Human Resources Management Theories, Policies and Practices: A Review of Literature

Dr. Egbuta, Olive U.
Associate Professor, Department of Business Administration and Marketing, Babcock University, Ilishan-Remo, Ogun State, Nigeria

Omojola, Olugbenga I.
Ph.D. Student, Department of Business Administration and Marketing, Babcock University, Ilishan-Remo, Ogun State, Nigeria

Abstract:
Human resources management is one of the fundamental constructs in management research and numerous theories have been propounded to explain the phenomenon. This study investigated the effect of these theories on Human resources management policies and practices and how they could be applied to further enhance the effective management of HR. The research reviewed nine (9) Human resources management theories and existing literature in relation to how these theories shape HR management practices along with the various results that have been recorded across different contexts. It was concluded that no single theory is considered the best as they all have varying strengths and weaknesses. The study also revealed that various contexts would require unique HR management practices. It is also recommended that HR practitioners, managers, business owners and policy makers should have an extensive understanding of these theories so as to know the most effective and efficient way to respond to situations that may evolve in the day-to-day practice of HR management.

Keywords: Human resources management, Human resources management theories, Human resources managers, Human resources policies and practices

1. Introduction
This is a review of selected theories that have been used to explain the phenomena of Human resources management (HRM) and Human relations school (HRS) of thoughts. For this study, a theory is defined as a set of general principles or ideas that are put together to explain a phenomenon while being independent of what it intends to explain. The primary goal of theories is to explain what causes something to occur or to inform on the likely consequences of a phenomenon. Human resources management can be summarily described as all activities that span the regulation of work and management of employment amongst all actors in an employment relationship (Townsend, Cafferkey, McDermott & Dundon, 2019). Several scholars have identified human resources management as a major determinant of the success or otherwise of an organisation (Bedarkar & Pandita, 2013). HRM practice has been reported to be highly sensitive to context (Cooke, Veen, & Wood, 2017) irrespective of the kind of organisation being observed and this further lends credence to the critical role understanding HRM theories play in shaping HRM practice. The globalised economy has however, further led to the diffusion and adoption of HRM practices and theories by different organisations irrespective of their unique features, varying institutional environment and cultural traditions (e.g., Rubery & Grimshaw, 2003; Wise, 2013). This study is hence focused on identifying these various theories of HRM while also attempting to make recommendations on their contextual adoptions and adaptations. In essence, a robust understanding of various HRM theories will guide practitioners in adapting the respective underlying principles to address the various situations that may be faced in practice.

Interpretation of organisational phenomenon and more specifically, HRM has indeed grown to become an area of interest for several management scholars and in the following sub section, xxx HRM theories will be reviewed along with their respective effect on Human resource management practice across various types of organisations.

2. Literature Review
2.1. Systems Theory of HRM
Müller-Jentsch, W. (2004) recorded that John Dunlop, in 1958, made the first systematic attempt to formulate a theoretical framework to explain human interactions with organisations, the government and other stakeholders within the environment of the organisation. This framework explained the intricate interactions of all actors in the Industrial relations system. The theory directly referenced Parson’s theory of social systems. In his publication, John Dunlop defined the Industrial relation system (IRS) as an analytical subsystem of industrial societies and located it ‘at the same logical
plane as an economic system'. However, when viewed through the lenses of Parsons' social system theory which significantly influenced the systems theory, the functional differentiation of modern societies into four particular subsystems (economy, polity, law and social control institutions, family and cultural systems), the IRS will hence be considered a subsystem of a subsystem in Parsons' frame of reference.

The conceptual framework of John Dunlop's system theory has been recorded to have three significant merits. Firstly, the framework considered the rules and norms in industrial relations to be the centre of focus and not collective bargaining and conflict which had been the major focus in industrial relations prior to the development of John Dunlop's system theory in 1958.

Secondly, the systems theory identified the various elementary units that make up the IRS. This enhanced the various actors in the IRS to further understand the interactions between the various elements of the system and how to manage the effects of the interactions to achieve set goals and objectives. Thirdly, the internal structure of the IRS was described as a 'web of rules' that guides the institutions and norms that forms the framework of the IRS and the outputs, which include substantive items identified as wage rates, working hours and conditions of service. The procedural institutions include the conciliation and arbitration boards. Dunlop (1958) hence conceptualised the IRS in terms of processes and products guided by rules directing the interactions of the actors and administered by systems ranging from the national, industry or plant level.

