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THE MEDIATING EFFECT OF STRATEGIC PROCESSES IN AFFECTING FIRM MARKET PERFORMANCE

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ABSTRACT: The objective of this paper is to examine the potential mediating effect of strategic processes on the relationship between marketing strategy organizational culture, employee competency, and workforce management practices on the organizational performance. Findings suggest that a firm's market performance is impacted by the internal processes used to create customer value. When an articulated set of imperative are in place, strategic marketing success is expected to follow. There is a strong indication that the mediation of strategic imperatives are linked in a systemic perspective and the interaction of these imperatives leads to a competitive market advantage

INTRODUCTION

No commercial enterprise will consistently achieve above average performance over the long-term unless it is able to create and sustain a competitive advantage in its markets. Competitive advantage comes from the firm's ability to consistently create and deliver value to its customers. Successful firms seek to align their external brand, i.e., strategic focus, with their internal operating practices/assets. Organizational researchers over the past several decades have attempted to identify the factors impacting organization market performance. These studies, both empirical and descriptive, have focused on a small number of factors implicated in this construct (Christensen, 2003; Collins, 2001; Huselid, 1995; Roberts, 2004; Treacy & Wiersema, 1995).

Slywotzky, Morrison, Moser, Mundt, and Quella (1998) note that over the past fifteen years, billions of dollars in market value have migrated from old business designs to new ones. For these authors, winning in the market place is a result of defining and implementing a unique business design that opens a new cycle of value growth. Firms such as Southwest Airlines, and until recently Dell Computers and Starbucks, have become de facto standards in their markets through the implementation of unique designs that provide a competitive advantage. The business designs presented by Slywotzky et al., (1998) integrate several "imperatives;" i.e., factors that tend to both shape and restrict the varieties of organizations over time by organizing their elements into an enduring system, are resistant to change, and typically act as lead variables during organization transformation (Miller, 1987; Miller and Friesen, 1984). They provide long-term integrity, stability, and evolutionary momentum to an organization design.

For the purposes of this study, we chose to focus on the following imperatives: market strategy, organization culture, employee competencies, workforce management practices, and strategic processes. The centrality of these variables for organization success has been strongly advocated by Collins (2001), Collins and Porras (1994), Christensen (2003), Huselid (1995), and Roberts (2004).

Market Strategy Imperative: An organization's market strategy determines how to best add value for the firm's customers. McNally and Speak (2002, p. 4) identify the meaning of brand as "perception of emotion, maintained by a buyer or a prospective buyer, describing the experience related to doing business with an organization or consuming its products and services." To an even greater extent, the brand should represent a company's unique assets. Otherwise the firm may be considered as an industry follower or a commodity business. The firm must determine the means by which it creates that perspective. In general, firms may do so by excelling in one of the three market disciplines of Operational Excellence, Product Leadership, or Customer Intimacy as defined by Treacy and Wiersema (1995).

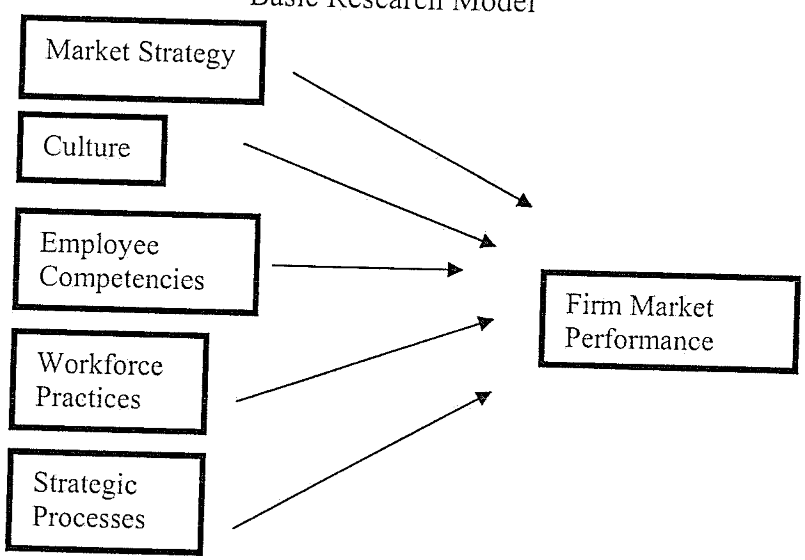
Employee Competencies and Culture Imperatives: Collins reminds managers that in good-to-great organizational transformations, people are not the firm's most important asset; the right people are (2001). He urges firms to create an environment where the right people would thrive. Aligning employee competencies and organization culture (e.g., beliefs regarding customers, how to compete, etc.) with market strategy is an essential but often neglected practice. For example, the Operational Excellence market discipline would call for employee competencies and a culture that reflects efficiencies. The Product Leader approach needs creators or innovators and a problem solving culture. The Customer Intimacy discipline demands good communications skills combined with a customer-oriented culture. In other words, the firm's market strategy and culture should align with employee competencies and workforce management practices to serve customer needs (Beatty, Huselid, and Schneier, 2003).

