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**THE EFFECT OF HUMAN RESOURCE PRACTICES ON FIRM
PERFORMANCE IN CHINESE SMES: AN EMPIRICAL STUDY IN
MANUFACTURING SECTOR**

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Le Résumé

La gestion des ressources humaines représente un déterminant important dans le niveau de performance des organisations. En effet, depuis les 20 dernières années, plusieurs études, ont été en mesure de montrer un lien significatif entre la mise en œuvre de certaines activités de gestion des ressources humaines (GRH) et l'accroissement de l'efficacité organisationnelle de la firme. Une analyse détaillée de la littérature semble d'ailleurs montrer que les effets de la GRH sur les différents paramètres organisationnels s'obtiennent et ce, nonobstant le cadre théorique ou méthodologique utilisé. Plus particulièrement, autant les propositions universalistes, de contingence ou configurationnelle ont pu montrer les effets positifs des activités de GRH sur l'accroissement du niveau de performance de l'entreprise.

En dépit du caractère encourageant des différentes études académiques réalisées à ce jour, certaines zones d'indétermination demeurent encore particulièrement nébuleuses. En effet, une simple revue de la littérature montre que les principales recherches ont été réalisées en contexte nord-américain. À l'exception de quelques études européennes, les différentes recherches ont été menées dans un cadre culturel occidental, occultant du même coup un grand nombre d'organisations, notamment celles provenant du plus grand pays émergent au monde, la Chine. Également, les recherches, à l'exception de quelques rares recherches, les études menées en gestion stratégique des ressources humaines (GSRH) l'ont été en prenant la grande entreprise comme toile de fond, laissant en plan les organisations de type PME.

C'est en tenant compte de ces deux précédents éléments que nous avons développé cette recherche. Plus particulièrement, nous allons utiliser le modèle universaliste des ressources humaines afin de voir les effets de certaines activités ou pratiques de GRH sur différents indicateurs de performance de 38 PME chinoises du secteur manufacturier. Utilisant une démarche hypothético déductive, nous avons été en mesure de montrer et ce, nonobstant le

caractère culturel particulier de la Chine, que certaines activités de GRH avaient des effets positifs sur le niveau de performance des PME étudiées. Plus particulièrement, l'étude que les propositions universalistes semblent même transcender les cultures, donnant ainsi un poids considérable aux présupposés théoriques évoqués il y a plus de 20 ans par l'École de gestion de Stanford et souvent remises en question par bon nombre de recherches et d'orientations paradigmatiques adverses.

Bien que cette recherche représente une des rares recherches de GSRH en contexte chinois, elle permet certes de mieux connaître le comportement des activités de GRH dans un contexte culturel comme celui de la Chine, mais ne permet certainement pas de clore définitivement un débat qui ne fait que débiter. En effet, nous devons convenir que cette recherche, bien que porteuse, se veut encore perfectible. D'une part, les moyens disponibles ne nous ont pas permis d'analyser un échantillon plus important. D'autre part, outre la limitation sectorielle dans laquelle nous avons enfermé notre recherche, soulignons également le préjugé théorique que nous avons utilisé, laissant en plan des modèles théoriques très pertinents comme celui de l'approche de contingence et de l'approche de la configuration.

Abstract

Previous studies suggest that strategic human resource management (SHRM) is beneficial to firm performance. The SHRM literature draws on three dominant modes of theorizing: universalistic, contingency and configurational perspectives. At present, most of empirical researches on these three perspectives are based on the North American environment, and many scholars focused on large enterprises as sample of empirical studies. We know it is possible that some SHRM practices which are effective for western enterprises are not effective for enterprises in Asia because of the different environment and culture, and the studies on the relationship between SHRM and firm performance in small and medium enterprises are rarely while they have significant values in social practices as well as in theory. The purpose of this study is to testify the universalistic perspective of view by examining the positive relationship between certain SHRM practices and firm performances in Small and medium manufacturing enterprises located in different parts of the People's Republic of China.

In this study, human resource management practices data and firm performance data of 38 Small and medium manufacturing enterprise were collected from a questionnaire survey by using the list of china top 1000 high growing SMEs in manufacturing industry as sample and the snowball strategy that utilized contacts of contacts. We identified several SHRM practices and the organizational performances and setup the primary hypothesis that: The practices of Incentive compensation, Training, selective hiring, performance evaluation, organization, sharing information, job security and Social activates and sports will lead to higher level of organizational performance. Through the statistical software SPSS 15, we used the relationship analysis to build a matrix of correlations between the SHRM practices and the organization performances, as well as regression analysis to validate the conclusions already left reflected the correlation matrix.

Based on the universal approach, the relationship between SHRM practices and organizational performance have been examined. The finding indicated that certain SHRM practices are better than other Human resource practices, the former have positive relationship with the organization performance no matter what the firms' strategy are. More specifically, The empirical result through relationship analysis revealed that with innovation level controlled, some strategic human resource practices in incentive compensation, training, selective hiring, performance evaluation and information sharing have significant positively effect on at least on organization performance factor. Furthermore, the regression analysis validated that incentive compensation, training, job security and social and sport activates has significant effect on organization performance. This finding supports the proposed hypothesis of our study.

To the best of our knowledge, this is the first large-scale study (200 questionnaires survey) on the relationship between HRM and Small and Medium enterprise performance in the context of the People's Republic of China. The result developed in this study adds valuable insight to the existing strategic Human resource literature by identifying the means through which the SHRM practices leads to a firm's success in Chinese SMEs in manufacturing sector. The current study makes a theoretical contribution to support the universalistic perspective and resource based view in the Asia society, which has different environment from North American's. Practically, this study provides guidance about how to build an effective human resource management system to improve the organization performance by identifying the specific SHRM practices for SMEs in Chinese manufacturing industry.

Different from most previous studies conducted in a Western context, this study examined data of China, and thus examined a very different cultural and institutional environment. Although this study obtained valuable results, the limitations of the subjective data, limited sample, number of measurement items and the cross-sectional design were discussed. In a

future study, more work on revealing the influence of other unexplored factors to better understand the determinants of firm performance should be done, and future studies could also analyze configurational and contingency perspective of HRM and their effect on firm performance.

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CHAPTER 1

FRAMEWORK OF PROBLEM

Chapter 1 Framework of Problem

1.1 Introduction

1.1.1 A question for discussion

Pursuing high performance is an important issue concerned by the governors of each firm. Only by clearing understanding the causation of the high performance, the governors can possibly improve the internal environment of enterprise actively and effectively and create high-performance organization. Compared with organization performance management, strategic human resource management (SHRM) is a relative new field, which commits itself to examining the effectiveness of human resources practices on the holistic performance of firms in a macro perspective. In the past 20 years, many research findings in SHRM have come forth not only in theory but also in practice. A great numbers of Empirical Researches show that the practice of SHRM has positive relationship with the organization performance. Nowadays SHRM has developed as an independent field in management, the discussion of the question that how the practice of SHRM improves the organization performance has significance not only in theory of management but also in practice of management. The purpose of this paper is to illustrate the positive effects and the mechanism function of SHRM on the organization performance, to research the circumstance of the small and medium enterprises (SMEs) in manufacturing industry in China and then provide countermeasure solution for SHRM based on organization performance.

1.1.2 Research methodology

This paper adopted literature summary to illustrate the theories of SHRM and organization performance, referred to the empirical research findings on the effect of the SHRM to the organization performance from many scholars and analysis the relationship between them.

We launched a survey by sending questionnaires to about 200 managers in SMEs in manufacturing industry in China, letting them fill out the questionnaire and collect the first hand quantitative data. We also interviewed some managers by telephone to collect qualitative information. We made taxonomy of organization performances by the different types. We code the feedback questionnaire and marked the best practice and the performance with the score from 1 to 5. Using statistical software, we analyzed the coefficient of the best practices of SHRM and organization performance. Through this method, we tried to validate the positive relative relationship between the SHRM and the organization performance in universality perspective. Finally we discussed the new situation of the best practices of SHRM of SMEs in manufacturing industry in China and explore the corresponding effect of the organizations' performance.

1.1.3 Research structure

This research conducts both theoretical and empirical research approach, and accordingly, there are two parts:

The first part is the theoretical part, including chapter 1 and chapter 2. Chapter 1 briefly describes the research method and the structure of the document, analysis the resource based view theories, then explores the relationship between human resource and competitive advantages and finally proposes that there exists the positive relationship between the SHRM and organization performance. Chapter 2 gives the definition for the SHRM, reviews the original sources of the theories in SHRM and organization performance and illustrates three perspective theories for analyzing the relationship between them. Through reviewing scholars' empirical researches on SHRM in universality perspective theory, we got the conclusion and set up depend variables and independent variables and make assumption for the analysis used in this paper.

The second part is the empirical research part, including the chapter 3 to chapter 5. Chapter 3 analyses the sample of the questionnaires collected from more than thirty SMEs in manufacturing industry in China, builds the linear model of for the SHRM and organization performance and does the correlation analysis through statistical Software. Chapter 4 illustrates and explains the result of Data analysis. Chapter 5 gets the conclusion through analyzing the result of the model and then proposes the limitation of this study and suggestion for improving the future empirical study on the SHRM theory in SMEs.

1.2 Human resource management: a new competitive advantage

During the last decade there has been a dramatic shift in the field of human resource management. This shift has broadened the focus of HR research from the micro analytic research that dominated the field in the past to a more macro or strategic perspective. The strategic perspective of HR, which has been labeled strategic human resource management (SHRM), has grown out of research's desire to demonstrate the important of human resource practices for organization performance.

Professor Michael Porter's (1980) famous competitive advantage theory established three strategies for the firm to win the competitors: cost leader ship, differentiation and focus. Traditional sources of competitive advantage, such as natural resources, technology and economics of scale have become increasingly easy to imitate. According to the resource-based view (Barney, 1986); the firm could develop sustained competitive through creating value in a manner that is rare and difficult for competitors to imitate. The concept of HR as a strategic asset has implications for this issue. HR is an invisible asset creates value when it is embedded in the operational system in a manner that enhances firm ability to deal with a turbulent environment. In the theory perspective studies, more and scholars though human resource management has become a new competitive advantage for the organizations.

1.2.1 Competitive advantage theory

Some scholars in strategy management believe that the reason why an enterprise can get higher performance than other enterprises do is that the former owns the competitive advantages which do not owned by others. In recent years, scholars who research strategy management refocus the internal of the organization and seek the relationship among the internal resource, strategy and performance of the enterprise, the competitive advantage is the fruit of such efforts. Harvard business school management professor Michael Porter (1980) pointed out that the fundamental basis of above- average performance in the long run is five force of competitive advantages. According to Porter's view, an enterprise can get the sustainable competitive advantage through the following three strategies:

1. Cost leadership

In it, a firm sets out to become the low-cost producer in its industry. The firm has a broad scope and servers many industry segments. They decrease the average cost, the way to expand the economies of scale because of the competitive advantages on low price, they can carry out expansion at low cost, get the advantage of economies of scale and built up higher entrance barriers. In TV set industry, for example, cost leadership require efficient size picture tube facilities, a low cost design, automated assembly, and global scale over which to amortize R&D. The essential of low cost strategy is the high-performance in enterprise, which can be accomplished by innovations in technology, structure and management, etc. Furthermore, the most effective and crucial way to improve the performance of organization is to improve the human resource management.

2. Differentiation strategy

In a differentiation strategy, a firm seeks to be unique in its industry along some dimensions that a widely valued by buyer. It selects one or more attributes that many buyers in an

perceive as important, and it is rewarded for its uniqueness with a premium price. A firm that can achieve and sustain differentiation will be an above-average performer in its industry if price premium exceeds the extra cost incurred in being unique. The core of differentiation is how to satisfy the need of interest related individual or group. This can also be achieved through improvement in technology of production, after selling service and marketing, etc. All of these are related to the human resource management.

3. Focus strategy

This strategy is quite different from the others because it rests on the choice of a narrow competitive scope within an industry. The focus strategy has two variants. In cost focus a firm seeks a cost advantage in its target segment, while in differentiation focus a firm seeks differentiation in its target segment. A good example of a focuser who has exploited difference in the production process that best serves different segments is Hammermill Paper. Hammermill has increasingly been moving toward relatively low volume, high-quality specialty papers, where the larger paper companies with higher volume machines face a stiff cost penalty for short production run. Hammer mill's equipment is more suited to shorter runs with frequent setups.

1.2.2 Resource based theories of sustainable competitive advantage

Barry (1991) defined the resources as : << all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc which controlled by a firm that enable the firm conceive of and implement strategies that improve its efficiency and effectiveness>>. There are tangible resource and intangible resource. Tangible resources are the physical asset of an organization such as plant, people and finance. Intangible resources are non-physical assets such as information, reputation and knowledge (Richard, 1992). Resource can be also classified into three categories: physical capital resources, human capital resources and organizational capital resources (Barry, 1991). But not all Resources can lead to competitive

advantages of firm.

The different ways of positioning the resource-based view generate what could almost be described as three different resource-based theories of competitive advantages (Schulz 1991). These resource based theories share a common set of assumption, such as the assumption that resource and capabilities may be heterogeneously distributed across firms and the assumption that this different may be long lasting(Barney, 1991), but they emphasize different implications of those assumption and focus on explaining different sustained performance across firms. In Barney's view (2001), the resource based view can be positioned relative to at least three theoretical traditions: SCP-Based theories of competitive advantage, neo-classical microeconomic, evolutionary economic.

1. The resource based theory of neo-classical microeconomics

New classical microeconomics focus on how market forces determine the quantity, quality and price of good and service sold in a market. While this theory adopts many of same assumption as the resource based view, there exist only important differences between them. The former assume that resource and capabilities are elastic in supply, however the latter argue that at least some factor of production may be inelastic in supply because of they can only be developed over long periods and are difficult to be developed in short term or because of they cannot be bought or sold. Supply inelasticity thus can become a source of sustained competitive advantage. The advantage of positioning the resource-based view relative to neo classical microeconomic are significant, even though <<it did not effectively address issues that were critical to many strategic management scholars. >> (Barney 2001)

2. The resource based theory of evolutionary economics

Unlike neo-classical microeconomics, this evolutionary theory does not apply equilibrium analysis but use of simulation and other method. In Nelson and Winter's view (1982), In the

face of competition, Firms vary in routines, some of which are revealed to be more efficient and effective than others, the most efficient and effective routines generate competitive advantages for firms. There are close links between resource-based view and evolutionary economics. For example, the concept routines used in evolutionary theory are an example of firm resources and capabilities, which are used in resource-based view; firm heterogeneity is also an important part of both theories; while the sustainability of competitive advantage in evolutionary theory is much closer to the concepts of sustained competitive advantages used in resource-based view. However, positioning resource-based view on evolutionary economics would not address many of the central issues in the field of strategic management which we analyze in this paper.

