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Transforming Human Resource Management into a Dynamic Capability and the
Effects on Employee Attraction and Retention

by

William Ricardo Jimenez

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of
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Effects on Employee Attraction and Retention” by William Ricardo Jimenez.

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Abstract

Title: Transforming Human Resource Management into a Dynamic Capability and the Effects on Employee Attraction and Retention

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Employee attraction and retention remain one of the biggest difficulties faced by employers in the United States. One way for firms to combat this issue is through the creation of dynamic capabilities. Dynamic capabilities are processes developed by a company that are based on its history, asset positioning, and process changes which could potentially lead firms to a competitive advantage. The purpose of this study was to explore whether a dynamic capability could be created through a firm's Human Resource Management (HRM). More specifically, the study examined the relationship between a business's HRM through the creation of a dynamic capability composite variable and a firm's employee attraction and retention. A survey was developed and distributed to three associations in the construction trade, the Association of General Contractors, Association of Builders and Contractors, and the Home Builders and Contractors Association, totaling 526 companies. Of those businesses surveyed, 68 firms completed the survey, which equated to a 12.92% completion rate. The results were analyzed using a bivariate

correlation and indicated that there was a strong positive correlation between a firm's HRM and the creation of a dynamic capability. This connection suggests that firms who are better utilizing their HRM have the potential of attracting more salaried employees to a company. The study also found that there was no significant correlation between a firm merely investing into its HRM and the attraction or retention of its employees.

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List of Keywords

Benefits

Construction Industry

Construction Managers

Demographics

Dynamic Capabilities

Employee Attraction

Formal Human Resources

General Contractors

Human Resource Management

Involuntary Turnover

Labor Shortages

Opportunities for Growth

Ordinary Capabilities

Organizational Culture

Organizational Image

Overtime Work

Skill Shortages

Specialty Trade Contractors

Subcontractors

Training

Voluntary Turnover

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Acknowledgment

The process of writing a dissertation is the most painstaking academic endeavor I have ever participated in. I found the most difficult elements to be bridging academic theory and practical application, collecting survey data from participants, and applying statistical techniques. Through the progression of the work, I learned many valuable lessons that will serve me through the remainder of my career. With help from my peers and professors, I was able to successfully transform my abstract thought process into a solid research question which would guide my dissertation. The progression of this work also allowed me to understand the difficulties associated with collecting data from participants and having realistic expectations. Finally, through hours of trial and error, my statistical knowledge increased significantly.

The completion of this work wouldn't have been possible without the help of my family, peers, and professors. I want to thank my wife, Dr. Tamara Pawich, for being my unofficial editor throughout the process and for putting up with many lost evenings and weekends. I want to thank my cohort at Florida Institute of Technology for always supporting each other with valuable insights and by sharing our pains and concerns. I want to thank Dr. Scott Benjamin for challenging my ideas and pushing me to make the best work possible. I would also like to thank him for the obvious reading of my multiple drafts and taking time to meet with me on various occasions. Finally, I would like to thank Dr. Richardson, Dr. Jensen, and

Dr. Lelekis for taking the time to participate in my committee and for the suggestions and guidance they provided throughout the process.

Dedication

I want to dedicate this work to the Jimenez family. I will start with my daughters, Logan and Ripley. I hope that the decision that both your father and mother made to pursue a doctoral degree will inspire you to never stop learning and to continuously strive to achieve the next level of success. To my wife, Dr. Tammi Pawich, I don't believe any amount of thanks will ever be enough. You have supported me through the grueling process of finishing my degree and many hours of writing a dissertation. It is hard to believe that we started this process with a 15-month-old who is now almost four years old, opened two businesses and had our second child. Finally, I dedicate this work to my mother, father, sisters, and their families. Thank you for always supporting my aspirations, whether it has been to join the military, pursue higher education, or open my own enterprises, you have always been positive and available for a helping hand.

Chapter 1

Introduction

Overview

If organizations are to remain viable in today's hypercompetitive marketplace, they must set themselves apart from the competition and strive to attain a competitive advantage. A competitive advantage is a value-creating strategy being implemented by a firm which is not currently being implemented by any current or future competitors (Barney, 1991). Strategic management literature has demonstrated that firms have various levels of capabilities or routines to perform activities, and understanding these processes is crucial to understanding performance (Catterji & Patro, 2014; Winter, 2003). Dynamic capabilities allow some exceptional firms to transform standard methods into sources of potential competitive advantage. This section will focus on the concept of dynamic capabilities and how human resource management (HRM) activities could be developed to be dynamic capabilities. This work will attempt to highlight the differences in firms who treat their HRM functions as just a simple resource of the firm and those who transform these into dynamic capabilities with the ability to cultivate a competitive advantage for a firm.

This research involves investigating if firms can take HRM (an otherwise stagnant resource) and endow it with dynamic capabilities which could lead to a competitive advantage for a firm. As numerous companies have shown, through the

development of a diverse array of company functions, any process has the potential to evolve and become a dynamic capability for a firm. This transformation into a dynamic capability from an ordinary capability requires that companies continually invest in the process and have the foresight to frequently adapt and be flexible with those processes; furthermore, they should implement current processes that demonstrate the greatest benefits to the firm (Teece, 2014). The findings of this research may be eye-opening to firms who have let their HRM departments languish through the years.

Across industries, companies are in a consistent search for competitive advantage. For businesses to achieve a sustained competitive advantage, the competitive advantage it holds must continue to exist after efforts to duplicate it have ceased (Rumelt, 1984). In today's rapidly evolving business environment, firms face a constant barrage of market changes, leading to a hypercompetitive market situation. Adding to the difficulty of organizations gaining a competitive advantage is also the changing demographics of the United States, with slowdowns in population growth and aging populations, which makes it difficult for firms to attract and retain the most qualified staff. It is necessary for companies to acknowledge the changing commercial landscape which can negatively impact their enterprises, with hypercompetitive markets recognized as being more difficult environments in which to achieve competitive advantages (Baretto, 2010).

Barney's (1991) seminal work arguably popularized the concept of the resource-based view. The resource-based view (RBV) proposes that for firms to

obtain a sustained competitive advantage, they must have resources that are valuable, rare, inimitable, and un-substitutable (Barney, 1991). Teece, Pisano, and Shuen (1997) advanced the concept of dynamic capabilities as an extension to the RBV. Dynamic capabilities are defined as competencies businesses possess that can be potential sources of advantage, and how these proficiencies can be cultivated, organized, and secured (Teece, Pisano, & Shuen, 1997). Capabilities dictate a firm's aptitude for deploying resources and implementing organizational processes to reach the desired goal (De Saa-Perez & Garcia-Falcon, 2002).

Researchers have contended that the RBV and HRM are linked to a good match, with human resources having the capability to decrease costs or increase revenues (Legnick-Hall, Legnick-Hall, Andrade & Drake, 2009). While the RBV is linked to HRM, this paper will argue that merely having the aptitude or resource to perform the HRM function is insufficient. Instead, companies must have a strategic focus on HRM functions and develop these competencies into potential dynamic capabilities to succeed in today's hypercompetitive marketplace. Ambrosini and Bowman (2009) outline the thought process found in this paper well, stating that a firm with valuable, rare, inimitable, and non-substitutable products or services which are lacking dynamic capabilities will not achieve sustained competitive returns, and instead face challenges any time the environment experiences meaningful change. Empirical studies on dynamic capabilities are limited and have traditionally revolved around case studies; this paper hopes to extend the empirical evidence for dynamic capabilities by examining HRM and viewing firms that

develop these processes into a dynamic capability rather than just a resource held by the firm.

This paper will analyze if creating a dynamic capability through a firm's HRM is possible by investigating firms' HRM development through its asset positioning measured through a firm's investment in HRM, while its history will be analyzed using the years the company has had a formal HRM department in place. Finally, it will consider eight HRM variables that will be assessed using a dynamic capability composite variable to measure a firm's attraction and retention levels. The eight variables are having a formal HRM department, recruitment activities, organizational culture, organizational image, opportunities for internal promotion, benefits, training, and overtime work. This paper hopes to show that companies who transform their HRM functions into a dynamic capability can gain a competitive advantage by having higher attraction and retention levels of their employees.

For the reader to have a better understanding of dynamic capabilities and their scope, a few examples may be necessary. Both Amazon and Walmart have done an exceptional job with regard to building a dynamic capability. Each of these firms has a history of focusing and investing in the function that has led them to a competitive advantage. They have each been flexible and attempted different approaches to determine which activities have the largest positive impacts on their businesses. Finally, both firms now employ the most efficient practices in their businesses while continuing to invest and attempt novel approaches. These firms

understand that for processes to retain any competitive advantage gained by dynamic capabilities, the processes must remain fluid, the functions must be continually invested in, and they can never let the methods become static for an extended period.

Amazon, for example, cannot simply be viewed as just another e-commerce retailer. Amazon launched in 1995 as an online bookseller and has been able to transform its e-commerce offerings to over 480 million products with over 485,000 new products being added each day (Grey, 2015). Bloomberg (2011) reports that Amazon has also managed to excel at average revenue per unique user gaining \$189 per user compared to \$4 captured by Facebook and a \$24 average for Google (as cited in Grey, 2015). The company has accomplished this success by continually analyzing their business processes and investments (Chaffey, 2018). The company halts those activities that are not providing acceptable returns while reinvesting heavily in processes that seem to be working (Chaffey, 2018). Amazon is arguably the most successful e-commerce site in the world and continues to develop a website that is easy to use through one-click technology, secure web payments, image uploads, website search functionality, and the ability to be able to view interior pages and citations of books (Chaffey, 2018). Amazon continues to advance its e-commerce strategy through constantly developing its e-commerce offerings and entering new product divisions.

Walmart is another well-known company who has excelled at developing a dynamic capability. This section will briefly highlight the development of their

logistic offerings. Walmart opened its first location in 1962 and has since become one of the world's largest retailers (Lu, 2014). Since the company's inception, it realized the importance of the supply chain; beginning in 1962, the company would purchase select bulk items and transport it directly to its store (Lu, 2014). The strategy continued to develop, and in the 1980s, the company started Vendor Managed Inventory that placed the responsibility for managing their warehouse products on the manufacturer (Lu, 2014). Walmart then introduced cross-docking to its logistics strategy; this allows the company to directly transfer inbound and outbound supply trailers, eliminating the needs and costs associated with warehouse storage (Lu, 2014). Walmart's logistic strategy continues to evolve to ensure the company holds a competitive advantage over its other retail peers. Both of the above companies have focused on different areas of their business which they found to be integral to their success. To combat the changing labor landscape and the issues surrounding the attraction and retention of employees, the researcher posits that firms must develop their HRM into dynamic capabilities.

A firm's ability to attract and retain employees who are both competent and reliable has become a key factor in developing a sustained competitive advantage (Kickul, 2001). Businesses face substantial costs associated with employee turnover, and thus, organizations need effective policies that enable them to retain their employees (Steel, 2002). Academic literature has long recognized the importance of research into the attraction and retention of employees (De Vos & Meganck, 2007; Earle, 2003; Heneman & Berkley, 1999; Kickul, 2001; Sokro,

2012). Some of the widely researched attraction and retention factors are linked directly to HRM such as financial rewards, employee benefits, job enrichment initiatives, career perspective, training, and development opportunities (Allen, Shore, & Griffith, 2003; Pfeffer, 1998; Sheridan, 1992). HRM functions have been shown to influence the attraction and retention of employees. However, firms currently do not understand how to correctly develop these functions into dynamic capabilities for maximum positive effects. This paper will investigate what activities highly effective organizations are participating in, and the development of these methods to provide much-needed insight into companies to lead them to a competitive advantage.

Numerous studies have investigated the link between HRM activities and employee attraction and retention (Allen, Shore, & Griffith, 2003; Huselid, 1995). Considerably less research has attempted to link these HRM activities to dynamic capabilities (Lin & Yu Wu, 2013). Dynamic capabilities are said to develop due to three specific factors that this paper will explore: 1) firms' specific processes, 2) asset positioning of the firm and 3) historical development of the firm. The author's main argument is that some firms, because of the three factors listed above, will develop their HRM functions to be dynamic capabilities, which in turn will allow the firm the opportunity to possess a competitive advantage. This dissertation will investigate attraction and retention of firms at the company level; specifically, it will examine if firms with HRM ordinary capabilities can transform these into dynamic capabilities and as such, affect employee attraction and retention.

Main Assumptions

This study will focus on the specific HRM organizational capabilities firms are currently utilizing in their attraction and retention efforts of employees, and if these can potentially lead to dynamic capabilities. There exists a plethora of literature related to employee attraction, retention, and strategies companies could implement to enhance their current practices (De Vos & Meganck, 2007; Earle, 2003; Heneman & Berkley, 1999; Kickul, 2001; Sokro, 2012). This dissertation extends the contemporary attraction and retention literature by examining the eight HRM factors the author's research found to have the largest impact on these factors and through the creation of a composite variable to quantitatively measure if some firms can transform these into dynamic capabilities. The author hypothesizes that firms who have created a dynamic capability will have a dedicated HRM department, invest and have previously invested in HRM, and employ a broad mix of HRM strategies, which will lead to a potential competitive advantage. The author also hypothesizes that firms which merely invest in HRM without employing a broad mix of the eight factors will not see any increase in employee attraction or employee retention.

Companies must understand if it is possible for them to develop their HRM strategies into dynamic capabilities, which can impact the attraction/retention of employees if they want to succeed and thrive in future years. According to Teece, Pisano, and Shuen (1997), this translates into firms who dedicate the resources needed and allow flexibility with processes to find the most appropriate mix for

their firms. Strategic flexibility takes time, and as such, a dynamic capability cannot be expected to develop overnight but instead will take multiple years to build. Research indicates that most employees will leave a firm after five years and as such, this will be the benchmark of time needed for a firm to potentially develop a dynamic capability (Irshad & Afridi, 2007). By firms investing in HRM as outlined above, companies have the potential to transform an essential function into a competence that enhances the attraction and retention of their employees.

The problem of employee attraction and retention will be explored at the company level to determine if there are specific actions some firms are taking that are correlated with the company not having as large of an impact on their attraction/retention. This study will use the construction industry in the Florida market as its context. The construction sector is responsible for \$10 trillion of global spending a year, which accounts for 13% of the global gross domestic product and is a sector that is expected to grow to \$14 trillion a year by 2025 (McKinsey, 2016). This industry is one that has been plagued by attraction and retention issues, and as of 2017, The Associated General Contractors of America cites labor shortages as the leading concern for 41% of construction firms surveyed (Association of General Contractors, 2018). The study is conducted using a survey method distributed to 526 construction firms in the Florida market.

Background and Rationale of the Study

This section will highlight the crucial issues facing the United States, which are related to the attraction and retention of employees for firms; these are labor

shortages, and skill shortages in the United States. It will also focus on the importance of a firm's HRM on these factors. Multiple reports have asserted that in the future, the demand for labor will not be available, which is attributed chiefly to the aging population of the United States (Carnevale, 2005; McEvoy & Blahna, 2001). Additionally, some researchers submit that businesses claim there is a shortage of skilled labor in the United States, and surveys suggest that having a lack of qualified workers is a threat to both business expansion and business survival (Cappelli, 2015). To solve the problems outlined above, organizations should actively pursue strategies to increase the attraction and retention of employees. Given these impending issues, it is imperative businesses understand if it is possible to create a dynamic capability that could enhance the attraction and retention of employees. The HRM decisions made by firms are fundamental to the performance of firms (Augier & Teece, 2009). HRM functions are one of the most crucial factors for increased attraction/retention, and the development of these functions into dynamic capabilities offers companies one of the most apparent ways to combat the current hypercompetitive marketplace and develop a competitive advantage.

Labor Shortage

With the growing labor shortage across industries and the shortage of skilled labor available for employment, firms which are capable of attracting these limited resources and retaining them more than the industry averages can obtain an overall competitive advantage. For most of its history, the United States has been a

nation with a labor-deficit, where there were more jobs available than individuals to fill them, although the “baby boomer” generation changed this trend for many years (Sloan, 1992). The projected labor shortages for the United States come primarily from the country’s changing demographics. The labor force in the United States saw 127% growth in its labor force from 1950 to 2000, and from 2000 to 2050, the estimated labor force growth expects to drop to 36% (Freeman, 2006). Many industry groups report a shortage of available labor including information technology, construction, education, and healthcare (Veneri, 1999). Inman and Inman (2004) argue that if the United States does not successfully handle the downturn in labor supply, the economy could drastically slow. This change in the available labor supply leads firms to a hypercompetitive environment for talent.