Workforce Management Practices: Human resource managers are often influenced by best practice models where the firm utilizing the most HR programs is thought to be best at managing human assets. However, certain practices may work better in certain organization alignments (Combs, Liu, Hall, and Ketchen, 2006; O'Toole and Lawler, 2006; Ulrich and Brockbank, 2005). Participative management programs may have a lesser impact in a call center where employee customer interaction behaviors are tightly scripted than they would in a software design organization where creativity is required. Incentive bonuses might be more valuable in a sales oriented unit then they would be in a

treasury department of a company. In other words, a systems or configuration paradigm may be more useful in advancing and sustaining organization competitive advantage than a universal or best practice model (Becker and Huselid, 1998; Toh, S.M., Morgeson, F.P., & Campion, M.A., 2008).
Combs, et.al. (2006) have identified via meta-analysis the workforce management practices that have the greatest impact on a firm's market performance. We utilized these practices in this study.

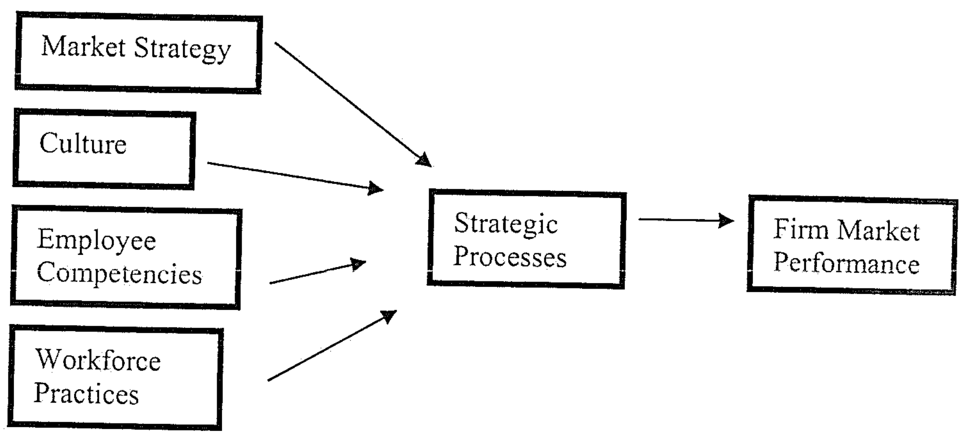
Strategic Processes Imperative: All organizations are engaged in functions and processes designed to obtain market intelligence, anticipate competitor actions, convert information into products/services, create dynamic strategies, and deliver the organization's output to customers (Day and Reibstein, 1997; Galbraith, 2002; Roberts, 2004). In addition, the alignment of these functions and processes into a unified whole is a source of competitive advantage (Kaplan and Norton, 2006). Quinn and Rohrbaugh (1983) described a set of 17 items to measure these critical processes taken from Campbell's (1977) work dealing with organizational effectiveness. We expanded on this item set to develop the strategic process scale identified in the Appendix. As noted earlier, organizational researchers have attempted to identify the independent variables impacting organization market performance. Figure 1 presents a general model for this research used in this study.

Figure 1
Basic Research Model



However, concepts presented by Ackoff (1981), Galbraith (2002), and Rittel and Webber (1973), have emphasized the central function played by strategic processes in the shaping of organization market performance. In particular from a systems perspective, these processes may be conceptualized as a mediating factor in the imperatives-to-market performance relationship. As noted by Baron and Kenny (1986), a mediating variable effects transformation processes within an entity, in this case an organization, that account for the relation between independent variables and the criterion (i.e., market performance). Mediators serve as a black box mechanism that speaks to why or how these relationships occur. Specifically, the objective of this study was to examine the potential mediating effect of strategic processes on the relationship between market strategy, organization culture, employee competency, and workforce management practice imperatives on organization market performance. This objective is schematically depicted in Figure 2.