Three major components were identified as the primary components of an IRS, and these are employers, workers and their respective representatives and government institutions that deal with industrial relations. Three environmental contexts were also identified as technologies, markets, and power distribution. These contexts were recorded to have a significant impact on the interactions of all actors in the IRS and hence must be studied and considered in studying or managing Human resources at a national, industry or plant level.

Critiques of the systems theory have identified a number of salient weaknesses observed in theory. It is considered that the required focus and attention is not given to conflict and change. Dunlop regarded stability as a major goal of the IRS and this focus is considered as overly simplistic more so that conflict is a perpetual feature in the IRS. Also, little attention was given to the internal dynamics and conflicts of the respective part of the IRS which were treated as unitary elements in the theory.

In spite of the preceding criticisms, the Systems theory provides a framework to consider all the interactions in Human Resources Management from a fundamentally holistic perspective. The theory provides that in considering matters or phenomena in employment relations, one should have a holistic view, thereby considering all aspects and parties involved before arriving at a decision or conclusion.

2.2. Universal Theory of HRM

The Universal Theory of HRM is also referred to as the 'Best Practice Approach', which states that adopting certain HR practices will lead to better outcomes for organisations spanning areas like labour productivity and financial performance. The unitarist foundation observed here recommends that employees should benefit both intrinsically and extrinsically from approaches like job enrichment, work-life balance, higher than usual remuneration packages, and employers enjoy sustained competitive advantage and performance. (Huselid, 1995; Pfeffer, 1998). The proponents of the Universal Theory of HRM argue that one best approach can be discovered and applied to HRM, and similar results would be achieved. These theorists are also called Unitarists.

A significant criticism of this theory is states that it is impractical for there to be a single theory that would be applicable to all varying contextual developments in Human Resources Management. It is also argued that different contexts require varying approaches to the management of Human Resources.

The contribution and impact of this unitarist perspective to HRM is primarily in the fact that an attempt is made to create standards that are regarded as 'Best Practice' across various aspects of HRM irrespective of economic sectors, technological development, geographical location and other internal and external factors that could vary across different scenarios. Criticisms of the Universal Theory of HRM gave rise to the Contingency Theory of HRM.

2.3. Contingency Theory of HRM

The Contingency Theory of HRM is also known as the 'best fit' HRM theory/approach. This approach to HRM states that HRM practices cannot be bundled universally and applied irrespective of the organisation's varying internal and external factors. In other words, the proponents of these theorists opine that there cannot be a universally applicable bundle of HRM practice and result as outcomes are contingent on certain factors, such as the life cycle of the firm, market competition, low cost or quality enhancement strategy, or the occupational categories and skills of workers (among other contingencies) (Boxall and Purcell, 2011).

This theory suggested that for firms to be effective and efficient, HRM functions must fit with the organisation or external environment aspects to achieve organisational goals. According to Harney (2016), contingency theory within HRM is based on external and internal fit. External fit means HR practices must fit with the organising strategy and environment conditions. Internal fits mean HR practices must work together to deliver the same message and the desired outcome. Also, Deary and Doty (1996) stated that by using contingency theory, firms could promote employee behaviours that are matched with business strategy because behaviour is the impact of an employee's ability and motivation, therefore by implementing HR practices such as promoting policies that motivate the employee, an organisation can influence behaviour.
Hence, the contingency theory of HRM provides that each scenario or development in HRM would require a unique and specially developed bundle of responses that would reflect the contextual reality to attain a desired outcome or result. However, the critiques of this theory argue that this perspective brings a significant level of subjectivity to HRM practice. They also argue that it discourages the development of standards across HRM practice, which may further complicate the drive of some scholars in the field to standardise HRM practice across the world.

However, the Contingency theory impacted the practice of HRM significantly as it allows for HR managers to develop bespoke solutions and approaches to addressing developments across the spectrum of Human Resources Management.