3. The resource-based theory of SCP-based model of competitive advantage

In Barney's view, it is the best way to posit the resource-based view to SCP-based model, which is the five force model by Michael Porter (Barney 2001). This resource-based view of the firm focuses on the internal resources of the firm as the major determinant of competitive success. A sustained competitive advantage exists only when other firms are incapable of duplicating the benefits of a competitive advantage (Lippman & Rumelt, 1982). Not all firm resources and capabilities of enterprise have the potential to become the foundation of the sustainable competitive advantages, only four empirical indicators of the potential of firm resources to generate sustained competitive advantage are proposed, which are: (1). Valuable, in the sense that it exploits opportunities and/or neutralizes threats in a firm's environment; (2). Rare among a firm's current and potential competition; (3). Imperfectly imitable (either through unique historical conditions, causal ambiguity, or social complexity); (4). without strategically equivalent substitutes (Barney, 1991).

1.2.3 The sustainable competitive advantage theory based on human resources

Although some traditional resources of competitive advantage, such as natural resource, technology and economic of scale, are still valuable to the firm, they become more and more easily to be imitated by the competitor in recent years. Some intangible resource of firm, such as human resource and reputations are much hard to be imitated. Furthermore, we see in a national survey of chief executives, Some of the more significant findings of the survey were that: employee knowhow and reputation are perceived as the resources which make the most important contribution to business success; they are also identified as the resources which would take the longest to replace from firm, suggesting that they have considerable significance with respect to the sustainability of competitive advantage; and that for most companies operations is the most important area of employee know how (RICHARD HALL 1992). In resource-base view, human resource has the same characteristics with the know-how employees and reputation, which are hard to copy by the competitor. In fact, human resources qualify as resources of sustained competitive advantage because they meet such criteria established by Barney (1991).

1. Human resource capital as valuable

First, as a source of sustained competitive advantage, human resources must provide value to the firm. In real business world, we know human resource are the important asset owned by the enterprise, containing work skills, abilities, knowledge and other factors. All such can add create value to the firm, while the work attitude and performance of employees can also add value to the enterprise. In theory, recent work in the area of utility analysis for resource has also provided both a theoretical rationale for the ways in which human capital resources increase firm value and techniques for estimating this increase in value (Wright, McMahan and McWilliams, 1994). For example, Schmidt et al. (1979) provided a means of estimating the financial value that human resources contribute to the firm, and consent that higher quality human resources result in higher financial value for firms.

2. Human capital resources as rare

In human resource research, one measure of the quality of human resources is cognitive ability due to its consistent empirical support as one of the best predictors of performance in work organizations (Hunter and Hunter, 1984). It has two characteristics. First is that cognitive ability has been consistently demonstrated to have a strong positive relationship with individual job performance. Second is that cognitive ability is a relatively stable attribute which is normally distributed in the population. So because cognitive ability is normally distributed in the population, human resources with high ability levels are, by definition, rare. Furthermore, the extent that jobs require skills which allow for variance in individual contributions (i.e., when job-relevant skills are no longer a commodity), these skills should be normally distributed in the population. Thus, under these conditions, high quality human resources are rare.

3. Human resource as inimitable

The way, in which the human resources act as a competitive advantage may be determined by unique historical conditions, be subject to causal ambiguity or stem from social complexity.

Firstly, firms have unique histories, over the courses of which particular culture and norms develop (Sathe, 1985). Human capital resource may be melded together to create a synergistic work culture where individuals work co-operatively in line with organization goals.

Second, human resource may also be the source of causal ambiguity, this will occur with production, Because output is not the sum of the separable outputs of each co-operating resource, it may be impossible to identify the source of the competitive advantage that arises from team production. For example, Japan's manufacturing industry have high competitive advantage, is it because of the high productivity of blue-collar worker, or because of flexible production method, or more efficient management by manager, it is hard to identify the true

reasons.

Third, social complexity may arise from transaction specific relationships, and competitive advantage they comprise may be due to transaction specific human capital. So human resources and social complexity are intrinsically linked because social complexity must result from human interactions. Thus, in theory, competitive advantages stemming from culture or norms, team production or transaction-specific human capital might be imitable.

4. Human capital resources as non-substitutable

It is important to note that human resources are one of the few firm resources which have the potential to not become obsolete and be transferable across a variety of technologies, products and markets. Although the rapid pace of technological change has resulted in new technologies which make former technical skills obsolete. Many human capital resources are quite generalizable that make the new knowledge and technical skill quickly transfer to the new technologies. Human capital resources such as cognitive ability are transferable across a wide variety of technologies, products and markets. Resources that can substitute for human resources are those resources that are themselves valuable, rare, inimitable and non substitutable.

Human resource can provide a competitive advantage that leads to higher firm performance in both static environment and more dynamic environments.

First, in static environment, higher level of human capital should enable a firm to have relative productivity advantage compared to its competitors. For example, a firm with human capital resources in terms of cognitive ability should possess a productivity relative to other firms. Second, under more dynamic environment, the human capital can affect firm effectiveness through increasing its capacity to adapt to particular environment

requirement (Wright, McMahan and McWilliams, 1994).

1.3 Strategic Human Resource Management and Organization

Effectiveness: An Overview

In today's increasing intensive market competition, the issue of organization effectiveness is an important indicator measuring whether the firm operates well or bad, which directly determine the survival and development of enterprise. A general view of firm effectiveness is that it is the operational performance generated in a regular operating period, containing firm efficiency and economy effectiveness.

Strategic Human resource management (SHRM) can be regarded as a general approach to the strategic management of human resources in accordance with the intentions of the organization on the future direction it wants to take. The basic percepts of SHRM have nature affinity with the resource-based view (RBV) of competitive advantage in the strategy field (Barney, 1991). The strong and obvious connection to the RBV serves the SHRM field in two ways: First, it foregrounds the role of human resources in questions of strategy, raising the importance of research and practice in SHRM. Second, it encourages a more relevant focus for HRM, away from the HR practices themselves and toward their effect on firm resources (Delery, 1998).

SHRM predicated on two fundamental assertions. First is the idea that organization's human resource are of critical strategic importance- that the skill, behavior, and interactions of employees have the potential to provide both the foundation for formulation and the means for strategy implementation. Second is that a firm's HRM practice are instrumental in developing the strategic capability of its pool of human resource.

Research on the contribution of human resources and SHRM to organizational effectiveness has addressed a wide array of questions. For instance, what is the effect of HR practices on the development of a firm's human resources? Which HR practices lead to greater organizational performance? To what degree does that depend on firm strategy? How does a firm ensure that its HR practices "fit" with its strategy? How does it ensure that its individual HR practices fit with one another, or fit even matter in HR practice? Must the attributes of a firm's base of human resources always align with an a priori strategy, or can its stock of skills, knowledge, and interactions drive strategic direction? The key constructs and central debates in SHRM have grown out of the above questions from many scholars' work. What is common to all of scholars' work is that they focus on the links among HR practices, the human resource pool, and organizational outcomes, and with the consentience that SHRM are related to the organization effectiveness. We will discuss these works in details in the following chapter.

1.4 Conclusion and proposition

The first chapter analyses the competitive advantages and the resource based view, positioning the latter on three tradition theory and result in three different resource based theory of competitive advantages. According to Barney's view (1991), in strategy management field, the best way to posit the resource base view is positioning it on porter's five force model. Not all firm resources can generate sustainable competitive advantages, only the resources with four indicators can generate it. Human resource Human resource can provide a competitive advantage that leads to higher firm performance because human resource capital are valuable, rareness, inimitable, and non-substitute. SHRM have nature affinity with the resource-based view (RBV) of competitive advantage in the strategy field, HRM and HRM practices have relationship with organization performance, proved by a lot of empirical researches which will be discuss in the next chapter.

CHAPTER 2

THEORETICAL FRAMEWORK

Chapter 2 Theoretical framework

2.1 Introduction

2.1.1 Emergence of SHRM

Strategic human resource management (SHRM) is a new crossed field which appears in recent decades in management study field and bridge across both the field of human resource management and the field of strategy management. We know in the 1970s, enterprises were familiar with the concept of human resource management (HRM). However, the traditional HRM function, or technical HRM activities, which covers a wide range of employment practices (recruitment, selection, performance appraisal, training and development and the administration of compensation and benefits, etc), emphasis the people but ignores the connection with the strategy of the organization and also ignore the treatment of the human resource in perspective of strategy, leading the lack of fitness and the elasticity between the human resource management and the organization strategy. Since Tradition HRM is hard to adapt the requirement needed for rapid development and innovation of enterprises, enterprise, many scholars tried to put forward a general management theory to explain, forecast, and to coach the employee and the researcher's human resource management and also want to explain some questions ignored in the aspect of employee relationship. They developed a new theory to combine the HRM function with business strategy and reflected a more flexible arrangement and utilization of human resources to achieve the organizational goals, and accordingly help organizations gain a competitive advantage, which was called Strategic human resource management.

The subfield of SHRM which devoted to exploring HR's role in supporting business provided one avenue for demonstrating strategy value to the firm. Walker's article (1978)

for a link between strategic planning and human resource planning signified the conception the field of SHRM, but its birth came in the early 1980s with Devanna, Fombrum and (1984) article devoted to extensively exploring the link between business strategy and HR. SHRM's evolution has consistently followed developments within the field of strategic management. For example, Baird, Meshoulam, Degive and Burack brought forward integrated SHRM theory and proposed people to adopt this theory in their articles one after the other. They thought the difference between the strategic HRM and the traditional HRM whether the determination of human resource management plan is connected with the organization's strategic plan. Organizations needed a process of SHRM to help deal with the rate of 'strategic surprises' that generated the need for flexibility and innovation, developing culture to harness creativity and enterprise (Kanter, 1983; Baird & Meshoulam, 1988). In the developing process of SHRM theories, the most influencing one is generated by Beer et al. (1984) that suggest SHRM is about developing and implementing HR strategies that and support the delivery of four key goals: competence, commitment, congruence and cost, they write article that Provides framework consisted of six basic components (i.e., factors, stakeholder interests, HRM policy choices, HR outcomes, long-term consequences, and feed-back loop). It developed variations of SHRM into a broader approach.

With these issues in mind, we can see that SHRM are different from the traditional HRM. SHRM emphasize the congruence or 'fit' between HR practice and business strategy. Many scholars assert that the employment of effective HR practices and the design of a HR system compatible with the firm strategy are imperative for the successful implementation of business strategies (Miles & Snow 1984, Baird & Meshoulam 1988, Wright & McMahan 1992). There are also increasing numbers of empirical studies, conducted in various on the relationship between strategic HRM and organizational performance or competitive advantage. Essentially, SHRM emphasizes developing the firm's capacity to respond to the external environment through a better deployment of human resources. Since the strategy of

firm is a reflection of its response to the competitive external changes, a human capital pool with a broad array of skills that are compatible with the corporate strategy, is a catalyst for fulfilling the strategic goals through promoting behavioral utility among employees.

2.2 Definitions of the SHRM

In spite of the increasing attention paid to SHRM, the term remains unclear. Some scholars have described SHRM as a process, others have described it as outcome, and others have considered it a combination of process and outcome.

In the perspective of considering SHRM as process, Ulrich and Lake (1991) defined SHRM as a process of linking HR practices to business strategy. Later, Bamberger and Meshoulam (2000) argued that SHRM is a competency-based approach to personnel management that focuses on the development of durable, imperfectly imitable, and other non-tradable resources.

In the perspective of define SHRM as an outcome, for Wright & McMahan (1992), SHRM refers to <<the pattern of planned HR deployments and activities intended to enable a firm to achieve its goals>>. Similarly, Wright and Snell (1991) considered SHRM to be <<organizational systems designed to achieve sustainable competitive advantages through people>>.

Considering both process and outcome together, Truss and Gratton (1994) defined SHRM as <<the linkage of HR functions with strategic goals and organizational objectives to improve business performance and cultivate an organizational culture that fosters innovation and flexibility>>.

Schuler and Jackson (2001) defined SHRM as <<the pattern of planned human resource

developments and activities intended to enable an organization to achieve its goals>>. This definition integrates the two main points:

1. linkage of human resource activities with the organizational strategy; and
2. harmonization of various human resource activities

Armstrong and Long (1994) think that SHRM refers to an organization's decision-making about its human resources; it is an organization's overall plan to pursue to achieve its goals through people; where human resource management and strategic management are correlated with people being an integral component of any organization's corporate strategy. Armstrong and Baron (2002) developed the definition of SHRM as <<a general approach to the strategic management of human resources in accordance with the intentions of the organization on the future direction it wants to take. It is concerned with longer term people issues as part of the strategic management processes of the business>>.

SHRM can be also considered as an overall process to deal with long-term human resources issues as part of the strategic management of the organization, rather than being supportive, focusing on recruiting, training and taking care of benefits, SHRM's role has become strategic building and using human capital to ensure competitive advantage (Bartlett & Ghoshal , 2002).

2.3 The models of SHRM

One method of defining HR strategic policy and practice areas is to consider various strategic human resource models. Many scholars have created different models of SHRM. Some major ones are as below.

Schuler (1992) proposed the 5-P model of SHRM, linking strategic business needs with

strategic human resource management activities. The model established five components including human resources management philosophy, policy, program, practices and processes. These five SHRM activities are significant in achieving the organization's strategic needs and business objectives, which reflect management's overall plan for growth, adaptability and profitability. The model flows from top downwards in one At the top is organizational strategy in which strategic business needs are identified and specific qualities are assigned to these. Two components, internal characteristics (culture nature of the business) and external characteristics (the state of the economy and critical success factors in the industry), flow into the process and enable business needs to be and expressed as mission statements. The melding of business needs with HR activities is very challenging, mainly because linkages between human resource activities and business needs tend to be the exception, even during non-turbulent times (Schuler,1992).

Based on field studies in four industries, Miles and Snow (1978) classify firms within a industry into four groups, i.e. defenders, prospectors, analyzers and reactors, depending on how a firm responds to the three major problems facing the firm (entrepreneurial, and administrative problems).The Defender has a narrow and relatively stable produce-market domain. The Prospector continually searches for product and market opportunities and experiments with potential responses to emerging environmental trends. The Analyzer operates in two domains, one relatively stable, in which they operate routinely and efficiently, and the other changing, in which they operate in an innovative way. Each generic type develops structure and management processes to support the chosen strategy. Reactors have no consistent strategy and they merely respond passively to environment pressure. Miles and snow (1978) have also proposed that Strategy differentiation is based on distinction approaches to: (1). entrepreneurial problems: definition of market-product (2). engineering problems: choice of technical systems; (3). administrative problems: related to organizational structure and processes. Central to this model is the specific relationship

between the four strategic types and environment. Coherent with the environment enactment process, defenders will carve a niche in the market where stability can be found even in dynamic industries, whereas prospectors will be the source of instability in an industry by constantly producing innovation.

