

3-2002

An Empirical Investigation of the Relationships among Climate, Capabilities, and Unit Performance

J. Bruce Tracey

Cornell University School of Hotel Administration, jbt6@cornell.edu

Michael J. Tews

Cornell University

Follow this and additional works at: <http://scholarship.sha.cornell.edu/articles>

 Part of the [Hospitality Administration and Management Commons](#), and the [Training and Development Commons](#)

Recommended Citation

Tracey, J. B., & Tews, M. J. (2004). *An empirical investigation of the relationships among climate, capabilities, and unit performance* [Electronic version]. Retrieved [insert date] from Cornell University, School of Hotel Administration site: <http://scholarship.sha.cornell.edu/articles/905>

This Article or Chapter is brought to you for free and open access by the School of Hotel Administration Collection at The Scholarly Commons. It has been accepted for inclusion in Articles and Chapters by an authorized administrator of The Scholarly Commons. For more information, please contact hlmdigital@cornell.edu.

An Empirical Investigation of the Relationships among Climate, Capabilities, and Unit Performance

Abstract

For the current study, the authors examined the relationships among two dimensions of organizational climate and several indices of individual- and unit-level effectiveness. Specifically, the article proposes that an organization's service and training climate would be related to employee capabilities—operationalized in terms of frontline service capabilities and managerial support capabilities—and that such capabilities would be related to unit-level measures of employee turnover and sales growth. Using survey and operational data from 201 management and frontline staff members in 22 units of a national restaurant chain, the results from correlation and regression analyses generally supported the proposed relationships. This study replicates and extends previous research and provides a foundation for future conceptual development and empirical work in this research area.

Keywords

HR strategy; climate; employee capabilities; unit performance

Disciplines

Hospitality Administration and Management | Training and Development

Comments

Required Publisher Statement

© SAGE. Final version published as: Tracey, J. B., & Tews, M. J. (2004). An empirical investigation of the relationships among climate, capabilities, and unit performance. *Journal of Hospitality & Tourism Research*, 28(3), 298-312.

doi: 10.1177/1096348003256602

Reprinted with permission. All rights reserved.

An Empirical Investigation of the Relationships among Climate, Capabilities, and Unit
Performance

J. Bruce Tracey and Michael J. Tews

School of Hotel Administration

Cornell University

Submitted March 5, 2002

Final version to be published in:

Journal of Hospitality & Tourism Research (2004), 28(3).

Abstract

For the current study, the authors examined the relationships among two dimensions of organizational climate and several indices of individual- and unit-level effectiveness. Specifically, the article proposes that an organization's service and training climate would be related to employee capabilities—operationalized in terms of frontline service capabilities and managerial support capabilities—and that such capabilities would be related to unit-level measures of employee turnover and sales growth. Using survey and operational data from 201 management and frontline staff members in 22 units of a national restaurant chain, the results from correlation and regression analyses generally supported the proposed relationships. This study replicates and extends previous research and provides a foundation for future conceptual development and empirical work in this research area.

Keywords: HR strategy; climate; employee capabilities; unit performance

An empirical investigation of the relationships among climate, capabilities, and unit performance

Increasing competition, changing customer preferences, government regulations, and technological advances are just a few of the growing number of challenges faced by hospitality organizations today. And whereas focused attention must be paid to these and related challenges, arguably, effectively managing human resources is one of the most fundamental concerns for creating and sustaining a long-term competitive advantage. This contention is supported by Enz's (2001) recent report, which noted that the management of "human capital" is currently one of the top management priorities in the hospitality industry. To ensure short-term survival and longer term competitiveness, hospitality organizations must focus on ways to promote successful employee performance and the retention of key talent. As such, hospitality management scholars should take steps to further understand the factors that influence employee capabilities to provide and support quality service, as well as the manner in which such capabilities may influence retention and other key indices of firm effectiveness.

One variable that may be instrumental for supporting employee performance and retaining quality employees is organizational climate. The research on climate is vast, and numerous studies have demonstrated the importance of this construct, particularly in service settings (e.g., Schneider, Parkington, & Buxton, 1980; Schneider, White, & Paul, 1998). However, despite the mature state of the climate literature, there is still much to be learned. One topic of inquiry that warrants further investigation is the relationship between climate and other variables associated with service delivery and

service outcomes. Although climate may influence service quality and related measures of effectiveness, it is important to consider additional influences of the climate construct. It is likely that an organization's climate may have more proximal or immediate influences on other aspects of employee and unit performance. In particular, we contend that an organization's climate may influence employee capabilities that are required to effectively perform their position requirements. If organizations take purposeful steps to develop employee service capabilities, then a wide range of positive outcomes should be realized. Thus, continued research on the broader influences of climate may provide new insights on how hospitality firms can establish and maintain a high degree of competitiveness.