Labor shortages occur in a market economy when the demand for workers exceeds the supply of workers for a particular occupation (Veneri, 1999). Blank and Stigler (1957) describe labor shortages in three ways: 1) the first definition is centers around the social demand model, this model classifies a shortage as a lack of the number of workers than those needed for a specific profession, 2) the second definition revolves around wages, in which there is a shortage when the amount of labor required is larger than the supply of labor at the prevailing wage, and 3) the third definition of a shortage is when the supply of workers grows less rapidly than the demand at the rate of salaries paid in the past. Economists who specialize in labor shortages commonly believe that in an unhampered market, supply will equal demand at the right market price (Elgie, 2007; Veneri, 1999). Thus, if demand

surpasses supply, salaries will be raised until equilibrium (Veneri, 1999). In practice, however, wages do not necessarily increase at the rate needed to fill available positions, and research suggests there are multiple HRM factors in addition to pay that can aid in attracting employees (Pfeffer, 1998).

During a labor shortage, employers are forced to compete with one another by raising wages and other compensation to attract workers (Elgie, 2007).

Manpower (2015) surveyed employers to attempt to discover the discrepancies they were finding in applicants, which identified that 13% of employers reported that job seekers were unwilling to take positions at the current wage, but only 7% of employers indicated they were planning to raise incomes. This survey's results call into question the economic thought process of rising wages to accommodate hard-to-fill positions. However, if firms do follow the strategy of raising wages to attract bodies, this is not a long-term solution. Instead, firms must focus on viable attraction and retention strategies that could be developed at a possible fraction of the cost of consistently increasing new applicant wages.

To highlight the possible effects of this hypercompetitive environment for firms, we should consider that from 1980 to 2005, the United States saw its gross domestic product grow 3.1% annually, attributing 1.4% of the growth to labor supply, and 1.7% of the growth due to labor productivity (Freeman, 2006). If the United States were to match the 3.1% gross domestic product growth rate during the period of 2005 to 2030 using the current estimates of labor force growth, it would need to raise its labor productivity to above historical records, or it would

require 200 million workers, 30 million workers more than those projected in the labor supply (Freeman, 2006). Little and Triest (2002) argue that with the expected increase in dependents (those under 18 and over 65 years of age), the United States will require a 40% gain in their current productivity to maintain modern living standards. Current estimates suggest that labor productivity will grow by 1.6% annually from 2016 through 2026, a far cry from the needed productivity gains reasoned by some (Bureau of Labor Statistics, 2017). The labor shortage concerns in the United States make the topic of employee attraction and retention increasingly significant for firms, as the human resource is becoming progressively rarer. To successfully compete for scarce resources, organizations must understand if there are capabilities that can be developed which would aid in the attraction and retention of employees.

Skill Shortage

When businesses have a plentiful labor pool to choose from, they become accustomed to hiring a particular caliber of an employee; by contrast, when labor markets tighten, employers may experience hardships finding the same quality applicants (Veneri, 1999). This is arguably the situation many industries are facing in today's dynamic business landscape. Firms are now required to consistently evaluate and adapt their functions to remain competitive, attract new employees, and retain those employees that they currently have. These effects are exacerbated as the aging population retires, and firms lose knowledge which could affect organizational performance (Inman & Inman, 2004). Dynamic HRM capabilities

have the potential to assist firms in putting practices in place that not only attract new qualified individuals but also extend the tenure of knowledgeable staff.

Walsh (1977) found that employers have the tendency to lower the skill requirements for jobs when the labor market is tight and raise them when labor is plentiful. In a tightening labor market, the issue can become one of the quality of candidates rather than the quantity of applicants (Veneri, 1999). The ability of a firm to attract the right type of employee primarily falls into the realm of HRM. It is crucial for firms to comprehend the capabilities that can influence potential applicants' decisions.

It is difficult to measure how qualified and skilled the available labor pool is. Thus, the grievances of lack of skilled labor come directly from employers and are primarily centered on the concept that high school graduates are inadequately equipped for the workforce and the fact that insufficient college graduates are in practical fields (Cappelli, 2015). The Bureau of Labor and Statistics brings to attention the fact that 19 of the 30 fastest-growing occupations require postsecondary education (Bureau of Labor and Statistics, 2017). The idea of the skills gap ascertains that a shortfall exists in skills across entire age groups of the population, attributed to a failing education system (Cappelli, 2015).

Many consulting groups have also weighed in on the concept of skill shortages. These reports indicate significant scarcity in qualified candidates in the manufacturing industry (Morrison et al., 2011), and the McKinsey Global Institute (2012) predicts that there will be a shortage of tens of millions of educated workers

in developed economies in the coming decades (Dobbs et al., 2012). Some of the positions cited as the most difficult to fill are skilled trade workers, drivers and production operators, and secretaries and administrative assistants (Manpower, 2015). Deloitte and the Manufacturing Institute (2011) allege that in the United States manufacturing industry, there are 600,000 respectable jobs that cannot be filled due to lack of qualified applicants (as cited in Morrison et al., 2011). Firms in multiple industries are facing substantial potential impacts if the supply of labor is diminished, and the labor available is unqualified to perform the critical occupations they need to be filled. This again highlights the importance of firms having a clear strategy in both the attraction and retention of their employees and understanding if there are controllable variables which could be implemented to reduce the effects of a lack of skilled personnel.

Statement of the Problem

Numerous industries face difficulties in both attracting qualified employees and retaining those employees they do have (Veneri, 1999). The business landscape has become increasingly competitive regarding human capital, principally due to changing labor demographics. Employers face estimated costs of up to twice an employee's annual salary for the replacement of each employee, and the typical employee is expected to leave a firm after only five years (Irshad & Afridi, 2007). Companies are also frequently faced with the need to lower job requirements to attract personnel (Walsh, 1977).

There exists an abundant amount of research that links HRM activities to both attracting and retaining employees. However, while the issues of employee attraction and retention are widely recognized, little research has been conducted on the process of building a dynamic HRM capability. A quantitative investigation is needed to analyze if firms can develop their HRM functions into dynamic capabilities and as such, mitigate the impact of employee attraction and retention. The study used a quantitative survey, and a binary correlation analysis to determine if there were any correlations between dynamic capabilities and the attraction and retention of employees.

Purpose

The purpose of this research is to enhance the literature related to the attraction/retention of employees. Specifically, the study will further the current literature by tying this phenomenon to the dynamic capabilities view. This paper develops a theoretical framework, which establishes HRM as a potential dynamic capability that can be cultivated by firms which influence the attraction and retention of employees. The paper tests its hypotheses in the context of construction firms. This dissertation develops arguments and tests the impacts of advancing HRM functions through a survey instrument.

Research Question

Can firms gain a competitive advantage by creating a dynamic capability through more effective HR management?

Definition of Terms

Benefits: Financial and nonfinancial rewards provided by an employer (Barber et al., 1992).

Construction Industry: Is comprised of firms whose primary activity is the construction of buildings or engineering projects. Construction work may include building, maintenance, additions, alternations, and repairs (Census Bureau, 2017).

Construction managers: Provide supervision and scheduling for construction projects (Census Bureau, 2017).

Demographics: The ethnic, religious, age, nationality, race, and gender makeup of a society measured through data collected through census and other surveys (Census Bureau, 2018).

Dynamic Capabilities: Organizational processes that are formed by a firm's asset position and history, which could be a source of firm competitive advantage (Teece et al., 1997).

Employee Attraction: The activities performed by firms to get potential candidates interested in their organization (Rynes, 1989).

Employee Retention: The activities performed by firms to keep employees part of their organization (De Vos & Meganck, 2008).

Formal Human Resource (HR) Department: An established department in a firm with full-time professionals who are dedicated to human resource activities such as recruitment, hiring, pay, and benefits (Kotey & Slade, 2005).

General Contractors: Responsible for all aspects of individual construction projects (Census Bureau, 2017).

Involuntary turnover: When the firm decides to relieve an employee permanently of their duties at the firm (unavoidable) (Price, 2001).

Labor Shortages: When the demand of workers exceeds the supply in an occupation (Veneri, 1999).

Opportunities for Growth: An employee's prospects for enhancing their professional development and career prospects (Prince, 2005).

Organizational Culture: The basic assumptions about the world and the values that guide life in organizations (Schneider, Ehrhart, & Macey, 2013).

Organizational Image: The perceived thoughts and views of those inside and outside of an organization about a firm's culture and purpose (Backhaus & Tikoo 2004).

Overtime Work: Hours worked beyond those hours that are typically required by employers (Caruso, 2006).

Recruitment: All organizational actions and decisions that affect the quality and quantity of individuals who are willing to apply and accept an open position (Rynes, 1989).

Skill Shortages: When workers available lack the specific skills being required by employers to fill open positions (Cappelli, 2015).

Specialty trade contractors: Primarily engaged with a specific activity (i.e., masonry, painting, electrical, hvac) (Census Bureau, 2017).

Subcontractor: Firm or individual hired by another contracting firm to perform a specific task on a project (i.e., masonry, painting, electrical, hvac) (Census Bureau, 2017).

Training: Organized activities aimed at enhancing employee skill and knowledge offered by employers (Beach, 1971).

Voluntary Turnover: An employee choosing to leave an organization (avoidable) (Price, 2001).

Significance of the Study

HR managers are faced with an increasingly competitive landscape where multiple industries are facing difficulties with both attracting new talent and retaining the employees who join organizations (Caurso, 2015; Veneri, 1999). Each time an employee voluntarily leaves a company, it is estimated that the cost is one and a half times that employee's salary (Earle, 2003; Irshad & Afridi, 2007). There

are several reasons for this shift in the U.S. market, with a few being a change in demographics, increased global competition, and deregulation (De Vos & Meganck, 2007). This study should be of paramount interest to HR managers in all industries. The hypercompetitive landscape organizations currently participate in is likely not going to drastically improve in the foreseeable future. Because of this, businesses should understand which variables most impact employees' decisions to join or exit firms. It is imperative for firms to successfully develop a strategy for attracting employees and retaining those who have decided to join the firm; if efficiently done these actions can lead to a potential competitive advantage.

Organization of Remaining Chapters

This chapter introduced the reader to the background of the problem, the reasoning for the study, and research question. Chapter two will be an in-depth examination of the literature into HRM, employee attraction, and retention, and dynamic capabilities. Chapter two will also present the reader with the main hypotheses proposed by this paper. Chapter three of this work will describe the survey methodology found herein and detail the binary correlation analysis this paper employed, and chapter four will detail the results. The fifth and closing chapter will conclude with recommendations, implications for practice, and future research suggestions.

Chapter 2

Overview

This chapter will delineate an in-depth examination of HRM. It will then delve into attraction and retention, the dynamic capabilities literature, and the connections between the two. The chapter will conclude by providing the reader the hypotheses for the research found herein.

Research Question

1. Can firms gain a competitive advantage by creating a dynamic capability through more effective HRM?

Human Resource Management (HRM)

HRM can be divided into micro, which deals with the impacts of HR practices on individuals, and macro, which is concerned with the HR practices with the organization as the unit of analysis (Wright & Boswell, 2002). A substantial amount of research has been done on the effects of HRM and how these can assist companies in reaching their strategic goals (Wright & Boswell, 2002). HR practices are potential sources for competitive advantages of organizations, predominantly when these practices are linked with a firm's competitive strategies (Huselid, 1995). Colbert (2004) submits that HRM practices should concentrate on leveraging creative and adaptive sources of potential competitive advantage. HRM can generate strategic capability, create firms who are highly intelligent and flexible, and with enhanced coordination and cooperation (Boxall, 1996). HR practices have the potential to influence employee skills and develop a company's

human capital (Huselid, 1995). Boxall (1996) notes that HRM has the opportunity to create a sustained competitive advantage for a firm by hiring and developing talented staff and organizing their resource contributions within a firm. Multiple academics also report that investment in HR practices will generate considerable returns, with one study showing that a one-standard-deviation increase in employee performance equates to 40% of an employee's salary (Schmidt, Hunter, Mackenzie, & Muldrow, 1979). Some researchers contend that HRM systems are impossible to imitate because of the complexities and interdependencies involved in the practices (Wright, Dunford, & Snell, 2001). For businesses to experience these benefits, they must transform their essential HRM functions into possible dynamic capabilities. This process will likely not happen overnight and will take years of flexibility with different methods to find the correct mix for a specific position or industry.

One issue that hampers the development of HRM is that the majority of firms in the United States are classified as small businesses who often do not have a formal HR department, as only 2% of organizations nationwide have more than 100 employees (Heneman & Berkley, 1999). Kotey (1999) notes that a limited number of owner-managers have any formal policies on HR issues such as promotions, incentives, and disciplinary action. This is problematic because HR practices and strategy are linked to both employee retention and employee attraction (Wagar & Rondeau, 2006). Moreover, this makes it difficult, if not impossible, for organizations to develop a collection of human capital with higher skills, or better

alignment, with the firm's long-term strategic plans; a business's human capital needs changes over time and must be regularly monitored to ensure they match the requirements of the firm (Wright et al., 2001). This study will consider if firm size plays a factor in dynamic capability development and whether an organization that has a dedicated HRM department contributes to dynamic capability development.

HRM is an integral part of small business success, with some arguing that HR practices are the key to survival for smaller companies (Marlow & Patton, 1993). McEvoy's (1984) study of small business found that firms gave precedence to accounting, finance, production, and marketing over HRM. However, Hornsby and Kuratko (2003) report that a significant cause of small business failure is managerial incompetence, with some issues being directly related to employees such as ineffective recruitment, inappropriate selection, inadequate or nonexistent training, lack of benefits, lack of incentives, inequitable compensation and weak or nonexistent performance appraisals (Hornsby & Kuratko, 2003). Hornsby and Kuratko (2003) found that in firms with fewer than 50 employees, the owner typically handled the HR functions, and 62% of firms with over 50 employees had a full-time HR manager. In essence, firms could have access to human capital, but because of poor policies or the mismanagement of people, they do not successfully deploy this capital to make a significant positive impact on the firm (Wright et al., 2001). This study will focus on the need to develop a dynamic capability with a large focus on small and medium-sized firms. The Small Business Administration (2018) reports that 85.7% of construction firms qualify as small businesses. The

variance among small business HR departments makes it an ideal context to examine the effects that these differences have on employee attraction and retention. This study will put forward that the development of a dynamic HRM capability is crucial for firms; it will also observe if small- and medium-size firms can and are still developing these capabilities or are operating at a lower ordinary capability level.

Small- and medium-sized firms are multifaceted, diverse, and influenced by multiple factors (Wagar, 1998). During this study, all firms classified as small- or medium-sized firms except one outlier which had 7,000 employees. Both the management and training advice directed at firms appears to be better suited to larger firms (Kotey & Slade, 2005). In small U.S. firms, it is not uncommon for an individual to perform numerous roles with unclear boundaries of their job responsibilities (Hornsby & Kuratko, 2003; May, 1997; Timmons, Spinelli, Tan, & Yinglan, 1994). Small companies tend to have informal HR practices (Kotey & Slade, 2005). Heneman and Berkley (1999) found that businesses with a formal HR department observed significant differences from companies without formal HR departments; the most glaring was that firms with HR departments used more formal methods for recruitment, establishing starting pay, relocation assistance, and offering benefits. Companies with a formal HR department also received a more substantial number of applicants per vacancy than those without (Heneman & Berkley, 1999). The ability for a firm to have formal roles with clear boundaries recognized HR practices, and dedicated HR departments all increase the likelihood

that a firm can effectively develop their HR strategies and as such, potentially build a dynamic capability.

Retention management has become a popular category in HRM literature and refers to the HR actions that organizations can implement to reduce voluntary turnover (Mitchell et. al., 2001; Steel, 2002). HR practices have been linked to perceived organizational support, which in turn is tied to higher employee retention (Wayne, Shore, & Liden, 1997). The specific HR categories which have been linked to perceived organizational support are those that show that the organization is supportive of their employees and looking to develop a social exchange relationship with them (Allen, Shore, & Griffeth, 2002). Areas in HR research include recruitment selection and procedures, incentive compensations, performance management, and training (Huselid, 1995). These and other HR-related practices are shown to improve knowledge, skills, and abilities of current and potential employees while reducing turnover and increasing motivation (Huselid, 1995). HR practices can influence the attraction and retention of high-quality employees; firms who can develop attractive HR programs can potentially attract and retain the most efficient pool of human capital (De Saa-Perez & Garcia-Falcon, 2002).

This paper will look at eight HRM functions that are found to be related to the attraction and retention of employees. One of this paper's main arguments is that firms who have a formal HRM department, classified as a stand-alone division in a firm with dedicated personnel to the field of HRM, will be able to enhance

their attraction and retention functions. The thought process here is that these ordinary capabilities using the flexibility of different combinations of HR activities, and repetition of these HR activities will lead firms to the ideal mix of employee incentives to attract and retain employees at optimal levels. Firms who have devoted the resources to have a dedicated HRM department and given these departments the autonomy to be flexible with different combinations of HR activities will benefit from these effects. Firms who only have an HRM department by name or rely on non-HR staff members to handle attraction and retention concerns will not see the same benefits. Researchers concede that individuals possess knowledge, skills, and abilities that can be leveraged by organizations' HRM for the benefit of the firm (Ployhart & Moliterno, 2011). The eight HRM functions examined here are having a formal HR department, recruiting tactics, organizational culture, organizational image, opportunities for growth, benefits, training, and overtime work. These eight functions were chosen because they are frequently found in HRM literature and are used by many of the world's Fortune 500 companies as a strategy for attracting and retaining employees (Carmody, 2017; Huselid, 1995). There are various levels of capabilities a firm may be able to achieve; firms with a truly developed dynamic HRM capability will likely be implementing a more substantial amount of HRM functions than those who still have ordinary capabilities or those who are still in the process of building towards a dynamic capability. To test the effects of firms HRM activities and the transformation into a dynamic capability, this study created a dynamic capability

composite variable. I will briefly review some literature on each of these functions and how they relate to the attraction and retention of employees.