In contrast to Miles and Snow, Dyer and Holder (1988) classified the diverse array of HR policies into three major HR strategy types, they proposed a comprehensive Human Resource Strategic Typology consisting of three strategic types--inducement, investment and involvement.

2.4 SHRM and organization efficiency: Three perspective theories

Research papers on SHRM are classified into three perspectives, according to Delery and Doty (1996) categorization as <<universalistic, contingency and configurational>> perspectives, which built upon the relations between HRM and firm's performance. The main differentiating characteristic across these categories is the level of system complexity assumed by the researcher and the capacity of various research approaches for modeling system complexity. Universalistic approaches pay little attention to interaction effects among organizational variables, a contingency perspective begins to allow for such effects, and the configurational school sees system interaction effects as critically important (Barry, 2004).

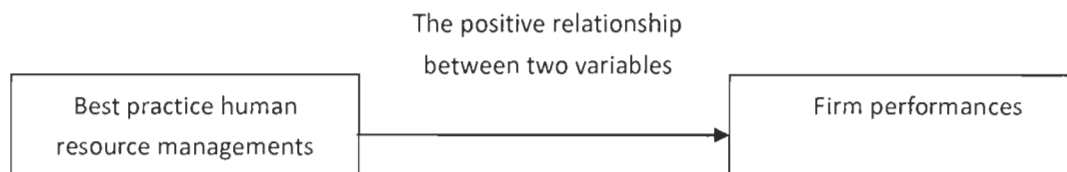
2.4.1 Universalistic perspective

Universalistic or <<best-practice>> approaches assert that certain independent-dependent variable relationships hold across whole populations of organizations, that is, some HRM practices are always better than others, and most organizations should adopt them (Miles & Snow, 1984; Pfeffer, 1994). Because of globalization and increasing competitive press, practices converge to universalistic. Under a universalistic approach, <<strategic HR

practices>> are those found to consistently lead to higher organizational performance, irrespective of an organization's strategy, which can be called high performance work practices or best practices. Examples of such practices as formal training systems, profit sharing, voice mechanisms, and job definition.

Osterman (1994), Pfeffer (1994) and Huselid (1995) supported and used the universal perspective in their research. Several other empirical studies also support this approach. For example, Delery and Doty (1996) suggest two step to develop universalistic predictions: first, important strategic HR practices are identified; second, arguments that relate the individual practices to organizational performance are presented. The universal perspective theory can be illustrated as the follow.

Figure 1 the best practice perspective theory



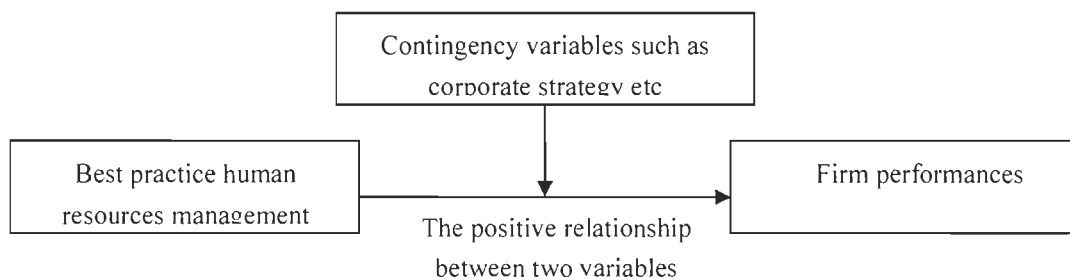
2.4.2 Contingency perspective

Going beyond the universalistic perspective, research in strategic human resource management has investigated the relationship between HR systems and firm performance from the contingency perspective. The task of the researchers is to select a theory of firm strategy and organizational performance (Fombrun, Tichy, & DeVanna, 1984, and Schuler & Jackson, 1987). They found that the relationship between HRM and the organization performance will be different for different levels of the critical contingency variable. The contingency perspective draws a causal line from the HR policies and practices to the organizational performance metrics, and it allows for the moderating effects of strategy.

The organization's strategy is often considered as the primary contingency factor.

Effectiveness of HR practices is contingent on how well they mesh with other aspects of the organization. The primary concern is with vertical fit (alignment with strategy) rather than horizontal fit (HR practices hanging together as a coherent, self reinforcing system). While this mode directs attention toward effects among variables, internal system interaction are not a central concern. In contingency predictions, the relationship between the use of specific employment practices and organizational performance is posited to be contingent an organization's strategy. The contingency perspective model can be illustrated by the following picture 2.2.

Figure 2 Contingency perspective theory



2.4.3 Configurational Perspective

The configurational school in organization studies follows a holistic principle of inquiry and is concerned with how patterns of multiple interdependent variables relate to a given dependent variable (Meyer, Tsui, & Hinings, 1993; Miller & Friesen, 1984). Researchers gather multiple dimensions of organizations, such as strategies, structures, cultures, and processes, into typologies of ideal types and treat the types as independent variables. This goes beyond the contingency approach, in which “researchers have been preoccupied with abstracting a limited set of structural concepts—centralization and formalization, for example—and measuring their relationships with a limited set of abstracted situational concepts , such as size, and technological uncertainty” (Meyer et al., 1993).

A configurational view focuses on patterns of HR practices that together form an internally consistent whole (i.e., their effects are mutually reinforcing) and draws a correlation between those patterns and organizational performance (Doty & Glick, 1994). The purported advantage of the configurational perspective is that it acknowledges system interaction effects—that the whole may be more or less than the sum of its parts. One significant shortcoming is that it is typically unmanageable to construct and test more than a few configurations, which understates the real-world complexity of organizational systems.

2.5 The view of universalistic perspective

2.5.1 The major theoretical foundation

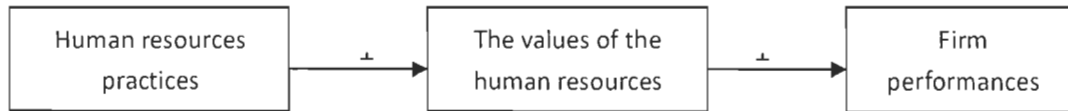
Scholars from different disciplines have presented various conceptual frameworks to explain the nexus between a firm's HRM systems/practices and performance. The most prominent ones among these are human capital theory, agency theory and resource-based theory.

Among the theories that have been used to develop Universalistic propositions, we can highlight the agency and transaction costs framework. According to the arguments of the universalistic writers, the influence on performance of certain policies, such as appraisal or benefit sharing, has been demonstrated because those practices contribute to overcoming the problems of opportunism and also to reducing internal management costs (Delery and Doty, 1996).

Furthermore, the basic proposition of human capital theory, which argues that organizations with valuable knowledge, skills and abilities will present better performance levels, has also fostered many universalistic conclusions. For example, Huselid (1995) stated that as part of high performance work system, the human capital activities can improve the organization performance through the skill of employee, incentive and the work structure of organization.

different of human resource management level can also reflect the different level of human capital investment (Lepak & Snell, 1999). The human capital theory can illustrate SHRM in universalistic perspective as in the following route.

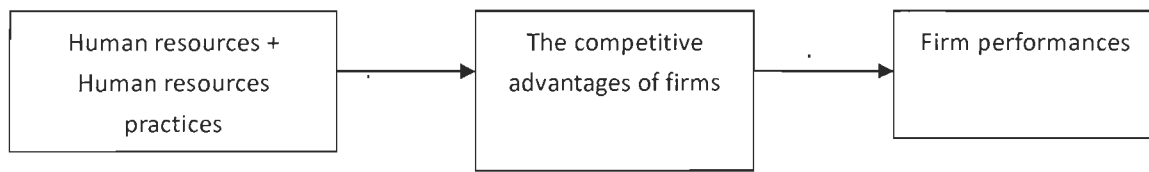
Figure 3 The human capital view supporting the SHRM



Remark: “+” means the positive relationship between two variables

Recently, the resource based view is the newest and the most important theoretical foundation of the SHRM. While some scholars distinguish the terms of ‘resource’, ‘competence’, ‘capacity’, ‘capability’ and so forth, following Barney (1995) ,These resources and capabilities can be categorized into four groups-financial, physical, human, and organizational . The resource-based approach stresses the need for a specific HRM strategy, which seeks to achieve competitive advantage by increasing the efficiency and competency of the work force. It should also be noted that according to the resource-based view, a firm’ resources and capabilities must meet four conditions- valuable, rare, inimitable and non substitutable- to be the sources of the firm’s <<sustained competitive advantage>>, which in turn leads to its competitive business strategies (Barney, 1991). MacDuffie (1995) contended that human resources can be a primary source of sustainable competitive advantage for a firm. In Human Resource perspective , we find that Human resource (HR) is rare and human resource management (HRM) is inimitable, so we think Human resource represent the possibility of competitive advantage of firm, while Human resource translate this possibility to realization. Both HR and HRM form the competitive advantages of firm, which has impact on the firm performance.

Figure 4 The resource based view capital supporting the SHRM



Remark: "+" means the positive relationship between two variables

2.5.2 The empirical study of universalistic perspective

Scholars in universalistic perspective think that in human resource management, there exist some best HRM practices, which has direct effect on the organization performance, these effects are universal or strong so they can improve the enterprises' performance whatever the industry the enterprise belonged and whatever the strategy the enterprise adopted. Many empirical researches have tested and verified the relationship between the SHRM and the organization performance. For example, Leonard (1990) examined the effects of executive compensation policy and organizational structure on the performance of 439 large U.S. corporations between 1981 and 1985. He found that: <<Companies with long-term incentive plans enjoyed significantly greater increases in ROE (return on equity) than did companies without such plans, and by 1985 long-term incentive plans had been nearly universally adopted by large corporations>>. Milkovich (1990) also found that the merit pay plan has relationship with the organization performance and the enterprise with merit pay system can achieve higher performance. These issues showed that the organization with compensation system based on the performance of employee can get higher long term financial performance than the organization without it.

Terpstra and Rozell(1993) collected survey data from the heads of the HRM departments of 201 organizations regarding the extent of use of five staffing practices supported by the academic literature., and a significant positive relationship between organizations' use of the five staffing practices and both annual profit and profit growth across all industries. (1994) also hold the view that a lot of managerial innovation practices such as Team work,

rotation and total quality management can lead to improvement of productivity for the American enterprises.

Huselid (1995) comprehensively evaluated the links between systems of high Performance Work Practices and firm performance. Result based on a national sample of nearly one thousand firms indicated that these practices have an economically and statistically significant impact on both intermediate employee outcome (turnover and productivity) and short- and long-term measures of corporate financial performance.

Delaney and Huselid (1996) studied 590 profit and nonprofit organizations to research the impact of selection, training, compensation, grievance procedures, decision making and internal promotional practices and the interaction of these practices on two perceptual measures of organizational performance. Perceptions of market performance were related to all of the HR practices except for the measure of decentralized decision making, but perceptions of organizational performance were related only to incentive compensation. In another article, Delery and Doty (1996) found that organizations that had strategically aligned HR practices reported return on assets and return on equity figures that were nearly 50% higher than competing institutions that had not aligned their HR systems.

Simon K.M.Mak and Syed Akhtar (2003) collected Data from 63 publicly listed companies Hong Kong through a questionnaire that contained objective measures of human resource management practices and subjective measures of strategic orientations. The human management practices included job description, internal career opportunity, job security, profit sharing, training, performance appraisal and voice mechanisms. Company was measured in terms of return on equity. Correlation analysis indicated that only job description and profit sharing correlated positively and significantly with the company performance across both managerial and non-managerial employees.

1. literature review of Empirical Researches on the basis of different best practices

The notion of 'best practices' HRM should be reasonably familiar to most specialists in HRM and industrial relations. However, in the aspect of what HRM practices make up the best practice, scholars did not hold consensus. It might be worth reiterating the main elements in the list produced by Pfeffer (1998) before moving on to assess whether or not these do actually constitute 'best practice' or are less 'best' than the name might imply. Essentially, Pfeffer identified seven practices of successful organizations, reduced from his earlier (1994) list of sixteen by combining several of these together, as well as drawing upon the results of other studies. They are: (1) Employment security, (2) Selective hiring, (3) Self-managed teams/team-working, (4) High compensation contingent on organizational performance, (5) Extensive training, (6) Reduction of status differences, (7) Sharing information. If we categorize the scholars' empirical researches of the relationship of best practices and the organization performance based on these seven different practices, we get the following findings.

In the aspect of hiring and selecting, Terrpstra and Rozell (1993) investigated the relationship between the use of five staffing practices and organizational level measures of performance. Which are: (1). the use of follow-up studies of recruiting sources to determine which sources yield greater proportions of high performing employees, (2). the use of validation studies for the predictors used in selection, (3). the use of structured, standardized interviews for selection, (4). the use of cognitive aptitude and ability tests for selection, and (5). the use of biographical information blanks or weighted application blanks for selection. They found a significant positive relationship between organizations' use of the five staffing practices and both annual profit and profit growth across all industries.

In the aspect of Extensive training, Russell, Terborgh and Powers (1985) presented an analysis of the relationship between organizational level measures of training and

performance, as opposed to more traditional individual level measures. They indicated that training and organizational support were significantly correlated with both measures of store performance, although the relationship between training and organizational performance stronger. Appelbaum et al. (2000) asserted that formal and informal training are positively related to employee trust and intrinsic motivation. Boselie et al. (2001) asserted that training and development are positive related to trust in decision-making and perceived employee security.

In the performance evaluation and compensation field, Abowd (1990) investigates whether the sensitivity of managerial compensation to corporate performance in one year is positively related to corporate performance in the next year. He find that Accounting-based measures of performance yield only weak evidence of such an association, but economic and market measures yield stronger evidence. Delery and doty (1996) find that result-orientated performance evaluation and profit sharing plan has significant positive relationship with organization performance. Fey, Bjorkman and Pavlovskay indicated that high salaries will have a positive impact on HR and these study provided support for the importance of including both managers and non-managers in the same study, but treating them separately. The following table presents some of the best practices provide by different scholars in SHRM field.