To further examine the role of climate, we first present a brief overview of organizational climate and then discuss the importance of two specific dimensions of climate that may be important in service settings. We then discuss the influence of these climate dimensions on employee capabilities—including those of frontline staff workers to provide quality service and managerial capabilities for supporting service delivery—and the resulting influence of such capabilities on employee turnover and unit sales growth. Next, we present the results from a study using data from 201 frontline team leaders and management staff workers in 22 units of a national restaurant chain. Finally, we interpret the findings and discuss the implications for future conceptual and empirical work.

Climate and Capabilities

The work environment plays a central role in directing the attitudes and behaviors of employees. One of the most useful ways to characterize work settings is by referring to an organization's climate. Schneider (1985, 1990) defined climate as the shared perceptions of employees concerning the practices, procedures, and behaviors that get rewarded and supported in a work setting. Beyond a broad, generic conceptualization of organizational climate, further consideration should be given to specific dimensions that are important in a specific context. For example, prior research that examined the relationships between broad operationalizations of climate and relevant dependent variables did not yield significant results (e.g., Pritchard & Karasick, 1973). In contrast, studies that considered the influences of more specific dimensions of climate (e.g., the influence of a firm's technical updating climate on training performance) (Kozlowski & Hulst, 1987) demonstrated significant explanatory power. These findings suggest that climate should be considered in multidimensional terms and that multiple climates may exist within an organization. Although any number of climate dimensions may be manifested within a specific context, we contend that climate research should focus on specific elements of the work environment that may have strategic relevance in achieving business objectives.

Service Climate and Capabilities

One dimension of climate that may be vital to success in hospitality settings is the climate for service. The importance of the work environment in promoting quality customer service is certainly not new or novel. Nearly two decades ago, Peters and Waterman (1982) highlighted the critical nature of a supportive work environment in

their book *In Search of Excellence*. The primary assumption was that an environment supportive of superior service will lead to positive customer experiences, which, in turn, will lend itself to higher firm performance through increased customer patronage and referrals (Juttner & Wehrh, 1994; Storbacka, Strandvik, & Gronroos, 1994).

Schneider and his colleagues (Schneider et al., 1980; Schneider & Bowen, 1985) have been credited for their pioneering work on service climate and have demonstrated significant empirical linkages between employee and customer perceptions. In a recent article, Schneider et al. (1998) defined service climate as “employee perceptions of the practices, procedures, and behaviors that get rewarded, supported, and expected with regard to customer service and customer service quality” (p. 151). The results supported and extended prior research and provided strong evidence for the relationship between employee perceptions of service climate and customer perceptions of service quality.

Although there is convincing evidence that service climate is significantly related to customer perceptions of service quality, we contend that climate may also have an immediate influence on “drivers” of service quality and other important outcomes. Climate is a perceptual construct of environmental features that support specific behaviors, and its influence on service quality should logically be mediated through a variety of individual and operational variables. For this study, we propose that a positive service climate will lead to more capable employees, which in turn may influence (i.e., “drive”) relevant unit-level outcomes. Service capabilities refer to the fundamental role responsibilities that are unique to service settings (e.g., ability to anticipate customer needs). Unfortunately, aside from anecdotal evidence (cf., Heskett, Sasser, &

Schlesinger, 1997), there has been very little empirical research on this construct. A thorough review of the literature revealed only one published study that examined the capabilities construct. Using data gathered from a property and casualty insurance company, Schlesinger and Zornitsky (1991) demonstrated a link between employee job satisfaction, employee service capabilities, and other psychosocial variables. Because job satisfaction is a function of many work-related factors (cf. Cranny, Smith, & Stone, 1992), then by extension it can be argued that contextual factors, and specifically perceptions about service climate, should be related to employee service capabilities.

However, Schlesinger and Zornitsky's (1991) efforts were somewhat preliminary in that they failed to provide an adequate conceptualization and operationalization of the capabilities construct. In particular, these authors did not differentiate among the types of capabilities that might be required to achieve desired operational efficiency and effectiveness goals. Given the direct influence of frontline staff workers in service settings, it is likely that the service capabilities required for line positions are distinct from those required of managers. Certainly technical proficiency may be required for any job type. However, product knowledge and sales expertise, for example, may be more relevant for frontline effectiveness, whereas planning and motivating employees are more important for managerial jobs. Whereas capabilities of both line and managerial staff members may be instrumental for achieving operational efficiency and effectiveness goals, we contend that it is necessary to distinguish between these types of capabilities to more fully understand the process by which service goals are realized.