Attraction and Retention

The relationship between employer and employee has seen fundamental changes over the years, and these have had implications for the attraction and retention of talented employees (Horwitz et al., 2003). Employers must now face trends that were unheard of in the past, such as employees seeking time over money, employees wanting to be active in both their work and home lives, and collaborative management where hierarchies are stripped down, and team structures are increased. During a five-year period, approximately half of the workers are expected to leave their current employer (Mitchell et al., 2001). This exodus of employees can be a tremendous strain for firms both financially and culturally. To reduce the impact firms feel from the exiting of employees, this study aspires to discover what functions a firm could utilize to enhance employee attraction and retention. The reasons for individuals leaving their company are varied but can include changes in family situation, desire to learn a new skill, job offers, perceived unfair treatment from their organization, being passed over for a promotion, or being asked to do something that is contrary to their beliefs (Mitchell et al., 2001).

The loss of highly skilled employees who have both the knowledge and ability to be high performers can mean that organizations are left with a workforce which is less qualified, and that could lead to a loss of competitiveness for these firms (Rappaport, Bancroft, & Okum, 2003). Foley (1996) submits that in some

industries such as hotels, turnover is estimated at 60% to 300% a year (as cited in Milman, 2003). The costs firms face due to this kind of turnover are astronomical, and it stands to reason that any substantial increase in the retention of employees for firms in these industries could lead to an immediate competitive advantage. The majority of research into retention and voluntary turnover stems from the idea of the ease and desirability of leaving an employer, the ease originates from job alternatives, and the desirability typically refers to job satisfaction (March & Simon, 1958). Voluntary and involuntary turnover can be described as avoidable or unavoidable turnover (Price, 2000).

One of the most significant problems firms face is both voluntary and involuntary turnover. There are four theoretical perspectives in relation to voluntary turnover and organizational performance: 1) voluntary turnover hurts organizational performance (Osterman, 1987); 2) voluntary turnover is needed to some extent and therefore benefits organizational performance (Dalton & Todor, 1979); 3) the adverse effects of voluntary turnover are diminished as the rate of turnover increases (Price, 1977); and 4) voluntary turnover and its effects of performance are dependent on the investments the organization have made on human resource initiative (Arthur, 1994). Voluntary turnover eradicates any return on investment that a firm has made on an employee (Shaw, Gupta, and Delery, 2005). Excessive voluntary turnover disrupts productivity by interrupting the inputs and outputs of a firm (Alexander, Bloom, & Nicholson, 1994). Hale (1998) found

that 58% of firms report having difficulty retaining employees, and 86% of firms reported difficulty in attracting employees.

Retention management can be described as the ability of a firm to keep employees they want for a more extended period than their competitors. Some researchers argue that organizations cannot become good employers by just utilizing best practices but instead they must provide unique experiences to build a committed workforce (Erickson & Gratton, 2007). Having HR-related practices in place is not sufficient for firms. Instead, firms must cultivate this resource applying functions which research has shown can impact employee attraction and retention, and continuously adapting these practices to ensure positive outcomes. Employees are often difficult to retain because their primary focus is their career path rather than organizational loyalty; this results in increased voluntary turnover. Research demonstrates that people who are satisfied with their jobs or those who have few options are apt to remain with a company (Mitchell et al., 2001). March and Simon's (1958) research was the foundation for the modern voluntary turnover theory, in which they argued that an employee's choice to continue within a firm is based on a balance of inducements offered by the organization and what is expected from the employee.

The cost of employee turnover can be more significant than firms realize and could contribute to undesired cultural impacts. Tracey and Hinkin (2008) separated the costs of employee turnover into five categories: predeparture,

recruitment, selection, orientation, and training, with 70% of replacement costs being attributed to the loss of productivity from new employees. O'Connell and Kung (2007) posit that some hidden costs associated with turnover are lower morale, errors by overworked employees, and expenses from safety violations and injuries. The costs associated with turnover can include direct costs such as separation, training, replacement, and administrative expenses, or indirect costs such as lower productivity and diminished customer loyalty (Dess & Shaw, 2001). The cost of replacing old employees has been estimated to be up to twice an employee's annual salary (Irshad & Afridi, 2007), and for every ten managerial employees a company loses, the company incurs a cost of \$1 million (Fitz-Enz, 2000). Other assessments of costs have projected that expenses are over \$10,000 for half of all jobs, over \$30,000 for 20% of jobs, or 50% to 60% of a person's annual salary (Mitchell et al., 2001). If firms can reduce the amount of turnover, they experience through developing their HRM capabilities, they have the potential to significantly reduce negative financial impacts the firm is facing and likely raise productivity. Along with these financial costs to firms, departing employees often leave a firm with valuable knowledge and expertise, as well as close relationships with clients (Mitchell et al., 2001).

The attraction of high-performing individuals is vital to personnel selection and organizational success. The importance of firms learning how to attract the top candidates has become crucial, with some estimating that recruiting qualified applicants will continue to increase in difficulty in the future (Michaels,

Handsfield-Jones, Michaels, & Axelrod, 2001). Larger firms recognize the importance of attraction and retention, with one in ten reporting that they have at least one full-time employee dedicated to the issue (Mitchell et al., 2001).

Researchers have inspected multiple factors, which affect employee attraction and retention. Kehr (2004) attributes attraction and retention to power, achievement, affiliation, career opportunities, work environment, work-life balance, organizational justice, leave policy, and organizational image. Glen (2006) adds to the literature by attributing the most crucial factors of attraction and retention to organizational processes, role challenges, values, work-life balance, information, stake/leverage/recognition, management, work environment, and product or service. Exploration of attraction and retention literature has shown that HRM practices are indeed crucial to the attraction and retention of employees. Organizations face financial costs ranging from \$10,000 and up, and non-financial repercussions in the form of lower productivity and decreased morale. Companies must understand how to potentially implement the correct mix of HRM activities and transform these into dynamic capabilities. If they do this, they will be better equipped to contest the adverse implications from employee attraction and retention, and the more likely they will be to develop a sustained competitive advantage in a hypercompetitive marketplace.

Dynamic Capabilities

The RBV suggests that organizations must have resources that are valuable, rare, inimitable, and un-substitutable (Barney, 1991). Resources can be tangible or

intangible factors of production that organizations control, own, or have access to. Multiple research streams have developed from the RBV structure including the knowledge-based view (Grant, 1996) and dynamic capabilities (Teece et al., 1997). One of the main arguments that this paper proposes is that just possessing a resource will not lead to a firm obtaining a competitive advantage. Instead, a company must develop those competencies that could potentially lead to a competitive advantage, such as the HRM functions in relation to attraction and retention of employees.

Augier and Teece (2009) argue that firm expansion commands the development of advanced HRM. Organizations who find themselves in a dynamic environment need to be flexible to adapt to changing requirements (Wright & Snell, 1998). Flexibility can be seen as a cornerstone of dynamic capabilities, with firms developing these capabilities in response to environmental concerns (Wright & Snell, 1998). Companies often have complementary assets, and dynamic capabilities play the role of aligning these in hypercompetitive markets to bring about firm success (Augier & Teece, 2009). This section will attempt to highlight how HRM can indeed be transformed into a dynamic capability and as such, have the potential to lead a firm to a sustained competitive advantage.

Teece et al. (1997) popularized the dynamic capabilities framework, although they acknowledge that the theoretical foundations of the framework were made possible by scholars such as Schumpeter (1942), Penrose (1959), Barney (1986), and Teece (1988). Companies possess enterprise capabilities which are

activities that use firm resources to make or deliver products and services; these can be divided into ordinary capabilities that are essential to accomplishing tasks, and dynamic capabilities that are concerned with high-level activities that can transform regular activities into promising undertakings (Teece, 2014). Firms can use both ordinary capabilities and dynamic capabilities to reach desirable outcomes (Teece, 2014). Ordinary capabilities can lead to some efficiencies in a firm and can typically be benchmarked internally or externally in an industry and may not lead a firm to a competitive advantage (Teece, 2014). Ordinary capabilities allow businesses to provide the daily functions needed to operate a firm, but those companies that do not develop these capabilities cannot expect to grow and prosper past the status quo (Protogerou et al., 2011).

Dynamic capabilities are concerned with the future of an enterprise, whereas ordinary capabilities are primarily static and concerned with the present (Ambrosini & Bowman, 2009). This concept can be easily applied to a firm's HR functions. All firms who have at least one employee will have implemented some HR activity in the recruitment, hiring, and retainment of that employee. However, a firm that is just using their HR activities as a necessary effort to operate the firm cannot be expected to develop these into dynamic capabilities.

Dynamic capabilities, at their core, revolve around identifying the activities that have the potential to promote continued growth and prosperity for an organization (Augier & Teece, 2009). Dynamic capabilities are about processes adapting to change, with the focus on being able to build, integrate, or reconfigure

other resources and capabilities (Helfat & Peteraf, 2003). Dynamic capabilities are epitomized by companies who adapt their operating processes through constant process improvements (Zollo & Winter, 2002). The HRM activities revolving around attracting and retaining employees would fit Zollo and Winter's definition well. Dynamic capabilities do not need to indicate constant change, and instead, it is the potential of firms to adapt and reconfigure their internal routines and resources as necessary (Prieto & Easterby-Smith, 2006). Dynamic capabilities determine the rate of change for a business's resources, enabling firms to potentially achieve a competitive advantage (Winter, 2003). This study will examine changes companies have made to the processes during the previous five years to determine whether firms that hold a dynamic HRM capability are continuously adapting their approaches.

A firm's competitive advantage derives from firm-specific processes shaped by the firm's asset positioning and distinct history or path (Teece et al., 1997; Teece, 2007; Teece, 2014). Dynamic capabilities allow organizations to develop, organize, and safeguard their intangible assets leading to superior performance (Teece, 2007). Capabilities, in general, will consist of two routines, those that perform individual tasks and those that coordinate individual tasks; HRM would deal with both capabilities (Helfat & Peteraf, 2003). This study will examine a company's asset positioning through investments it makes in HRM activities, the current HRM functions it has in place, and the changes it has made to HRM

processes during the previous five years to determine if these factors play a role in the development of a potential HRM dynamic capability.

Dynamic capabilities can be seen as an extension of the RBV, which proposes that firms can hold heterogeneous resources, capabilities, and endowments (Barney, 1991). Dynamic capabilities can be dissected further by defining dynamic as the ability to adapt competencies in rapidly changing environments, and capabilities as the role of management to be able to organize internal and external skills, resources, and competencies to match the environment (Teece et al., 1997). It is essential to emphasize firms' historical paths, because the decisions organizations make at a specific point in time will influence their ability to make choices in the future (Teece et al., 1997). Dynamic capabilities can determine the intangible assets a business can create and as such, the fiscal profits it can attain (Teece, 2007).

Businesses with effective dynamic capabilities will be strategically focused and proficient at organizing assets internally and externally (Teece, 2007). In relation to a firm's HRM departments, this will be seen by evolving HR strategies in the forms of enhanced HR activity combinations and increased employee attraction and retention. More specifically, this study will examine how long a firm has had a formal HRM department to determine history, if a firm is investing in its HRM department to determine asset positioning, its current HRM related offerings, and the changes it has made to both investment in HRM, and its HRM offering over the previous five years. A firm who has potentially created a dynamic HRM

capability will have formal HRM department, will have made investments in their HRM department, will be participating in a large mix of HRM activities, and will have changed their HRM offerings during the previous five years. As mentioned previously in this paper, five years was chosen because an average employee will typically leave a company during this time frame.

For a capability to be strategic, it must be focused on a user need, unique, and difficult to replicate (Teece et al., 1997). One of the principal factors of dynamic capabilities is that they are mechanisms for accomplishing tasks which cannot simply be bought in the market (Teece et al., 1997). Employees are each unique with idiosyncratic motivational factors. A successful HRM strategy will be one that realizes this and has procedures in place to attract and retain differing individuals.

Learning is a crucial component of the dynamic capability's framework. Learning is seen as a process where multiple recurrences and testing of a task allows it to be performed faster and more proficiently (Augier & Teece, 2007; Teece et al., 1997). Dynamic capabilities develop through learning which shapes the operating routines for organizations (Zollo & Winter, 2002). Repeated practice can enhance the building of dynamic capabilities, with small failures contributing highly to effective learning (Eisenhardt & Martin, 2000). Dynamic capabilities cannot be expected to develop in a brief period; instead, it will likely be an initially long task with continual evaluation and adaptation. HRM routines that could be

considered dynamic capabilities will be held by firms who have implemented a variety of strategies, not all of which were successful.

Furthermore, the more frequently a company performs a task, the higher the probability that those conducting the function will learn what tactics work and which do not (Zollo & Winter, 2002). This implies that organizations who have frequently been flexible with their HRM approach will likely be more successful than those who stick with what they believe is a tried-and-true strategy.

Additionally, management plays a significant role in dynamic capabilities and is charged with identifying and capturing new opportunities and coordinating a businesses' assets with management decisions made on factors such as strategic, organization, and HR concepts being critical to firm performance (Augier & Teece, 2009).

Best practices can assist firms in practical solutions, but they cannot lead to a firm's competitive advantage if widely utilized (Teece, 2007). Long-term profitability and growth require dynamic capabilities (Teece, 2014). A firm's dynamic capability strengths will determine the efficiency in which a company's resources can be organized into an organization's strategy to exploit opportunities (Teece, 2014). Capability-building has also been put forth as a mechanism to build economic rents; economic rents are the amount of money earned beyond that which is socially or economically needed for a resource, through enhancing the productive value of resources that are in a firm's possession (Makadok, 2001). Without the

effective and efficient attraction of skilled employees, and the successful retention of these employees, companies are hard-pressed to enhance their productivity.

Dynamic capabilities can be idiosyncratic in their specific details and historical paths but do have shared commonalities across firms (Eisenhardt & Martin, 2000). In moderately dynamic markets, dynamic capabilities resemble traditional organizational routines, whereas in high-velocity markets, dynamic capabilities rely on creating new knowledge specific to the situation (Eisenhardt & Martin, 2000). It is not necessarily the function of a dynamic capability to create a competitive advantage but instead in the resource configurations they can create which leads to firm benefits (Eisenhardt & Martin, 2000). Firms face threats in both moderately dynamic markets and high-velocity markets, with threats coming primarily from outside the firm in moderately dynamic markets, and from both outside and inside the firm due to a loss of dynamic capabilities in high-velocity markets (Eisenhardt & Martin, 2000). Businesses are currently participating in what can be described as a high-velocity market. That is, they are facing increased outside competition from domestic and global competitors and are internally being pressed by a shortage of available skilled labor. These factors intensify the importance of developing capabilities that aid in attracting qualified personnel, which may increase productivity and profitability, and retaining these employees to potentially reach a point of competitive advantage.

HRM can be viewed strategically and as such, can be leveraged to provide a source of competitive advantage. Effective HR practices can serve to attract, keep, and develop higher-quality employees than competitors (Pfeffer, 1995). The following section of this paper will explore the literature related to HRM and argue that firms who build their HRM function through a dynamic capability perspective will be able to, through the processes of repetition and flexibility, learn the specific activities that lead to higher employee attraction and retention. This ability to develop a dynamic capability that revolves around attraction and retention is arguably one of the most critical skills organizations can engage in an environment where they are faced with labor and skill shortages.

HRM Functions

HRM functions are leading indicators in the attraction and retention of employees (Huselid, 1995). HR is a primary function of most companies, with all businesses with a minimum of one employee having participated in some formal or informal HR practices. Like all firm functions, there are some organizations who utilize the HRM function exceptionally well and others who do not; this paper will argue that some companies have successfully transformed these essential functions into a firm's dynamic capability. This paper will highlight eight HRM functions, which are highly correlated to the attraction and retention of employees, namely, having a formal HR department (Kotey, 1999), recruiting tactics (e.g., Breaugh & Starke, 2000), organizational culture (e.g., Thomas & Wise, 1999), organizational image (e.g., Sokro, 2012), opportunities for internal promotion (e.g., Logan, 2000),

benefits (e.g., Pfeffer, 1998), training (e.g., Walker, 2001), and overtime work (e.g., Van Der Hulst & Geurts, 2010). The author believes that businesses employing these eight functions effectively will be rewarded by increased employee attraction and retention, which could lead to a firm's competitive advantage. The study will measure the dynamics of a firm through the creation of a dynamic capability composite variable. In the context of this study, "effectively" includes having a formal HRM department, continued fiscal investment into the HRM department, and the flexibility to implement different HRM strategies during the previous five years to find the ideal HRM mix of activities for the specific firm.

