits, skills, and motivation) impact on organisational behaviours and firm performance; and secondly, how HRM practices are used as an entrepreneurial instrument to manage human resources by the participants in this study. The next chapter explores the literature in more depth regarding HRM.

Chapter Three: Human resource management (HRM)

3.1 Introduction

Human resource management originated from the human relations movement in the early twentieth century due to research by Frederick Winslow Taylor in the 1880s and 1890s. Taylor's philosophy of scientific management (Taylorism) implies a scientific way to managerial decision making, and aims to increase efficiency (such as standardisation in the design and use of tools which had shown to be the most effective in a given context). Rather than the tradition approach (e.g. rule of thumb, personal opinion, or hearsay), Taylor's scientific management is based on proven fact (e.g. research and experimentation) (Locke, 1982). It was one of the earliest efforts to apply science to management. His theory analysed and synthesised workflows with the objective to improve economic efficiency, especially labour productivity. The principle of scientific decision making and techniques such as time study, standardisation goal setting, money as a motivator, scientific selection, and rest pause have been accepted in contemporary management.

One of the key aspects that concerned Taylor was the relationship between management and labour. One of the extensions of scientific management in relation to task is the technique of management by objectives (MBO) which developed more openly from the concepts of feedback, performance measurement, and cost accounting. Another widely used term is organisational behaviour modification involving goal-setting with feedback. Taylor anticipated that specific (quantitative)) challenging goals lead to better performance. The tasks were assigned and set by time study to be achievable only by trained his first class workman (Locke, 1982). Taylor also argued that employees should learn their skills from the manager and objectively evaluate training. According to Locke (1982), the key difference between Taylor's and Mayo's views was on the interests of management and the worker. Taylor viewed a problem as caused by poor management which could be reduced by scientific management, whereas Mayo viewed it as a reflection of an ingrained human need.

After that, Elton Mayo is known as having pioneered the influence of human relations or social factors on worker motivation and is known for his Hawthorne Studies of the 1930s. The study showed the significance of groups in affecting the behaviour of individuals at work. He carried out a number of examinations to improve productivity; for example, changing lighting conditions in the workplace. However, he found that work satisfaction depended on an informal social pattern within the work group where norms of cooperation and higher output were established because of a feeling of importance, whereas physical conditions or financial incentives had little motivational value. He suggested that the work group formed by employees could be used by management to advance the organisation. In short, the Hawthorne Studies found that motivations where unrelated to financial compensation and working conditions, whereas attention and engagement yielded more productive workers.

Concurrent studies, such as those by Abraham Maslow, Max Weber, and Frederick Herzberg, formed the basis for studies in organisational behaviour and organisational theory, giving rise to this applied discipline. By the time sufficient theoretical evidence existed to make a business case for workforce management, changes in the business setting and in public policy had transformed the relationship of employer and employee, and the discipline was formalised under the label *industrial and labour relations*. During the second half of the twentieth century, union membership declined significantly, while workforce management continued to expand its influence within organisations. Industrial and labour relations were being referred specifically to issues concerning collective representation, and many firms began referring to the profession as personnel management.

Drucker (1954) initiated the thought of an employee as a human resource, which has unique quality because only a human resource can be utilised by itself: other resources must be utilised by managers. He proposed constructive actions to promote employee motivation and to generate jobs that challenge and grow employees because the personnel management of his day did not meet expectations. Four years later, Bakke further explained why the human resource function went beyond the work of the personnel or industrial relations function (Marciano, 1995). According to Marciano (1995), “from 1965 until 1970, the terms human resource or human resource management (HRM) do not appear to have been much used in academic writing” (p.224) but the idea had been well accepted in management circles. Then during the mid- to late 1970s, the definition of HRM changed and was taken from personnel management and re-theorised in the 1980s (Marciano, 1995). For example, the most influential theory by Beer, Spector, Lawrence, Mill and Walton (1984) viewed HRM as the study of management decisions and actions which impact the relationship between the organisation and workers. HRM outcomes are commitment, competence, congruence, and cost effectiveness. After the late 1980s, the British adopted HRM and critiqued it. HRM exists in several versions today, and has become a legitimate field of research in its own right (Marciano, 1995).

In the twenty-first century, advances in transportation and communications greatly facilitated mobility and collaboration of workers. Firms started viewing employees as assets which were unique and sources of competitive advantage, rather than machine-like devices. HRM practices appear to ensure that employees get involved in the organisation activities and work hard to achieve the business objectives and goals. The essence of HRM is to organise and manage the human resource in an organisation.

A Kotey and Slade (2005) finding shows that as the number of employees increases, there is a move toward division of labour, hierarchical structures, increasing documentation, and more administrative practices. They also found that HRM practices in small firms cannot be explained by static models, and that the variety of small firm practices are related to various firm sizes. Similarly, Aldrich and Ruef (2006) further illustrated that large organisations have HRM departments for selection, and a distinction between employees and non-employees in selection. Recruiting and HRM practices are expected to become more formalised and impersonal as businesses grow and age.

This chapter begins by reviewing strategic human resource management literature and its theories. Then, the links between HRM practices and firm performance are identified, followed by consideration of best practice under high performance work systems (HPWS). HPWS is defined, and detailed, providing the empirical evidence of research in relation to small- and medium-sized organisations. The chapter concludes with a summary.

3.2 Human resource management in hospitality

Hospitality has gained more interest through industry-specific human resource studies and publications (e.g. Hoque, 2000; Lucas & Deery, 2004; Nickson, 2013). The hospitality industry has been known for inadequate human resource management practices (Ogbonna & Harris, 2002; Ritzer, 2007), while it depends heavily on the commitment, behaviour, and performance of its employees. In particular, the hospitality industry is recognised as having high staff turnover rates (Lucas & Deery, 2004), which has its roots in poor management and poor training of the workforce, with the negative consequences being increased employee costs (Cho, 2006) and inconstant customer service (Davidson et al., 2011).

Lucas and Deery (2004) reviewed more than 100 published papers during 2002 and 2003, and found that the research in HRM in hospitality mirrors what has been ascertained in mainstream HR research and theory, focusing around general HRM, employee resourcing, employee development and employee relations. However, the exclusive topics in hospitality such as emotional labour, and emotional intelligence were borrowed by the mainstream HR. HRM in the hospitality sector literature tends to focus on services in rather large [from a New Zealand perspective] organisations, for example, hotels (Haynes & Fryer, 2000; Hoque, 1999), and publicly traded hotel and restaurant companies with more than 100 employees (Cho, 2006).

Within the service sector, an appropriate management approach is to differentiate customer-orientation (Bowen & Basch, 1992) and service operational types (Heskett et al., 1990). The service is highly customised, and the degree of internal control exercised by an employer is relatively high for the hospitality industry. Haynes and Fryer (2000) identified the pattern of human resource management models as 1) involvement, 2) professional, 3) participative, and 4) command and control. Their research showed that HRM was not only customised in the intangible element of the service offer, which reflects the emphasis on customer satisfaction in the manager interviews, but was also highly standardised in the tangible element, reflecting the strong branding of an international luxury hotel chain.

3.3 Strategic human resource management (SHRM)

Intangible resources (e.g. reputation, networks and intellectual property), as well as capabilities, for example, knowledge (articulable or tacit), organisational culture, skills and experience (Masakure et al., 2009) are prone to create a competitive advantage as they are frequently rare and socially complex, therefore making them inimitable (Barney, 1991). The firm’s key resources, or assets, and their value are reflected in superior performance of the firm. Strategic human resource management suggests that human resources can be considered as key resources and are linked to firm performance. Strategic human resource management scholars have also constantly proposed that organisational level practices are not, in and of themselves, the source of competitive gain, but rather it is the people who are selected, developed and retained via these human resource management practices that stand for the real resource and facilitate a sustainable advantage over industry competitors (Wright & McMahan, 1992).

Boxall and Purcell (2008) stated that "strategic human resource management literature has increasingly been influenced by a branch of strategic management known as the resource-based view of the firm" (p.85). SHRM literature's argument is based on a resource-based view that probably more than any other resources, the human resources meet the criteria of unique, valuable, rare, inimitable and non-substitutable, and is a consequently useful way in which to advance and develop (Wright, Dunford, & Snell, 2001). The following paragraphs are taken from selected literature to provide some definition of what SHRM is.

Wright, McMahan, and McWilliams (1994) addressed the idea that there were four criteria for a sustained competitive advantage source which relied on the assumptions of individual ability being normally distributed: value, rarity, inimitability, and irreplaceable by technology. Firstly, a human resource must provide value to the firm which requires a heterogeneous demand for labour. Secondly, a resource must be rare, which human resource with high capability levels is, by designation. Thirdly, a human resource must be inimitable by using the concepts of unique holistic conditions such as social relationships or unique historical conditions. Lastly, a resource must not have replacements, for example, it must be impossible to substitute with technology (Wright & McMahan, 1992).

Lundy and Cowling (1996) raised a point on the distinction between 'necessary' and 'sufficient' condition for strategic change since SHRM is related to defining and implementing "the 'necessary' HR strategies for survival and success, but cannot be expected to supply, 'sufficient' conditions to achieve these aims" (p.166). For example, Haynes and Fryer (2000) proposed that HRM strategies shifted from a more traditional hotel management approach integrating components of the "command and control style" towards a greater dependence on an internal control approach with more customised choice.

Lepak and Snell (1999) argued in their human resource architecture concept that a resource-based view of the firm highlights the strategic importance of knowledge-based competencies. This view has a direct relation to achieving and sustaining a competitive advantage. They suggested that core competencies should be developed internally while others may be outsourced. The core competencies are "those that are valuable, rare, inimitable, and non-transferable" (p. 34).

Colbert (2004) suggested there are two SHRM basic statements. The first is that human resources in organisations are strategically significant and have the potential to provide both establishment for strategy formulation and the method for strategy execution. The second is that the instrument to develop strategic competency of organisational human resources is a firm's human resource management practices. SHRM has been widely accepted as an applied field (Delery & Doty, 1996). Strategic management researchers study the differences between competing firms and the sustainability of relative performance. Strategic human resource management links HRM with the strategic needs of the business and shows the significance of effectively managing the organisation's human resources (Delery & Doty, 1996; Schuler, 1992).

3.4 Performance

Performance is a multidimensional concept (Rauch et al., 2009, p. 765), and can be measured in varieties of ways. Performances could be classified into financial and non-financial. There are a number of financial indicators, for example, sales growth, profitability, return on investment, return on sales, return on equity, earning per share, market or value based indicators such as market-to-book and stock-market returns. The non-financial parameters, or operational indicators, range from market-share, new product introduction, product quality, marketing effectiveness, manufacturing effectiveness, technological efficiency, to human resources, growth in the number of employees and employee turnover rate (e.g., Haar & White, 2013).

In another example, Hitt Biermant, Shimizu, and Kochhar (2001) studied the direct and moderating effects of human capital on professional service firm performance. The outcomes showed that human capital exhibited a curvilinear effect and the leveraging of human capital had a positive effect on performance. The results explained that human capital moderated the relationship between strategy and firm performance, thus supporting a resource-strategy contingency fit. The findings contributed to knowledge on the resource-based view of the firm and the strategic importance of human capital.

Indicators of performance

The literature has consistently shown positive relationships between various models of bundles of human resource management practices and a variety of firm-level outcomes. Most research has been in large, well-established businesses, with the exception of a study by Way (2002), which focused on small businesses which had employees ranging from 20 to 100 employees and of Messersmith and Guthrie (2010) which studied firms less than 10 years old that employed more than 10 people and were in technology-based industries. The effects of implementing the approach of bundles of HRM practices can be categorized under four main indicators: organisational productivity, financial performance, product quality and human resource outcomes.

Firstly, organisational productivity (Guthrie, 2001; MacDuffie, 1995) is measured by the total value of sales, receipts shipments or total labour costs (Zatzick & Iverson, 2006). Secondly, financial performance (Evans & Davis, 2005; Huselid, 1995; Masakure et al., 2009) is a popular measurement and quite varied, such as the measurement of economic profits, increased sales or market share and accounting profits. Thirdly, product quality could be measured by the number of defects per 100 (MacDuffie, 1995). Fourthly, human resource outcomes such as employee turnover (Guthrie, 2001; Way, 2002) and retention could be measured (Arthur, 1994; Fields, Chan, & Akhtar, 2000; Huselid, 1995). In this regard, the human resource management system may make the organisation additionally attractive over competitors by making employees want to stay with such organisations more than with competitors.

The selection of performance measures is rarely adequately substantiated in human resource management practices and performance studies. The suitability of performance measures depends on the level of analysis, but the focus should be on measures having intrinsic meaning for a specific research setting (Becker & Gerhart, 1996). In order to identify the criteria to assess firm performance, it is essential to take both factors into account.

The effects of implementing human resource management practices can be classified into three hierarchical levels: behavioural outcomes, employee performance and financial performance. Firstly, behavioural outcomes include human resource outcomes such as employee attitudes (Arthur, 1994; Guthrie, 2001; Huselid, 1995; Way, 2002; White, Hill, McGoven, Mills, & Smeaton, 2003; Wu & Chaturvedi, 2009), employee turnover (Guthrie, 2001; Way, 2002) and employee retention (Arthur, 1994; Huselid, 1995). In this regard, a bundle of human resource management practices may make the organisation additionally attractive over competitors by making employees want to stay with such organisations more than with competitors. Secondly, measurement of employee performance such as labour productivity (Datta, Guthrie, & Wright, 2005; Guthrie, 2001; MacDuffie, 1995), total value of sales, receipts shipments or total labour costs (Zatzick & Iverson, 2006). Output quality could be measured by the number of defects per 100 (MacDuffie, 1995). Thirdly, organisational level outcomes include financial performance such as the measurement of economic profits and accounting profits (Evans & Davis, 2005; Guthrie, 2001; Guthrie, Datta, & Wright, 2004; Huselid, 1995). Table 3.1 below is the classification of firm performance indicators from the literature.

Table 3.1 Sample literature on firm performance indicators

Source	Indicators	Example
Arthur, 1994; Guthrie, 2001; Huselid, 1995; Way, 2002; White, Hill, McGoven, Mills & Smeaton, 2003; Wu & Chaturvedi, 2009	Human resource outcomes	• employee attitudes • employee empowerment • work-life balance • volunteer turnover • retention
Datta et al., 2005 ; Guthrie, 2001 ; MacDuffie ,1995	Employee performance	• labour productivity • labour cost • productivity rate • flexible production
Evans & Davis, 2005; Guthrie, 2001; Guthrie et al., 2004; Huselid, 1995	Organisational outcomes	• economics profits • accounting profits • sales turnover • net sales value • growth rate • shared of personnel costs in the value added • profitability • liquidity

Most of the HRM studies collected data from single respondents in each firm in the survey along with data relating to performance (Kinnie, Hutchinson, Purcell, Rayton, & Swart, 2005), but the employees' attitudes toward the HRM practices are also important as drivers of discretionary behaviour (Appelbaum, Bailey, Berg, & Kalleberg, 2000) and organisational citizenship behaviour (Coyle-Shapiro, Kessler, & Purcell, 2004).

3.5 Link HRM practices and performance

The links between HRM practices and organisational performance have been based on the distinction between two approaches namely (1) best fit (contingency) and (2) best practice (universal). The best practice approach (Pfeffer, 1994; Pfeffer & Veiga, 1999) argues that a set of HR practices is associated with improved performance of all types of organisation and for all types of employees. The best fit approach suggests when HR practices align with a firm's business strategy, performance of a firm is maximised. Both perspectives assume that the adopted HRM practices will be implemented as intended and have the same effect on all employees who work in the organisation (Kinnie et al., 2005). However, research studies on human resource management show that that there is no consensus on which human resource management approach is viewed as being correct. Though inconsistencies exist in both the best fit and best practice approaches, there is a crucial effect of HRM practices on attitudes and behaviour of employees based on a concept of social exchange. Especially if the HR practices of an organisation are recognised as being supportive their employees will feel that their employer is committed to them through concern and a high level of care, will work hard to and become much engaged in the organisation thereby expressing their enthusiasm in hard work to achieve the goals of the organisation (Haar & Spell, 2004).

Based on Delery and Doty (1996) there are three modes of theorising entrenched in SHRM: universalistic, contingency and configuration. These theoretical approaches explain the outcome of HR practices on organisational performance. The universalist approach focuses on the effectiveness of a single HR practice whereas the contingency approach emphasises that HR practices need to be in line with the context. The configurational approach focuses on how patterns of HRM practices (bundles or systems) are related to dependent variables. Under the configurational perspective, Verburg, Den Hartog and Koopman (2007) proposed a typology comprising four bundles of HRM practices, labelled as bureaucratic, market, professional and flexibility bundles. Additionally, Colbert (2004) proposed to overcome the abstraction criticism of SHRM by using complexity as extension of the RBV (resource based view) which could be counted as the fourth mode of SHRM theories.

Generally, SHRM scholars have debated between two main theoretical approaches: best fit and best practices. Both the contingency perspective (or best fit) and universalistic perspective (or best practice) could be viewed as being at opposite ends of the same continuum, or could be viewed as complementary perspectives as they are each focused on different aspects of organisations. Wright and Snell (1998) suggested that “fit focuses on a particular point in time, while flexibility has focused on variety, malleability, or both” (p. 757). However, this literature review excludes other theoretical models which could provide a framework for investigating SHRM such as configurational perspective, behavioural perspective, agency/ transaction cost theory, cybernetic models, power/resource dependence models, and institutional theory (Delery & Doty, 1996; Wright & McMahan, 1992).

3.5.1 Contingency theory

Best fit or contingency approach suggests that firms have to adopt their human resource strategies into other aspects of the corporate strategy and to the wider situation (Boxall & Purcell, 2008). A contingency perspective suggests that in order to facilitate effectiveness, an organisation's human resource policies have to be consistent with other aspects of the organisation (Delery & Doty, 1996). This approach implies that human resource managers anticipate customizing their HRM to their particular environment. A researcher under the contingency approach has "to select a theory of firm strategy and then specify how the individual human resource practices will interact with firm strategy to result in organisational effectiveness or performance" (Delery & Doty, 1996, p. 807). In addition to this best fit concept, Boxall and Purcell (2008) proposed that the "life-cycle theory is an important line of analysis in HR strategy" (p. 65), while the main literature on international and cross-cultural HRM also highlights that HR practices are affected by different cultures (Boxall & Purcell, 2008).

Organisational capability is contingent upon a fit between organisation and environment as the basic proposition of contingency theory. It emphasises the significance of situational influences on the organisational management and queries the existence of a single, best way to manage or organise. Contingency approaches are posed within management as mid-range theories between the two extremes which state either 'that universal standards of organisation and management exist' or that 'each organisation is unique and each situation must be analysed individually' (Zeithaml, Varadarajan, & Zeithaml, 1988).

3.5.2 Universal theory

Best practices or the universalism approach posits that greater use of specific human resource management practices will always result in noticeable organisational performance enhancement if they identify and adopt best practices in the ways in which they organise work and manage people (Boxall & Purcell, 2008; Delery & Doty, 1996). The underlying concept is that all organisations which adopt the best practice strategy would also attract superior human resources, which acts as the source of organisational competitive advantage. The universal approach has been popular in HRM over the last decade. Studies show that this best practice model, otherwise known as high commitment, was initially stimulated by the work of some United States of America academics, although it has been recently developed by others in the United Kingdom.

Increasing competition and rapid change (such as change in work system and technology) drives organisations towards the effective management of human resources (Van Buren & Werner, 1996). Therefore, the focus is on how to effectively manage human resources in order to encourage their potential to create a firm's competitive advantage. In the literature, the use of HRM best practice is a popular strategy for achieving this. Empirical research suggests that the adoption of HRM best practice is popular as it is appropriate in any organisational context.

There are three main groups of literature in the strategic human resource management best practices school. The extensive studies on linking HRM and performance draw on commitment in a number of diverse ways (Thompson, 2011). Firstly, high commitment management (HCM) stems from Walton (1985, as cited by Boxall & Purcell 2008). This HCM model suggests that constructive incentives and recognition of company culture is the model to win employee commitment. Overall, it is argued, high compensation and security can raise motivation by increasing employee commitment (Youndt, Snell, Dean, & Lepak, 1996), which implies the enhancement of employee performance and ultimately firm performance (Arthur, 1995).

Secondly, the concept of high involvement work systems (HIWSs), as developed by Lawler (1986), proposes that re-designing work processes is required in order to involve employees more in decision making and in skill and motivational practices. Zatzick and Iverson's (2006) longitudinal study of around 3,000 workplaces from 1999 - 2002 in Canada drew on resource-based and dynamic capabilities to comprehend how high-involvement workplaces can implement lay-off, when essential, without having negative effects on productivity. Their research indicates a negative relationship between productivity in workplaces with higher layoff rates and high-involvement work practices (HIWP); however, workplaces which continue to invest in high-involvement practices manage to avoid productivity losses, compared with workplaces that discontinue such investments (Zatzick & Iverson, 2006). These findings were in line with a recent review of the HIWP study as a stream in high performance work systems show that the practices could lead to performance, in turn leading to work intensification (Boxall & Mackay, 2009). Work intensification is defined as "the process of raising the expected workload of an employee by increasing the amount of tasks to be undertaken or shortening the time allowed for completing those tasks" (Heery & Noon, 2008, p. 91). Prior research demonstrated strong relationships between HIWP with job satisfaction (e.g. Mackay & Boxall, 2008). Recently, Batt and Colvin (2011) found that HIWP organisation and long-term investments and inducements were associated with significantly lower quit and dismissal rates. Mendelson, Turner and Barling (2011) conducted a comparative test of five models of HIWP from an employee perception. The result of their research is supported and consistent with prior research, which demonstrated a positive relationship between HIWP and job satisfaction, affective commitment, and trust in management (Mendelson et al., 2011).

Thirdly, the combination of work and employment practices or the practices identified by Pfeffer and Osterman have been labelled high performance work practices (Delery & Doty, 1996, p. 803). It is an endeavour to amalgamate the theory of people management practice (Orlitzky & Frenkel, 2005). In essence, this theory claims that if management implements a particular set of employment and work practices, these will lead to higher performance (Boxall & Purcell, 2003). It appears to offer a more pleasant and motivating working environment than might be experienced in Taylor's HR tradition (Marchington & Grugulis, 2011). The concept of high performance work systems (HPWS) has become widespread in regards to best practices. The intricate HPWS or so called bundles of human resource management practices are used as measures in the present study.

In brief, even though inconsistency exists in both the best fit and best practice approaches, if the employees are recognised by the HR practices within the organisation with empathy, the employees will view their employer as being committed to them, through assurance and high level of attention, therefore they would work hard and becoming deeply engaged in the organisation in order to achieve the organisation's goals. There is increasing research on how to effectively manage human resources so as to unleash their possibilities to generate a competitive advantage of the firm. The literature proposes that the adoption of HRM best practice is widespread because it is applicable in any organisational context. However, most of these research studies does not take into account smaller businesses such as those found in the café and restaurant industry.

3.6 High performance work systems (HPWSs)

A basic foundation of this present study is that a system of HR practices aligned with an organisational strategy, rather than individual HR practices used in separation, may increase organisational performance and create competitive advantage. The literature contains much empirical evidence to support systems of HR practices, or high performance work systems (HPWS), which include "comprehensive recruitment and selection procedures, incentive compensation and performance management systems, and extensive *employee involvement* and training" (Huselid, 1995, p. 635). HPWS are designed to enhance in drawing out finer employee output via the system's HRM set of practices: staffing, developing, and retaining a workforce comprised of individuals that possess superior abilities (skills and behaviour characters) and motivating these individuals to apply their superior abilities in their work-related activities (Huselid, 1995; MacDuffie, 1995). To facilitate comparison between the different aspects of the term HPWS, Table 3.2 shows selected literature that attempts to define HPWS.

Table 3.2 Selected literature defining bundle HRM practices (or HPWS)

Source	Definition
MacDuffie (1995)	HPWS is a bundle or system which must be integrated with complementary bundles of practices from core business functions (and thereby for the firm's overall business strategy to be effective).
Becker & Huselid (1998)	A HPWS is considered as best practice in the way that an HR philosophy aligns both internally and externally to successfully employ a firm's strategy; however, HPWS in which its nature is not a best practice because it is very firm specific and idiosyncratic is the basis of its inimitability.
Appelbaum et al. (2000)	HPWS implies a mix of key practices which support high performance: more rigorous selection and better training systems to increase ability levels, more comprehensive incentives to enhance motivation and participative structures that improve opportunity to contribute.
Wright & Boswell (2002)	HPWS studies treat HR practices as systems, whether referred to as a HPWS or as an HR practice configuration. It assumes that individual practices can complement, substitute or even conflict with other practices and thus to truly examine the impact of HR practices on any variable of interest, one must exercise the entire system of HR practices.

Source	Definition

Boudreau, Hopp, McClain & Thomas (2003)	HPWS are associated with greater teamwork and empowerment and with improvements in production-level process outcomes.
Boxall (2003)	HPWS is linking the HR strategy and business performance. The key argument in HPWS is that the relevant practices work much better when ‘bundled’ together.
Bowen & Ostroff (2004)	A system view of HRM by considering the overall configuration or aggregation of HRM practices and firm performance relationship. The strength of the HRM system will foster the emergence of organisational climate (collective perspective) from psychological climates (individual-level perspective), owning to shared meaning in promotion of collective responses that are consistent with organisational strategic goals.
Guest & King (2004)	Unclear and inconsistent causal link between the adoptions of what are variously termed “high commitment” or “high performance” HR practices and a range of measures of performance.
Evans & Davis (2005)	An integrated system of HR practices that are internally consistent (alignment among HR practices) and externally consistent (alignment with organisational strategy) that include selective staffing, self-managed teams, decentralised decision-making, extensive training, flexible job assignments, open communication, and performance-contingent compensation.
Boxall & Mackay (2009)	A type of HR system which offers two valuable roles in development of contemporary HRM: 1. Helps to identify the market/ technological situations in which a company’s HR systems for operating or front-line service workers would benefit from moving to high involvement model; and 2. Highlights the role of intervening management and employee variables in any kind of HR system.

Appelbaum et al. (2000) suggested that:

> HPWS are commonly understood to involve reforms to work practices to increase employee involvement in decision making and companion investments in employee skills and changes to performance incentives to ensure they can undertake these greater responsibilities and want to do so. (Boxall & Purcell, 2008, pp. 77-78)

In other words, HPWS advance organisational performance through interaction and processes by giving the opportunity to increase knowledge, skills and ability to perform tasks and by encouraging motivation to do so, as well as by improving internal organisational structures to support communication and cooperation among employees (Combs, Lui, & Hall, 2006).

Pfeffer (1994) outlined 16 characteristics of companies that are likely to achieve competitive success through the ways in which they manage people. These characteristics are such as employment security, selective hiring, high wages, incentive pay, employee ownership, information sharing, teams and decentralised decision making, extensive training, reduced status distinctions, compensation partially contingent on performance, promotion from within and measurement of practices (pp.27-59). Pfeffer (1994) further stated that it would be difficult to find a single organisation that adopts all of these human resource management practices or that employs them all equally as the practices do depend in part on the organisation's particular technology and market strategy. Pfeffer (1994) also recognised that it is possible for an organisation to use all of these practices and still be unprofitable or unsuccessful. Additionally, a caution is that these practices have potential consequences such as increased staff turnover from more effort and the higher involvement required. Building on his earlier work, Pfeffer (1998) then combined several of these practices and identified seven key practices of successful organisations: employment security, selective hiring, extensive training, team and decentralised decision making, reduced status distinctions, compensation partially contingent on performance, and information sharing.

Another key research is Huselid's (1995) study. It systematically evaluated the links between systems of high performance work practices (HPWPs) and a firm's performance. Its results, based on a national sample of nearly one thousand firms, indicate that these HPWPs had an efficient and statistically considerable impact on both intermediate employee outcomes (turnover and productivity) and short- and long-term measures of business financial performance. It supported predictions that the impact of HPWPs on a firm's performance was, in part, contingent on their interrelationships while linkage with competitive strategy was limited.

As Huselid (1995) identified, two methodological limitations of the prior empirical works were (1) the commonness of cross-sectional data which either overstated or understated the results of financial performance and HPWPs, and (2) the limitation related to the widespread collection of data via questionnaire; since survey respondents generally self-select into samples and selectivity or response bias may also affect results. In addition, Huselid (1995) had both conceptual and measurement concerns, including systems of HRM practices and the concept of fit. There was extensive conceptual focus on single high performance practice, and the measurement problems which originated from expansion or reduction of the focus to a system of such practices.

Huselid (1995) collected the data from the Securities and Exchange Commission database and reported on nearly 12,000 firms which were publicly held in the US with the criteria of excluding foreign-owned companies, holding companies, or publicly held divisions or business units of larger firms. His initial search yielded 3,452 firms representing all major industries. Firm-level data on HPWPs were collected by questionnaires mailed to the senior human resource professionals in each firm. The survey was pretested with a number of academic colleagues and human resource professionals in a pilot study. The main study drew on representatives of 968 firms who submitted usable responses, giving an overall response rate of 28 percent.

Huselid’s measurement of HPWPs were developed by adopting Delaney, Lewin and Ichinowsky’s ten items: personnel selection, performance appraisal, incentive compensation, job design, grievance procedures, information sharing, attitude assessment and labour management participation. Huselid’s measurement added three more items: the intensity of recruiting efforts (selection ratio), the average number of hours of training per employee per year, and promotion criteria (seniority versus merit).

Additionally, to assess the degree of internal and external HPWPs fit, Huselid (1995) used several alternative indexes which were developed by Venkatraman (1989) who reached the conclusion that fit was most commonly measured in terms of a moderated relationship, or interaction, between two variables.

Ultimately, this work generated one of the most cited works in high performance work systems - being that of Huselid (1995). That study systematically evaluated the links between systems of high performance work practices (HPWPs) and firm performance. Its results, based on a national sample of nearly one thousand firms, indicate that these HPWPs had an efficient and statistically considerable impact on both intermediate employee outcomes (turnover and productivity) and short- and long-term measures of business financial performance. It supported predictions that the impact of HPWPs on a firm’s performance was, in part, contingent on their inter-relationships while linkage with a competitive strategy was limited. Huselid (1995) specified the dependent variables and their measurements in the following ways. Firstly, the level of turnover within each firm was assessed with a single questionnaire item - What is your average annual rate of turnover? Secondly, productivity used a logarithm of sales per employee, which has been widely used; this study used a logarithm of net income (deduct costs) per employee. This produced very similar results. Thirdly, corporate financial performance was assessed using both a market-based (logarithm of Tobin's q) measure and an accounting measure (gross rate of return on capital or GRATE of corporate financial performance).

The control variables were firm size (total employment), capital intensity, firm- and industry- levels of union coverage, industry concentration, recent (five-year) growth in sales, research and development intensity, firm-specific risk, industry levels of profitability, net sales, total assets and 34 dummy variables representing 35 two-digit Standard Industrial Classification (SIC) codes. Missing data were retrieved from Moody's Industrial Manual or the Standard & Poor's Stock Price Guide. Otherwise, missing data were eliminated list-wise for each dependent variable. Capital intensity was calculated as the logarithm of the ratio of gross property, plant, equipment over total employment.

Messersmith and Guthrie (2010) stated that “many studies have found a consistent link between human capital (as resource) and firm performance” (p.245). For example, Rauch, Frese and Utsch (2005) found that human resources were significant factors forecasting growth of small-scale businesses. Studies (e.g. Appelbaum et al., 2000; Arthur, 1994; Becker & Gerhart, 1996; Boxall, 1998; Evans & Davis, 2005; Huselid, 1995; Lepak & Snell, 2002; MacDuffie, 1995; Mackay & Boxall, 2008; Messersmith & Guthrie, 2010; Murphy & Olsen, 2009; Pfeffer, 1994; Way, 2002; Wright, Gardner, Moynihan, & Allen, 2005; Wright & McMahan, 1992) have been conducted in a great number of industries ranging from professional service businesses to single-line-of-business manufacturers; emphasize the pivotal character that human capital engages in constructing and sustaining competitive advantage. The empirical studies in HRM research have “led to a general consensus that the method used by a firm to manage its workforce can have a positive impact on firm performance" (Way, 2002, p. 765).

3.6.1 Notions of high performance work systems (HPWS)

Becker and Gerhart (1996) identified a confusion of high performance work systems. Apart from other studies concerned with the cost-effectiveness implementing of high performance work systems for a firm (e.g. Cappelli & Neumark, 2001; Way, 2002), there could be variance in HPWS usage because of the life stage of business e.g. emerging or mature. Messersmith and Guthrie (2010) argued that the important dissimilarity in the context of an emerging organisation is that all organisational associates are required to play multiple roles and to be more flexible with high performance work practices. This degree of specialisation is limited to larger and more bureaucratic systems and rarely exists in developing organisations. This assumes a different justification of management use of HRM practices. There is possibly a stronger effect of HRM decisions, such as selection decision, in small and developing organisations. A willingness by new employees to adapt to the existing ethic and culture in developing organisation is required. This may raise an issue of person-organisation fit. Finally, the administration of HPWS in smaller businesses is likely to differ from larger businesses since the small firms are unlikely to have a professional HR department that manages the formal procedures and systems. This could not only perhaps lead to superior vertical integration between business strategy and HR practices, but also to the neglect of HR functions due to time constraints upon owner entrepreneurs.

Orlitsky and Frenkel (2005) found that high performance work practices and frequently communicating with employees did not exercise a substantial positive effect on trust and neither did trust have much impact on labour productivity in Australian workplaces employing 20 or more employees. Also, there was relatively weak relationship between trust and productivity in service environments, but a positive employee relation climate may indicate a favourable productive pattern. A highly positive relation between the proportion of female workers in workplaces and the number of part-time workers shows in the numerical flexibility model, which suggested that productivity depended upon management's capability to secure organisational flexibility rather than employee's motivation, knowledge or skills.

Recent critiques of best practice HRM realities by Marchington and Grugulis (2011) stated that the nature of best practice HRM as "over-simplified and distorted" (p.1121). Employment security, self-managed teams and team working, training and development do not appear to be very distinct from what employers have already been doing for years, and could be compromised for corporate profits. They further showed that the integrated bundles (best practice/high-commitment HRM) show weak links and contradictory practices by taking Pfeffer (1998) and Huselid (1995) as illustrations. They suggested that using best practice may be inappropriate or relatively unappealing in some industries or with certain groups of workers.

Debate on HPWSs continues, as the other empirical studies also suggest that HPWSs might vary in degree of effectiveness and efficiency according to contingency human resource management practices adopted at an organisational level. In addition, the notion that HPWSs positively affect organisational performance (Becker & Gerhart, 1996) is to be tested in a small entrepreneurial organisation context. Shane and Venkataraman (2000) affirmed, "a performance advantage may be insufficient to compensate for the opportunity cost of other alternatives, a liquidity premium for time and capital and a premium for uncertainty bearing" (p. 217). This claim would also need to be explored further in another part of the study.

A final interesting proposal suggested by the literature is that best practices, such as bundles of human resource management practices (or high performance work system - HPWS), could not only provide positive outcomes in an organisation such as performance, profit and productivity at an individual or employee level, through high compensation and job security (Youndt et al., 1996), but could also bring destabilising outcomes to an organisation such as raising labour costs per employee (Cappelli & Neumark, 2001) and costs to employees such as creating stress and conflict between work-life/family balance (Haar, 2008; White et al., 2003).

3.6.2 HPWS and firm performance

Hostile competition and hasty change (e.g. globalisation and technology) drives organisations towards more effective human resource management in order to foster their employees' potential to build a sustainable competitive advantage. Most literature suggests that the adoption of HPWS is appropriate in any business settings. However, there is limited research within the small business context.

HPWSs have been derived from strategic human resource management which perceived the set of practices from a strategic perspective rather than from a functional angle. The link between HPWS use and firm performance depends upon the organisation's ability to configure value-adding resource bundles that differentiate the firm from its rivals. There are a number of studies that have found a positive relationship between a variety of human resource management practices and firm performance. For example, Sels et al. (2006) discovered a positive relationship between HRM intensity and productivity; Rauch et al. (2005) found a positive relationship in German firm sample between level of HR utilisation and employment growth; and Welbourne and Andrews (1996) discovered the positive effect of the degree to which the company valued employees and the implementation of organisational-based rewards on long-term firm survival.

Generally, high performance work system scholars have examined the direct relationship between a set of human resource management practices and performance outcomes in large firms of above 100 employees, mainly in manufacturing (Datta et al., 2005; Evans & Davis, 2005; Guthrie, 2001; Huselid, 1995), with the exception of studies by Way (2002) into small businesses which had between 20 and 100 employees and Messersmith and Guthrie (2010) who studied technology-based industries with more than 10 employees in businesses less than 10 years. As small firms might operate informal HR practices, this present study captures the percentage of employees covered by the HR practices as suggested by Messersmith and Guthrie (2010). Additionally, to link the organisational strategy to human resource management in a service industry, individual employees are in control of behaviours and performance to deliver such organisational goals (Liao & Chuang, 2004). Service behaviours beyond customer expectation could provide a competitive advantage. Kim, Tavitivaman and Kim (2009) investigated using extra-role customer service which means behaviours of serving by contact to customer employees in addition to their official role.

Key empirical evidence about small business and HPWS shows that "within the US small business sector HPWSs are associated with outcomes that are key to the success of small US firms" (Way, 2002, p. 765). Way's cross-sectional study advocated that HPWSs could facilitate more employee productivity by the use of human resource management practices, including selection, development, and retention of a workforce comprised of individuals who possess advanced abilities (skills and behaviours), and the motivation of these individuals to apply their abilities to a greater extent in their work-related activities.

There have been several attempts to search empirically for the link between HRM and firm performance (Sels et al., 2006). Recent published articles mostly compete with exploring the black box (a complex piece in system with contents that are mysterious to the user) concept or in the other words, the puzzling processes between input and output, and the generalisability of HRM-firm performance in non-Western countries. Little is known about the extent to which these results are valid for small enterprises. In addition, much literature shows positive relationships between various models of high performance work systems (HPWS) and a variety of organisational outcomes. For example, HPWS encourages employees to devote themselves to providing innovative ideas to the organisation (Rogg, Schmidt, Shull, & Schmitt, 2001).