We argue, however, that a precise operationalization of the capabilities construct is, to some extent, contingent on the position requirements of a specific service setting.

Different hospitality firms have different strategies, markets, and operational needs. As such, it is necessary to consider the particular needs and conditions of the context under investigation as a basis for defining and measuring the requisite service capabilities. For the current study, we used a variety of methods for identifying service capabilities that were most relevant to the research sponsor's needs. Our approach is presented in the Methods section below.

Therefore, based on the preceding discussion, the first hypotheses we tested are as follows:

Hypothesis 1a: *Service climate will be positively related to frontline employee capabilities.*

Hypothesis 1b: *Service climate will be positively related to managerial capabilities.*

Training Climate and Capabilities

As noted above, multiple dimensions of climate may exist within a firm. Whereas service climate may be critical to success in hospitality settings, there may be other facets of climate that influence the extent to which desired business objectives are achieved. One such facet is training climate. In fact, Schneider et al. (1998) stressed the importance of training, arguing that a positive service climate must be accompanied by adequate development opportunities so that employees possess the necessary capabilities to deliver superior service. Thus, an organization's training climate may complement the service climate in developing knowledge and skills—employee

capabilities—that are required for delivering quality service and achieving desired performance goals.

For the current study, we conceptualized training climate as perceptions about the practices, procedures, and behaviors that get rewarded, supported, and expected with regard to training, development, and professional growth. Tracey and his colleagues (e.g., Tracey, Hinkin, Tannenbaum, & Mathieu, 2001; Tracey, Tannenbaum, & Kavanagh, 1995; Tracey & Tews, 1995) have developed a model of training climate (also referred to as a supportive work environment for training preparation, performance, and transfer) that is based on several diagnostic theories of organizations (e.g., Daft, 1983; Nadler & Tushman, 1980) and has been shown to influence a number of variables associated with pretraining preparation, training performance, and posttraining transfer behavior.

The model includes three underlying dimensions. The first dimension, managerial support, is part of an organization's social system. Managerial support refers to the extent to which managers send strong messages about the value and importance of training and learning, such as giving recognition to those who apply new skills on the job and promoting learning from successes and mistakes. The second dimension, job support, is part of the job-related/technical system, which characterizes whether jobs are designed by opportunities to learn and apply new skills on the job. The final dimension, organizational support, is a part of the formal organizational system. This dimension refers to the extent to which an organization has a reward and appraisal system supportive of learning and provides sufficient resources and opportunities for training and development.

We argue that training climate may positively influence employee (frontline and manager) service capabilities in one of two ways. First, this climate dimension may affect capabilities through its influence on formal training interventions. For example, the research by Tracey and his colleagues (e.g., Tracey et al., 1995, 2001) has demonstrated the positive influence of training climate on preparation for and performance during formal development activities, as well as the application of newly acquired knowledge and skills to the workplace. In addition to influencing the effectiveness of formal training interventions, training climate may also influence the extent to which organizations actually provide formal training opportunities. For example, the organizational support dimension assesses the extent to which organizations provide professional development opportunities and resources for training and development.

Beyond the context of formal development activities, training climate may have a similar beneficial impact on learning and the development of employee capabilities. For example, managerial feedback during the performance review process may facilitate employee skill development on the job. Information regarding job-related strengths and weaknesses may stimulate actions to address performance gaps and enhance motivation toward learning activities. Additionally, jobs that are flexible or require cross-functional tasks can stimulate innovation and experimentation that further promote knowledge and skill acquisition.

Given the potential impact of training climate on learning and skill development within and outside formal training contexts, we contend that organizations characterized by a supportive training climate are related to service capabilities. A training climate facilitates learning, and as such, employees will likely demonstrate greater capabilities

in such settings, which in turn may contribute to greater organizational performance. Therefore, based on the discussion above, the second set of hypotheses we tested in the current study are as follows:

Hypothesis 2a: Training climate will be positively related to frontline employee capabilities.

Hypothesis 2b: Training climate will be positively related to managerial capabilities.