Table 1. The best practices stated by different scholars

Scholars	The Best HR practices put forward
Delery and Doty (1996)	Broad and formal training system, result-oriented performance valuation, performance-based compensation, employees participation, broad work definition; internal promotion, job security
Fey, Bjorkman and Pavlovskaya (2000)	Skill and non skill training; high level of compensation, performance-oriented promotion, decision-making assignment, job security, career plan, internal promotion and appeal system
Pfeffer (1998)	Selective hiring, extensive training, high level compensation, performance based compensation, self management team, decision-making assignment, sharing information about the financial and performance, job security, Reduction of status differences.
Arthur (1992)	Broad work definition, involvement of employee, formal dispose, sharing information, high skilled employees, self-management team, broad skill training, broad welfare, high compensation, stock holder policy.
Huselid (1995)	Selective hiring, performance evaluation, incentive compensation, work plan, appeal system, sharing information, time of training, promotion reference standard.
MacDuffie(1995)	Work team, problem solve team, suggestion from employees, work exchange, compensation, training for entry level employee. training for skilled works.
Delaney and Huselid (1996)	Selective hiring, training, incentive compensation, authority assignment, appeal system, internal labor market, organization structure.
Youndt, Snell, Dean (1996)	Selective hiring, broad training, activity-oriented performance evaluation, skill-based compensation, incent on team, external fairness of compensation.

Source: According to the scholars' papers

2. Literature review of Empirical Researches on the basis of different organization performance

A major challenge for SHRM research will be to establish a clear, coherent and consistent construct for organization performance. In their review of research on the efficacy of bundling HR practices with the field of SHRM, Day and Reeves(1995) proposed four possible types of measurement for organizational performance: (1)HR outcome (turnover, absenteeism, job satisfaction); (2) Organization outcome (productivity, quality, service); (3) Financial accounting outcomes (ROA, profitability);(4) Capital market outcome (stock price, growth, returns).

They proposed that HR strategies were most likely to directly impact human resource out come, followed by organizational, financial and capital market outcome. The following table describes the variety of measure used in current empirical research linking SHRM and organization performance.

Table 2. Overview of the performance measurement provided by scholars

Scholar	Performance measurement indicator
Arthur(1994)	Labor productivity, Work force turnover, waste minimization
Huselid (1995)	Labor productivity, product quality
MacDuffie (1995)	Labor productivity, Work force turnover, gross profit rate, Tobin's Q
Ichniowski, et al (1997)	Productivity
Huselid (1997)	Individual productivity, Capital gross profit rate, Tobin's Q
Guthrie (2001)	Work force turnover, Productivity

Source: According to the scholars' papers

3. SHRM and Firm Performance studies in China

Before the economic reform, state-owned enterprises (SOEs) had dominated the Chinese economy. As a consequence of the open-door policy, the number of foreign-invested enterprises (FIEs) has increased substantially in China over the past two decades. Western <<mainstream practices>> in HRM such as formal performance appraisal, performance based compensation, and extensive training have been widely adopted in these firms. The number of privately owned enterprises (POEs) has also experienced rapid growth. One characteristic of these firms is their ability to respond quickly to environmental changes. As pointed out by Goodall and Warner (1997), POEs have greater leeway in their employment practices than SOEs, and they can hire and fire workers in a relatively unconstrained way. Because of their short history, their HR practices tend to be informal and nonsystematic as compared with other firms.

To research the effects of HR practices on organizational outcomes, Bjorkman and Fan (2002) found that HR practices that focus on individual performance and employment motivation were strong predictors affirm performance in FIEs. Deng, Menguc and Benson (2003) reported that in their sample of SOEs, a bundle of HR practices had a substantial impact on export performance. Takeuchi, Wakabayashi and Chen (2003) also found support for the positive relationship between a firm's HR practices and financial performance in a sample of Japanese subsidiaries in china. Wang, Tsui, Zhang, and Ma (2003) argued that organization-specific employment relationships with different levels of inducements and expected contributions are critical for firm performance. Yu and Egri (2005) stated that several HR practices were related to job satisfaction and affective organizational commitment of employees working in a JV and an SOE. Tsui and Wu (2005) further suggested that certain HR practices such as training and development lead to an employment relationship that contributes to firm performance.

In the study of the Chinese enterprises on the aspect of the relation between the SHRM and organization performance, it is possible that some best practices which are effective for western enterprises are not effective for enterprises in china because of the different environment and culture, but the uniform view is that most theoretical and empirical evidence in the research in Chinese enterprise also supports that both SHRM and HR practices have positive effects on firms' outcome.

2.5.3 Critical synthesis of empirical studies

Universalistic perspective are the mainly stream that many scholars focus in recent time, unfortunately the typical components got from these empirical researches are not stable, and there is no coherency view on the characteristic of SHRM, especially lacking the certain conclusion for the relationship of sub-system. There existed three mainly problems as following.

1. Lack of uniform independent variables

First, in the topic of using what contents to represent HRM, there is no uniform agreement among the scholars. In the HR best practice research result, we can see that the differences among the content of best practice are large which result the incoherent of the result in SHRM research field. Second, some measurement tools related to studying SHRM have different meaning for interpretation. For example, some research adopted survey items only ask about the level of <<using formal performance evaluation>>, which has the different meaning in different human resource system.

2. Lack of uniform dependent variables

Although researchers are exploring HRM's strategic contribution to the organization, they have different view on the connotation of concept of <<strategic>>. Some researchers tested

the relationship between HR practices and competitive strategy system of organization, they concerned about the strategic choice; some other researchers explored the relationship between HRM and organizational performance, think that improve the effectiveness of the operation is the most strategic presentation for HRM. Further more, there also exist different understanding for the organization performance among the scholars, they hold the implicit hypotheses that HRM can directly contribute to the organization objective, some researchers test the employee performance variables, they proposed that the impact mechanism of SHRM is affecting the employee performance first, then the latter can finally affect the organization objective. So it is difficult to integrate the results of evaluation in different empirical research because of the lack of uniform dependent variables.

3. Lack of cross culture research

At present, most of empirical researches are based on the North American environment, but different cultural environment can lead to different knowledge and understanding of HRM, the empirical research from different environment can provide support to the discussion of the SHRM affecting mechanism on organization. After doing comparative study, we find that China based empirical research conclusion are obviously different from Western based empirical research conclusion. For example, In the aspect of industry of empirical research studied, in western world, in high tech industry, manufacturing industry, service industry and cross industry, most empirical research have found the positive significant relationship between the HRM system and the organization performance; however, in china, the empirical researches in service industry and crossed industry did not find this positive relationship. While in manufacturing industry in china, three empirical researches have get the conclusion that high performance work system has positive relationship with organization performance.

2.5.4 Conclusion of universalistic perspective

The universalistic perspective asserts certain independent–dependent variable relationships crossing whole populations of organizations. This means that some HR practices are always better than others, and that all organizations should adopt these (Miles & Snow, 1984; Pfeffer, 1994). Under a universalistic approach, <<strategic HR practices>> are those found to consistently lead to higher organizational performance, irrespective of an organization's strategy. Through theoretical and empirical researches analysis approach, we analysis and validate the relationship between the SHRM and organization performance, finding that there existed positive relationship, which means that SHRM has significant influence on the organization performance.

2.6 Variables and hypothesis

2.6.1 Presentation of RH variables

Based on our literature studies of strategic human resource management (SHRM), we have identified eight dimensions of best practices as independent variables of our research model.

1. Incentive compensation

Gerhart and Milkovich (1990) stated that motivation is enhanced when behaviors are highly instrumental in achieving desired outcomes. For compensation systems, this suggests that making pay contingent on outcomes that result from desired behaviors will enhance the motivation of employees to engage in these behaviors. Given that monitoring is often costly and increasingly difficult for jobs that involve a high degree of uncertainty and discretionary behavior, the agency theory perspective has led to strong support for the extensive use of incentive compensation systems tied to performance outcomes (Gerhart & Milkovich, 1990).

Incentive compensation is one of the earliest best practices presented in the SHRM research papers. Many scholars who did the empirical research on the relationship of the SHRM and organization performance have found that the incentive compensation has positive effect on many organization performances (Delery and Doty, 1996; Fey, Bjorkman et Pavlovskaya, 2000; Pfeffer, 1998; Huselid, 1995).

2. Training

Training is an essential component of high performance work system (Pfeffer, 1998), because these systems rely on front line employees skill and initiative to identify and resolve problem, to initiate changes in work method, and to take responsibility for quality. All of this require skilled and motivated work force that has the knowledge and capability to perform the requisite tasks.

Organizations can improve the quality of current employ by providing comprehensive training and development activities (Delaney&Huselid,1996).Koch & Mc Grath, 1996) suggest that company-sponsored training and development programs often increase the firm specific skills of employees. Becker (1996) argues that some kinds of training are equally useful to a firm and to its competitor. In such case, the company offering training pays cost and competitors are subsidized, if these trained workers are hired away by them.

A large number of studies provide evidence that investment in training leads to beneficial organization outcomes. Training has positive impact on perceived organization performance (Delanney& Huselid, 1996, Russell, et al 1985, Appelbaum et al, 2000, Boselie et al, 2001).

3. Selective hiring

This is seen as an effective way to achieve 'human capital advantage' by recruiting

outstanding people and 'capturing a stock of exceptional human talent' (Boxall, 1996) as a source of sustained competitive advantage. Even though the notion that employers want to recruit the best people available is hardly new, this is nowadays more likely to be systematized through the use of sophisticated selection techniques and taking greater care when hiring. For example, In order to select the best candidate, the use of formal testing, in which individuals are faced with real work situations, was adopted. It is also true that the interviews for selection aimed to predict future behavior of the candidate. As Wood and Albanese (1995) indicate, technical ability is not the only, or even the most important, attribute that employers seek in new recruits; indeed, two of the major facets which are sought are trainability and commitment.

The goal of Selective hiring is to select the individual with skills, knowledge and positive work attitude. Selective hiring has been stated as one of the best practices in the research of SHRM by many scholars, in their study, they found that it has positive relationship with the organization performance. (Pfeffer,1998; Huselid,1995; Delaney and Huselid, 1996; Youndt, Snell, Dean ,1996)

4. Performance evaluation

The goal of adopting the employee performance evaluation in enterprise is to guide and motivate employees' activities in line with the organization objective, leading to the creation of organization performance. Performance evaluation can be divided into behavior-based evaluation and results-oriented evaluation. The first one focus on the behavior of individuals, when it is clear distinction between acts and observation, this is the most effective evaluation. And results-oriented evaluation is only concerned with the result of the conduct, when the measurement results more easily and appropriate, this could be the most effective evaluation.

As a best HR practice, Performance assessment has been adopted by majority of scholars.

There are empirical studies suggest that performance evaluation has positive effect on the organization performance, while correlated with the role, and results-oriented performance evaluation, as well as profit-sharing plan have significant positive relationship organization performance. (Delery and Doty, 1996; Huselid, 1995; Youndt, Snell, Dean, etc., 1996)

5. The organization of work

The organization of work can also be a HR practice to influence organization performance .for further study. The concept of the presence of teams work and restructuring of jobs will be also retained. Different organization of work fit for different situation. For example, when solving the problem, the group come from the same unit can have positive impact on the organization performance.

6. Sharing information

In SHRM, the information sharing among the employees and managers are become more and more essential. There are two reasons according to Pfeffer. First, open communications about financial performance, strategy, and operational measures conveys a symbolic and substantive message that employees are trusted as well as reducing the role of the grapevine in spreading rumor. Second, if team working is to be successful and employees are to be encouraged to offer ideas, it is essential that they have information upon which to base their suggestions and know something about the financial context in which their ideas are to be reviewed.

Most attitude surveys have shown for years that employees would like to have more information about their organization and a chance to contribute to and influence decisions which affect their working lives.

7. Employment security

This is seen as fundamental in order to underpin the remainder of the HR practices, principally because it is regarded as unrealistic to ask employees to offer their ideas, hard work, and commitment without some expectation of security on their part. In emphasizing the importance of employment security, Pfeffer (1998) draws a parallel between companies that offer 'employability' and expect loyalty and a mythical 'temporary appointment'. It is noteworthy that the term 'employment' security is used; this mirrors the situation in Chinese companies where employees are offered some degree of security in return for agreeing to mobility and flexibility in their employment. A further reason for providing employment security is offered by Pfeffer (1998) in relation to costs and competitors: laying people off too readily <<constitutes a cost for firms that have done a good job selecting, training and developing their workforce . . . layoffs put important strategic assets on the street for the competition to employ.>>

8. Social activities and sports

As HR practice, Social activities and sport were activities performed in work atmosphere. They include employee participating in amusement, in relaxing activity and all the activities and procession to improve self-development activity. Many enterprises, especially high tech enterprise, provide free gymnasium for their employee and organize sport activities. Some research stated that low volume of investment on the social activities and sports for employees promote feeling of cheer to employees, leading the employee involve in work more efficient.

2.6.2 Present of dependent variables related to organization performance

We classify the dependent variable as three types according to different characteristic of indicators.

1. Social performance

a) Employee satisfaction of the condition of work

Conditions of work are important for the employee, it was described as the practical conditions under which people work and cope with a specific technical and organization environment. Satisfaction of condition of work was considered as the social performance evaluation factor in the study of SHRM. We can study whether some best practice has positive relationship with employee satisfaction of condition of work in our research.

b) Employee satisfaction related to the tasks entrusted

The satisfaction of employee also comes from their entrusted administration and the task, the degree of this satisfaction is evaluated positively by employee. This satisfaction also consider as social factor of performance which can used in the empirical research of our study.

c) Turnover rate

Employee turnover rate will be determined by calculating the number of voluntary departures employees in any year in the total number of employees for that year. Some author select turnover rate to evaluate organization performance in the empirical study of the SHRM in Universalistic perspective, they found that that some SHRM effectiveness can significantly reduces employee turnover (Arthur, 1994, MacDuffie, 1995)

d) Absenteeism rate

Absenteeism is defined as regular absence from work without a good reason. Absenteeism rate is an individual level performance indicator, which belong to human resource outcome,

it reflect the work attitude of employee in the enterprise. Empirical research proposed that the positive effect of performing the high performance work system on American enterprise was related to the original low level of productivity of enterprise, one of the important reasons for this is the high turnover and absenteeism rate widespread in the United States enterprises in 1980s.

e) Grievance and complain

Complain means the dissatisfaction of the job, the widespread complains of employee was due to possible conflict of interest, or dissatisfaction with assignment of work, etc. Grievance means the disagreement on the interpretation of the employment contract. In our research, we count the number of complain and grievance of employee in enterprise yearly as one the factors to evaluate the social performance.

2 .Economic factor: Firm productivity ratio

As is common in the literature firm productivity was operationalized as the ratio of firm sales to the number of employees. As a factor of organization performance, firm productivity ratio, which reflect the economic level of enterprise, was widely used to evaluated the organization performance in the empirical researched of the SHRM (Arthur , 1994 ;Huselid , 1995 ;MacDuffie , 1995 ;Guthrie , 2001). For example, Empirical research stated that high performance work system has positive relationship with the firm productivity.