3.7 Conclusion

Many organisations are confronting an increasingly competitive and fast changing environment illustrated by various work systems, globalisation, and improved information technologies. A firm should improve its performance through reduction of its operation costs, creation of new processes and products, increasing quality, productivity and speed to markets. As a result, organisations have to focus on their workforce's capabilities. If an organisation manages its human resources effectively, it will be able to generate and enhance commitment, synergy and motivation that will give it a sustained competitive advantage. Research has shown that human resource management is one of the paths that an organisation can use to shape its employees' behaviour and attitude.

The growing understanding of the complex and interlinked nature of human resource management in small enterprise highlights the type of research required. The dominant studies of best practices, namely high performance work systems (HPWS), have been in larger and well developed organisations, mostly in the US within the manufacturing sector. In recent years, there have been some studies in professional service businesses showing that strength of the relationship between HR practices and performance is stronger for manufacturing than for services (Guest, Michie, Conway, & Sheehan, 2003). Service industries were likely to use different sorts of HPWS, with more prominence of flexibility in terms of job sharing and flexitime (Hunter, 2000). In service businesses, there is a robust encouragement to utilise labour more efficiently by flexibly employing low- to medium-skilled employees (Boxall, 2003) or by pursuing ‘low-road’ models of high performance which attempt to keep low labour cost, or with regard to intensification of work (Mackay & Boxall, 2008), or through flexibility to change in demand by recruiting or replacing labour (Orlitzky & Frenkel, 2005). An additional idea was functional flexibility, which proposed that firms achieve functional flexibility when their workers are able to carry out a wide variety of tasks and to assume diverse responsibilities (e.g. Wright & Snell, 1998).

Coupled with the limitations of current research and lessons from the strategic human resource management and best practice research in the context of entrepreneurship, my research is focused on the empirical evidence and analysis of HRM practices in small entrepreneurial organisations, specifically, in examining restaurant and café businesses which have received little attention compared to those of larger organisations (Heneman, Tansky, & Camp, 2000; Messersmith & Guthrie, 2010; Way, 2002). HRM research has provided empirical evidence that HRM has implications for the success of small businesses (Messersmith & Guthrie, 2010; Way, 2002). Heneman et al. (2000) noted that the HRM practices of small- and medium-sized firms in countries outside the U.S. have been given little attention. Boxall and Purcell (2008) stated that “there is clearly strong support for the idea that the size of an organisation makes a major difference to the kind of HR policies management adopts” (p.64). Also, further study is still required on the “source of human resource advantage in the establishment stage” of small new business enterprises (Boxall & Purcell, 2008, p. 239) and this source of competitiveness is grounded in human resource.

Chapter Four: Entrepreneurship, human resource management, and performance in small firms

Entrepreneurship is not only perceived as a tool that helps to bring social and economic advantages, but it is also an instrument that reinforces and changes economies (Jack, Hyman, & Osborne, 2006). Hayton (2005) theorised that firm innovation and entrepreneurship could be enhanced through several HRM practices, and also noted that settings that encourage organisational citizenship behaviour (OCB), which leads to greater communication, knowledge sharing, and innovation, are likely to be associated with HPWS.

HRM practices such as staffing, rewards, training and development could increase competitive advantage by generating a creative and innovative culture (Brockbank, 1999). Also, it has been argued that highly entrepreneurial firms [whether large or small] adopt a long-term orientation, placing an emphasis on career outlooks and job security (Morris & Jones, 1993). Morris and Jones suggest that firms indicating stronger entrepreneurial orientations were more likely to have (1) selection and staffing procedures planned around multiple career paths with general socialisation and orientation procedures for new employees; (2) ongoing training and development courses with high employee participation and active trainee involvement; (3) compensation or rewards practices that are more likely to comprise bonuses and incentives based on long-term performance; and (4) performance appraisal schemes that involve employee participation and emphasise outcomes. HRM practices are essential in promoting an organisational culture of innovation and entrepreneurship (Morris, Kuratko, & Covin, 2011).

There is a growing body of literature on entrepreneurship, and small business structure and organisation (e.g. Aldrich & Waldinger, 1990; Rauch et al., 2009; Schrover, van der Leun, & Quispel, 2007; Wiklund & Shepherd, 2003, 2005). Entrepreneurship is regularly connected with small business ownership and management (Carland, Hoy, Boulton, & Carland, 1984a). Miller (1983), for example, found that owner-managers had a greater influence on business strategy in small firms than in large firms. However, sooner or later, an enterprise will require more human resources (HR) – that is staff - in addition to the entrepreneur. It is essential to understand the culture and climate which owners influence or create because the owner/manager is at the core of all enterprise behaviour (Covin, 1991), and employee behaviours in their enterprises.

This chapter reviews the previous studies in relation to entrepreneurship and HR practices in small businesses, and is divided into three main parts: the first provides an overview of the literature on HR practices in small businesses; the second reviews the literature on entrepreneurship and HRM practices and their implications for firm performance in relation to small firms; and the third focuses on the literature on employee and organisational outcomes as a component of firm performance in small businesses.

4.1 Research on human resource management (HRM) practices in small and medium - sized businesses

A small- and medium-sized enterprise (SME) definition varies from country-to-country. The most common upper limit designating an SME is 250 employees, such as in the European Union. However, some countries set the upper limit at 200 employees, while the United States counts SMEs to include firms with fewer than 500 employees (OECD, 2005). SMEs in New Zealand are generally enterprises with 19 or fewer employees (Ministry of Economic Development, 2011). The historical literature on small firms refers to two concepts in respect of HRM practices in small businesses: the small is beautiful setting; and the Bleak House setting. Recently, Harney and Dundon (2006) proposed the third concept as open system setting. In the small is beautiful setting, small enterprises foster close and harmonious working relationships. The Committee Inquiry Report by Bolton (1971) suggests that small firms provide a better environment than large firms. Therefore, these firms would be expected to exhibit people management that involves better communication (Schumacher, 1973), and also to have greater flexibility and lower levels of conflict. This could be true in that there is a lack of obvious conflict as a small firms tend to regard their employees as family members, and this (happy) family climate in small firms also contributes to this positive scenario (Wilkinson, 1999). This concept is illustrated by the Bolton Committee's work, which states that:

> In many aspects a small firm provides a better environment for the employee than is possible in most large firms. Although physical working conditions can sometimes be inferior in small firms, most

> people prefer to work in a small group where communication presents fewer problems: the employee in a small firm can more easily see the relation between what he is doing and the objectives and performance of the firm as a whole. Where management is more direct and flexible, working rules can be varied to suit the individual. Each employee is also likely to have a more varied role with a chance to participate in several kinds of work ... no doubt mainly as a result ... turnover of staff in small firms is very low and strikes and other kinds of industrial dispute are relatively infrequent. The fact that small firms offer lower earnings than larger firms suggests that the convenience of location and generally the non-material satisfaction of working in them more than outweigh any financial sacrifice involved. (cited in Storey, 1994, p. 186)

The second concept, according to Wilkinson (1999), is the Bleak House setting, where small firms are run in a domineering fashion with employees suffering under poor working conditions, with inadequate safety and employees who have little involvement in the running of the business (Rainnie, 1989). The low levels of unionisation in small businesses relate to the absence of systemic factors, for example, difficulties with unionisation or segregation of shop stewards (Rainnie, 1985). Here human resource management is carried out along Bleak House (Sisson, 1993) or sweatshop lines, underpinned by the notion that if employees do not complain, they must be satisfied, even if they are paid at below the minimum wage whereas flexibility and small business management are regarded as positive under the small is beautiful model. Wilkinson (1999) concluded that flexibility is more akin to uncertainty in that there are few procedures or systems within which to work. Meanwhile, family management style is actually a form of authoritarianism, as there is limited scope to challenge the owner-manager.

The third concept of an open system perspective suggests that a complex interaction of external structural factors and internal dynamics are formed in HRM practices in each of firms (Harney & Dundon, 2006). However, this perspective is not related to the present research, which focuses on internal factors only.

Human resource management practices in small firms have not received significant attention in management research and management training (Hornsby & Kuratko, 1990). There are three premises for this argument: other management functions take priority over HR; research on HR has focused on larger firms; and empirical research on small business HRM is sparse.

Firstly, several studies have found that other management functions, such as accounting, marketing, finance, and production, take priority over HR management (McEvoy, 1984). Further research on this topic is required as HRM appears to be a crucial function for SME businesses (Hornsby & Kuratko, 1990). Secondly, despite a large percentage of the population working in SMEs (Golhar & Deshpande, 1997), the research on HR practices has traditionally focused on larger firms (Kerr & McDougall, 1999; Sels et al., 2006). Therefore, SMEs are underrepresented in the mainstream literature in this field (Beaumont & Rennie, 1986; Sels et al., 2006; Way, 2002), and they are not simply a scaled-down version of larger firms (Storey & Westhead, 1997). Thirdly, empirical research on small business HRM is sparse (Nguyen & Bryant, 2004; Sels et al., 2006). Henemen Tansky and Camp (2000) identified 403 articles appearing between 1984 and 1997 that made some report of HR practices in SMEs. Of these 403 articles, only 129 explicitly addressed HR management concerns and only 17 articles used quantitative methods to test particular hypotheses. The authors concluded that studies into HR in SMEs are "rich in prescriptions, limited in sound descriptive surveys, and sparse in analytical research" (Henemen et al., 2000, p. 20) because SMEs provide significant research areas that merit empirical testing, but that may not be relevant to larger firms (e.g. level of HR formality, founder's imprint on current HR practices, etc.).

A number of empirical studies into HR practices in small enterprises have also hinted at the importance of the formality dimension in relation to the size of a firm. Hornsby and Kuratko (1990) conducted surveys with 274 American small businesses, which revealed that business size has a significance influence on the adoption of HR practices. For example, they found that smaller firms are less likely to have written job descriptions, to apply formal procedures in recruiting (e.g. application forms and interviews), and to conduct performance appraisals. This finding is consistent with Wagar's (1998) study of 991 private Canadian small businesses. Wagar's study showed that firm size was a major determinant of whether the firm adopted certain HR practices. For example, the research consistently found that smaller firms were less likely to adopt any of the eight core HR practices identified by the study, such as conducting formal performance appraisals and orientation programmes for new employees. Similar findings can be found in other studies (e.g. Golhar & Deshpande, 1997). Although these studies examined different HR practices, they reached the same conclusion: smaller firms have lower levels of formal HR practices.

Generally, the research questions on HRM in small businesses begin with whether the policies are formal and/or written (Michie & Sheehan, 2009), which makes it difficult to assess the importance of the role of informal HRM in small firms. An additional issue, which compounds the difficulty inherent in analysing the HRM – performance relationship, is the potential for differences between rhetoric and reality regarding policy existence and implementation (Legge, 1995). Specifically, although a particular human resource practice may formally be in place, it may be implemented only sparingly, especially if delivery has been delegated to line managers and/or is not consistently applied to all employees (Bowen & Ostroff, 2004; Guest & Conway, 2011). Sheehan (2014) suggested that surveys might not be able to capture this rhetoric and reality issue. For example, Marlow (2002) found that owners preferred to maintain their own personal approaches to managing the employment relationship, and rarely consulted or used formal procedures. However, respondents often had formal written policies tucked away in filing cabinets that they used when problems arose. Similarly, Marlow and Thompson (2008) found that formal policies were in place for key employment issues, and suggested that caution is required in the interpretation of findings about formal human resource practices in the small and medium-size enterprise context. Moreover, there is a potential issue of overestimation of the extent of formal human resources in quantitative studies of HRM in smaller firms (Bacon et al., 1996; Marlow, 2002).

A significant number of the empirical studies on HRM in small businesses are “still in an explorative stage and mainly descriptive” (Sels et al., 2006, p. 84). For example, in North America, Ram and Edwards (2003) stated that over the last ten years there have been “no significant examples of research papers on behaviour in small firms” (p.719). Empirical research suggests that HR practices tend to be comparatively ad hoc and informal in small firms, since there may be a lack of time, financial resources and HR experts within these organisations. However, increasing evidence demonstrates that HR practices in smaller firms are perhaps more sophisticated than previously assumed (Bacon et al., 1996; Golhar & Deshpande, 1997). For example, Kotey and Slade (2005) found that HRM practices vary based on organisational size, but variations are greater during the early stages of business growth than at later stages. Other studies highlight that small business owner-managers may not comprehend what HRM actually means (Heneman et al., 2000; Jack et al., 2006). However, the issues for small businesses in the HRM domain are consistent regardless of business size (Hornsby & Kuratko, 1990) and include wages and benefits, training, and job security, and availability of skilled labour (Hornsby & Kuratko, 1990; MacMahon & Murphy, 1999).

The following are the key HR practices and policies in small businesses that have been researched over the last three decades: recruitment and selection; training and performance appraisals; and other HRM practices and policies.

4.1.1 Recruitment and selection

Cardon and Stevens' (2004) findings showed how small firms hire, pay, and perhaps motivate workers. In small businesses, recruitment practices are generally informal with managers and staff often recruited by word of mouth (Jack et al., 2006). Hornsby and Kuratko (1990) indicated that the size of a venture does affect the complexity of the HRM practices employed, and reported increasing use of formal recruitment procedures as firms grow, similar to the findings of Baber, Wesson, Roberson and Taylor (1999). In contrast, the findings of Marlow and Patton (1993) and Carroll, Marchington, Earnshaw, and Taylor (1999) suggested that informal channels and owner networks (which are also used in recruitment by larger firms) were the main recruitment methods used by small firms because informal recruitment sources are cheaper and knowing the individual is a practical precondition for recruitment from a network.

One-to-one interviews are the most common selection method in both small and large businesses (Golhar & Deshpande, 1997). One-to-one selection interviews concentrate on fit with the values of the owner-manager (Kotey & Slade, 2005) rather than qualifications or work experience (Bird, 1989; Carroll et al., 1999; Heneman et al., 2000). Therefore, this kind of selection could possibly lead to a shortage of the skills and abilities necessary to support growth (Kotey & Slade, 2005). Finally, the prominence of application forms and reference checks in the selection process tends to increase as a firm grows (Hornsby & Kuratko, 1990).

4.1.2 Training and performance appraisals

Training in small firms has been described as informal (Jack et al., 2006) and on-the-job, often involving little or no forethought in terms of management development (Loan-Clarke, Boocock, Smith, & Whittaker, 1999; Marlow & Patton, 1993; Storey, 1994). MacMahon and Murphy (1999) reported that small businesses require staff with multiple skills to handle the highly flexible nature of the work; thus, an informal approach may be appropriate (Cardon & Stevens, 2004) whereas formal training would be considered unsuitable. Also, the cost of formal training, both in terms of staff absence and training expenses was deemed prohibitive for small businesses (Blackburn & Hankinson, 1989). In contrast, the Hornsby and Kuratko (1990) research found that on-the-job training was a prevalent training technique in small firms among a variety of training methods. Timmons (1999) added that in very small ventures, owner-managers take direct responsibility for employee training and instruct their staff on their preferred ways of doing things.

There are some studies that argue for the positive impact of formal HR practices on a small firm's performance. Fernald, Solomon, and Bradley (1999), for example, believe that small businesses have traditionally spent less on training and provided less formal training, and that their employees have not received the training they need. The authors contend that, with the emergence of a knowledge-based economy, small firms will have a greater need for skilled workers. Hence, training is assumed to have a positive influence on firm performance. The authors further stress that training is necessary in order to bring about positive behavioural outcomes, from which the business will ultimately benefit.

The use of performance appraisals varies according to firm size and industry sector (Hornsby & Kuratko, 1990). This research reveals that small firms tend to have informal appraisals, whereas larger firms tend to produce descriptions of employee performance, assess the employee's ability to meet targets, and use rating scales in appraisals. Cardon and Stevens' (2004) review of HR practices revealed that there are practically no studies on performance management in small businesses.

4.1.3 Other HRM practices and policies

Kotey (1999) indicated that a limited number of small firm owner-managers had formal and professional HR-related policies, such as promotions, incentives, and disciplinary action, in place. Small business entrepreneurs tend to believe that their family orientation could encourage employee loyalty, and that obvious HR policies are therefore unnecessary (MacMahon & Murphy, 1999). Kotey and Slade (2005) further stated that the lack of need for detailed documentation such as employee records is due to the direct control by owner-managers, but that, as organisations grow, documentation and HR policies would be required.

High performance work systems (HPWS) are related to flexibility and organisational adaptability to environmental changes (Becker & Gerhart, 1996). Research in the USA has found positive links between HPWS and organisational performance (e.g. Huselid, 1995; Pfeffer, 1998). Meanwhile, research in the UK by Cully, Woodland, O'Reilly, and Dix (1999) indicated that a very low percentage of small firms (less than 25 employees) had adopted 28 percent of HPWS practices compared to large firms, and a positive link was found between HPWS, employee satisfaction, organisational commitment and company productivity (Patterson, West, Hawthorn, & Nickell, 1997). Thus, there appears to be a potential disconnect between small firms and the adoption of HPWS, with only a small percentage of small firms beginning to embrace the potential of HPWS.

Employee stock policies and other forms of financial sharing are generally included in the practices in HPWS. In the USA, Logue and Yates (as cited in Jack et al., 2006) found that a fraction of small businesses use stock ownership and other HRM practices (e.g. pay systems based on share policies) to promote ownership culture with the aim of increasing competitive advantage. Meanwhile, research in the UK by Creigh, Donaldson and Hawthorn (1981) indicated that there was some opposition to participation in either profit-sharing or employee stock allocation schemes in small businesses.

4.2 Effect of entrepreneurship and HRM practices SME firm performance

The link between HR practices and firm performance can be examined from a strategic perspective (Wilkinson, 1999). HRM can be seen as the strategic integration of HR practices into the management and development of employees, and employment relationships, such as compensation, evaluation, hiring, firing and reward systems extending beyond the traditional notion of personnel management. This could suggest that HR practices are a strategic factor in a firm’s success, even though many firms (both large and small) do not fully integrate these HR practices into a strategic HR plan. Larger firms tend to have more of the individual practices that are considered part of an HRM system.

Research on HRM in small businesses has been growing in the past decade: a focus on the HRM and performance debate in the context of SME business is emerging, but such investigations are mystifying, given the high prevalence of informal HRM (for example, Cardon & Stevens, 2004), and the coexistence of formal and informal HRM practices (Martin, Janjuha-Jivraj, & Carey, 2008). Though limited in number, these studies have suggested several important dimensions for studying HR in small enterprises (Messersmith & Guthrie, 2010; Storey, Saridakis, Sen-Gupta, Edwards, & Blackburn, 2010). Small businesses are unlikely to have a dedicated HR manager (Cardon & Stevens, 2004) and tend to have informal and underdeveloped HR practices (Messersmith & Guthrie, 2010; Patel & Cardon, 2010; Storey et al., 2010).

In addition, HRM is likely to be neglected more often by entrepreneurs, or small business owners because of rival priorities (Messersmith & Guthrie, 2010). The question of HR formality and its relationship with firm size has developed from previous studies of HR in SMEs. Westhead and Storey (1996) argued that two central characteristics that distinguish large and small firms (other than size) are the level of uncertainty they encounter and the existence of an internal labour market. Large firms face more internal uncertainty than small firms, while small firms have more external uncertainty. Consequently, large firms are inclined to apply more formal systems, procedures, and policies to diminish internal uncertainty. Moreover, an internal labour market exists in large firms, but not in small firms. Hence, larger firms tend to apply more formality in their HR practices than SMEs.

In addition, the literature has documented two strategic forces that drive a small enterprise's decisions regarding HR formality. On the one hand, in order to maintain the competitive advantage associated with being a small enterprise, such as the high level of flexibility, high sensitivity to market pressure, and an ability to respond quickly to customer needs, and to compete with larger firms, small firm owners often need to make speedy decisions (Redding, 1993; Tan & Litschert, 1994; Wilkinson, 1999). In such a competitive environment, the necessary utilisation of human resources would generally mean that lengthy procedures and consistent policies are inappropriate (Storey, 1994), whereas intensive informality in HRM is viewed as the basis of competitive advantage. On the other hand, competition with larger firms may push small firms toward employing greater formality in HRM in two ways. Firstly, the dependency theory (Rainnie, 1989) suggests that small businesses often take demand from larger firms. These large businesses could squeeze the margins of their small business subcontractors (Marlow, 2002. Thus, owners of small firms have to enforce absolute control over the employment process, which creates a compelling need for a high level of HR formality in small enterprises. Secondly, small and larger firms compete for good employees as well as customers. Research has shown that SME employees would often prefer to work for larger firms for greater job security and better terms and conditions (Patton & Marlow, 2002). This could pressure small business owners into developing appropriate HR policies to match their larger competitors.

Consequently, the link between HR formality and firm performance in small firms is theoretically questionable (Nguyen & Bryant, 2004). Few studies have empirically examined the relationship between the adoption of formal HR practices and performance in small businesses. Moreover, these studies have generated ambiguous results. For example, Westhead and Storey (1996) reviewed literature that examined the relationship between formal training and performance. The authors inferred that despite the wide acceptance among policy makers of the positive influence of training on small firm performance, studies have generally failed to confirm this direct link. Wagar (1998), using data from 991 small Atlantic Canadian businesses, investigated the prevalence of ten HRM practices, and found higher levels of sharing of business information with employees and use of orientation programs for new employees in these firms than in large firms. The main finding was the existence of a very strong relationship between HR practices and progressive decision-making systems, and that a number of practices were associated with the union status and size of the business. The author found a very strong relationship between eight HR practices and progressive decision-making, which arguably fits with Fernald et al.'s (2000) suggestion of positive behavioural outcomes, and indirectly suggests that HR practices have a positive relationship with a small firm's performance. Welbourne and Cyr (1999) found that the presence of HR executives does not directly influence the performance of International Public Offering (IPO) firms in general, but it does have a positive impact on performance in small and fast growing firms.

In the existing literature on the human resources and performance relationship in small businesses, the impact of training on performance has been investigated repeatedly, and a positive link has generally been found (de Kok, 2002; Patton & Marlow, 2002; Storey, 2004; Westhead & Storey, 1997). Nguyen and Bryant (2004) uncovered a positive association between the use of formal HR practices and firm size; further, formal HR practices were found to be positively related to the owner's perception of firm performance. A recent resource-based view study in respect of technology based firms that are less than 10 years old and have more than 10 employees (Messersmith & Guthrie, 2010), found that the use of high-performance work systems was positively related with sales growth and innovation.

Patel and Cardon (2010) studied the effect of the adoption of HRM practices on labour productivity in small firms that face high levels of product–market competition. They found that group culture strengthens a firm's tendency to adopt HRM practices and increases the effect of HRM practices on labour productivity. Nevertheless, in businesses where there was minimal product–market competition, limited benefit was derived from the adoption of HR practices. Perhaps of more worth, they found that when small businesses were faced with high levels of product–market competition and group culture was absent, they were not likely to adopt many HRM practices, neither was adopting such practices found to enhance labour productivity significantly. This study shows the significance of contingency (internal, in relation to group culture, and external, in relation to product-market competition) in the analysis of HRM and performance in small enterprises.

Utilising the approach of multi-respondent surveys of chief executive officers (CEOs) and employees from 50 small Australian firms, Verreynne, Parker, and Wilson (2013) found a positive relationship between better performance and high-performance work systems (HPWS). In particular, trust, teamwork, participation, organisational learning orientation and employee skill development, performance systems and high commitment were of particular significance. From the employees' viewpoint, the connection between better performance and HPWS was particularly critical for engagement, participation and organisational support. Informality was a common strand which, they found, facilitated the interaction between employees and HPWS, especially employee participation, and contributed to a positive organisational culture, which in turn enhanced performance. These important findings, particularly in relation to the role of informality, reflect the advantage of their research methodology, which contrasts with the more common single respondent survey-type method.

Schein (1983) investigated the role of the small business founder in creating organisational culture. His study examined the definition of an organisational culture, the creation of cultural settings, the progress of irreplaceable cultures by first-generation companies and suggestions for making the transition from founders or owning families to professional managers. Jack et al. (2006) argued that the essence of culture could be explained by *the way we do things round here* or examined by starting with the personal and direct management by the owners. In small firms, informal employment relationships, emphasising casual and unstructured participative procedures with the owner-manager, could lead to secure commitment and preclude the requirement for formal procedures. However, direct communication may not mean better communication, as many studies report that the owner-manager acts as though the employees are their possessions through practices such as unfair dismissal, harassment etc. (Jack et al., 2006).

Zhang and Wan (2008) found that in their study of small- to medium-sized biotechnology firms, HPWS were positively related to corporate entrepreneurship, and that this relationship was mediated by the OCB of employees. In their research, corporate entrepreneurship referred to innovation, venturing and strategic renewal activities, and OCB involved employee perceptions of a supportive environment from the organisation which will compel employees to reciprocate with behaviours that will advance the organisation.

Messersmith and Wales (2013) studied a sample of 119 start-up firms that were small in size, within the high-technology field. They found that the relationship between entrepreneurial orientation and firm growth was not statistically significant. However, combining high-performance work systems or a partnership philosophy with entrepreneurial orientation was positively associated with higher levels of growth. This study also highlighted the importance of contingency. Internal contingency is the potential for entrepreneurial orientation to enrich growth in young firms depending on the extent to which these organisations utilise certain human resource practices.

4.3 Employee-organisational relationships

Popular measures used in previous studies include employee competence, cooperation with management, cooperation among employees, employee turnover rate/retention, absenteeism/presence, motivation, job satisfaction, commitment and trust in management, job–home spill-over (a form of work–life balance), stress levels and perception of work intensification (e.g. Batt, 2002; Guest, 1997; Hoque, 1999; Ramsay, Scholarios, & Harley, 2000; Tsui, Pearce, Porter, & Tripoli, 1997). The effect of HRM decreases when moving from employee outcomes to organisational outcomes and to financial outcomes (Guest & Conway, 2011). The key impact of HR practices lies in the way that they affect employee attitudes and behaviours, which, in turn, will have an impact on outcomes such as productivity and quality of service, and will eventually be reflected in the financial performance of the firm. In other words:

> The more proximal measures, such as employee attitudes and behaviour, absence and labour turnover will be more greatly affected by HR practices than distal outcomes, such as financial performance, which may be affected by a variety of factors, such as marketing strategy and the competitive environment. (Guest & Conway, 2011, p. 1690)

With regard to empirical findings, some supporting evidence has been found in larger organisations, but studies into small firms are limited. Ferris et al. (1998) considered climate as a set of shared employee attitudes, values, and beliefs on how an organisation operates. The role of service climate, which is explained by Bowen and Schneider (1988), is a similar way of perceiving climate, and the stronger the service climate; the more likely customers are to feel the service climate and quality. Organisational climate affects employee attitudes and behaviours, and eventually organisational effectiveness (Rogg et al., 2001). Boselie, Dietz, and Boon's (2005) literature review of international refereed journals between 1994 and 2003 suggests that employee outcomes partially mediated the impact of HRM practices on organisational outcomes, using the term internal performance instead of employee outcomes. Sun, Aryee, and Law (2007) found that HPWS reduced turnover and increased the productivity of employees, and this relationship was partially mediated by service-oriented organisational citizenship behaviours. Katou and

Budhwar's (2010) study into the Greek manufacturing industry showed that employee skills, employee attitudes and employee behaviours fully mediated the impact of resourcing and development HR policies, compensation and incentives HR policies and involvement and job design HR policies on organisational performance.

4.3.1 Employee commitment

One of the most widely examined job attitudes in business research is organisational commitment. Commitment continues to be a major focus of research, as it is an attitude that reflects the nature of the relationship between an employee and an employer (Meyer, Allen, & Topolnytsky, 1998). Previous literature has largely viewed the HPWS as a commitment-based culture, and in many cases the term 'high-commitment' management has been used in the literature as a synonym for high-performance workplace systems (HPWS). Indeed, past research has indicated that employees' perceptions of HPWS are positively related with organisational commitment (e.g. Appelbaum et al., 2000; Mackay & Boxall, 2008; Takeuchi et al., 2009).

Commitment is rooted in the research on individuals' behaviour within organisations. Porter, Steers, Mowday and Boulian (1974) defined organisational commitment as the solid confidence in, and acceptance of the organisation's goals and values, a sturdy yearning to stay in the organisation, and a preparedness to use substantial effort on behalf of the organisation. Clercq and Rius (2007) investigated the role of individuals' commitment in small- and medium-sized businesses. They found that the employees committed themselves and applied effort based on their work status, their perception of the organisational climate and corporate entrepreneurship.

Rogers and Wright (1998) suggested that the SHRM literature should focus more on HR outcomes, such as employee commitment and turnover. This relationship has been evaluated in various samples of organisations (predominantly large and medium sized) and it has generally been found that high-performance work systems (HPWS) help to increase organisational commitment, which, in turn, reduces overall turnover levels (Arthur, 1994; Guthrie, 2001; Huselid, 1995; Way, 2002). However, size limits a firm's ability to offer promotional opportunities (Patel &

Cardon, 2010), so smaller firms may be required to pay more careful attention to employee motivation and commitment.

Way (2002) studied small businesses with employee headcounts ranging from 20 to 100. The study indicated that HPWS were associated with certain outcomes, that is workforce turnover (workforce turnover, voluntary turnover) and labour productivity (labour productivity, perceived productivity), which were considered to be the success factors of small US firms. In addition, this empirical evidence indicated that HPWS did not necessarily generate outcomes that exceeded the labour costs associated with the use of these systems.

4.3.2 Employee turnover

Theoretically, businesses that adopt HPWS should show lower levels of employee turnover. Sels et al. (2006) explored a conceptual framework linking HRM to financial performance that fit small businesses by using structural equation modelling. They studied the mediating effect of voluntary turnover and productivity on the relationship between HRM intensity and one year lagged financial performance. Sels et al.'s findings showed productivity and profitability enhancing effects, in addition to the cost-increasing impact of HRM intensity. However, this might not be applicable to all cases.

For example, the research in the UK on clothing manufacturers, hotels and catering services found that for particular target groups in the labour market, such as young adults in education, many managers did not perceive pay to be the key component in the retention or motivation of staff, whereas a small hotel owner suggested that qualitative factors such as a relaxed atmosphere, job security, benefits (e.g. meals and flexible working hours) were more important in terms of employee retention (Arrowsmith, Gilman, Edwards, & Ram, 2003). The authors concluded that informality patterns and accommodation were strengthened by clear industry segmentation in the small firms and management style.

4.4 Conclusion

Cardon and Stevens (2004) suggested that there are three fundamental aspects of HRM which require further understanding in the context of small firms: retention and ongoing employee issues, integration and interactions of HR practices, and the evolution of HR practices within developing organisations. Bacon et al. (1996) argued that small businesses are in many ways the ideal site for the development of HRM because of their direct communication, flat hierarchy, immense flexibility and the clear impact of each employee on organisational performance.

Therefore, the question of the role that human resource practices play in the performance of small enterprises is a significant one, since these firms are frequently considered to be the major catalysts that help formulate viable economies and increase job creation (e.g., Kuratko & Audretsch, 2009; Messersmith & Guthrie, 2010). It is important to understand the mechanisms that construct successful small firms within a multi-cultural context, as much remains unknown (Messersmith & Guthrie, 2010; Way, 2002). In addition, the literature suggests potential linkages between CE and HPWS which further adds to the contribution of the present study by exploring these in small-sized firms within the café and restaurant industry.

Chapter Five: Quantitative Method

5.1 Introduction

The research method selection and employment is one that is secondary to that of paradigms, but it is crucial to ensure a good fit between paradigms and methods (Silverman, 2005). Guba and Lincoln (1994) defined a paradigm as "the basic belief system or worldview that guides the investigator" (p. 195). Ontology is dealing with the nature of reality, and epistemology is the assumption, especially with regard to its methods, validity, and scope. Burrell and Morgan (1992) suggested four paradigms: interpretive, functionalist, radical humanist, and radical structuralist. The interpretive and functionalist dimensions are relevant to this present study.

Functionalism also commonly referred to as positivism. It focuses on realism, and has an objectivist epistemology in which the researcher adopts a distance from subject and focuses on quantitative methods, such as experiments and surveys. Positivism is the conventional approach for organisational theory (e.g. Gioia & Pitre, 1990) including management (e.g. Curran & Blackburn, 2001), entrepreneurship (e.g. Grant & Parren, 2002), and small business research (e.g. Curran & Blackburn, 2001). Generally, the entrepreneurship literature has primarily dealt with theory testing, emphasising a quantitative approach, using survey instruments (e.g. Bacon et al, 1996; Brush, 1992) or mail questionnaires in combination with interviews (e.g. Blanchflower et al., 1998). A more objectivist/ positivist approach makes much more sense with formal HRM practices which are well defined and for which commonly used labels have been developed, and there is general agreement on what these are. Subjective interpretations are not normally so different as a result. Hence, a survey is appropriate to investigate the prevalence or presence of such practices.

In contrast to positivism is the interpretive paradigm. This paradigm aims to understand the individual subjective experience (Burrell & Morgan, 1979). Interpretivism has an epistemology of understanding that researchers need to realise that their concepts, ideas, and language form how they think about the interpreted data. It relies on qualitative methods (Carson, Gilmore, Perry & Gronhaug, 2001) such as participant observation, in-depth interviews, and focus groups. An interpretivist/ subjectivist approach is more relevant to informal HRM practices, which are, by definition, not well defined and where there may be much more scope for subjective interpretations. Hence, interviews and focus groups are more appropriate to explore and clarify interpretations and understanding around the use of informal practices in small- and medium-sized firms.

Using a multiple paradigm approach might be challenging, but it could offer “the possibility of creating fresh insights because they start from different ontological and epistemological assumptions” (Gioia & Pitre, 1990, p. 591). A multiple paradigm approach is an extension of triangulation (Gioia & Pitre, 1990). This research study uses different lenses to study the same phenomena. In other words, it uses a sequential multiple paradigm approach, where the semi-structured interview data has been collected in the way that has been planned to complete, enhance, and perhaps triangulate the survey principles (Bryman, 2006). The multiple paradigm perspectives have been used in other organisational studies (Lewis & Grimes, 1999), for example, appraisal (Poole et al., 1989), emotional display (Sutton & Rafaeli, 1988), and entrepreneurship research (Kirkwood & Campbell-Hunt, 2007).

However, there are potential issues in using a multiple paradigm approach that must be acknowledged. The most problematic issue relates to practicalities, which may demand the researcher may have to change their world view from one paradigm to another (Kelemen & Hassard, 2003).

In addition, integrating quantitative and qualitative research instruments is derived from pragmatism philosophy. The objective of this mixed methodology is to strengthen and minimise flaws of using a single method - either quantitative or qualitative - but not replacing either of these approaches (Burke & Onwuegbuzie, 2004). Pragmatism takes a clearly value-oriented approach to research. Creswell (2009) proposes that the mixed methods provide multiple possibilities to view a phenomenon from different methodological viewpoints by fitting together the insight provided by qualitative and quantitative approaches into a practical elucidation (Burke & Onwuegbuzie, 2004), especially this present research study on a complex interplay of entrepreneurship, human resource management, and firm performance.

Greene, Ceracelli and Graham (1989) suggest five reasons that mixed methods should be considered for research. Firstly, mixed methods incorporate triangulation, which is the use of more than one method to enhance the credibility of the research findings while studying the same research question in order to enrich a study (Hesse-Biber, 2010). Secondly, complementarity of mixed methods design provides an entire understanding of the research problem for researcher. Triangulation and complementarity are beneficial “for cross-validation when multiple methods produce comparable data” (Yauch & Steudel, 2003, p. 466). Thirdly, this methodology supports the development of research “by creating a synergistic effect” (Hesse-Biber, 2010, p. 5) and amalgamates understanding of results from both quantitative and qualitative studies, and “statistical data collected from a quantitative method can often shape interview questions for the qualitative portion of one’s study” (Hesse-Biber, 2010, p. 5). Fourthly, the findings from a mixed methodology may initiate a new study as it may raise questions or contradictions that will need amplification. Fifthly and finally, an initiative arising from a mixed method research can result in an expansion which could require new or modified research questions or produce detailed findings for future research endeavour.

Using mixed method can complement existing research findings. Quantitative information provides data which is acquiescent to statistical analyses and standardized tests of reliability and validity, whereas qualitative information adds in-depth understanding of research results and allows exploration of emerging themes or subgroups within the data. All of these reasons provide strong arguments for the choice of a mixed method approach for this research study. This quantitative method chapter details the sample and procedures, measures and analysis, while the next chapter will discuss the qualitative methodology.

This chapter details the various methodological aspects of this present research. This study used two methods to explore the research questions: (1) quantitative surveys and (2) qualitative in-depth, semi-structured interviews (see detail in Chapter 6). Underpinning this approach is an attempt to gather as much information as possible so that a realistic and holistic perspective on entrepreneurship and human resource management practices in café and restaurant businesses in Auckland and Waikato can be developed. According to Zikmund (2003), surveys are the most common method of generating primary data. Surveys are popular as management tools, with applications ranging from measuring employee behaviours to developing strategic tools (Mackelprang & Nair, 2010). The use of qualitative data also provides a counterpoint to the empirical quantitative data and may illuminate areas that the quantitative data cannot uncover, such as new and unique factors. This is explained more in Chapter 6.

5.2 Sample and procedures

The first sampling frame came from Waikato and King Country Yellow Pages 2009/10 in the restaurant and café section, pages 157-161 and pages 664-669. Then, the data were redefined to select only the businesses which met the criteria of having at least one employee (not self-employed) and not a franchise or chain operation. The selection was made through internet search and physically phoning each business. The sample excludes organisations without employees because they will have no human resource management practices and this present research aims to examine human resource management in practices of small businesses. It also includes employee attitudes and thus without employees, these firms are of no use to this research. It also excludes franchise or chain cafés/ restaurants due to their nature of having more systematic practices in place and certain protocols set by franchisor. This yielded a total population of 249 firms for the Waikato and King Country region.