Capabilities and Outcomes

The final relationships we examined in this study were between employee capabilities and two measures of operational performance. If employees possess the requisite skills and abilities to perform their jobs, then the units in which they work should realize not only enhanced levels of customer service but should also be more efficient and generate higher revenue. Specifically, we propose that employee capabilities—both frontline and managerial—will be related to unit-level measures of employee turnover and sales growth. It should be noted that at the outset of our study, we wanted to examine the relationships among both climate dimensions and customer perceptions of service quality. Unfortunately, our research sponsor was acquired during the course of our study, and the new owners were unwilling to provide the customer service data.

Capabilities and Unit Turnover

Although the capabilities-turnover linkage has not yet been explored, an examination of this relationship can be substantiated by considering research on the individual performance-turnover link. The general findings from this literature show that whereas some studies suggest a curvilinear relationship (e.g., Trevor, Gerhart, & Boudreau, 1997), most support a negative relationship (e.g., Cotton & Tuttle, 1986; Morrow, McElroy, Laczniak, & Fenton, 1999; Vecchio & Norris, 1996)—poorer performers are more likely to leave than better performers. By extension, individuals who are less capable of performing their role requirements and do not consistently meet customers' basic needs may be more likely to turn over than individuals who have greater service capabilities.

However, the performance-turnover link becomes more complicated when addressing aggregate or unit-level measures. Additionally, the nature of this relationship may be contingent on the type of turnover that is examined (i.e., voluntary, involuntary, or reduction-in-force). Indeed, a recent study by McElroy, Morrow, and Rude (2001) demonstrated that these three measures of unit-level turnover each demonstrated significantly negative relationships with measures of subunit performance, although partial correlation results showed the greatest effect for reduction-in-force turnover (i.e., downsizing).

For the current study, we propose that employee capabilities will be negatively related to unit-level turnover. Our turnover measure reflects both voluntary and involuntary influences, as well as the combined influence of line and management turnover. It should be noted that alternative and perhaps more appropriate measures of turnover should be examined. For example, because we propose independent effects of

employee capabilities based on status, we should examine the independent influence of each type of capability on frontline turnover and managerial turnover. Unfortunately, we had limited access to this type of detailed information in the current study (e.g., turnover differentiated by hierarchical status), a common problem in field research. However, the current measure provides a reasonable means for testing the capabilities-turnover relationship.

Therefore, based on the preceding discussion, the third set of hypotheses that we examined in the current study are as follows:

Hypothesis 3a: *Frontline employee capabilities will be negatively related to unit-level turnover.*

Hypothesis 3b: *Managerial capabilities will be negatively related to unit-level turnover.*

Capabilities and Unit Financial Performance

In addition to the capabilities-turnover relationship, we also examined the link between employee capabilities and unit financial performance, specifically unit sales growth. Frontline employees in particular have a direct influence on customers during service transactions. As such, employees may influence not only perceptions of service quality, satisfaction, and willingness to return but also customer spending behaviors. The tipping literature (e.g., Lynn & Grassman, 1990; Lynn & McCall, 2000) provides direct evidence of the direct relationship between employee behavior and customer gratuity. So by extension, we argue that units with more capable employees will also be those with better top line financial performance (i.e., greater sales). That is, employees

who understand and properly execute their role requirements and not only meet but anticipate customer needs will have a direct influence on customer spending behavior and thus unit sales. Furthermore, to the extent that employees are highly capable in providing positive guest experiences, such behavior may facilitate repeat patronage and thus contribute to greater revenue.

Managerial capabilities may also play a role in enhancing unit financial performance. The development of highly capable frontline employees requires, in part, effective training programs, comprehensive accountability and performance management systems, and incentive programs that meet the diverse needs of all employees. If such conditions exist, it can be argued that managers play a substantive role in the service delivery process, although their involvement is more supportive in nature. So even though managerial capabilities may not be directly required in the service encounter (although many times managers do have a direct influence vis-a-vis service recovery requirements), they do provide a foundation for ensuring frontline capabilities. Therefore, both frontline and managerial capabilities may influence unit financial performance.

Hypothesis 4a: *Frontline employee capabilities will be positively related to unit sales.*

Hypothesis 4b: *Managerial capabilities will be positively related to unit sales.*

Summary

In summary, the present investigation will extend prior climate research along two primary lines. First, we will examine the influences of two dimensions of climate—service and training climate—on frontline employee and managerial service capabilities. Second, we will examine the relationships among employee and managerial service capabilities and two measures of organizational effectiveness—employee turnover and unit sales growth. Finally, and implied by the proposed hypotheses, we will test the mediating influence of frontline and managerial capabilities in the climate-performance relationship.