2.4. Institution Theory of HRM

The internal environment of organisations is the primary focus of Institutional theorists of HRM. These theorists opine that to understand an organisation and how best to manage its human resources, a manager must have a clear understanding of all elements that shape its internal environment. Meyer and Rowan (1977) cited in Mohamed (2017) recorded that organisational forms are largely dependent on rational myths or shared beliefs which shape the internal environment of an organisation. The advocates of this theory state that the internal environment largely affects the interactions of all actors in HRM and hence must not be ignored when formulating HRM policies at all levels. The application of the principles of this theory spans national, industry and organisational levels.

The institutionalist theorists also state that when the logic of organisational fields and norms are optimised, organisational survival is supported and further enhanced (Mohamed, 2017). This describes in other words the pertinence of the internal environment of organisations in determining not only its performance level but also its continuity as a going concern (Mohamed, 2017).

Another main contribution of the Institutional theory to HRM is the push for empirical research to understand the cognitive dimensions of organisations stemming from the interactions of the various elements in its internal environment (Scott, 2008 cited in Mohamed, 2017). Majority of these researchers focus on regulatory and normative aspects which lead to the evolution of stability within organisations. The proponents also give room to accommodate and address deviating behaviour while seeking organisational stability and survival (Phillips and Malhotra, 2008 cited in Mohamed, 2017).

The Institutionalist Theory of HRM has been classified broadly into three categories, namely sociological institutionalism, historical institutionalism and political institutionalism. Sociological institutionalism is further categorised into three main stages. The first is instruments comprising of individual ideas and assumptions. The second is the connection between observed reality, political factors and goals. Culturally driven assumptions are the last stage in this sub-categorisation. Historical institutionalism has a relatively high level of self-identity, while political institutionalists typically build their assumptions at the state of macro-political levels while also positing that the process of creating states, political frameworks and political party systems strongly influence organisational procedures and results (Ramsey &Amenta, 2009).

2.5. AMO Theory (Ability, Motivation and Opportunity)

These HRM theory anchors on three components: Ability, Motivation and Opportunity. These three elements have been identified as the significant factors that shape how employees interact with organisations and organisational performance as a whole. The AMO theory provides effective methods that will foster employee motivation through the design and administration of organisational policies and practices by line and human resources managers (Bos-Nehles, Riemsdijk, &Looise, 2013).

Yahya, Tan and Tay (2017) described the first component among the elements that make up the AMO theory - ability as practices and policies that the HR function of an organisation performs in order to ensure that employees have the required skills, knowledge and ability to execute their deliverables with the barest minimum level of supervision. The component tagged ability is essentially made up of three distinct elements of an employee’s knowledge, skills, and ability. These HR activities that enhance employees’ ability to achieve set goals also include developing effective recruitment and selection policies that ensure that the right talents are sourced and engaged for the organisation. Other similar HR function activities include training and development, which enhances employees’ knowledge and skills required to perform their duties effectively.

The second component – motivation, focuses primarily on the performance of employee’s vis a vis set goals and objectives. Proponents of the AMO Theory posit that HR policies should be drawn to motivate employees to attain slated goals while also catering for rewards for efforts and results obtained by individual employees. HR policies hence should be designed to enhance employee motivation to achieve set goals and objectives. Such policies could include a constructive performance feedback mechanism, financial reward and non-financial rewards (Yahya, Tan &Tay, 2017). The third component of the AMO theory addresses Human resources management policies and practices that aim at enhancing employee engagement and performance through the provision of opportunities to foster employee involvement. Such opportunity-enhancing policies would typically enhance the delegation of decision-making authority and responsibility to enhance employee involvement across the organisation. It was reported by Bos-Nehles, Riemsdijk, &Looise (2013) that opportunity-enhancing HR policies and practices reinforce employee trust in their respective organisations and speeds up organisational growth as collaboration and teamwork is enhanced.
2.6. Resource-Based Theory of HRM

The assumptions of the resource-based approach to understanding, explaining and administering HRM is premised on the effects the resources available to a firm has on its operations and its competitive advantage (Mweru &Muya, 2015). These resources have been identified and categorised as financial, physical, human, technological, reputational and organisational. Proponents of the theory posit that these resources should be distributed heterogeneously within organisations, and policies should be developed to ensure that they remain stable over time. The Resource-based Theory provides that HRM practice and policies should be focused on developing the competitive advantage of an organisation by focusing on how internal resources owned by an organisation and unique to it are effectively managed and put to use to achieve corporate goals and objectives. The resource-based theorists further posit that companies can attain and maintain their respective competitive advantages by investing in innovation and positioning themselves strategically in their respective markets (Mweru &Muya, 2015).