The first distribution of 249 surveys was posted a survey with a prepaid return envelope provided in October 2010 to businesses in the Waikato, and only four responses were received. Subsequently, the researcher visited 89 of these businesses which were located in Hamilton, Cambridge and Morrinsville in person from November 2010 to March 2011, which increased the final number of Waikato responses to 47 by the end of the second month. Some firms were not interested in doing the survey, or were too busy, or against participating in any research. Aligned with my ethics requirement, I did not continue discussions with these firms. This represents a 19 percent response rate from the Waikato and King Country region. I selected these locales because they were close enough to my home location to travel. Some sites such as Te Kuiti were excluded because they were simply too far away to travel and had fewer than ten cafés and restaurants in the locale in total.

A few months later, in order to increase the number of respondents, the data collection strategy was changed solely to face-to-face and the researcher visited in person when collecting data in Auckland in the second round from May to August 2011. It was felt that the New Zealand economy and the two specific locations of

Waikato and Auckland had not changed over this small period of time. This Auckland sample was from a convenience sample because the chosen areas of high density of cafés and restaurants and ease to access by transportation. The same exclusions noted above applied, such as no chain restaurants or cafés. A total of 150 surveys were distributed in Auckland in person by the researcher and a total of 56 responses were returned by the end of the second month. This represents a 37 percent response rate from the Auckland region (specifically from the CBD, Mt Eden, Takapuna, Howick and Onehunga).

The researcher distributed and collected questionnaires from owners/managers and employees at their convenience. An advantage of this form of distribution was personal interaction which shows how important the research is and provides recognition of the researcher in order to increase the response rate. In addition, reminders were made by phone and the researcher followed up by visiting in person to ensure that the responses were as many as possible. After completion of the survey, respondents were instructed to seal the envelope and hand it back to the researcher only. The questionnaires were kept in a secured room controlled personally by the researcher and all data was password protected on the researcher's computer, to ensure the privacy and confidentiality of the responses.

Data were collected from two sources: (1) the owner/manager, and (2) one random employee per organisation. A total of 114 owner/manager surveys were returned for an overall response rate of 28.6 percent. Of the 114 firms, seven respondents were only owner/managers with no employees and were thus unusable, as owner/manager surveys had to match with an employee survey. That yielded a total of 107 surveys from two sources returned for a final response rate of 26.8 percent.

The following provides demographics for owners/managers in the sample. The average range of owner/manager age was between 30-39 years. The majority of owners/managers worked over 40 hours a week (61%) and on average, worked 51.6 hours per week. The majority of owners/managers were married (61.5%). Overall, the sample of owner/managers was fairly even by gender, with males making up 56.6 percent of the sample. The average length of business tenure was 6.1 years (SD=6.9). The self-defined ethnicities of owners/managers were European (56.7%), Asian (39.2%), Maori (3.1%), and Pacific Islanders (12%). With regard to the owner/manager highest education, respondents with an undergraduate degree

(48.9%), a diploma or certificate education (such as cookery, manager's licence, etc.) (29.5%), a high school qualification (13.6%), and a postgraduate qualification (6.8%).

The majority of participant organisations had from one to five employees (34%) and an overall mean of 12.7 employees (SD = 12.7). In other words, the sample respondent had approximately 12 employees on average working in their organisation. It must be noted that there was a wide range of employee numbers in the sample, varying from one employee (excluding the owner) to 80 employees.

The employee respondents were fairly well spread amongst various ethnicities: percent European (58.4%), Asian (34.7%), Pacific Islander (4.0%), and Maori (3.0%). The employee levels of education were undergraduate degree (40.7%), diploma/certificate education (cookery, manager's licence) (26.7%), high school qualification (26.7%), and postgraduate qualification (2.3%).

5.3 Validity and reliability

Several steps were taken to determine the validity and reliability of the self-report data. In order to reduce common-method variance (Spector, 2006) and construct temporal inference from the variables studied, the survey information was obtained from two distinct sources at one time. The manager/owner survey contains questions regarding their own personal entrepreneurial traits, the usage of HR practices in the organisation, behavioural outcomes, service performance and staff turnover. The employee survey includes questions in regard to service climate, and their commitment, involvement, turnover intentions, behavioural outcomes and service performance.

To alleviate concerns about common-source bias, the researcher used data from both samples of (1) owners/managers and (2) employees from 107 firms and found that both sets yielded directionally similar results from a reliability test. As well, testing the two different geographical regions (Waikato and Auckland) by t-test also show that there is no significant result across the total variables except owner/manager self-rated *tenacity* ($t=5.8$, $p< .05$) and employee *extra-role* ($t=5.6$, $p< .05$), where Auckland owner-managers reported slightly higher levels. This might reflect the need to be tenacious in the Auckland market and the expectation that workers will perform additional tasks when needed. Therefore, the full sample of 107 firms was retained to increase statistical power and estimation efficiency.

5.4 Pilot Testing

To improve the validity and generalisability of research findings from surveys, the surveys were pilot tested (Zikmund, 2003). The pilot surveys were carried out with approximately 41 respondents (2 café owner/managers, 4 employees and 35 customers) within the University of Waikato students and café's owners within the university. The participants provided feedback on the nature of the questions and the survey length. This information was used to refine the survey instrument. It was originally planned that a third data source would be sought – customers – to provide specific customer satisfaction data. However, the decision to drop off the customer questionnaires was made after most of the respondents (owners/ managers) in Hamilton were not willing to cooperate as they did not allow interruption of their business operations and their customers. This was even after the researcher offered to capture customers after they had finished their purchases. Overall, there was extreme resistance from owners/managers on this potential data collection phase and as such it was ultimately dropped from the study.

Pilot testing is used to identify any errors and biases inherent in the survey before fully using the survey (Fink, 2006). Suggestions regarding layout, question wording and irregularities were addressed. As such, two changes were made to the instrument. The terms 'organisation tenure' and 'job tenure' were not well understood by respondents in Waikato and were simplified for Auckland respondents by using the questions 'How long has this business been operated?' and 'How long have you been working in this organisation?'

5.5 Measures

The following section details the measures used in the study. Scale reliability analysis (Cronbach's alpha) was undertaken for measures in the study.

5.5.1 Dependent variables

Firm performance is evaluated by two informant sources: owner/manager and employee respondents. Firm performance is categorised into two groups of dependent variables: service performance perceptions, and behavioural and attitudinal outcomes.

Service Performance

The first category is service performance perception. Service performance is influenced by service climate and eventually influences customer satisfaction (Liao & Chuang, 2004). Service performance captures multiple facets of performance in the Service and Hospitality industry in order to provide customer satisfaction and gain an appreciable level of profits. The first service interaction with a customer will be a key influence of whether the customer will return. Most previous work on service performance has centred on either organization level or individual level analysis (Liao & Chuang, 2004). In this study, owner/manager and employee informants were sourced in order to better gain an understanding of individual and organisational level effects as well as a clearer picture of performance within the hospitality industry. Liao and Chuang demonstrated that both individual- and store-level factors were significantly associated with employee service performance. By collecting data in regards to service performance perception from two informants, the researcher argues this will help to cross-check the performance perception direction and reduce the bias of data. Service performance perceptions are composed of *commitment to customer service*, *employee involvement*, and *extra-role service behaviours* and service performance, which is detailed below.

Service Performance is the first dependent variable. It can be assessed at individual and organisation levels. At the organisational level, the final result of service performance focuses on providing quality service and a good customer experience, which are both important for the service and hospitality industry. The scale (a 5-point Likert scale ranging from 1 = Strongly Disagree to 5 = Strongly Agree) was adopted from Liao and Chuang (2004). This variable is to test service performance at the organisational level. One question asked was "To what degree are you: Being friendly and helpful to customers?” Another question asked "To what degree do you “Approach customers quickly?” Another question asked was "To what degree is the employee “… able to help customers when needed?” This scale measures the degree of perception of owners/managers and the employees of the service performance of their restaurants and cafés. Overall, the measure had good reliability with the owners/managers measure (Cronbach’s alpha of .89 for the seven-item scale) and the employee's measure (Cronbach's alpha of .87 for a six-item measure). The reason for dropping an item in the employee rated measure of *service performance* was to increase reliability of this scale from .51 to .89. The deleted item was "Asking good questions and listening to find out what a customer wants."

Behavioural and attitudinal outcomes

So firm performance could be measured separately from a financial figure, the second category of dependent variables is behavioural and attitudinal outcomes. Beyond the traditional focus on individual level or at the aggregate firm level research, it has been noted that relationships between attitudes and performance that must be attained through behaviour (Kinnie et al., 2005). Based on human resource management and hospitality literature, behavioural and attitudinal outcomes can be used to show how individuals perform and the present study focuses on the variables *turnover intention*, *affective commitment*, *organisational citizenship behaviour*, *extra-role service behaviours*, *commitment to customer service*, *employee involvement*, and (organisational) *service climate*, in which all were coded 1 = Strongly Disagree to 5 = Strongly Agree. Specific details are provided below.

Turnover intention is the second dependent variable. It can determine the likelihood of staff leaving an organisation. As suggested by research, where turnover is lower, quality is higher as a result of the firm-specific skills and knowledge of clients that experienced employees have (Batt, 2002). Therefore, firms that opt to compete on service quality or customer loyalty may search for keeping turnover low (Batt & Colvin, 2011). In particular, employee turnover is an important issue in a small firm's bottom line. Replacing employees can affect a business' productivity, expenses and overall performance. *Turnover intention* was measured using 3-items from Kelloway, Gottlieb and Barham (1999) which has been widely cited (234 in google scholar) and this measure was collected from employees. Sample items are "I am thinking about leaving my organization" and "I don't plan to be in my organization much longer". This measure had excellent reliability (Cronbach's alpha of .90). In addition, there may be a difference between employee attitudes (e.g. low commitment) and behavioural intention (e.g. intention to leave). For instance, Iverson and Buttigieg (1999) suggested that if individuals perceived that there were attractive options available, those who displayed high continuance commitment were only more likely to leave. Therefore, the extent to which turnover can be confidently predicted using measures of commitment is challenging. As Allen and Griffeth (2001) suggested that a more reliable indicator of actual turnover is to measure both *turnover intention* and commitment.

Affective commitment is the third dependent variable. It is the tendency of an employee to stay with a company that is based on an emotional attachment to the organisation (Allen, 1990). An employee who exhibits affective commitment to their firm will often relate strongly with the business and its objectives, and might refuse offers to move to a new firm, even if they seem more attractive financially. Mendelson et al. (2011) believe that organisations which have HR practices that treat employee as people rather than staff will gain higher levels of affective commitment from employees.

There is evidence to suggest consistent relationships between affective commitment and performance (Conway & Monks, 2009). For example, studies show that affective commitment is associated with higher productivity, greater organisational citizenship behaviours, lower absenteeism and higher financial performance (Hackett, Bycio, & Hausdorf, 1994; Meyer, Paunonen, Gellatly, Goffin, & Jackson, 1989).

Affective commitment was measured using five items from the organisational commitment measure (affective dimension) of Meyer, Allen and Smith (1993). Questions asked respondents to what extent they agreed with the following statements: “I would be very happy to spend the rest of my career with this organisation”; “I really feel as if this organisation’s problems are my own”; and “This organisation has a great deal of personal meaning for me”. This measure had an adequate reliability (Cronbach’s alpha .75).

Organisational citizenship behaviour **(*OCB*)** is the fourth dependent variable. It has been linked to overall organisational effectiveness; as a result, these sorts of employee behaviours have important consequences in the workplace. *OCB* was measured with 5-items from Koys (2001) which is very successful and cited over 600 times by google scholar, especially within the personnel psychology literature. This scale measures the degree to which perceptions of organisational citizenship behaviours are presented within the organisation by owners/managers and employees of restaurants and cafés.

Each question was related to the five dimensions: conscientiousness, altruism, civic virtue, sportsmanship and courtesy respectively by asking about the degree to which employees perceive their behaviours upon the following statements: “I work to exceed each customer’s expectations” (conscientiousness)”; “I can count on my co-workers when I need help” (altruism); “My team feels responsible for our success” (civic virtue); “The people I work with have a ‘can do’ attitude” (sportsmanship); and “The people here treat each other with respect” (courtesy). The measure of organizational citizenship behaviours was very robust for both owners (Cronbach’s alpha of.85) and employees (Cronbach’s alpha of .84).

Extra-role service behaviours is the fifth dependent variable. The *extra-role service behaviours* was noted by Van Dyne, Graham and Dienesch (1994) as being included in OCBs. However, *extra-role service behaviours* in this study is defined as “behaviour that attempts to benefit the organization and that goes beyond existing role expectations” (Organ, Podsakoff, & MacKenzie, 2006, p. 33) with a particular focus on customer service. As such, it aligns well with the restaurant and café setting of this study. It was measured using 3-items adapted from Kim et al. (2009) “service behaviours” scale. A sample item is “Voluntarily assists customers even if it means going beyond the job requirements”. This scale assesses the degree to which existing service behaviours within organisation are perceived by owners/managers (Cronbach’s alpha .90) and employees of the restaurants and cafés (Cronbach’s alpha .87). From the Kim et al. study, the findings showed that when employees are satisfied with their job, this positive feeling about their job encourages them to go the extra mile for customers and support co-workers and supervisors in need. Their study was cited mainly in hospitality and hotel research (currently 25 times).

***Commitment to customer service* (*CCS*)** is the sixth dependent variable. *CCS* may refer working tirelessly every day to give all customers the best possible service. It was measured using six items from Peccei and Rosenthal (1997) which were successfully developed (120 citations). They defined *CCS* as “the relative propensity of an individual to engage in continuous improvement and to exert effort on the job for the benefit of customers.” (Peccei & Rosenthal, 1997, p. 69) This measure was used for only the employee survey. A sample item is “No matter how I feel, I always put myself out for every customer I serve”. This measure had good Cronbach’s alpha of .82.

Employee involvement is the seventh dependent variable. Employees have an impact on decisions and actions that affect their jobs, and employees with high involvement are likely to offer their opinions and contribute to new work development. It was measured using five items from Liao and Chuang (2004) which were well established contextual factors of in store level study (their study has individual and store levels from employee, manager and customer sources) from 25 restaurants (360 citations). These scales measure the degree to which employees perceive their commitment and involvement in an organisation. Two sample items are “You are asked for opinions before making decisions affecting your work” and “You are allowed to participate in decisions that affect you”. This measure had good Cronbach’s alpha of.83.

Service climate is the eighth dependent variable. It refers to the shared employee perceptions of the practices, procedures, and behaviours that are rewarded, supported, and expected in relation to customer service and customer service quality. It was adopted from the “global service climate” seven items from Schneider et al. (1998), which is extremely successful (899 citations). Service climate is measured as the degree to which an organisation emphasises, in multiple ways, meeting customer demands and expectations for service quality. However, it has been noted (Purcell, 1999) that differences in the HR and climate relate to how HR practices are really carried out.

Questions asked were: “How would you rate the job knowledge and skills of employees in your business to deliver superior quality work and service?”, “How would you rate efforts to measure and track the quality of the work and service in your business?”, “How would you rate the recognition and rewards employees receive for the delivery of superior work and service?”; “How would you rate the overall quality of service provided by your business?”; “How would you rate the leadership shown by management in your business in supporting the service quality effort?”; “How would you rate the effectiveness of our communications efforts to both employees and customers?”; and “How would you rate the tools, technology, and other resources provided to employees to support the delivery of superior quality work and service?” The managerial scale reflects those actions taken by the owners or managers of restaurants and cafés that support and reward the delivery of quality service. The Cronbach’s alpha for the owner/manager *service climate* (7-items) scale is .82. The employee feedback scale assesses the perceptions of employees towards the *service climate* and the Cronbach's alpha for the employee *service climate* (7-items) scale is also .82. Thus, both the owner and employee measures were robust. See the summary of dependent variables in Table 5.1

Table 5.1 Summary of dependent variables

Variable	Abbreviation	Informant Source	No. of item(s)	Cronbach alpha	Sample item
Service performance	Service performance	Owner/ Manager	7	.89	Being friendly and helpful to customers.
		Employee	6	.87	
Turnover intention	E Turnover intention	Employee	3	.85	I am thinking about leaving my organization.
Affective commitment	E AC	Employee	5	.75	I would be very happy to spend the rest of my career with this organisation.
Organisational citizenship behaviour	OCB	Owner/ Manager Employee	5 5	.85 .84	The people I work with have a ‘can do’ attitude
Extra-role service behaviour	Extra-role	Owner/ Manager Employee	3 3	.90 .80	Voluntarily assists customers even if it means going beyond the job requirements.
Commitment to customer service	E CCS	Employee	6	.78	No matter how I feel, I always put myself out for every customer I serve.
Employee Involvement	E Involvement	Employee	5	.83	You are asked for opinions before making decisions affecting your work.
Service climate	Service climate	Owner/ Manager	7	.82	How would you rate the job knowledge and skills of employees in your business to deliver superior quality work and service?
		Employee	7	.82	

5.5.2 Independent Variables

Independent variables are evaluated by single informant source; the owner/manager. Independent variables are classified into two factors: entrepreneurship, and HRM.

Entrepreneurship is regarded as the capacity and willingness to develop, organise and manage a business venture along with any of its risks in order to make a profit. Studies that explore the characteristics and personality traits of, and influences on, the entrepreneur have come to inconsistent conclusions. Generally, however, there is agreement on certain consistent entrepreneurial traits and environmental influences. While certain entrepreneurial traits are required, entrepreneurial behaviours are also dynamic and influenced by environmental factors, which are beyond the present study. Shane and Venkataraman (2000) argued that the entrepreneur is exclusively concerned with opportunity recognition and exploitation, though the opportunity that is recognised depends on the type of entrepreneur. The measures of entrepreneurship consist of entrepreneurial traits, which are presented below.

Entrepreneurial traits, skills, and motivation are the first category in entrepreneurship. Entrepreneurial traits refer to distinguishing features, as of an entrepreneur's character or qualities. Thus, for these measures the focus is on the owner/manager themselves. A set of entrepreneurial traits were adapted by Baum and Locke (2004), which covered most of the agreed traits in the literature and this article has been widely cited (494 times) and thus is viewed as being a successfully developed measure. They combined entrepreneurial traits and skills (*passion, tenacity,* and *new resource skills*) and situationally specific motivation (*communicated vision, self-efficacy,* and *goals*) as traits to determine a successful entrepreneur (Baum & Locke). These items measured the degree to which entrepreneur characteristics influence the organisation. These were measured using the Likert scale (with 1 = Strongly Disagree to 5 = Strongly Agree) to reflect entrepreneurial traits and actions taken by the owners or managers of restaurants and cafés. These six factors are *passion, tenacity, new resource skills, communicated vision, goals,* and *self-efficacy.*

Passion (5 items) is the first independent variable. Passion is regarded as a powerful emotion such as love; for example, respondents were asked to respond to the statement: “I look forward to returning to work when I am away from work.” The Cronbach’s alpha for this scale was robust at .84.

Tenacity (4 items) is the second independent variable and relates to a state of ‘holding on’ or tending to hold persistently to something. Owner/managers were asked to respond to the statement: “I can think of many times when I persisted with work when others quit” and “I continue to work hard on projects even when others oppose me”. The Cronbach’s alpha for the tenacity scale was not quite at the minimum level (.70, Cronbach’s alpha, 1972) at .65.

New resource skill (5 items) is the third independent variable. It is defined as “the ability to acquire and systematize the operating resources needed to start and grow an organisation” (Baum & Locke, 2004, p. 587); for instance, respondents were asked to respond to the statement: “You know how to find the resources that you need” and the Cronbach’s alpha for this scale was just adequate at .71.

Communicated vision (2 items) is the fourth independent variable. Entrepreneurs have visions of the firms they want to create that include images of growing businesses, recognition, and personal prosperity (Bird, 1989). Respondents were asked to respond to the statements: “I communicated with my employees about my firm’s vision in the last 6 months” and “My company has a written vision,” and the Cronbach’s alpha for this scale was .66.

Goals (2 items) is the fifth independent variable. Baum and Locke (2004) suggested that entrepreneurs’ near-term goals should be based at least to some extent on their vision. The respondents were asked to respond to the statements: “Goals are a fundamental part of being in business” and “I set challenging goals for my organization”, and the Cronbach’s alpha for this scale is .50. This low reliability issue (Cronbach, 1972) will be addressed in the limitation section.

Self-efficacy (2 items) is the sixth independent variable. Self-efficacy is described as task-specific confidence (Bandura, 1997); for instance, respondents were asked to respond to the statement: “You are confident that your firm will grow in terms of employee numbers.” The Cronbach’s alpha for this scale is .72.

Table 5.2 Summary of independent variables (entrepreneurial traits, skills, and motivation)

Variable	Abbreviation	No. of item(s)	Cronbach alpha	Sample item
Passion	Passion	5	.84	I look forward to returning to work when I am away from work.
Tenacity	Tenacity	4	.65	I can think of many times when I persisted with work when others quit.
New resource skill	New resource	5	.71	You know how to find the resources that you need.
Communicated vision	Communicated vision	2	.66	You communicated with my employees about my firm's vision in the last 6 months
Goals	Goals	2	.50	I set challenging goals for my organization.
Self-efficacy	Self-efficacy	2	.72	You are confident that your firm will grow in terms of employee numbers.

Human resource management (HRM) practices

HRM is the second group of measures. HRM are based on a group of separate but interconnected human resource (HR) practices e.g. recruitment, selection, training and performance evaluation, or high performance work systems adopted from high performance work systems index of Messersmith and Guthrie (2010) which seeks to assess practices in emergent smaller organisations. The study has been cited 71 times in google scholar and considered as recent literature which linked HRM and firm performance. A 21-item index are drawn from the literature on HRM in large and small firms (e.g.Barrett & Mayson, 2008b; Bowen & Ostroff, 2004; Chandler & McEvoy, 2000; de Kok & Uhlaner, 2001; Guthrie, 2001; Hayton, 2003; Huselid, 1995; Messersmith & Guthrie, 2010; Sels et al., 2006; Way, 2002).

Since the data are cross-sectional and limited in knowledge about which practices 'matter' for small firms that are the focus of the present study, I chose not to weight any of the measures. The owner/manager respondents were asked to provide an estimate number of employees from total employees who are covered by the listed practices in the year 2009 through 2010. Each item was then restricted to a range of zero per cent (no employees covered by the selected practices) to 100 per cent (all employees covered by the selected practices). These items were then totalled to create an overall index of human resource management practices use in each organisation.

This approach is consistent with prior research in the strategic human resource management literature which supports using a system level measure for both methodological and theoretical bases (e.g., Becker & Gerhart, 1996; Delery & Doty, 1996; Messersmith & Guthrie, 2010; Way, 2002). The 21-item index scale includes HRM practices in staffing, training, performance management, and compensation. For example, the questions asked were: "How many employees covered by following practices – structured interviews, test administered prior to hiring, intensive/extensive training" (see the full questions in Table 5.4 below). The Cronbach's alpha for this scale is strong at .85. (See the summary in Table 5.4).

Table 5.3 Summary of independent variables - HRM

Variable	Abbreviation	No. of item(s)	Sample item
HRM practices: 1. Flex-time 2. Routine Performance Feedback 3. Job Security 4. Structured Interviews 5. Pay Position 6. Merit-based Promotions 7. Company Specific Training 8. Employees Provided Operational Information 9. Merit-based Compensation 10. Training Effectiveness Evaluated 11. Employees Provided Strategic Information 12. Generic Skill Training 13. Employment Tests 14. Percentage of Pay Based on Performance 15. Internal Promotion 16. Self-managed Team 17. Employee Participation Programs 18. Employees Provided Financial Information 19. Telecommuting 20. Group-based Compensation 21. Employee Ownership	HRM practices	21	How many employees covered by following practices? For example, structured interviews, test administered prior to hiring, intensive/extensive training.

5.5.3 Control variables

Demographic information was controlled for, including age, gender, self-identified ethnicity, education, hours of work, job tenure, organisation tenure, employment status, number of employee turnover and total employees in organisation. The use of firm characteristics was controlled for because they have been highlighted in the literature and may influence relationships. For example, larger sized firms may have more resources to spend on employees and thus engage in more HR practices. In this present research, a number of variables were entered into the statistical model to control for other factors that may be associated with dependent variables: marital status, gender, owner/manager highest level of education, and firm size.

Firstly, marital status indicates whether the person is married (1 = married/de facto, 0 = single) which shows a ratio of 60: 40 married/de facto: single. This might influence the management practices offered by restaurants and cafés due to the family commitment balance.

Secondly, *gender* is a range of physical characteristics distinguishing between masculinity and femininity. Gender was coded 1 = male, 0 = female, similar to Wagar and Grant (2008) and Haar and White (2013), who both controlled for gender. It could influence the different way of managing a business. For example, female owner/managers might be more attuned to family issues and provide more associated HR practices.

Thirdly, *owner/manager highest level of education* (1 = no education, 2 = high school qualification, 3 = diploma/certificate, 4= undergraduate qualification and 5 = postgraduate qualification). For example, researchers have controlled for education such as whether the respondent has a graduate degree (Wagar & Grant, 2008). Higher education might suggest a better management system due to greater exposure through education and training.

Finally, firm size; the size of the firm should be competitive in the market, such as having low cost and high profit, but in this study measured by total number of employees in an organisation. For instance, Guthrie (2001), Haar and White (2013), Michie and Sheehan (2009) controlled for a number of variables, including firm size. Firm size could possibly prevent the different management practices required in an organisation.

5.6 Analysis

The questionnaire participants are owners and employees, using both similar and different sets of questions in order to triangulate the data based on the entrepreneurial traits, and human resource management practice relationships with the dependent variables, which are assessed by the two different sources.

5.6.1 Univariate analysis

Univariate analysis is used to explore each variable in a data set, separately. It examines the range of values, as well as the central tendency of the values. It also describes the pattern of response to the variable, and each variable on its own (Johnson, Kemp, & Kotz, 2005). It is used to analyse by frequency distribution analysis of nominal scale variables, (such as marital status and gender), ordinal scale variables, (such as age range group) and by percentage distribution in ratio scale variables (such as number of employees in an organisation). In addition, means and standard deviation were also used in this initial analysis of the study data.

5.6.2 Bivariate analysis

Correlate bivariate was used to analyse the association of two variables, one pair at a time, for the purpose of determining the empirical relationship between them in order to see whether the variables are related to one another. It is common to measure how those two variables simultaneously change together (Bernard, 2000). Bivariate analysis is used for checking the extent to which it becomes easier to distinguish and predict a value for the dependent variable a case's value on the independent variable is known. The present study used Pearson’s bivariate correlation coefficient to test the correlations of descriptive, dependent and independent variables.

5.6.3 Multivariate analysis

According to Guest (2011), “the need to link organisation, unit, group and individual level climate, inputs and outcomes requires a complex research methodology and sophisticated statistical analysis” (p. 6). Multiple regression allows more than two variables (independent variables) to be analysed (tested) at once. This type of analysis was carried out in this study where one (or more) variables are independent variables, to be explained or predicted by others. For example, the entrepreneurial traits used in the present study consisted of six distinct factors. This can be done by entering control variables in step 1 and independent variables in step 2 as suggested in Aiken, West and Reno (1991).

5.6.4 Limitations

There are several potential limitations to the study. The research design is cross-sectional and focuses on relationships among variables. Longitudinal studies could be undertaken in the future but are beyond the scope of this thesis. Self-reported data might have potential accuracy issues. The sample size of surveys is relatively small in the restaurant and café segment. One issue that became apparent was that small café and restaurant businesses were often too busy to entertain anything more than a cursory explanation about the research project before owner/managers declined. An additional limitation of this study is its retrospective nature which may suffer from biases associated with memory effects (Wright et al., 2005) though current and past HRM practices are likely to be similar. A further limitation is how individual respondents interpret the HPWS items. A limitation common in the SHRM field is the potential for reverse causality between the human resource management practice index and firm performance. Additionally, time constraints of the academic semester allowed less time than may be ideal for any potential ethnographic study for potentially richer data. Being an outsider (from New Zealand) may also limit what was revealed to the researcher. Therefore, the findings must be interpreted with caution.

Using multiple respondents (owner/manager and an employee) is an attempt to cover the issue of data bias from a single source. Sekaran (2003) argued that by talking, observing and seeking the employee responses through questionnaire, perceptions of the work and the work environment, their attitudinal and behavioural responses can be obtained. The study covers both individual levels and organisational levels in order to provide a total business view. Studying multiple industries was rejected, even though such comparisons might be valuable, in order to allow more depth of understanding and to avoid confusion by industry type (for example, small retail versus car manufacturing) and industry specific externalities (Baum et al., 2001b). After the quantitative survey data, semi-structured interviews were conducted in order to minimise researcher obtrusiveness and influence on the interviewees. This is covered in more detail in Chapter 6.

In addition, to reduce the potential for common method variance, there were two sources for the surveys: survey one contained the questions about entrepreneurship, human resource management practices, and organisational outcomes from managers/owners; and survey two contained the questions about organisational outcomes from employees. Spector (2006) argues that two sources of data such as owner/manager and an employee rated outcome also eliminates the potential for common method variance. It must be acknowledged that a few variables collected from the owner/manager were used both as predictor and criterion variables, and therefore there is the possibility that common method variance may exist in the relationships between these variables. That said, such a cross-sectional approach is common to the management literature in general.

Furthermore, the survey method has issue of flexibility and validity, which is related to an individual's understanding of the questionnaire. In this research, the interview was used in order to complement and provide multi-perspectives to explain the human resource management in small business context (Creswell, 2009). The detail of qualitative (interview) methodology will be discussed in the next chapter.

Chapter Six: Qualitative Method

6.1 Introduction

In addition to the survey (outlined in Chapter 5) which is the main tool of this study, face-to-face semi-structured interviews were conducted to explore the respondents' entrepreneurial background, characteristics, and traits. The purpose was also to understand what human resource management (HRM) activities were used in small firms and how they were applied, in specific recruitment and selection, training, performance evaluation, and perception of their business performance within the hospitality industry in the Auckland and Waikato regions.

There are four key rationales for choosing interview for in this study. Firstly, Cavana, Delahaye, and Sekaran (2001), argue that face-to-face interviews have advantages such as the researcher modifying the questions as required, clarifying doubts, and ensuring that the responses were accurately understood by repeating or rephrasing the questions. In addition, the researcher is able to pick up any non-verbal signals from the respondents. Jarvis et al. (1996) stated that "the interviews allow for the free flow of conversation, with questions designed to elicit free flowing narrative" (p. 145). Interviewers must, therefore, be sensitive to different modes of communication through which meanings and interpretations are construed and communicated through respondents.

Secondly, interviews were selected as the primary qualitative tool to explore how and why the respondents do the things they do. The interviews allowed the researcher to explore owner/manager background and characteristics in detail which may not be covered in the questionnaires, for example, variety of life and work experiences and how they turned personal assets of knowledge and experience into opportunity and maintain good business performance. Moreover, interviews not only inform just what HRM practices were in the organisation in order to recruit, select, motivate and retain their staff, but also how these HRM practices actually work in practice because the interview approach engenders a richness of understanding (Weick, 2007) of the practical realities of small enterprise management as "interviewing [is] one of the most common and powerful ways in which to understand fellow humans" (Clulow, Barry, & Gerstman, 2007, p. 24).

Thirdly, interviews are recognised as a popular method of acquiring data in qualitative research particularly in business and organisation research (e.g.Barrett & Mayson, 2008a; Clulow et al., 2007; Gilbert & Jones, 2000; Haynes & Fryer, 2000; Pio, 2005a). There are a number of key characteristics in the process of researching qualitatively into business organisations. First, access is a persistent problem in getting in to the organisation to be researched; it is very much an issue of negotiating for access. Second, social relationships between the researcher and participant are an equally important issue. It allows respondents' understanding of the objective of the study and to develop their feeling of the researcher's trustworthiness. A third issue is the strategy for withdrawal which becomes particularly relevant to prolonged research in case study organisations. The researcher properly manages the relationship in order to maintain an option of returning for further research.

Lastly, the access to data through the medium of interviews is the most viable and least time-consuming of other methods. Experiment method is unfeasible in practice and action research is also unlikely, thus, qualitative interview research and case studies are the only available options. Case studies could consume more time than interview as they are "a detailed investigation, often with data collected over a period of time, [from] one or more organisations, or groups within organisations, with a view to providing an analysis of the context and processes involved in the phenomenon under study" (Hartley, 1994, pp. 208-209).

In conclusion, interviews are a method to obtain data information in the present study on the issues of interest in entrepreneurship and human resource management. Qualitative interviews can be conceptualised as communicative events in which interviewers and respondents are engaged in active interaction and exchange of information through various communicative channels and codes.

6.2 Sample

After completing data analysis of surveys and gaining approval to conduct interviews, the highest and lowest ten ranked organisations of HRM practice usage in organisations (total of 20 respondents) from the survey results were approached by the researcher. These top and bottom ranked organisations were selected in order to identify whether there could be significant differences in entrepreneurial characters, traits and the way the owner-managers manage their firms, their HR practices, and performance. There were 9 respondents (6 top ranked and 3 lowest ranked) who volunteered and consented to participate in interviews. The other 11 owner-managers turned down the invitation for a number of reasons including the business was no longer trading; the ownership of firm was changed; or the business owner declined to participate due to being too busy to do so. Those interviewees who did participate were five respondents from the Waikato region (3 top and 2 low ranked) and four respondents from the Auckland region (3 top and 1 low ranked). Interviews were conducted between March and August 2012. The questions covered were to offer a more in-depth exploration of the major theoretical approaches of the present study.

6.3 Procedures

The interviews were approximately half an hour in length, using the same standardised semi-structured interview questions. Interviews were designed to be semi-structured with owner-managers who volunteered to be interviewed for the study. The questions covered organisational and owner backgrounds, HRM practices and any issues encountered when managing staff, the relationship of particular HRM practices which were perceived as significant (by the owner-manager) and their business goals, and their overall perception of their firm performance within the industry.

Interviews were conducted at a mutually agreed time at the participant's business premises in Hamilton and Auckland. Demographic information was obtained in terms of gender, organisation tenure, number of employees (firm size), self-identified ethnicity, number of employee turnover and key positions in organisation. This information could help to explain potential relationships with various responses obtained from other questions.

In this study the interview design was semi-structured (Anderson & Felsenfeld, 2003; Leung, 2003) face-to-face interviews (Ekanem & Wyer, 2007; Pio, 2005a) in the English language, with both women and men owner-managers. During the face-to-face interviews a digital audio recorder was used along with extensive note taking, which is the approach used by Pio (2005b).

Paraphrase or repetition was used in communication with non-native English speaker respondents (three participants) to ensure that the true intent of the owner-managers comments was understood. The digital audio records were transcribed by the researcher as well as checked by a skilled, but non-associate, researcher in order to reduce any transcription issues. While asked whether they wanted to recheck their own comments (their transcript), all the owner-managers were happy to not to do so.

6.4 Interview questions

The interview protocol was developed based on the literature of entrepreneurship, the influence of owner's culture and values on the organisation climate (service), and human resource management practices. There was a discussion guide with open-ended questions, and both planned and unplanned prompts. The research questions were analysed at the individual and organisation levels where the personal experience of entrepreneurs and the impact of their experiences form specific practices and create an organisation's culture. The length of interview ranged from 20-45 minutes.

All interviews followed the five semi-structured questions which reflected the entrepreneurship, human resource management and firm performance themes. The questions were conversational in style. Table 6.1 shows the interview questions and their related aspects.

Table 6.1 Summary interview questions, theme, and variables

	Interview questions	Test theme	Variable type
1.	Please tell me about your journey setting up this business and any metaphor that you would compare to your business.	Entrepreneurship	Independent – Entrepreneurial traits
2.	What values and culture (*Service climate*) that you attempt to create in this organisation? How do these values and culture impact on day-to-day operation of the business?	Entrepreneurship	Independent – Entrepreneurial traits, Dependent – *Service climate*
3.	Please tell me how you manage your staff please (in detail on recruitment, selection, training and performance evaluation).	HRM	Independent – HRM Dependent – *Commitment to customer service, Extra-role service behaviours*
4.	What HR practices do you perceive as most important? Why?	HRM	Dependent - Service performance category
5.	What is the nature of the industry? How do you perceive your firm performance compare to those in the same industry and why?	Firm performance	Dependent – Service performance, Behavioural and attitudinal performance categories

The first question was to expand the understanding of any special entrepreneurial characters and how owner-manager traits (for example, passion and communicated vision) may lead to HRM, which was found from the quantitative survey data (see Chapters Seven to Nine for results). For instance, Levent, Masurel and Nikkamp

(2003)'s case study showed that Turkish female entrepreneurs in Amsterdam had *a special female profile* and that Turkish female entrepreneurs were *special female entrepreneurs* mainly in terms of their personal and business characteristics, and their driving force and motivation. The present research also seeks (if applicable) to determine how owner-managers view their organisations, for example, Cardon et al. (2005) found that entrepreneurs often described their businesses as their babies and were emotional in a way which expressed personal connection and even identification with their businesses. If similar comments were made in the informal interview this is likely to provide some insights into how owner-managers view their businesses.

The second question was to further explore the relationship of the owner-managers' personal values and cultural background which may or may not influence their way of managing their organisation and creating an organisational service climate. It was designed to complement the survey findings which suggested that entrepreneurial traits have a strong relationship with the owner-manager service climate and the owner-manager organisational citizenship behaviours (OCBs). Employee service climate is significantly related to owner service climate and somewhat related to two of the owner-manager entrepreneurial traits: goals and self-efficacy. Potentially, service climate and OCB could be a source of sustained competitive advantage of such organisations (Barney, 1986). So, exploring these factors qualitatively may provide greater insights into how these factors are operationalised.