Formal HRM Department

Small- and medium-sized enterprises are increasingly recognized as being complex, varied, and influenced by multiple factors (Kotey & Slade, 2005). Because of these intricacies, firms are increasingly understanding the need for a formal HRM department. Companies who succeed in meeting their goals are those who take a strategic approach and align their HR objectives to their larger business purposes and needs (Baird & Meshoulam, 1988). Small businesses often do not consider the importance of a formal HRM when incorporating their strategic plans. This lack of understanding could leave firms at a significant disadvantage to their peers.

When businesses are first established, the owners tend to focus on a limited range of HRM activities such as salary administration, hiring, and terminations, although these functions are typically all managed by the owner (Baird &

Meshoulam, 1988). As organizations grow and develop, they need an HRM that will evolve to meet this complexity (Baird & Meshoulam, 198). This paper plans to show that firms who can develop a dynamic HRM capability are also those which have incorporated a formal HRM department. These firms will have the ability to manage the changes and sophistication of an ever-evolving area which can affect the attraction and retention of employees as well as various other factors.

Following Kotey and Slade (2005), this study's definition of formal HR refers to practices that have been introduced through academic literature as appropriate actions for multiple HR strategies described in this text; it also includes the use of specialized personnel for HR functions. HRM practices and policies have been recognized as a prominent issue in the areas of HRM, industrial and organizational psychology, and industrial relations (Jones & Wright, 1992). Research has found that HRM practices play a vital role in both employee attraction and retention (Meyer & Allen, 1991; Solomon, 1992). It can be argued that in small firms, in particular, employees are the vital factor that distinguishes successful ventures from unsuccessful ones (Hornsby & Kuratko, 2003).

Recruiting Tactics

Recruitment is defined as all organizational actions and decisions that affect the quality and quantity of individuals who are willing to apply and accept an open position (Rynes, 1989). Recruitment can similarly be described as the actions impacting the amount or quality of candidates, and or influencing whether a candidate accepts a job offer (Breaugh & Starke, 2000). Businesses who spend

more resources and time to the practice of matching qualified applicants to positions might experience reduced employee turnover. Recruiting practices that provide a company with a vast selection of qualified applicants, along with valid selection methods, will provide a significant determinant over the quality and type of skills that new employees are endowed with (Huselid, 1995). Recruitment responsibilities in an organization typically fall into the realm of HRM. Firms who excel at the appropriate mix of recruitment practices to attract qualified individuals should experience reduced turnover from these employees.

The importance of recruitment efforts has been shown in the literature to produce increased productivity (Terpstra & Rozell, 1993). There are multiple forms of attracting job seekers such as brochures and websites (Perkins, Thomas, & Taylor, 2000). Recruiting material such as recruitment posters and sponsorships at public venues can increase employer familiarity when applicants have little knowledge about a company's products (Collins, 2007). Carroll, Marchington, Earnshaw, and Taylor (1999) break the recruiting process into four stages: 1) assessment of whether a vacancy needs filling, 2) job analysis, 3) production of a job description and 4) production of a person specification. Technology has made a significant impact on the way that companies attempt to recruit individuals. The dynamic capabilities' framework highlights the adoption of technology, but imitation through merely using the most popular delivery method available is likely not sufficient to propel one business ahead of another (Teece et al., 1997).

Recruitment efforts could be described as formal, such as actively recruiting on campuses, placing an advertisement on the internet, using search firms, recruiting through professional conferences, associations, and publications, or informal, including through social networks, employee referrals, and relying on an organizational image (Myers & Dreachslin, 2007). Poor recruitment decisions are often blamed for employee behavior issues in small organizations, and because of this, many small businesses are taking a more careful approach to recruiting using informal word-of-mouth techniques. Studies have found that employees who are referred are more likely to have higher job satisfaction, better performance, and increased retention (Ryan & Tippin, 2004). Companies' HRM departments will ideally have continuously assessed their recruitment approaches for not only the quantity of applicants but applicant fit after hire. Assessment and learning are two critical concepts for dynamic capability building (Teece et al., 1997).

Employees who have referred someone they know typically socialize with these recruits to ensure the employee fits into the company (Carroll et al., 1999). Informal networks are often highly homogeneous, bringing to the organization people from the same racial/ethnic background, sexual orientation, and other similar demographics (Taber & Hendricks, 2003). Two main disadvantages with informal recruiting are: first, they leave a group of suitable candidates untapped, and second, it may cause a business to be open to indirect discrimination as referrals usually mimic the referrer in demographic characteristics (Carroll et al., 1999). This, again, highlights the need for companies to continuously assess their

HRM approaches. For some firms having a homogeneous workforce may work toward their advantage, whereas for others, these approaches may instead lead to a subpar workforce. These factors can be highly influenced by a firm's path dependencies; for example, if family members operate a small business, it is likely that homogeneity in the firm will be high, and the majority of employees will stem from additional family and acquaintances.

In small businesses, engagement with the external labor market is vital, and recruitment will likely play the key role (Atkinson & Meager, 1994). Many managers of small companies seem to be unaware of the costs associated with recruitment, and these costs typically manifest when a new hire leaves within a few days or does not successfully last through the probationary period (Carroll et al., 1999). Learning is again emphasized here, in which a firm with a dedicated HRM department should discover the costs associated with recruitment through experience. Organizations who handle their HR activities as an afterthought will likely be oblivious to the expenses associated with turnover and unaware of the processes that could rectify them. Hornsby and Kuratko (1990) describe small firm recruitment as consisting of heavy newspaper advertisements, government, and private employment agencies, employee referrals, and unsolicited applications. Carroll et al. (1999) found that for small businesses in the United Kingdom, the leading recruitment channel was informal networks, with Marlow and Patton (1993) arguing that small and medium firms preferred informal recruitment methods because they are less expensive than formal processes.

Organizations in all industries are facing a tightening labor market and battling to entice the best and the brightest to their firms (Nevidjon & Erickson, 2001). Companies attempt to match employees with jobs that match their skills, knowledge, qualifications, and ability (Edward, 1999). Literature often emphasizes the need for recruiting initiatives to focus principally on attracting young people to battle labor shortages (Goodin, 2003). The recruitment of students has been identified as a possible solution to labor shortages in professions such as nursing (Goodin, 2003). Nevidjon and Erickson (2001) argue that students must be reached even earlier than high school as many students are choosing attractive career options as early as fifth grade. Recruitment is a crucial component of any organizations HRM strategy. Businesses who successfully attract candidates who are a good fit for the company will likely experience reduced turnover and longer tenured employees. Recruitment, like any other HRM function, can take multiple approaches. Only those firms who have realized the proper recruitment strategies for specific positions and industries through their learning, assessment, and path dependencies, will be able to experience the benefits of enhanced recruitment activities.

Organizational Culture

Pettigrew (1979) first introduced culture to the organizational literature. Organizational culture is shared beliefs, customs, and values by members of an organization (Schein, 2010). Firms' cultures are largely projected through firm HRM policies and practices and play an important role in the attraction and

retention of employees. With the changing demographics of the workforce, organizations need to evaluate their organizational culture and alter it if necessary if they are to succeed in attracting and retaining talent (Thomas & Wise, 1999). An applicant's perception of a company's culture has been linked to organizational attraction, job choice, job satisfaction, and retention (Judge & Cable, 1997).

Organizational culture may influence group processes and can alter individual behavior (Tsui et al., 1992). A business's organizational culture may have the potential to positively change a person's behavior and thus lead to enhanced firm productivity. Only companies with the structure and processes in place to develop and improve a firm's organizational culture will be able to use their effects to the firm's benefit. A significant step in businesses developing a constructive corporate culture is advancing their HRM strategies. This can be done through a dedicated HRM department which has built a company's culture and has not just let it evolve unimpeded and without direction. Firms' organizational culture and values both contribute to the strengths and weaknesses of their dynamic capabilities (Teece, 2014).

Individuals will gain information about a company's perceived organizational culture based on the information available of a company with some avenues being recruitment literature (Braddy, Meade, & Kroustalis, 2006). A firm's organizational culture should be one that will attract a diverse group of qualified applicants, and it does so by reflecting values with which its potential employees will associate (Catanzaro et al., 2010). Organizations in the United States are

historically classified as having a competitive organizational culture; competitive culture values respect for authority, competition, individualism, and task orientation (Catanzaro et al., 2010). Supportive corporate cultures highlight collaboration, egalitarianism, and relationships with less stress on company hierarchies. Men are more likely than women to pursue a job with an organization that is considered competitive, although both men and women reported that they would prefer to work for a business that is regarded as supportive (Catanzaro et al., 2010).

Retention rates across organizations could be related to organizational culture, with cultural values impacting HR strategies, selection, placement, promotion, and development procedures (Ker & Slocum, 1987). Organizational culture can affect the psychological atmosphere and bring about various levels of commitment and retention among employees (Sheridan, 1992). The vast majority of studies of organizational culture have focused on the individual, group, and department levels of analysis, not considering the macro-level effects of cultural values across firms (Sheridan, 1992). Sheridan (1992) evaluated the cultural impact on employee behavior across six public accounting firms in the same city and discovered that culture varied across these firms. This study will similarly examine organizational culture across multiple firms in a single industry. However, unlike many previous ones, the present study will be aimed at the firm level rather than the employee level, attempting to understand how the culture is built from within a firm rather than how employees merely perceive it.

Some organizations are said to have cultures that highlight teamwork, security, and respect for individual members; these cultures are thought to promote loyalty and long-term commitment (Kerr & Slocum, 1987). Other companies have cultures that stress personal initiative and individual rewards for performing specific tasks, however, these values are said to generate entrepreneurial norm, and employees do not feel as loyal (Kerr & Slocum, 1987). Literature seems to indicate that individuals are attracted to work environments that agree with their own personal characteristics (Kristof, 1996). Businesses must be aware of their organizational culture and consistently monitor shifting employee values to attract and retain employees successfully.

Applicants' work values are shaped by various factors including nationality, education, career choice, and organizational experience (Chatman, 1989). Academic inquiries have shown that job seekers and employees have organizational culture preferences that can help predict their job choice decisions and work attitudes (O'Reilly, Chapman, & Caldwell, 1991). O'Reilly and colleagues (1991) identified eight factors for organizational culture preferences exhibited by individuals: 1) innovation, 2) attention to detail, 3) outcome orientation, 4) aggressiveness, 5) supportiveness, 6) emphasis on rewards, 7) team orientation, and 8) decisiveness. This study will examine the importance of aggressiveness to firms now and five years ago to examine firms' cultural preferences and determine if the firm culture has shifted during the previous five years. Due to the importance of work in people's lives, job seekers are expected to

be highly concerned with an organization's values and culture (Schein, 1983).

HRM activities and benefits provided by a business largely stem from a company's organizational culture, and firms which have little care for their employee's well-being will likely not provide an extensive list of benefits. To build an effective dynamic HRM capability, the HR managers must have the support of the firm owners/executives. If the resources are not available or deemed a priority to provide these HR activities by the company's culture, a dynamic capability cannot develop.

Organizational Image

Organizations are using their image and culture as a tactical weapon in today's competitive landscape (Sokro, 2012). Company branding, or image, is being used to build value for corporations and as a tool for attraction, retention, and engagement (Sokro, 2012). Individuals across the generational divide are concerned with their corporation's image and reputation because they feel that this says a statement about them personally (Earle, 2003). Perceptions of a firm's image can be a significant driver of whether to pursue employment with a company (Gatewood & Lautenschlager, 1993). Companies' reputations broadcast a great deal of information about a firm and can be seen as an intangible asset (Teece et al., 1997). These assets can be used to achieve a variety of goals in a competitive market including the attraction and retention of employees. Employer branding, or image, can be described as a package of functional, economic, and psychological benefits, which are realized through employment and identified with the employing

firm (Ambler & Barrow, 1996). Wilska (2014) describes employer branding as a business portraying its corporate image or ideal work setting to the minds of its target candidates. This package of benefits will be determined largely by a firm's HR department.

Employer brands can lead to lower costs, higher customer satisfaction, and increased financial results for firms (Ambler & Barrow, 1996). Employer branding reduces the costs of marketing and recruitment, optimizes effects, leads to a higher quality and quantity of applicants, reduces retention issues, and makes companies more attractive to customers and investors (Herman & Gioia, 2001). Because of these potential benefits from an organization's reputational assets, it is imperative for a firm to disseminate a positive image. HR managers must develop processes that highlight a favorable view of the company both through their recruitment and retainment efforts.

The management of a firm's HRM can be a significant determinant of whether the company has a positive or negative public image, firms can contribute to the building of this image through, for example, community involvement, presence at trade shows, and working closely with high schools and colleges. A poor public image is believed to be a considerable driver in labor shortages for specific professions (Seago, Spetz, Alvarado, Keane, & Grumabach, 2006). For instance, the construction industry is thought of to be a male-dominated industry, which is perceived as having inferior quality, and chaotic working conditions (Ball, 2014). Another example could be the nursing field, which is frequently associated

with a female profession, which males may shun (Allan & Aldebron, 2008). Because of these negative images, potential employees may avoid whole industries, leaving firms at a disadvantage. While both of these examples are at the industry level, the effects trickle down to all businesses in these trades who do not make an effort to highlight the benefits of working for their organization.

All companies have an employer brand/image, and this can affect both the attraction and retention of employees (Sokro, 2012). Backhaus and Tikoo (2004) explain organizational branding as simultaneously promoting a clear image internally and externally of what makes the firm unique and attractive to potential employees. Some have contended that effective employer branding can lead to a competitive advantage for organizations and facilitate the internalization of company values, as well as boost employee retention (Dell, Ainspan, Bodenberg, Troy, & Hickey, 2001). Branding can be used by businesses in the area of HRM and is often coined “employer branding,” and firms are using this tactic to attract individuals and ensure that current workers are enthralled in the culture and strategy of the firm (Sokro, 2012). Employers with strong employer brands have been shown to increase employee attraction, employee relations, and employee retention (Sokro, 2012).

Strong employer branding is necessary in an economy where skilled employees are in short supply (Ewing, Pitt, De Bussy, & Berthon, 2002). Companies often use their image to market the benefits of joining their organizations; this includes training, career opportunities, development, and

personal growth. Organizations can increase the lack of perceived attractiveness through the application of sound, high-involvement work practices (Boxall & Macky, 2009). On a large-scale, mass media strategies can promote a positive image of the industry. For example, the nursing industry, in partnership with Johnson & Johnson, enacted a five-year, \$50 million-dollar initiative in 2002 to increase the number of nurses, improve nursing retention, and expand nursing education capacity (Allan & Aldebron, 2008). These and other efforts that are led by a business's HRM strategy can only be expected to lead to a competitive advantage for a firm through long-term, flexible efforts that develop into an integral portion of their dynamic HRM capability. A company's image must be developed through an unobstructed vision and managerial support. An image that is contradictory to the facts of a firm will likely lead to increased turnover of employees.

It has been found that successful marketing of a company's brand is a positive indicator of increased applicant attraction and applicant quality (Collins & Han, 2004). Lievens and colleagues (2007) argue that individuals seem to show increased affinity to businesses with similar traits as their own. Moroko and Uncles (2008) debate that there are two primary determinants of success for an employer brand: accuracy and attractiveness. Many well-known brands such as Siemens, Honeywell, Coca-Cola, and Deloitte are using employer branding as a method to increase the attraction of some of the most valuable employees (Moroko & Uncles, 2008). Employer brands are classified as successful when they are known by

employees, prospective employees, and recruitment consultants (Moroko & Uncles, 2008). Having both a strong brand identity and a positive reputation are vital factors when considering the attraction of new employees (Moroko & Uncles, 2008).

Opportunities for Internal Promotion

Internal labor markets are said to exist in organizations when there are promotion ladders, with barriers to entry at lower levels, and the advancement of employees is based on their increased performance and knowledge; internal labor markets are created by employees to reduce turnover (Althauser, 1981). Companies who offer their employees a development program are finding high success with employee retention (Logan, 2000). Internal promotion is typical for small businesses, and this can be attributed to cost benefits, vague job descriptions, and continuously evolving positions (Holliday, 1995).

Opportunities for growth have been cited as one of the primary reasons that individuals choose to leave a firm (De Vos & Meganck, 2009). Offering employees excellent opportunities for career development enhances employees' loyalty and is a dominant factor for employee retention (De Vos & Meganck, 2009). It has been contended that employees who do not have opportunities for growth may experience career plateau and loss of motivation, which could contribute to turnover intentions (Flaherty & Pappas, 2002; Smither, 2003). High-performance work practices, such as promoting from within, should enhance employee retention (Huselid, 1995).