3. Financial factor: return on total asset or return on investment

Return on total asset (ROA) is the income divided by total asset of enterprise, which could base on the history financial data of enterprise. Return on investment is what percentage that

the annual profit takes up the total investment. ROA or ROI has been used as an important measure of financial outcome in a large body of work in the SHRM literature (Huselid, 1997). In our paper, we use the ROI as the organization performance indicator, of which the source is come from the subjective evaluation from manager or HR manager, not from the historical financial report.

2.6.3 Present of control variables

Control variables are related to both the independent (HR) and dependent (performance) variables. Failure to control for such variables can result in either observing spurious relationships (observed relationships which are entirely due to both variables covarying with the control) or suppression (when no observed relationship is observed between the independent variables and dependent variables because one of those variables has a negative relationship with the control) (Schmitt & Klimoski 1988). Thus, we wanted to identify those variables that strategic HRM researchers have believed to be relevant to control for in the HR--performance relationship. The most common control variable by far is size, followed by Industry, age, location and strategy. In our study, we selected the level of innovation as the control variable.

2.6.4 Primary hypothesis

Hypothesis Direct Linkage between HR Practice and Performance, the primary hypothesis of research is as following.

Hypothesis 1: *The practices of Incentive compensation, training, selective hiring, performance evaluation, work organization, sharing information, employment Security and Social activates and sports will lead to higher level of organizational performance.*

2.7 Resume

In second chapter, we trace back to emergence of SHRM and make Definition of the SHRM, and introduce some models of SHRM. In an attempt to examine the link between HRM strategy and performance, there are three approaches to understand this relationship: the universalistic perspective, the contingency perspective, and the configurational perspective. We discuss the major theoretical foundations of the universalistic perspective. Then we illustrate the empirical research on SHRM in universalistic perspective in western and china, and established the independent variables and dependent variables for our study model; we provide the control variable and major hypothesis for the model as well.

CHAPTER 3

METHODOLOGY

Chapter 3 Methodology

3.1 Introduction

In third chapter we will discuss the key methodological issues used in the study. To do this, this chapter will be divided into three parts. First part will expose the strategy and the research method selected for this study; second part we will present the population of the research; in the third part, which is the major part, the operation phase of the research will be presented, including the sampling, building the collection tool and variables measurement, as well as analysis of survey data.

3.2 Strategy and research type

1. The objective of the research

In recent years, research in management science has been working to study the actual impacts of policies and practices of HRM on firm performance. Despite a large number of studies today which have interesting results, the link between the HRM and the organization performance remains obscure, which currently still be a <<black box>> for all researchers in management sciences.

We explore this gray theoretical area by starting an empirical study to examine the relationship between HRM practices and the performance of SMEs in manufacturing industry in the People's Republic of China. This study will attempt to answer, like a growing number of other academic researchers in china on HRM did before, the important research question: What are the effects of human resource management on the effectiveness of the firm?

The study concerned the relationship between the two types of variables, independent variables which are HRM practices and dependent variables which are organization performance, without the influence from the control variable, the innovation of the company. Such a study can also be described in logic as <<hypothetic-deductive>> in that it seeks to empirically test theoretical models accepted and recognized (Emory and Cooper, 1992; Gauthier, 1997). As Gauthier stated <<the problem was developed from concepts of the scientific literature to materialize in a specific research question to compare this theoretical construct with a particular situation>>, almost all studies on SHRM also use such a search procedure (Becker and Gerhart, 1996).

2. The research type

As mentioned during our initial problem, we will use the SHRM theory from the view of universalistic perspective and empirical study to offer explanation to this important research question: What are the effects of human resource management on the effectiveness of the firm? The nature of this question is to say, trying to measure and explain the relationships between a set of HR practices and certain elements of performance, makes it easy to categorize our study. That is to say, the overall goals of our study are to amplify our understanding of the effects of HRM practices on the organization performance, such purpose make our research been classified as causal research, with the objective to test the hypotheses about the cause-and-effect relationship.

After the literature review, we established some organization performances as dependent variables and set the independent variables concerns the HRM practices studied, we proposed hypotheses that HRM practices has positive relationship with organization performances. Using the correlation analysis method, we do the empirical study to test the relationship between the independent variables and dependent variable. Furthermore, using the regression analysis method, we will find which HR practices specifically have positive

effects on organization performances.

The major research instrument of this study was a questionnaire that was sent to the respondents sampled in this study. The respondents were HR managers or senior managers because managers at HR department or in senior-level have the knowledge and ability to provide answers to questions regarding the overall use of compensation practices, human capital characteristics, and other variables related to a firm's business. The preferred strategy of such studies is through the multiply case studies since this investigation will cover 38 small and medium size enterprise in manufacturing industry in China, which correspond with the following criteria: medium sized Chinese companies in manufacturing industry located in mainland china with the number of employees between 300 to 2000, and the innovation level between middle and high.

In 2007, Industry and Transportation Statistics Department of the National Bureau of Statistics (NBS), and the China Association of Small and Medium Enterprises of International Cooperation has post the best 1,000 small and medium manufacturing firms in 2007 for the first time in China. Only the companies whose sales had been increasing no less than 80% annually from 2006 to 2007, and their profit growth doubled annually in the same period , have the qualification to be the candidates of the list of growing companies that are engaged in 28 sub-industries in manufacturing. We selected this list as the pool of the questionnaire participators. The total number of samples is estimated to be around 200 organizations selected from the list of China top 1000 high growing manufacturing small and medium enterprises which was ranked by the china national statistical commission. This large-scale survey, which served as a cross-region study, was conducted from the June 2009 to the August 2009, we have 57 companies responded the questionnaire.

3.3 The population study

As we mentioned before, our study objects need to correspond with the following criteria: medium sized Chinese companies in manufacturing industry located in mainland china with the number of employees between 300 to 2000, and the innovation level between middle and high. There are several reasons that we establish the criteria to refine our study targets.

First, We notice that in the forgone empirical studies target on enterprise located in china, three studies which focus on the manufacturing industry has proved that there are positive relationship between SHRM and organization performance but the empirical study focus on franchise industry and cross- industry did not prove that relationship (Bjorkman and Fan 2002; Deng, Menguc and Benson, 2003; Tsui and Wu, 2005). So in our study, we selected the manufacturing industry as our target for research, trying to get the positive results as the former scholars did.

Second, we know many studies on HRM are already interested in the large companies or even multinational companies. Even in the existing three empirical study focus on the Chinese manufacturing industry, the study objects are the large stated own enterprise or multinational foreign invested enterprise, not the SMEs. But the HRM are more crucial to the SMEs on the individual perspective. Because of the small size compared to the large enterprise, the survivals of these SMEs are often compromised by the loss of specialized employees who in favor of large companies pay more. If we take account that the number of SMEs has take up over two-thirds of total number of enterprises in Chinese manufacturing industry, the study on the HRM practices on SMEs has more practical meaning in the management field in china.

Third, the criteria on the employ number which required above 300 will help us increase the probability of finding formal HRM practices in the targets. Previous studies in china using

large-scale surveys typically exclude companies with less than 300 employees which may not have formal and systematic human resource management programs. That is to say, since the services of human resource management are virtual nonexistent in such most small businesses in general, in china small enterprise also usually does not have typical human resource system and implement little HR practice during the operation because of the limited size. Given the manufacturing industry is a labor intensive industry in China, this study eliminated companies with less than 300 employees, in order to include only the samples with formal human resource management programs.

Fourth, in terms of innovation level of the enterprise, the type of companies investigated was defined as manufacturing firms with a degree of innovation between medium and high. So we assume that in the list of china top 1000 high growth manufacturing SMEs, most of the companies have medium or high innovation level, which is our control variable, in order to reach the high growth rate. In another words, this list of high growing SMEs in manufacturing industry should fits perfectly with our choice of enterprise with medium or high innovation level.

3.4 The operation phase of research

3.4.1 Sampling

According to the list of Chinese top 1000 high growing SMEs in manufacturing industry provided by National Bureau of Statistics, we select 200 of these SMEs as sample. And we get the contact information from those official websites or from the reference, especially for the email of the senior manager or the human resource department. These firms were located in multiple locations in China, such as Tianjin, Beijing, Shanghai, Guangzhou and other parts of the country.

We distribute 200 copies of questionnaires through Email with a cover letter describing the nature of the survey to the director of HR department or the senior manager in the early of Jun 2009. After 1 month, 36 of 200 copies which are completed and send back. Then we send the query letter to the companies which did not send back the questionnaire for collecting the second round questionnaire. For a few companies referenced by friend, we even directly call them to ask if they can fill out the questionnaire and send back from that point of time. After one more month, we got another 21 feedbacks by the middle of August. In all, a total of 57 questionnaires were returned, for a response rate of 28.5 percent, exceeding that of other similar studies, which achieved response rates of 21, 20 and 13.8 percent (Delery and Doty, 1996; Lau and Ngo, 2001). Of these, 19 questionnaires were removed because they are not applicable or because the number of employees who did not match the size used for this study (between 300 and 2000 employees), or because the questionnaire was been improperly completed, or because the level of innovation was low. In all, 38 questionnaires have been used for the study, leading the effective response rate of 19%. Given the difficulties in obtaining cooperation from organizations when it comes to organizational issues, this response rate is acceptable for a new survey which launched from abroad of china without forestall contact to these responses. It is felt that the data obtained is sufficient to discern general trends and relationships.

3.4.2 Building the collection tool

Following the definition of methodology, we focus on the construction of a single collection of tool that was used to operate the concepts. A structured questionnaire was employed to gather data for the present study. The questionnaire included 32 questions divided into three distinct sections. These three sections were, respectively: the practices of human resource management in the company, positioning the company in relation to innovation and the various indices of organization performance. Issues of collection tool were developed from the dimensions specified in the previous chapter and will be presented further in paragraph

3.4.3. The HR practices and organization performance as well as innovation level were assessed by asking the respondents to indicate the degree to which they agree with the questions.

3.4.3 Measurement of variable

3.4.3.1 Independent variable measurement

The independent variables are the SHRM practices which are implemented in the company.

To differentiate the SHRM implementation level, a survey was conducted based on the definition of SHRM practices used in this study, which we have mentioned in chapter 2. Respondents were asked to assess the degree of SHRM in their organization using the following 23 indicators which are categorized in 8 dimensions:

Table 3. Dimension and indicators of SHRM practices

Dimension	Indicators
Incentive compensation	Sharing the performance gains
	Sharing the profits
	Granting bonuses to employees performances
	Sharing of ownership
Training	Specific training program
	General training program
Selective Hiring	Use of external recruitment
	Assess through structured test
	Assess through structured interview
Performance evaluation	Based on measurable objectives
	Based on observable behavior
The organization of work	Involvement of employees in work teams
	Consultation with employees through various committees
	Resolution of problems with project teams
	Designate employees to work on other position in similar level
Information sharing	Sharing the strategic decisions of enterprise
	Sharing the financial information
	Sharing the new products and service information
	Sharing the competition information
Job security	Protection of job of employee
Social activities and sport	Holding social activities
	Opportunities to attend social events
	Promotion and opportunities for sports activity

The respondent had to indicate on a five-point Likert- scale for the level of implementation of each of these SHRM practices in the company (1 = not at all implement, 5 = strongly implement). Then we sum up the score of indicators which belong to the same dimension and get the average score of each SHRM dimension. The degree of SHRM practices implementation increased with the score; meanwhile, the degree of SHRM implementation decreased with decreasing score.

3.4.3.2 Dependent variable measurement

Issues related to organization performance factors used in this study as dependent variables were also grouped in a specific section of the questionnaire. Precisely seven questions on three performance factors (social, economic and financial) were used, which were presented in the following table.

Table 4. Dimension and indicators of organization performance

Dimension	Indicators
Social factor	Employees' satisfaction with working condition
	Employees' satisfaction with entrusted task
	Employees' turnover rate
	Employee's absent rate
	Number of grievances and / or complaints
Economic factor	The productivity rate of enterprise
Financial factor	Return on total asset or ROI

This study defined firm performance in social factor, economic factor and financial factor. For indicators in social factor, the respondents measured employees' satisfaction by using the five-point scale Likert-type level pole in terms of "Not at all satisfied", "satisfied" and "highly satisfied". The average score combined the employee's satisfaction with work condition and with entrusted task will be represented as the employee's satisfaction, which

belong to the social factor of organization performance. While dealing with turnover and absenteeism rates, they involved the terms of rate in "low", "moderately high" and "very high" (low=1, moderately high=3, very high=5). So these two items were showed in reverse way to represent the organization performance. That is to say, the low the score is, the high the organization performance was. Demonstrated economic and financial influence would elevate SHRM to the highest level of organizational power. However, empirical research is likely to encounter similar difficulties in implementing research findings in practical applications. Fortunately, in this field, a potential advantage is that most existing studies focus directly on the impact of HR decisions on performance outcomes that are clearly meaningful and relevant to practitioners. In our study, we used productivity rate of enterprise for economic factor and used return on total asset or ROI on financial factor. The score for these two factors were relatively compared with the competitors and were evaluated from the senior managers or directors of human resource department point of view directly.

3.4.3.3 Control variable measurement

Since, in our idea, the companies project management are usually different levels of innovation from other companies and for the population we selected as top 1000 high growing SMEs in manufacturing industry in china, most enterprise has medium or high innovation level compared to other enterprises in general. It would be interesting to evaluate the impact of independent variables on the performance of highly innovative enterprises; the control variable used here is the degree of innovation.

Table 5. Dimension and indicator of the innovation degree

Dimension	Indicators
innovation degree	the development of innovation projects
	proactive strategy

The degree of innovation was assessed on two continuums. The first refers to the concepts "not at all established", "medium-established" and "firm" while the second included the concepts "not at all agree," "moderately agree" and "strongly disagree".

3.4.4 The questionnaire administration

Because the Chinese government actually does not allowed foreigners or foreign organizations to conduct a questionnaire survey without government permission, the questionnaire survey at organization level has been very difficult for including the large scale of samples. Foreign researchers often have to conduct their questionnaire surveys among a very small number of firms in a somewhat illegal and secret way. This partially explains why the past research conduct by foreign scholars in China often has limitations of small sample size, of failure to control industrial differences and of very low response rate. However, as local Chinese, we take the advantage to conduct the large based questionnaire survey without permission from the government. The questionnaire survey relied on self-reporting items, because of the limited budget for the study and the long distance issues, the questionnaires were sent to the participators through Email. Compared the traditional mailed questionnaire, using Email to collect the feedback is more quickly and less costly, but maybe it will affect the response rate because some manager may just simply ignore this kind of email for asking for the participating the survey. We tried to deal with that issue in the following way.