The third and the fourth questions are dedicated to complementing the survey findings and other empirical studies (e.g. Neal, West, & Patterson, 2005; Patel & Cardon, 2010) in details of human resource management practices in the organisations. It is intended to provide thorough understanding whether, and if so, how, HRM practices are actually applied to small firms in the café and restaurant sector in New Zealand. From the survey findings, the usage percentage from the twenty-one items of HRM practice for each participant was determined but it does not explain how these practices are used. Recruitment method and preference approach were provided in detail from interviewees. Selection criteria, selection method and decision for hiring were also illustrated from interview data. Whether formal or informal training and when training is required were similarly explored and explained in the interviews. Other questions relate to how the firm owner-manager evaluates the employee/s performance - how often they actually do this, and the criteria they used in appraising a pay increase. Finally, whether a formal or informal process was carried out are some examples of the type of details sought in the interviews. The fourth question further explores what the owner perceived as important to their organisation in their HR practices and the rationale behind them.

The last question is to understand business performance, the nature of business in reality and measure the competition in the market based on the individual owner-manager perceptions. This provided a clearer picture of the business in a small market such as New Zealand, which could possibly be extended to other small economies around the world.

6.5 Analysis

A thematic analysis technique was adopted to explore how participants use discourse to interpret and reveal a more complex nature (Owen, 1984). Based on Owen's research, thematic analysis has as its intention to "actively enter the worlds of native people and to render those worlds understandable from the standpoint of a theory that is grounded in behaviours, languages, definitions, attitudes, and feelings of those studied" (p. 274). Thematic analysis offers the interpretation of interview notes and transcriptions, which can be used to understand any observable fact. It is in relational discourse when three criteria are present (Owen): recurrence, repetition of key words and forcefulness. The first is recurrence; for example, two parts of a report have the same strand of meaning and allow salient meaning to be discovered in the centre of a report. The second is repetition of key words, phrases or sentences. The third is forcefulness, which refers to vocal inflection, volume, or dramatic pauses in oral communication. The thematic approach has been well used, including in New Zealand, and specifically around the use of qualitative research on HRM practices (e.g. Haar, 2007).

The data from interview transcripts and field notes were compared in order to cross-check the coding into theoretically defined themes such as entrepreneurship, HRM and firm performance categories in order to analyse it based on the literature reviews of this thesis. For example, entrepreneurial traits codes are passion (e.g. love, passion); tenacity (e.g. long working hours, never giving up); new resource skills (know where and how to get resources, and can obtain resources e.g. human resource, financial resource); communicated vision (e.g. created...atmosphere, staff have to deliver...); and goals (this year we target to..., everyone here knows objective...).

However, a limitation of thematic analysis is that it could suffer from a bias in inference (Thomas & Harden, 2008). This was rectified by the researcher establishing clearly what the terms and meanings to ensure the respondents' correct understanding of the questions. To increase coding consistency, comments and statements were also re-analysed and coding checked by a skilled, but non-associated, researcher.

6.6 Ethical issues

This research involves the participation of human subjects. An application for ethics approval was submitted to the Waikato Management School Ethics Committee in 2011.

After obtaining ethical approval and finishing data analysis of the surveys, a total of nine entrepreneurs, who are actively owner-managers, were interviewed. The first contact with respondents was by telephone, giving them information about why and how they were contacted. Respondents received a brief explanation about the interviews and aspects of the study, and were assured that their responses would be confidential, and then sought their consent during a face-to-face interview. Also, the participants were given contact details of the researcher and supervisor for if they had any issue to resolve. The interviews were transcribed with no references to businesses and person's names to ensure confidentiality. The interview transcripts were kept in a secured room controlled personally by the researcher, to ensure the privacy and confidentiality of their interviews.

Chapter Seven: Univariate Results

7.1 Introduction

Univariate statistics are used to explore each variable in a data set, separately. It examines the range of values, for example minimum and maximum values, as well as the central tendency of the values, for example, mean and mode. This chapter is focused on reporting the univariate statistics. As stated in earlier chapters, two raters, which are owner/managers and employees, are involved for every organisation in the sample. Owner/manager ratings provide information on their perceptions as individual outcome measures and also representing the organisation in entrepreneurship and HRM practices measures. The employees provide several outcome measures. Firstly, the dependent variables are reported (*service performance, turnover intention, affective commitment, OCB, extra-role, commitment to customer service, employee involvement, service climate*), then the independent variables which are separated into entrepreneurship (*passion, tenacity, new resource skills, communicated vision, self-efficacy, and goals*) and human resource management practices (*HRM*; 21-items), and control variables. Finally, the conclusion is provided at the end.

7.2 Dependent variable univariate statistic results

This section is focused on univariate statistics which are used to explore each dependent variable. The findings report the range of values, as well as the central tendency of the values. The rating ranges from 1 (strongly disagree) to 5 (strongly agree). Owner/managers and employees provided information on perceptions as individual level outcome measures.

A similar perception of *service performance* is reported by both owner/managers (mean = 4.39) and employees (mean = 4.25). Consequently, both owner/managers, and employees report similarly high level of *service performance*. In other words, both groups feel that they provide very good service to customers. There is little variance in views of *service performance* among either owner/managers or employees (min = 3, max = 5). In addition, 3 percent of owner/managers as well as employees gave a 3 rating whereas 19 percent of owner/managers and 17 percent of employees gave a 5 rating, showing that only a small proportion feel they give ‘average service’ (3 out of 5) whereas a larger proportion feel their business offers ‘excellent service’ (5 out of 5).

Both the owner/managers (O_*OCB* mean = 4.11) and employees (E_*OCB* mean = 4.13) have a similar view that *organisational citizenship behaviour* (*OCB*) is strong in the organisations. This suggests a discretionary effect of *OCB* on the workplace and business performance. There is wide variance of *OCB* in employee’ views (min = 1, max = 5) but less so for owner/manager views (min = 2, max = 5). Although, there is not much difference between the employees rating (range 4) and owner/managers (range 3) rating. In addition, 1 percent of owner/managers and 2 percent of employees gave a rating of 2 whereas 10 percent of owner/managers and 13 percent of employee gave a rating of 5.

*Extra-role service behaviour*s, which relates to the behaviours which are beyond the existing in-role expectations, both owner/managers (mean = 4.30) and employees (mean = 4.12) indicate a relatively high in *extra-role service behaviours*. There is some variance in *extra-role* for both owner/managers and employee’ views (min = 2, max = 5). In addition, 1 percent of owner/managers and 2 percent of employees gave a rating of 2 whereas 37 percent of owner/managers and 24 percent of employees gave 5 rating. Given these are extra-roles that are not paid for by the employer, it is interesting to note that owner/managers have a higher rate than their employees.

Commitment to customer service indicates that employees work tirelessly every day to give all customers the best possible service. In other words, the employee *commitment to customer service* (mean = 4.11) was rated a relatively high score but with some variance (min = 2, max = 5). In addition, 2 percent of employees gave a rating of 2 whereas 11 percent a 5 rating.

Turnover intention suggests that employees generally intend to stay with their employers (mean = 2.22). However, this variable ranged from a minimum value of 1 to a maximum of 5, indicating that at least some employees intend to quit. Thirty-one percent of employees gave a rating of 1 (very unlikely to quit) whereas 3 percent gave a rating of 5 (very likely to quit). Given the restaurant and café workforce is renowned for turnover this level of low-to-medium (at best) does not appear to extra-ordinarily low or high.

Service climate refers to the shared employees' perceptions of the practices, procedures, and behaviours that are rewarded, supported, and expected in relation to customer service. This suggests a higher than moderate level of *service climate* within the organisations in both owner/manager as individual (mean = 3.98) and employee (mean = 3.88). There is moderate variance in their views on *service climate* between owner/managers and employees (min = 2, max = 5).). In addition, 1 percent of owner/managers and 1 percent of employees gave a rating of 2 whereas 1 percent of owner/managers and 3 percent of employee gave 5 rating.

Employee involvement indicates that generally employees feel that they have an impact on decisions and actions that affect their jobs (mean = 3.75). However, there is high variance in views of *employee involvement* among employees (min = 1, max = 5); a range of 4. One percent of employees gave 1 rating whereas 4.7 percent gave a 5 rating. This represents above average levels of *employee involvement* but not extraordinarily high levels.

Affective commitment (mean = 3.63) shows that the employees have at least some emotional attachment to their organisations. However, there is high variance in *affective commitment* among employees (min = 1, max = 5), a range of 4. Overall, with 1 percent of employees providing a 1 rating and 7 percent a 5 rating, there is evidence of strong breadth across this construct. See Table 7.1 for each independent variable result details.

Table 7.1 Univariate statistics of dependent variables

Variables	N	Mean	Mode	Standard Deviation	Skewness	Min.	Max.
O Serv P	102	4.39	5	0.52	(0.58)	3	5
E Serv P	107	4.25	4	0.55	(0.25)	3	5
O OCB	103	4.11	4	0.63	(0.57)	2	5
E OCB	107	4.13	4	0.65	(1.31)	1	5
O Extra-role	104	4.30	5	0.66	(0.65)	2	5
E Extra-role	107	4.12	4	0.71	(0.71)	2	5
E CCS	107	4.11	4	0.55	(0.16)	3	5
E Turnover Intention	107	2.22	1	1.13	0.64	1	5
O Service Climate	100	3.98	4	0.54	(0.81)	2	5
E Service Climate	105	3.88	4	0.58	(0.57)	2	5
E Involvement	106	3.75	4	0.72	(0.41)	1	5
E Aff Com	106	3.63	4	0.78	(0.29)	1	5

Note: Due to limited space in the table the following abbreviations are used. O is represented Owner/Manager, E is stand for Employee, Serv P is for *service perofrmance,* Aff Com is *affective commitment, OCB* is *organisational citizenship behaviour*, and CCS is for *commitment to customer service*.

<u>7.3 Independent variable univariate statistic results</u>

Independent variables are classified into entrepreneurship and HRM practices.

7.3.1 Entrepreneurship

The findings show the range of values (e.g. minimum and maximum), as well as the central tendency of the values (e.g. mean, mode). Information concerning entrepreneurship within each organisation was sought from owner-managers.

Generally, rating for the various entrepreneurship variables within this category ranged above a neutral (rated 3) opinion up to strongly agree (rated 5).

The entrepreneurial traits, within which entrepreneurial traits and skills are combined (*passion*, tenacity, and *new resource skills*) with situation specific motivation (*communicated vision*, *self-efficacy,* and *goals*) to subsequently influence venture growth (Baum & Locke, 2004).

Most of the entrepreneurship variables show a relatively high score (mode = 4) suggesting that owner/managers generally feel that they are highly entrepreneurial on most dimensions except *passion*.

The owner/managers generally report some *passion* (mean = 3.70). However, there is high variance in views of *passion* among them (min = 1, max = 5), thus with a range of 4.

Most owner/managers show that they are quite persistent when doing something (*tenacity*, mean = 3.80). There is moderate variance in views of *tenacity* among the owner/managers (min = 2, max = 5), 2 percent of owner/managers rated themselves a 2; and 3 percent rated themselves a 5.

The owner/managers generally report that they have the ability to acquire and systematise the operating resources which are needed to start and grow their organisations (*new resource skills*, mean = 3.80). There is moderate variance in views of *new resource skills* among the owner/managers (min = 2, max = 5). In addition, 2 percent of owner/managers rated themselves a 2, and 2 percent of rated themselves as 5.

Most of the owner/managers believe that they effectively communicated their vision to employees (*communicated vision*, mean = 3.45). However, there is high variance in views of *communicated vision* among owner/managers (min = 1, max = 5) – for a range of 4, in which 2 percent of owner/managers rated themselves a 1, and 11 percent of owner/managers rated themselves as 5. This shows an overall level of *communicated vision* that is perhaps a slightly less developed trait than those of *passion*, *tenacity* or *new resource skills*.

The owner/managers indicate that they have task-specific confidence in relation to business management (*self-efficacy,* mean = 3.87). However, there is high variance in views of *self-efficacy* among owner/managers (min = 1, max = 5) with 2 percent rating themselves as 1; and 17 percent rating themselves as 5.

Most owner/managers generally report having near-term goals, which are based to some extent on their vision (*goals*, mean = 3.93). There is moderate variance in views of *goals* among the owner/managers (min = 2, max = 5) as 2 percent of owner/managers rated themselves as 2; and 14 percent rated themselves as 5. This shows that owner/managers believe they have the highest levels of entrepreneurial traits amongst the motivation variables – particularly *self-efficacy* and *goals*.

Table 7.2 shows a summary of results of univariate statistics of independent variables.

Table 7.2 Univariate statistics of independent variables - entrepreneurship

Variables	N	Mean	Mode	Std. Dev.	Skewness	Min	Max
Passion	106	3.70	3	0.77	(0.40)	1	5
Tenacity	105	3.80	4	0.64	(0.59)	2	5
New Resource	103	3.80	4	0.54	(0.32)	2	5
Comm Vision	105	3.45	4	0.91	(0.26)	1	5
Self-Efficacy	105	3.87	4	0.77	(0.56)	1	5
Goals	104	3.93	4	0.71	(0.38)	2	5

Note: Due to limited space in the table the following abbreviations are used. Comm Vision is for *communicated vision*.

7.3.2 Human Resource Management (HRM) Practice Use

In general, the small business owner/managers indicate that they use the human resource (HR) practices for an average of just 34.7 percent of employees per practices (21 distinct HR practices). The measure for each HRM practice indicates the percentages of employees covered by the respective practice in the owner/manager's firms. Additionally, some questions with regard to human resource management practices used in an organisation were not answered by owners/managers (approximately 20 percent of all respondents). This reduced the owners/managers (approximately 20% of all respondents). This reduced number of participants from 107 to around 80 for most practices (see Table 7.4). This probably indicates that for these small business owner/managers that they are either unaware of these types of practices (or the names/titles used) or they are simply not in use.

According to the owner/managers, the most used five HRM practices in the researched organisations are: (1) Flexible-time, which refers to employees having flexibility in the hours they work; (2) Routine performance feedback which indicates that owner/managers give performance appraisal or feedback on a routine basis; (3) Job security, which means employment with the firm is almost guaranteed; (4) Structured interviews, signifying that the structured interview is used for hiring new employees; and (5) Pay position, which indicates that pay and benefits are set in relation to the labour market median.

The five least utilised HRM practices are (1) Employee ownership, which means employees share in the financial ownership of the firm via stock options or other means; (2) Group-based compensation which indicates that compensation is partially contingent on group performance; (3) Telecommuting which means employees are given the option of telecommuting; (4) Employee provided financial information, which specifies that employees are provided with relevant financial information; and (5) Employee participation programmes, which means that non-managerial employees are involved in programmes designed to elicit participation and employee input. Below, Table 7.3, is the summary from the survey of top five and bottom five HRM practices used.

Table 7.3 Top 5 and bottom 5 HRM practices used

HRM practices			
	Top 5		Bottom 5
1	flex-time	1	employee ownership
2	routine performance feedback	2	group-based compensation
3	job security	3	telecommuting
4	structure interviews	4	employees provided with financial information
5	pay position	5	employee participation programs

Despite low average use of the HR practices, some firms nevertheless use some practices for all (100%) or almost all of their employees. On the other hand, several HR practices are not used at all, such as employee ownership, group-based compensation and telecommuting. These practices are not implemented at all (0%) by more than half of the respondent firms. Another four HR practices, namely employees provided with financial information, employee participation programmes, self-managed team, and percentage of pay based on performance, were not implemented (0%) by more than 40 percent of the firms. However, only one HR practice, market pay position, was used by a majority of the firms (44 out of 46), but represented a total of being applied to 41 percent of all employees in the study. For details of the HRM practice, used against the number of organisation/ firm participants see Table 7.4, which shows the usage rates for the 21 HRM practices in sample organisations.

Table 7.4 HRM practices use by percentage

HRM Practice	Number of respondents	% Employee covered by the practice	% of firms with 0% employees covered	% of firms with 100% employees covered
Flex-time	83	61	22	45
Routine performance feedback	83	56	23	41
Job security	83	55	25	36
Structured interviews	81	54	21	36
Pay position Note: 44 firms pay at min. wage	72	50	1	1
Merit-based promotions	82	46	33	37
Company specific training	80	46	24	29
Employees provided operational information	80	44	34	30
Merit-based compensation	81	43	36	31
Training effectiveness evaluated	80	40	35	24
Employees provided strategic information	82	40	38	24
Generic skill training	80	34	38	16
Employment tests	80	31	44	16
Percentage of pay based on performance	81	27	56	17
Internal promotion	81	25	49	16
Self-managed team	83	23	52	12
Employee participation programs	80	23	59	11
Employees provided financial information	83	22	52	7
Telecommuting	83	19	69	11
Group-based compensation	81	18	70	14
Employee ownership	82	6	80	1

Flex-time means that the employees have flexibility in the hours they work. In other words, the employee may be allowed to come late or finish work earlier to suit their preference or other obligations, for example, domestic work, child care, high school or university study. The mean for flex-time (61%) indicates that on average 61 percent of employees are given flexible working hours; 45percent provide flex-time to all staff (100% coverage), and 22 percent to none (0% coverage).

Routine performance feedback indicates that owner/managers give performance appraisal or feedback on a routine basis. An average of 56 percent of employees are provided with feedback on regular basis; 41percent of firms fully implement this for all employees; and 23 percent do not use regular performance feedback at all.

Job security indicates that employment with the firm is relatively secure. On average, 55 percent of employees have job security; 36 percent of firms provide it to all staff; and 25 percent offer no job security to anyone.

Structured interviews are often used for hiring employees, with the mean being 54 percent of employees covered by the practice; 36 percent of the firms use this for 100 percent of their employee selection; and 21 percent do not use the practice at all.

Pay position refers to the position of pay and benefits for employees which is related to the market mean. The mean for pay position (50 percentile of market level) indicates that most of the firms are at average market level which is neither above nor a lower pay position than the market's position. There is very little variance as 1 percent of firms not use, or fully use, this particular practice.

The mean for merit-based promotion (46%) indicates that, on average, 46 percent of employees are promoted based on their merits or performance; 37 percent of firms use it for all of their staff; and 33 percent of firms do not use it at all. One aspect with small-sized firms is that there may simply be nowhere to promote top performing employees too. For example, a restaurant that is run by a family with one member in charge of the kitchen and the other family member being in charge of the restaurant administration may leave a top performing employee (in either role) with nowhere to be promoted too.

Company specific training policy covers 46 percent of employees. This indicates that, on average, 46 percent of employees have specific training associated with the café or restaurant where they work; 29 percent of firms use it for all of their staff; and 24 percent of firms do not use it at all.

An average 44 percent of employees were given operational information related to product or quality; 30 percent of firms use this practice for all of their staff; and 34 percent of firms do not use it at all.

Merit-based compensation shows that a mean of 43 percent of employees are given pay increases based on evaluation of job performance. Merit is used for making compensation decisions e.g. salary, bonuses, benefits. Thirty-seven percent of firms use this for all their staff, and 33 percent of firms do not use it at all.

Training effectiveness was evaluated for an average 40 percent of employees; 24 percent of firms practice this for all of their staff, and 35 percent of firms do not use it at all.

Employees provided strategic information shows that a mean of 40 percent of employees are provided with strategic information. Only 24 percent of firms use this for all of their staff, and 38 percent of firms do not use it at all.

The mean for general skill training (34%) indicates that, on average, 34 percent of employees are provided with generic skill training; 16 percent of firms offer generic skill training to all of their employees and 38 percent of firms do not implement it at all.

Employment test refers to one or more employment tests being administered prior to hiring. On average, 31 percent of employees take employment tests, such as skill tests and aptitude tests, before being hired. Only 16 percent of firms use employment tests to hire all of their employees; and 49 percent of firms do not use them at all. This variation may relate to the type of roles on offer at a café or restaurant. For example, washing dishes probably does not require any training or test, but that might be quite different for a chef role or front staff.

Percentage of pay based on performance indicates that, on average, 27 percent of employees receive pay consistent with individual, team or firm performance. However, 17 percent of firms offer it to all of their employees and 56 percent of firms do not implement it at all. Thus, it appears that this is a very unusual HRM practice for organisations in the café or restaurant sector.

The mean for internal promotion (25%) suggests that 25 percent of employees held non-entry level jobs as a result of internal promotion. Sixteen percent of firms practice internal promotion for all of their employees and 49 percent of firms do not implement it at all. As noted above, the scope for promotion might be very limited – especially in small-sized café and restaurant businesses. As such, promotions might be a very limited activity.

Self-managed team shows that, on average, 23 percent of non-managerial employees are involved in self-managed teams and participate in, or are involved in, such programmes. Twelve percent of firms use self-managed team for all of their employees and 52 percent of firms do not implement it at all.

On average an employee participation programme is implemented for 23 percent of employees; 11 percent of firms offer the programme to all of their employees; and 59 percent of firms do not implement it at all.

The mean for employees being provided with financial information (22%) suggests that 22 percent of employees were given financial information, but only 7 percent of firms offer financial information to all of their employees and 52 percent of firms do not provide this at all. This might represent a challenge for business owner-managers towards providing financial data to their employees. This might be confidential, especially relevant if the business is small and makes a modest profit only.

The mean for telecommuting (19%) indicates that on average 19 percent of employees have the telecommuting option. Only, 11 percent of firms offer it to all of their employees and 69 percent do not provide it at all.

Group-based compensation shows that on average 18 percent of employees are compensated partially on group performance, such as gain sharing or profit sharing. Fourteen percent of firms offer group-based compensation to all of their employees and 70 percent do not give it at all.

The mean of employee ownership indicates that 6 percent of employee shares have in ownership of the firm via a stock option or other means, but only 1 percent of firms offer employee ownership to all of their employees and 80 percent of firms do not have the practice at all. Again, this probably reflects the size of firms in the café and restaurant sector with no ability or an unwillingness to offer employees shares in the firm – at least in the majority of businesses.

7.4 Control variable univariate statistic results

This section explores the control variables, *marital status*, *gender,* the highest level of *education*, and *firm size*, using univariate statistics.

In general, the average of the highest level of education of owner/managers was a Certificate/Diploma (mean = 3.44), but the value that appears most often in the set of data (mode = 4) was having an undergraduate degree.

Average firm size was 13 employees (mean = 12.70) with a minimum of 1 employee and maximum of 80 employees.

The data show that the majority of owner/managers 60 percent are married/de facto (64 respondents), and 40 percent single (40 respondents). The gender ratios are male 57 percent (60 respondents) and female 43 percent (46 respondents).

Table 7.5 Univariate statistics of control variables

		Education	Firm size
N	Valid	88	104
Mean		3.44	12.70
Mode		4	5
Std. Deviation		.842	12.656
Skewness		-.526	2.288
Minimum		1	1
Maximum		5	80

Chapter Eight: Bivariate statistics results

This chapter reports the bivariate results using the Pearson correlation results, which measures the degree of association between pairs of variables. The purpose is to determine the empirical relationship between variables as well as measuring how any two variables simultaneously change together. The Pearson's bivariate correlation coefficient was used to test the correlations of all the study variables.

All 28 variables were paired and tested for correlations. Most variables are significantly correlated with each other except for three variables (*age group*, *education* and *ethnicity*). These variables have no significant relationship with any other variables. The following paragraphs highlight only pairs of variables with significantly statistical correlations.

8.1 Correlations between independent and dependent variables

Throughout this chapter, the letter "O_" refers to the owner/managers and "E_" to employees. The only strong relationship ($r > .50$) found between an independent variable and a dependent variable is in new resource skills and O_S*ervice climate*, which means that the owner's ability to acquire and systematise the operating resources needed to start and grow an organisation is strongly and positively correlated to the owner/managers' perceptions of the practices, procedures, and behaviours that obtain reward, support, and are expected in relation to customer service and customer service quality ($r = .59$, $p< .01$).However, the following represent eleven correlations with a moderate, positive relationship (above .30 but less than .50) between independent and dependent variables which are all statistically significant ($p< .01$).

First, the positive correlation between *goals* and O_S*ervice climate* ($r = .48$, $p< .01$) shows that owner/managers who report having goals also generally report having a good *service climate* in their organisations.

Second, the positive correlation between *communicated vision* and O_*Service climate* ($r = .43$, $p< .01$) means the owner/managers who report that they communicate their vision also generally report having a good *service climate* in their organisations.

Third, the positive correlation between *tenacity* and O_S*ervice climate* (r = .38, p< .01) suggests that the owner/managers who report being tenacious, generally also generally report having a good *service climate* in their organisations.

Similarly, the fourth positive correlation between *tenacity* and O_S*ervice performance* (r = .35, p< .01) indicates that the owner/managers who report being tenacious, also generally report providing good service to their customers.

Fifth, the positive correlation between *self-efficacy* and O_S*ervice climate* (r = .35, p< .01) means that owner/managers, who report having *self-efficacy* also generally report having a good *service climate* in their organisation.

As regards other dependent variables, the sixth significant and positive correlation was between *new resource skills* and O_*OCB* (r = .35, p< .01), which suggests that the owner/managers who can obtain resources that the organisation requires also generally report engaging in the extra types of behaviours required to function well in their organisations.

Seventh, the positive correlation between *passion* and O_*OCB* (r = .32, p< .01) indicates that the owner/managers who are more passionate in doing their businesses, also generally report engaging in more *OCB* in their organisations.

Eighth, there is a positive correlation between *passion* and owner/manager *service performance* (r = .32, p< .01). This shows that the owner/managers who have passion in running their business, also generally report performing well in providing services to their customers.

Ninth, the positive correlation between *passion* and owner/manager *service climate* (r = .30, p< .01) means that the owner/managers who have passion in in pursuing their business, also generally report having a good *service climate* in their organisations.

Tenth, the positive correlation between *self-efficacy* and owner/manager *service performance* (r = .30, p< .01) suggests that the owner/managers who have *self-efficacy*, also generally report encouraging the climate in their organisations in order to provide good service to their customers.

8.2 Correlations between independent variables

There are three highly significant (p< .01) relationships (r > .50) between the independent (entrepreneurship) variables.

First, *communicated vision* is positively related to *GOALS* (r = .58, p < .01). In other words, owner/managers who communicate their vision to employees generally are much more likely to have specific goals.

Second, *goals* are positively related to *self-efficacy* (r = .54, p< .01). In other words, owner/managers who set the goals are confident in running their business.

8.3 Correlations between dependent variables with owner/manager respondents

The other strong relationships (r value above .50) were between dependent variables, which could be categorised by the source of data from owner/manager and employee.

The findings of owner/manager informant's variables are discussed in the following section. Firstly, owner/manager *organisational citizenship behaviour* (O_*OCB*) and O_*Service performance* are strongly and positively correlated (r = .71, p< .01). This means the owner/managers who feel that they engage in *OCB*s also generally believe that they provide exceptional service to assist and satisfy customers' requirements.

Secondly, O_*OCB* is strongly and positively related to O_e*xtra-role service behaviours* (r = .52, p< .01). This shows that owner/managers who feel that they engage in *OCB* also generally behave in a manner exceeding normal role expectation.

Thirdly, O_*OCB* is strongly and positively related to O_*Service climate* (r = .57, p< .01). This implies that the owner/managers who feel that they engage in *OCB*s, also generally report their actions are the result of a good *service climate*.

Fourthly, O_S*ervice performance* is strongly and positively related to O_e*xtra-role service behaviours* (r = .66, p< .01). This suggests that the owner/managers who feel that they engage in *service performance* also generally provide service to customers beyond their role expectations.

Fifthly, O_*Service performance* is strongly positively related to O_S*ervice climate* (r = .59, p< .01). This suggests that the owner/managers who feel that they engage in *service performance* believe that their actions are the consequences of the *service climate* created within the organisations.

8.4 Correlations between dependent variables with employee respondents

The results from the findings from employees are first, the positive relationship between E_*OCB* and E_*service performance* (r = .60, p< .01) suggests that employees who engage in *OCB*s generally feel that they provide good services to customers.

Second, E_*OCB* is positively related to E_s*ervice climate* (r = .55, p< .01) which implies that the employees who engage in *OCB* generally feel that their organisations have a good *service climate*.

Third, E_*OCB* is positively related to *employee involvement* (r = .51, p< .01). This indicates that the employees who engage in *OCB*s also generally feel that they have an impact on decisions and actions that affect their jobs

Fourth, the positive correlation between E_e*xtra-role service behaviours* and E_*service performance* (r = .50, p< .01) shows that the employees who go beyond role expectation behaviour also feel that they provide good service performance.

Fifth, *commitment to customer service* is positively related to E_*service performance* (r = .65, p< .01). This shows that the employees who work tirelessly every day to give all customers the best possible service also perceive that they provide good service performance.

Sixth, the positive correlation between *employee involvement* and E_s*ervice performance* (r = .54, p< .01) suggest that the employees who believe they are involved in decision-making concerning their jobs also believe they perform better in providing services to customers.

Seventh, *commitment to customer service* is positively related to E_e*xtra-role service behaviours* (r = .53, p< .01). This means that the employees who are committed to customer service generally also provide service to customers beyond their role expectations.

Eighth, E_*service climate* is positively related to *employee involvement* (r = .52, p< .01). This indicates that when employees perceived a good *service climate* in their organisations, the employees generally experience involvement in decision-making.

8.5 Correlations in demographic variables

TURNOVER is positively correlated with *job tenure* (r = .27, p< .01) meaning that the owner/managers who report having low turnover of staff also report they have been working on duty in their business for shorter periods of time. Also, turnover is negatively correlated with E_*OCB* (r = -.25, p< .05) which implies that the owner/managers who report having low staff turnover in their organisations, probably have employees reporting greater *OCB*s in their organisations

The following significant correlations are with the study's control variables. The first demographic variable is that *gender* is positively correlated with O_*OCB* (r = .20, p< .05) meaning that male owner/managers tend to report having higher *OCB*s within their organisations. *Gender* is negatively correlated with owner/manager highest *education level* (r = -.28, p< .05) shows that male owner/managers report the trend of having lower educational levels than female owner/managers.

Secondly, *firm size* is positively correlated with *turnover* (r = .66, p< .01), *organisation tenure* (r = .28, p< .05) and *job tenure* (r = .30, p< .01), but *firm size* is negatively correlated with O_*ethnicity* (r = .28, p< .05). This means the higher the total number of employees in the organisations the more likely to be reports of a higher number of employee turnover, higher number of years that the organisations have been established; and the higher the number of years that owner/managers have been in their roles. However, a smaller number of employees in the organisations is likely to be found in the organisations which have female owner/managers.

Fourthly, *marital status* is positively correlated with *parental status* (r = .42, p< .01) which suggests that owner/managers who are in relationship such as de facto, married also generally report having dependents. *Marital status* is negatively correlated with O_*OCB* ($r = -.21$, $p < .05$), O_*service climate* ($r = -.20$, $p < .05$), E_*CCS* ($r = -.23$, $p < .05$) and E_*service climate* ($r = -.29$, $p < .01$). These relationships mean that owner/managers who report single status also report having good *OCB* and *service climate* in their organisations and their employees have the perception of good *commitment to customer service* and good *service climate*.

Finally, the positive correlation between *education* and the *HRM* practices used in organisations ($r = .30$, $p < .05$) suggests that the owner/managers who report having higher educational levels are also likely to report using more of the *HRM* practices in their organisations. See detail in Table 8.1.

Table 8.1 Means, Standard Deviations and Correlations

		Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1	O Gender	0.42	0.50	--															
2	Firm Size	12.70	12.66	-.07	--														
3	Turnover	4.69	6.48	-.09	.66**	--													
4	Age group	3.06	1.01	.01	-.17	-.21	--												
5	Marital status	0.38	0.49	.03	-.01	.16	-.26*	--											
6	Organisation tenure	6.84	7.10	-.19	.28*	.24	.29*	-.10	--										
7	Education	3.44	0.84	-.28**	.01	.18	-.08	-.03	.04	--									
8	Parental status	1.50	0.50	.10	.01	.14	-.34**	.42**	-.08	.04	--								
9	Ethnicity	1.80	1.04	-.04	-.24*	-.13	-.18	.18	-.17	.17	.00	--							
10	Working hours/week	51.10	20.49	-.03	-.01	-.19	.41**	-.05	.23	-.16	.10	-.16	--						
11	Job tenure	6.10	6.96	-.15	.30**	.27*	.37**	-.05	.94**	.06	-.11	-.23*	.21	--					
12	Passion	3.70	0.77	.18	-.18	-.15	.10	-.02	.05	.07	.07	.19	.33**	.04	--				
13	Tenacity	3.80	0.64	-.07	-.10	.05	.14	-.01	.13	.06	.07	-.03	.20	.10	.40**	--			
14	New resource	3.80	0.54	.03	.13	.09	.05	-.06	-.09	.04	.02	-.03	.13	-.05	.26**	.32**	--		
15	Communicated vision	3.45	0.91	-.02	.01	-.01	.03	.03	-.19	.16	-.03	.16	.13	-.10	.27**	.18	.36**	--	
16	Goals	3.93	0.71	-.03	-.07	-.12	-.09	-.03	-.25*	.06	.11	.03	.05	-.21	.26**	.17	.33**	.58**	--

Table 8.1 continued

		Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
17	Self-efficacy	3.87	0.77	.13	.14	-.02	-.10	.00	.02	-.01	.20*	.10	.13	-.01	.39**	.16	.37**	.36**	.54**
18	HRM practices	34.65	18.35	-.11	-.07	.18	.00	.17	-.01	.30*	-.04	.21	-.02	.08	.19	.12	.07	.37**	.10
19	O OCB	4.11	0.63	.20*	-.12	-.05	.18	-.21*	.11	.11	.09	-.14	.26*	.08	.32**	.25*	.35**	0.03	.15
20	O Service performance	4.39	0.52	.13	-.15	-.01	.12	-.09	-.01	.18	.15	-.02	.10	-.03	.32**	.35**	.29**	.15	.25*
21	O Extra-role	4.30	0.66	.19	-.10	.05	.20	-.06	.05	.10	.13	-.18	.19	.06	.18	.25*	.17	.14	.20*
22	O Service climate	3.98	0.54	.10	-.05	.02	.18	-.20*	.05	.00	-.03	-.01	.16	.04	.30**	.38**	.59**	.43**	.48**
23	E OCB	4.13	0.65	-.05	-.19	-.25*	.22*	-.12	.02	.14	-.06	-.08	.12	.03	.15	.12	-.02	-.05	.22*
24	E Service performance	4.25	0.55	-.07	.02	-.11	.23*	-.11	.00	.08	-.05	-.18	.11	.07	.16	.17	.05	.09	.18
25	E Extra-role	4.12	0.71	-.05	.08	-.17	.26*	-.11	.17	.02	-.11	-.35**	.29**	.15	.16	.14	.20*	.01	.25*
26	E CCS	4.11	0.55	-.13	.20	.00	.16	-.23*	.11	.08	-.14	-.05	.06	.12	.26**	.26*	.18	.11	.14
27	E AC	3.63	0.78	-.07	-.13	-.18	.32**	-.03	-.05	.06	.00	-.03	.29**	-.05	.25**	.21*	.04	.03	.13
28	E Turnover intention	2.22	1.13	-.02	.01	.08	-.14	.19	.05	-.03	.03	.10	-.12	.01	-.02	-.12	.00	.14	-.07
29	E Service climate	3.88	0.58	.07	-.13	-.08	.29**	-.32**	.05	.18	-.09	-.03	.16	.03	.19	.12	.07	.22*	.28**
30	E Involvement	3.75	0.72	-.09	-.09	-.06	.34**	-.11	.04	.11	-.12	-.20*	.27**	.03	.18	.25*	.13	.03	.24*

Table 8.1 continued

		16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
16	Goals	--														
17	Self-efficacy	.54**	--													
18	HRM practices	.10	-.04	--												
19	O OCB	.15	.27**	-.02	--											
20	O Service performance	.25*	.30**	.03	.71**	--										
21	O Extra-role	.20*	.20*	-.05	.52**	.66**	--									
22	O Service climate	.48**	.35**	.26*	.57**	.59**	.48**	--								
23	E OCB	.22*	.15	-.12	.35**	.39**	.28**	.23*	--							
24	E Service performance	.18	.15	-.15	.17	.29**	.25*	.21*	.60**	--						
25	E Extra-role	.25*	.17	-.23	.21*	.19	.24*	.26**	.49**	.50**	--					
26	E CCS	.14	.21*	-.08	.25*	.39**	.28**	.31**	.49**	.65**	.53**	--				
27	E AC	.13	.15	.01	.31**	.22*	.17	.11	.39**	.24*	.31**	.27**	--			
28	E Turnover intention	-.07	-.08	.00	-.23*	-.19	-.12	-.06	-.24*	-.12	-.06	-.08	-.46**	--		
29	E Service climate	.28**	.28**	.07	.30**	.33**	.22*	.40**	.55**	.36**	.32**	.33**	.18	-.13	--	
30	E Involvement	.24*	.14	-.09	.26**	.23*	.19	.24*	.51**	.54**	.43**	.46**	.49**	-.31**	.52**	--

N=107. *p<.05, **p<.01. All significance tests are two-tailed.
Note: Due to limited space in the table the following abbreviations are used. O represents Owner/Manager, E is for Employee, Serv P is for *service performance*, AC is *affective commitment*, *OCB* is *Organisational citizenship behaviour*, and CCS is for *commitment to customer service*.

Chapter Nine: Multiple regression assumptions

A regression model has to meet several requirements to be conceived as a true model that completely explains the process influencing the value of the dependent variable for any case in the population. In order to determine whether a multiple regression's analysis is valid test to use, the following assumptions are tested: (1) independence of residual errors; (2) a linear relationship between the predictor variables (and composite) and the dependent variable; (3) homoscedasticity of residuals (equal error variances); (4) no multicollinearity; (5) no significant outliers or influential points; and (6) errors or residuals are normally distributed. However, in reality it is common for one or more of these assumptions to be violated. In addition, as Berry (1993) suggested:

> Consequently, it is pointless to try to assess whether a regression model conforms to some true model; realistically, we must confine ourselves to an analysis of whether a regression model accurately specifies our theory about the factors influencing some dependent variable. (p. 7)

9.1 Independence of observation

When this requirement is met, it denotes that the observations are not acted on by an outside influence common to several of the observations, and also implies that they are not influenced by each other. Independence of observation can be tested by the Durbin-Watson (d) statistic. The Durbin-Watson statistic always lies between 0 and 4. If $d = 2$, this indicates no correlation between residuals. If the Durbin–Watson statistic is substantially less than 2, there is positive correlation. If $d > 2$, successive error terms are negatively correlated. As a rough rule of thumb, if Durbin–Watson is less than 1.0, there may be cause for alarm. In regressions, this can imply an underestimation of the level of statistical significance.