Method

Sample and Procedures

The data for this study were gathered from a company that owns and operates 29 midscale, themed restaurants throughout the United States operated under the same brand. Service climate, training climate, and employee capabilities data were collected using surveys. As part of a larger study on employee opinions, surveys were mailed to all managers and line-level team leaders in each unit; return-addressed stamped envelopes were also included.¹ An accompanying cover letter guaranteed confidentiality of responses, and all surveys were returned directly to the authors. Five hundred management surveys were distributed, and 167 were returned yielding a response rate of 33%. Two hundred ninety team leader surveys were distributed, and 89 were returned, yielding a response rate of 31%. Turnover and sales data were provided by

the corporate office. Complete data were obtained from 125 managers and 76 team leaders in 22 units.

Measures

Service climate. Service climate was assessed using Schneider et al.'s (1998) global service climate measure. The seven-item scale was developed for a banking sample, so slight wording modifications were made to accommodate the context used in this study. An example item was "How would you rate managerial leadership in supporting the delivery of superior quality work and service?" Response choice alternatives ranged from (1) *very poor* to (5) *excellent*.

Training climate. Tracey et al.'s (2001) three-component measure was used to assess training climate. Five items were used to assess each of the three dimensions. Example items include "Jobs are designed to promote personal development," "Managers give credit to those applying new skills in their work," and "There are rewards and incentives for acquiring and using new knowledge and skills on the job" for job, managerial, and organizational dimensions, respectively. Response choice alternatives ranged from (1) *strongly disagree* to (5) *strongly agree*. Consistent with previous research (e.g., Tracey et al., 1995, 2001), we collapsed the three dimensions into a single measure. Empirical results to support this action are presented in the Results section.

Frontline employee capabilities. Thirteen items were used to measure frontline employee capabilities. The items were developed from analyzing job descriptions and training manuals and through focus groups and interviews conducted with corporate

and unit-level staff members. The items reflected a broad range of competency requirements, including technical proficiency, guest service, sales expertise, maintaining working relationships, and product knowledge. Managers and team leaders rated the collective capabilities of frontline staff members in their restaurant unit. Response choice alternatives ranged from (1) *very poor* to (5) *superior*.

Managerial capabilities. Fourteen items were used to assess managerial capabilities. The items were based on Borman and Brush's (1993) taxonomy of managerial performance requirements, as well as a review of job descriptions and a series of focus groups and interviews conducted with corporate and unit-level managers. The items reflect a broad range of capability requirements that are specific to the research sponsor's work setting, including technical proficiency, training and developing subordinates, motivating subordinates, and planning and organizing. Managers rated the collective capabilities of the management staff in their restaurant unit. Response choice alternatives ranged from (1) *very poor* to (5) *superior*.

Turnover. Turnover rates were gathered from company records. Each unit's rate was based on a 12-month average (number of full-time equivalent employee separations divided by the number of full-time equivalent employees) for the year preceding the time of data collection.

Sales growth. Sales data were gathered from company records for each unit approximately 3 months after the survey data were gathered. This information was then compared to sales data for the same month during the prior year, yielding a percentage-change year-to-date index.

Analyses

First, a series of *t* tests was conducted to determine whether there were any significant differences in the responses provided by the team leaders and managers on the climate and capabilities measures. Nonsignificant results would provide justification combining the responses from both sets of respondents for subsequent analyses. Second, and consistent with prior research, a confirmatory factor analysis was conducted to assess the extent to which the three training climate dimensions reflected a single construct (e.g., Tracey et al., 2001). Third, within- group interrater agreement indices (James, Demaree, & Wolf, 1984) were computed to examine the level of agreement among respondents concerning the climate and capability variables. This analysis is necessary for justifying the aggregation of individual climate perceptions and capabilities to the unit level of aggregation. Fourth, descriptive statistics, internal consistency reliability estimates and interscale correlations were calculated. Finally, regression analyses were conducted to assess the proposed mediating hypotheses.

Results

To justify combining the data gathered from the team leaders and managers, we conducted a series of *t* tests that compared the mean scale scores from the responses to the climate and capabilities measures. For all comparisons, the *t* values were nonsignificant ($p > .05$). Because there were no significant differences, we combined the data from the two sets of respondents and used these data for all subsequent analyses.

