

UNIVERSITÉ DU QUÉBEC

**MÉMOIRE PRÉSENTÉ À
L'UNIVERSITÉ DU QUÉBEC À TROIS-RIVIÈRES**

**COMME EXIGENCE PARTIELLE
DE LA MAÎTRISE EN ADMINISTRATION DES AFFAIRES**

**PAR
AILIN HUANG**

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

DECEMBRE 2012

Université du Québec à Trois-Rivières

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Résumé

Dans ce mémoire, un élément stratégique pour la firme sera présenté. En effet, plusieurs auteurs qualifient la gestion des ressources humaines (GRH) comme un facteur déterminant dans l'atteinte des objectifs organisationnels. Au cours des dernières années, plusieurs théories et modèles ont tenté d'expliquer l'effet des pratiques de gestion des ressources humaines sur l'efficacité organisationnelle. Parmi ces théories ou modèles, notons que les approches universaliste, de contingence et configurationnelle ont pu expliquer le lien de causalité pouvant exister entre ces variables.

Par contre, selon plusieurs auteurs, malgré qu'il y ait un grand nombre d'études aujourd'hui qui ont des résultats encourageants, la relation entre la gestion des ressources humaines et l'efficacité de la firme demeure un phénomène encore méconnu (Rogers & Wright; Dyer & Shafer, 1999; Arcand, Bayad & Fabi., 2002). Les recherches n'ont pas encore permis de valider convenablement la pertinence des modèles stratégiques de la GRH ; par exemple, les modèles dans des contextes américains ou européens. En effet, peu de recherches ont été menées dans un contexte asiatique. En plus, la plupart de recherches menées dans ce domaine ont pris les grandes entreprises au secteur industriel comme population ciblée. Donc, vu que les PME aussi occupent une place déterminante dans l'économie, il est significatif de proposer une étude qui teste un des modèles stratégique de la GRH dans les PME de service provenant d'un grand pays émergent, la Chine.

En dépit de l'importance accordée à chacune des approches indiquées, c'est l'approche universaliste des ressources humaines qui sera retenue. On a recueilli et analysé des données portant sur les pratiques de la GRH, incluant la rémunération, la

formation, la dotation, l'évaluation du rendement, l'organisation du travail, le partage d'information, la sécurité d'emploi et les activités sociales et sportives qu'on a comparé aux indicateurs portant sur la performance de la firme. Les données ont été recueillies à partir d'un questionnaire qui a été envoyé aux dirigeants des PME de service en Chine continentale. Utilisant une approche hypothético-déductive, notre recherche montre que toutes les pratiques de la GRH semblent en effet procurer un avantage compétitif aux PME étudiées. Aussi, Les résultats nous permettent de constater la validité de l'approche universaliste dans un contexte asiatique, nonobstant la culture différente en Chine.

Loin de prétendre clore le débat académique, cette étude représente un prolongement de ce débat qui commence à faire rage en Chine. Elle nous permet d'avoir une meilleure compréhension de la relation entre la présence des activités de la GRH et l'accroissement de l'efficacité de la firme. Par ailleurs, en identifiant les meilleures pratiques de la GRH propres aux PME de service en Chine, cette étude leurs a fourni un guide pour planifier leur avenir.

Abstract

With the development of strategic management, the human resource management (HRM) becomes a strategic element for an enterprise. The extent to which, if any, human resource management impacts on organizational performance has emerged as the central research question in the HRM field. There are three modes of theorizing which attempt to explain this causal relationship: universalistic model, contingency model and configurational model. However, researches haven't yet validated properly the relevance of these strategic models of HRM. For example, these models mostly were tested in the empirical studies based on American or European context. Researchers also preferred to take large enterprises in manufacturing sector as samples. There are few empirical researches conducted in Asian context. Furthermore, though the small and medium sized enterprises occupy a decisive position in economy, they rarely get enough attention in academic domain. This paper attempted to broaden the scope of existing literature by testing the universalistic model in Chinese small and medium sized enterprises in service sector.

This study took a hypothetico-deductive approach which combined the theoretical analysis and empirical analysis. Based on the theories synthesized, an investigation was performed quantitatively by a survey. A structured questionnaire was sent by e-mail with a cover letter enclosed to 210 managers of SMEs in non-public service sector in China in order to collect the necessary data concerning the presence of human resource (HR) practices and firm performance. To ensure the response rate, the snowball technique and follow-up mailings were also used. The current study aims to assess the extent to which, if any, the following HR practices: incentive compensation, training, selective hiring, performance appraisal, work organization, information sharing, employment security and social activities and sports may

contribute to firm performance.

Data collected was subjected to correlation and regression analysis as well descriptive statistics in pursuance of the stated objective of finding the positive relationship between organizational performance and strategic human resource management (SHRM). Results show that four HR practices including training, selective hiring, performance appraisal and information sharing were widely used in the Chinese SMEs in service sector. Results also indicate that irrespectively of the firm strategy, all of the practices identified in this study had a strong effect on firm performance. It therefore, implies that these practices are fit for Chinese SMEs in service sector. They should pay more attention to these practices with a view to improving their implementation across the industry. Thus, the results provide overall support for the universalistic perspective.

Different from most of the previous empirical studies, this study was conducted in China context taking small and medium sized enterprises in service sector as samples. This study has extended an academic debate. The findings brought some new elements to the research of SHRM. The resource-based view and universalistic approach were proved to be viable in the Asian society. Another contribution of this study is that contrary to the empirical researches conducted in Chinese service industries, it successfully proved the significant positive relationship between HR practices and firm performance in this sector. Furthermore, our study also provided guidance for Chinese SMEs in service sector to plan their future.

Acknowledgement

This paper would not have been possible without the encouragement and guidelines of many others. Therefore, I would like to gratefully acknowledge the people who always walked beside me and helped me along the way continuously encouraged me to finish my thesis and those who always shared their insights with me and gave me valuable suggestions.

First and foremost, I would like to thank my thesis adviser M. Michel Arcand. I can't say thank you enough for his tremendous support and help not only on the accomplishment of my thesis, but also on my master studies. I feel motivated and encouraged every time I have discussed with him.

Deepest gratitude are also due to the professors who have taught me, my seminar teacher M. Jocelyn D. Perreault, my quantitative analysis teacher M. Guy Arcand, my methodology teacher M. Marc Dussault, my strategic management teachers M. André Cyr et M. François Labelle and all other professors, without whose knowledge and assistance this study would not have been possible.

I also want to thank my family who inspired, encouraged and fully supported me in every trial that came my way. I as well thank them for giving me not just financial, but moral and spiritual support.

Finally, I'd like to thank my classmates who always helped me on my studies. Their invaluable suggestions make my thesis advance more smoothly.

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CHAPTER 1
FRAMEWORK OF PROBLEM

1.1 Introduction

1.1.1 A question to discuss

The effect of high performance work systems (HPWSs) on firm performance is an important issue in the research of strategic human resource management (SHRM). HPWSs refer to a combination of human resource (HR) practices that complement organizational work structures and processes in order to maximize the firm performance (Pfeffer, 1994; Bohlander & Snell, 2010). A large number of empirical researches and organizational practices show that HPWSs can significantly improve organizational performance (Arthur, 1992 & 1994; Cutcher-Gershenfeld, 1991; Huselid, 1995; MacDuffie, 1995; Delery & Doty, 1996).