Generally, the majority of the models in this research have independence of residuals as assessed by a Durbin-Watson statistic of approximately 2. Therefore, it can be accepted that there is independence of errors in all regression models.

For example, Table 9.1 displays the output generated by SPSS which contains the Durbin-Watson statistic for dependent variable: Owner/Manager *service performance* as highlighted.

Table 9.1 Example of SPSS output

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.260[a]	.068	.058	.494	1.940

a. Predictors: (Constant), *HRM*

b. Dependent Variable: Owner-manager Service *performance*

The Durbin-Watson statistic for this analysis is 1.94 which means it can be accepted that there is independence of errors (residuals).

However, there are a few models that have independence of residuals as assessed by a Durbin-Watson statistic of slightly below 2 as the example in Table 9.2 below.

Table 9.2 Sample of a Durbin-Watson statistic below 2

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of Estimate	Durbin-Watson
1	.494[a]	.244	.194	.556	1.758

a. Predictors: (Constant), *Self-Efficacy, Tenacity, Communicated vision, New Resource Skills, Passion, Goals*

b. Dependent Variable: O_*OCB*

The Durbin–Watson statistic for this analysis is less than 2 which means that there is positive correlation of errors (residuals).

There are also a few models that have independence of residuals as assessed by a Durbin-Watson statistic of slightly higher than 2 as exampled in Table 9.3

Table 9.3 Sample of a Durbin-Watson statistic higher than 2

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of Estimate	Durbin-Watson
1	.288[a]	.083	.025	.547	2.213

a. Predictors: (Constant), *Self-Efficacy, Tenacity, Communicated vision, New Resource Skills, Passion, Goals*

b. Dependent Variable: E_*Service performance*

The Durbin–Watson statistic for this analysis is more than 2 which means that there is negative correlation of errors (residuals).

However as none of the models had Durbin–Watson static < 1, underestimation of the level of significance was not an issue. Overall, while there are a few models where the statistic might not exactly fit the standard requirements there are no major critical issues with this test.

9.2 Checking for linear relationship

When this test is met, it denotes that the independent variables collectively are linearly related to the dependent variable, and each independent variable is linearly related to the dependent variable. This linear relationship is important because it originates the constant of proportionality, which is used for the actual formula that describes one variable in terms of the other.

Overall, in the research results show that all independent variables collectively are linearly related to the dependent variable and each independent variable is generally linearly related to the dependent variable. For example, it can be tested by scatter plotting the studentized residuals (SRE_xx) against the (unstandardized) predicted values (PRE_xx) in SPSS (see the plot below). As well as partial regression plots between each independent variable and the independent variable should show a linear relationship. The scatter plots below (Figure 9.1) are an example of result, which shows the relationship between dependent variable and independent variables is likely to be linear. All of plots in this study look like this.

In addition, the partial regression plots between each independent variable and the dependent variables also show a linear relationship as below example plots below.

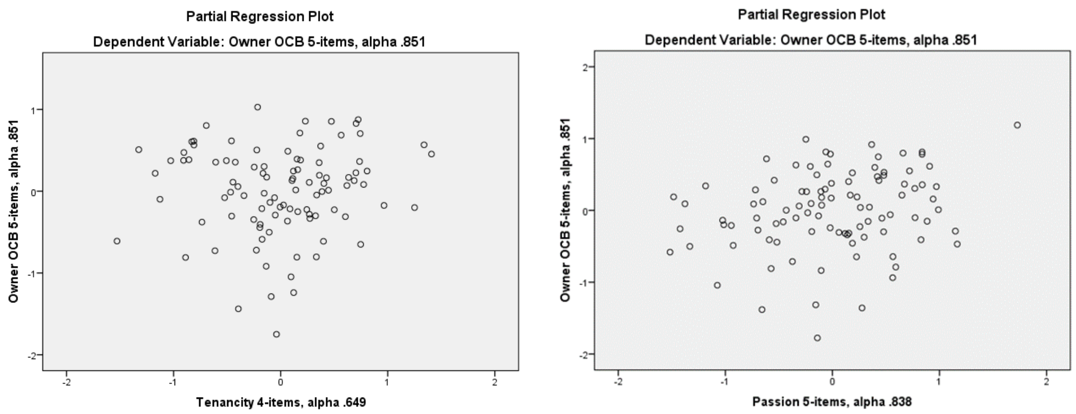


Figure 9.1 Partial regression plots for *tenacity* and *passion*.

Overall, this is not an area of concern with the data from the current study.

9.3 Homoscedasticity

This assumption means that the residuals are equal for all values of the predicted dependent variable. Homoscedasticity can be tested by scatterplot of studentized residuals against the unstandardized predicted value. If the residuals are not equally spread over the predicted values of the dependent variable, the assumption of homogeneity of variance is violated. It can use the plot which was created to check linearity in the previous section.

For example, homoscedasticity can be tested by scatter plotting the studentized residuals (SRE_15) against the (unstandardized) predicted values (PRE_15) in SPSS (see the plot below Figure 9.2).

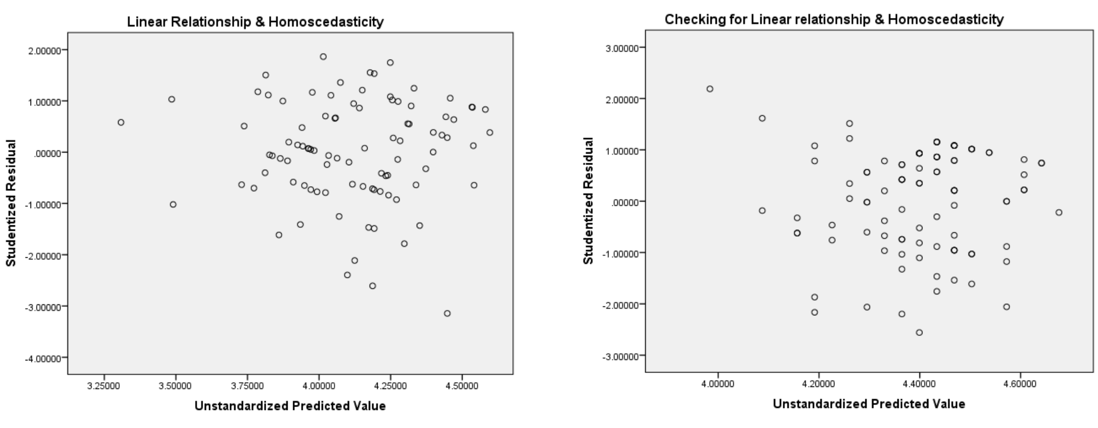


Figure 9.2 Scatter plot of studentized residuals (SRE_15) against the (unstandardized) predicted values (PRE_15)

All results of this research's regressions show similar result of spread over the plot examples above and below. This means that the homoscedasticity has not been violated in this research.

<u>9.4 Multicollinearity</u>

When two or more independent variables are highly correlated to each other has appeared multicollinearity. There are two stages to identifying multicollinearity.

9.4.1 This is to inspect correlation coefficients (e.g. Pearson Correlation value in SPSS), if any independent variables have correlations greater than 0.7. Table 9.4 is an example of the Correlations table which is presented in the result of .260. There are no correlations larger than 0.7 in this example.

Table 9.4 Example of correlation coefficients value <0.7

		O_Service Performance
Pearson Correlation	O_Service Performance	1.000
Sig. (1-tailed)	O_Service Performance	.
N	O_Service Performance	96

Another example in Table 9.5 below also shows there is no correlation larger than 0.7.

Table 9.5 Table showing there are no correlations > 0.7

Correlations				
		O_Service Performance	Passion	Tenacity
Pearson Correlation	O_Service Performance	1.000	.340	.347
	Passion	.340	1.000	.412
	Tenacity	.347	.412	1.000
	New Resource	.244	.233	.332
	Communicated Vision	.142	.254	.195
	Goals	.205	.219	.166
	Self-Efficacy	.288	.354	.145
Sig. (1-tailed)	O_Service Performance	.	.000	.000
	Passion	.000	.	.000
	Tenacity	.000	.000	.
	New Resource	.010	.013	.001
	Communicated Vision	.088	.007	.031
	Goals	.025	.018	.056
	Self-Efficacy	.003	.000	.084
N	O_Service Performance	92	92	92

In this research none of the independent variables have a correlation greater than 0.7 and therefore multicollinearity is not violated.

9.4.2 This is to check the tolerance or VIF values in the Coefficients table (in SPSS outcome). Tolerance value is less than 0.1 whereas VIF of greater than 10 mean that might have a collinearity issue (Neter, Wasserman, & Kutner, 1985).

For example, Table 9.6 below presents the model of entrepreneurial traits as predictor of Owner/Manager *organisational citizenship behaviour* (O_*OCB*). The results show that none of VIF value is greater than 10, and actually in this model they are lower than 3.

Table 9.6 Example of VIF value being less than 10

Coefficients[a]					
Model		Correlations		Collinearity Statistics	
		Partial	Part	Tolerance	VIF
1	(Constant)				
	Passion	.244	.219	.726	1.377
	Tenacity	.061	.053	.774	1.292
	New Resource	.289	.263	.746	1.341
	Communicated Vision	-.186	-.164	.634	1.577
	Goals	.024	.021	.532	1.880
	Self-efficacy	.091	.079	.628	1.593

a. Dependent Variable: O_*OCB*

Another example, Table 9.7 shows that none of VIF value is greater than 10 in the model of entrepreneurship factors as predictor of owner/manager s*ervice performance* (O_SERVP).

Table 9.7 Example of VIF value being less than 10

Model		Correlations		Collinearity Statistics	
		Partial	Part	Tolerance	VIF
1	(Constant)				
	Passion	.154	.139	.717	1.395
	Tenacity	.216	.196	.763	1.311
	New Resource	.072	.064	.761	1.313
	Communicated Vision	-.077	-.068	.553	1.807
	Goals	.042	.038	.547	1.828
	Self-Efficacy	.130	.117	.616	1.623

a. Dependent Variable: O_ServP

Due to the large number of VIF values that could be presented from all the models (total of 72 models), it is simply stated there that in summary, there is no collinearity issue in this research as none has VIF of greater than 10.

9.5 Unusual points

Unusual points include outliers, high leverage points and highly influential points

9.5.1 Outliers

Outliers are observations (data points) that do not follow the usual pattern of points, in the way that they are far away from their predicted value. There are different types of residuals that can be used to detect outliers, which are standardized residuals, studentized residuals or studentized deleted residuals.

Using casewise diagnostics to test, when that case's standardized residual and studentized deleted residual is greater than ±3 standard deviations it is treated as an outlier and need to be investigated.

In this research, the outliers were an issue in two out of the 72 models. These two models had only one case of outlier issue each. The rest of the models had no outlier concerns. Therefore, the researcher did not perform outlier removal.

Table 9.8 presents the model of entrepreneurial traits as predictor of owner/manager o*rganisational citizenship behaviour* (O_*OCB*) as the example of Casewise Diagnostics that contains the relevant data, which shows that the deleted residual is slightly greater than -3.

Table 9.8 Example of outlier issue

Casewise Diagnostics				
Case Number	Std. Residual	O_*OCB*	Predicted Value	Residual
42	-3.142	3	4.55	-1.748

a. Dependent Variable: O_*OCB*

Another outlier issue of the deleted residual is slightly greater than -3 is in Table 9.9 below showing the model of entrepreneurial traits as predictor of employee *organisational citizenship behaviour* (E_*OCB*)

Table 9.9 Example of outlier issue

Casewise Diagnostics				
Case Number	Std. Residual	E_ *OCB*	Predicted Value	Residual
72	-4.072	1	3.57	-2.570

a. Dependent Variable: E_ *OCB*

9.5.2 Leverage

Leverage is used to determine whether any cases exhibit high leverage. It aims to identify those observations that are far away from corresponding average predictor values. However, leverage points do not essentially have a large effect on the outcome of fitting regression models. A general rule of thumb is to take in to account that leverage (LEV) values less than 0.2 as fine, 0.2 to less than 0.5 is unsafe, and the values of 0.5 and above as dangerous.

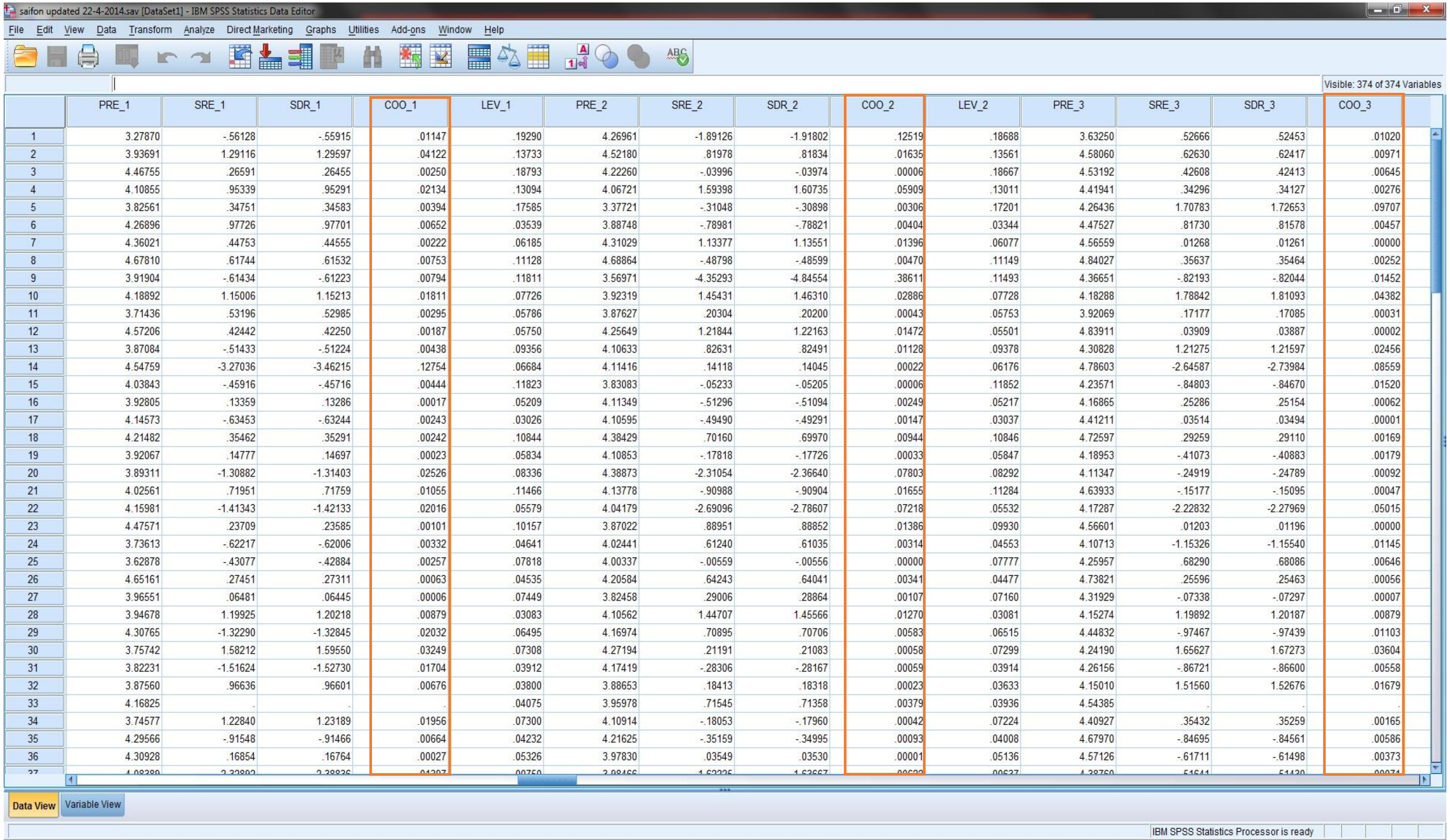
The models of entrepreneurial traits and characteristics (*passion, new resource, tenacity, communicated vision*, *goals,* and *self-efficacy*) as independent variables appear to have an issue of leverage in just one case. Additionally, the models of total entrepreneurship (*passion*, *new resource, tenacity, communicated vision, goals, and self-efficacy*) as independent variables appear to have an issue of leverage of two cases across. Also the models of entrepreneurship and HRM (*passion*, *new resource, tenacity*, *communicated vision, goals*, *self-efficacy,* and HRM) as independent variables have an issue of leverage in seven cases across the board. Lastly, the models of entrepreneurship, HRM and control variables as independent variables also have more of leverage issue in 28 cases across all dependent variables. However, leverage does not inevitably have a large effect on the outcome of fitting regression models. Given none of these issues were in the dangerous region, and given the overall small sample size, no cases were removed.

9.5.3 Influential points

Influential points can be checked by Cook's Distance which is a measure of influence. If there are Cook's Distance (COO) values above 1, they should be investigated. This can be tested in SPSS by selecting the Cook's option in the Linear Regression analysis; the SPSS will create the variable COO_x in the data file, which contains Cook's Distance values for each case.

Overall, in this research there is no Cook's Distance above 1 from SPSS analysis. Therefore, there was no case that is influential in this research results.

Figure 9.3 in the next page illustrate the COO values and shows that none are above value of 1.



	PRE_1	SRE_1	SDR_1	COO_1	LEV_1	PRE_2	SRE_2	SDR_2	COO_2	LEV_2	PRE_3	SRE_3	SDR_3	COO_3
1	3.27870	-.56128	-.55915	.01147	.19290	4.26961	-1.89126	-1.91802	.12519	.18688	3.63250	.52666	.52453	.01020
2	3.93691	1.29116	1.29597	.04122	.13733	4.52180	.81978	.81834	.01635	.13561	4.58060	.62630	.62417	.00971
3	4.46755	.26591	.26455	.00250	.18793	4.22260	-.03996	-.03974	.00006	.18667	4.53192	.42608	.42413	.00645
4	4.10855	.95339	.95291	.02134	.13094	4.06721	1.59398	1.60735	.05909	.13011	4.41941	.34296	.34127	.00276
5	3.82561	.34751	.34583	.00394	.17585	3.37721	-.31048	-.30898	.00306	.17201	4.26436	1.70783	1.72653	.09707
6	4.26896	.97726	.97701	.00652	.03539	3.88748	-.78981	-.78821	.00404	.03344	4.47527	.81730	.81578	.00457
7	4.36021	.44753	.44555	.00222	.06185	4.31029	1.13377	1.13551	.01396	.06077	4.56559	.01268	.01261	.00000
8	4.67810	.61744	.61532	.00753	.11128	4.68864	-.48798	-.48599	.00470	.11149	4.84027	.35637	.35464	.00252
9	3.91904	-.61434	-.61223	.00794	.11811	3.56971	-4.35293	-4.84554	.38611	.11493	4.36651	-.82193	-.82044	.01452
10	4.18892	1.15006	1.15213	.01811	.07726	3.92319	1.45431	1.46310	.02886	.07728	4.18288	1.78842	1.81093	.04382
11	3.71436	.53196	.52985	.00295	.05786	3.87627	.20304	.20200	.00043	.05753	3.92069	.17177	.17085	.00031
12	4.57206	.42442	.42250	.00187	.05750	4.25649	1.21844	1.22163	.01472	.05501	4.83911	.03909	.03887	.00002
13	3.87084	-.51433	-.51224	.00438	.09356	4.10633	.82631	.82491	.01128	.09378	4.30828	1.21275	1.21597	.02456
14	4.54759	-3.27036	-3.46215	.12754	.06684	4.11416	.14118	.14045	.00022	.06176	4.78603	-2.64587	-2.73984	.08559
15	4.03843	-.45916	-.45716	.00444	.11823	3.83083	-.05233	-.05205	.00006	.11852	4.23571	-.84803	-.84670	.01520
16	3.92805	.13359	.13286	.00017	.05209	4.11349	-.51296	-.51094	.00249	.05217	4.16865	.25286	.25154	.00062
17	4.14573	-.63453	-.63244	.00243	.03026	4.10595	-.49490	-.49291	.00147	.03037	4.41211	.03514	.03494	.00001
18	4.21482	.35462	.35291	.00242	.10844	4.38429	.70160	.69970	.00944	.10846	4.72597	.29259	.29110	.00169
19	3.92067	.14777	.14697	.00023	.05834	4.10853	-.17818	-.17726	.00033	.05847	4.18953	-.41073	-.40883	.00179
20	3.89311	-1.30882	-1.31403	.02526	.08336	4.38873	-2.31054	-2.36640	.07803	.08292	4.11347	-.24919	-.24789	.00092
21	4.02561	.71951	.71759	.01055	.11466	4.13778	-.90988	-.90904	.01655	.11284	4.63933	-.15177	-.15095	.00047
22	4.15981	-1.41343	-1.42133	.02016	.05579	4.04179	-2.69096	-2.78607	.07218	.05532	4.17287	-2.22832	-2.27969	.05015
23	4.47571	.23709	.23585	.00101	.10157	3.87022	.88951	.88852	.01386	.09930	4.56601	.01203	.01196	.00000
24	3.73613	-.62217	-.62006	.00332	.04641	4.02441	.61240	.61035	.00314	.04553	4.10713	-1.15326	-1.15540	.01145
25	3.62878	-.43077	-.42884	.00257	.07818	4.00337	-.00559	-.00556	.00000	.07777	4.25957	.68290	.68086	.00646
26	4.65161	.27451	.27311	.00063	.04535	4.20584	.64243	.64041	.00341	.04477	4.73821	.25596	.25463	.00056
27	3.96551	.06481	.06445	.00006	.07449	3.82458	.29006	.28864	.00107	.07160	4.31929	-.07338	-.07297	.00007
28	3.94678	1.19925	1.20218	.00879	.03083	4.10562	1.44707	1.45566	.01270	.03081	4.15274	1.19892	1.20187	.00879
29	4.30765	-1.32290	-1.32845	.02032	.06495	4.16974	.70895	.70706	.00583	.06515	4.44832	-.97467	-.97439	.01103
30	3.75742	1.58212	1.59550	.03249	.07308	4.27194	.21191	.21083	.00058	.07299	4.24190	1.65627	1.67273	.03604
31	3.82231	-1.51624	-1.52730	.01704	.03912	4.17419	-.28306	-.28167	.00059	.03914	4.26156	-.86721	-.86600	.00558
32	3.87560	.96636	.96601	.00676	.03800	3.88653	.18413	.18318	.00023	.03633	4.15010	1.51560	1.52676	.01679
33	4.16825	.	.	.	.04075	3.95978	.71545	.71358	.00379	.03936	4.54385	.	.	.
34	3.74577	1.22840	1.23189	.01956	.07300	4.10914	-.18053	-.17960	.00042	.07224	4.40927	.35432	.35259	.00165
35	4.29566	-.91548	-.91466	.00664	.04232	4.21625	-.35159	-.34995	.00093	.04008	4.67970	-.84695	-.84561	.00586
36	4.30928	.16854	.16764	.00027	.05326	3.97830	.03549	.03530	.00001	.05136	4.57126	-.61711	-.61498	.00373

Figure 9.3 Example of COO values showing that none are above value of 1

9.6 Normality tests

The error term is normality distributed as the last assumption of regression, and almost always arbitrary depending on probability interpretations. Although the validity of ordinary least square (OLS) estimation is robust, the levels of tests and confidence intervals are approximately correct in large samples even when the assumption of normality is violated. The OLS estimator is greatly efficient among unbiased estimators when the errors are normal. Berry suggested that “when conducting regression, as one’s sample size increases, one can show decreasing concern for whether the normality assumption is met” (1993, p. 82). As this research has a small sample (107), there is chance that the true distribution of the population is substantially non-normal, but the normality test may not powerful enough to convey this.

There are two key methods of assessing normality: graphically and numerically. SPSS outputs many table and graphs with this procedure. The researcher tested normality by using SPSS Explore command, and mainly focused on the Tests of Normality table and the Normal Q-Q Plots, which are graphical and numerical methods to test for the normality of data, respectively.

9.6.1 Graphical method

There are two methods in common that can use to check for the assumption of the residuals normality. However, multivariate normality can be problematic to assess graphically, therefore tests for normality are more useful in a multivariate set.

A histogram with superimposed normal curve and a P-P Plot

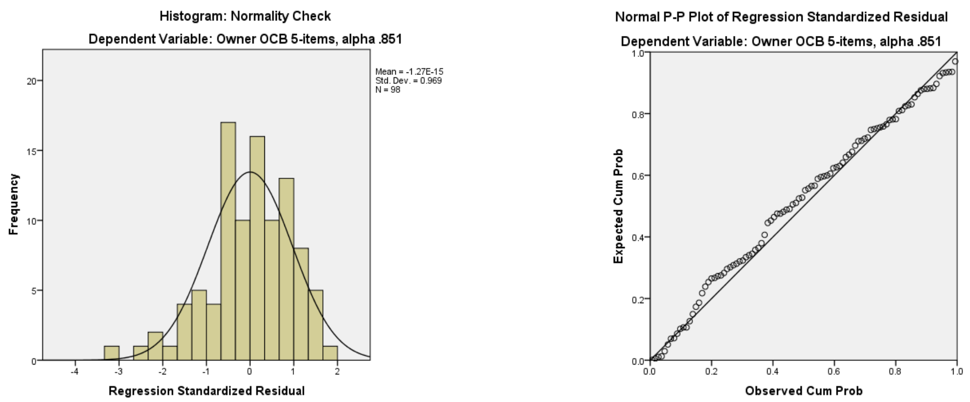


Figure 9.4 Histogram with a superimposed normal curve and a P-P Plot

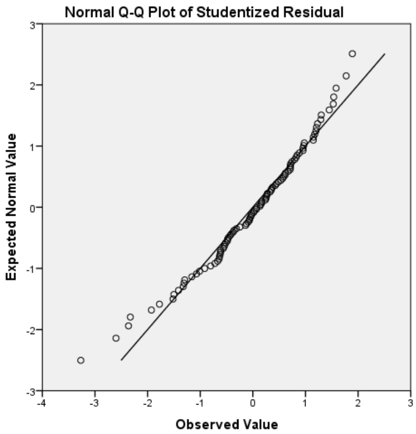
Note that the histogram may be deceptive as its appearance can be basically dependent on the selection of the column width.

To confirm the finding, the P-P Plot should be taken into account. If the residuals are normally distributed, the points will be aligned along the diagonal line. Below is the example of histogram and P-P Plot results of this study.

Q-Q Plot

The other method of testing for residuals normality is to plot a Normal Q-Q Plot of the studentized residuals. If the data are normally distributed, the data points will be close to the diagonal line. If the data points stray from the line in an obvious non-linear fashion, the data are not normally distributed.

Figure 9.5 Q-Q plot of the studentized residuals



The graphical normality test results show that it can be accepted and the assumption of normality is not violated.

9.6.2 Numerical method

There are two methods in common that can use to check for the assumption of the residuals normality.

Skewness and Kurtosis Test of Normality

Skewness and kurtosis values can use to determine normality. Skewness is indicated in distribution analysis as a sign of asymmetry and deviation from a normal distribution. If Skewness > 0 or Skewness < 0 means most values are concentrated on the left or the right of the mean, with extreme values to the right or the left. If Skewness = 0 - mean = median, the distribution is symmetrical around the mean. Kurtosis is the indicator used in distribution analysis as a sign of flattening or "peakedness" of a distribution. If Kurtosis > 3 means high probability for extreme values. If Kurtosis < 3 – means probability for extreme values is less than a normal distribution, and the values are wider spread around the mean. If Kurtosis = 3 means normal distribution. Table 9.10 below presents the results of skewness and kurtosis values. Nevertheless, as the sample is bigger, skewness and kurtosis become less important and directed tests are likely to detect if these quantities deviate from 0 even by a trivial amount.

Overall results show that the errors in this research are not normally distributed. Table 9.10 is the example skewness and kurtosis of Studentized Residual of Entrepreneurial characteristics and traits as independent variable to predict owner/manager *extra-role service behaviours*. The skewness value shows concentration on the left and kurtosis shows probability for extreme values is less than a normal distribution. Therefore, the residual or error is not normally distributed.

Table 9.10 Sample of skewness and kurtosis

Descriptive				
			Statistic	Std. Error
Studentized Residual	Mean		.0012131	.10162960
	95% Confidence Interval for Mean	Lower Bound	-.2004675	
		Upper Bound	.2028938	
	5% Trimmed Mean		.0457152	
	Median		.0500110	
	Variance		1.023	
	Std. Deviation		1.01120180	
	Minimum		-2.93377	
	Maximum		1.83797	
	Range		4.77174	
	Interquartile Range		1.31675	
	Skewness		-.515	.243
	Kurtosis		.114	.481

Shapiro-Wilk and Kolmogorov-Smirnov Test of Normality

The Kolmogorov-Smirnov (K-S) test is a goodness-of-fit measure for continuous scaled data. It tests whether one distribution differs substantially from theoretical expectations. The limitations of K-S are that the distribution must be fully specified, only applies to continuous distributions, and tends to be more sensitive near the centre of the distribution than at the tails. K-S is interpreted by null hypothesis if the alternative hypothesis is rejected and the data comes from a normal distribution. For example, if the Kolmogorov-Smirnov test is statistically significant (e.g. $p < .05$) then it shows that the distribution of the sample is significantly different from the distributed data which it means the sample distribution does not fit the assumption of normality.

The Shapiro-Wilk Test is based on the correlation between the data and the corresponding normal scores, and while more suitable for small sample sizes (< 50 samples), can also handle sample sizes as large as 2000. For this reason, the researcher opted for the Shapiro-Wilk test as numerical means of assessing normality. If the Sig. value of the Shapiro-Wilk Test is greater than 0.05 ($p > .05$), the data is normal. If it is below 0.05 ($p < .05$), the data significantly deviate from a normal distribution.

Table 9.11 presents the selective results (the models of significance only) from two well-recognised tests of normality: the Kolmogorov-Smirnov Test and the Shapiro-Wilk Test.

Table 9.11 Tests of Normality: Entrepreneurial traits as independent variable

Studentized Residuals	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
O_*OCB*	.068	98	.200	.970	98	.026
E_*OCB*	.076	101	.159	.944	101	.000
O_Service Performance	.066	97	.200*	.978	97	**.105**
E_Service Performance						
O_Service Climate	.081	96	.134	.9603	96	.008
E_Service Climate						
O_Extra-role						
E_Extra-role	.078	101	.136	.966	101	.011
E_Turnover Intention						
E_CCS						
E_Aff Com						
E_Involvement	.052	100	.200*	.987	100	**.462**

***** This is a lower bound of the true significance

Table 9.11 above shows that there are only 2 out of 12 models that have the normal error distribution requirement not being met.

Table 9.12 Tests of Normality: Entrepreneurship as an independent variable

Studentized Residuals	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
O_*OCB*	.063	92	.200*	.970	92	.033
E_*OCB*						
O_Service Performance	.072	92	.200*	.976	92	**.094**
E_Service Performance						
O_Service Climate	.122	91	.002	.960	91	.006
E_Service Climate						
O_Extra-role						
E_Extra-role						
E_Turnover Intention						
E_CCS						
E_Aff Com	.072	94	.200*	.979	94	**.136**
E_Involvement						

***** This is a lower bound of the true significance

Table 9.12 shows that there are only 2 out of 12 models that have normal error distribution requirement not being satisfied.

Table 9.13 Tests of Normality: HRM as independent variable

Studentized Residuals	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
O_Service Climate	.098	69	.099	.970	69	**.097**

***** This is a lower bound of the true significance

Table 9.13 shows that only 1 out of 12 models that has normal error distribution requirement.

Table 9.14 Tests of Normality: Entrepreneurship and HRM as independent variable

Studentized Residuals	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
O_Service Climate	.120	67	.018	.953	67	.013

***** This is a lower bound of the true significance

Table 9.14 shows that there is no model that meets normal error distribution requirement.

Table 9.15 Tests of Normality: Entrepreneurship, HRM and Control as independent variable

Studentized Residuals	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
O_Service Climate	.071	58	.200*	.970	58	**.165**
E_Service Climate	.099	58	.200*	.984	58	**.644**

***** This is a lower bound of the true significance

Table 9.15 shows that there are only 2 out of 12 models that have normal error distribution requirement.

Therefore, the assumption of normality has been violated because results of the Shapiro-Wilk test of the small sample size show that, by rejecting the null hypothesis, the data distribution is not a normal distribution. However, this is not surprising as stated in the beginning of the chapter, it is common for one or more of these assumptions to be violated. This is especially true given many of the proceeding assumptions have not been violated.

Exceptions are in the following models, which have normal distribution of residuals - O_S*ervice performance* (Entrepreneurial Traits as independent variables model and total Entrepreneurship variables model), E_Involvement (Entrepreneurial Traits model), O_*Service climate* (HRM as independent variable model, and Entrepreneurship, HRM and control variables as independent variables model), and E_*Service climate* (Entrepreneurship, HRM and control variables as independent variables model). Those with normal distribution are highlighted in the tables above.

9.7 Conclusion

Overall, the analysis on the quantitative data shows that very few of the many assumptions tested here were violated. Given the notion that some can be violated (Berry, 1993) – and none of the violations were consistent across the models, provides strong confidence to proceed with the regression analysis.

Chapter Ten: Multiple Regression Results

The previous chapters covered univariate ('one variable') analysis and bivariate ('two variables') analysis and the multiple regression assumptions. In this chapter, a multiple regression was chosen as the technique for multivariate analysis. Multivariate ('multiple variables') analysis allows the estimation of the effects of each independent variable or collectively independent variables on the dependent variables.

10.1 Entrepreneurial traits and characteristics

Entrepreneurs' characteristics and traits influence the organisations they create. Both the behaviours and values of the entrepreneur are related to their experiences and influence the organisation they create and extend to its culture (Low & MacMillan, 1988). Baum, Locke and Smith (2001b) proposed that a successful entrepreneurial leader should have tenacity, pro-activity and passion. Models were tested using both individual employee ratings of their perception, and owner-manager ratings of the organisational level of analysis. Three out of four models of Owner-manager variables are presented in the table are statistically significant ranging between 0.1 percent - 1 percent level. Three out of eight models of all Employee variables are statistically significant at 5 percent level. Please note that the details of diagnostic assumptions are provided in Chapter 9 – Multiple regression assumption.

Table 10.1 shows the multiple regression results with significance ranging between 0.1 percent - 1percent level relating to entrepreneurial traits and characteristics to Owner-manager outcomes. The models presented exclude *extra-role service behaviours* as Owner-manager outcome because it was statistically insignificant. According to the entrepreneurship literature, entrepreneurial traits have been found to be explanatory variables including combinations of entrepreneurial traits and skills (*passion*, *tenacity*, and *new resource skills*) and situationally specific motivation (*communicated vision, self-efficacy,* and *goals*).

First model of owner/manager rating *service climate* (dependent variable): the findings show that entrepreneurial traits and characteristic variables collectively explain 49 percent of the variance in owner/manager *service climate*, which refers to staff-shared perception of practices, procedures, and behaviours that obtain rewards are supported, or expected in relation to customer service and customer service quality within the organisations, at 0.01 percent significance level. The F statistic is highly significant at 0.01 percent suggesting that overall at least one variable has statistical significance. The parameter estimates for new resource skills ($p<.001$) and goals ($p<.05$) are also statistically significance. *New resource skill*s refers to “the ability to acquire and systematise the operating resources needed to start and grow an organisation” (Baum & Locke, 2004, p. 587). This finding suggests that a one unit change in *new resource skills* is associated with an increase 0.41 unit of owner/manager *service climate*. In other words, the owners or managers who believe that they have the ability to acquire new resources tend to promote the shared awareness of customer service and customer service quality within their organisations. Also, a one unit change in *goals* is associated with an increase of 0.23 unit in the organisational *service climate*. In other words, the owner/managers perceived that business goals or desired results can help to increase service environment in the organisations.

Second model of owner/manager rating *OCB* (dependent variable) Entrepreneurial traits and characteristic variables collectively accounted for 24 percent of variance in *organisational citizenship behaviour* (*OCB*) at the at 0.01 percent significance level. The F statistic being highly significant at 0.01 percent suggests that overall at least one variable has statistical significance. The *OCB* values for *new resource skills* ($p<.01$) and *passion* ($p<.05$) are statistically significant. *OCB* refers to varieties of employee behaviours that enhance and maintain the environment, which supports their performance in organisational roles. This research used Organ’s (1988) five classifications of *OCB* which are conscientiousness, altruism, civic virtue, sportsmanship and courtesy, with the measure collectively encompassing all five dimensions. A one unit change in owner/manager’s ability to obtain new resources is associated with an increase of 0.30-unit increase in *organisational citizenship behaviour*. In other words, the owner/managers believed that when they manage to acquire resources for their firms, the employees behaved in their role in the way their organisations require. Also, a one-unit increase in owner/manager’s *passion* was associated with an increase of 0.26 unit in organisational *OCB* (β = .26). In other words, the owner/managers who loved their work, encouraged their staff to carry out in-role behaviours in the way the organisations require for being a good citizen and for teamwork.

Third model of owner/manager rating *service performance* (dependent variable). Entrepreneurial traits and characteristic variables with 1 percent significance level could explain 23 percent of variance in owner/manager *service performance*, which has an individual level and organisation level. Individual employee personality traits are influenced by *service climate* and human resource practices. The end result of service performance indicates the provision of service quality and good customer experience, which are important for the service and hospitality industry. The F statistic is significant at 1 percent and suggests that overall at least one variable has statistical significance. The only parameter estimate for tenacity ($p<.05$) has statistical significance. A one unit change in owner/manager working hard on doing something is associated with an increase of 0.21 unit in organisational service performance. In other words, the owner/managers, who persist at work while others quit, were likely to perceive that their businesses provided exceptional service to their customers.