Firstly, part of the access to the companies was gained from the reference by the friends of and with snowballing techniques that utilized contacts of contacts. This approach was viewed as necessary in China, a country where personal contacts ('Guan xi') significantly facilitate company access. The questionnaire and cover letter were written in both Chinese and English version to facilitate the understanding for participators.

Furthermore, to ensure high response rates, the following steps were taken: (1). the enclosed cover letter emphasized the importance of participation; (2). the respondents were promised to get of the study results; (3). two waves of follow-up mailings were sent out four weeks after the original surveys were send (Bendapudi, 1998). All of these steps were taken to be consistent with the recommendations for increasing the response rate.

3.4.5 Analysis of survey data

Like the majority of studies presented in Chapter 2, the selected types of analysis to verify our hypothesis are quantitative. To obtain concrete results arising from our investigation, we proceeded to build a matrix of correlations as well as the regressions analysis table in order to make connections between HRM practices and organization performance. The achievement of these two different statistical analyses allowed us to have a fairer and more accurate assessment of the veracity of our hypothesis.

In all, for building the of relationship matrix and regression tables, we used the statistic software SPSS 15 to manage the data. More specifically, the eight independent variables were used for performing relationship analysis and multiple regressions on the six dependent variables. To do so, the control variable, the index including the development of new projects and the proactive strategy, was first introduced into the linear equation and then, individually, each of the eight HR practices included in this study was introduced in turn as well as six organization performance factors. The SPSS 15 is the latest version of this software, although this tool has certain limitations, it seems most relevant to our study and especially the most commonly used in similar studies (Becker and Gerhart, 1996).

CHAPTER 4

RESULTS AND ANALYSIS

Chapter 4 Results and analysis

4.1 Introduction

The chapter four will be devote to the statistical analysis which was conducted through the SPSS 15.0 software, and present the result of the investigation. This chapter will answer the research question <<what is the influence of the human resource practice on the organization performance>>.

As noted above, the underlying principle related to the universalistic view of SHRM is that HR practices may be, under any circumstances, precious determinants of organizational effectiveness (Pfeffer, 1994, 1998b, Delery and Doty, 1996). Several studies presented in Chapter 2 were able to demonstrate the empirical relevance of this theory, there also include a few empirical studies related to the larger Chinese enterprise. But is such relationship also effective for small and medium manufacturing enterprises in mainland China?

Based on the universal thesis, we selected several HR activities and organization performances (see Chapter 2 for the choice of study variables) as test factors. The universal assumption used in this study is that: The level of implementation of HRM practices incentive compensation, training, selective hiring, performance evaluation, the work organization, information sharing, job security and social activities and sport has a positive impact on business performance in SMEs in Chinese manufacturing industry.

In the report, we therefore present the results obtained by following the completion of these tests. The results of the correlation matrix will first be presented to shows the means, standard deviations and inter-correlations for all variables used in the study. And then the

results of regression tests will be presented. It is important to note that three organization performance factors, turnover and absenteeism and the number of grievances and complaints are reverse index, which means the lower score the item is, the better performance the company get.

4.2 Display the results

4.2.1 Descriptive Statistics

As we can see in the following table of descriptive statistics (Table 6), in our sample of 38 SMEs in manufacturing industry in china, each SHRM practices has different implement degree. The means of the incentive compensation, training, selective hiring, performance evaluation, the organization of work, info sharing are higher than 3 point on average, which illustrated that these practices are widely used in our sample enterprise; while the means of job security and social& sport satisfaction are lower than 3 point, showing that these HR practices are implement less intensively in the sample enterprises.

Table 6. Descriptive Statistics			
	Mean	Std. Deviation	N
Incentive compensation	3.42	1.154	38
Training	3.37	1.239	38
Selective Hiring	4.00	1.336	38
Performance evaluation	3.42	1.388	38
The organization of work	3.03	1.385	38
Info sharing	3.08	1.459	38
Job security	2.11	.953	38
Social& sport activities	2.63	1.496	38
employee satisfaction	3.18	1.249	38
Turnover rate(reverse)	2.18	1.136	38
Absenteeism rate(reverse)	2.11	1.269	38
Grievance & complain	2.24	.998	38
Firm productivity	3.42	1.177	38
ROA or ROI	3.16	1.001	38

4.2.2 Correlation analysis

The results obtained in the following table of the correlation matrix (see Table 7) shows a significant relationship between the presence of incentive compensation practices and the employees' satisfaction ($r = 0.526$, $p\text{-value} < 0.01$ for two tailed), The firm productivity ratio ($r = 0.861$, $p\text{-value} < 0.01$). For the best practice of training, a significant positive relationship was found between the implementation of training and the level of employee satisfaction ($r = 0.776$, $p\text{-value} < 0.01$), the employee turnover rate ($r = -0.453$, $P\text{-value} < 0.01$) and a strong significant relationship with ROA or ROI ($r = 0.606$, $p\text{-value} < 0.01$). The results

show a significant relationship between the practice of selective hiring and the factor of employee satisfaction ($r = 0.324$, $p\text{-value} < 0.05$). The performance evaluation practice is positively related to the employee satisfaction ($r = 0.406$, $p\text{-value} < 0.05$) and is negatively related to the employee turnover rate ($r = -0.394$, $p\text{-value} < 0.05$).

According to the correlation matrix, for the SHRM practices in organization of work, information sharing, job security and social sport & sport activities, there is no significant relationship between these SHRM practices and the organization performance factors.

Following the analysis of the correlation matrix (See Table 7), we can actually say that there are significant relationships between HRM practices and several performance factors, but that these relations do not apply to all practices, or all factors of performances.

Table 7. Correlation coefficient between SHRM practices and organization performances

	Incentive compensation	Training	Selective Hiring	Performance evaluation	Organization of work	Info sharing	Job security	Social & sport activities	employee satisfaction	Turn over rate (reverse)	Absenteeism rate (reverse)	Grievance &complain	Firm productivity ratio	ROA or ROI
Incentive compensation	1 38													
Training	0.304 0.063 38	1 38												
Selective Hiring	0.193 0.246 38	0.180 0.281 38	1 38											
Performance evaluation	0.139 0.404 38	0.253 0.125 38	0.160 0.336 38	1 38										
The organization of work	0.044 0.795 38	-0.006 0.972 38	-0.088 0.601 38	-0.301 0.066 38	1 38									
Info sharing	0.317 0.053 38	0.193 0.246 38	0.028 0.869 38	0.103 0.537 38	-0.001 0.995 38	1 38								
Job security	-0.214 0.198 38	-0.240 0.147 38	-0.212 0.200 38	-0.137 0.413 38	0.059 0.724 38	-0.006 0.971 38	1 38							
Social and sport activities	0.218 0.190 38	0.206 0.214 38	0.054 0.747 38	-.366(*) 0.024 38	-0.113 0.501 38	.336(*) 0.039 38	-0.275 0.094 38	1 38						
employee satisfaction	.526(**) 0.001 38	.776(**) 0.000 38	.324(*) 0.047 38	.406(*) 0.011 38	0.013 0.939 38	0.155 0.353 38	-0.176 0.291 38	0.110 0.512 38	1 38					
Turn over rate (reverse)	-0.081 0.627 38	-.453(**) 0.004 38	0.018 0.915 38	-.394(*) 0.015 38	0.203 0.221 38	0.040 0.812 38	0.007 0.969 38	0.136 0.414 38	-0.291 0.076 38	1 38				
Absenteeism rate(reverse)	-0.031 0.853 38	0.095 0.571 38	-0.159 0.339 38	-0.241 0.145 38	0.244 0.139 38	-0.063 0.707 38	0.214 0.197 38	0.106 0.525 38	-0.047 0.781 38	0.305 0.063 38	1 38			
Grievance and complain(reverse)	-0.065 0.696 38	-0.094 0.573 38	-0.261 0.110 38	-0.289 0.079 38	-0.063 0.706 38	-0.125 0.456 38	0.286 0.082 38	0.277 0.092 38	-0.058 0.731 38	-0.135 0.419 38	-0.106 0.528 38	1 38		
Firm productivity ratio	.861(**) 0.000 38	0.132 0.431 38	0.223 0.177 38	0.120 0.472 38	-0.040 0.811 38	0.169 0.311 38	-0.065 0.700 38	0.106 0.527 38	.350(*) 0.031 38	-0.181 0.277 38	0.024 0.887 38	0.028 0.868 38	1 38	
ROA or ROI	0.105 0.532 38	.606(**) 0.000 38	-0.101 0.546 38	0.223 0.178 38	0.094 0.573 38	0.250 0.129 38	-0.103 0.538 38	0.112 0.503 38	.344(*) 0.035 38	-0.264 0.109 38	0.114 0.495 38	-0.201 0.227 38	-0.035 0.835 38	1 38

*, Correlation is significant at the 0.05 level (2-tailed). **, Correlation is significant at the 0.01 level (2-tailed).

Note: First cell: Pearson Correlation Second cell: Significant. (2-tailed) Third cell: N

4.2.3 Regression analysis

Because multi-correlation relationship also existed among the practices of SHRM, the simple correlation analysis between SHRM practices and the organization performance proved insufficient to attempt a full answer to our first research hypothesis. A second round of linear regression analysis (See Table 8) allows us to validate the conclusions already left reflected the correlation matrix. From the outset, we can confirm that not all HRM practices have the ability to increase the organization performances; we conducted a series of regression analysis in order to be more specific in the validation of our findings.

Employees usually think business incentive compensation seem to be powerful tools for, among other things, increase the level of employee satisfaction. According to the results obtained from the regression analysis, there is significant relationship between HR practices linked to the index of incentive compensation (i.e., average of the three variables selected for the study) and performance factors of the company. The incentive compensation practices, alone, take up over one third of the variation of the index of satisfaction ($B=0.313$, $P\text{-value}<0.001$). These findings, however, opposed to those issued by Berg (1999) who found in his study, no relationship between the introduction of incentive compensation practices and levels of satisfaction among employees of the U.S. sector of the steel. We could also note that the HR practice in incentive compensation has significant positive effects on the firm productivity in the manufacturing industry in china ($P\text{-value}<0.001$), while It does not has significant negative effects on the turnover rate, absenteeism rate, nor the significant effect on ROA or ROI. These results similar to those of the vast majority of studies reviewed (Delery and Doty, 1996; Batt and Applebaum, 1995; Barrette and Simeus 1997, Berg, 1999 and Arcand, 2000).

The results of regression tests HRM practices related to training are similar to those

obtained in the correlation matrix with respect to the strong influence of the presence of practice of training on employee satisfaction ($P\text{-value} < 0.01$), turnover rate ($P\text{-value} < 0.01$) and ROA or ROI ($P\text{-value} < 0.01$). These results go against those submitted by Delery and Doty (1996) and Arcand (2000) that demonstrated a complete lack of relationship between training and performance indicators. However, the results of regression analysis show that the training had no influence on the indices of absenteeism ($P\text{-value} > 0.10$), grievances and complaints ($p\text{-value} > 0.10$), productivity of the company ($P\text{-value} > 0.10$). These conclusions are opposed to those issued by Bayad and Liouville (1995); Barrette and Simeus (1997).

According to regression testing, selective hiring practice has no significant effect on business performance in our sample enterprises. Even used as an index (i.e. average of the three variables in the study), selective hiring does not affect the employee satisfaction ($P\text{-value} > 0.1$), turnover rate ($P\text{-value} > 0.1$), absenteeism rate ($P\text{-value} > 0.1$), grievance and complain ($P\text{-value} > 0.1$), firm productivity ($P\text{-value} > 0.1$) and ROA or ROI ($P\text{-value} > 0.1$). These results are particularly surprising if one relies on different theoretical and empirical studies identified. Indeed, this result aligns with those of Arcand (2000), but counters to the results provided in the theoretical point of view (Ostroff and Rothausen, 1997, Pfeffer 1994, Pfeffer and Veiga, 1999) and empirical (Barrette and Simeus, 1997; Ichniowski, Shaw and Prensush, 1997).

As specified in our theoretical framework in Chapter 2, the evaluation of performance practice is sometimes cited as part of "innovative" HRM practices (Huselid, 1995). In our study, With regard to performance evaluation, the results are rather unexpected. As showed in the Table 4.3. The performance evaluation practice has no significant effect to any organization performance factors. Fort surprising, these results are antagonistic to those scholars (Liouville and Bayad, 1995; Delery and Doty, 1996; Simeus and Barrette, 1997;

Patterson et al. 1998; Bayad, Arcand and Liouville, 2002).

Although the practices of work organization factors positively affect performance, however they have no significant effect on the performance factors of the company. The regression analysis indicates that the implementation of practices for the involvement and empowerment of workers does not always lead to increased organizational performance (Cotton, 1993). At least these are the conclusions we reached. The results are rather disappointing. Indeed, when converted as an index (i.e. average of the five variables selected for the study), practices related to work organization appear in no position to vary the six organization performance indicators. These results resemble the results of studies of Delery and Doty (1996) and Arcand (2000) which showed no significant relationship between work organization and the financial and economic factors. Like these authors, the findings in this study will differ from the main conclusions that can be found in the empirical literature (Becherman, McMullen, Leckie and we Cai, 1994; Batt and Applebaum, 1995, Patterson et al. 1998, Berg, 1999). It also seems that they cannot rely on practices related to information sharing, to predict or explain the organizational performance of firms. Because the regression analysis shows no significant effect of the info sharing on the employee satisfaction ($P\text{-value} > 0.1$), turnover rate ($p\text{-value} > 0.1$), absenteeism rate ($P\text{-value} > 0.1$), grievance and complain ($P\text{-value} > 0.1$), firm productivity ($P\text{-value} > 0.1$) and ROA or ROI ($P\text{-value} > 0.1$). These results, similar to those obtained by Patterson et al. (1998), are opposed to several studies, including those of Liouville and Bayad (1995); Arcand (2000); Bayad, Arcand and Liouville (2002).

Other results, related to those practices that lead to job security. The results obtained in regression analysis are in line with our working hypothesis. Indeed, statistical analysis shows that there is a relationship between the presence of practices to increase job security for workers and increasing the firm performance. In other word, job security has significant

effect on the grievance and complain factor of organization performance ($P\text{-value} < 0.01$). This result is aligning with those obtained in several empirical studies (Delery and Doty, 1996; Arcand, 2000).

For the practice related to social activities and sports, our regression analysis shows significant relationship between this best practice and the grievance and complain organization performance factor ($p\text{-value} < 0.01$).