Figure 2
Mediated Research Model



HYPOTHESIS

The hypothesis for this study states the following. The strategic process variable will mediate the relationship between market strategy, culture, employee competencies, and workforce management practices on organization market performance.

METHOD

Requests for participation were sent to 840 organizations taken from the Reference USA 2000 database in two separate waves three months apart. Those requested came from the following industries: healthcare, financial services, manufacturing, wholesale/retail, information technology, food processing, and services. A total of 120 firms were selected within each industry where sufficient information existed to identify a contact person and mailing information. In addition, a call was made through the University of St. Thomas College of Business for local participants. We recognize that these two approaches produced a convenience rather than a statistically random sample thus introducing the possibility of selection error in the sample of firms (Cook and Campbell, 1976). In a convenience sample members of the group are chosen largely on basis of their relative ease of access. However, we found this a more useful approach for attracting participation in the study. We were, however, able to verify that none of the firms were involved in major strategy or structure change initiatives at the time the data were collected. This served to increase the likelihood that the values of the variables contained in the study were in an equilibrium-type condition (James, Mulaik, and Brett, 1982).

Participating firms were mailed a packet of five surveys: market strategy, culture, employee competencies, workforce management practices/senior management support for people, and strategic processes/organization market performance. The survey instructions requested that the contact person (the HR manager or director) distribute the surveys as follows: employee competencies and workforce practices to HR managers; culture and market performance to senior executives; and market strategy to the marketing manager. We believed that this selection of evaluators would yield the most valid ratings within each imperative. Survey returns would not allow us to verify exactly who completed the surveys within each firm. However, we know that a Human Resource department contact and a minimum of one other senior manager completed the surveys. All participating firms were located in Minnesota, Wisconsin, South Dakota, North Dakota, or New York. A total of 368 packets were received: 90 from the Reference USA database (11% response rate from that sample) and 278 from the local request. The firms added locally were chosen from a population of individuals taking advanced management courses within the University of St. Thomas MBA programs and were screened by senior faculty members. Table 1 shows a break-down of the sample organizations. Based on information from the 2002 census, the study sample was over-represented in the manufacturing, agriculture/mining/construction, and service industries and under-represented in the wholesale/retail and finance/insurance/real estate industries.

Table 1

Sample Characteristics	N	%	U.S. Census, 2002
Industry			
Manufacturing	66	17.9	8
Wholesale/retail	54	14.7	37
Financial/insurance/real estate	35	9.5	18
Transportation/communication	34	9.2	8
Agriculture/mining/construction	20	5.4	0.2
Service	159	43.3	29
Totals	**368**	**100**	

Number of Employees	N	%
Less than 200	172	46.7
200-499	69	18.7
500-999	39	10.6
1,000-4,999	41	11.1
5,000-9,999	18	4.9
Over 10,000	29	8.0
Totals	**368**	**100**

The market strategy survey was comprised of 21 items suggested by Treacy and Wiersema (1995) measuring Operational Excellence, Product Leadership, and Customer Intimacy market disciplines. The culture survey contained 24 items across five topics: information sharing and conflict resolution, risk-taking, teaming, rewards focus, and encouragement of competition. Our intention was to look at items commonly used in culture measurement (Cummings and Worlely, 2005). The employee competency survey was comprised of 24 items suggested by Treacy and Wiersema (1995) and intended to reflect the competency requirements of the market disciplines: efficiency for Operational Excellence, creativity for Product Leadership, and customer- solution orientation for Customer Intimacy. The workforce management practices survey contained 64 items measuring the seven practice and senior management dimensions shown in the Appendix. These items came from the SHHRM/CCH Incorporated report (1995) supplemented with items from Becker and Huselid (1998) and Huselid (1995). Finally, a total of 18 items dealing with strategic processes and market performance were developed based on Quinn and Rohrbaugh (1983), and supplemented by items dealing with resource acquisition (people and capital), position in the market, maintaining customers, and overall financial performance.