Table 10.1 Analyses of owner/manager rating entrepreneurial traits and characteristics variables predicting dependent variables

	Criterion Variables – Owner-Manager		
Explanatory Variable	Service climate	OCB	Service performance
Passion	.07	.26*	.18
Tenacity	.16	.06	.21*
New resource skills	.41***	.30**	.12
Communicated Vision	.13	-.21	-.04
GOALS	.23*	.03	.08
Self-efficacy	-.02	.10	.15
R^2	.49	.24	.23
F statistic	14.17***	4.90***	4.43**

*p<.05, **p<.01, ***p<.001.

Table 10.2 presents the regression results from employee rating with a 5 percent significant level relating to entrepreneurial traits and characteristics and individual-level outcomes. These models were tested due to the possibility of differences in the functional relationship between owner/manager rating and employee rating.

First model of employee rating. Entrepreneurial traits and characteristic variables collectively accounted for 12 percent of the variance in individual *OCB*. The F statistic is significant at 5 percent which suggests that overall at least one variable has statistical significance. The parameter estimates for *communicated vision* (β = -.27, p<.05) and *goals* (β = .35, p<.05) have statistically significance. A one unit change in *communicated vision* is associated with a decrease of 0.27 unit in employee *OCB*. In other words, for the organisations which had neither communicated an organisation future plan in last six months nor a written vision this would mean that employees' effectively disengage with the organisation and begin to engage in fewer *OCB* behaviours regarding performing extra roles. The communicated objectives (goals) was positively associated with employee *OCB*. Thus, a one unit change in *goals* was associated with an increase of 0.35 unit in individual employee *OCB*. For example, the organisations which had set goals, were likely to have teamwork spirit (help each other) and to be responsible for success together (positive attitude). This model was tested for regression assumption, and very few of the many assumptions tested here were violated.

Second model of employee rating. Entrepreneurial traits and characteristic variables also could collectively explain 12 percent of the variance in employee *extra-role service behaviours*. The F statistic is significant at 5 percent. *Extra-role service behaviours* or *extra-role behaviours* denotes "desirable behaviour performed by contact employees to serve customers that are in addition to their official role requirements" (Kim et al., 2009, p. 374) such as voluntarily assisting a customer even if it means going beyond the job requirements. The face-to-face interaction of employees with customers is critical for the service industry because employee behaviours can affect customer satisfaction and loyalty. The F statistic is significant at 5 percent and suggests that overall at least one variable has statistical significance. The parameter estimates for *communicated vision* (β = -.26, p<.05) and *goals* (β = .33, p<.05) have statistically significance. A one unit change in *communicated vision* is associated with a decrease of 0.26 unit in *extra-role service behaviours.* In other words, with less of a formal communicated future plan, the employees did behave beyond existing role expectations and thus provided higher customer service in ways in which ultimately are more beneficial to the organisation. A one unit change in goals is associated with an increase of 0.33 unit in *extra-role service behaviours*. For example, the clear objectives or desired results, could make staff work less than their role expectations in order to provide the extra mile services to customer.

Last model of employee rating. Entrepreneurial traits and characteristic variables collectively accounted for 13 percent of the variance in employment involvement, which refers to an environment in which employees have an impact on decisions and actions that affect their jobs. That the F statistic is significant at 5 percent suggests that overall at least one variable has statistical significance. The only parameter estimate for *goals* (β = .26, $p<.05$) has statistically significance. *Goals* was positively associated with creating an environment in which employees can influence decisions and actions which relate to their work. A one-unit change in the objectives or desired results is associated with an increase of 0.26 unit in *employee involvement*.

Table 10.2 Analyses of employee rating for entrepreneurial traits and characteristics variables predicting dependent variables

	Criterion Variables – Employee		
Explanatory Variables	OCB	Extra-Role	Involvement
Passion	.14	.09	.13
Tenacity	.08	.04	.18
New Resource Skills	-.10	.14	.00
Communicated Vision	-.27*	-.26*	-.17
Goals	.35*	.33*	.26*
Self-Efficacy	.02	-.03	.02
R^2	.12	.12	.13
F Statistic	2.20*	2.20*	2.40*

*p<.05, **p<.01, ***p<.001.
Standardized regression coefficients. All significance tests were two-tailed.

10.2 Human Resource Management (HRM)

Hayton (2005) suggested that a number of human resource management practices, in particular high performance work systems (HPWS), are possibly associated with environments that promote organisational outcomes such as organisational citizenship behaviours (OCB), leading to greater communication, knowledge sharing and ultimately innovative inspirations. The next section examines a set of twenty-one HRM practices or HPWS to discover whether they could be explanatory variables of owner-manager and employee outcomes as results in Table 10.6.

Out of 12 models, there was only one result which shows statistical significance at the 5 percent level. These HRM variables accounted for 7 percent of variance in organisational *service climate* as detailed in Table 10.6. A one-unit change in HRM practices is associated with an increase of 0.26 unit in organisational *OCB*. For example, the usage of the *HRM* practices is likely to generate more shared employee perception of the behaviours such as obtain rewards, being supported, and achieving performance expectations. This model met all the requirements of regression assumptions: independence of error, linear relationship, homoscedasticity, no multicollinearity, no significant outlier or influential points, and normal distribution of error.

Table 10.3 Regression analyses for HRM predicting dependent variables

Explanatory Variables	Criterion Variable Owner-Manager Service Climate
HRM	.26*
R^2	.07
F statistic	4.69*

*p<.05, **p<.01, ***p<.001.
Standardized regression coefficients. All significance tests were two-tailed.

10.3 Entrepreneurship and HRM

After testing 12 models of the relationship of the bundle of HRM practices and entrepreneurship in owner/manager and employee outcomes, there is only one model which has.01 statistical significance level as presented in Table 10.4.

The findings indicate that total entrepreneurship variables and HRM variables collectively explained 54 percent of the variance in the owner/manager *service climate*. The F statistic is significant at 0.01 percent significance level suggests that overall at least one variable has high statistical significance. The co-efficient for *new resource skills* ($p< .001$) has statistical significance. A one-unit change in *new resource skills* is associated with an increase of 0.43 unit in owner/manager *service climate*. For example, the owner/manager, who were confident of obtaining resources for their organisation, likely to believed that their staff perceived more value of providing a superior service than their competitors. Note that this model met nearly all the regression assumptions, except seven case out of 98 has leverage issue and all residuals do not have normal distribution as it shows significant level in Sharpiro-Wilk test.

Table 10.4 Regression analyses for entrepreneurship and HRM Predicting Dependent Variables

Explanatory Variables		Criterion Variable Owner-Manager Service Climate
Entrepreneurship	Passion	.05
	Tenacity	.10
	New Resource Skills	.43***
	Communicated Vision	.16
	Goals	.13
	Self-Efficacy	.08
	HRM	.00
HRM	R^2	.54
	F Statistic	10.24***

*p<.05, **p<.01, ***p<.001.
Standardized regression coefficients. All significance tests were two-tailed.

<u>10.4 Entrepreneurship, HRM, and control variables</u>

This section explores the relationship of total entrepreneurship variables, the bundle of HRM practices, and control variables to explain owner/manager and employee outcomes. Twelve models were tested and only two models have statistical significance.

The findings show that entrepreneurship, HRM, and control variables collectively explain 64 percent of the variance in organisational *service climate* reported by owner/managers. The F statistic is significant at 0.01 percent significance level suggesting that overall at least one variable has high statistical significance. The parameter estimate for *new resource skills* (p< .001) and HRM (p< .05) have statistical significance. A one-unit change in new resource skills was associated with an increase of 0.54 unit in owner/manager *service climate*. For example, the owner/manager - who believed that they were good at finding resources for their organisation - tended to believe that their staff had shared perception of behaviour, skill and knowledge in order to provide better service than their competitors. Also, a one-unit change in HRM practices is associated with an increase of 0.24 unit in owner/manager *service climate*. For example, the owner/manager perceived that using HRM practices was likely to improve their staff perception of behaviours and atmosphere in relation to quality services. This model met nearly all the regression assumptions, except 28 cases out of 98 have a leverage issue and the unstandardized residual does not have normal distribution as it shows a significant level in Sharpiro-Wilk test. The results are presented in Table 10.5.

Table 10.5 Regression analyses for entrepreneurship, HRM, and control variables predicting *service climate* reported by owner/managers

Explanatory Variables		O_Service Climate
Control variables.		
	Marital Status	-.10
	Gender	.11
	Education	-.07
	Firm Size	-.08
Entrepreneurship	Passion	.00
	Tenacity	.06
	New resource skills	.54***
	Communicated vision	.16
	Goals	.09
	Self-efficacy	.03
HRM	HRM	.24*
	R^2	.64
	F statistic	7.58***

*p<.05, **p<.01, ***p<.001.
Standardized regression coefficients. All significance tests were two-tailed.

10.5 Conclusion

Overall, the models that are statistically significant and have a stronger effect came from the owner/manager's reports. A statistically significant and the strongest positive association was found in owner/manager *service climate* and entrepreneurship, HRM practices, and control variables (r^2 = .64). Also, a statistically significant and strong association was found between owner/manager *service climate* and entrepreneurship plus HRM practice variables (r^2 = .54). A statistically significant and a strong relationship was found between owner/manager *service climate* and entrepreneurship variables (r^2 = .49).

A moderate positive relationship was found between *OCB* reported by owner/managers and entrepreneurial traits, skills and motivation variables; the relationship between *service performance* reported by owner/managers and entrepreneurial traits, skills and motivation variables.

Chapter Eleven: Qualitative Results

This chapter discusses the interview results received after consent to participate was granted, following on from the analysis of the survey results. The qualitative interview results aim to enhance the survey results, which do not provide in-depth data in relation to the entrepreneurship and human resource practices in the organisations. This lack of depth is typical in quantitative studies and is a limitation of that type of research approach. After the quantitative analysis, the qualitative finding details are presented in the same way as in the quantitative result chapters. These relate to dependent and independent variables. These have been kept distinct because the aim of this qualitative research is to provide depth and clarity around the quantitative research.

In summary, the demographic information relating to each of the participating interviewees is as follows. There were a total of nine interviewees, who were business owner-managers. Generally, these entrepreneurs decided to set up the business because of recognising the opportunity to earn incomes, and merging business with their lifestyle benefits e.g. self-employment after retirement (2 respondents), migration (2 respondents), and employment for family (3 respondents). Six of the owners did not have a background in the hospitality sector (e.g. investor, entrepreneur, and large corporate workers), while three business owners had direct experience in the café and restaurant industry. This perception was reflected in their employee behaviours. For example, one interviewee said that "we are close family unit…a lot of staff have been here for over 15 years." Their organisation size ranged in size from micro-, with two full-time staff, to medium-enterprise with 45 full-time employees. The owners of cafés and restaurants generally identified their key staff positions as chef (5 respondents), manager (3 respondents), owner (2 respondents), and ordinary staff member (2 respondents).

11.1 Themes related to dependent variables

Generally, the research aims to uncover the relationship between firm performance (dependent variables) and the independent variables of entrepreneurship and human resource management practices. The interviews revealed that most of the owners (7 out of 9) did think positively about their business performance and believed that they were on the right track and in the top bracket of businesses of their type. One respondent stated that "…it's still busy and it's still thriving today after twenty years..." and another respondent announced that "we are the leader; others follow." In addition, a couple of respondents explained that their businesses had a large and loyal clientele built up over a decade, and a number of respondents had seen increasing profit growth. Meanwhile, other respondents mentioned receiving good reviews for their restaurants in newspapers and from customer feedback.

Two respondents felt that their businesses had reached a status quo. One interviewee explained that this was a consequence of there being only a few competitors in their locale, and that restaurants of their size were not adversely affected by competition. In addition, it seemed that failure tended to be something of a mystery in the café/restaurant business, as mentioned by another interviewee, who explained that they had "…heard that some businesses in the industry have had bad luck and gone even though they did nothing wrong."

Nevertheless, competition in the hospitality industry is very high and these services could be considered a slight luxury, especially during an economic downturn, as mentioned by two respondents. However, one of them still believed that "the chef is the best one in the city. All our staff are very proud of the restaurant, and we have had good reviews or comments from customers and newspapers."

It is noteworthy that most respondents were mindful of the way they rated their businesses performance. It was not simply 'we perform excellently' but was a notion of having a full café or outdoing their competitors. Thus, they knew the context of their business and those they compete against. This aligns with researchers who suggest getting businesses to rate themselves against their competitors would be most useful if direct income figures are not available (Spanos & Lioukas, 2001)

11.1.1 Service performance

Service performance is the signpost of providing quality service and good customer experience, both of which are essential for the service and hospitality industry. The results of the survey showed that entrepreneurial variables, especially tenacity, can partially explain *service performance*. This is in line with the statements of a number of owner interviewees, who claimed to be the first in the market to introduce innovations such as serving breakfast, challenging consumers with a new menu and implementing an international standard of service. They also believed that they had superior *service performance*, as demonstrated by one owner, who stated:

> We do not worry much about how other people are doing or what they do. We concentrate strongly on what we want to do and how we measure up against those expectations we have ourselves…and we are quite confident that we are happy [the way] the business has run since we opened it and it has gone from strength to strength.

Service performance could be seen in all interviewees' organisations. One interviewee stated that the business provided "a whole experience about coming somewhere welcoming and to an environment where people will chat and be friendly as appropriate." Another insisted that it is "…not just food, you know, it's about service and smiles." One interviewee stressed that "many of our customers that come in, we even know them by name, or if we don't know them by name, we know them by what they are going to buy…"

Similarly, other interviewees said that "We go out of our way to produce good products and good services as much as we can". One interviewee further maintained that the business put a significant effort into maintaining the consistency of taste and food quality in order to deliver the best quality dining experience to their customers. Authenticity was also mentioned by a few of the respondents, for example, "…a relaxed atmosphere, very good food, a really authentic taste experience…". *Service performance* aside, word of mouth seemed to be the most effective marketing tool. For example, one respondent explained that "…good service as much as possible. The word gets out there and people come back…" and "the first time people come in, they might like your food and coffee, but the reason they come back is because they like you."

11.1.2 Commitment to customer service (CCS)

CCS indicates that an individual employee works tirelessly every day to give all customers the best possible service. The interviews showed that personal involvement of owners with their staff can bring out the best in them. This personal involvement could facilitate the gaining of commitment from staff, as articulated by one interviewee, who said that:

> …interrelationship at a much deeper level than purely as an employee-employer relationship…we would find it is as easy to get that commitment from the staff that we need to support us and assist us on those difficult days.

Another interviewee also emphasised that "…Just look after them in general…they will always perform well and better,…".

In summary, the involvement of entrepreneur or owner as leader of organisation could help to encourage higher commitment to customer service of their employees.

11.1.3 Employee involvement

Employee involvement indicates that employees generally feel that they have an impact on decisions and actions that affect their jobs. The survey results showed that there was statistical significance for goals which were positively associated with creating an environment where employees have influence on decisions and actions which relate to their work. On the other hand, the interviewees rarely talked about having open communication and whether staff could make suggestions and talk to the owner about anything. For example, one owner stated that "everybody can talk to each other if there are any problems, or they can talk to me." However, most of the owners were also involved in day-to-day operations and were involved in decision making, for example, one interviewee stated that "…I always oversee. I always have the final say."

Service climate refers to staff's shared perceptions of practices, procedures, and behaviours that are rewarded and/or supported, or expected, in relation to customer service and customer service quality within the organisations. The survey results showed statistical significance for a few models where entrepreneurship variables, human resource management practice variables, and control variables could explain *service climate* from both the owner-manager and employee perspectives. The interviews gave more detail regarding *service climate*. For example, all owner interviewees affirmed that they had open communication, which is important in terms of supporting the service climate in their rather small organisations. One owner explained that "…it is easier for staff to talk to either me or a manager if they have any problems ...That is important." Another interviewee added that for them customer communication was important "…when customers come in and feel very comfortable with the staff and with the owners, we even talk to customers like friends."

The job knowledge and skill level of staff were recognised by most respondents. For example, one interviewee stated that they "…treat hospitality as a profession." Another owner explained that "We are known for our exceptionally well-trained staff," while another stated that "My chef is a very high quality chef…and worked in a big…restaurant for more than 15 years…Maybe our chef is the best in …"

Overall, there is strong support from the interviews around the importance of a service climate and it appears that owner-managers focus time and energy into this function due to its importance in making their business perform well.

11.1.5 Affective commitment

Affective commitment within employees entails emotional attachment to their organisations. The survey findings showed that total entrepreneurship variables explained the variance in Employee *affective commitment* to a modest extent. The interviews further revealed that all of the respondents regarded their staff as family or friends. Two interviewees regarded their business as a family. This was articulated by one respondent, who explained that "It is part of the family. We are a close family unit as a lot of staff have been here for over 15 years." Another respondent also suggested that "I personalised the businesses as a family." One respondent recognised that "…it is a small business and if the staff think that they are members of the family, it can operate very well." As such, there is an innate sense of commitment from the owner-managers to their employees and this probably provides some encouragement for employees to reciprocate this trust and thus be more committed to the organisation.

11.1.6 Organisational citizenship behaviour (OCB)

OCB refers to the shared employee perception of in-role behaviours, such as being rewarded, being supported, team responsibility, treating each other with respect, and fulfilling performance expectations. For example, one owner stated that "Everybody has their own duties. Yes, they are doing their duty very well. It's good." Another owner affirmed that "There is a friendly helpful cooperative sort of spirit that exists." This concept of teamwork was reflected in the interviewees in statements such as "In our restaurant everybody helps each other;" "…the kind of people that would cooperate with each other;" "We have a very strong sense of team;" and "…everybody goes home at the same time." Meanwhile, respect for every staff member was pinpointed by one interviewee, who said that "…we also value independence and a sense of individuality."

What stood out the most was the familial relationship described by all respondents. Staff are regarded as part of the family. One interviewee stated that "…we have developed a very strong bond…they feel more like part of our family." Another interviewee said that "the business has to keep them looked after… Look after them, treat them like a family." A combination of food, environment, and friendly staff interaction combined with staff work ethics which came from the familial work ethic sentiment, and respect for individual independence was shown in one particular statement:

> …personalised family-oriented values because every day either one of the owners or family members would be present physically, running and managing the operations of businesses. Throughout the years, staff have seen the commitment that the owners have made as they are prepared to do any type of work at any level if there is a certain shortage, e.g. kitchen hand, cleaner. The sense of family and belonging has developed over time. A friendly, helpful, cooperative sort of spirit exists in the organisation.

Another respondent explained that:

> …all staff come from the same national and cultural background, so they can understand each other very well. They are hardworking

> and willing to help each other. We have adapted the food to suit local tastes and manage the business like a family, friends and brothers and sisters, so staff can talk to each other.

Overall, like the organisational commitment section before, the strong familial ties help bind and entwine employees into the organisation. Consequently, employees find it easier to go the extra mile and provide additional *extra-role behaviours* that ultimately support the organisation.

11.1.7 Staff turnover intention

Most of the interviewees claimed that their employee turnover was lower than the industry average, and that they had a number of staff members who had long service records. For example, one respondent stated that they had "…many staff with over 15 years' service." Treating staff as family members or friends was much in favour, as revealed by one respondent, who said that "We haven't recruited any new staff since three years ago. That's another benefit." Loyalty was mentioned by another respondent, who explained that "…some of them have been working for eight or nine years. There were only two occasions over 13 years where we had an issue with staff members and had to dismiss them." However, one of the respondents suggested that there tended to be high turnover among part-time staff. As such, there appears to be a distinction between full-time staff – who do stay long, and part-time staff – who expectedly, turnover. However, that organisations achieve retention rates of around ten years in an industry of high turnover is clearly indicative of a high level of trust and enjoyment in the workers' jobs and their employers, thus suggesting that turnover may be a greater issue for part-time staff.

11.1.8 Extra-role service behaviours

Extra-role service behaviours or *extra-role behaviour* is described as "desirable behaviour performed by contact employees to serve customers that are in addition to their official role requirements" (Kim et al., 2009, p. 374). This includes voluntarily assisting a customer even if it means going beyond the job requirements. This is critical for the service industry because behaviours of staff who have direct contact with customers can affect customer satisfaction and loyalty. The interviews did not yield much information. Only one respondent implied that a familial relationship could help to draw the highest potential out of an employee, which might include *extra-role service behaviours*, i.e. "…involvement and the genuineness that the staff should feel from us that brings out the very best in their support of us when we need them." However, there are close cross-overs between *extra-role service behaviours* and *OCB* which above showed again strong connections between strong relationships and familial ties between the owner-managers and employees.

11.2 Themes related to independent variables

11.2.1 Entrepreneurship

The majority of café and restaurant owners decided to start their businesses for lifestyle reasons. For example, two interviewees had retired from the oil and finance industries, and perceived an opportunity because they had the resources to seize it. Other interviewees had owned the building and recognised an opportunity when there was an empty space which had been a café. This, together with their being qualified and internationally-experienced chefs, enabled them to take the risk to challenge local consumer tastes. Elaborating on confidence in risk-taking one respondent said, "I like to challenge customers' food experience by putting together an international kind of menu."

The owners encouraged entrepreneurship within the organisation by taking risks, challenging themselves, strategizing actions, and being the first in the industry. One owner respondent said: "[We]…never compare ourselves to others and do not worry about what other businesses do." Some of the interviewees recognised that they were the leaders in terms of introducing something new, such as being the first to provide authentic food, the first to challenge local tastes, the first to open early morning. One owner, for example, recalled that "…we were probably the first café to do breakfast" and "…we wanted to challenge what people were eating." Another interviewee said that "…we do things first; others follow" and "we do what we want and not what others tell us." Another of the interviewees described their spirit of entrepreneurship by stating that "…I wanted to run a book shop and what I got was a café. So I thought…why don't I run a book café." They then found a new distribution channel, explaining that "…we have people that come in just occasionally because we are a specialty shop…, so they might live out of town…We had mail order…and we've grown there a little bit as well." Again, the interviews showed that being a risk taker – being first – which are components of entrepreneurship were supported amongst the entrepreneurs.

The interview data are grouped as independent variables in the following section. As a result of the semi-structured questions used, the interview data could not be divided neatly into individual independent variables of entrepreneurial traits and characteristics (*Passion, tenacity, new resource skills, communicated vision,* and *goals*). The outstanding themes from the interviews are therefore presented in an interrelated way.

Passion and tenacity

One of the goals described by the interviewees was achieving a desirable lifestyle. The owners or interviewees described a diverse range of lifestyles. One respondent had managed to do something that they loved and still had time for family. Another respondent said that "It was my wife who wanted to do it and we were looking for and found this place intuitively, like from an emotional point of view." Another respondent said, "I chose the location of the business premises in my family's residential area and my parents have had a business in this neighbourhood for over 50 years." Another three respondents, who were migrants, aimed to survive in their new home country and earn a living. For example, one respondent stated that "This kind of business can feed the family and we can survive easily and in a few years could afford to pay extra."

Although the survey findings suggested that most of the owner-managers generally feel that they are highly entrepreneurial on most dimensions except *passion,* the interview findings appeared to show that the owners did have *passion*. For example, one of the interviewees said that "We had a very strong sense of what we wanted to do." Another interviewee explained that they had a "…real interest in good coffee." Another interviewee revealed that "We came to business because we had a passion about what we did;" and another said "…[we] wanted to do it and we looked for a café business…it came together intuitively, like from an emotional point of view." This could be explained by one owner who suggested that you "…have to have a passion for it and dedicate yourself to the task at hand;" and another, who said, "I was feeling lucky because I could choose what I wanted to do." Additionally, there is a common trait among all respondents that they put effort into their work and provide good quality work. One interviewee explained that "It's basically living the product, which is good quality and good coffee." Another interviewee insisted that "we have good staff…every staff member wants to work hard. They are quite happy to work in such a busy environment." Additionally, another interviewee stated that they had a:

> …small family business in the locale where local customers can have friendly staff, and a comfortable atmosphere like home where a customer can talk to the owner or staff like friends (with no need to be too shy to ask questions), and where we sell authentic food.

Cafés and restaurants have high competition, and one respondent explained that:

> Restaurant businesses are overtraded in the sense that there are too many people trying to make a living out of them. They may consider the restaurant, bar and café business as having a glamorous image, very relaxed, a lovely environment to do business and earn a living, but the truth is far from that, as you have to be prepared for long hours, need to have a passion for what you are doing i.e. waking up early and going to bed late, and be satisfied by customer satisfaction, and a low margin relative to other industries.

Finally, one respondent suggested travelling as a way to keep continuity, stating that "…to keep the entrepreneurship going we have to travel to… once a year…That helps us to keep our ideas fresh and maintain consistency and continuity." Overall, there appears strong support for the entrepreneur and their passion in doing their business.

New resource skills and self-efficacy

New resource skills refer to the perception of entrepreneurs (owners) that they have the ability to obtain resources, human, financial and others as needed (Baum &

Locke, 2004). All of the respondents claimed to have *new resource skills*. All had financial resources. For example, two respondents had financial resources and were migrants to New Zealand. One respondent had a high profile as a financial investor and said:

> I invest in many portfolios (manufacturing, properties) in New Zealand and overseas such as Korea, China…was a 50 percent investor or partner in a current business but took over 100 percent ownership after migrating to New Zealand because I wanted to look after the business by myself.

Another example was an owner of a large firm overseas, respondent 4, who said,

> …I previously set up and owned businesses which employed 480 staff and had a turnover of around 120 million dollars, but they were bought out by a large competitor and we were looking to migrate to New Zealand [and] We bought a little restaurant…and have owned it for thirteen and a half years, and a year later we took over this operation…and it was a failed business venture before us. So, we changed the name and refurbished the premises and started a new business from scratch.

Another respondent, who had been working in the finance industry for 20 years both in New Zealand and overseas, said that "… [we] had enough capital to start up a business debt free and did not have to make money from day one."

All respondents also had the human resources to start their businesses. For example, one respondent had direct experience as an employee, for example, a bartender, barista, restaurant manager, in successful restaurants. Another respondent said, "[I] had been working in restaurants since 1999 and had seen successful businesses in every restaurant in which I worked. That inspired me to own a restaurant." Another factor is having a family member or a person in their network who was a chef or a good cook. Another respondent said "My younger brother is a qualified chef and had a number of years of international experience…"

All of the respondents had the ability to fulfil their goals or tasks. For example, one interviewee stated that “because I am [XX], [XX] food is the only food I know. So it was easier for me to do a [XX] restaurant.” Overall, the interviews provided strong support for the notion of *new resource skills* being an important part of business creation.

Communicated vision and goals

As small business owners, most of the interviewees did not have a written vision or goals, but the owners did directly involve themselves in day-to-day operations and ensured that their employees understood what the owners wanted. Hence, vision might be informal but it is still communicated (verbally). Two respondents did mention that they provided induction notes and a manual as reference tools for new staff. One owner stated that “…[we] always have a set of induction notes” and another said that “…we have got a manual that they can refer to…” Another owner added that “We do talk about that a lot and in our induction notes.” The rest of the interviewees used verbal and informal communication. For example, one interviewee explained: “I always tell them my expectations – that’s an easy one;” and another said that “We have a sit-down chat with them.” One occasion during which the owner could communicate the business vision and goals would be a job interview with prospective candidates.

Generally, the interviewees shared the view that good food and good service are the backbone of their business philosophy. One respondent said that it was important to “… provide quality coffee and food, a nice atmosphere with friendly competent staff.” Another respondent explained that “consistency provides very good food with an authentic taste experience and a relaxed atmosphere for customers.” Other respondents agreed on the importance of “great service, good food and a relaxed environment.” One owner favoured “good food, good prices, good staff who want to work hard and are happy to work in busy environment and help each other as friends.” Overall, there was solid support for the role of *communicated vision* amongst the interviewed entrepreneurs.

11.2.2 Human resource management

The survey results do not provide much support in relation to human resource management's role towards various outcomes within the sample of cafés and restaurants. This was also supported in the interviews, where generally, the owners were not aware of what HRM practices are. Only one third of respondents understood the HRM concept. Human resource management was informal and ad hoc rather than formal and planned from the interviewees' perspective. However, one respondent stated that recruitment was the most important practice in HRM, as it is crucial to "…have them understand the business philosophy, about how the owners want to run the business in terms of people, and how the owners like their customers to be treated." Another respondent pinpointed flexible working practice as the most important practice. Yet another respondent chose training and performance management, giving the rationale that "if they do as the owners want and treat the business as their own, this is good for business performance."

The owners relied heavily on personal influence, such as respect for the familial relationship. The interviewees believed that interpersonal relationship management (4 respondents) and communication (3 respondents) were important in terms of managing their staff. A couple of interviewees did recognise informal perks and the links to social exchange – employees giving more in return (Haar & Spell, 2004). One respondent expressed the view that relationship management could encourage good relationships between new and existing staff (e.g. holding birthday parties, helping staff move house and arranging a New Year party). One respondent looked after their staff however they could, even when it came to dealing with personal problems, providing a good meal at the end of every shift and making sure that staff arrived home safely at night. Another respondent explained that they favoured a "…friendly approach, so that staff can reach the owner and talk to the owner as a friend would work for a friend not as employees to employer." The advantage of informal relationships was commented on by another respondent, who said that:

> In a small business, the owners have a personal connection with the staff on a sort of family level. It is much easier and much less stressful in this informal structure than it ordinarily could be under an HR system.

Due to the nature of small businesses and the owners' involvement in the day-to-day operations, the interviewees generally thought that interrelationships with a "family" or "brotherhood" approach would be a good way to manage their staff. However, this can be a challenge, as explained by one respondent, who said, "Kind of hard to manage them as well because we treat staff as friends." However, a familial relationship could be utilised as one owner stated by "…personal involvement of owners with staff that brings out the best in them as well as interrelationship at a deeper level than just employer and employees." Another respondent also stated that

> Manage people by taking a family approach. You are a part of a team and once you know what you are doing, you are just expected to go off and do it. Just throw a new staff member in and if they make a mistake just laugh it off and say well it's probably because we didn't tell you.

Another respondent added that:

> On a day-to-day management basis, the idea that business have to keep them look[ed] after. Them means the head of departments (bar, office, floor and kitchen departments), as they have all been here for over 15 years, to ensure continuity and consistency. Look after the heads and treat them like a family.

In addition, open communication was pinpointed as being advantageous in a small organisation. One respondent also added that an open door policy is a good way to manage staff. Another respondent suggested that a good model is one in which:

> [the business has] a manager [who] looks after everything as a friend and the owner is open to talking to staff as a friend too, unlike in a big organisation such as a hotel where it is difficult to talk to your manager.

Only one respondent suggested that flexible working hours could help to retain staff, for example, a part-time high school student might need time off during exams and might want more hours during holidays. However, staff could take advantage of flexi-hours. For example, a member of staff could go to a party on Saturday night and come to work late the next day. Overall, the lack of understanding around HRM practices does reflect the overall poor influence of these practices found in the quantitative analysis. It appears that café and restaurant owner-managers are less knowledgeable about these practices and the roles they may play in their organisations. Though the human resource management practices were informal and ad hoc, they still supported the quantitative findings.

Recruitment and selection

One of the respondents suggested that, for them, recruitment was ad hoc, especially for unskilled positions, stating that:

> It happens often in the industry: people will turn up and say that they are looking for a job or they know someone is leaving, so they would like to know if we would consider them for the position.

Word of mouth and preferred referral from current staff and networks were used for recruitment by all interviewees. One interviewee stated that recruitment was "mostly word of mouth. We never advertise in the paper." However, two respondents mentioned that advertising of job vacancies was used occasionally. For example, one owner stated that "…we also advertise, but mainly don't do that." Another said that "we only really advertise very rarely and that was in the earlier years."

Selection was carried out by interview and pre-employment trial. One respondent suggested that the expectations of the business could also be explained to candidates during the interview process. Similarly, owners said that they would choose to employ a person that they believed was the best fit for the organisational culture, style and the way they operated their businesses. One interviewee stated that:

> We will interview them and from that process, we select the person…that we believe will best fit our culture and come in and slot into the style and the way we like to operate our businesses.

A variety of selection criteria were discussed: for example, one respondent looked for particular social skills for all positions, and not just unskilled positions such as waiters, stating that, "…you have to have very particular social skills to do that job well and I look for those kinds of skills." Another owner would contract a potential candidate to start working on a temporary basis first in order to observe how they apply themselves, for example whether they are polite, happy and helpful to customers. Others employed intelligent people who can manage themselves and can multi-task.

This is in contrast to one owner, who used a so-called hit and miss technique for selection and was not too fussy as long as they were convinced that an applicant was a good person, because the owner believed that the jobs are not highly skilled and that employees can be trained.

Training

There were several approaches used for staff training, but all of the respondents seemed to consider training to be essential, particularly for new staff, even if they hired an experienced person. This training is designed to ensure that the new staff understand the business practices and requirements. On the job training or repetition were preferred by a number of respondents. For example, one interviewee said that "…new staff get completely thrown in at the deep end and they have to swim, and that is the nature of hospitality too."

Most respondents do not provide written documentation for training. There were a couple of respondents who provide a set of induction notes or a manual for routine procedures such as opening and closing, food preparation and cleaning.

The length of formal training is rather brief as the majority of respondents tend to provide on the job training. For example, a couple of interviewees stated that they provided two days' training prior to employment. Only one respondent provided an exceptionally generous 5-10 working days of training to ensure that new staff know the procedures and practices.

Two respondents used pairing or a buddy system for training new staff. For example, one respondent stated that "we mostly buddy new staff up" and the other said that

"…they double up alongside our experienced staff." Leading by example by the owner was mentioned by one interviewee, as the owners are involved in day-to-day business operations, and this allows them to do this. However, a new staff member could occasionally be thrown straight into a busy job in the hospitality business.

In summary, the staff training or induction was rather informal and available for new employees for short period of time in these cafés and restaurants.

Performance evaluation and appraisal

None of the respondents had a formal appraisal or evaluation system in their business operations. Two respondents said that they had set up an evaluation process and had either never used it or had given up. The reason given by one respondent was that "It's a lot easier just to have a more informal system of appraisal" and another respondent stated that there is "…nothing written on a daily basis as it changes all the time." One of the interviewees provided further detail:

> we used to have a more formal structure when we first took over the business…. they [my children] introduced a more structured evaluation and performance appraisal system which we kept in force for about 3-4 years,…then I think we actually, because of the sense of belonging and commitment that we managed to elicit from our staff, [and] because of our own personal involvement and our style of running the business we found it a lot easier just to have a more informal system of appraisal.

However, the owners did conduct regular check-ups on staff performance using manager and customer feedback. As most of the owners oversee the daily operations of their business, they would rather correct poor performance as they see it happening. For example, one owner regularly has "sit-down chats when staff make a mistake to clarify and make them realise what they have done wrong." Another owner also stated that they "just fix it and tell them if things go wrong and tell them to get it right next time." This was the same as another owner, who stated that:

> If I found that a staff member was underperforming in the duties that they were expected to do or were responsible for, I would talk to them immediately. I would rather prevent any problems by pre-empting or removing or replacing a potential problem staff member from any potential area where they can become a problem.

In addition, a timeframe for improvement could be given. One of the respondents said that they "…expected that new staff members' performance should improve over time, say within three months on the job, such as their knowledge of wine lists, food lists, and ingredients in the food." Another respondent said that there were "…not many issues. After telling the staff for a couple of weeks or a couple of months they will perform more accurately."

In terms of giving staff a pay rise, one respondent calculated the length of service and used pay rises as a tool to keep staff in the firm.

Briefly, the regular feedback was used in daily operations of café and restaurant businesses, rather than formal evaluation and appraisal as large firm which would hold once a year.

11.3 Conclusion

The interviews strongly supported that entrepreneurship and *passion*, *tenacity*, *new resource skills, self-efficacy, communicated vision, and goals* were strongly exhibited in these entrepreneurs and their enterprises. The interview data also supported the relationship of entrepreneurship and *service performance*; entrepreneurship and *affective commitment* and *commitment to customer service* in employees; *goals* and *employee involvement*; and entrepreneurship, HRM and control variables relationship to service climate of organisations. However, the interviews revealed weak support for staff *turnover intention* and *extra-role service behaviours*. In addition, the HRM practices were weakly supported here, but this finding actually aligns well with the data from the quantitative findings. Overall, it seems that HRM practices are unwell understand and thus poorly implemented in café and restaurants – at least in the present sample. The interviews show details of how the café and restaurants owners managed their employees with existing informal practices which include recruitment, selection, training, and performance evaluation and appraisal.

Chapter Twelve: Discussion

12.1 Introduction

The literature claims that greater emphasis on entrepreneurial activity will boost economic well-being. However, it has proved difficult to reach a consensus on the definition of entrepreneurship because of the multi-disciplinary factors which characterise it (Low & MacMillan, 1988). In addition, as a number of researchers have suggested, the understanding of human resource management (HRM) practices in small organisations represents a significant limitation in terms of current research (Barrett & Mayson, 2006; Cardon & Stevens, 2004; Masakure et al., 2009; Messersmith & Guthrie, 2010). Therefore, this research sought to serve as a pragmatic lens through which to explore the complex and intertwined nature of entrepreneurship, as well as the importance of human resource management in small enterprises, specifically in cafés and restaurants in the Auckland and Waikato regions in New Zealand. An overview of the study design is illustrated in Figure 12.1 below.

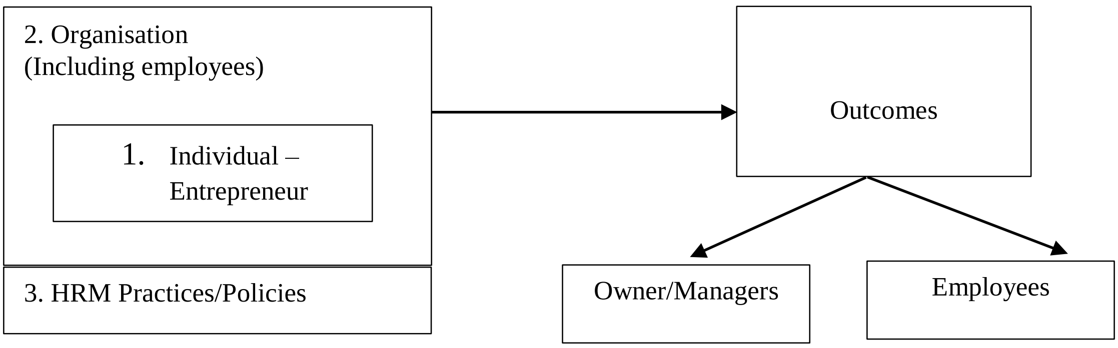


Figure 12.1 Connections between the parts of this research

This chapter is organised into two parts: a summary of the principal, statistically significant quantitative results; and the interview results in comparison with previous studies, and identifies gaps in the literature. The chapter ends with a discussion of the limitations of this research.