Table 8. Results of the regression analysis

	employee satisfacion		Turn over rate		Absenteeism rate		Grievance &complain		Firm productivity		ROA or ROI	
Variables	B standard	Sig. ANOVA	B standard	Sig. ANOVA	B standard	Sig. ANOVA	B standard	Sig. ANOVA	B standard	Sig. ANOVA	B standard	Sig. ANOVA
Control												
SHRM practices												
Incentive compensation	0.313	0.004***	-0.016	0.923	-0.003	0.986	0.056	0.744	0.949	0.000***	-0.126	0.419
Training	0.619	0.000***	-0.478	0.008***	0.191	0.321	-0.018	0.919	-0.118	0.227	0.599	0.0001***
Selective Hiring	0.142	0.136	0.129	0.415	-0.111	0.531	-0.210	0.197	0.085	0.341	-0.206	0.159
Performance evaluation	0.313	0.026	-0.236	0.254	-0.086	0.709	-0.029	0.889	-0.002	0.988	0.173	0.359
Organization of work	0.103	0.306	0.158	0.352	0.216	0.259	-0.064	0.711	-0.085	0.374	0.144	0.353
Info sharing	-0.129	0.217	0.126	0.470	-0.148	0.449	-0.282	0.119	-0.103	0.299	0.143	0.372
Job security	0.129	0.205	-0.099	0.558	0.262	0.173	0.374	0.037**	0.126	0.194	0.002	0.989
Social and sport activites	0.099	0.426	0.093	0.656	0.188	0.425	0.460	0.038**	-0.022	0.854	0.059	0.757

Note: * P-value<0.10

** P-value<0.05

*** P-value<0.01

4.3 Conclusion and Discussion

The significant relationship between SHRM practices and organizational performance is encouraging and is in agreement with findings from prior studies (Huselid, 1995, Wan et al, 2000; Khatri, 2000). Although a number of studies have shown similar positive relationships between HR practices and various measures of firm performance, the theoretical researches tends to lack sufficient data to demonstrate that the relationship is actually causal in the sense that HR practices, when instituted, lead to higher performance. Meanwhile, for the empirical research, rare North American SHRM scholars move their views to the human resource management filed in Asian countries such as china. To the best of our knowledge, this is the first large-scale empirical study (200 questionnaires survey) on the relationship between HRM and Small and Medium enterprise performance in the context of the People's Republic of China.

By correlation analysis, in manufacturing sector, the proposed positive effect of HRM practices on organizational performance, our study has examined the positive relationship between SHRM practices and organizational outcomes and adds to the growing empirical evidence suggesting that people are the preeminent organizational resource and the key to achieving outstanding performance (Arthur, 1994; Huselid, 1995; MacDuffie, 1995). Furthermore, since numerous authors have suggested the need to better understand the processes through which HR practices might impact performance, our study also focus on designing more rigorous tests of the hypothesis that employing progressive HRM systems actually results in higher organizational performance.

Through the SPSS software for studying data from survey, the relationship analysis shows that with innovation level controlled, some strategic human resource practices in incentive compensation, training, selective hiring, performance evaluation and information sharing

have significant positively effect on at least one organization performance factor. Furthermore, the result from regression analysis proved the positive relationship between the HR practices and organization performance. It represents that incentive compensation, training, job security and social and sport activates has significant effect on at least one of the organization performance.

Specifically, the incentive compensation index had a significant main effect on firm productivity ($b = 0.94$, $p < 0.01$) and was marginally associated with employee satisfaction ($b = 0.31$, $p < 0.10$). The reason for the organization performance rely highly on the incentive compensation practice may be that the manufacturing industry in china is still a labor intensive industry, the firm's productivity rely highly on the employees' productivity, which was affected by the incentive compensation. The low salary for the labor force in average in Chinese manufacturing industry may result in the high employee satisfaction on implement of incentive compensation as best practice. Overall, these findings provide preliminary support for the hypothesized positive effects of SHRM practices and organization performance. Our finding also lend a strong support to the universal perspective that a set of HR practices on its' own are able to influence firm performance, as well as provided support to the resource- based theory and SHRM theory.

Training was recognized as best practice in manufacturing industry. We know In manufacturing sector in china, especially in traditional stated owned manufacturing industry, the new worker's training were conducted by mentor who are skilled worker and the elder on the individual basis, instead of the training program on group basis. The mentor usually not only help the new employees to mastery the work skills but also take care of the new worker daily life at the beginning of career, playing the role as father as a family. This traditional culture in mentor training facility the new worker to involve in the new environment quickly with the help from the mentor, which can be competitive advantage for

the Chinese manufacturing enterprise and recently still play important role in manufacturing industry in china.

Together with previous research on HRM and firm performance our results indicate that, other things being equal, an HR system focused on enhancing human capital is a valuable approach for strengthening organizational performance in manufacturing in China, so investments in and attention to HRM pay off in terms of their effect on firm performance. For example, our study finds job security as a high-performance practice. This indicates that, as companies invest in HRM practices, employees become valuable assets to the organization. Should managers in manufacturing industry in china decide to provide their workforce with extensive trainings, participative work designs, and performance-based incentive compensation, they should value their employees and not to let go of them easily.

4.4 Limitation of the Study and Suggestions for Future Research

When considering the results of the present study, some limitations should be noted. First, the research was based on a relatively small sample from 38 effective feedbacks of questionnaires. And the study is conducted within a single sector of the manufacturing industry; while prior study by Michie and Sheehan (2003) contended that a study in a single sector would be add more value to the findings, there is also the question of generalizability and applicability to other sectors in the industry. Therefore it would be better for future study to obtain a cross- industry sample this even more relevant in the case of firms competing in globalized environment.

Second, SHRM measurement was measured based on the perspectives of a single respondent that is the HR manager or the senior manager of the company, the problem with this is that it does not take into account the viewpoint of the employees. Therefore the result

is open to potential bias; in the future it would be more objective to measure the concept from the viewpoint of multiple respondents, both the employees and the management.

Third, the present study failed to discover the moderating effects of the organizational context variables in their interaction with SHRM practices to influence organizational performance. Perhaps data collected across industry with a wider range of firm sizes, age, more varied firm nationality and larger coverage of union, will be able to capture some moderating effects. Future research will need to explore empirically whether firms integrate HRM issues in their strategic process, how they do it and whether the more proactive approach improves organizational approach. Future studies should analyze configurational and Contingency perspective of HRM and their effect on firm performance.

Finally, the analysis is based on data on HRM practices, firm performance, not on the mechanisms through which the former are linked with the latter. Both in China and elsewhere, a remaining task for international and local HRM scholars will be to augment our understanding of how HRM is related with organizational performance. In particular, there is a need to develop and test a more sophisticated theory of HRM; that is, what HRM accomplishes and how. Empirically, most extant work has been done on the relationship between HRM practices and measures of firm social performance, economic performance or financial performance. Although it has been recognized that research is needed on the intervening variables between HRM practices and firm performance, few such studies exist (Becker and Gerhart, 1996; Wright and Gardner, 2000). In conclusion, we suggest that empirically tested models of the relationship between HRM, HR outcomes like employee commitment, employee competencies and flexibility, and firm performance should be the next step in our endeavor to better understand the strategic role that human resource management may play as a determinant of firm performance. Both the use of structuring modeling techniques like LISREL and longitudinal case studies are called for.

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APPENDIXES

Appendix 1: First letter to the questionnaire participants

Dear Sir/Madame:

I am a Chinese MBA studying in the Université du Québec à Trois-Rivières in Canada and now conducting a study to explore the relationship between the strategic human resource and the organization performance in Chinese small and medium size enterprise in manufacturing industry. Our goal is to find out what human resource practices can improve the organization performance no matter what company's strategy is. This is a new field of study which bridge across the human resource management and the strategic management science, the related articles and the empirical study are rare in china, and we hope the result of the this study can help you to know how to improve the organization performance in terms of implementing the best human resource practices.

We are launching the questionnaire survey to the small and medium size enterprise in the Chinese manufacturing industry. I am writing to ask your help in this study. We choose you as excellent sample of the survey based on the "Best 1,000 Manufacturing SMEs List" provide by the Industry and Transportation Statistics Department of China National Bureau of Statistics. We believe that as a manager at the executive/senior-level, you have the overall knowledge of your company's business practices and its operations that allow you to make valuable contributions to this study.

Your participation, estimated to be up to 20 minutes, will be key to the success of this groundbreaking study. You can help by sharing your knowledge and experiences of your firm's operations. Please do your best to answer all of the questions, as each has been asked with a particular research objective in mind. You can complete the enclosed questionnaire and return it to us through email at zhuyanstudy@hotmail.com, please return it by 15th July

2009.

This research is intended solely for the purpose of furthering knowledge in the field of business studies. Your answers will be kept confidential. In order to maintain confidentiality, Data collected will be entered into a statistics file; we will keep and secure survey data by storing them in a protected hard driver, only accessible to them with a password.

In appreciation of your time and effort, we will send you a summary of the overall survey results in which no company-specific data nor can any individuals' answers be identified. After completing the questionnaire, please return it through email or website by June 20th, 2009. If you have any questions regarding this study, please feel free to email me at zhuyanstudy@hotmail.com. Thank you very much for your help with this important study. We look forward to hearing from you.

Respectfully yours,

Zhu Yan MBA Candidate

Université du Québec à Trois-Rivières

Appendix 2: First letter to the questionnaire participants (In Chinese)

附录 2 给调研问卷参与者的第一封信

亲爱的先生/女士：

您好

我是一名中国留学生，正在加拿大魁北克大学三河分校攻读 MBA。目前我正在中国的中小型制造业企业中开展一项研究来发现战略人力资源管理和企业绩效之间的关系。我的研究目的是找出哪些人力资源管理实践能够增加企业的绩效，而无论企业采取什么样的战略。这是一个新的研究领域，它跨越了人力资源管理和战略管理两门学科，并且关于中国的相关论文和实证研究非常少。我们希望这项研究的结果能够帮助您通过采用我们研究所得的最优的人力资源实践措施来提高企业绩效。

我们正在中国的中小型制造业企业中开展一项调研。我想请您为这项研究提供帮助。您所在的公司属于由中国国家统计局发布的“最具成长性的 1000 家制造业中小企业排名”名单中，所以我们特此邀请您参加我们的调研。我们相信作为公司高层管理人员，您全面了解您的公司的人力资源措施和企业运营，这都使得您能够为这项研究做出贡献。

您只需要大约 20 分钟的时间来参与这项调研，而这将是这项研究成功的关键。您可以帮助我们完

成调研通过分享您对与您所在公司运营的知识 and 经验。请尽力完成所有的问题，因为每一个问题都是设计一个具体的研究目标。您填写附件里的调研问卷后请发送电子邮件给 zhuyanstudy@hotmail.com，请您在 2009 年 7 月 15 日前完成。

这项研究完全是为了在企业研究领域更进一步的探求知识。您的回答将完全保密。为了保密，所有的数据将输入一个统计文件，我们会将它安全的存放在一个受保护的硬盘中，只有密码能够访问数据。

为了表达对你所花费的时间和努力的感谢，我们将给您发送所有调研问卷结果的统计概要，这个概要中没有特别的公司的数据也没有可以确认的个人回答答案。在您完成调研问卷后，请在 2009 年 7 月 15 日前将它通过电子邮件发送给我。如果您对这项研究有任何问题，您可以随时给我发电子邮件咨询 zhuyanstudy@hotmail.com。非常感谢您来帮助完成这项很重要的研究。我们希望收到你的回复。

此致

敬礼

朱妍 MBA 学生

加拿大魁北克大学三河分校

Appendix 3: Second letter to the questionnaire participants

Dear Sir/Madame:

A couple weeks ago, I wrote asking for your help in a study of strategic human resource management and firm business performance. If you have responded already, you have my gratitude. If however, you have not yet taken the time to complete the survey, would you please take a moment to do so now or pass this along to the most appropriate person in your organization? You can send the questionnaire through email to zhuyanstudy@hotmail.com.

This research is intended solely for the purpose of furthering knowledge in the field of business studies. This survey is voluntary. Your participation is estimated to be up to 20 minute. You can help by sharing your knowledge of your company's operations.

Your answers will be kept strictly confidential and will be released only in aggregate form. In order to maintain confidentiality, Data collected will be entered into a statistics file on our computer and stored on protected hard drive, only accessible to them with a password.

In appreciation of your time and effort, we will send you a summary of the overall survey results in which no company-specific data nor can any individuals' answers be identified. After completing the questionnaire, please return it in through Email or website by August 15th 2009. If you have any questions regarding this study, please feel free to email me at zhuyanstudy@hotmail.com. Thank you very much for your help with this important study. We look forward to hearing from you.

Respectfully yours,

Zhu Yan

MBA Candidate

The Université du Québec à Trois-Rivières

Appendix 4: Second letter to the questionnaire participants (In Chinese)

附录 4：给调研问卷参与者的第二封信

Dear Sir/Madame:

亲爱的先生/女士:

您好

几周之前，我写信给您希望您能帮助我完成一项关于战略人力资源管理和企业绩效的研究。如果您已经回答了调研问卷，我将非常感激。如果您没有花时间回答问卷，您能够花一点时间来完成这个问卷或者将它转给您认为您公司里最适合的人吗？您能够回复问卷通过发邮件给 zhuyanstudy@hotmail.com。

这项研究完全是为了在企业研究领域更进一步的探求知识,参加调研是自愿的。您的参与可能需要花费 20 分钟，宁能够帮助我们通过分享您对公司运营的知识 and 经验。您的回答将完全保密。为了保密，所有的数据将输入一个统计文件，我们会将它安全的存放在一个受保护的硬盘中，只有密码能够访问数据。

为了表达对你所花费的时间和努力的感谢，我们将给您发送所有调研问卷结果的统计概要，这个概要中没有特别的公司的数据也没有可以确认的个人回答答案。在您完成调研问卷后，请在 2009 年 8 月 15 日前将它通过电子邮件发送给我。如果您对这项研究有任何问题，您可以随时给我发电

子邮件咨询 zhuyanstudy@hotmail.com。非常感谢您来帮助完成这项很重要的研究。我们希望收到
你的回复。

此致

敬礼

朱妍 MBA 学生

加拿大魁北克大学三河分校

Appendix 5: Questionnaire

Identification

1. Name of enterprise: _____
2. Number of employers: _____
3. Product developed : _____

Information on the Questionnaire

The questionnaire

This questionnaire includes 32 questions which divided into three distinct sections. These three sections related to: the best human resource practices in the company, the position of the company in terms of the different index of organization performances and the innovation.

Section I: Questionnaire for human resource practices:

We will present a list of human resource practices .For each of the statements in this questionnaire, we ask you to assess your opinions on a five-point Likert scale concerning the extent to which you company adopt these HR practices.