SHRM, a new domain which commits itself to understand the effectiveness of human resource practices on firm performance in a macro perspective, becomes a research focus. It is also the frontier of modern human resource management. As an independent field in management, in recent years, SHRM has drawn much attention not only in theory but also in practice. And the primary problem in the research of SHRM is the relationship between HR practices and firm performance. In the past 20 years, although the researches in this domain have a lot of achievements, there are still many questions to be answered. For example, how these practices improve the firm performance? In our study, we will set forth the positive relationship and the mechanism function of human resource practices on firm performance by taking the Chinese small and medium enterprises (SMEs) in service sector as research samples.

1.1.2 Research methodology

This study took a hypothetico-deductive approach which combined the theoretical analysis and empirical analysis. We reviewed a large number of theoretical and empirical literatures which explained the relationship between HR practices and firm performance. Based on these theories, an investigation was performed quantitatively by a survey. By the survey, we collected data from 210 managers of SMEs in non-public service sector in China. Because of the limitations of mail survey, we took some actions to ensure a higher response rate such as snowball technique, follow-up mailings, etc. Regard to the measurement of variables, we used subjective measures by asking respondents to indicate “the extent to which” practices exist on a five-point Likert-type scale. In the phase of data analysis, the statistic software SPSS was used to get the correlation coefficient between variables. Finally, three analysis methods were employed, which are: descriptive statistics, correlation and regression analysis. Through these methods, we explored the effect of HR practices on firm performance of SMEs in service sector in China.

1.1.3 Research structure

This study is designed into two parts, respectively: theoretical part and empirical part. The theoretical part contains the first chapter and the second chapter. The rest two chapters are the empirical part in this research.

As one of the most important parts of this study, the first chapter discusses the problem of the research and its importance. Also, an overview of the research methodology and the structure of research as well as the basic concepts and theories which relate to the theme of the study are presented. The second chapter presents the theoretical framework of this study. It introduces the emergence of SHRM and its definition, brings out four theoretical models and illustrates three dominant modes of theorizing in the field of SHRM. In addition, one of the modes of theorizing, the

universalistic perspective which serves as our analytical framework is detailedly explicated in both theoretical and empirical levels. Finally, the independent variables, dependent variables, control variables and the primary hypothesis are presented.

In the third chapter, the methodology used in this study is presented. It reveals the strategy and research type of this study, illustrates the population, sampling and procedures and the variable measurement, and then presents the analysis methods used in this study. In the final chapter, the results of the analysis are presented, analyzed and concluded. Also, the limitations are stated and suggestions for further study are given.

1.2 Importance of the problem and the objective of the research

With the development of social economic, the competition among enterprises becomes more and more severe. At the same time, customer needs and techniques change rapidly. The pressure that an enterprise has to burden becomes more and more enormous. This situation requires the enterprises to have more flexible organizational strategies. That is to say, organizations should establish their proper development strategies according to their internal and external environment. The long-term development of enterprises should not only depend on techniques, capital, markets or other resources that can only bring them short-term competitive advantage (Dyer et Shafer 1999; Becker et Gerhart, 1996). Spurred on by increasing competition, fast paced technological change, globalization and other factors, businesses are seeking to understand how one of the last truly competitive resources, their human resources, can be managed for competitive advantage. In other words, in organization strategic management, HRM becomes a very important part. According to the theory of strategic resources (Wright, Dyer, Bourdreau et Milkovich, 1999;

Pfeffer, 1994; Becker et Gerhart, 1996), only the high performance HR practices can create a sustainable competitive advantage for an enterprise.

The most of existing empirical researches of SHRM are conducted in a western context. Therefore, our understanding of the links between HR practices and organizational performance in non-western context is still limited. Some cultural and institutional factors should probably influence this relationship (Ngo, et al., 1998; Shaw, et al., 1993). China, an Asian country, has many differences in cultural and institutional factors compared to western countries. For this reason, are the existing theories of SHRM still valid in an Asian context? Is the positive relationship between HR practices and firm performance which has been proved many times by scholars still well-founded? What practices should be considered effective for improving the firm performance of Chinese SMEs? The purpose of this study is to verify the positive effects and find out how these practices improve the firm performance of Chinese SMEs in service sector. The results of this study will improve the research of SHRM and guide the enterprise to plan their future SHRM.

1.3 Human resource management: A new competitive advantage

Since Peter F. Drucker proposed the concept of “human resource” in the book 《The practice of management》 in 1954, modern human resource management has been greatly developed. Peter F. Drucker thinks that people are resources with some “special abilities” which the other organizational assets haven’t. With the development of HRM, Mohoney and Desktop (1986) have separated the research of HRM into two subfields: HRM in micro perspective and HRM in macro perspective. Since the 80’s of the last century, the focus of the HRM research has shifted from a complete micro-oriented view to a macro or strategic perspective. And the macro

perspective of HRM is called strategic human resource management. One of the most important changes of this shift is that human resource becomes a strategic contributor to firm performance.

Competitive advantage is the core of an enterprise to improve their organizational performance in the market competition. The ability of an organization to create and keep their competitive advantage decides whether they can survive, develop or even surpass their competitors. Compared to techniques, capital or markets which can be easily imitated, human resource creates a more sustainable competitive advantage.

According to a famous competitive theory proposed by Professor Michael Porter (1980), based on the five force model, there are three suggested strategies: 1. Cost leadership; 2. Differentiation; 3. Focus. Though these strategies can help organizations get their competitive advantage, there is always an important precondition. Companies should have a corresponding high-quality HR team. Numerous scholars have underlined the strategic role of HR in creating competitive advantage. The well-known American strategists C.K. Prahalad and Gary Hamel believe that competitive advantage lies not only in some unique products or becoming a cost leader, but rather in the special skills or core competences that help developing the organizations and responding to customer needs. In addition, high-quality human resources are valuable, rare, inimitable and non-substitutable. According to the strategic resource theory (Barney, 1991&1995), sources of sustained competitive advantage are firm resources that are valuable, rare, imperfectly imitable, and non-substitutable. Thereby, it reveals that HR could be the sources of sustained competitive advantage.

1.3.1 Porter's competitive advantage

The term competitive advantage is the ability gained through attributes and resources to perform at a higher level than others in the same industry or market (Christensen & Fahey, 1984; Kay, 1994; Porter, 1980; Chacarbaghi & Lynch, 1999). Since the 1990s, many scholars have noticed the relationship among organizational strategies, HRM and firm performance. On the basis of the competitive model proposed by Michael Porter (1980), cost leadership, differentiation and focus, these three strategies can help organizations gain competitive advantage. To successfully implement these strategies, enterprises need different resources, skills and organizational factors. Ultimately, what they need most is HR which helps them develop and organize these factors. The following table will show the different resources, skills and organizational factors needed by different strategies.

Table 1. Corresponding resources, skills and organizational factors required by the three strategies

Basic strategy	Skills and resources needed	Organizational requirements
Cost leadership	<ul style="list-style-type: none"> · sustained capital investment and financial capacity · technology and processing capacity · low-cost distribution systems 	<ul style="list-style-type: none"> · clear firm structure · good cost control · good incentive system · detailed reports
Differentiation	<ul style="list-style-type: none"> · creativity · firm reputation on quality and techniques · innovative corporate culture · support of the marketing channels · strong marketing capabilities 	<ul style="list-style-type: none"> · cooperation among departments · emphasis on subjective evaluation instead of quantitative indicators · organizational attraction to talents
Focus	<ul style="list-style-type: none"> · specific requirements for specific strategies 	<ul style="list-style-type: none"> · specific requirements for specific strategies

Source: Adapted from Xu Ruiqian, 2005. (Free translation)

Decision-makers have to select the most suitable strategy. Generally speaking, the broader the market scope, the harder for them to choose a competitive strategy. How to well manage their human capital and upgrade their management level becomes the key point of winning the competitive advantage. These three strategies represent different leadership style and corporate culture. Thus, they attract different types of talents and correspond to different modes of management. In this regard, there is a natural relationship between competitive advantage and SHRM.