To determine whether the three dimensions of the work environment should be collapsed into a single scale, a confirmatory factor analysis using LISREL 8.14 was conducted. Group-level scale (mean) scores were used as indicators of an underlying training climate construct. The fit of the one-factor model was evaluated using the sample variance-covariance matrix as input and a maximum likelihood solution. Although the overall chi-square was statistically significant ($X^2 = 10.82; df = 1; p < .01$), the goodness of fit index was 0.96, the comparative fit index was 0.97, the incremental fit index was 0.97, and the root mean square residual was 0.04. These results support the use of a one-factor model, and all further analyses used a single training climate scale.

The average within-group interrater agreement indices for the service climate, training climate, employee capabilities, and managerial capabilities scales across the 22 units were 0.71, 0.79, 0.68, and 0.73, respectively. These values demonstrate a moderately high degree of agreement among respondents, thereby supporting the aggregate nature of these constructs.

Means, standard deviations, internal consistency reliability estimates, and correlations among all measures are presented in Table 1.

Internal consistency reliabilities (Cronbach's alpha) for the climate and capabilities variables were acceptable, ranging from .84 to .95. The correlation between service and training climate and frontline employee capabilities was 0.63 and 0.81, respectively ($p < .01$). Similarly, the correlations between service and training climate and managerial capabilities were 0.72 ($p < .01$) and 0.44 ($p < .05$), respectively. These findings provide support for the first two sets of hypotheses. The correlations between

both types of service capabilities and unit turnover were nonsignificant, but managerial capabilities were significantly correlated with sales change ($0.54, p < .01$), supporting Hypothesis 4b. The other noteworthy findings were the significant correlations among service climate, unit turnover, and sales change.

Due to the lack of significant results for the relationship between frontline employee capabilities and both dependent variables, further analyses using this capability variable were unwarranted. However, the significant correlations among both climate dimensions and managerial capabilities, as well as the significant correlation between managerial capabilities and sales change, provide initial support for the mediating influence of managerial capabilities in the climate- performance relationship. To further examine the mediating proposition, a hierarchical regression analysis was conducted in which sales change was regressed on both climate dimensions first. Then, managerial capabilities were entered into the equation. The results showed that a significant proportion of variance in sales change was accounted for by the climate dimensions ($F = 2.88; df = 2,18; R^2 = .23, p < .10$), but the R^2 change was nonsignificant when managerial capabilities were entered into the equation. However, the ANOVA results showed that the addition of managerial capabilities into the equation did increase the total proportion of variance accounted for in sales change. Thus, only partial support for the mediating proposition was yielded.

Discussion

The results from this study provide some new insights regarding the role of climate in service settings. As noted in the introductory paragraph, the development of human capital is currently one of the top concerns of hospitality managers. Our findings suggest that one of the ways to enhance the value of human capital is to create a work setting that is characterized by a positive service and training climate. A work environment that expects, rewards, and supports employee service capabilities provides a context that may promote high levels of individual performance and may help to drive operational efficiency and unit performance. So while factors such as internal controls, market share, and revenue growth will continue to be a priority, emphasis should also be placed on workplace policies and programs that create and sustain a positive service and training climate.

The results also extend previous climate research (e.g., Schneider et al., 1998) by showing that a unit's service climate may have a broader influence than previously considered. Of course, positive customer perceptions of service quality are vital for assuring a sustained competitive advantage. However, the current findings suggest the need to consider the impact of service climate on many different types of individual and unit-level effectiveness indices. If a positive service climate can be achieved, then organizations may not only have more "service capable" employees but may also realize greater efficiency and financial success.

The current study also highlights the importance of a unit's training climate for enhancing employee service capabilities. However, this dimension of climate was not significantly related to either turnover or sales growth. This result was somewhat surprising, particularly because the correlation between both climate dimensions was

rather high. A post hoc exploratory factor analysis yielded a clear distinction between the service and training climate dimensions (i.e., two-factor solution that accounted for approximately 66% of the total variance, and all items loaded on the appropriate factor—no cross-loaded items), so there it appears that both climate dimensions are conceptually and empirically distinct. As such, training climate may have a different type of enabling role in the climate-performance relationship, and thus additional research on the role of training climate is suggested.

Another noteworthy finding from the current study was that managerial capabilities were significantly related to sales growth, yet frontline employee capabilities were not. One explanation of the nonsignificant impact of frontline service capabilities may be due to the nature of the dependent variable. Sales growth from year to year is a relatively “medium-term” measure of financial health, and the influence of frontline employee efforts on this measure may not be direct. Revenue per customer or sales per employee may be better measures to assess the influence of frontline employee capabilities on unit-level financial performance. The more strategic and longer term nature of managerial performance may be one explanation for the significant relationship between managerial capabilities and sales growth. Additionally, the two capabilities measures were only moderately correlated and did not demonstrate a consistent pattern of relationships with other variables examined in this study. This finding suggests that although related, the two constructs may have differential influences within service settings. Such differences should be examined further to determine how such capabilities are related to other variables in the service delivery process.