For companies to gain or retain a competitive advantage, it requires employees who are both talented and productive; therefore, employees need to develop their careers and build enhanced competencies (Prince, 2005). Results of Phillips (1998) suggested that individuals who were given a realistic job preview preceding their employment were less likely to leave the organization when hired. When individuals join organizations, they may perceive that they have been promised specific wages, promotional opportunities, job training, and work that is challenging and meaningful (Kickul, 2001). The development of an employee's career is vital to organizations and has been shown to strengthen the bond employees feel toward the firm (Hall & Moss, 1998).

Wayne et al. (1997) contended that growth opportunities show employees that their firm recognizes and values its employees. A company's HR department plays a large role in both the selection of candidates for new positions and the perceived growth opportunities held by the employee. The ability for an HR manager to not inadvertently over-promise growth opportunities to employees is a vital skill that must be learned through interaction. As such, this HRM function must be adapted and groomed to fit the industry and positions and cannot be successfully executed as an ordinary capability of the firm.

Benefits

Employee benefits have grown from 19% of payroll in the 1950s to 39% of payroll in the late 1980s (Barber, Dunham, & Formisano, 1992). The scope of benefits has also increased dramatically; while benefits once consisted of basic

health and retirement coverage, today's benefits can range from the traditional to legal, educational, and child-care assistance (Barber et al., 1992). Berger (1984) found that benefits directly relate to how pay is viewed and whether employees are satisfied. Likewise, pay satisfaction has been linked to reduced absenteeism and turnover (Weiner, 1980). Monetary benefits like competitive salaries and signing bonuses can also be used to attract applicants to an organization (Pfeffer, 1998). Some researchers argue that non-monetary rewards like flexible HR policies and a culture of inclusiveness can be more effective than monetary rewards in attracting and retaining employees (Pfeffer, 1998).

It has been accepted as common knowledge and confirmed by research that compensation is one of the most significant factors in the attraction and retention of employees (De Vos & Meganck, 2009; Irshad & Afridi, 2007). Malik and Naeem (2009) found that pay and fringe benefits were the most crucial retention factors for pharmaceutical sales professionals. It is possible that companies can implement excellent retention strategies without offering high compensation (Pfeffer, 1998). Low pay can drive workers to leave an organization, but high pay will not necessarily keep workers in an organization (Pfeffer, 1998). Businesses who use performance appraisals tied to incentive compensation have been found to have increased firm performance (Huselid, 1995).

Pay level is positively related to job offer acceptance rate, and the time it takes to fill vacancies (Williams & Dreher, 1992). Research shows that family support benefits such as alternative schedules, flex time, work-family culture, and

family benefits significantly affect employee retention (Allen, 2001). Traditional organizations in the United States do not create environments that are sustainable for employees to balance work and family responsibilities (Catanzaro et al., 2010). Heckert and colleagues (2002) found that women rate family higher than men when considering their future career goals. Women very often plan to leave the workforce for a period to raise children and prefer companies that will consider their family responsibilities when designing their roles (Catanzaro et al., 2010). Companies should invest in practices that promote work-life balance through flexible and family supportive policies, as the benefits these policies could bring an organization far outweigh the costs associated with implementing them (Catanzaro et al., 2010). Women have also been found to be increasingly drawn to firm attributes that reduce conflict with non-work roles such as location, flexible hours, family-friendly benefits, and on-site daycare (Chapman et al., 2005).

The development of a sound HRM strategy is explicitly tied to employee benefits. The process of identifying the correct mix of benefits for differing employees should be one of the top priorities for companies. It can be argued that a firm will not offer the most adept combination of benefits to their employees at the outset of a firm. Instead, to build an ideal combination of benefits, organizations must go through a process of learning, experimentation through flexibility, and repetition, which could eventually lead to a piece of the dynamic HRM capability puzzle.

Training

Training is one of the vital reason's employees cite for long-term employment with a company. Multiple researchers argue that giving employees opportunities to learn can improve employee retention while simultaneously augmenting employee skills (Walker, 2001). Training is a critical retention factor for employees in both behavioral and professional development (Sinha, 2012). The benefits of training far exceed the initial costs of training programs (Prenda & Sahl, 2001).

Mueller (1982) suggests that under the human capital theory, humans are much like machines, and they become more productive as more resources are invested into it; thus, increased training can make labor more productive. Providing training to employees through both formal and informal methods such as skill training, on-the-job experience, mentoring, and management development can enhance an employee's progress (Huselid, 1995). Historically, for small businesses, training has been cited as informal and on the job with no extensions into management development activities (Marlow & Patton, 1993). Some researchers have reported that small- and medium-sized companies rarely hold any formal training, which is attributed to the cost of training and the lost productivity due to employees being in training classes (MacMahon & Murphy, 1999).

Training remains a paramount topic for policymakers, industry groups, and academics (Bilginsoy, 1998). Training has been associated with the expansion of a high-skilled labor force, as well as the integration of women and minorities into

non-traditional occupations (Bilginsoy, 1998). It has been argued that organizations should invest in training and development on any employees they expect to receive a return on output from (Messmer, 2000). Additionally, it has been contended that if firms are to be competitive, they must contribute to employee learning (Garg & Rastogi, 2006). Economic theory suggests that in an imperfect labor market, general training can benefit employers (Acemoglu & Pischke, 1999).

Findings indicate that organizations will often postpone employee training to determine whether the employee is a good match for the organization and to attempt to filter out those with turnover intentions. Individual employers tend to under-invest in training because of fear of losing out on their investment (Glover & Bilginsoy, 2005). In some industries, such as construction, although companies realize they have a stake in training their employees for the business's long-term needs, the investment may not pay dividends when an employer-employee relationship is defined as loose (Bilginsoy, 2007). When employees join a firm, they expect that they will acquire both new knowledge and skills.

Employees view training as a sign of organizational commitment, and training can reflect an organizational strategy that focuses on adding value rather than cutting costs (Storey & Sisson, 1993). Although the majority of research has touted the benefits of training, it seems that formal training in organizations is in decline. HRM departments are primarily responsible for managing an employee's training regimen. A company mandating regular training for employees will likely experience a host of benefits. For an HRM department to develop a training

program, it must have the autonomy to do so, and it also must have the resources needed to be flexible and evolve this program. Training is a crucial component for any firm attempting to build a dynamic HRM capability.

Overtime Work

Overtime work is a standard function used by companies to handle demands and reach firm deadlines; while the use of moderate overtime leads firms to apparent benefits, excessive overtime can lead to long-term productivity declines. The effects of mandatory overtime have been linked with increased health and safety concerns. Overtime hours in the United States in 2017 averaged over four hours a week in all non-farm payrolls (Bureau of Labor and Statistics, 2018). Involuntary overtime has been related to high fatigue and low satisfaction (Beckers, Linden, Smulders, Kompier, Taris, & Geurts, 2008). Overtime work is commonplace in countries around the world, with more than 25% of U.S. men and 11% of women working over 50 hours a week (Caruso, 2006). Golden and Wiens-Tuers (2005) reported that in the United States, 28% of full-time workers are working overtime involuntarily. Golden and Wiens-Tuers (2005) found that due to the mandatory nature of overtime work, overtime can reduce the effects of increased financial rewards. A firm's HR department should be familiar with the impact of overtime and develop programs to have an optimal level of overtime hours. Companies that have not developed a robust HRM strategy will likely be unaware of overtime's adverse health and financial effects.

Most of the literature on overtime is concerned with the health and safety risks that it poses (Harrington, 1994). Research demonstrates that overtime is linked to negative psychological health, fatigue, and burnout (Van Der Hulst & Geurts, 2010). Overtime hours have also been correlated with adverse family effects (Geurts, Rutte & Peters, 1999). The Effort-Recovery model argues that the increased expenditure of effort at work through extended hours can affect short-term physiology and psychology negatively, with continued exposure causing long-lasting health impacts (Meijman & Mulder, 1998). Van Der Hulst and Geurts (2010) submit that the effects of overtime will vary depending on working conditions and associated rewards. To develop a dynamic HRM capability, HR managers must understand the risks associated with their industry.

Employees who work mandatory overtime are more likely to suffer from decreased recovery time and fatigue than those who voluntarily choose overtime (Van Der Hulst & Geurts, 2010). Van Der Hulst and Geurts (2010) found that employees who had low rewards and worked overtime were at an elevated risk for a number of negative psychological health effects. Many employees in professions who are exposed to overtime and undesirable schedules cite these as the main factors for burnout (Aiken, Clarke, Sloane, Sochalski, & Silber, 2002). However, it is commonplace for organizations facing worker shortages to use overtime as a solution (Wright & Bretthauer, 2010).

Organizations often feel financial burdens due to slow productivity growth and as such, attempt to maximize employee productivity through overtime (Olivia

& Sterman, 2001). Workers, feeling pressure to perform, are more likely to cut corners to reduce time and are less apt to volunteer for overtime (Olivia & Sterman, 2001). The importance of retaining employees and not leading them down a path of possible burnout are fundamentally important for firms. An organization with an effective HRM department will have realized both the risks and benefits of overtime labor and to have developed a dynamic HRM capability, have implemented strategies that do away with mandatory overtime.

Theoretical Framework

This study aims to examine the actions taken by organizations that affect both the attraction and retention of employees. It will primarily consider the HRM actions implemented by companies. It will attempt to examine these HRM functions under the framework of dynamic capabilities. The main argument under the dynamic capabilities perspective is that while all firms will have some minimal, ordinary HR capabilities relating to the attraction and retention of employees, those organizations who have invested in a formal HRM department, which has the latitude to be flexible and learn, will be able to develop these capabilities into dynamic capabilities. Businesses who can accomplish this will have the potential to discover the optimal bundle of HRM activities that can lead to the ideal attraction and retention of employees and a potential competitive advantage.

Scholars have examined a variety of factors which impact both attraction and retention, but the majority of studies have been focused on the employee level of analysis and typically scrutinize only one of these issues. In addition, while the

RBV has been linked to HRM, there have been minimal studies, if any, regarding dynamic capabilities' effects on attraction and retention. The purpose of this study is to simultaneously analyze both attraction and retention at the company level using a dynamic capabilities perspective. The major research question that guides this study is: 1) Can firms gain a competitive advantage by creating a dynamic capability through more effective HRM? The main argument that guides this research is that HR activities can be dynamic capabilities of firms that profoundly influence the attraction and retention of employees and can lead to companies developing a competitive advantage.

Hypotheses

Dynamic capabilities are firm processes, which companies can adapt during rapidly changing environments, and that are influenced by an organization's specific history and path dependence (Teece et al., 1997). This paper contends that businesses who at some point in their history decided to form a designated HRM department will have had the chance to develop these divisions' activities into dynamic capabilities. Through firm flexibility in its combinations of HRM, firms will have the possibility to discover the ideal blend for an optimal mix of HRM actions which could lead to increased employee attraction and retention. Other organizations with ordinary capabilities in the HRM function will still practice everyday business but will not experience these enhanced benefits. The reasoning behind this is that ordinary capabilities can allow firms to maintain the status quo, but they will not allow businesses to transcend and grow much more than their

current positioning. Companies who have successfully developed a dynamic HRM capability will likely have discovered that the building of capabilities through effective processes and management is the only way in which firms could genuinely gain a competitive advantage.

Hypothesis 1) Firms that have developed a dynamic capability will employ a broad mix of HRM strategies leading to increased employee attraction and retention.

Hypothesis 2) Simply investing into a firm's HRM will not lead to increased employee attraction.

Hypothesis 3) Simply investing into a firm's HRM will not lead to increased employee retention.

Chapter 3

Overview

Thus far, this paper has provided the reader with the fundamental issues and background regarding employee attraction and retention. Additionally, this work showed the reader how dynamic capabilities are a crucial variable for employers to consider when implementing attraction/retention plans. This chapter will describe to the reader the methodology of the presented study. It will include a justification and brief history of the rationale for choosing a bivariate correlational analysis. Moreover, this segment will introduce the reader to a visual representation of the theoretical model. Finally, this section of the paper will describe the participants chosen for this study.

Attraction and Retention Model

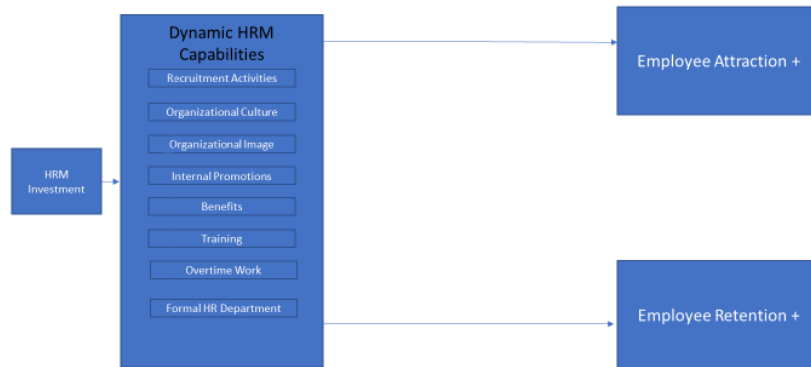


Figure 1: Attraction and Retention Model

Research Design

This analysis aims to discover if HRM as a dynamic capability impacts employee attraction and retention in firms. This paper used a deductive reasoning approach distributed through a survey method as its form of discovery. The researcher first conducted a bivariate correlational analysis between the dependent variables and all independent variables to examine the initial relationships found. The researcher then created a composite dynamic capability variable by assigning each independent variable a weighting of one. A weighting of one was chosen after the researcher first administered various weightings based on the importance of the specific variable according to the academic literature. What the researcher discovered was that regardless of the different weightings applied, the results seemed to indicate the same outcomes. This allowed the researcher to give each firm a score on its dynamics depending on how many activities it was participating

in. Finally, this paper tested its composite variable through a bivariate correlational analysis to test its primary hypothesis.

Research Approach

To understand how multiple organizations are approaching the management of employee attraction and retention, this work required a methodology that could reach various enterprises in a reasonable amount of time. A survey method was the most logical choice for this study, as it allowed the researcher to receive anonymous information from multiple employers. Surveys are non-experimental methods for gathering information from individuals and can be useful when a researcher would like to collect data on a non-observable phenomenon (Sokro, 2012). In the past, much of the research on attraction and retention has focused on the employee level. That is, the surveys have been distributed to the employees of the companies rather than the ownership of the companies. This study differed from those in various respects; first, it is aimed at the ownership/executives and HR managers of the companies studied, and second, it focused on small- and medium-sized firms that are the vast majority of what comprises the construction landscape. A bivariate correlation, or Pearson's r , is the main statistical tool used to measure relationships between variables (Rodgers & Nicewander, 1988).

Dependent Variables

This study had two dependent variables, which were employee attraction and employee retention. Employee attraction was measured by the average amount of qualified candidates who applied for a position for both hourly and salaried

positions. Employee retention was measured by the average tenure of employees within a firm across hourly and salary positions. Both variables are vital for long-term organizational performance.

Attraction

Employee attraction can be defined as the activities performed by firms to get potential candidates interested in their organization (Rynes, 1989). This survey questioned participants on the average number of applicants who typically applied to an open position. Survey participants could choose one of six options which were in increments of 20, ranging from zero to 20 applicants to over 101 applicants. The question was split into hourly employees and salaried employees. The insights gained from this survey could be paramount to firms understanding how to draw more applicants to open positions.

Retention

Employee retention could be described as the activities performed by firms to keep employees' part of their organization (De Vos & Meganck, 2008). This study asked participants what the average tenure for a typical employee was. Participants had the choice of one of six options which were in increments of two years and ranged from zero to one year to over ten years. The question was divided into both hourly employees and salaried employees. The current average retention rate for employees across industries is five years (Irshad & Afridi, 2007), and the information found in this study could allow firms to extend this time frame

Independent Variables

The principal independent variables were dynamic capabilities in the form of HRM. Under the HRM dynamic capabilities framework variables, there were eight sub-variables. The sub-variables included having a formal HR department, recruiting tactics, organizational culture, organizational image, opportunities for internal promotion, benefits, training, and overtime. The dynamic HRM capability variables were measured by determining how many of these functions were in use and thus, the dynamics of the HRM of the firm. More specifically, for the dynamic capability HRM variables, three variables were measured using a count-type item, three of the variables were measured using a binary-type item, one of the items was measured using a seven-point Likert scale, and one item was measured using a multiple-choice type question. The study also investigated the firm's asset positioning through investment in HRM budget, a company's history through how long its formal HRM department has been in place, and if there had been processing changes during the previous five years with regards to HRM activities.

Formal HR Department

A formal HR department is an established department in a firm with full-time professionals who are dedicated to HR activities such as recruitment, hiring, pay, and benefits (Kotey & Slade, 2005). This survey determined if a firm had a dedicated HR department through a binary question. Those firms who had a formal HR department received one weighting point toward the dynamics of the firm.