1.3.2 Human resources: Sources of sustained competitive advantage

Understanding sources of sustained competitive advantage for firms has become a major area of research in the field of strategic management (Porter, 1985; Rumelt, 1984; Barney, 1991). The role of human capital as a potential source of sustainable competitive advantage has recently been the focus of considerable interest in the academic and popular press. (Becker & Huselid, 1998). In the past decade, a great quantity of theorists think HR is the only source of competitive advantage, because compared to HR, other traditional resources such as financial and technical resources cannot create value in a rare, non-substitutable and inimitable way. However, the process that HR creates value is hard for competitors to replicate because of path dependence and causal ambiguity. Beginning with the assumption of the resource-based view theory that firm resources maybe heterogeneous and immobile, it follows that a firm that exploits its resource advantages is simply behaving in an efficient and effective manner (Demsetz, 1973; Barney, 1991). In the meanwhile, Barney (1991) points out that these resources should be valuable, rare, imperfectly imitable and non-substitutable. HR is exactly a resource which meets these criterias. So, beyond doubt, HR is a source of sustained competitive advantage.

1.3.2.1 Human capital: A valuable firm resource

The resources which can be seen as sources of competitive advantage should provide value to an enterprise. Human capital theory, human resource accounting theory and utility analysis have well explained the value of HR to organizations. Human capital theorists have studied the added value created by human resources' skills, abilities, knowledge and other factors from the capital point of view. It has been said by Chatzkel(2004) that: "it is human capital that is the differentiator for organizations and the actual basis for competitive advantage" (Baron, & Armstrong, 2007, P. 5). Human resource accounting theorists focus on the asset value of employees as well as their contribution to the formation of corporate assets. They consider HR as capital expenditure as it yields benefits which can be derived for a long period of time and could be measured in monetary terms. Utility analysis theorists prefer to numerically analyze the added value brought by employees' attitudes and behaviors. Although the assumptions and variables of these three theories are not the same, they all believe that HR can create value to organizations.

1.3.2.2 Human capital: A rare firm resource

HR is seen as a special firm resource which is composed of people with different physiological features, competencies and limits. So, human resource are heterogeneous. The differences of their qualities reflect in their knowledge, skills, competences, ambitions, behaviors and so on. A wealth of evidences proved that individual cognitive ability is unevenly distributed in the population. For this reason, individuals with high quality are, of course, rare. That means, the supply of high-quality human resources is limited. However, capacity variance directly influences individual contributions which will finally affect organizational performance. Without doubt, each enterprise which pursues high performance

expects to obtain more high-quality human resources. In the HR market, demand exceeds supply. Consequently, high-quality human resource is always rare.

1.3.2.3 Human capital: An imperfectly imitable firm resource

According to Barney (1991), there are three general reasons why firm resources would be difficult to imitate: the resources are created and formed under unique historical conditions, the resources are causally ambiguous, or the resources are socially complex.

First of all, labeled as path dependency by Becker and Gerhart (1996), the unique historical conditions under which HR is formed in individual firms may make its understanding and replication extremely difficult, if not impossible. Employees grow with their company under its own history, philosophy and culture. This specific human capital cannot be bought or easily replicated without a significant investment both of time and financial resources.

Secondly, causal ambiguity implies that the exact manner in which human resource contributes to the competitive advantage of the firm is either unknown or sufficiently ambiguous so as to be difficult or impossible to imitate (Allen & Wright, 2006). According to Becker and Gerhart (1996), the ability to replicate a successful HR system would require an understanding of how all of the elements of this complex system interact and in turn impact the performance of an organization. So it is difficult to imagine how the intricate interplay among various human capital and employee behaviors, employee outcomes, operational outcomes and firm-level outcomes could be understood by a competitor in a meaningful way.

Finally, Barney (1991) points out that competitors will find it difficult to replicate a

competitive advantage based on complex social phenomena. Given the nature of HR, the human capital and especially the employee behavior and relationships have a social component. The way in which employees are communicated among different departments is influenced by various social relationships involved. The complexity of the social relationships in the case of HR makes it difficult for competitors to imitate it.

1.3.2.4 Human capital: A non-substitutable firm resource

To clarify the non-substitutability of HR, we have to know the differences between HR and other resources. Firstly, Human resources are regarded as non-substitutable and unlikely to become obsolete while other resources may be substituted in the short term. Secondly, people have varying levels of skills. Investment in firm-specific human capital is valuable because it potentially enhances the productive capacity of human resources. Firm-specific human capital is not widely available in the labor market and it cannot be readily substituted by other resources without having to incur heavy replacement cost (Becker, 1975; Parnes, 1984). Thirdly, other resources obey the law of diminishing marginal returns while the innovative human capital is characterized by increasing marginal returns. Because of these characteristics of HR, we can say that human resources cannot be easily bought or substituted in the market.

1.4 SHRM and organizational effectiveness: An overview

Made over a decade ago, this call for theory in strategic human resource management (SHRM) continues to ring through the literature in the field (Delery, 1998; Snell, Youndt, & Wright, 1998; Ulrich, 1997a). Both the quantity and quality of thinking

and research have improved to the point where it is now possible to dedicate entire issues of major journals to the topic (e.g., *The Academy of Management Journal*, 1996; *Industrial Relations*, 1996, & *International Journal of Human Resource Management*, 1997).

By nature, strategic human resource management implies a managerial orientation which ensures that human resources are employed in a manner conducive to the attainment of organizational goals and mission. It focuses on several issues including the fit between HRM practices and organizational strategic goals, the integration of HRM in the organization strategic management, the involvement of human resource function in senior management teams and the value that is added to the organizational performance by HRM (Oladipo & Abdulkadir, 2011).

The basic precepts of SHRM have a natural affinity with the resource-based view (RBV) of competitive advantage in the strategy field (Barney, 1991; Wernerfelt, 1984). In 1984, Wernerfelt has completely interpreted RBV for the first time. Barney (1991) has developed his work. They believe organizational resources and competences are heterogeneous. And this heterogeneity allows for variance in organizational performance. As we mentioned above, HR is a source of sustained competitive advantage. Through adopting HR practices which influence employees' competence, attitude and behavior, SHRM becomes a key factor for organizations to gain competitive advantage.

The development of RBV provides a theoretical background for the study of the links between HR practices and organizational performance. With the increasing application of SHRM in organizations, many problems should be addressed. For instance, what's the relationship between SHRM and organizational performance? If SHRM indeed affects the organizational performance, which HR practices can be

called high-performance human resource practices? How these practices effect organizational performance? What's the result of these effects? How the results vary with different environments? How to formulate high-performance HR policies? How to manage the two strategic fits: an internal fit and an external fit? Although there are so many questions which have to be answered, in the debates of SHRM, there is always a focus that draws most of the scholars' attention. That is the links between HR practices and organizational performance. No matter in theory or in practice, many scholars and practitioners have proved their positive relationship. We will further discuss this subject in the next chapter.