RESULTS

As a first step in the analyses, a single score was obtained for each variable by averaging the scores for a company over the scales comprising that variable. Table 2 presents the descriptive statistics and zero-order correlations among the variables in the study. We controlled industry and employee size of organization in the analysis. For the subsequent regression analyses, a dummy variable was developed for each industry level. The ordinal employee size variable, see Table 1, was used in its present state. The models in Table 3 depict Baron and Kenny's (1986) recommended procedures for testing mediation. These procedures specify three effects that must be present before testing for mediation may proceed. First, the independent variables, market strategy, employee competencies, culture, and workforce management practices, must affect the mediator variable. As shown by the zero-order correlations in Table 2, all four independent variables have significant relationships with the mediator. Second, the independent variables must affect the dependent variable, market performance. The zero-order correlations in Table 2 and the Model 2, 3, 4, and 5 Beta weights in Table 3 show significant relationships for each independent variable with market performance. Third, the mediator must affect the dependent variable. The correlation in Table 2 and the Model 6 Beta weight in Table 3 show this significant relationship. Finally, the effect of each independent variable on the dependent variable must be diminished when the mediator is added to the equation containing the independent variable.

TABLE 2: Means, Standard Deviations, and Zero-Order Correlations among the Study Variables

Variables	Mean	s.d.	1	2	3	4	5
1. Market strategy	4.58	.82					
2. Employee competencies	4.69	.90	.36**				
3. Culture	4.64	.88	.53**	.40**			
4. Workforce practices	4.35	.95	.37**	.33*	.48**		
5. Strategic processes	5.10	.88	.47**	.43**	.56**	.50**	
6. Market performance	5.36	.92	.40**	.30**	.37**	.30**	.67**

* p<.05
** p<.01

Model 1 in Table 3, the baseline model, shows the effects of the control variables on market performance. Model 2 shows the impact of market strategy on market performance after the effects of the control variables. The significant Beta weight indicates that market strategy impacts market performance after controlling for industry and employee size of organization. Model 7 shows the impact of the mediator on market performance after the inclusion of the controls and market strategy. The Beta weight for market strategy fell from .40 ($p < .01$) in model 2 to .10 ($p < .05$) in model 7. Model 3 shows the impact of employee competencies on market performance after the effects of the control variables. The significant Beta weight indicates that the employee competency variable impacts market performance after controlling for industry and employee size of organization. Model 8 shows the impact of the mediator on market performance after the inclusion of the controls and employee competencies. The Beta weight for employee competencies fell from .34 ($p < .01$) in model 3 to .05 (ns) in model 8. Model 4 shows the impact of culture on market performance after the effects of the control variables. The significant Beta weight indicates that culture impacts market performance after controlling for industry and employee size of organization. Model 9 shows the impact of the mediator on market performance after the inclusion of the controls and culture. The Beta weight for culture fell from .37 ($p < .01$) in model 4 to -.01 (ns) in model 9. Finally, Model 5 shows the impact of workforce management practices on market performance after the effects of the control variables. The significant Beta weight indicates that the workforce practice variable impacts market performance after controlling for industry and employee size of organization. Model 10 shows the impact of the mediator on market performance after the inclusion of the controls and workforce practices. The Beta weight for workforce practices fell from .31 ($p < .01$) in model 5 to -.06 (ns) in model 10. These results indicate support for the mediating influence of strategic processes on the relationship between market strategy, culture, employee competencies, workforce management practices and firm market performance.

TABLE 3

The Effects of Market Strategy, Employee Competencies, Culture, Workforce Practices, and Strategic Processes on Market Performance

Variables	Market Performance Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10	Δ
Intercept	45.63**	22.02**	25.57**	21.30**	27.39**	13.14**	9.45**	11.28**	13.49**	15.48**	
Size	.09	.09	.10*	.08	.01	.06	.06	.06	.06	.07	
Industry-Manufacturing	.13	.03	.18	.11	.12	.11	.09	.12	.11	.11	
Industry-W	.23*	.18	.25**	.20*	.23*	.17*	.16*	.18*	.17*	.17*	
Industry-Finance/Insurance	.12	.09	.11	.07	.12	.05	.04	.05	.05	.04	
Industry-Transportation	.05	.01	.05	.04	.09	.05	.04	.05	.05	.04	
Industry-A	.03	.01	.03	-.02	.02	.01	.01	.01	.01	.01	
Industry-Service	.12	.03	.07	.08	.09	.05	.03	.04	.05	.05	
Market strategy		.40**					.10*				.30
Employee competencies			.34**					.05			.29
Culture				.37**					-.01		.38
Workforce practices					.31**					-.06	.37
Strategic processes						.68**	.63**	.66**	.68**	.71**	
R^2	.03	.19**	.15**	.17**	.12**	.49**	.50**	.49**	.49**	.49**	
F	1.83	10.85	7.63	9.18	6.11	42.85	39.23	38.26	37.99	38.41	