12.2 Discussion of Key Findings

This study's makes an important contribution by providing empirical evidence by responding to calls in the literature to extend performance measures and approaches towards performance (Giannikis & Nikandrou, 2013; Haar & White, 2013) by connecting entrepreneurship and human resource management practices with organisational and behavioural outcomes. This present research also adds to the strategic human resource management field in the way that it provides empirical evidence of the driver of strategies in SMEs, which is the owners; and of the informal human resource management practices in small- and medium-sized enterprises.

In addition, the study focuses on reducing bias from the use of a single data source by obtaining data from both employees and owner/managers. It also provides a practical explanation of entrepreneurship and HRM in small organisations by collecting data from surveys and interviews, which is sorely missing – particularly with regard to HRM practices in small firms.

A summary of the results of the quantitative investigation in respect of 107 small businesses in the form of cafés and restaurants received from 214 respondents (in pairs comprising one employee and an owner/manager) is provided in Table 12.1. Only the results with statistical significance are reported in this table. These results are discussed in later sections.

12.2.1 Entrepreneurial traits, skills, and motivation

Entrepreneurship is a multidimensional concept related to focus on the entrepreneur, innovation, risk-taking, proactiveness, and opportunity seizing (Lumpkin & Dess, 1996). Jack, Hyman and Osborne (2006) suggest that any study of organisational behaviours in small businesses must start with the owners or entrepreneurs because such businesses are largely under the personal and direct management of owners. For example, demographic information in the literature suggested that entrepreneurs work long hours, and the findings in this research is in line with previous studies (e.g. Gorgievski, Moriano, & Bakker, 2014). The average number of working hours of entrepreneurs in this study is 51 hours per week.

The entrepreneurial traits, skill, and motivation variables identified by Baum and Locke (2004) provided a solid platform for the study of the effect of entrepreneurial traits, skills and motivation on a firm's growth, and these were used to assess the impact of certain factors on organisational and behavioural outcomes. For the purposes of comparison, the descriptive statistics (means, standard deviations, and correlations) of this study and those of Baum and Locke (2004) are provided in Table 12.1.

Univariate data

With the exception of *goals*, the mean values for entrepreneurial traits, skill, and motivation variables are consistent when comparing the present study to the findings of Baum and Locke's study. The mean value for *goals* in this study is significantly higher than that in Baum and Locke's study. This difference perhaps stems from the self-reported nature of the data in this study with regard to this component. The entrepreneurship variables in this study came from a single source, namely owner/managers, whereas Baum and Locke's data came from both founder CEOs and employees. It is possible that owner/managers might have inflated their responses to this dimension or, alternatively, the inclusion of employee responses in Baum and Locke's study might have brought the mean value for *goals* down because of the psychological tendency to reduce expressive behaviours.

In addition, when it comes to *goals,* the interviewees themselves did not have a written vision or goals, but rather the owners involved themselves directly in day-to-day operations and ensured that their employees understood what they wanted, or their business goals. For example, one interviewee explained that "I always tell them my expectations – that's an easy one" and another emphasised the importance of direct communication in terms of aligning staff with the organisation's objectives, commenting that "we have a sit-down chat with them". As such, it might be that entrepreneurs who lead small firms are so often engaged with their staff – working side by side – that they naturally do discuss and provide communication around their goals with employees.

Bivariate data

Recently, Murnieks, Mosakowski and Cardon (2014) found that entrepreneurs' passion governs and is strongly related to entrepreneurial self-efficacy and entrepreneurial behaviour. The present study (see Table 12.1) also shows a moderate correlation between *passion* and *new resource skills*, a moderate correlation between *new resource skills* and *goals*, a strong correlation between *communicated vision* and *goals*, and a strong correlation between *self-efficacy* and *goals*.

The present research does reveal a high correlation between *goals* and *self-efficacy* (at $r = .54$, $p < .01$), whereas Baum and Locke's (2004) study did not reach significance ($r = .02$). This particular relationship strength could stem from the fact that the respondents in this research were owner/managers. Perhaps the owner/managers perceive that their ability to manage their firm's performance and success is directly related to their business goals. Baum and Locke's (2004) study, on the other hand, used data from employees and CEOs, and employees might not be able to see a relationship between their own capabilities, which result in specific performance attainments, and the company's goals, as they might not be involved in setting the firm's goals or strategies. Similarly, this study also shows a high correlation between *goals* and *communicated vision*, whereas Baum and Locke's (2004) study did not. In addition to some of the points above, this could be due to size differences in the businesses studied. The cafés and restaurants in New Zealand which were the subject of this research are smaller than the architectural woodworking firms in the US which were the focus of Baum and Locke's (2004) study. As a result, owners/managers would have closer communication with their employees and could ensure that goals were met in daily operations.

This research also revealed a moderate correlation between *goals* and *new resource skills* ($r = .33$, $p < .01$), whereas Baum and Locke's (2004) study did not reach significance ($r = .12$). This difference was possibly due to bias from the single source respondents in the present study, as owner/managers might have the perception that there is a relationship between goals and their ability to acquire the necessary resources for their organisations. Perhaps owner/managers specifically craft and communicate new goals around acquisitions which they know they will acquire. For example, they might seek to acquire a new piece of equipment, and once that is achieved they will communicate the goals around that acquisition. In addition, this present research found a moderate correlation between new resource skills and *passion* ($r = .24$, $p < .01$), whereas Baum and Locke's (2004) study did not reach significance ($r = .04$). Furthermore, Baum and Locke's (2004) study found a moderate correlation between self-efficacy and tenacity, which is consistent with the findings of Baum, Locke and Smith (2001a), but the present research does not (r = .16, non-significant). This difference was perhaps caused by the small sample size of the present study. Similarly, Baum and Locke ’s (2004) study revealed a weak correlation between goals and tenacity, whereas this present study does not (r = .17, non-significant). This variance could stem from differences in data collection, as Baum and Locke’s research used six-year longitudinal data, but this present study uses cross-sectional data (as discussed in section 12.3.1).

In addition to the above, the variance in results between the present study and that of Baum and Locke (2004) could stem from industry differences, as this research focusing on café and restaurant businesses, which employ unskilled servers, kitchen staff, cooks/chefs, and managers, whereas Baum and Locke’s study was focused on architectural woodwork manufacturers, which employ architects, skilled woodworkers, applied technologists, high-tech machinery operators, carpentry installers, managers, and sales-persons. Differences in country context could also be a factor: New Zealand has a smaller population, lower consumption, a lower level of income inequality, and shorter commuting distances than the United States.

Table 12.1 Comparison of means and correlations of this study and Baum and Locke (2004)

Variable	Mean		SD		1		2		3		4		5		6	
	TS	BL	TS	BL	TS	BL	TS	BL	TS	BL	TS	BL	TS	BL	TS	BL
1. Passion	3.7	3.7	0.8	0.5	--	--										
2. Tenacity	3.8	3.5	0.6	0.3	.40**	.36***	--	--								
3. New Resource Skill	3.8	3.4	0.5	1.0	.26**	.04	.32**	.16*	--	--						
4. Communicated vision	3.5	2.9	0.9	1.2	.27**	.18**	.18	.11	.36**	.24**	--	--				
5. Self-efficacy	3.9	3.6	0.8	0.5	.39**	.19**	.16	.20**	.37**	.42***	.36**	.30***	--	--		
6. Goals	3.9	0.2	0.7	0.4	.26**	.17**	.17	.18**	.33**	.12	.58**	-.01	.54**	.02	--	--

Note: This study (TS) *N = 107*, Baum & Locke (BL) *N = 229*
** p<.05 ** p<.01 *** p<.001*

In addition, there are high correlations between entrepreneurial variables (*new resource skills, goals, and communicated vision*), and *service climate* reported by owners/managers. This means than an owner's ability to acquire and systematise the operating resources needed to start and grow an organisation, as well as business objectives, and communication have a strong positive relationship with the owner/manager's perceptions of the practices, procedures, and behaviours that are rewarded, and that are supported and expected in relation to customer service and customer service quality. This might be because the owner/managers recognise that the service climate strongly relates to their ability to acquire resources, their initiative, and enhances open communication with their staff to steer them towards the same goals. For example, one owner interviewee stressed the importance of "an open door policy and personal involvement of owners with staff that brings out the best in them, as well as interrelationships at a deeper level than just employer and employees".

Passion and *new resource skills* have moderate correlations with *OCB* as reported by owner/managers, in line with the moderate correlations found between entrepreneurial traits (*passion* and *tenacity*), and *service performance* as reported by owner/managers. See Table 12.2 for details of the significant correlations between entrepreneurship variables and dependent variables.

Table 12.2 Correlations between entrepreneurship variables and selective dependent variables

Variables	Passion	Tenacity	New resource skills	Communicated vision	Goals	Self-efficacy
O_*OCB*	.32**	.25*	.35**	0.03	.15	.27**
O_Service Performance	.32**	.35**	.29**	.15	.25*	.30**
O-Service Climate	.30**	.38**	.59**	.43**	.48**	.35**

** p<.05 ** p<.01 *** p<.001*

12.2.2 Human resource management (*HRM*) practices

There has been no consensus across the strategic human resource management field as to which set of HRM practices forms a high performance work system (HPWS). The term HPWS denotes a systematic and incorporative approach to managing human resources toward the achievement of firm strategy and the configuration of HR functions (Evans & Davis, 2005; Patel, Messersmith, & Lepak, 2013; Wu & Chaturvedi, 2009). Although there is an increasing body of literature on the vital contribution of HRM practices to organisational performance, studies on HRM in small enterprises are still required (Cardon & Stevens, 2004; Jack et al., 2006). The present research indicates that the small business owners or managers from the surveys used a total of 21 distinct HR practices with an average of 34.7 percent of employees (Messersmith & Guthrie, 2010) being targeted by these practices. The reason for this is probably due, as suggested by the literature, to the nature of small businesses, which tend to lack interest in human resource management (Bacon et al., 1996). Small business owners are generally not trained in HR, nor are they HR specialists. Also, HRM involves high fixed costs (Hornsby & Kuratko, 1990) and is not a core business activity. For example, the HR practice of profit sharing might be viewed as too expensive for a small business to offer. The lack of HR awareness as a core business activity was also supported by the interviews, in which certain owners explained that they regarded their use of HRM to be informal, while other owners showed a lack of awareness of what HRM practices are. This is in line with the related literature (Heneman et al., 2000; Jack et al., 2006). Furthermore, high employee turnover may encourage owner/managers to view employees as less a source of competitive advantage that deserves greater investment in via HPWS.

Univariate data

The top five HRM practices identified in the organisations in this study are flexi-time (a mean score of availability towards 61 percent of employees), routine performance feedback, job security, structured interviews, and pay position. The flexi-time practice is important for café and restaurant operations, as it can help with staff retention. For example, one interviewee mentioned that “a part-time high school student might need time off during exams and might want more hours during holidays.” Routine performance feedback will obviously be present in a small organisation, where an owner oversees the daily operations. This might take the form of regular check-ups on staff performance using manager and customer feedback. For example, one owner stated that they would “just fix it and tell them if things go wrong and tell them to get it right next time.” In this respect, the performance appraisal is ‘real-time’ (same day) and perhaps somewhat superior to larger organisations who might conduct a performance appraisal only once a year.

In terms of recent literature, Messersmith and Guthrie (2010) discovered that in emergent organisations in the US, the top five HRM practices are merit-based promotions, merit-based compensation, providing employees with strategic information, routine performance feedback, and structured interviews. The two most common HRM practices used in small businesses in both this research and Messersmith and Guthrie’s study are routine performance feedback and structured interviews. The structured interview usage is in line with the literature on HRM in small businesses (Gilbert & Jones, 2000; Golhar & Deshpande, 1997; Hornsby & Kuratko, 2003). As such, while the sector characteristics are quite distinct between Messersmith and Guthrie (2010) and the present study, there does appear to be some consistency around the type of HRM practices small firms utilise.

In the present study, pay position was identified as one of the top practices in this present study. Labour is one of the largest costs to café and restaurant businesses. In New Zealand cafés and restaurants, there is generally no significant difference in pay position for unskilled positions, such as waiters, as the minimum wage rate applies throughout the country. The nationwide standard minimum wage sets a high benchmark for pay even for low-skilled jobs. The Restaurant Association’s 2013 Remuneration Survey also indicated that the hospitality industry intended to keep remuneration rates for existing employees at the same level over the next 12 months. Many positions that are predominantly paid on an hourly basis have seen fairly minimal increases due to increases in the minimum wage. The pay rate is standardised across New Zealand and governed by law, whereas in the US the minimum wage rates vary by state and are federally governed. Pay position could be used as a motivational tool by employers in the US, where the minimum wage is generally much lower. In addition, compared to the US, New Zealand is not a tipping culture, so there is no additional income (typically) for employees to make

– which differs significantly from the US within this same industry (café and restaurants).

The bottom five HRM practices in this study are employee participation programmes, providing employees with financial information, telecommuting, group-based compensation, and employee ownership. Employee ownership was also in the group of least used HRM practices in the Messersmith and Guthrie (2010) research. In addition, the qualitative study by Murphy and Murrmann (2009) suggests that training and skill development, employer of choice, information sharing, selectivity in recruiting, and measurement of HR practices had higher means than other HR practices. Information sharing seems to be commonly used in the studies of both Messersmith and Guthrie (2010) and Murphy and Murrmann (2009).

The variance in the results of these studies could stem from the difference in context in terms of geographical influence. For example, job security is not safeguarded by law in the US, whereas the laws in New Zealand are designed to protect the job security of employees. For example, unlike some US States, there is no 'hire and hire at will' provisions within New Zealand. Also, there may be differences in the size of the businesses in the studies; for example, the firms in the US studies had an average of about 49 employees, which is greater than the average of 17 employees in the businesses in this study. The size of the organisation coupled with the relative distance of the owner (either geographical distance and/or power distance in terms of the fact that owners in the US might not be involved in the daily operations), could explain why information sharing is commonly used.

Another reason for the difference in results could be related to industry type. For instance, merit-based promotions and compensation might be widely used in high-tech industries, whereas they are uncommon in the café and restaurant industry, which can only afford to pay the minimum wage. Compensation rates and promotions in cafés and restaurants might depend on length of service, as one of the interviewees in this present study revealed that promotions or pay increases were used as a mechanism for retaining and rewarding staff with a long service record with the organisation.

Table 12.3 Comparison of means (%) of most and least used HRM practices

Source	Research Findings	Messersmith & Guthrie (2010)	Murphy & Murrmann (2009)
Country	New Zealand	USA	USA
Industry	Cafés and restaurants (Hospitality)	Hi-technology based	Casual restaurants (Hospitality)
Method	Survey	Survey	Exploratory study
Top 5 practices	1. Flexi-time (61%) 2. Routine performance feedback (56%) 3. Job security (55%) 4. Structured interviews (54%) 5. Pay position (50%)	1. Merit-based promotions (88%) 2. Merit-based compensation (87%) 3. Providing employees with strategic information (81%) 4. Routine performance feedback (80%) 5. Structured interviews (78%)	1. Training & skill development 2. Employer of choice 3. Information sharing 4. Selectivity in recruiting 5. Measurement of HR practices
Bottom 5 practices	• Employee participation programmes (23%) • Providing employees with financial information (22%) • Telecommuting (19%) • Group-based compensation (18%) • Employee ownership (6%)	• Job security (39%) • Employee ownership (37%) • Employment tests (36%) • Percentage of pay based on performance (35%) • Generic skill training (26%)	• High wages • Job design • Employment security

Bivariate data

This is perhaps the first empirical evidence of a link between human resource practices and entrepreneurship factors (see Table 12.6). Correlations between indicators of HR practices and indicators of *communicated vision* were moderate in strength. This relationship could be explained by the interview data, which revealed that one third of the owner-participants perceived communication as the most important HRM practice for handling their employees. For example, one interviewee said, "the most important thing…is communication. It is a small business and so it is important in terms of both training as well as giving feedback…" From this, it could be inferred that communicating what they are planning relates to the way in which the owners manage their staff. Perhaps the organisations that have a stronger focus on communicating vision to their employees might also have stronger informal or formal HRM in their organisations. The majority of owners in the interviews said that they generally used verbal communication to explain to their staff how they wanted their businesses to operate, for example with a friendly and service-oriented atmosphere. Perhaps *communicated vision* could lead to the use of HRM practices in an organisation in an attempt to communicate the entrepreneur's inspiration, and to form the framework for all strategic planning. For example, one owner explained that they operated their business in line with their vision of having:

> … [a] small family business in the locale where local customers can have friendly staff, and a comfortable atmosphere like home where a customer can talk to the owner or staff like friends (with no need to be too shy to ask questions), and where we sell authentic food.

Additionally, a number of studies suggest that HRM helps to promote entrepreneurship within organisations (Hayton, 2005; Schmelter, Mauer, Börsch, & Brettel, 2010), while qualitative evidence from Germany reveals that small and medium-sized businesses can increase entrepreneurial activity through the application of HRM practices (staff selection, staff development, and training, and staff rewards) and by discussing the positive impacts that such entrepreneurial activity can generate (Schmelter et al., 2010). Only a limited number of studies have examined the influence of sets of HR practices on entrepreneurship at the firm level, and in most cases, the effect has not been studied directly (Hayton, 2005). Perhaps large firms make greater use of HR practices than medium-sized firms, which in turn have more formal HR practices than small firms (Fabling & Grimes, 2007). For example, Schmelter et al. studied knowledge-intensive small and medium-sized firms in Germany, which employed between 20 to 1,000 employees, in which HR practices would be assumed to have a stronger presence than in the businesses in this present study, which had an average of 17 employees. In addition, the German organizations' business activities focused on discovering and pursuing new opportunities through innovation, creating new business, or introducing new business models and they would, therefore, have higher levels of entrepreneurial orientation than café and restaurant businesses, where owners tend to assume total control over their businesses.

Table 12.4 Correlations between entrepreneurship variables and HRM practices

Variables	Passion	Tenacity	New resource	Communicated vision	Goals	Self-efficacy
HRM practices	.19	.12	.07	.37**	.10	-.04

** p<.05 ** p<.01 *** p<.001*

The test of relationships between a set of HRM practices and dependent variables only showed weak correlations strength between indicators of HR practices and service climate as reported by owner/managers. This could be because an owner has a direct influence on service climate, whereas a set of HRM practices only helps a little in terms of forming shared perceptions of practices, procedures, and behaviours in relation to customer service and customer service quality within the organisations, particularly in cases where, as one of the interviewees in the present study explained, HRM is carried out "…on an ad hoc basis".

12.2.3 Multivariate data

There are several studies on entrepreneurs' attributes and venture performance indicators, such as return on equity (Sandberg & Hofer, 1987), market share gain (Tsai, MacMillan, & Low, 1991) and annual level of sales (Doutriaux, 1992), which suggest that entrepreneurial attributes play a critical role in the success of a firm (Chandler & Hanks, 1994b; Kakati, 2003). The present research makes an empirical contribution by linking entrepreneurial traits and characteristics with firm performance in terms of behavioural and organisational outcomes, the data for which came from owner/managers and employees. The following key multivariate results are organised by outcome variables. See the summary of multivariate statistic results in Table 12.7.

Table 12.5: Summary of multivariate results

Variables	O_OCB	E_OCB	O_SerP	E_SerP	O_ExR	E_ExR	O_SerCli	E_SerCli	E_CCS	E_AffCom	E_Turn	E_Inv
Entrepreneurial traits, skill, and motivation (A)	$R^2 = .24$	$R^2 = .12$	$R^2 = .23$			$R^2 = .12$	$R^2 = .49$					$R^2 = .13$
HRM practices							$R^2 = .07$					
Entrepreneurship & HRM practices							$R^2 = .54$					
Entrepreneurship & HRM practices and controls							$R^2 = .64$					

Note: O = Owner/Manager, E = Employee, *OCB* = *Organisational citizenship behaviour*, SerP = *Service performance*, ExR = *Extra-role service behaviours*, SerCli = Service Climate, CCS = *Commitment to customer service*, AffCom = *Affective commitment*, Turn = *Turnover intention*, Inv = Involvement

12.2.3.1 Service Climate

Organisational climate or culture refers to a set of shared attitudes, values and beliefs about an organisation's practices, expectations and operations (Ferris et al., 1998). The term 'climate' was extended by Bowen and Schneider (1988) through the addition of 'service' in order to clarify the specific role of climate. *Service climate* refers to staff's shared perception that practices, procedures, and behaviours that lead to rewards (whether they be cash or non-cash rewards, such as recognition) are supported or expected in relation to customer service and customer service quality within their organisations.

The direct effect of entrepreneurial traits and skill (*passion*, *tenacity*, and *new resource skills*) and situationally specific motivation (*communicated vision, self-efficacy,* and *goals*) on *service climate*, as rated by owner/managers, was considerable. This finding is reflected in the affirmation from interviewees that they had open communication, which is important in terms of supporting the *service climate* in their organisations. Furthermore, the job knowledge and skill level of staff were recognised by most respondents as supporting the *service climate* in their organisations. The size of the effect of entrepreneurial traits, skill, and motivation in this research is relatively large and is statistically significant, from which it can be causally inferred that the relationships is robust.

There is a study on how organisational climate or environment relates to firm strategies and goal setting in order to achieve firm performance (Tsai et al., 1991). The authors in this study explored the relations among environmental and strategic variables by extracting data from the PIMS (Profit Impact of Market Strategy) Start-up database and running a series of regressions. They found that both environment (organisational climate) and strategy are important for the success of a new enterprise. However, the present research goes further than previous studies by suggesting that the combination of entrepreneurial traits, skill and motivation has a strong impact on owner/manager *service climate*. This is perhaps because the owners or managers are more aware of strategic change within their organisation and this affects their perception of the climate in their organisation.

The survey results only provide empirical evidence of a statistically significant but weak influence of HRM practices on *service climate* as reported by owner/managers, whereas the combination of total entrepreneurship variables and HRM practices provides a better explanation in respect of the variance in the owner/manager *service climate*, though the effect increases by 2 percent when HRM practices are added in. It appears that entrepreneurship or owner-management has a far greater influence on a small entrepreneurial firm's *service climate* than HRM practices. This could be due to the nature of small businesses, where owners or entrepreneurs play an active and leading role in their organisations. There could also be potential bias from the owner/manager respondents whose perception is that it is they who influence service climate, and not the HR practices used to create the climate in the organisations.

Furthermore, entrepreneurship, HRM, and control variables also partially explain the variance in employee *service climate*. This result is interesting because there is no effect for total entrepreneurship factors and/or HRM on employee *service climate* until the control variables are added into the combination. This could suggest that control variables, in particular an owner/manager's educational level and marital status, help to create and shape the organisational *service climate* from the employee's perspective. For example, marital status is moderately negatively related to *service climate* according to employee respondents. It could be that there is a difference in perception between owner/managers and employees. The owners may think that the matter of whether they are married or not has no significance in terms of the way they manage their businesses, whereas employees could believe that owners might not prioritise their businesses if they are married.

Also, without directly loading marital status into the regression, the effect of marital status could be diluted by the other variables. Therefore, after loading marital status into the regression, the impact of the control parameter, marital status, on employee *service climate* is clearly shown. These results provide a better understanding of the difference in the influence of control variables on *service climate* as perceived by the owner/managers and employees. In addition, perhaps a more highly educated owner/manager could more actively encourage the service climate in the organisation. The difference in employee and owner/manager results may stem from an oversight by owner/managers, as they play an active role in the organisation, whereas the employees, as passive actors, might notice the variation in organisational climate based upon the background, for example education, of owner/managers and the way in which the owners influence or form the service climate in their organisations.

With these models, the present study has made two primary empirical evidence contributions: firstly, it differentiates the role played by entrepreneurial traits, skill, and motivation factors, HRM practices and control variables on owner/manager *service climate*. Entrepreneurial traits, skill, and motivation variables play the most significant role in terms of the prediction of *service climate* as rated by the owner/managers. Secondly, this study is perhaps the first to examine the relationships of combined entrepreneurial factors (entrepreneurial traits, skill, and motivation factors), which were found to be strong predictors of the *service climate* as reported by owner/managers.

12.2.3.2 Organisational citizenship behaviour (OCB)

OCB refers to a variety of employee behaviours which enhance and maintain the working environment and support the owner/managers' performance in their organisational roles. The owner/manager entrepreneurial traits, skill and motivation variables can partially explain the direct relationship to owner/manager *OCB*.

The present study has made an empirical contribution by showing the relationship between entrepreneurship variables (entrepreneurial traits, skill, and motivation factors) and *OCB* as reported by owner/managers. In other words, the combination of entrepreneurial traits, skill and motivation (especially *new resource skills* and *passion*) moderately relates to owner/manager *OCB*. Perhaps the owner/managers perceive their traits, skill, and motivation to be more strongly related to *OCB*. Also, as a number of studies (e.g. Moorman, 1991; Moorman, Blakely, & Niehoff, 1998; van Dijke et al., 2012; Zellars et al., 2002) have suggested, procedural justice is related to *OCB*. Therefore, the owner/managers are likely to think of themselves as creators and distributors of fairness in the workplace, which in turn might encourage staff to adopt the required behaviours. However, it is noteworthy that there is a somewhat related study on the direct relationship between entrepreneurial culture (including resource acquisition, valuing change and flexibility) and *extra-role service behaviours*, which is sometimes classified as part of OCB, by Williams et al. (2007). These authors found a direct relationship between entrepreneurial culture and *extra-role service behaviours* from an extended analysis.

12.2.3.3 Service performance

Service performance refers to the provision of quality service and a good customer experience, both of which are vital for café and restaurant businesses. There is a model of owner/manager entrepreneurial traits, skill and motivation variables, especially *tenacity*, which can partially explain the direct relationship to owner/manager *service performance*. With these models, the present study has made a contribution by differentiating the role played by entrepreneurship variables. The combination of entrepreneurial traits, skill, and motivation factors (the significant trait being *tenacity*) was a medium (between strong and weak) predictor of *service performance* as reported by owner/managers.

Additionally, at the detailed level, findings relating to the positive effects of *goals* and *communicated vision* (as a part of entrepreneurial traits, skill, and motivation factors) are consistent with the results of previous applied psychology and social psychology research (Bandura, 1997; Locke & Latham, 1990) and other performance studies (Baum & Locke, 2004). Determined and higher goals are intended to improve performance by disrupting self-satisfaction, promoting new ways of thinking, encouraging search and innovation, stimulating employees, and guiding effort and perseverance.

The results of the survey show that entrepreneurial traits, skill, and motivation variables have a medium strength effect on *service performance* as reported by owner/managers. This is further supported by the statements of a number of owner interviewees or entrepreneurs, who claimed that their businesses performed well, and who also mentioned that they had been the first in the market to introduce innovations such as serving breakfast, challenging consumers with a new menu and implementing an international standard of service.

12.2.3.4 Affective commitment

Organisational commitment is one of the most widely investigated job attitudes in business and management research. The past research has indicated that employees' perceptions, such as those in respect of high performance work systems (HPWSs), which refer to a bundle of HRM practices that improve firm performance owing to the positive responses and job attitudes of employees (Appelbaum et al., 2000; MacDuffie, 1995; Mackay & Boxall, 2008), HPWSs are well supported as being positively related to organisational commitment (Appelbaum et al., 2000; Mackay & Boxall, 2008; Takeuchi et al., 2009). However, much less work is available on the relationships between entrepreneurship at an organisational level and organisational commitment (Rutherford & Holt, 2007), especially towards the affective commitment dimension.

Affective commitment is defined as "the relative strength of an individual's identification with, and involvement in, a particular organisation" (Porter et al., 1974, p. 604). The commitment literature has comprehensively examined the antecedents of affective commitment and specified four categories: structural characteristics, and job-related characteristics, personal characteristics and work experiences (Mowday, Porter, & Steers, 1982). Meyer and Allen (1991) found employees' work experiences to be the most influential antecedent of affective commitment, and that HRM practices which ensure comfortable working conditions in the organisation and in-role competency are expected to have a positive effect on employees' affective commitment level. Hartnell, Ou and Kinicki (2011) explained the direct effect of the mix of values, beliefs, and assumptions on employee affective commitment. For example, when the employees feel that they belong to an organisation and the employees display trust and loyalty, teamwork has a stronger effect. Giannikis and Nikandrou (2013) found that high levels of entrepreneurial orientation are superior contributors to organisational commitment (affective, continuance and normative).

12.3 Research limitations

It is important to recognise the limitations of any research, as limitations could potentially affect the quality of findings and the ability to effectively answer research questions. With this in mind, the following is a discussion of the limitations of this particular research: cross-sectional study, measurement error, and sampling error.

12.3.1 Cross-sectional study

Perhaps the most obvious limitation is its cross-sectional design. The aim of a cross-sectional study is to describe a population or a subcategory within the population with respect to an outcome and a set of risk factors at a given point in time. The present study was carried out at a single point in time, and gives no indication of the sequence of events, i.e. whether something occurred before, after or during the beginning of the outcome, means that it is impossible to infer causality. However, this is true of the majority of studies in the literature. The models were tested under a causal assumption and there is a possibility that the relationships may occur in the reverse order: that is, the outcomes may encourage organisations to initiate HR practices or stimulate entrepreneurship. For example, this study shows that entrepreneurship variables are related to outcomes, but it is not able to determine whether entrepreneurship caused the outcome.

An adequate lapse in time between assessments of these different groups of variables would strengthen the causal inferences that could be derived from similar data to that of this study for example, repeated observations of the same variables over long periods of time, such as over the next ten years. Longitudinal studies could also be undertaken in the future, but are beyond the scope of this thesis. This longitudinal work would need to ensure careful consideration of the time interval between the collection of the different variables, as well as their sequencing.

12.3.2 Measurement error

Cross-sectional studies are vulnerable to the inflation of correlations by common method variance, which is attributable to the measurement method rather than to the constructs the measures represent, and this is a potential limitation in behavioural research. According to Podsakoff, MacKenzie, Jeong-Yeon and Podsakoff (2003), method biases are an issue because they are one of the core sources of measurement error. Measurement error violates the validity of the conclusions about the relationships between measures and is commonly recognised to have both a random and a systematic component. For example, the data in respect of organisational outcomes were obtained from employees and owner/managers, while entrepreneurship and HR practice data were obtained only from owner/manager respondents. The knowledge of the owner/managers is likely to have influenced their responses and therefore the data.

This study used multiple respondents in an attempt to reduce the issue of data bias from a single source. As well as reducing the potential for common method variance, there were two sources for the surveys: (1) survey one contained the data about entrepreneurship, human resource management practices, and organisational outcomes from manager/owners; and (2) survey two contained the data about organisational outcomes from employees. However, it must be acknowledged that some variables that were collected from a single source, i.e., the owner/managers, were used both as predictors (for example, HRM as a predictor) and criterion variables (such as owner/manager *service climate*). Therefore, there is a possibility that common method variance may exist in the relationships between these variables. This research acknowledges that it might be affected by common method bias, as the same respondents provided data on both the independent and dependent variables.

To limit common method bias, in the questionnaire, the dependent variables followed rather than preceded the independent variables. While based human resource management (HRM) practice scales are successfully used in the HRM literature elsewhere, there are differences in how individual respondents interpret the human resource management practice and entrepreneurship items, and no standard measures are currently in use. Researchers have varied considerably in the measures that they have employed. The HRM measures in this study are most similar to those identified as high performance work systems (HPWSs) by Messersmith and Guthrie (2010), which attempts to explain the connection between the set of HRM practices and firm performance. The researcher acknowledges that theoretically, the link between HPWS use and firm performance depends on the organisation's ability to form value-adding resource bundles that differentiate the firm from its competitors, and the HPWS could be predominantly favourable to organisations competing in dynamic markets, such as technology-based firms. Future research could focus on the selection, training, and compensation of employees, which have been identified as HR practices that could lead to quality improvement in service organisations (Lovelock, 1985; Schlesinger & Heskett, 1991; Schneider & Bowen, 1993).

A similar reservation relates to the entrepreneurship items used in the study. Conceptually, the items were consistent with past research on entrepreneurial traits, skills, and motivation by Baum and Locke (2004), but the specific items reflected the organisational context in which they were used, for example, a lesser degree of entrepreneurial traits was reported, as the café and restaurant industry in a small market like New Zealand might not require innovation to the same extent as an organization in a high-tech industry in a large market like the US. For example, in cafés and restaurants, front-of-house employees are not generally required to be highly skilled, rather they need to be customer service oriented. The owner/managers also have to allow flexible working hours for these staff, most of whom will work part time anyway. Meanwhile, employees such as managers and chefs require specific skills and experience, as well as different management methods. Some interviewees revealed that the owners could take on the work of chef or manager in the event of a staff shortage or in an attempt to have full control of their operations. However, the research design failed to ask a direct question in interviews about the owners' perception of links between entrepreneurship and their human resource management practices.

In addition, the survey findings could not capture formal HR practices because of the informal nature of the HR practices employed in small businesses. Although the study obtained support for several models for organisational and behavioural outcomes, the inclusion of customer satisfaction or customer service outcomes could provide the necessary information for assessing the effectiveness of HR practices and entrepreneurship factors. Nevertheless, the results do have implications for practitioners, managers and future research on entrepreneurship and human resource management in small businesses.

Additionally, the reliance on self-report is a potential issue because the survey respondents could have a tendency to answer questions in a manner that would be viewed favourably by others. In other words, there is a possibility that respondents may have provided responses based on what they feel they should say rather than giving their actual opinions, even though this survey clearly indicated its purpose and care was taken to ensure that responses remained confidential to the researchers. This tendency could manifest itself as over-reporting of perceived good behaviour or under-reporting of perceived bad or undesirable behaviour, and it presents a serious problem when conducting research with self-reports, especially questionnaires, as the bias restricts the interpretation of average tendencies as well as individual differences. For example, the owner/managers in this study reported a medium level for their entrepreneurial traits, skill and motivation, perhaps because they are reserved or modest, or they wished to avoid overstating their skills. However, it is worth noting that Spector (2006) argues that common method variance may actually generate only very small effects, and the use of two sources of data (owner/managers and employees) definitely aids the overall confidence of the findings in the present study.

12.3.3 Sampling errors

Sampling error may occur when the statistical characteristics of a population are estimated from a subset, or sample, of that population. Since the sample does not include all members of the population, statistics on the sample, such as means and quantiles, generally differ from parameters on the entire population. For example, if one collects the sales figures of a thousand firms from a country of one million firms, the average sales of the thousand is typically not the same as the average sales of all one million firms in the country. Since sampling is typically done to determine the characteristics of a whole population, the difference between the sample and population values is considered a sampling error (Särndal, Swensson, & Wretman, 1992).

Owing to restrictions on time and financial capacity, only the Auckland and Waikato areas were sampled, and the participants were not representative of the whole of New Zealand. However, the researcher performed a t-test and found no difference between the samples of cafés and restaurants from Auckland and Waikato. Moreover, since this study focused exclusively on the café and restaurant industry, it could not be generalised to other types of business in the food industry, such as international fast food chains, local chains, ethnic fast food outlets or hawker stalls.

The sample also limits any wider generalisation, although to a certain extent, comparisons might be made with literature from other parts of the world to a certain extent. While this seems unviable, future investigators might be able to obtain outcome data from customers, who do not have knowledge of the relevant outcomes.

Semi-structured interviews were included in order to minimise the researcher’s obtrusiveness and influence on the interviewees. The researcher’s outsider status could also have limited what was revealed to her. The findings must therefore be interpreted with caution. Different research designs or data collection methods, such as ethnographic study, might be more effective in terms of eliminating this concern.

Another limitation of the study was sampling size of 107 organisations in the quantitative study (although there were two surveys in each organisation: owner/manager and employee) and nine interviews in the qualitative study.

Furthermore, the use of only the organisational owners for the interviews might limit the generalisability of the findings. In addition to theory building, careful design of future survey method studies or detailed case studies will be able to address the conflicting and mixed signals. This research has demonstrated that careful study and survey design has the potential to address some – although certainly not all – previous limitations found in the extant literature. This research also flags important opportunities for future research on the HRM–performance relationship in small businesses, especially in cafés and restaurants. Perhaps case studies could provide greater insight into the role of internal and external contingencies and their evolution over time to examine the relationships (e.g. Messersmith & Wales, 2011; Patel & Cardon, 2010).

In spite of these limitations, the present study has made an empirical contribution towards providing a better understanding of human resource management in small businesses – specifically cafés and restaurants in New Zealand – not only because of the findings generated, but also due to the questions that it has raised for future research. In addition, exploring the owner/managers own entrepreneurial factors adds to the depth of the study. Importantly, the use of multiple data sources and additional follow-up qualitative data provides useful additions to the literature.

Chapter Thirteen: Conclusion

13.1 Introduction

> Once a new venture is founded, becomes an organisation, and hires its first employees, human resource issues and forces, which exist in—and influence the success of—all organisations, come into play. Indeed, growing evidence suggests that an inability on the part of some founders of new ventures to successfully manage HRM issues is an important factor in their ultimate failure. (Baron, 2003, p. 253)

Despite its importance, studies have indicated that small business owners tend to have limited understanding of HRM (Heneman et al., 2000; Jack et al., 2006). A number of researchers have suggested that the understanding of HRM practices in small organisations is a significant limitation in current research (Barrett & Mayson, 2006; Cardon & Stevens, 2004; Masakure et al., 2009; Messersmith & Guthrie, 2010). In particular, human resource management (HRM) practices, and particularly high-performance work system (HPWS) bundles, provide a good starting point for new investigations in the HRM-firm performance area. This is because numerous empirical studies have demonstrated that the use of HRM practices or best practices, labelled as HPWS, has an effect on organisational performance (Guthrie et al., 2004; Harley et al., 2007; Huselid, 1995; Way, 2002; Wu & Chaturvedi, 2009). The present study extends the empirical understanding of the role that HRM practices play in the performance of small enterprises in the form of cafés and restaurants in Auckland and Waikato in New Zealand. Consequently, the understanding of the role of HRM in cafés and restaurants has been extended. In particular, its insights reveal the complex and intertwined nature of entrepreneurship, as well as the importance of human resource management practices in small firms. As such, this thesis examines the owner (entrepreneurship) and the way they might develop HRM practices and HPWS to maximise the performance of their cafés and restaurants.