1.5 Conclusion

The first chapter presents different theories to emphasize the importance of strategic human resource management to organizational effectiveness. In the meanwhile, we have pointed out the research emphasis in this study. That is the relationship between strategic human resource practices and organizational performance. To verify the results published by many scholars, the samples we have chosen are different from those in most of the empirical studies of SHRM. They are the Chinese SMEs in service sector. This study is aimed to extend an academic debate. The results of this study will bring some new elements to the research of SHRM. In the present chapter, through studying porter's competitive advantage theory and Barney's sustained competitive advantage theory based on the resource-based view, we have got a conclusion. Human capital is a rare, valuable, inimitable and non-substitutable firm resource. Organizations should well train and properly manage this source of sustained competitive advantage. Also, they should make sure that their human resource management accommodates to the organizational strategies so as to enhance organizational performance and to keep their sustained competitive advantage.

CHAPTER 2

THEORETICAL FRAMEWORK

2.1 Introduction

Strategic human resources management is a relatively new interdisciplinary subject which crosses the field of human resources management and that of strategic management. It is the pattern of planned human resource activities intended to enable an organization to achieve its goals (Wright & McMahan, 1992)

2.1.1 Emergence of SHRM and its evolution

HRM is evolving from the administrative aspect to strategic aspect. As a new concept, SHRM becomes the guide for enterprises to organize their own HR practices. Historically, there are two dramatic shifts of HRM theories and practices. One is the shift from personnel management to human resources management. The other is the shift from human resources management to strategic human resources management (Schuler & Jackson, 1999). The shift from the administrative aspects of HRM led to the emergence of SHRM as a new generation of value-added core responsibility or function of HRM.

Debates concerning to the nature of HRM continues today though the focus has changed over time. It started by attempting to describe the differences between “Personnel Management” and “HRM” (Legge, 1989; Guest, 1991). In the stage of personnel management, HR has mainly focused on the administrative aspects of HRM. Some scholars equated HRM with personnel management which only cared for providing staff support in the organization. In the 1970s, the human resource accounting theory considered human resources as assets for any organization. This theory is thought to be the origin of HRM as a defined school of thought. In the mid 1980s, debates suggested the need to explore the relationship between HRM and

strategic management more extensively (Guest, 1991). Since Devanna (1981) proposed the concept of strategic human resources management, Beer and al. (1984) have greatly developed the field of SHRM by suggesting that SHRM is concerned with developing and implementing HR strategies which support the delivery of competence, commitment, congruence and cost. Starting from the late 1980s, the emphasis of the researches in the field of HRM was changed to SHRM. This change is embodied in the transition from the older HR practices with focus on staff matter to a subject of re-birth which focuses on linking people as organizational asset with the business strategy of the firm (Niehaus, 1995).

The emergence of SHRM is historically inevitable. Following the industrial civilization, human society has entered the era of knowledge economy. The increasing globalization, greater organizational complexity, market competitiveness and cutting-edge information communication technology stimulate enterprises to more flexibly deploy and utilize their HR. HR becomes to play a more strategic role in organizational strategic planning process. Traditional HRM is transactional in nature, concerned essentially with providing administrative support in terms of staffing, recruitment, compensation and benefits (Wei, 2006). Its nature results in the lack of fitness and elasticity between HRM and business strategies. However, SHRM, which is based on HRM principles, emphasizes to gain competitive advantage by managing human resources via an integrated, synergistic set of HR practices that both complements and promotes the overall business strategy (Huselid, Jackson & Schuler, 1997; Schuler, 1992). According to Schuler (1992), SHRM is largely about “integration” and “adaptation”. Its purpose is to ensure that HRM is fully integrated with strategy, HR policies are coherent and HR practices are accepted by line managers. SHRM has overcome the weaknesses of traditional HRM. Its strategic focus helps to add value to organizations by improving organizational performance. Therefore, the shift from traditional HRM to SHRM is an irresistible trend.

Since the emergence of SHRM, there has been 30 years or so. It is an area that continuously evokes a lot of debates. A majority of the developments discussed above have taken place decades ago. During this course of history, the nature of the HR function has changed from being reactive, prescriptive and administrative to being proactive, descriptive and executive (Boxall, 1994; Legge, 1995). These debates of SHRM have greatly influenced the development of modern human resources management and still impact the current studies as theoretical foundations. At present, the field of SHRM is still in its evolutionary phase. The focus of debates has turned to discover the links between strategic human resources management and organizational performance. Most scholars highlight the contribution of HRM to the high organizational performance and the overall success of any organization (Schuler & Jackson, 2005).

2.2 Definitions of strategic human resource management

One of the first steps in theory development is to choose the elements whose relationships with each other are the focus of the theory's attention (Dubin, 1976). So it is necessary to clearly define the various constructs of interest to the theory in order to avoid the confusions in organizational research (Schwab, 1980). Thus, it is important for us to define and distinguish between the constructs of HRM and SHRM.

In the past, HRM was heavily responsible for personnel and administrative activities. Since Peter and Waterman (1982) have pointed out that HRM is much more than a supportive function to other organizational functions, it has started to get rid of its crust and involved on more strategic issues extensively over the last twenty years.

The field of SHRM is constantly evolving. Just as the term "human resource

management” has been contested, so too has the notion of SHRM. One aspect for debate is the lack of conceptual clarity (Bamberger & Meshoulam, 2000). Its definition is not absolute and opinion varies between writers. For example, there is little agreement among scholars that SHRM should be considered as a process or an outcome.

For Snell et al. (1996), SHRM is an outcome which should be seen as « organizational systems designed to achieve sustainable competitive advantage through people». For others, however, SHRM is viewed as a process. Ulrich (1997) has defined SHRM as « the process of linking HR practices to business strategy». Likewise, Bamberger and Meshoulam (2000) described SHRM as « the process by which organizations seek to link the human, social, and intellectual capital of their members to the strategic needs of the firm ».

In order to better understand the distinction, it is important to see the evolution of definitions of SHRM (see table 2). Although there are plenty of definitions of SHRM, the basis of these definitions seems similar in some aspects (Bayad, Arcand & Arcand, 2004).

Table 2. Evolution of definitions of SHRM

<p>Guest (1987):</p> <p>SHRM has four priorities:</p> <ul style="list-style-type: none"> - integration of HR activities to business strategies; - a flexible organizational structure; - personnel and high-quality internal practices for high-quality products; - strong employee involvement to organizational goals and activities.
<p>Miller (1989)</p> <p>SHRM includes all the decisions and actions related to the management of employees at all levels of the organization, and directed towards creating a sustained competitive advantage.</p>

Table 2. Evolution of definitions of SHRM (suite)

<p>Henry & Pettigrew (1990):</p> <p>SHRM regroups four principal elements:</p> <ul style="list-style-type: none"> - the use of planning; - design and management of HR systems based on a set of personnel policies which are coherent and guided by a « philosophy »; - adequacy of policies and activities to the explicit market strategy; - seeing people as an indispensable strategic resources to gain competitive advantages.
<p>Sisson (1990):</p> <p>SHRM is characterized by four preoccupations:</p> <ul style="list-style-type: none"> - the tension in the integration of HR policies among themselves and with the more general strategic plans. - HR responsibility shifts from personnel specialists to the overall management; - the change from a management-union relationship to a management-employee relationship, and from collectivism to individualism. - Individuals' commitment and initiative to give managers the roles of “developer”, “accountability” and “facilitator”.
<p>Wright & McMahan (1992)</p> <p>SHRM refers to the pattern of planned HR deployments and activities intended to enable a firm to achieve its goals.</p>
<p>Walker (1992)</p> <p>SHRM is concerned with the means for adjusting the HRM with the content of organizational strategies.</p>
<p>Schuler (1992):</p> <p>SHRM is based on three fundamental elements:</p> <ul style="list-style-type: none"> - integration of HR activities to strategic goals of firms; - coherence between HR policies and other organizational policies; - involvement of HR practices in the execution of quotidian production activities.
<p>Boxal (1994)</p> <p>SHRM has seen integrating the HRM into strategic management as a central concern.</p>
<p>St-Onge, Audet, Haines & Petit (1998)</p> <p>SHRM tries to establish a more organic link between the strategies of enterprises and the set of HRM practices.</p>
<p>Armstrong (2000)</p> <p>Strategic human resource management is an approach that defines how the organization's goals will be achieved through people by means of human resource strategies and integrated human resource practices and policies.</p>

Source: Adapted from Bayad, Arcand and Arcand, 2004 (Free translation)

From the definitions above, we can notice that these definitions only illustrate an evident demarcation among SHRM, HRM and personnel management. Although SHRM is considered as an extension of the traditional HRM literature (Dyer & Reeves, 1995), different from the supportive role of traditional HRM, SHRM has moved to be a part of strategic management in organizations (St-Onge, Audet, Haines & Petit, 1998).