Recruiting Tactics

Recruitment is defined as all organizational actions and decisions that affect the quality and quantity of individuals who are willing to apply and accept an open position (Rynes, 1989). The researcher implemented a count variable to measure how many recruitment activities a firm was implementing. Firms were awarded one point toward their dynamic score for each recruitment activity it was participating in with a minimum score of zero and a maximum score of ten. This variable also had a sub-variable which measured if the company had made any positive changes toward its recruitment activities during the previous five years. Participants were awarded one point toward their dynamic score if they had made positive changes.

Organizational Culture

Organizational culture is the basic assumptions about the world and the values that guide life in organizations (Schneider, Ehrhart, & Macey, 2013). This work focused specifically on the aggressiveness of the firms studied, namely the question evaluated the aggressiveness of going after new business using a seven-point Likert-type question. Firms who answered on the lower end of the aggressiveness scale (i.e., scores of one through three) were awarded one point toward their dynamic score. This variable also had a sub-variable which examined if the firm had become less aggressive in its business practices over the previous five years. Those firms who had become less aggressive were awarded one point toward their dynamic score.

Organizational Image

Organizational image is the perceived thoughts and views of those inside and outside of an organization about a firm's culture and purpose (Backhaus & Tikoo 2004). This variable was measured using a count-type variable. Survey participants could choose from zero to ten activities. The organizational image actions included charitable contributions, participating in high school and college programs, and promoting the company through social media platforms. Firms were awarded one point toward their dynamic score for each activity they were implementing. This variable also had a sub-variable which measured if the firm had made any positive changes to their image during the previous five years; if they had, they were awarded one point toward their dynamic score.

Opportunities for Internal Promotion

Opportunities for internal promotion can be described as an employee's prospects for enhancing their professional development and career prospects (Prince, 2005). This variable was measured by giving the survey takers the option of choosing how many employees were promoted during the previous year; they had an option to choose from zero to one to 21 and over. Firms were given one point for each category. For example, those who chose answer (B), two to five employees, were awarded two points, while those who chose answer (F) 21 and over, were awarded six points towards their dynamic score. This variable also had a sub-variable which examined if companies had increased their internal promotions

during the previous five years; those who answered yes to this question were awarded one point to their dynamic score.

Benefits

Benefits are financial and nonfinancial rewards provided by an employer (Barber et al., 1992). During this work, we examined this variable using a count variable with participants being able to choose from zero to ten activities. These choices included tuition assistance, flexible hours, and work from home options. Firms were awarded a point toward their dynamic score for each activity they were participating in. This variable also had a sub-variable which measured if the firm had made any positive changes to their benefits program during the previous five years. Firms who had made positive changes were awarded one point toward their dynamic score.

Training

Training is organized activities aimed at enhancing employee skill and knowledge offered by employers (Beach, 1971). This study asked participants using a binary variable if they participated in a training program. Firms were given one point towards their dynamic score if they participated in training. This variable also had a sub-variable which measured whether a firm had made positive changes to their training program during the previous five years. Firms that had made positive changes were awarded one point toward their dynamic score.

Overtime Work

Overtime work is hours worked beyond those hours that are typically required by employers (Caruso, 2006). This study used a binary-type measure which asked firms if they had a mandatory overtime policy or not. Firms that did not have mandatory overtime were awarded one point toward their dynamic score. This variable also had a sub-variable which asked if they had made any positive changes to their overtime policy over the previous five years. Firms that had made positive changes were awarded one point toward their dynamic score.

HRM Budget

This study had two questions which measured a firm's investment in HRM. The first question asked firms how much they had invested into their HRM department during the previous year, and the second question asked how much they had invested into their HRM five years prior. For both questions, participants could choose from one of seven options which were in increments of three percent and ranged from zero to two percent of the firm's annual gross revenue to over 18% of a firm's annual gross revenue. For each question, participants were awarded one point toward their dynamics for each level of investment they participated in.

HRM Department Years in Operation

This study asked those firms who had a formal HR department how many years it had been in operation. For each level of years a firm had an established HR department, they were rewarded one point toward their dynamic score. Firms could choose between zero and five years to over 26 years.

Other Variables

To acquire the most robust results, this study analyzed the bivariate correlational results for the size of the firm, years in operation, primary industry, and annual revenue. It could be argued that as organizations grow in both size and income, the investments made in HR will also increase. Thus, it can be assumed that the larger a firm is in size and revenue, the more dynamic their HRM departments will be. These results are provided in the paper's appendix.

Size of the Firm

The size of the firm was determined by asking firms how many employees they had. Firms were able to enter the exact amount of employees they currently had. The study had a mix of firm sizes with the smallest firm having one employee and the largest having 7,000 employees with the mean of all firms studied being 255.18 employees.

Years in Operation

Firms who participated in the study were able to enter in how many years they had been in operation. The study had a large mix, from firms that had been in operation for two years to those who had been in operation for 98 years. The mean number of years firms had been in operation was 30.36 years.

Primary Industry

The firms which participated in this study could also choose whether their primary industry was commercial or residential. In the construction industry, firms typically focus on either primarily working on residential properties or commercial

properties. The study did not ask whether firms were participating in primarily service work or new construction. Results indicated that 83.3% of companies focused on the commercial sector, and 16.7% targeted the residential sector.

Annual Revenue

Participating firms were asked to choose their annual gross revenue. Firms could choose from \$0 to \$10M to over \$60M. Here again, firms had a diverse mix of revenues. The mean for all firms studied was \$21M to \$30M.

Population and Sample

As of 2012, the U.S. construction industry employed over 5 million workers, of that 83.3% were employed by establishments with fewer than 500 employees (Census Bureau, 2018). This sector is also a very lucrative one with the mean annual gross revenue of all companies surveyed between \$21M and \$30M, and this equates to an average company gross revenue of \$82,294 to \$117,564 per employee. The construction industry was an appropriate context for this study for multiple reasons. The first is that as of 2018, the construction industry reports that employee attraction and retention is one of the most significant issues it faces (Association of General Contractors, 2018). The reasons for this vary but include the fact that the labor pool is often of a transient nature, moving along with the construction, and making the issues of attraction and retention more pronounced than other industries. Also, lower level employees in construction will often switch between companies for a slight increase in pay. The image of the industry is one

which many see as unfavorable making the attraction of employees more difficult than many other industries.

The researcher has worked with the construction industry for multiple years and has heard frequent anecdotal complaints about the issue. Through professional associations, the author often hears companies complaining that they are completely booked out months in advance and because of lack of personnel, are forced to decline new projects. Similarly, the complaints voiced by construction firms is that turnover is rampant with individuals jumping to another firm for an increase of pay often less than \$1.00 an hour. Construction is vital to the continued growth of the American economy, and firms within the construction industry must be able to both attract and retain employees if they are to succeed and thrive. Because of these reasons, this paper used the Florida construction industry as its context.

Selection of Participants

This survey instrument was distributed through three separate construction industry-oriented organizations: Associated Builders and Contractors FL East Coast Chapter, which has approximately 1,500 members with 326 members who are construction firms, Association of General Contractors FL East Coast Chapter, which has approximately 126 members of which 80 are construction firms, and Home Builders and Contractors Association Brevard FL Chapter, which has approximately 135 members with 120 of these representing construction firms. In total, the survey was sent to 526 construction firms in the Florida East Coast.

Using these construction-related associations allowed the researcher to access a wide variety of organizations with varied sizes, specialties, and approaches. The survey results were analyzed separately and then combined for robustness testing. Because of the size and scope of the research, participants in this study should be a good barometer of attraction and retention effects in a critical U.S. industry.

Instrumentation/Data Collection

This study consisted of a survey instrument. This survey was designed to study the effects of dynamic capability HRM functions on employee attraction and retention. The survey was constructed using the work of multiple scholars as its basis of design. The construction industry is one in which the topic of employee attraction and retention is of paramount importance. Since this survey targeted the owners/executives and or HR managers of businesses, the researcher suspected the chances of receiving biased information were minimized. The survey was also designed to reduce the chances of bias by avoiding ambiguous questions.

Procedures

This survey was distributed to the members of the participating associations described above through SurveyMonkey, an online survey tool. The survey was distributed via email, on LinkedIn, and through the associations' newsletters on a bi-weekly basis for two months. As an incentive to complete the survey, the researcher completed a random drawing for survey participants for a chance to win a monthly prize of \$500 worth of professional power tools. Online surveys are a low-cost option that allow for rapid data collection, are perceived as more

anonymous by participants, and increase access to participants (Cooper & Schindler, 2006). Benefits of surveys also include the use of incentives to increase the response rate (Cooper & Schindler, 2006). Once the survey results were collected, the data was analyzed using SPSS, a statistical analysis software.

Data Analysis

The data was analyzed using a bivariate correlational analysis. The primary purpose of this study was to discover correlations between HRM dynamic capabilities and employee attraction and retention. A Pearson correlational analysis is one which remains unchanged when linear transformations are applied (Rodgers & Nicewander, 1988). The formula used for a bivariate correlation is

$$r = \frac{\sum(X_i - \bar{X})(Y_i - \bar{Y})}{[\sum(X_i - \bar{X})^2 \sum(Y_i - \bar{Y})^2]^{1/2}}$$
. This formula takes the raw scores of the numerator and centers them by subtracting out the mean of each variable, and the sum of the cross products is then accumulated. For the denominator, the scales of the variables adjust to have equal units. The equation thus describes r as the centered and standardized sum of the cross product of two variables (Rodgers & Nicewander, 1988).

Ethical Considerations

Florida Institute of Technology's Institutional Review Board (IRB) reviewed this study. The researcher completed ethical research training through the Collaborative Institutional Training Initiative. This study followed all recommendations outlined by the university's IRB.

Researcher Positionality

The researcher is a sales professional with six years of experience working in the construction industry. The topic of this study is one that the author hears anecdotal complaints about regularly. As a doctoral student, the scholar realized there was an opportunity to add valuable knowledge to an industry that has a limited amount of academics. The construction industry is a sector which is rarely discussed in academic circles but has individually impacted each of us at some level. The professionals in this industry build our roads, shopping centers, bridges, and homes. The industry is one that is typically looked down upon by many individuals but is also one in which billions of dollars are spent in every year, and which employs over six million individuals in the United States (Small Business Administration, 2018). The continued growth of the construction industry is vital to the U.S. economy, and the topic of attraction and retention is essential for that continued growth.

Validity and Trustworthiness

The researcher made every effort to ensure the validity and trustworthiness of the information contained within this work. All survey questions were developed using previous academic research as its basis. The study was distributed to reputable organizations in the construction industry whose information was kept anonymous, and the researcher had no reason to believe that the answers were not valid. Being a correlational study, the results found within are not meant to suggest

causation. The researcher believes that the methods used in this study have adequate content validity, criterion-related validity, and construct validity.

Chapter 4

Overview

Several industries experience hardships with both attracting qualified employees and retaining those employees they do have (Veneri, 1999). This study's goal was to uncover the presence of any correlations between a firm's HRM strategies and employee attraction and retention. More specifically, the study attempted to discover if a dynamic capability could be created through more effective HRM and thus, lead a firm to a competitive advantage over its peers. An abundant amount of research exists that links HRM activities to both attracting and retaining employees. However, while the issues of employee attraction and retention are widely recognized, little research has been conducted on the process of building a dynamic HRM capability.

This study examined the effects of eight HRM activities shown to have an impact on the ways employees interact with their employers. The eight factors were: 1) having a dedicated HRM department, 2) recruitment tactics, 3) organizational culture, 4) organizational image, 5) opportunities for internal promotion, 6) benefits, 7) training, and 8) overtime policies. In the remainder of this chapter, the researcher will describe each of the eight functions and the results achieved via bivariate correlational analysis, as well as describe the effects discovered when the researcher created a dynamic capability composite variable.

For a more concise view of the results, please see Table 1: correlational analysis, and Table 2: DCV1 correlational analysis.

Research Findings

This study used a survey instrument as its form of discovery. The survey was distributed to 526 construction firms located in the East Coast of Florida. In total, 68 surveys were submitted, yielding a 12.93% participation rate. According to Morton, Bandara, Robinson, and Atotoa Carr (2012), surveys with response rates with as low as 5% have been shown to be effective and not directly correlated to the study's validity. A power analysis was conducted using G*Power to determine the required sample size for bivariate correlational analysis. The G*Power analysis was calculated using Cohen's (1988) definition of large effect size for using a bivariate correlation, which is a d of .80, and can be interpreted as an r of .50 or $PV = .25$. where d represents a large effect size, and PV stands for the proportion of variance, which is the square of the correlational coefficients, and r stands for correlation (Cohen, 1988). The result of the power analysis indicated that the study required a sample size of a minimum of 34 participants. In addition, Field (2013) claims that with up to 20 predictors, a sample size of 77 is always sufficient with smaller predictors needing a smaller sample size.

The data analysis used in this study took multiple forms. The researcher first used bivariate correlational analysis to determine whether any of the independent variables were related to the dependent variables. Subsequently, the

researcher created a composite dynamic capability variable to determine if using multiple forms of HRM methods indeed established a dynamic capability, which could lead a firm to higher employee attraction and retention and a competitive advantage. A composite variable is a variable that is made up by two or more statistical instruments; using composite variables is common practice when ruling out Type 1 error, examining multicollinearity for regression analysis, and as used in this study, grouping similar variables for more meaningful insights (Song, Lin, Ward & Fine, 2013). The results of all the models will be summarized below with the strength of the relationship referenced using Evans (1996) criteria, which indicate that very weak relationships have correlation coefficients between .00 and .19, weak relationships range between .20 to .39, moderate relationships are from .40 to .59, strong relationships are defined as .60 to .79, and very strong relationships have correlation coefficients between .80 and 1.0. The discussion of these results will be presented in chapter five.

Research Question

1. Can firms gain a competitive advantage by creating a dynamic capability through more effective HRM?

Synthesis and Summary of the Data

Table 1: Correlation Table

Independent Variables	Salary Retention	Hourly Retention	Hourly Attraction	Salary Attraction
Dedicated HRM	-.128 (n=47)	-.163 (n=46)	-.543** (n=44)	-.315* (n=44)
Recruitment Count	.70 (n=47)	-.069 (n=46)	.150 (n=44)	.193 (n=44)
Recruitment Changes	-.338* (n=42)	.006 (n=41)	.096 (n=42)	.031 (n=42)
Org. Culture	-.046 (n=42)	-.074 (n=41)	-.331* (n=42)	-.203 (n=42)
Org. Culture Changes	.284 (n=41)	.100 (n=40)	-.112 (n=41)	-.227 (n=41)
Org. Image Count	.076 (n=47)	.016 (n=46)	.317* (n=44)	.333*(n=44)
Org. Image Changes	.131 (n=41)	.314* (n=40)	-.117 (n=41)	.050 (n=41)
Oppt. For Internal Promo.	.128 (n=41)	.277 (n=40)	.520** (n=41)	.648** (n=41)
Changes Internal Promo.	.072 (n=41)	.116 (n=40)	-.233 (n=41)	-.208 (n=41)
Benefits Count	.120 (n=47)	.300* (n=46)	.285 (n=44)	.430**(n=44)
Benefits Changes	.269 (n=41)	.198 (n=40)	.080 (n=41)	-.010 (n=41)
Training	-.062 (n=41)	-.081 (n=40)	-.046 (n=41)	-.107 (n=41)
Training Changes	.073 (n=41)	.009 (n=40)	-.189 (n=41)	-.143 (n=41)
Overtime Work	.160 (n=41)	.096 (n=40)	-.429**(n=41)	-.028 (n=41)

Overtime Work	.063 (n=41)	.035 (n=40)	-.120 (n=41)	-.360*(n=41)
Changes				

* $p = < .05$; ** $p = < .01$

Dedicated HRM Department

The first independent variable examined was whether a firm had a dedicated HRM department. This variable's survey question was binary in nature. During bivariate correlational analysis, it was found that salary retention had a very weak relationship with a correlation of $r = -.128, p = > .05$; for hourly retention, the correlation was $r = -.163, p = > .05$. For hourly attraction, the strength of the relationship was moderate to weak, and the correlation was $r = -.543, p = < .01$. For salary attraction, the correlation was $r = -.315, p = < .05$.

Recruitment Tactics

Recruitment activities were examined using a count variable with a secondary binary recruitment variable exploring if there had been any enhancements in recruitment during the previous five years. For the primary count variable, the bivariate correlational results were: strong for salary retention, $r = .70, p = > .05$; for hourly retention, the strength was very weak with $r = -.069, p = > .05$; for hourly attraction, the strength was very weak, it was $r = .150, p = > .05$; and for salary attraction, the strength was very weak as $r = .193, p = > .05$. The secondary variable surrounding recruitment was then explored. The bivariate correlational results were as follows. For salary retention, the strength was weak, it was $r = -$

.338, $p = <.05$; for hourly retention, the strength was very weak, it was $r = .006$, $p = >.05$; for hourly attraction, the strength was very weak, it was $r = .096$, $p = >.05$; and for salary attraction, the relationship was weak with $r = .031$, $p = >.05$.