The Resource-based theorists of HRM also state that effective human resources management practices can be easily emulated by competitors; however, the actual human capital of an organisation would remain unique and this ultimately transposes into a competitive advantage if effectively deployed. The theorists’ focus is on how organisations manage their human capital as that would be the fundamental differentiating factor between organisations and their relative performance in their respective markets.

Grant (1999) reported that identifying the internal resources owned by an organisation is, however, an intricate process. The researcher recorded that there are two main sources of information on the resources of an organisation. These are information technology platforms and financial statements though both factors fail to present sufficient information about intangible resources and people-based skills. In other words, organisational resources are fundamentally categorised into tangible and intangible resources. Identifying and measuring tangible resources are relatively easier compared to intangible resources, which are difficult to identify, define and measure. Critiques of the theory, however, opine that its proponents overly focus on firms’ internal resources in crafting human resources policies at the expense of other activities that could also shape HR policies like organisational culture.

2.7. Human Capital Theory

Proponents of the Human Capital Theory focus on the idea that organisations rely on their human capital to develop innovations. They also posit that the level of creativity per person would ultimately determine their rewards or income from their employers. The proponents further posit that the Human Capital Theory is also anchored on the assumption that formal education is a significant determinant of the production capacity of a population (Olanyan & Okemakinde, 2008).

The theorists state that human capital can be identified and measured by the value of investments the person has made on himself or herself. This investment in human capital determines their respective economic productivity.

Human capital theorists also posit that education has a positive and direct effect on the productivity and efficiency of employees as both variables increase when education increases. According to Babalola (2003) stated in Olanyan and Okemakinde (2008), the rationale for investing in human capital is anchored on three considerations. The first is that it is required that the coming generation be provided with the knowledge of their preceding generation. The second consideration is that the upcoming generation should be trained to be able to leverage existing knowledge to create and invent new products and services. Lastly, the new generation should be equipped and positioned to discover new ways of solving societal challenges through innovation.

Some researchers have, however, criticized the Human Capital theory stating that there is a weak correlation between personal income and the education of people. They further stated that when multiple regression is used to analyse the nature of the relationship between both variables, the regression coefficient of the effect of schooling on earning is relatively small (Fix & Blair, 2018).

2.8. Agency Theory of HRM

The Agency theory of HRM provides that firms managed and monitored by the owner require low agency cost, but when the firm grows, and more agents are involved, the monitoring cost increases because the owner becomes less efficient.

This theory is applied to interpret and understand situations in which a principal (owner) delegates tasks to an agent (employees) on his behalf, while this may also include some decision-making authority. This theory is applied to HRM by reducing the conflicts of interest between principal and agents when responsibility delegated by controlling behaviours and build employee relations. Welbourne and Cyr (1996) noted that agency cost would reduce when the firm is controlled by the owner and conflict of interest eliminated and establish proper incentives to ensure that the agent will not take harmful action toward the principal. Agency cost includes monitoring cost, which directly related to the actions of the agent. Firms managed and monitored by the owner require low agency cost, but when the firm grows and more agents are involved, the owner’s monitoring cost increases because the owner becomes less efficient.

Nevertheless, the agency theory has extensive consequences at both the individual and organisational level for firms because it linked between goals and participation, tied employee attitudes, organise the relationship between employer and employees, and employee withdraws behaviours (Levy and Williams, 2004 quoted in Evans & Tourish, 2016, p. 6). Also, Welbourne and Cyr mentioned in their article that the HRM functions such as job analysis, job posting, writing, and formalizing policy made to standardise and control employee behaviour might be viewed as serving monitoring function by managers.
Firms can benefit from choosing incentive alignment by increasing employee ownership (Welbourne and Cyr, 1996, p. 8). This will enhance focus on aligning employee goals with organisational goals and make employees become risk-takers and act in the principal’s interest and in ways that will benefit the organisation.