Besides, these definitions bring out 3 important elements:

1. The emphasis on the integration of HR strategies into corporate strategies. As Boxall et al. (2007) underlined that « the major focus of strategic HRM should be aligning HR with firm strategies ». Also, individual HR strategies should cohere by being linked to each other to provide mutual support.
2. Human resources can be considered as stakeholders in the major strategic orientations. In addition, it is a prominent part of the productive operation of the firm (Bayad, Arcand & Arcand, 2004, free translation). Boxall and Purcell (2003) believed that HRM should play a major role in improving the quality of strategic management. Furthermore, HR is a firm resource which penetrates the whole business operation.
3. SHRM contributes to improving the various parameters related to organizational effectiveness (Bayad, Arcand & Arcand, 2004, free translation). SHRM focuses in ameliorating organizational structure and culture, improving organizational effectiveness and management level and also developing special competences. A high level SHRM becomes essential for higher organizational effectiveness and greater competitive advantage. In the next section, we will discuss four principal models which explain this positive relationship.

2.3 Models of SHRM

Given the proposed definition of SHRM, it is possible to examine some theoretical models that are relevant to the field. The literature reviewed by SHRM in the last thirty years reveals four main models that explain the relationship between HR strategy and strategy of development (Bayad, Arcand & Arcand, 2004). These four models are human resource accounting model, human resource strategic planning model, human resource competitiveness model and human resource competence model.

2.3.1 Human resource accounting model

Human resource accounting (HRA) is a process of identifying the measuring data about human resources and communicating this information to the interested parties (American Accounting Association, 1973). It accounts for human resource as an organizational asset like physical and financial assets because the quality and caliber of the people are the real assets.

HRA measures the value of human capital in monetary term, which helps the top management to take decisions regarding the adequacy of human resources. There are two basic theories underlying this model:

1. People are valuable resources in an enterprise.
2. Information on investment and value of human resource is useful for decision making in the organization.

HRA is a management tool which is designed to assist senior management in

understanding the long-term cost and benefit implications of their HR decisions so that better business decisions can be taken. It is mainly concerned with the identification of data regarding human resources of an enterprise, the measurement of the data in terms of cost and value and also communicating the information to the interested parties (Joshi & Mahei, 2012).

This strategic concept strategically integrates HR as a key to the success of organizations (Bayad, Arcand & Arcand, 2004). It helps the management in better planning, utilizing and managing human resources. Also, it furnishes cost/value information for making management decisions about acquiring, allocating, developing and maintaining HR in order to attain cost-effectiveness. Furthermore, it also promotes the cooperation and convergence of stakeholders' interests in order to achieve organizational goals.

2.3.2 Human resource strategic planning model

Despite the interesting findings of HRA, this model has not received the same attention as the human resource strategic planning model (HRSP). HRSP is the mainstream in the studies of SHRM (Bayad, Arcand & Arcand, 2004). It is the theory the most prolific in researches and in applications (Becker & Gerhart, 1996). With the development of strategic thought, HRSP model has been put forward by the Harvard school in the late 1950s.

Between the 1960s and 1970s, the most important function of human resource planning (HRP) was forecasting the demand of human resources in an organization and keeping the balance between the supply and the demand of labor. Beyond reproach, this is an important function to maintain quotidian organizational operations. Nevertheless, many critics argued that such a model is too reactive and

subordinate to other organizational functions (Bayad, Arcand & Arcand, 2004). It cannot be really seen as a strategic model.

In the 1980s, the Harvard model advocated the need for a more comprehensive and strategic perspective regarding HR (Beer, Spector, Lawrence, Mills & Walton, 1984). Besides, the Michigan model emphasized the importance of designing HR strategies to suit organizational strategy (Fombrun, Tichy & Devanna, 1984). Therefore, it became necessary to develop a model in which HRM plays an important strategic role in an organization. To confront the limits of HRP, the notion of HRSP has emerged.

In fact, integration of HR should be operated at both the strategic and operational level. Smith and Ferris (1986) have said that enterprises which expect high organizational performance should integrate HR to their strategic planning. This assertion has pushed the HRP to a more vast view which supports the integration of HRP and organizational planning (Guerin, Le Louarn & Wils, 1988). At the strategic level, the integration of HR should be done by adjusting the HR strategy to the strategy of development. At the operational level, enterprises can integrate HR by some necessary means such like adjusting the demand and the availability of HR to realize the internal strategies (Bayad, Arcand & Arcand, 2004). The external coherence between the HR strategy and the strategy of development, and the internal coherence among the HRM practices will become a fundamental element of HRSP (Baird & Meshoulam, 1988).

2.3.3 Human resource competitiveness model

This approach of SHRM is developed on the interactivity of the relationship between HR strategies and business strategies. Different from the HRSP which is rational,

consensual, explicit and linear (Hendry & Pettigrew, 1990), the human resource competitiveness (HRC) model could better deal with the various constraints that modern organizations must endure day after day. In other words, the external and internal fit proposed by HRSP would not make sense.

Nowadays, the complexity and the specificity of organizations require a more flexible and more global strategic thinking. According to Bayad, Arcand & Arcand (2004), there are four premises for HRC, those are (free translation) :

1. the strategy should not be seen as an preformed output into which HR strategy is molded;
2. the change of structure and culture may precede the strategy;
3. HR strategy should not be reactive, but it should contribute to the elaboration of the strategy of development through organizational culture as well as its action on the reference schemas of managers who make decisions;
4. in every social organization, power relations and conflicts of interest make SHRM show a limited rationality.

HRC, for its part, has developed an HR interactive approach based on the concepts of strategic interdependence, organizational change and collective negotiation. As defenders of strategic interdependence approach, Lengnick-Hall & Lengnick-Hall (1988) pointed out that strategic choices cannot be regarded as optimal a priori. First of all, it would require full information from the very beginning and the capability to reduce the prescriptive HR actions. Therefore, SHRM chooses the acceptable solutions which integrate an interactive process between business expectations (opportunities) and HR executive abilities.

Pettigrew and Whipp (1991), defenders of organizational change approach, believe changes that organizations will face cannot be effected by using the predetermined

strategic models.

The proponents of the collective negotiation approach (Kochan, McKersie & Capelli, 1984; Kochan, Katz & McKersie, 1986) indicate the importance of different actors in the decision-making process. Among the various constraints endured by organizations, SHRM should overcome the difficulties of consensus which might not be fully attainable.