Another explanation for the nonsignificant relationship between frontline employee capabilities and sales growth may have been the nature of the capability measure. Our measure reflected multiple dimensions of line-level performance requirements, and it can be argued that not all requisite capabilities are equally important. It is possible that the influence of more relevant capabilities may have diluted the effects of less important capabilities. A question that needs to be resolved is Are there any capabilities that are universally relevant or effective in any service setting, or are requisite capabilities unique to a specific workplace, market, or organization? Furthermore, the only published operationalization of employee capabilities was presented by Schlesinger and Zornitsky (1991), and arguably a single-item measure may not fully account for the true nature of the capabilities construct. So although the measures used in the current study showed adequate psychometric properties, additional research is needed to establish construct validity.

Several limitations of this study should be noted. Perhaps the greatest limitations of the present effort are small sample size, sampling one organizational context, and not sampling all frontline employees, rather only team leaders. As such, the results of this study should be interpreted with caution. Furthermore, we were unable to obtain customer data, and we were unable to obtain the level of detail (e.g., different types/measures of employee turnover) that may be required to fully understand the nature of the relationships among the variables of interest. For example, it is possible that perceptions of customer service may mediate the relationship between employee capabilities and unit financial performance, a proposition put forth by advocates of the service-profit chain (e.g., Heskett et al., 1997). Finally, given the rather poor sales

performance exhibited by the research sponsor (which was a key reason for its acquisition during the course of our study), it is important to reexamine the relationships examined in the current study in settings that are not constrained by such severe financial challenges. Frontline employees may have a more significant impact on unit performance measures in more competitive situations.

Despite these concerns, the results from this study demonstrate the need to consider a broader set of variables that may influence the climate-performance relationship and provide a building point for future conceptual development and empirical work in this research area. We strongly encourage longitudinal efforts be taken to examine the climate-performance relationship, as it remains unclear whether climate is a driver of performance or if financial success leads to a more supportive, service- and learning-oriented work setting (by virtue of having additional resources available to provide such support). Additionally, consideration should be given to other variables that may explain how climate and performance are related. For example, the literature on the service-profit chain (e.g., Heskett et al., 1997) posits that employee growth and development should influence a variety of operational efficiency measures. However, similar to the comments presented above regarding the operationalization of service capabilities, the meaning and measurement of operational efficiency may vary across different types of work settings (e.g., restaurant capacity vs. hotel occupancy), whereas other measures may be more universally applicable (e.g., variance in internal control standards). These and related refinements should be undertaken to gain a more comprehensive understanding of the ways in which firms can manage their human capital and create work settings that are conducive to sustained performance over time.

NOTE

1. It should be noted that in addition to food and beverage operations, each unit also had a themed retail function. Thus, this firm employed a higher than typical number of managers.

Table 1. Descriptive statistics, internal consistency, reliability coefficients, and correlations.

	<i>M</i>	<i>SD</i>	1	2	3	4	5	6
1. Service climate	3.23	0.25	(.84)					
2. Training climate	3.33	0.43	.80**	(.95)				
3. Employee capabilities	3.30	0.26	.63**	.81**	(.85)			
4. Managerial capabilities	3.33	0.33	.72**	.44**	.39**	(.91)		
5. Turnover	104.41	53.17	-.29*	-.23	-.25	-.12	—	
6. Sales growth	-17.43	10.80	.40**	.16	.16	.54**	-.36**	—

Note: $N = 22$. Alpha coefficients appear on the diagonal in parentheses.

* $p < .10$. ** $p < .05$.