2.9 Human Relations Approach

The genesis of the scientific study of human interactions in the workplace is often traced to Elton Mayo and his associates’ study at Hawthorne. Their study anchored on their concern for the ‘human factor’ in the production of goods and services. The Human relations approach to HRM stemmed from the reaction to scientific management postulations that were considered inhumane as it presented humans as a factor that could be managed in the same way as other factors of production. Mayo and his associates were credited for identifying and amplifying the centrality of the ‘social person’ in the workplace as they posited that man must be considered as a social being as against Taylorism (scientific management approach) which only considered people at work on an individual basis. The proponents of the Human Relations approach argue that human beings are not merely egotistic or utilitarian economic animals as provided by the Taylorism approach, but are beings that also seek to meet psycho-social needs while identifying that social interaction at work also significantly impact individual performance, which would culminate into organisational performance (Dingley, 1997; Duncan, 1999; Wren & Greenwood, 1998).

However, critics of the Human Relations school of thought consider Mayo’s description of managers as natural elites who have the competence and right to coordinate workplaces as defective and simplistic. Deetz (2003) highlighted that capitalist ownership and management authority are not to be assumed as natural instead, they should be deliberately cultivated if they will be effective in managing human resources. The critiques also highlighted that the provisions of the theory support manipulation of human resources, however, through cognition and emotional means as against the basic carrot and stick method, which is one of the foundations of the scientific management approach.

The Human Relations Approach provides that Human Resources management must consider that workers have social needs (this was premised on the findings from Mayo’s Hawthorne studies). In other words, the Human Relations approach focuses on the social interactions amongst employees and how this affects productivity and Human resources management. Premised on the provisions of the proponents of this theory, HR managers and business owners should take cognizance of the fact that employees must be treated as social beings with high-level needs that go beyond basic economic needs so as to be able to develop and implement effective HR policies that would get the best out of the organisation’s human capital.

3. Methodology

This study was conducted by systematically reviewing literature; various studies that discussed human resources management theories were reviewed. Relevant materials such as textbooks, journals and other official documents both in prints and electronic copies were widely consulted.

4. Findings and Discussions

The human resources management theory adopted by an organisation is of significant strategic importance to the management of any institution or organization as it impacts the overall performance and continued sustenance of organisations. The approach to the management of human resources has also been found to play a significant role in organizational effectiveness and growth.

The findings from this study show that when human resources management policies and practices are effectively designed and deployed, employee performance and engagement would be enhanced within the organization. The findings from this study also indicate that human resources management policies and practices must be hinged on carefully selected HRM philosophies that are objectively selected and applied within the right contexts. Human resources management policies and practices were also identified as key drivers of employee performance and engagement. This hence implies that business owners and HR managers should ensure that the right focus and attention is given to the development and implementation of all policies that impact on human interactions within the organization as they would ultimately impact organizational performance.

The study also revealed that all the various HRM theories that were reviewed have varying strengths and weaknesses and all HR managers, HR practitioners and business owners should be conversant with them. Human resources management policies and practices should hence not be hinged on a single HRM theory but on a careful and objective combination of the various theories with a consideration of the subsisting situation and each organisation’s contextual reality.

5. Summary, Conclusion and Recommendation

Findings from this study show that HRM practices and policies are significantly shaped by the HRM philosophies and theories adopted by HR managers and business owners. The study draws attention to various HRM theories and their respective strengths and weaknesses noting the importance of examining each carefully in line with subsisting contextual realities before crafting HRM policies and practices. The study also shows that the human resources of an organization form their competitive advantage and hence, policies and practices that will impact their respective performances and engagement must be carefully drawn and effectively managed.
The theories and approaches to HRM that were reviewed in this study however, do not cover all known theories of HRM. The reviewed theories were however carefully selected and were identified as widely applied in the field of Human Resources Management.

This study concludes that organisations, the government and policy makers should ensure that the right focus and attention is given to the development and implementation of all policies that impact human interactions at work as they impact employee engagement, employee performance and aggregate productivity.

Finally, the findings from this study supports the view that Human resources management policies and practices should not be hinged on a single HRM theory but on a careful and objective combination of the various theories with a consideration of the subsisting situation and contextual reality.

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