2.3.4 Human resource competence model

Human resource competence model is a relatively new way of thinking about how organizations gain high performance and how they develop sustainable competitive advantage in a systematic and structural way. This theory reveals that the HRM is an essential competitive advantage to help organizations achieve their goals. According to Barney (1991), different from other organizational factors, HRM can easily generate a variable which is valuable, rare, inimitable and non-substitutable. These considerations are sufficient to justify a greater value of human capital in an organization (Bayad, Arcand & Arcand, 2004).

2.3.5 Conclusion of these four models

- Human resource accounting model: the integration of value of HR is primarily decided by the prior goals and the need to refocus the organization.
- Human resource strategic planning model: the adaptive integration of HR emphasizes the primacy of goals which face to the environmental pressures.
- Human resource competitiveness model: the flexible integration of HR assigns priority to the means to respond to the environmental pressures.
- Human resource competence model: the integration of capacity of HR develops the need to refocus the organization to fully provide the priority of means.

This section we have reviewed some of the attempts to apply macro-level organization theories to the SHRM field. Some of the scholars, in some sense, have tried to understand the relationship between SHRM and organizational effectiveness. In the next section, we will discuss three perspectives which explicate this relationship.

2.4 SHRM and organizational effectiveness: three perspectives

As indicated in the preceding section, HRM represents a strategic element to organizations. Considering its essential function to the achievement of business goals, it is important to review the theories related to the relationship between SHRM and organizational effectiveness. In relation to the last debate, three perspectives emerge from the existing literature (Katou and Budhwar, 2006; 2007). According to Delery and Doty (1996), these three modes of theorizing which are universalistic, contingency and configurational perspectives can be seen as the solid theoretical foundations in the field of SHRM.

2.4.1 Universalistic perspective

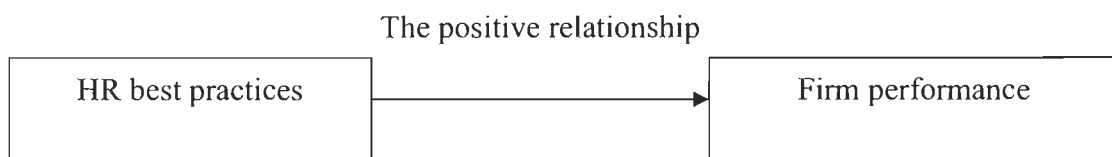
In these three perspectives, the universalistic perspective or << best practices >> is the most often studied. It starts, in all its explanations and prescriptions, from the premise of the existence of a linear relationship between variables that can be extended to the entire population (Delery and Doty, 1996). In other words, it posits the “best” of HR practices, implying that business strategies and HRM policies are mutually independent in determining business performance. These “best practices” have two characteristics: one is having demonstrated capacity to improve organizational performance, and the other is having to be generalizable (Becker & Gerhart, 1996).

According to Colbert (2004), under a universalistic approach, strategic HR practices are those that are found to consistently lead to higher organizational performances, independent of an organization's strategy. Regarding to the best practices, different scholars have different propositions. Nevertheless, some practices are more significant (Pfeffer, 1994; Batt & Applebaum, 1995, Delory & Doty, 1996). Such like incentive remuneration (Pfeffer, 1994; Delaney & Huselid, 1996), employee participation (Levine & Tyson, 1990; Pfeffer, 1994), training (Delaney & Huselid, 1996), communication (Pfeffer et Veilga, 1999), selection (O'Reilly, 1996) and employment security (Pfeffer, 1994).

The universalistic perspective studies neither the synergic interdependence nor the integration of practices. When several HRM practices are implemented at the same time, the contribution of these practices to the performance is the resultant of the individual effects of each HRM practice (Pfeffer, 1994; Becker & Gerhart, 1996; Allani, Arcand & Bayad, 2003)

Many researchers support the universalistic approach. Besides, they have carried out plenty of empirical studies which have proved the validity of this perspective. The fruits of these empirical studies will be discussed in the next section. The universalistic model will be presented by the figure as below:

Figure 1 The universalistic model of SHRM



2.4.2 Contingency perspective

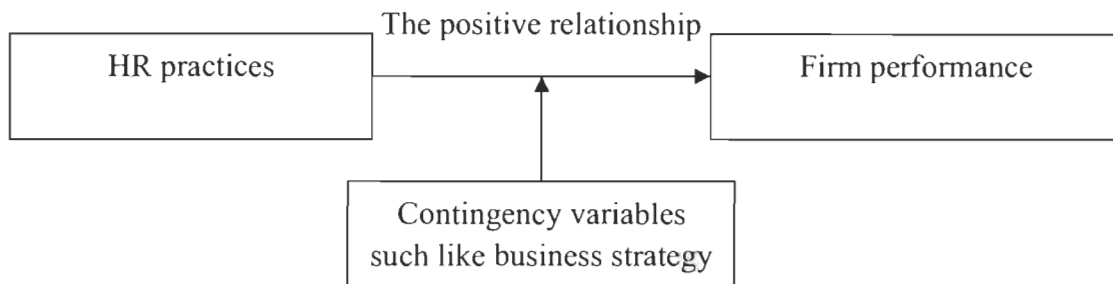
The contingency model, which is more complex than the universalistic model, introduces a different starting assumption concerning the meaning of the relationship between variables. Rather than the simple linear relationship incorporated in universalistic perspective, contingency arguments imply interactions (Schoonhoven, 1981; Van de Ven & Drazin, 1985; Venkatraman, 1989; Delery & Doty, 1996). In other words, the relationship between human resource management (independent variables) and organizational performance (dependent variable) will no longer be stable. It will vary relying on other variables which are called contingency variables. These variables will have moderate effects on the link between human resource management and firm performance. Different from the universalistic model, contingency perspective denies the assertion that there are best practices which lead to superior performance under any circumstance (Schuler & Jackson, 1987; Delery & Doty, 1996)

The organization's strategy is considered to be the primary contingency factor in the SHRM literature (Delery & Doty, 1996). In this respect, the contingency model argues that a set of HRM policies and practices of an organization will be effective if it is consistent with other business strategies. Thus it can be seen that "External fit" is what matters (Schuler & Jackson, 1987; Lengnick-Hall & Lengnick-Hall, 1988). The empirical studies of this perspective have contributed to analyzing both single functional areas and groups of practice. But it needs to mention one important thing. When HR systems are proposed, neither the internal synergic mechanisms nor the integration of practices is considered (Delery & Doty, 1996).