* p<.05
**p<.01

Comparisons
- Model 7-Model 2
- Model 8-Model 3
- Model 9-Model 4
- Model 10-Model 5

DISCUSSION

Using a systems perspective (Ackoff, 1981), this study attempted to discern the mediating role played by strategic processes in the linkage of market strategy, culture, employee competency, and workforce management practices, to a firm's market performance. In other words, our objective was to probe the black box of the well-researched relationship among these imperatives and organization performance focusing on the workings of the internal processes that create and sustain these relationships and allow us to go beyond the meanings provided by the independent variable imperatives alone.

Using the Baron and Kenny (1986) procedure, we found that the strategic processes variable reduced the size of the Beta weight for the relationship of each imperative and firm market performance. For the culture, employee competency, and workforce management practice imperatives, the Beta weights showing the relationship with firm performance went from statistically significant to non-significant after including the strategic process mediating variable. In the case of market strategy, the Beta weight fell sharply from .41 to .10 after inclusion of the mediating variable. These reductions demonstrate that the mediator variable is powerful and plays a transformative role in the relationship of the imperatives to market performance. The fact that the Beta weight for market strategy was still significant after the inclusion of the strategic processes variable, suggests that other mediating factors may also be operating in this relationship (Baron and Kenny, 1986). It is quite possible that a clear market strategy describing an organization brand may influence cognitive and emotional reactions within customers that also mediate the relationship between strategy and market performance (McNally and Speak, 2002).

From a practicing manager perspective, these results suggest that a firm's market performance is impacted and shaped by the internal processes used to create value for customers. The market strategy, culture, employee competencies, and workforce management practices, used within the firm must exert an aligned emphasis on and through the operating processes in order to affect performance in the market place. In other words, market strategy pronouncements, focusing on specific cultural values as a lifestyle within the firm, the competencies possessed and enacted by employees, and the human resource policies and practices used, must exert their influence on market performance by overtly shaping the daily execution of the operating processes. Changes in any of the imperatives enacted to positively impact market performance must be channeled through the operating processes in order to achieve their intended objective.

The findings from this study must be interpreted in light of several limitations. First, as noted earlier the convenience nature of the sample introduced a selection error that could affect both the internal and external validity of the study (Cook and Campbell, 1976). Although there were 368 firms involved in the project, specific over and under-representation against the national population of firms limits the extent to which the mediating impact of strategic processes may be accepted and limits the generalizability of firms to which the findings may be applied. Second, the cross-sectional nature of the research design with a limited number of respondents for each firm, may introduce method bias that again would threaten the internal validity of the study and lead to overestimates of the size of the relationships among the study variables. Although all firms had a minimum of two respondents (dividing up five different surveys), approximately 45 percent of the firms used three or more respondents. Furthermore, we were unable to determine the extent to which respondents communicated with each other as they completed the surveys. Future research should attempt to obtain a nationally representative set of firms and to control how the survey instruments are completed within each organization.

These limitations notwithstanding, the findings of this project contribute to the strategic management literature by suggesting a mediating role for strategic processes in the relationships among various imperatives and firm performance. Support for the mediating role of strategic processes lends credence to assertions made by previous authors regarding the significance of operating processes for firm performance within a systems view of the organization (Ackoff, 1981; Galbraith, 2002).

Given the importance of competitive advantage in today's economy (Roberts, 2004), we hope that future research will seek to elucidate how imperatives such as market strategy, culture, employee competencies, and workforce management practices exert their influence on firm market performance working through strategic operating processes. Our findings indicate that this model of the impact of selected imperatives on firm performance, although more complex than the basic research model, provides a cogent mechanism for actions by practicing managers to align imperatives in search of competitive advantage.

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APPENDIX

Factor Analytic and Internal Consistency Reliability Results for Study Variables

Scale	% Variance*	Alpha
Market Strategy	30.11	70

Operational Excellence

In our organization we reward people who take the initiative to improve our internal processes.
The people who succeed in our organization are able to eliminate waste and increase efficiencies.
In our organization we reward people who find specific, rather than general solutions for customers' needs.
Our people enjoy performing their assigned duties within a clearly established plan.