1= not at all implement

5= strongly implement

Direction

Circle the figure that you think best describes the existing HR situation in your organization.

Example: In our company, sharing the performance gains with employees is an activity:

1	2	3	4	5
Not at all implement		Moderately implement		Strongly implement

If you think the sharing of performance gains are HR practice that intensively implemented in your company, you can selected the point “5”; If you think it does not implemented at all, you can selected the point “1”.

1. Incentive compensation

1.1 In our company, sharing the performance gains with employees is an activity:

1	2	3	4	5
Not at all implement		Moderately implement		Strongly implement

1.2 In our company, sharing a portion of the profits with employees is an activity:

1	2	3	4	5
Not at all implement		Moderately implement		Strongly implement

1.3. In our company, granting bonuses to employees performances (according to the annual performance), is an activity:

1	2	3	4	5
Not at all implement		Moderately implement		Strongly implement

1.4. In our company, the sharing of ownership is an activity:

1	2	3	4	5
Not at all implement		Moderately implement		Strongly implement

2. Training

2.1 In our company, the use of specific training to make employees more responsive to the requirement of their positions (e.g. specialist courses in their field), is an activity:

1	2	3	4	5
Not at all implement		Moderately implement		Strongly implement

2.2 In our company, the use of training programs to make employees more responsive to future needs of the company (course of leadership or continue training), is an activity:

1	2	3	4	5
Not at all implement		Moderately implement		Strongly implement

3. Selective Hiring

3.1 In our company, the use of external recruitment is an activity

1	2	3	4	5
Not at all implement		Moderately implement		Strongly implement

3.2 In our company, the use of structured test in order to properly assess the
Candidates (skills, competencies, personality), is an activity:

1	2	3	4	5
Not at all implement		Moderately implement		Strongly implement

3.3 In our company, the use of structured interviews to assess correctly the selected candidates (skills,
competencies, personality), is an activity:

1	2	3	4	5
Not at all implement		Moderately implement		Strongly implement

4. Performance evaluation

4.3 In our company, the periodic evaluation of employee performance based on measurable objectives, is
an activity:

1	2	3	4	5
Not at all implement		Moderately implement		Strongly implement

4.4 In our company, the periodic evaluation of employees on the basis of observable behavior, is an
activity:

1	2	3	4	5
Not at all implement		Moderately implement		Strongly implement

5. The organization of work

5.1 In our company, the involvement of employees in work teams, is an activity :

1	2	3	4	5
Not at all implement		Moderately implement		Strongly implement

5.2 In our company, regular consultation with employees through various committees, is an activity:

1	2	3	4	5
Not at all implement		Moderately implement		Strongly implement

5.3 In our company, the resolution of problems with project teams driven by employees, is an activity:

1	2	3	4	5
Not at all implement		Moderately implement		Strongly implement

5.4 In our company, regularly designate the employees to work on other position of similar level, is an activity:

1	2	3	4	5
Not at all implement		Moderately implement		Strongly implement

6. Information sharing

6.1 In our company, inform employees of all strategic decisions about the company, is an activity:

1	2	3	4	5
Not at all implement		Moderately implement		Strongly implement

6.2 In our company, sharing employees with financial information concerning the company is an activity:

1	2	3	4	5
Not at all implement		Moderately implement		Strongly implement

6.3 In our company, sharing information with employees on new products and services offered by the company is an activity:

1	2	3	4	5
Not at all implement		Moderately implement		Strongly implement

6.4 In our company, sharing information with employees on competition is an activity:

1	2	3	4	5
Not at all implement		Moderately implement		Strongly implement

7. Job security

7.1 In our company, commitment to protect jobs of workers, in spite of all the predictable changes, is an activity:

1	2	3	4	5
Not at all implement		Moderately implement		Strongly implement

8. Social activities and sport

8.1 In our company, holding social activities (teambuilding activities , dinner party, new year party, karaoke, etc), is an activity:

1	2	3	4	5
Not at all implement		Moderately implement		Strongly implement

8.2 In our company, offering opportunities for employees to attend various social events (tickets to the parties or cinema, admission to exhibitions, etc.), is an activity:

1	2	3	4	5
Not at all implement		Moderately implement		Strongly implement

8.3 In our company, promoting and providing opportunities for sports activity (providing gift or benefit for the winner of sports activities, organizing sports game for employees such as badminton game, ping-pong ball or basketball competition, etc) is an activity:

1	2	3	4	5
Not at all implement		Moderately implement		Strongly implement

Section II: Questionnaire for the position of innovation:

For each of the statements in this questionnaire, we ask you to assess your opinions on a five-point Likert scale concerning the extent to what the position of your company in the innovation activities.

1. The degree of Innovation

1.1 In my company, the development of innovation projects is a practice. (For projects, we mean the in-house innovation: implementing a new process, establishing new quality standards, etc. And innovation in external presentation and start development of a new product)

1	2	3	4	5
Not at all implement		Moderately implement		Strongly implement

1.2 My company opts for a more proactive strategy than reactive strategy. It does not react, it act.

1	2	3	4	5
Not at all agree		Moderately agree		Strongly agree

Section III: Questionnaire for the organization performance:

For each of the statements in this questionnaire, we ask you to assess your opinions on a five-point Likert scale concerning the extent to the organization performance position of your company in terms of social performance factors, economic factors and financial factors.

1. Social performance factors

1.1 In your opinion, to what extent employees are satisfied with the working conditions?

1	2	3	4	5
Not at all satisfied		Moderately satisfied		Strongly satisfied

1.2 In your opinion, to what extent employees are satisfied with the task entrusted to them?

1	2	3	4	5
Not at all satisfied		Moderately satisfied		Strongly satisfied

1.3 In your company, what is the employee turnover rate which located in the following categories?
Calculate the number of voluntary departures in a year compared to the total number of employees for that year.

1	2	3	4	5
Very low (<5%)		Moderately (15%)		Very high (>25%)

1.4 In your company, what is the absentee rate in which of the following categories? Calculate the total number of absences in a year compared to the total number of days worked by employees for that year.

1	2	3	4	5
Very low (<1%)		Moderately (3%)		Very high (< 5%)

1.5 How do you assess the number of grievances and / or complaints dealt with in a year in your business?

1	2	3	4	5
Very high		Moderately high		Very low

2. Economic factor

2.1 If you compare to your main competitors, how do you assess the rate of productivity of your business?

1	2	3	4	5
Much less efficient		The same efficient		More efficient

3. Financial factor

3.1 When you compare your business to your competitors, the return on total assets or ROI (Return on investment) for the last year (The return on total assets is calculated as dividing the net profit the company (after tax and before extraordinary items) by total assets) is

1	2	3	4	5
Much less than		Similar as		Much superior than

Thank you very much for your participation!

Appendix 6: Questionnaire (In Chinese)

附录 3 调查问卷

身份确认

9. 企业名称: _____
10. 员工人数: _____
11. 产品种类: _____

问卷信息

调查问卷

这个调查问卷包括 32 个问题，这些问题分为 3 个不同的部分。他们分别是：企业中实施的最优的人力资源实践，以及企业在企业绩效和创新中所处的位置。

第 I 部分：人力资源实践的问题

我们会列出一个人力资源实践的清单，对于每一个在调研问卷中的问题，我们请您就公司实施该人力资源实践的程度在五分量表上标记出您的意见。

1= 根本没执行

5= 坚决贯彻

圈出你认为最能描述现在您所在公司人力资源情况的数字

例如：在我们公司，和员工分享企业的绩效收入，是一项措施：

1	2	3	4	5
---	---	---	---	---

根本没执行

适度的执行

坚决贯彻

如果您认为共享企业的绩效收入在您的公司中是一项坚决贯彻的人力资源实践，你可以选择“5”分；如果你认为它完全没有执行，您可以选择“1”分。

1. 奖金

1.1 在我们公司，和员工分享企业的绩效收入，是一项措施：

1	2	3	4	5
---	---	---	---	---

根本没执行 适度的执行 坚决贯彻

1.2 在我们公司，和员工分享一部分盈利，是一项措施：

1	2	3	4	5
---	---	---	---	---

根本没执行 适度的执行 坚决贯彻

1.3. 在我们公司，为员工的表现发放奖金（根据年度绩效），是一项措施：

1	2	3	4	5
---	---	---	---	---

根本没执行 适度的执行 坚决贯彻

1.4. 在我们公司，股份分享是一项措施：

1	2	3	4	5
---	---	---	---	---

根本没执行 适度的执行 坚决贯彻

2. 培训

2.1 在我们公司，采用具体的培训使得员工更能满足他们所在职位的需要（例如，他们所在领域的特别课程），是一项措施：

1	2	3	4	5
---	---	---	---	---

根本没执行 适度的执行 坚决贯彻

2.2 在我们公司，采用培训项目使得员工更能满足公司未来的需要（例如，领导力课程或者继续教育），是一项措施：

1	2	3	4	5
---	---	---	---	---

根本没执行 适度的执行 坚决贯彻

3. 选择性招聘

3.1 在我们公司，从外部招聘员工，是一项措施：

1	2	3	4	5
---	---	---	---	---

根本没执行 适度的执行 坚决贯彻

3.2 在我们公司，利用结构化测试，以正确评估 候选人（技能，能力，人格），是一个活动：

1	2	3	4	5
---	---	---	---	---

根本没执行

适度的执行

坚决贯彻

3.3 在我们公司，使用结构化面试来正确的评估被选择的候选者（技能，能力，性格），是一项措施：

1	2	3	4	5
---	---	---	---	---

根本没执行

适度的执行

坚决贯彻

4. 绩效评估

4.1 在我们公司，周期性的评估员工绩效，这种绩效是基于可测量的目标，是一项措施：

1	2	3	4	5
---	---	---	---	---

根本没执行

适度的执行

坚决贯彻

4.2 在我们公司，周期性的评估员工绩效，这种绩效是基于可以观测的行为，是一项措施：

1	2	3	4	5
---	---	---	---	---

根本没执行

适度的执行

坚决贯彻

5. 工作的组织

5.4 在我们公司，将员工融入到工作团队之中，是一项措施：

1	2	3	4	5
---	---	---	---	---

根本没执行

适度的执行

坚决贯彻

5.5 在我们公司中，通过各种不同的委员会经常与雇员协商，是一项措施：

1	2	3	4	5
---	---	---	---	---

根本没执行

适度的执行

坚决贯彻

5.3 在我们公司，采用员工驱动的项目团队解决问题，是一项措施：

1	2	3	4	5
---	---	---	---	---

根本没执行

适度的执行

坚决贯彻

5.4 在我们公司，周期性的指定员工在相同职务级别的其他岗位工作，是一项措施：

1	2	3	4	5
---	---	---	---	---

根本没执行

适度的执行

坚决贯彻

6. 信息共享

6.1 在我们公司，告知员工公司所有的战略决定，是一项措施：

1	2	3	4	5
---	---	---	---	---

根本没执行

适度的执行

坚决贯彻

6.2 在我们公司，告知员工公司有关的财务信息，是一项措施：

1	2	3	4	5
---	---	---	---	---

根本没执行

适度的执行

坚决贯彻

6.3 在我们公司，告知员工公司新提供的产品和服务，是一项措施：

1	2	3	4	5
---	---	---	---	---

根本没执行

适度的执行

坚决贯彻

6.4 在我们公司，告知员工公司的竞争情况，是一项措施：

1	2	3	4	5
---	---	---	---	---

根本没执行

适度的执行

坚决贯彻

7. 职位安全

7.1 在我们公司，在任何可预测的变革情况下，向工人保证保留他们的工作岗位，是一项措施：

1	2	3	4	5
---	---	---	---	---

根本没执行

适度的执行

坚决贯彻

8. 社会活动和运动

8.1 在我们公司，开展社会活动（团队建设活动，员工聚餐，新年晚会，卡拉 OK 等），是一项举措：

1	2	3	4	5
---	---	---	---	---

根本没执行

适度的执行

坚决贯彻

8.2 在我们公司，向员工提供参加各种社会活动的机会（聚会和电影院门票，展览馆门票等），是一项措施：

1	2	3	4	5
---	---	---	---	---

根本没执行

适度的执行

坚决贯彻

8.3 在我们公司，开展和提供机会参加体育活动（为体育活动的获胜者提供礼物或奖品，组织员工运动比赛例如羽毛球比赛，乒乓球或篮球比赛等），是一项措施：

1	2	3	4	5
根本没执行		适度的执行		坚决贯彻

第 II 部分： 关于企业创新程度的问卷

对于这个问卷中的所有问题，请您就您的公司在创新活动的程度方面在五分量表上评估您的观点

2. 企业创新活动程度

1.1 在我的公司，开展创新项目是一项措施（对于项目，我们指的是内部的创新和：实施一个新的流程，简历新的质量标准等。同时也包括外部创新，例如启动新产品开发等等）

1	2	3	4	5
根本没执行		适度的执行		坚决贯彻

1.2 My company opts for a more proactive strategy than reactive strategy. It does not react, it act.

我的公司采用一个更主动的战略，而不是被动的应对战略。公司不应对，而是采取主动。

1	2	3	4	5
完全不同意		基本同意		完全同意

第 III 部分： 企业绩效的调查问卷

对于问卷中的每一个问题，请您就您的公司的组织绩效的程度填写 5 分量表，组织绩效是关于社会因素，经济因素和财务因素。

4. 社会绩效因子

1.1 您认为，在多大程度上员工对他们的工作环境满意？

1	2	3	4	5
完全不满意		基本满意		完全满意

1.2 您认为，在多大程度上员工对指派给他们的工作任务满意？

1	2	3	4	5
完全不满意		基本满意		完全满意

1.3 在您的公司，符合下列那一类员工流失率情况？计算员工流失率是用当年自愿离职的员工数量除以当年员工总人数。

1	2	3	4	5
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1.4 在您的公司,符合下列那一类缺勤率情况? 计算缺勤率是用当年所有员工缺勤的天数除以当年所有员工的工作天数。

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1	2	3	4	5
非常低	中等			非常高
(<5%)	(15%)			(>25%)

1.5 您怎样评价您的企业一年内所收到的抱怨和投诉的数量?

1	2	3	4	5
非常高		基本		非常低

5. 经济绩效因子

2.1 和您主要的竞争对手相比，您怎样评价你所在企业的生产效率？

1	2	3	4	5
效率非常低	相同效率			更加有效率

6. 财务绩效因子

3.1 当您您的公司于竞争对手相比, 您的公司上一年度的资产收益率和 ROI (投资回报率) 是(资产收益率是用净利润除以总资产)

1	2	3	4	5
非常低		相同		非常高

非常感谢您的参与！