As discussed above, "external fit" is the key concept of this approach of SHRM, the contingency model is concerned firstly with the selection of a theory of firm strategy

and then the specification of the interaction between individual HR practices and firm strategy which results in organizational performance (Delery & Doty, 1996). Defendeurs (Delery & Doty, 1996; Katou & Budhwar, 2007) of contingency approach pointed out that the alignment of strategy and HR practices allows organizations to achieve superior performance. The contingency model is illustrated as below:

Figure 2 The contingency model of SHRM



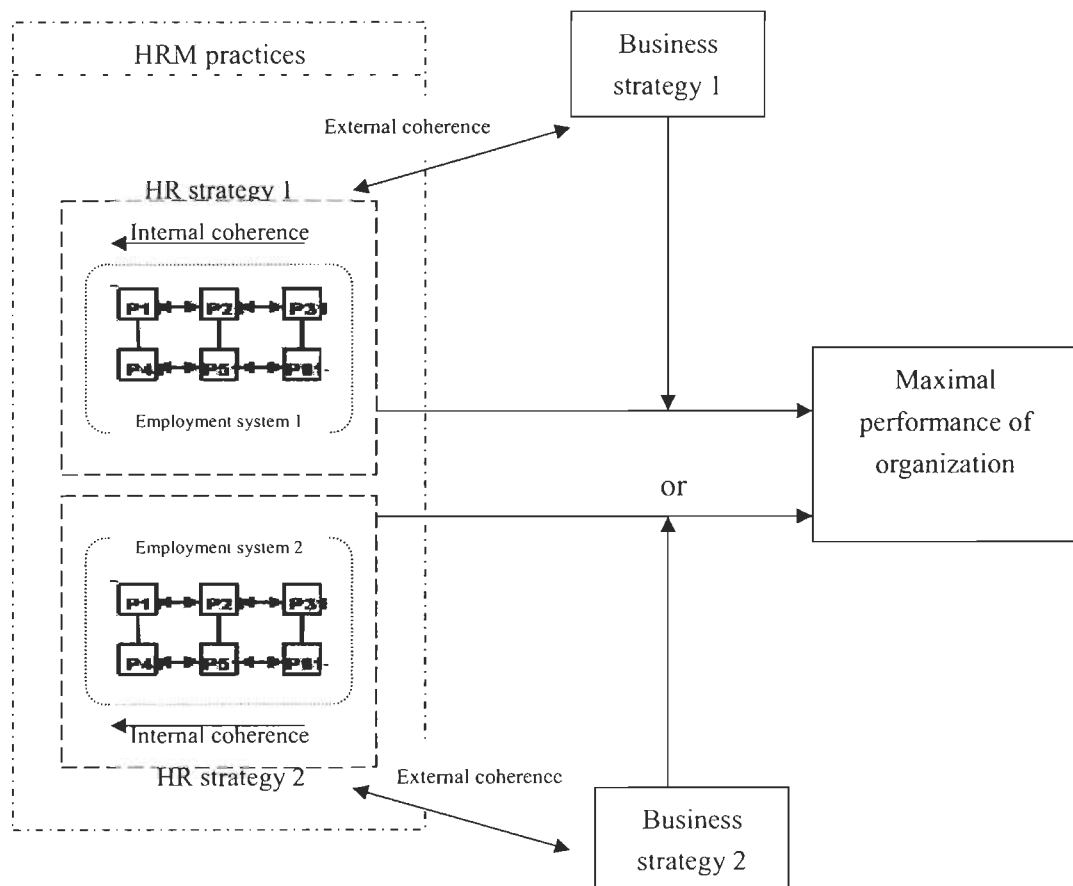
2.4.3 Configurational perspective

The configurational perspective contributes to the explanation of SHRM with a useful insight about the internal aspects of the function, by means of the analysis of the synergic integration of the elements that build it (Martin-Alcazar, Romero-Fernandez & Sanchez-Gardey, 2005). From a systemic perspective, defenders of configurational approach assume that it is possible to identify multiple unique configurations of the relevant factors that can be called “HRM patterns” or “HRM systems” which can be equally effective in maximizing performance. According to Martin-Alcazar and his colleagues (2005), they defined HRM systems as “a multidimensional set of elements that can be combined in different ways to obtain an infinite number of possible configurations”. Therefore, these systems not only should be consistent with an organization’s environment, but also be internally coherent (Delery & Doty, 1996; Ehnert, 2008). It is important to notice that these

configurations, which are assumed to be ideal types, do not necessarily reflect empirically observable phenomena. In empirical researches, the multiple organizational dimensions will be categorized into typologies of these ideal types which will be treated as independent variables.

Concerning the relationship between SHRM and firm performance, there is a shift under this new approach. The configurations represent nonlinear synergistic effects on organizational performance, since the interdependence of practices multiplies the combined effect (Martin-Alcazar & al., 2005). Also, they represent higher-order interactions which cannot be represented with traditional bivariate contingency theories (Doty & Glick, 1994). The configurational model is illustrated as below:

Figure 3 The configurational model of SHRM



Source: Adapted from Allani, Arcand and Bayad, 2003 (free translation)

As a conclusion, having the definitions of SHRM and the studies on this subject in mind, we can bring out some fundamental elements. First, it is important to integrate HRM into the strategic level and take internal and external coherence into account. Second, HR practices become a necessary condition to implement organizational change (Bayad, et al., 2004). Finally, the adoption of HR practices is meaningful only when they can ameliorate different parameters to improve organizational effectiveness.

In the light of the researches presented above, HRM is an important management tool which helps organizations maximize their performance. In the next section, we will further discuss the theoretical foundations and empirical researches on the universalistic model

2.5 The view of universalistic perspective

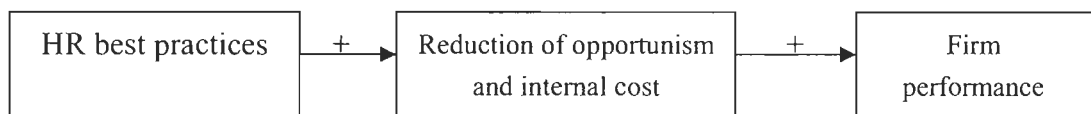
2.5.1 The theoretical foundation

Scholars from different disciplines have put forward variety of theoretical frameworks to explain the linkage between HR practices and firm performance. Proponents of universalistic approach see three theoretical arguments as cornerstones (Arcand, Bayad & Fabi, 2002). Those are agency theory, human capital theory and resource-based theory.

First of all, among the theoretical frameworks used by the Universalists, the agency theory seems to have a special importance in demonstrating the superiority of certain policies that help the organization to control opportunism and reduce internal management costs (Delery & Doty, 1996). Proponents of agency theory assumed that agency problems arise when the interests of the principal and agent conflict.

Therefore, firm performance strongly depends on the level of convergence of their interests. And this is why the role of HRM within the organization becomes crucial in the interplay between the principle and the agent. By adopting some HR practices, such as profit sharing and appraisal, organizations can reduce the agency problems and improve their performance.

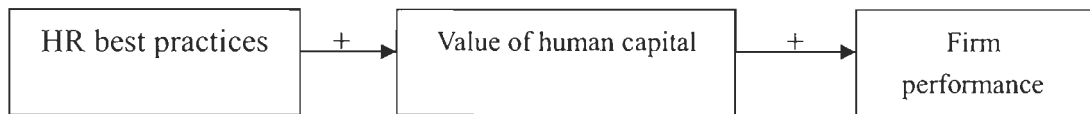
Figure 4 The agency theory supporting universalistic perspective



Note: “+” represents the positive relationship between variables

Secondly, the basic principle of human capital theory has also served to build many universalistic propositions, arguing that those organizations that use their HR practices to develop valuable knowledge, skills and abilities present better performance levels (Duncan & Hoffman, 1981; Tsang 1987; Rumberger, 1987). As the proponents asserted, human capital corresponds to any stock of knowledge or characteristics the worker has (either innate or acquired) that contributes to his or her “productivity”. Employees with higher productivity will greatly improve the firm performance. Human capital theory suggests that individuals and society derive economic benefits from investments in people (Sweetland, 1996). Based on this principle, supporters of universalistic approach believe that the high-performance HR practices such like training, performance appraisal and incentive compensation can help organizations increase the value of their human capital so that firm performance will be improved in the end (McMahan, Virick & Wright, 1999; Snell & Dean, 1992).