Product Leadership	9.80	.73

Those people who succeed in our organization do so by developing new products/services.
Our products/services are best characterized as innovative, continually changing, and broad in nature in our marketplace.
In our organization we encourage experimentation in developing new products/ services.
Our organization has a structure that allows us to be innovative and very creative in terms of our products/services.
The increases or losses in demand we have experienced are due to our practice of aggressively entering new markets with new types of products, services, or programs.
In our organization we do not punish failure in experimenting with new products/ Services.

Customer Intimacy	8.70	.76

Our organization has an image of doing almost anything, often without regard for initial cost, to ensure that customers get exactly what they want.
Our products/services are best characterized as continuously tailored and shaped to fit the exact needs of our customers.
Our organization has an image of offering reliable products/services that meet customer expectations.
Our organization spends a great deal of time monitoring changes and trends occurring with our customers and much less time monitoring the activities of competitors, vendors, etc., in our industry.
The increases or losses in demand we have experienced are due to our practice of aggressively concentrating on more fully servicing and developing

relationships with customers we currently serve.
In our organization decision making is delegated to those who are closest to the customers.
The people who succeed in our organization are willing to openly speak on behalf of customers.

Employee Competencies

Scale	% Variance	Alpha
Efficiency	44.49	.79

Willingness to work under a specific system or way of doing things without wavering.
People in our organization are comfortable working in a standardized and centrally planned environment.
Ability to work at highly structured tasks.
High concern for the quantity of output on one's job.
Willing to work alone for hours at a time.
Ability to be careful about detail and thorough in completing work tasks.

Scale	% Variance	Alpha
Creativity	10.34	.93

Ability to experiment with different ways of doing things.
Being pioneering and opportunistic in addressing issues.
Ability to be creative and use alternative thinking to come up with new ideas.
People in our organization are imaginative and driven by the desire to create a new future for our products/services.
Ability to take a calculated action where a known risk is involved.
Ability to develop an image of a total system or solution to a problem.
Ability to take a long-term view of an action.
Being aware of others' reactions and understanding why they act the way they do.
Willingness to take action with limited or incomplete information.
Ability to analyze information and use logic to deal with a work issue.

Scale	% Variance	Alpha
Customer/Solution Orientation	5.51	.85

Knowledge of the products/services offered by the organization.
Knowledgeable about the tastes and needs of customers/clients.
Willingness to respond to and deal with customers' needs, i.e., customer service orientation.
High concern for quality delivered to the customer/client.
Ability to listen to what others are saying and ask appropriate questions.
People in our organization are driven and obsessed with providing specific solutions and establishing long-term relationships with customers.
Ability to see the "big picture" when dealing with a customer/client.

Culture

Scale	% Variance	Alpha
Conflict Resolution & Information Sharing	37.74	.81

Adequate resources (managers, third parties, etc.) for resolving conflict are available to employees.
Conflicts among employees are acknowledged and resolved.
Channels for employees to address concerns or make suggestions are readily available.
Employee differences (e.g., personality, race, gender, age, work styles, etc.) are leveraged by the organization for competitive advantage.
Employees are regularly informed about things that are important to them; major events, changes, etc.
Employees are provided with the information they need to do their jobs.
Employees are treated in a fair and consistent manner across the organization.
Healthy conflict among employees is encouraged.

Scale	% Variance	Alpha
Risk-Taking	10.87	.86

The organization provides opportunities for employees to experiment on their jobs.
Appropriate risk-taking by employees is encouraged.
Innovation by employees is encouraged and rewarded.

Scale	% Variance	Alpha
Focus on Rewards	7.91	.88

Rewards and recognition are administered fairly and based on merit.
Multiple methods of reward and recognition are used to motivate employees.
Good performance is recognized and rewarded.

Scale	% Variance	Alpha
Teaming	4.98	.74

Employees are encouraged to collaborate with other people in their work unit.
Employees are encouraged to collaborate with people across work units.
Teams (as opposed to individuals or departments) are generally the units through which most of the work gets done.

Scale	% Variance	Alpha
Encourage Competition	4.76	.81

Employees are encouraged to act competitively with others inside the organization.
The organization values a competitive approach to work by its employees.

Scale	% Variance	Alpha

Workforce Practices

Scale	% Variance	Alpha
Performance Management	33.74	.85

Uses performance appraisal forms that focus on the relevant duties and specific skills required for successful job performance.
Has supervisors/managers meet regularly with individual employees to give developmental performance feedback.