13.2 Summary of key findings

The key findings from the surveys and interviews conducted in this study are, firstly, in terms of the profile of the owner/managers of the organisations represented in this present study, the majority are male, with ages ranging from 30 to 39. The respondents are predominantly married and have children. They work an average of 51 hours per week, have been in the business for an average of six years, and have a vocational diploma or certificate level education (e.g. food safety certificate). In terms of the organisations, they have around a seven-year tenure and an average employee headcount of 12.

The research shows that the owner/managers perceived high levels of *goals*, *new resource skills*, and *tenacity*, *self-efficacy* and *passion*, and moderate levels of *communicated vision* in their organisations. HRM practices were employed in an average of 35 percent of the organisations, and the most commonly-used HR practices (covering more than 50 percent of employees) were flexi-time, routine performance feedback, job security, and structured interviews.

In terms of correlations among the dependent variables (organisational citizen behaviour – both in owner/managers and employees, *service performance* – both in owner/managers and employees, extra role behaviour – both in owner/managers and employees, *service climate* – both in owner/managers and employees, employee *commitment to customer service*, employee *affective commitment*, employee *turnover intention*, and *employee involvement*), the relationships among entrepreneurship variables (*passion*, *tenacity*, *new resource skill*s, *communicated vision, goals, and self-efficacy*) showed positive associations and relations ranging from moderate to strong. HRM practices were moderately related to *communicated vision* only. As such, the nature of the owner/entrepreneur is likely to impact or influence multiple outcomes – including the owner themselves and their subordinates (employees). However, clearly the relationships with HRM practices are far harder to determine their influence on outcomes and perhaps indicate that these are applied in a haphazard manner within organisations in the cafés and restaurants sector, and thus it is much harder to determine the rationale behind their adoption.

In relation to correlations between the dependent variables and entrepreneurship (independent) variables are concerned, there are strong positive relationships between *service climate* reported by owner/managers and the combination of entrepreneurship variables (entrepreneurial traits, skills and motivation variables). Furthermore, there are moderate positive associations between *organisational citizenship behaviour* (*OCB*) reported by owner/managers and the combination of entrepreneurship variables, as well as moderate positive associations between organisational *service performance* reported by owner/managers and the combination of entrepreneurship variables. Nevertheless, HRM practices are only mildly related to *service climate* as reported by owner/managers. Again, this highlights an overall low level of connection between the HRM practices and other variables of importance.

There is a statistically significant and strong positive association between owner/manager *service climate* and entrepreneurship variables, as well as a strong association between owner/manager *service climate* and entrepreneurship plus HRM practice variables, and also between owner/manager *service climate* and entrepreneurship, HRM practices, and control variables. A moderate positive relationship was found between entrepreneurship, HRM practices, and control variables and *service climate* reported by employees. This shows that within the cafés and restaurants sector, HRM practices may play a small role in the development of a *service climate* as reported by owner/managers. Perhaps owners see HRM practices as a way to help instil a climate around customer service through seeking to tap into social exchange theory. Thus, HRM practices provide a benefit to employees which they feel obligated to reciprocate (Haar & Spell, 2004) and in turn, the owner feels this reciprocation might be evidenced through an enhanced climate of customer service.

Moderate positive associations were found in the relationship between *OCB* reported by owner/managers and entrepreneurial traits, skills and motivation variables; the relationship between *service performance* reported by owner/managers and entrepreneurial traits, skills and motivation variables. As such, owners are more likely to engage in helping behaviours when they are more entrepreneurial - via the Baum and Locke (2004) trait, motivation and skill approach.

In addition to the quantitative survey of owners and employees, a small sample of owners was also interviewed. Qualitative findings from the owner interviews provided detailed accounts of their experience of becoming entrepreneurs and how they managed their employees. A thematic analysis of interview transcripts indicated that, despite the wide range of backgrounds and experiences of the interviewees, their stories fit a pattern and were in line with previous literature (e.g.Hornsby et al., 2009; Murnieks et al., 2014; Yunxia, 2007), as well as extending the detail. The results showed that the entrepreneurs in the interviews had *passion, tenacity, new resource skills, self-efficacy, communicated vision, goals,* and *entrepreneurship*, as demonstrated through their flexibility and their introduction of new products and services to customers. This supports the Baum and Locke (2004) approach to understanding entrepreneurs and extends this towards the cafés and restaurants sector. The interviewees took a familial approach to managing their employees, treating them as family members or a brotherhood. While this might be specific to the café and restaurant sector, there is little mention of familial ties with employees in some of the entrepreneurial literature (e.g., Baum & Locke, 2004) although Aldrich and Cliff (2003) stated that "entrepreneurship scholars would benefit from a family embeddedness perspective on new venture creation" (p. 573).

While these authors argued about the importance of family in venture creation, few studies explore the nature of employees as 'family'. Thus, the qualitative interviews provide some new directions for researchers. Furthermore, if the majority of employees are considered family this might also impact on the number of formal HRM practices. Thus, owner-entrepreneurs may feel they do not require to adopt specific or formal practices because all employees are family and thus everything is negotiable and flexible. While the present study sought to determine the opinion of both owners and employees in the quantitative (survey) data, it did not specifically address the familial relationships aspects. It would be interesting to determine whether employees share this opinion with the owner/managers and if not, why not. Further research into this aspect is encouraged.

Overall, it was found that recruitment for jobs was carried out on an ad hoc basis, and word of mouth was the key recruitment channel used. Selection was made after interviews and pre-employment trials. For example, asking a chef to prepare a meal. Training was available to new staff and a buddy system was used as well as on-the-job training. None of the interviewees had formal performance evaluation and appraisal systems in place, but they did give regular verbal feedback to their staff. Furthermore, the owners mentioned their support for quality service and explained that they created supportive environments to provide a good experience for customers. The owners thought that employees were given chances to make decisions relating to their jobs and that open communication was encouraged. Most of the owners regarded their businesses as families and their staff as family members, and these familial relationships were used to retain employees. Again, this reinforces the suggestion that official and formal HRM practices may not be perceived as being required due to the close and personal nature of the relationships between owner/entrepreneur and employees.

13.3 Conclusion and contribution

The use of human resource management practices in small firms is an underdeveloped field of study in management research (Hornsby & Kuratko, 1990). The present study was designed to provide empirical evidence with respect to HRM practices in small- and medium-sized businesses, an underrepresented area in HRM-firm performance research. It is exploratory in nature because it was conducted to tackle research problems that had not been clearly understood. This research also responds to calls to extend performance measures to include non-financial outcomes and focuses on the employee (Haar & White, 2013) by using two sources of data (employees and owner/managers), as well as using the mixed methods of quantitative surveys and qualitative interviews.

The present findings demonstrate that there are relationships between the outcomes, and entrepreneurship and HRM practices, as detailed in the following sections. The research is therefore intended to make contributions to the literature on entrepreneurship, human resource management, and firm performance. The use of mixed method research approaches has produced multiple views on organisational outcomes, which contribute to existing literature, whilst also providing useful information for practitioners, as will be discussed in later sections.

The findings identified the statistical significance of the relationship between entrepreneurship variables (as reported by owner/managers) and employee outcomes (as reported by employees) represents a significant contribution because the data came from two different informant roles. The first significant finding is that entrepreneurial traits, skill, and motivation were significant positive predictors of employee outcomes (namely *OCB*, *extra-role service behaviours*, and *employee involvement*). From a wider perspective, this finding could support the argument that improving employee outcomes could lead to better organisational performance (Huselid, 1995; Liao & Chuang, 2004; Ramsay et al., 2000). Recent research has explored the transfer or crossover between leaders and their subordinates (e.g. Ten Brummelhuis, Haar, & Roche, 2014) and these findings supports a similar crossover between entrepreneurs and their subordinates. Importantly, while the leader-follower crossover effects are typically based on the mood of leaders (Sy, Côté, & Saavedra, 2005) or their mental/energy state (Ten Brummelhuis et al., 2014), this thesis finds support for a crossover from the owner/entrepreneurs own traits, motivations and skills. Perhaps the close proximity of the organisations in the café and restaurant sector, where employees (subordinates) might interact regularly with the owner/ entrepreneur provides a greater context for this crossover between them. For example, the passion of an owner is likely to be easily identifiable and evident for employees, thus the social contagion (transference) between leader and follower is achieved (Sy et al., 2005).

The findings revealed a statistically significant direct relationship between a bundle of HRM practices and *service climate* reported by owner/managers. Although the size of the effect is small, this could be a platform for future research. For example, future study may test the relationship between specific HRM practices (which are not specifically HPWS) and service climate; or test the mediation effect of service climate for HRM practices and customer satisfaction. However, overall the current sample of café and restaurant businesses shows that HRM practices were not significantly related to most of the outcomes explored here does highlight a potential weakness of these HRM practices in small businesses. Perhaps the informal nature of these HRM practices makes them especially weak in the eyes of employees and thus less likely to enhance commitment and reduce turnover. For example, if an employee sees ad hoc HRM practice (whether recruitment or flexibility) that significantly varies across time or staff, such as flexibility granted to one staff member but not another, that is less likely to engender feelings of reciprocity from social exchange theory (Haar & Spell, 2004).

Overall, the present study extends the existing literature as empirical evidence of the underdeveloped understanding of human resource management in small enterprises i.e. café and restaurant business. It is also makes several important contributions to existing research. It contributes to strategic human resource management in two ways. One is appreciation of the entrepreneur as the driver of strategies in SMEs. The other is the illustration of the informal human resource management practices in small- and medium-sized firms. In addition, the findings make a practical contribution towards supporting policy development and enabling small businesses to improve their understanding and management of their human resources.

13.4 Recommendations for future research

The recommendations for future research are divided into two main suggestions. The first is a recommendation on how data might be collected in future research. The second focuses on the types of data that future research might collect.

13.4.1 Recommendations for data collection method

Longitudinal studies could be undertaken in the future, but were beyond the scope of this thesis. For example, an adequate lapse in time between assessments of different groups of variables would strengthen the causal inferences that could be derived from similar data to that of this study e.g. repeated observations of the same variables over long periods of time, such as a period of years. For example, Baum and Locke (2004) conducted their research over a six year period. This longitudinal work would need careful consideration of the time interval between the collection of the different variables, as well as their sequencing. One way this might be explored is to collect the entrepreneurial traits, motivations and skills of new venture entrepreneurs and then over time test how changes in these scores enhance performance. For example, perhaps New Resource Skills is an important factor that is enhanced and improved over time? Furthermore, the crossover between entrepreneurs and employees would be more rigorous if the employee outcomes were also tested over time, although given the turnover within the sector, this type of study might be much shorter, for example at one- and three-month periods.

The potential for sampling error in this study limits any wider generalisation, although comparisons could, to a certain extent, be made with literature from other parts of the world. While this seems unviable, in order to ensure multiple data integration for optimal explanation and to reduce data bias, future investigators might be able to obtain outcome data from customers or other sources, who do not have knowledge of the relevant organisational outcomes. This research also flags important opportunities for future research on the HRM–performance relationship in small businesses, especially in cafés and restaurants. Perhaps case studies or other methods could provide a greater insight into the role of internal and external contingencies and their evolution over time to examine the relationships (e.g.

Messersmith & Wales, 2011; Patel & Cardon, 2010). For example, case study research is good for developing an understanding of a complex issue or object and can extend experience or add strength to what is already known through previous research. Case studies emphasise detailed contextual analysis and focus on specific organisation profiles and behaviours, which could provide a richer source of information on how and why specific organisations make certain decisions and act in order to compete or perform well. Such a methodological approach might also reinforce the nature of the familial relationship between owner/entrepreneur and employees to determine whether this plays a major role in the development and implementation of formal HRM practices.

Based on this research, the surveys indicated that formal HR management was rare, and the interviews revealed that informal HR management was instead practised in the organisations. However, the understanding of the extent of informal HR practice use in small firms is underdeveloped. Exploration of these informal HR practices would be a good avenue for future research, for example, by using qualitative methods such as observation and case studies to explore research questions asking how and why small firms opt for informal HR practices. This could allow for greater understanding of what is meant by informal HRM and whether the innate nature of the practices are retained or whether informal practices actually mean a watered-down and weaker version of the otherwise important HRM practices. This could also (if found) provide insight into why HRM practices are seldom implemented formally. For example, it might be that the familial nature of relationships means that informal is best for retaining and enhancing the familial relationship between owner/entrepreneur and employees but this might fundamentally influence the effectiveness of said HRM practices.

Finally, it is possible that the information that was reported does not necessarily reflect actual practices. Future research might investigate this issue by using other methods to collect data, such as the critical incident technique (CIT) which has been used as a key method within the service industries by integrated training approach and recording success or failure in service situations (Chell & Pittaway, 1998), unstructured in-depth interviews, observations, document review (e.g. newspapers, emails, and social media), audio-visual materials, and recording well-defined events. The CIT approach might also help determine the key HRM practices as it may be that in the café and restaurant sector perhaps there are a very small number of key HRM practices that are best utilised to maximise the benefit for employees and organisations.

13.4.2 Recommendations for collecting data

Firm performance is multifaceted because “performance is a multidimensional concept” (Rauch et al., 2009, p. 765). This study adopted high-performance work systems (HPWSs), as defined by Messersmith and Guthrie (2010), as HRM practices, in an attempt to explain the connection between the set of HRM practices and firm performance in small firms. The researcher acknowledges that, theoretically, the link between HPWS use and firm performance depends on the organisation’s ability to form value-adding resource bundles that differentiate the firm from its competitors, and the HPWS could be predominantly favourable to organisations competing in dynamic markets, such as technology-based firms. Future research could focus on the selection, training, and compensation of employees, which have been identified as HR practices that could lead to quality improvement in service organisations (Lovelock, 1985; Schlesinger & Heskett, 1991; Schneider & Bowen, 1993).

Entrepreneurship is also a multidimensional concept. This study adopted the entrepreneurial traits, skills and motivation items of Baum and Locke (2004) in order to explain their association with HRM practices and outcome variables. Future research could focus on specific entrepreneurship factors: for example, corporate entrepreneurship could be revealed to be a predictor of firm performance if research were conducted in other industries, e.g. high-tech industries in which corporate entrepreneurship would play a more important role than in café and restaurant businesses, as they tend to be more knowledge and innovation driven.

In entrepreneurship and performance research, the studies tend to emphasise financial parameters in terms of measuring a firm’s performance (e.g. Birley & Westhead, 1990; Bracker et al., 1988; Richard et al., 2004). The present research used non-financial parameters e.g. *OCB*, *service climate*, and *service performance*, which has been encouraged more recently in the literature (Haar & White, 2013). Future research could study the relationships between entrepreneurship factors and firm performance using both financial and non-financial measurements. The use of such performance parameters would facilitate comparison with previous research and extend the literature. Alternatively, future research could use other HR performance parameters, such as the growth rate in the number of employees and employee turnover rates, as well as other non-financial measurements e.g. product quality and production efficiency. Indeed, a longitudinal study – if large enough – could include venture success, such as comparing those ventures that failure (or not) as another performance outcome.

In terms of single source data bias in independent variables and dependent variables collected from owner/managers, this study attempted to reduce data bias by collecting some data from two sources (owner/managers and employees), but improvements could still be made in future research, as what was perceived as important by owner/managers in this study, could be perceived differently by others e.g. employees and customers. In addition, having a different source for data on the owner/entrepreneur might be useful. For example, having a partner rate their husband/wife on the entrepreneurial traits, motivations and skills (Baum & Locke, 2004) might at least provide a different data source to allay fears of common method variance. . It might also be useful to include teams of employees to better capture the (potential) team based nature of some constructs – such as service climate.

13.5 Implications for practice

The implications for practice comprise two main sets of recommendations: The first are recommendations for managers or small business owners. The second are recommendations for policy-makers.

13.5.1 Recommendations for managers or small business owners/managers

Gaining an appreciation of the sources of organisational outcomes, and how entrepreneurial traits, skills and motivation, and HRM practices combine in valuable ways, has obvious significance for owner/managers of small businesses, especially cafés and restaurants. It means that they have the ability to initiate and develop the climate in their organisations by using their entrepreneurial traits, skills, and motivation. This, in combination with open communication with employees, could ensure that the entire workforce is moving towards the same goals, which will ultimately lead to improved performance and competitive advantage.

The interlinks between entrepreneurship, HRM practices and organisational outcomes in cafés and restaurants in Waikato and Auckland, New Zealand could be adopted as a good example of micro or small business performance for similar businesses. For example, the business owners in the present study assumed that the HR role involves having to recruit the right person for the job, as well as training employees so that they can perform and retaining skilled or experienced employees. This present research suggests that owner/managers' entrepreneurial traits, such as *passion*, *tenacity*, *new resource skills* and *goals*, could reinforce certain organisational employee outcomes (*OCB*, *extra-role service behaviours* and *employee involvement)*. Hence, the owner-entrepreneur can enhance good behavioural outcomes in employees, therefore the effective management in small firms generally starts from the owner and the process then passes to the employees they select.

The most important HR practice according to this study was the flexi-time policy, which allows for a variable work schedule. From the firm's perspective, this policy is important since it is more appropriate for cafés and restaurants to attract and maintain a workforce that comprises predominantly part-time or casual staff, and it also helps to reduce payroll costs. Meanwhile, flexi-time allows staff to have an input into defining their working hours, as well as providing other advantages such as allowing employees to coordinate their lives, (e.g. their children's schedules and their study). As such, flexi-time policies can be a win-win for organisations and their employees, and this reinforces Haar (2007) who suggested flexitime might be an important policy to aid organisations and employees balancing their work and non-work roles. Haar (2007) stated that:

> Employees were very positive towards flexi time and recounted a number of benefits from the organisation offering flexi time. While reduced stress was a major benefit, other positive outcomes included employee retention, performance, and satisfaction with the job and organisation for supporting employees through flexi time. (pp. 77-78)

Finally, this research may encourage entrepreneurs to better understand how they manage human resources and how this relates to firm performance. There is also scope for aligning employer and employee perspectives of performance through improved communication and rigid evaluation, e.g. simple documented measurement of performance against key result areas, since the findings of this research clearly showed that there was a variance in the perception of performance outcomes as reported by owner/managers and employees.

13.5.2 Recommendations for policy-makers

Entrepreneurship is believed to be a driver of long-term economic development and growth. To fortify micro and small businesses, which make up over ninety per cent of enterprises in New Zealand, and create more employment in the country, policy-makers need to better prepare them for success. Many small businesses, particularly those in the service industry, such as cafés and restaurants, are labour intensive. The cost of human resources, in the form of payroll expenses, is typically the single largest line item on the profit and loss statement. Therefore, policy-makers should provide easy to understand regulatory guidelines, such as definitions of different types of employment (contract, casual, part-time, full-time), and support systems for entrepreneurs that can be used to monitor and control human resources. For example, providing an A4 document with check points for recruitment, a flow chart of human resource management, or low cost professional consultant services for micro and small businesses, might enhance the role of HRM in these small organisations.

The majority of small firm entrepreneurs are not HR experts and it is not easy to thoroughly comprehend the employment laws and their potential implications. Also, some of the owners in this research were not born in New Zealand and English was not their first language, and this could perhaps reflect the wider reality in cafés and restaurants, where many entrepreneurs are not be of New Zealand origin. If policy-makers, such as the Ministry of Business, Innovation, and Employment, could provide a set of documents (for example, a folder which contains one A4 page each for recruitment, retention, labour relation, and termination) which are succinct, with tangible examples and easy to understand terms to be used as a manual for different stages of employment and different organisations, many HR-related issues could be alleviated. Ultimately, this might enhance the ability of these firms to hire, manage and achieve greater performance in this sector.

As time is limited for small business owners, policy-makers could also provide short low-cost one-stop training (perhaps in association with local educational institutions) or online coaching on how entrepreneurs can employ good staff and manage their employees, for example, performance evaluation and retention. It might also highlight the importance and value of such HRM practices as flexi-time and how this can be best managed to achieve positive outcomes for both employer and employee. Finally, as part of the strategic dialogue, policy-makers, the HR community and entrepreneurs should jointly identify research areas and types of research which are needed for sustainable, successful entrepreneurs and enterprises.

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Appendices

Appendix A

Sample Information Sheet for Participants (Owners/Managers)

Waikato Management School
Te Raupapa

THE UNIVERSITY OF WAIKATO
Te Whare Wānanga o Waikato

High performance work systems in restaurants/cafes in Hamilton: Implications for firm performance

Overview
My name is "Saifon Chairungruang" and as part of the PhD in Strategy and Human Resource Management, I am required to conduct and report on a research project. This "Report of an Investigation" forms an important part of my PhD degree. For my project I wish to research "High performance work systems in restaurants or cafes in Hamilton: Implications for firm performance".

Within service industry a few studies exist as a map for understanding the dimensions of high performance work systems. In particular, the study focuses on small-sized organisations which have fewer than 20 employees. My study will seek to test the influence of high performance work systems within these small enterprises. Finally, in view of the diverse ethnic population it would be interesting to discover if there are any differences between local and ethnic entrepreneurial HRM practices.

What will you have to do and how long will it take?
Owners/Managers of restaurants or cafes please fill out the questionnaires. This will take approximately ten minutes. Then, face-face interviews which will obtain consent from the questionnaire will be conducted and tape record the interviews if permit to do so. This interview will take approximately half an hour.

What will happen to the information collected?
Your responses will be used to write a doctoral thesis, conference paper and journal. Only my supervisors and I will have access to the information you provide me in the (interview/questionnaire) notes, tapes and the paper written. Afterwards, all questionnaires and notes will be destroyed and tapes erased. I will keep a copy of the paper on file but will treat it with the strictest confidentiality.

Managers from the sponsoring organisation, student conference audience, academic conferences, or journal articles will see the final report.

Your manager will see a copy of the final report upon request. However, participants will not be named in research reports unless, and every effort will be made to disguise your identity.

Declaration to participants
If you take part in the study, you have the right to:

- Refuse to answer any particular question, and to withdraw from the study "30 November 2010".
- Ask any further questions about the study that occurs to you during your participation.616
- Be given access to a summary of the findings from the study when it is concluded.

If you have any questions about this research project you can contact me on 022 6169136 if you wish" or e-mail me at sc267@waikato.ac.nz . My project is being supervised by Associated Professor Jarrod Haar and he can be contacted at 8584466 ext 6572, email him at haar@mngt.waikato.ac.nz or contact him at

Associate Professor Jarrod Haar
Strategy and Human Resource Management
Waikato Management School
PO Box 3105
HAMITLON 3240

Appendix B

Owner/Manager Survey

Please read the following statements indicating the extent to which they are very untrue or very true about your firm:

	Strongly Disagree	*Disagree*	*Neither*	*Agree*	*Strongly Agree*
Shows a great deal of tolerance for high risk projects	1	2	3	4	5
Uses only "tried and true" procedures, systems, and methods	1	2	3	4	5
Challenges, rather than responds to, its major competitors	1	2	3	4	5
Takes bold, wide-ranging strategic actions, rather than minor changes in tactics	1	2	3	4	5
Emphasizes the pursuit of long-term goals and strategies	1	2	3	4	5
Is usually the first in the industry to introduce new products to the market	1	2	3	4	5
Rewards taking calculated risks.	1	2	3	4	5
I love my work	1	2	3	4	5
I look forward to returning to work when I am away from work	1	2	3	4	5
I derive most of my life satisfaction from my work	1	2	3	4	5
I accomplish a lot at work because I love my job	1	2	3	4	5
Sometimes I wish that I could be at work when I am not	1	2	3	4	5
I can think of many times when I persisted with work when others quit	1	2	3	4	5
I continue to work hard on projects even when others oppose me	1	2	3	4	5
I frequently have to tear myself away from my work to satisfy other obligations	1	2	3	4	5
I work harder than most people I know	1	2	3	4	5
I am good at finding money and people to start a new organization or program	1	2	3	4	5
I am good at organizing people and machines for new projects	1	2	3	4	5
I know how to find the resources that we need	1	2	3	4	5
I can usually get the resources that we need to get started	1	2	3	4	5
I get a kick out of starting new projects and programs	1	2	3	4	5
My company has a written vision	1	2	3	4	5
I communicated with my employees about my firms vision in the last 6 months	1	2	3	4	5
I set challenging goals for my organization	1	2	3	4	5
Goals are a fundamental part of being in business	1	2	3	4	5
I am confident that my firm will grow in terms of sales	1	2	3	4	5
I am confident that my firm will grow in terms of employee numbers	1	2	3	4	5
How would you rate the job knowledge and skills of employees in your business to deliver superior quality work and service?					
How would you rate efforts to measure and track the quality of the work and service in your business?	1	2	3	4	5
How would you rate the recognition and rewards employees receive for the delivery of superior work and service?	1	2	3	4	5
How would you rate the overall quality of service provided by your business?	1	2	3	4	5
How would you rate the leadership shown by management in your business in supporting the service quality effort?	1	2	3	4	5
How would you rate the effectiveness of your communications efforts to both employees and customers?	1	2	3	4	5
How would you rate the tools, technology, and other resources provided to employees to support the delivery of superior quality work and service?	1	2	3	4	5
The employees work to exceed each guest's expectations.	1	2	3	4	5
I can count on my co-workers when I need help.	1	2	3	4	5
The employee team feels responsible for our success.	1	2	3	4	5
The people I work with have a 'can do' attitude.	1	2	3	4	5
The people here treat each other with respect.	1	2	3	4	5
Being friendly and helpful to customers.	1	2	3	4	5
Approaching customer quickly.	1	2	3	4	5
Asking good questions and listening to find out what a customer wants.	1	2	3	4	5
Being able to help customers when needed.	1	2	3	4	5
Pointing out and relating item features to a customer's needs.	1	2	3	4	5
Suggesting items customers might like but did not think of.	1	2	3	4	5
Explaining an item's features and benefits to overcome a customer's objections.	1	2	3	4	5
Voluntarily assists customers even if it means going beyond the job requirements	1	2	3	4	5
Often goes above and beyond the call of duty when serving customers	1	2	3	4	5
Frequently goes out of the way to help customers	1	2	3	4	5

Please circle/insert answers as applicable

Your age:	Parent: Yes / No
Married/De Facto? Yes /No	Ethnicity:
Gender: Male / Female	Total hours worked per week:
Org tenure:	Job tenure:
Highest education completed:	
Number of employee turnover in last year	
Total number of employees in your firm (approx):	

Please turn over

Please indicate the number of your employee(s) base that was covered by this particular employment practice during the time period of 2008 and 2009.

Number of employees covered
(Including part-time and casual employees)

1. Structured interviews to hire new employees: ____________________
2. One or more employment tests administered prior to hiring (e.g., skills tests, aptitude tests, cognitive ability tests, etc.): ____________________
3. Intensive/extensive training in company-specific skills (i.e., task or firm-specific training): ____________________
4. Intensive/extensive training in generic skills (e.g., problem-solving, communication skills, etc.): ____________________
5. Training effectiveness is evaluated (e.g., either via employee reactions, learning measures, or on the job performance effects): ____________________
6. Performance appraisal/feedback is given on a routine basis: ____________________
7. Promotions are primarily based upon performance or merit: ____________________
8. Evaluations of job performance or merit are used in making compensation decisions (e.g., salary, bonuses, benefits, etc.): ____________________
9. Employees share in the financial ownership of the firm via stock options or other means: ____________________
10. Compensation partially contingent on group performance (gain sharing, profit sharing, team-based, etc.): ____________________
11. Employees are provided relevant operating performance information (e.g., quality, productivity, etc.): ____________________
12. Employees are provided relevant financial performance information: ____________________
13. Employees are provided relevant strategic information (e.g., strategic mission, goals, tactics, competitor performance, etc.): ____________________
14. Employees hold non-entry level jobs as a result of internal promotion (as opposed to hiring from outside): ____________________
15. Employees are given the option of telecommuting: ____________________
16. Employees have flexibility in the hours they work: ____________________
17. Employees have job security. Employment with the firm is almost guaranteed: ____________________
18. In terms of total remuneration (pay and benefits) for employees, what is your organisation's position relative to the market? Assume the market is at 50th percentile and indicate your position relative to this. For example, a response of "40" indicates that you are at the 40th percentile—10% below the market: ____________________
19. How many employees are paid contingent upon individual, team, or firm performance? ____________________
20. Non-managerial employees involved in self-managed teams: ____________________
21. Non-managerial employees involved in programs designed to elicit participation and employee input (e.g., quality circles, problem solving, or similar groups): ____________________
22. How many total employees (including full-, part-time and casual) were in your organisation? ______________

THANK YOU FOR YOUR TIME ☺ PLEASE PLACE SURVEY IN ENVELOPE AND SEAL!

Appendix C

Sample Information Sheet for Participants (Employees)

Waikato Management School
Te Raupapa

THE UNIVERSITY OF WAIKATO
Te Whare Wānanga o Waikato

High performance work systems in restaurants/cafes in Hamilton: Implications for firm performance

Overview
My name is "Saifon Chairungruang" and as part of the PhD in Strategy and Human Resource Management, I am required to conduct and report on a research project. This "Report of an Investigation" forms an important part of my PhD degree. For my project I wish to research "High performance work systems in restaurants or cafes in Hamilton: Implications for firm performance".

Within service industry a few studies exist as a map for understanding the dimensions of high performance work systems. In particular, the study focuses on small-sized organisations which have fewer than 20 employees. My study will seek to test the influence of high performance work systems within these small enterprises. Finally, in view of the diverse ethnic population it would be interesting to discover if there are any differences between local and ethnic entrepreneurial HRM practices.

What will you have to do and how long will it take?
Employees of restaurants or cafes please fill out the questionnaires. This will take approximately five minutes.

What will happen to the information collected?
Your responses will be used to write a doctoral thesis, conference paper and journal. Only my supervisors and I will have access to the information you provide me in the (interview/questionnaire) notes, tapes and the paper written. Afterwards, all questionnaires and notes will be destroyed and tapes erased. I will keep a copy of the paper on file but will treat it with the strictest confidentiality.

Managers from the sponsoring organisation, student conference audience, academic conferences, or journal articles will see the final report.

Your manager will see a copy of the final report upon request. However, participants will not be named in research reports unless, and every effort will be made to disguise your identity.

Declaration to participants
If you take part in the study, you have the right to:

- Refuse to answer any particular question, and to withdraw from the study "30 November 2010".
- Ask any further questions about the study that occurs to you during your participation.616
- Be given access to a summary of the findings from the study when it is concluded.

If you have any questions about this research project you can contact me on 022 6169136 if you wish" or e-mail me at sc267@waikato.ac.nz . My project is being supervised by Associated Professor Jarrod Haar and he can be contacted at 8584466 ext 6572, email him at haar@mngt.waikato.ac.nz or contact him at

Associate Professor Jarrod Haar
Strategy and Human Resource Management
Waikato Management School
PO Box 3105
HAMITLON 3240

Appendix D

Employee Survey

Please read the following statements indicating the extent to which they are strongly disagree or strongly agree about your firm:

	Strongly Disagree	*Disagree*	*Neither*	*Agree*	*Strongly Agree*
Voluntarily assists customers even if it means going beyond the job requirements	1	2	3	4	5
Often goes above and beyond the call of duty when serving customers	1	2	3	4	5
Frequently goes out of the way to help customers	1	2	3	4	5
I am always working to improve the quality of service I give to customers	1	2	3	4	5
I have specific ideas about how to improve the service I give to customers	1	2	3	4	5
I often make suggestions about how to improve customer service in my Department	1	2	3	4	5
I put a lot of effort into my job to try to satisfy customers	1	2	3	4	5
No matter how I feel, I always put myself out for every customer I serve	1	2	3	4	5
I often go out of my way to help customers	1	2	3	4	5
How would you rate the job knowledge and skills of employees in your business to deliver superior quality work and service?	1	2	3	4	5
How would you rate efforts to measure and track the quality of the work and service in your business?	1	2	3	4	5
How would you rate the recognition and rewards employees receive for the delivery of superior work and service?	1	2	3	4	5
How would you rate the overall quality of service provided by your business?	1	2	3	4	5
How would you rate the leadership shown by management in your business in supporting the service quality effort?	1	2	3	4	5
How would you rate the effectiveness of our communications efforts to both employees and customers?	1	2	3	4	5
How would you rate the tools, technology, and other resources provided to employees to support the delivery of superior quality work and service?	1	2	3	4	5
I am thinking about leaving my organization	1	2	3	4	5
I am planning to look for a new job	1	2	3	4	5
I intend to ask people about new job opportunities	1	2	3	4	5
I don't plan to be in my organization much longer	1	2	3	4	5
I would be very happy to spend the rest of my career with this organisation.	1	2	3	4	5
I really feel as if this organisation's problems are my own.	1	2	3	4	5
I do not feel a strong sense of "belonging" to my organisation.	1	2	3	4	5

	Strongly Disagree	*Disagree*	*Neither*	*Agree*	*Strongly Agree*
I do not feel "emotionally attached" to this organisation.	1	2	3	4	5
I do not feel like "part of the family" at my organisation.	1	2	3	4	5
This organisation has a great deal of personal meaning for me.	1	2	3	4	5
You can influence what goes on in the work area as a whole?	1	2	3	4	5
You are asked for opinions before making decisions affecting your work?	1	2	3	4	5
You have the opportunity to contribute to meetings on new work developments.	1	2	3	4	5
You are allowed to participate in decisions that affect you.	1	2	3	4	5
You can resolve customer complaints on your own.	1	2	3	4	5
Being friendly and helpful to customers.	1	2	3	4	5
Approaching customer quickly.	1	2	3	4	5
Asking good questions and listening to find out what a customer wants.	1	2	3	4	5
Being able to help customers when needed.	1	2	3	4	5
Pointing out and relating item features to a customer's needs.	1	2	3	4	5
Suggesting items customers might like but did not think of.	1	2	3	4	5
Explaining an item's features and benefits to overcome a customer's objections.	1	2	3	4	5
I work to exceed each customer's expectations.	1	2	3	4	5
I can count on my co-workers when I need help.	1	2	3	4	5
My team feels responsible for our success.	1	2	3	4	5
The people I work with have a 'can do' attitude.	1	2	3	4	5
The people here treat each other with respect.	1	2	3	4	5

Please circle/insert answers as applicable

Your age:	Parent: Yes / No
Married/De Facto? Yes / No	Ethnicity:
Gender: Male / Female	Total hours worked per week:
Org tenure:	Job tenure:
Highest education completed:	
Your main industry:	
Total number of employees in your firm (approx):	

THANK YOU FOR YOUR TIME ☺
Please place survey in envelope and seal!

Appendix E

Consent Form for Participants

Waikato Management School
Te Raupapa

THE UNIVERSITY OF WAIKATO
Te Whare Wānanga o Waikato

HIGH PERFORMANCE WORK SYSTEMS IN RESTUARANTS/CAFES IN HAMILTON: IMPLICATIONS FOR FIRM PERFORMANCE

Consent Form for Participants

I have read the **Information Sheet for Participants** for this study and have had the details of the study explained to me. My questions about the study have been answered to my satisfaction, and I understand that I may ask further questions at any time.

I also understand that I am free to withdraw from the study at any time, or to decline to answer any particular questions in the study. I agree to provide information to the researchers under the conditions of confidentiality set out on the **Information Sheet**.

I agree to participate in this study under the conditions set out in the **Information Sheet** form.

☐ Participants agreed to the information being published.

☐ I agree to this interview being audio recorded.

Signed: ______________________________

Name: ______________________________

Date: ______________________________

Researcher's Name and contact information:
Saifon Chairungruang
Strategy and Human Resource Management
Waikato Management School
The University of Waikato
Private Bag 3105
Hamilton 3240, New Zealand

Supervisor's Name and contact information:
Associate Professor Jarrod Haar
Strategy and Human Resource Management
Waikato Management School
The University of Waikato
Private Bag 3105
Hamilton 3240, New Zealand
Phone: 64 7 8584466 ext 6572

Appendix F

INTERVIEW SCHEDULE (SEMI-STRUCTURED)

TO OWNER-MANAGER

1. Please tell me briefly about your entrepreneurial journey and this restaurant business. (1a) If you are a migrant, why did you decide to move and how did overcome all the hurdles?

2. What values and culture that you attempt to create in this organisation? How do these values and culture impact on day-to-day operation of the business?

3. Could you explain the practices in staffing are used/existed in your organisation and to what extent (make the hiring choices e.g. source of recruitment from network/ general advertising; selection process e.g. interview, test, trial; that it does i.e. the number and quality of people hired). What specific qualifications that you are looking for in applicants e.g. can speak language, integrity and how do you find out?

4. Could you describe the practices in training such as new staff straining, on the job training, formal (off site) training? What are the criteria that you use to select who should have training and what is the result after that person comes back from training.

5. Could you give details the practices are provided/existed in your organisation in relation to benefits (e.g. health care, retirement plan, and free food to take home)?

6. Do you mind to explain in detail how you pay to your employees and why you do this way? Do you think it is appropriate within the industry pay level?

7. Could you describe in detail of the practices in order to do the performance evaluation and assessment of (i) job skills, (ii) personality and behaviour, and (iii) feedback from various sources (360degree) to your employees?

8. How do you schedule employees the way it does (hours, flexibility, and leave policies)?

9. Please explain how you do use the HR practices in order to (1) enhance service quality; (2) keep costs down; (3) promote employee well-being; (4) get the most work out of employees; and (5) other business strategies.

10. (10a) what is the nature of the industry? (10b) how do you perceive your firm performance compare to those in the same industry? And why?

THANK YOU FOR YOUR TIME.