References

- Borman, W. C., & Brush, D. H. (1993). More progress toward a taxonomy of managerial performance requirements. *Human Performance*, 6(1), 1-21.
- Cotton, J., & Tuttle, J. (1986). Employee turnover: A meta-analysis and review with implications for research. *Academy of Management Review*, 11(1), 55-70.
- Cranny, C. J., Smith, P. C., & Stone, E. F. (1992). *Job satisfaction: How people feel about their jobs and how it affects their performance*. New York: Lexington Books.
- Daft, R. L. (1983). *Organization theory and design*. St. Paul, MN: West.
- Enz, C. A. (2001). What keeps you up at night? : Key issues for lodging managers. *Cornell Hotel and Restaurant Administration Quarterly*, 42(2), 38-45.
- Heskett, J. L., Sasser, W. E., Jr., & Schlesinger, L. A. (1997). *The service profit chain*. New York: Free Press.
- James, L. R., Demaree, R. G., & Wolf, G. (1984). Estimating within-group inter-rater reliability with and without response bias. *Journal of Applied Psychology*, 69(1), 85-98.
- Juttner, U., & Wehrh, H. P. (1994). Relationship marketing from a value system perspective. *International Journal of Services Industry Management*, 5(5), 54-73.
- Kozlowski, S. W., &Hults, B. M. (1987). An exploration of climates for technical updating and performance. *Personnel Psychology*, 40(3), 539-563.
- Lynn, M., & Grassman, A. (1990). Restaurant tipping: An examination of three “rational” explanations. *Journal of Economic Psychology*, 11(2), 169-181.

- Lynn, M., & McCall, M. (2000). Gratitude and gratuity: A meta-analysis of research on the service-tipping relationship. *Journal of Socio-Economics*, 29(2), 203-214.
- McElroy, J. C., Morrow, P. C., & Rude, S. N. (2001). Turnover and organizational performance: A comparative analysis of the effects of voluntary, involuntary, and reduction-in-force turnover. *Journal of Applied Psychology*, 86(6), 1294-1299.
- Morrow, P. C., McElroy, J. C., Laczniak, K. S., & Fenton, J. B. (1999). Using absenteeism and performance to predict employee turnover: Early detection through company records. *Journal of Vocational Behavior*, 55(3), 358-374.
- Nadler, S., & Tushman, M. (1980). A model for diagnosing organizational behavior. *Organizational Dynamics*, 9(2), 35-51.
- Peters, T. J., & Waterman, R. H. (1982). *In search of excellence: Lessons from America's best-run companies*. New York: Harper & Row.
- Pritchard, R. D., & Karasick, B. W. (1973). The effect of organizational climate on managerial job performance and job satisfaction. *Organizational Behavior and Human Performance*, 9(1), 126-146.
- Schlesinger, L. A., & Zornitsky, J. (1991). Job satisfaction, service capability, and customer satisfaction. *Human Resource Planning*, 14(2), 141-149.
- Schneider, B. (1985). Organizational behavior. *Annual Review of Psychology*, 36, 573-611.
- Schneider, B. (1990). The climate for service: An application of the climate construct. In B. Schneider (Ed.), *Organizational climate and culture* (pp. 382-412). San Francisco: Jossey-Bass.

- Schneider, B., & Bowen, D. E. (1985). Employee and customer perceptions of service in banks: Replication and extension. *Journal of Applied Psychology, 70*(3), 423-433.
- Schneider, B., Parkington, J. J., & Buxton, V. M. (1980). Employee and customer perceptions of service in banks. *Administrative Science Quarterly, 25*(2), 252-267.
- Schnieder, B., White, S. S., & Paul, M. C. (1998). Linking service climate and customer perceptions of service quality: Test of a causal model. *Journal of Applied Psychology, 83*(2), 150-163.
- Storbacka, J., Strandvik, T., & Gronroos, C. (1994). Managing customer relationships for profit: The dynamic of relationship quality. *International Journal of Service Industry Management, 5*(5), 21-28.
- Tracey, J. B., Hinkin, T. R., Tannenbaum, S. I., & Mathieu, J. E. (2001). The influence of individual characteristics and the work environment on varying levels of training outcomes. *Human Resources Development Quarterly, 12*(1), 5-24.
- Tracey, J. B., Tannenbaum, S. I., & Kavanagh, M. J. (1995). Applying trained skills to the job: The importance of the work environment. *Journal of Applied Psychology, 80*(2), 239-252.
- Tracey, J. B., & Tews, M. J. (1995). Training effectiveness: Accounting for individual characteristics and the work environment. *Cornell Hotel and Restaurant Administration Quarterly, 36*(6), 36-42.

Trevor, C., Gerhart, B., & Boudreau, J. (1997). Voluntary turnover and job performance: Curvilinearity and the moderating influences of salary growth and promotions.

Journal of Applied Psychology, 82(1), 44-61.

Vecchio, R., & Norris, W. (1996). Predicting employee turnover from performance, satisfaction, and leader-member exchange. *Journal of Business and Psychology*, 11(1), 113-125.