Organizational Culture

Organizational culture was scrutinized using a company's level of aggressiveness, and secondarily by whether the company had changed its aggressiveness during the previous five years. For the primary variable, a Likert-type, seven-point scale was used. The results of the bivariate correlational analysis were very weak for employee retention and weak for employee attraction: $r = -.046$, $p = >.05$; for salary retention, $r = -.074$, $p = >.05$; for hourly retention, $r = -.331$, $p = <.05$ for hourly attraction; and $r = -.203$, $p = >.05$ for salary attraction. Organizational culture's secondary variable dissected the aggressive changes of a firm, the correlational analysis showed that the strength of the relationship was weak to very weak, for salary retention, it was $r = .284$, $p = >.05$; for hourly retention, it was $r = .100$, $p = >.05$; for hourly attraction, it was $r = -.112$, $p = >.05$; and for salary attraction, it was $r = -.227$, $p = >.05$.

Organizational Image

The organizational image of a firm was investigated using two variables. The first and primary variable was a count variable, and the second variable examined changes in the organizational image during the previous five years,

which was binary. For the primary variable, the bivariate correlation results showed there was a very weak to weak relationship. More specifically, for salary retention, it was $r = .076, p = >.05$; for hourly retention, it was $r = .016, p = >.05$; for hourly attraction, it was $r = .317, p = >.05$; and for salary attraction, it was $r = .333, p = >.05$. The secondary variable, which examined organizational image changes, also had a very weak to weak correlation, with bivariate correlation results of $r = .131, p = >.05$ for salary retention; $r = .314, p = <.05$ for hourly retention; $r = -.117, p = >.05$ for hourly attraction; and $r = -.050, p = >.05$ for salary attraction.

Opportunities for Internal Promotion

Internal promotions were measured using a multiple-choice type variable for the primary variable and a binary variable for the secondary variable. For the primary variable, the bivariate correlation results showed that for salary retention, the correlation was very weak with a score of $r = .128, p = >.05$; for hourly retention, the strength was weak, and the correlation was $r = .277, p = >.05$; for hourly attraction, the correlation had a moderate strength $r = .520, p = <.01$; and for salaried attraction, the correlation had a strong strength of $r = .648, p = <.01$. For the secondary binary variable, the researcher examined if any changes had been made to internal promotions within the previous five years. The bivariate correlation results showed that for salaried retention, there was a very weak relationship, which were $r = -.072, p = >.05$ and for hourly retention, $r = -.116, p =$

>.05. For attraction, the strength was weak; for hourly attraction $r = -.233, p = <.05$; and for salaried attraction, it was $r = -.208, p = >.05$.

Benefits

The survey measured benefits with two questions. The first of these was a count variable and the second was a binary variable which questioned company changes in benefits during the previous five years. The results of the first question's bivariate correlation were as follows. For salary retention, the results were very weak, it was $r = .120, p = >.05$; for hourly retention, the results were weak, it was $r = .300, p = <.05$; for hourly attraction, the strength was weak, it was $r = .285, p = >.05$; and for salary attraction, the strength was moderate, it was $r = .430, p = <.01$. For the secondary question, the bivariate correlation was weak for employee retention and very weak for employee attraction: $r = .269, p = >.05$ for salary retention; $r = .198, p = >.05$, for hourly retention; $r = .080, p = >.05$ for hourly attraction; and $r = -.010, p = >.05$ for salary attraction.

Training

The questions on training were both dichotomous variables with the first variable inquiring to whether the company offered employee training and second question probing into whether the company's training had changed within the previous five years. The results of the bivariate correlational analysis showed very weak relationships for all dependent variables. For the first question $r = -.062, p =$

$>.05$ for salary retention; $r = -.081, p = >.05$ for hourly retention; $r = -.046, p = >.05$ for hourly attraction; and $r = -.107, p = >.05$ for salaried attraction. For the secondary question, all relationships were also very weak. The bivariate correlation findings indicated that for salary retention, $r = .073, p = >.05$; for hourly retention, it was $r = .009, p = >.05$; for hourly attraction, it was $r = -.189, p = >.05$; and for salary attraction, it was $r = -.148, p = >.05$.

Overtime Work

To study the effects of overtime work, the survey used two dichotomous variables. The first variable addressed whether a firm was implementing mandatory overtime work, and the second considered whether the company had changed its overtime policies during the previous five years. The first question's bivariate correlation showed that all relationships were very weak except hourly attraction, which had a moderate relationship. For salary retention, the results were $r = .161, p = >.05$; for hourly retention, it was $r = .096, p = >.05$; for hourly attraction, it was $r = -.429, p = <.01$; and for salary attraction, it was $r = -.028, p = >.05$. For the secondary variable, the bivariate correlational results revealed that all relationships were very weak except for salary attraction, which showed a weak relationship. For salary retention, it was $r = .063, p = >.05$; for hourly retention, it was $r = .035, p = >.05$; for hourly attraction, it was $r = -.120, p = >.05$; and for salary attraction, it was $r = -.360, p = <.05$.

Table 2: DCV1 Correlational

Independent Variable	Salaried Retention	Hourly Retention	Hourly Attraction	Salaried Attraction
DCV6	.233 (n=41)	.187 (n=40)	.488** (n=41)	.536** (n=41)

* $p < .05$; ** $p < .01$

Dynamic Capability Composite Variable 1 (DCV1)/Hypothesis 1

In order to calculate the results of Hypothesis 1, a composite variable was created for this study, which will be called DCV1 going forward; this composite variable was developed by taking all independent variables and their secondary variables, which measured change during the previous five years, and giving them a weighting of one. This study also took into account a firm's investment in its HRM budget and years the HRM department had been established and gave these a weighting of one. The researcher then added the totals of all variables to reach a numeric value which became the figure used for DCV1. A bivariate correlational analysis was then calculated to measure the strength of the relationship between employee attraction based on a firm's dynamic capability score.

Results indicated that DCV1 only showed significance when measured against both salaried and hourly attraction. The results of the binary correlational analysis showed that for salary retention, there was a weak relationship with $r = .233$, $p > .05$. For hourly retention, there was a very weak relationship, it was $r =$

.187, $p = >.05$; for hourly attraction, the correlation was moderate, it was $r = .488$, $p = <.01$; and for salaried attraction, the strength was also moderate, it was $r = .536$, $p = <.01$. These results partially supported Hypothesis 1. The researcher ran multiple iterations of this composite variable for robustness checks. During each iteration, the weights of the variables were slightly changed, and the results showed that only salaried and hourly attraction showed significance, although the Pearson scores were slightly different.

HRM Investment/Hypotheses 2 and 3

Table 3: HRM Investment-Retention

Independent Variable	Salaried Retention	Hourly Retention
HRM Investment 2018	.111 (n=21)	.036 (n=21)
HRM Investment 2013	.257 (n=21)	.069 (n=21)

† $p = <.10$ * $p = <.05$; ** $p = <.01$

Table 4: HRM Investment-Attraction

Independent Variable	Hourly Attraction	Salaried Attraction
HRM Investment 2018	-.057 (n=20)	.187 (n=20)
HRM Investment 2013	.101 (n=20)	.330 (n=20)

* $p = <.05$; ** $p = <.01$

The researcher was interested in the relationship between investment in HRM and higher employee attraction and retention. To test the hypotheses, a binary correlational analysis was conducted for both employee attraction and employee retention. Hypothesis 2 was supported, showing that there was no significant correlation in the attraction of hourly or salaried employees and a firm's standalone investment in HRM. Hypothesis 3 was also supported, indicating there was no significance with previous HRM investment and the retention of hourly or salaried employees. The implications of these results will be discussed in further detail in the following chapter.

Contribution to Applied Practice

Multiple studies demonstrate the importance of HRM practices for firms (Colbert, 2004; Huselid, 1995, Wright & Boswell, 2002), but this is one of the first studies to attempt to quantitatively measure whether a dynamic capability can be created using these practices. This study found that a dynamic capability can be developed through a firm's HRM processes. Surprisingly, the results showed that a significant relationship seems to occur only when applied to hourly and salaried employee attraction. Findings also indicated that contrary to the hypothesis, a firm does not have to necessarily be participating in all the hypothesized activities to create this dynamic capability. The results for businesses are simple but impactful. The more HRM activities a firm participates in will raise the level of dynamics of

that firm, which in turn can lead the firm to a higher attraction of its salaried and hourly employees. Firms continue to face issues in both the attraction and retention of employees. This study should ease the burden placed on firms by allowing them to attract more applicants to important positions. In the next chapter, we will discuss the results and implications in further detail.

Chapter 5

Overview

Various industries face difficulty in both attracting qualified employees and retaining those employees they do have (Veneri, 1999). The costs associated with the replacement of employees are estimated to be up to twice an employee's annual salary, with the typical employee expected to leave a firm after only five years (Irshad & Afiridi, 2007). Companies also frequently lower job requirements to attract personnel (Walsh, 1977). Employee attraction and retention are two of the most important issues facing the construction industry (Association of General Contractors, 2018), and as such, a quantitative study of this nature was needed.

An abundant amount of research links HRM activities to enhancing firm strategic development (Huselid, 1995; Wright & Boswell, 2002). However, while the issues of employee attraction and retention are widely recognized, limited research has evaluated the process of building a dynamic HRM capability to enhance employee attraction and retention, to potentially lead a firm to a competitive advantage. The current research aimed to provide a quantitative investigation to discover whether a dynamic capability could be created using a firm's HRM to mitigate the impact of employee attraction and retention. This study used a quantitative survey and bivariate correlational analysis to determine if there were any correlations between HRM dynamic capabilities and the attraction and

retention of employees. The main variables studied were having a dedicated HRM department, recruitment tactics, organizational culture, organizational image, opportunities for internal promotion, benefits, training, and overtime work. These variables were used to create a composite variable to examine whether a dynamic capability could be created using HRM.

The results of this research confirmed that a dynamic capability can be created using a firm's HRM. Moreover, findings indicate that there is indeed a relationship between a firm's HRM activities and attracting more hourly and salaried employees. The study also found that a significant connection does not include retaining salaried or hourly workers. Additionally, this study analyzed whether a firm which simply invested into its HRM could enhance the attraction and or retention of employees. The research found no meaningful correlation in the stand alone current or previous investment in HRM and the attraction or retention of employees. To the researcher's knowledge, this is one of the only quantitative studies to address the building of a dynamic capability through HRM processes. In the remainder of this chapter, I will go into more detail on the data analysis results and will conclude with recommendations for future studies.

Contribution of the Study

The main goal of this study was to discover if a dynamic capability could be created using the HRM processes of a firm. The rationale for this study was the fact that employers across multiple industries are having increased difficulty in both

attracting and retaining employees (Elgie, 2007; Walsh, 1977). What the current research showed is that a firm can indeed gain a potential competitive advantage over its peers through increased salaried and hourly employee attraction by effectively implementing its HRM. Salaried employees are typically the highest paid members of a firm's workforce and are typically given increased responsibilities, earning an average \$43.50 an hour compared to their hourly counterparts who earn an average of \$11.07 an hour in the construction sector (Melbourne/Palm Bay FL; Bureau of Labor and Statistics, 2018). One can infer that by allowing a firm to attract a larger pool of candidates for both open hourly and salaried positions, these firms will have the opportunity to select the best individuals for a particular role. The hiring of high-caliber individuals should lead a firm to higher performance and as such, a possible competitive advantage (Boxall, 1996). Several studies have confirmed the impact of hiring high-performance individuals with one study showing that a one-standard-deviation increase in employee performance equates to 40% of an employee's salary (Schmidt, Hunter, Mackenzie, & Muldrow, 1979).

As noted, this is one of the few quantitative studies to examine whether a dynamic capability could be created using a firm's HRM. This study also differs from other studies, as it focused on surveying the owners and senior managers of organizations rather than the employees themselves. This study gave great insight into the HRM activities which employers in the construction industry of Eastern

Florida should focus on. The research also confirmed the study's second hypothesis, which is that for a firm to merely fund its HRM is insufficient to either create a dynamic capability or increase a firm's employee attraction. The third hypothesis was also supported and showed that simply funding of a firm's HRM department is insufficient to increase the retention rates of its employees.

Discussions and Implications

Correlational Results

The first discussion will be centered around the significant correlational results found in this study. The correlational analysis showed that of all the independent variables analyzed, seven of these had relationships with one of the dependent variables. The researcher will go through each variable and discuss the results.

Having a dedicated HRM department showed a significant negative relationship between both hourly and salaried worker attraction. It is possible that this inverse relationship is specific to the construction industry, where many of the employees can be transient and having strict HRM departments can be viewed as a deterrent (Arditi & Gunaydin, 1997). Many immigrant workers often work in the construction industry, accounting for 22% of the workforce in 2005, and again would possibly be afraid or discouraged to apply for a job in a firm with strict HRM regulations (Orrenius & Zavodny, 2009). This thought process seems to be

validated by the fact that the negative correlation is less for salaried employees than hourly employees. Salaried employees, on the other hand, may also be accustomed to working for smaller construction firms, with 83.3% of construction employees working for establishments with fewer than 500 employees; some of these companies may provide undocumented benefits such as cash bonuses which would likely not be offered by a firm with a dedicated HRM department (Census Bureau, 2018).

Recruitment changes had a negative relationship with salaried retention. This result was unexpected, as this question analyzed whether a firm had increased its recruitment activities during the previous five years. This parallel may have been negative because with increased recruitment activities, current salaried employees are faced with increased competition from new hires. This increased competition and influx of employees may have caused the salaried employees to lose status, feel less important, or that their position is threatened, which could potentially lead to an exodus of current salaried employees. For example, Hippel and Kalokerinos (2011) found that employees felt their positions were vulnerable when a company hired temporary employees to perform a job function.

Likewise, organizational culture and hourly attraction were inversely related. This variable examined a firm's level of aggressiveness, and the negative correlation is not surprising. The more aggressive a firm is in gaining new business

and completing projects could translate to increased pressure and stress on employees, leading to a negative view of the company by potential applicants.

Organizational image showed an impactful connection for its primary variable and salary employee attraction. This variable examined the number of positive image activities a firm was engaging in. The results also showed importance for its secondary variable and hourly retention; the secondary variable examined if there had been more positive image producing activities during the last five years. Intriguingly, each of the organizational image variables found a positive relationship for either employee attraction or retention but not both. A positive image can enhance the reputation of the firm, leading to increased attraction of salaried employees who are set on a long-term career path (Dell, Ainspan, Bodenberg, Troy, & Hickey, 2001). A positive image can also enhance employee retention of hourly employees who feel pride in sharing the fact that they work for a particular organization with their friends and colleagues (Earle, 2003).

Opportunities for internal promotion evaluated the rate of internal promotions for a firm and showed a positive parallel to the attraction of employees. This strong correlation could be attributed to the thought process that there are opportunities for internal growth once an employee is hired to a firm and could explain the large positive connection (De Vos & Meganck, 2009). Unexpectedly,

there were no other significant relationships found with employee retention and this specific variable.

A positive relationship was also found between benefits and salaried attraction and hourly retention. This variable measured the number of benefits offered to employees. I believe these results can be easily deduced, the increased benefits offered by firms are of utmost importance to hourly employees who may hold lower formal education and job prospects than their salaried colleagues, causing them to stay longer with firms that offer a wide range of benefits. The Bureau of Labor and Statistics (2018) reports that the average worker with a bachelor's degree or higher earned \$1,385 per week compared to those without a high school diploma, who earned \$517 per week. For the significance in salaried attraction, this may be attributed to tenured employees searching for companies to continue their careers which offer the most attractive benefits packages (Pfeffer, 1998).

The final variable to demonstrate correlational significance was overtime work and hourly attraction. This variable examined the results of having mandatory overtime for employees. The results showed that firms are less likely to attract hourly employees if they employ mandatory overtime. Fottler and Schaller (1975) found that younger workers were more prone to accepting overtime work, and this increased for those who were under 30 and married; they credit this to the increased financial burden placed on these individuals. Hourly employees often earn less than

there salaried counterparts and may be more apt to accept overtime if offered but seem to view it negatively if it is mandated upon them.

DCV1 Results/Hypothesis 1

The results of the bivariate correlation on DCV1 answered this study's primary research question of whether a dynamic capability could be created through a firm's HRM functions. To reiterate, dynamic capabilities are firm-specific processes influenced through a firm's asset positioning and history that could potentially lead a firm to a competitive advantage. What this study found is that those firms who have developed their HRM functions by implementing multiple processes, have been cognizant of the effects of these functions and made changes when needed, as well as invested into the development of HRM can indeed create a dynamic capability. As previously stated, using a composite variable, the researcher discovered that there was indeed a strong parallel with implementing various HRM activities and employee attraction. The scores of the composite variable ranged from six points to 63 points with the mean being 27.9 points. It was surprising that significantly more positive relationships were not found in the retention of both hourly and salaried employees.