Has supervisors meet with employees to discuss their career goals and realistic career options.
Regularly conducts appraisals of employees' performance.
Uses performance appraisal forms that measure performance based on objective, quantifiable results.
Regularly surveys the opinions of employees regarding their job conditions and satisfaction.

Productivity Enhancement	6.46	.80

Utilizes teams who have responsibility for decisions, assigning work, and/or determining work methods.
Establishes committees/teams of employees who examine productivity and/or quality problems and provide recommendations for changes.
Conducts regular projects to identify strategic people-related issues that might impact the organization's functioning.
Uses a total quality management approach to improve productivity and/or service.
Involves employees in decisions that directly affect their work processes.

Management Support-People	4.27	.77

Emphasize the importance and value of the organization's employees through their stated philosophy and beliefs.
Continually invest time and money in improving people related procedures and practices.
Endorse and support work/life policies, programs, and practices as important activities that add value to the bottom line.

Development & Labor Costs	3.74	.83

Provides formal training programs for executive and other managers to improve their capabilities.
Provides formal training programs to employees in order to increase their promotability in the organization.
Uses a formal process of succession/long-term development planning for managers.
Uses various forms of non-training initiatives (e.g., job rotations, task teams, experiential learning, simulations, etc.) for executives and managers.
Provides training (inside and/or outside the organization) to help keep employees' skills up-to-date.
Uses various activities focused on the management of labor costs.

Job Clarity & Employee Communications	3.19	.77

Uses a formal process for determining workforce demand and supply to ensure the flexible deployment of employees.
Ensures that job duties are clearly defined for jobs.

Uses various formal procedures for sharing important information with employees.
Uses a computer-based human resource information system that collects and tracks various types of employee information.
Has a formal grievance procedure or formal complaint resolution system for employees.

Scale	% Variance	Alpha
High Commitment Work Design	2.67	.74

Provides employees with opportunities to suggest improvements in the way things are done in their work units.
Has mechanisms in place to keep open communications with their employees.
Designs jobs to provide employees with variety, autonomy, and feedback to increase their motivation.
Has people regularly work at multiple jobs or receive cross-training to increase the number of skills they possess.
Encourages supervisors/managers to regularly use non-financial rewards such as recognition, praise, etc.
Uses alternative work schedules, such as flexible hours, job sharing, part-time work, etc.

Scale	% Variance	Alpha
Staffing	2.65	.73

Provides information to job applicants that realistically describes the job and company (positive as well as negative aspects).
Assists employees in understanding their benefits.
Examines various recruiting sources (e.g., want ads, employee referrals, colleges, etc.) to determine which provide the most appropriate employees.
Uses structured, standardized interviews (as opposed to unstructured) to select candidates for jobs.
Uses hiring procedures or tests that focus on who will best "fit in" with the company's culture and values.

Scale	% Variance	Alpha
Pay-for-Performance	2.32	.81

Links individual employees' rewards, raises, or bonuses to how well they perform the job.
Provides incentives to employees to increase productivity or quality.
Uses compensation programs that link employees' rewards to how well the organization performs (e.g., profit sharing, gain sharing, etc.).
Has a pay policy of being a pay leader (i.e., paying above the market average) in the industry or geographic area.

Scale	% Variance	Alpha
Strategic Processes	39.53	.86

Overall, our organization does a good job of managing information and communicating with employees.
Overall, our organization does a good job of planning, setting operating goals, and evaluating our performance.
Overall, our organization does a good job of maintaining control and coordination of our operating activities.
Overall, our organization does a good job of developing and "growing" our human resources.
Overall individuals in this organization like one another, work well together, communicate fully and openly, and effectively coordinate their work efforts.
Overall, our organization operates efficiently (i.e., our performance is good given the costs incurred to achieve that performance).
Overall, our organization is able to readily change its standard operating procedures in response to shifts in our environment.
Overall, our organization does a good job acquiring the various resources necessary for effective operation and growth.
Our organization's technology is typically at a level required to maintain a competitive position and desired financial performance.

Market Performance	9.16	.74

Our organization's fixed assets typically perform to our expectations.
Our organization can easily obtain capital for expansion of our current operations.
Our organization enjoys above-average overall financial performance compared to others in our industry.
Generally our organization has a good relationship with our suppliers because of our strong understanding of our own production/service requirements.
Overall, the quality of our primary products/services provided to our customers is high.
Our organization occupies either #1 or #2 position in our markets.

*Principal components with Kaiser criterion