The results could be interpreted to mean that individuals searching for salaried and hourly positions are more likely to pay close attention to the complete HRM package being offered by firms. The reason for this could be that in the construction industry, positions of the same type offer similar salaries, and the only

real incentive for an employee to change firms may be the HRM benefits offered by a different company. The results found here may have been different if analyzed in other industries with more variations in pay. The results may have also differed if the study was replicated for the construction industry in a larger geographical area. Firms within the construction sector should take note of these results and the implications for their businesses. A company who successfully manages its HRM may see benefits in the form of a larger pool of qualified candidates applying for open positions, which in turn could enhance the overall quality of its workforce. These enhancements have the potential to lead a firm to a competitive advantage over its peers. It is also possible for a firm to gain a sustained competitive advantage as researchers have argued that HRM systems are impossible to imitate because of the complexities and interdependencies involved in the practices (Wright, Dunford, & Snell, 2001).

HRM Investments/Hypothesis 2 and 3

Both Hypotheses 2 and 3 were designed to discover if the act of a firm merely investing in its HRM would have the desired effect of increased employee attraction or retention. Research shows that for a firm to create a dynamic capability, and thereby a potential competitive advantage, it must do more than merely invest in a particular area of a firm. Instead, what research indicates is that firms must also develop these processes by continuously evaluating their effects and making changes when necessary. The result of Hypothesis 2 confirmed the

researcher's hypothesis by demonstrating that there was no significant correlation with the retention of hourly or salaried employees and the amount a firm invested in its HRM. The third hypothesis was also supported and suggested that a firm having a history of investing in HRM would not increase the attraction of employees.

Limitations

This study was limited in a few aspects. First, the construction sector is a unique area of employment. As such, the results obtained in this study are not necessarily generalizable to all industries. Random sampling was not used, and the participants were all located in the East Coast of Florida, which also detracts from the generalizability of the findings within the construction industry. All surveys have a chance of bias, and it is conceivable that participants had some preference to make guesses to specific survey questions. Also, while the sample size collected was sufficient to gather significant results, it would be ideal to collect a larger sample size and run additional analyses such as multiple regression. It is also important to note that the survey instrument created the opportunity for right censoring of the data; however, analysis of the data suggests that a limited number of observations were impacted by censoring, which should reduce any potential bias. Finally, to the researcher's knowledge, this was the first attempt to create a weighted variable to measure dynamic capabilities. The concept of dynamic capabilities has been

studied for years (e.g., Teece, Pisano, & Shuen, 1997) but measuring the dynamic capabilities view is inherently difficult.

Recommendations

This work has shown that it is possible for firms to create a dynamic capability using a firm's HRM. Because of this, all firms in the construction industry are highly encouraged to continue to enhance their HRM offerings to enhance employee attraction and retention. It should be noted that the results of this study are correlational and should not suggest causation. Systematic replication is also recommended in a larger geographical context within the construction industry and in other industries to try to ascertain whether the results are consistent. A more comprehensive and expansive data collection along with the application of a multiple regression analysis of the data could also provide some useful insights for researchers and firms. A longitudinal study to determine if a firm could obtain a sustained competitive advantage through HRM dynamic capabilities would also be profoundly inciteful. Other research in the construction industry can focus on alternative potential factors that affect the attraction and retention of employees such as homophily bias (Ruef, Aldrich, & Carter, 2003) and the participation in an apprenticeship program or union (Belman & Voos, 2006; Berik & Bilginsoy, 2000). Finally, future research can discern if a dynamic capability can be created

using other business sectors of a firm, such as information technology, research and development, or a company's sales department.

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Appendix

Appendix A: Additional Models

Table 5: DCV2 Correlational Analysis

Independent Variable	Salaried Retention	Hourly Retention	Hourly Attraction	Salaried Attraction
DCV2	.077 (n= 47)	.119 (n=46)	.382* (n=44)	.042**(n=44)

‡p<.10; * $p = <.05$; ** $p = <.01$

Table 6: DCV3 Correlational Analysis

Independent Variable	Salaried Retention	Hourly Retention	Hourly Attraction	Salaried Attraction
DCV3	.039 (n=47)	.133 (n=46)	.397** (n=44)	.470**(n=44)

‡p<.10; * $p = <.05$; ** $p = <.01$

Table 7: DCV4 Correlational Analysis

Independent Variable	Salaried Retention	Hourly Retention	Hourly Attraction	Salaried Attraction
DCV4	.033 (n=47)	.128 (n=46)	.379* (n=44)	.455**(n=44)

‡p<.10; * $p = <.05$; ** $p = <.01$

Table 8: DCV5 Correlational Analysis

Independent Variable	Salaried Retention	Hourly Retention	Hourly Attraction	Salaried Attraction
DCV5	.062 (n=47)	.164 (n=46)	.431** (n=44)	.486**(n=44)

Łp=<.10; * $p = <.05$; ** $p = < .01$

Table 9: DCV6 Correlational Analysis

Independent Variable	Salaried Retention	Hourly Retention	Hourly Attraction	Salaried Attraction
DCV1	.124 (n=47)	.193 (n=46)	.557** (n=44)	.543**(n=44))

Łp=<.10; * $p = <.05$; ** $p = < .01$

Table 10: Size of the Firm

Independent Variable	Salaried Retention	Hourly Retention	Hourly Attraction	Salaried Attraction
Size of Firm	.133 (n=44)	.235 (n=43)	.395** (n=42)	.699**(n=42)

Łp=<.10; * $p = <.05$; ** $p = < .01$

Table 11: Years in Operation

Independent Variable	Salaried Retention	Hourly Retention	Hourly Attraction	Salaried Attraction
Years in Operation	-.253 (n=44)	-.100 (n=43)	.256 (n=41)	-.075(n=41)

$\Delta p = < .10$; * $p = < .05$; ** $p = < .01$

Table 12: Primary Industry

Independent Variable	Salaried Retention	Hourly Retention	Hourly Attraction	Salaried Attraction
Primary Industry	-.386** (n=46)	-.250 (n=45)	-.202 (n=43)	-.246(n=43)

$\Delta p = < .10$; * $p = < .05$; ** $p = < .01$

Table 13: Annual Gross Revenue

Independent Variable	Salaried Retention	Hourly Retention	Hourly Attraction	Salaried Attraction
Annual Gross Revenue	.223 (n=46)	.096 (n=45)	.289 (n=44)	.126 (n=44)

$\Delta p = < .10$; * $p = < .05$; ** $p = < .01$

Appendix B: Survey Instrument

You are invited to participate in a web-based online survey on factors that affect employee attraction and retention in the construction industry. The research project will be conducted by William Jimenez, a doctoral student at Florida Institute of Technology. It should take approximately 10 minutes to complete.

PARTICIPATION

Your participation in this survey is voluntary. You may refuse to take part in the research or exit the survey at any time without penalty. You are free to decline to answer any particular question you do not wish to answer for any reason.

BENEFITS

You will receive no direct benefits from participating in this research study. However, your responses may help us learn more about the factors that influence the attraction and retention of employees in the FL construction industry.

RISKS

There is the risk that you may find some of the questions to be sensitive.

CONFIDENTIALITY

Your survey answers will be sent to a link at SurveyMonkey.com where data will be stored in a password-protected electronic format. Survey Monkey does not collect identifying information such as your name, email address, or IP address. Therefore, your responses will remain anonymous. No one will be able to identify you or your answers, and no one will know whether or not you participated in the study. At the end of the survey, you will be asked if you are interested in entering a random drawing for the chance to win \$500 worth of professional power tools. If you choose to provide your email address, your survey responses may no longer be anonymous to the researcher. However, no names or identifying information would be included in any publications or presentations based on these data, and your responses to this survey will remain confidential.

CONTACT

If you have questions at any time about the study or the procedures, you may contact my research supervisor, Dr. Scott Benjamin via phone at 321-674-7497 or email at sbenjamin@fit.edu.

CONSENT FORM

If you feel you have not been treated according to the descriptions in this form, that your rights as a participant in research have not been honored during the course of

this project, or you have any questions, concerns, or complaints that you wish to address to someone other than the investigator, you may contact the Florida Institute of Technology Institutional Review Board at 150 West University Boulevard, Melbourne FL, 32901 or email FIT_IRB@fit.edu.

ELECTRONIC CONSENT: Please select your choice below. You may print a copy of this consent form for your records. Clicking on the “Agree” button indicates that

- You have read the above information
- You voluntarily agree to participate
- You are 18 years of age or older

1. Do you agree to voluntary participation in the survey?

Agree

Disagree

2. Years in Operation

3. Number of Employees

4. What is your company's primary industry?

Commercial

Residential

5. What is the company's annual gross revenue?

\$0 to \$10M

\$10M to \$20M

\$21M to \$30M

\$31M to \$40M

\$41M to \$50M

\$51M to \$60M

Over \$60M

6. Does your company have a dedicated Human Resource department (Dedicated means at least one fulltime employee whose job responsibilities concern solely Human Resource-related functions such as hiring, recruiting, and benefits management)?

Yes

No

7. If the firm has a dedicated Human Resource department, how many years has it been in operation?

0 to 5
6 to 10
11 to 15
16 to 20
21 to 25
26 and Over

8. Annual budget of Human Resource Department for 2018 in relation to percentage of gross revenue (not including Human Resource staff pay)?

0% to 2%
3% to 5%
6% to 8%
9% to 11%
12% to 14%
15% to 17%
Over 18%

9. Annual budget of Human Resource Department for 2013 in relation to percentage of gross revenue (not including Human Resource staff pay)?

0% to 2%
3% to 5%
6% to 8%
9% to 11%
12% to 14%
15% to 17%
Over 18%

10. Does your head of Human Resources have a degree in Human Resource Management/Business?

Yes

No

11. On average, how long do salary employees stay with your company?

0 to 1yr
2 to 3 yrs
4 to 5 yrs
6 to 7 yrs
8 to 9 yrs
10 yrs and Over

12. On average, how long do hourly employees stay with your company?

0 to 1 yr

2 to 3 yrs

4 to 5 yrs

6 to 7 yrs

8 to 9 yrs

10 yrs and Over

13. Over the past 5 years, do you believe employees are staying with your company longer?

Yes

No

14. How many salaried employees were hired last year?

0 to 5

6 to 10

11 to 15

16 to 20

21 to 25

25 and Over

15. How many hourly employees were hired last year?

0 to 5

6 to 10

11 to 15

16 to 20

21 to 25

25 and Over

16. How many applicants typically apply to an open hourly position?

0 to 20

21 to 40

41 to 60

61 to 80

81 to 100

Over 101

17. How many applicants typically apply to an open salary position?

0 to 20

21 to 40

41 to 60

61 to 80
81 to 100
Over 101

18. Over the past 5 years, do you believe you are attracting more applicants to open positions?

Yes
No

19. Does your company utilize union labor?

Yes
No

20. Does your company participate in an apprenticeship program?

Yes
No

21. What is your company's average spending on advertising for a job opening?

\$0 to \$200
\$201 to \$400
\$401 to \$600
\$601 to \$800
\$801 to \$1000
\$1,001 and Over

22. Does your company use the following recruitment techniques? (Check all that apply)

Post open positions in print
Post positions on online job boards
Highschool Recruitment
College Recruitment
Word of Mouth
Trade Shows
Recruitment Agencies
Post Positions on business website
Post positions on social media
Offer internal referral bonuses

23. Has your company changed its recruitment techniques in the last 5 years?
(Changed meaning offering a broader mix of recruitment techniques.)

Yes

No

24. Rate the importance of being extremely competitive and aggressively chasing new business opportunities, with 1 being not very important and 7 being very important.

- 1
- 2
- 3
- 4
- 5
- 6
- 7

25. Has the importance of being extremely competitive changed in the last 5 years? (Changed meaning is less important now than was 5 years ago.)

Yes
No

26. Does your company participate in any of the following activities? (check all that apply)

Charitable contributions
Work with High school and College Programs
Participation in Trade Shows as a Presenter/Exhibitor
Participation in Local Events
Use Social Media to promote the company
A website that states the company's mission and values
Sponsoring of local/national events
Advertise your company offerings online
Advertise your company offerings in print
Advertise your company offerings on T.V.

27. Has your company's participation changed in the last 5 years? (changed meaning your company participates in more activities than it used to.)

Yes
No

28. How many employees were promoted from within last year?

- 0 to 1
- 2 to 5
- 6 to 10
- 11 to 15

16 to 20
21 and Over

29. Has your company's internal promotions changed in the last 5 years? (change meaning you promote more internal employees than you used to).

Yes
No

30. What benefits does your company offer? (select all that apply)

Aggressive starting wages (above national average)
Medical Insurance/Dental Insurance/Vision Insurance
Tuition Assistance
Gym Payments/Onsite Gym
Daycare Payment/Onsite Daycare
Flexible hours
Work from home options
Life Insurance
Retirement
Vacation

31. Has your company changed its benefit offerings in the last five years? (Change meaning offering a broader mix of benefits than it used to offer)

Yes
No

32. Does your company provide formal employee training?

Yes
No

33. Has your company's formal training changed in the last 5 years? (Change meaning it offers a broader mix of training at different intervals)

Yes
No

34. Does your company require mandatory overtime work?

Yes
No

35. Has your company's overtime policy changed in the last 5 years? (Change meaning policy is meaningfully different than it used to be).

Yes

No

36. Owner/CEO Ethnicity

Caucasian

Asian

Hispanic/Latino

African American

Other

37. Does your company have more than one owner?

Yes

No

38. If yes, second Owner/Ethnicity

Caucasian

Asian

Hispanic/Latino

African American

Other

39. Current head of Human Resources' ethnicity?

Caucasian

Asian

Hispanic/Latino

African American

Other

Not Applicable (No Head of Human Resources)

40. What is the percentage of Caucasian salary workers currently employed by your company?

1 to 20%

21 to 40%

41 to 60%

61 to 80%

81% to 100%

Not Applicable (No Caucasian salary workers employed by company)

41. What is the percentage of Caucasian hourly workers currently employed by your company?

1 to 20%

21 to 40%

41 to 60%
61 to 80%
81 to 100%

Not Applicable (no Caucasian hourly workers employed by company)

42. What is the percentage of Asian salary workers currently employed by your company?

1 to 20%
21 to 40%
41 to 60%
61 to 80%
81 to 100%

Not Applicable (no Asian salary workers employed by company)

43. What is the percentage of Asian hourly workers currently employed by your company?

1 to 20%
21 to 40%
41 to 60%
61 to 80%
81 to 100%

Not Applicable (No Asian hourly workers employed by company)

44. What is the percentage of Hispanic/Latino salary workers currently employed by your company?

1 to 20%
21 to 40%
41 to 60%
61 to 80%
81 to 100%

Not Applicable (no Hispanic/Latino salary workers employed by company)

45. What is the percentage of Hispanic/Latino hourly workers currently employed by your company?

1 to 20%
21 to 40%
41 to 60%
61 to 80%
81 to 100%

Not Applicable (No Hispanic/Latino hourly workers employed by company)

46. What is the percentage of African American salary workers currently employed by your company?

1 to 20%

21 to 40%

41 to 60%

61 to 80%

81 to 100%

Not Applicable (No African American salary workers employed by company)

47. What is the percentage of African American hourly workers currently employed by your company?

1 to 20%

21 to 40%

41 to 60%

61 to 80%

81 to 100%

Not Applicable (No African American hourly workers employed by company)

48. What is the percentage of other ethnic salary employees currently employed by your company?

1 to 20%

21 to 40%

41 to 60%

61 to 80%

81 to 100%

Not Applicable (No other ethnic salary employees employed by company)

49. What is the percentage of other ethnic hourly employees currently employed by your company?

1 to 20%

21 to 40%

41 to 60%

61 to 80%

81 to 100%

Not Applicable (No other ethnic hourly employees employed by company)

50. If you would like to be included in the random drawing for \$500 worth of professional power tools, please supply your email address.

Appendix C: Descriptive Statistics

Table 14: Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Years in Operation	55	2	98	30.38	20.705
Number of Employees	54	1	7000	255.18	950.088
Primary Industry	54	1	2	1.17	.376
Annual Gross Revenue	51	1	7	3.18	2.364
Dedicated HRM Department	51	1	2	1.45	.503
Annual Budget of HRM 2018	21	1	7	2.62	1.910
Annual Budget of HRM 2013	21	1	6	2.10	1.546
Salary Retention	47	1	6	4.85	1.532
Hourly Retention	46	1	6	3.52	1.748
Hourly Attraction	44	1	6	1.98	1.486
Salary Attraction	44	1	6	1.55	1.088
Image	68	0	9	3.53	3.470
Internal Promotions	41	1	6	2.29	1.346
Benefits	68	0	9	2.63	2.693
Training	41	1	2	1.39	.494
Overtime Work	41	1	2	1.73	.449
Dynamic Capability	67	.00	64.00	18.6716	15.89205
Culture	42	1	7	5.64	1.462
Recruitment	68	0	10	2.76	2.993
Valid N (listwise)	13				