Figure 5 The human capital theory supporting universalistic perspective

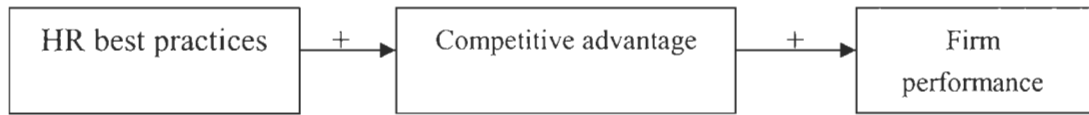


Note: “+” represents the positive relationship between variables

Finally, the resource-based view is one of the mainstreams of SHRM. It provides an economic foundation for examining the role of HR in firm competitive advantage (Barney & Wright, 1998). This view focuses on firm resources that can be sources of competitive advantage within the industry (Barney, 1995). Barney (1995) has divided the firm resources and capabilities into four categories: physical resources, financial resources, organizational resource and human resources. Only when the firm resources have passed the evaluation of the VROI (Value, Rareness, Inimitability, and Organization) framework proposed by Barney (1995), they can be seen as sources of competitive advantage (Fleisher & Bensoussan, 2003).

With this in mind, many scholars insist that regardless of the business context, HR function can indeed help create such a strategic advantage (Wright, McMahan & McWilliam, 1992; Hamel, Hamel & Prahalad, 1994; Becker & Gerhar, 1996). Barney and Wright (1998:36) have said: “The HR function, through either directly controlling or strongly influencing the characteristics of human resources in organizations plays an important role in developing and maintaining a firm’s competitive advantage.” Huselid (1995) has confirmed that certain HR practices designed to develop or motivate human resources constitute a competitive advantage for all types of organizations.

Figure 6 The resource-based theory supporting universalistic perspective



Note: “+” represents the positive relationship between variables

2.5.2 The empirical studies

2.5.2.1 The empirical studies of universalistic approach

As mentioned above, proponents of universalistic approach assert that there are some HR practices always better than others and all organizations should adopt these best practices (Miles & Snow, 1984; Pfeffer, 1994). They also posit that greater use of these practices will always result in better organizational performance and the relationship between these variables is universal across the population of organizations (Delery & Doty, 1996). To test and verify these assumptions, scholars have undertaken many empirical researches to validate the link between certain high performance HRM practices and organizational effectiveness. In their writings, the results obtained seem to demonstrate empirically the relevance of these theoretical concepts.

Some studies have demonstrated the positive effects of certain high performance HRM practices on the financial effectiveness of an organization. For example, Delery and Doty (1996) have carried out a research in the American banking industry. Their study provided relatively strong support for the universalistic perspective. They found that << Three individual HR practices, profit sharing, results-oriented appraisals, and employment security, had relatively strong universalistic relationships with important accounting measures of performance>>. In the same way, Stephen

and Verma (1995) have conducted a study in large Canadian unions. The study has also shown the important relationship between the HR practices which are employment security and the quality of work life programs and the level of profitability of these organizations.

There are other researches which have got the similar results too. Huselid and Becker (1997) have estimated the impact of the presence of a high performance work system and its effectiveness on shareholder wealth in 702 American firms. They have found that the investment in certain HR practices like performance appraisal, compensation and career management has economically and statistically significant positive effects on the increase of shareholder equity. Moreover, Barette and Simeus (1997) have collected data from 80 enterprises in the high-tech sector. Their research also has demonstrated the existence of the relationship between certain HR practices which are compensation and performance appraisal and organizational financial effectiveness.

Of course, there are other organizational parameters besides financial effectiveness. The effect of HR practices was also validated on other organizational parameters. For instance, Welbourne and Andrews (1996) have examined the determinants of structural inertia and developed hypotheses on the relationship between HRM and organizational performance. The results indicate that the presence of HR practices, especially the organization-based compensation programs positively affect the long-term survival of initial investors. Furthermore, Berg (1999) has conducted an analysis based on data from a sample of 1355 hourly workers in the U.S. steel industry across 13 plants to examine the effect of HR practices on workers. The results show that HR practices such like autonomous working groups, training and communication can strongly improve employee satisfaction.

Except the studies which use one organizational parameter like those we have mentioned above, there are others which attempt to measure the effect of high performance HR practices on several organizational criterions. For example, Huselid (1995) has studied 968 national firms in a wide range of industries to prove the argument that the use of high performance work practices will be reflected in better firm performance. Their study has finally provided broad evidence in support of this assertion. Firm performance in this study refers to intermediate employee outcomes such as turnover and productivity and short- and long-term measures of corporate financial performance. In addition, Batt and Applebaum (1995) have proved that counting on the employees who are more satisfied and more engaged, organizations are more participatory and more flexible. Also their product quality has shown to be superior to that of traditional organizations. Likewise, Becherman, McMullen, Leckie and Caron (1994) have verified the existence of the signicative relationship between employee participation, incentive compensation and certain performance measurement indicators such as social climate and organizational productivity.

2.5.2.2 Empirical researches review on different best practices

Scholars who investigate SHRM from a universalistic perspective always call this approach “best practices approach”. Because they assume that best single or sets of HR practices exist and these best practices will contribute directly to better firm performance (Pfeffer, 1994; Becker & Gerhart 1996). However, regarding to what practices constitutes best practices, there is little agreement among scholars. Although the literature has pointed out many best human resource management practices, it is possible to identify topics that emerge repeatedly (Martin-Alcazar & al., 2005). Some studies have categorized these topics into three mechanisms by which universal HR practices impact on business performance (Bamberger & Meshoulam, 2000; Christensen Hughes, 2002; Boxall & Purcell, 2003). Those are:

1. Human capital base or collection of human resources that organizations have to work with. It includes recruitment, selection, training and development processes which directly influence the quality of the base;
2. Motivation which makes employees devote themselves to the firm performance. It is affected by various HR practices including variable compensation, performance appraisal, employment security, team working and so on;
3. Empowerment. HR practices such as job design, participation and involvement.

In respect of recruitment and selection, we have to mention the study of Terpstra and Rozell (1993). They examined the effects of extensive staffing practices on profitability, sales growth and overall performance with a sample of 201 organizations across all industries. The staffing practices they investigated were (1) follow-up studies on recruitment sources, (2) validation studies on selection instruments, (3) structured/standardized interviews, (4) cognitive aptitude and ability tests, and (5) biographical information blanks or weighted application blanks. The results of this study have shown a positive and significant effect of extensive staffing practices on annual profit, profit growth and overall performance across all industries. But it is also found that the strength of this relationship varies by industry type. Also, a survey of firms undertaken by Holzer (1987) presented some empirical evidence on the determinants and outcomes of hiring procedures. The results showed that extensive recruiting efforts increased productivity.

In respect of training and development, Bartel (1994) has used data on the personnel policies and economic characteristics of businesses in the manufacturing sector to study the relationship between employee training and labor productivity. It is found that the implementation of formal employee training systems is positively and significantly related to labor productivity. Furthermore, Wang and Horng (2002) have proved the effects of creative problem solving training on R&D professionals'

fluency and flexibility of ideas and their work performance. Chang and Chen (2002) have also provided additional support of the significant effect of training and development on employee productivity. In the same way, Parboteeah, Hoegl and Styborski (2005) got the similar results concerning the link between professional development programs and organizational success. There are more empirical studies have also shown the relationship between training and development and performance (Russell & al., 1985; Guzzo & al., 1985; Garcia, 2005).

In respect of appraisal and compensation, Gerhart and Milkovich (1990) tested the effects of contingent pay and base pay on firm performance. The results suggested that organizations tend to make different decisions about pay contingency rather than about base pay. Also, they have found that contingent pay was associated with financial performance but base pay not. Abowd (1990) has proved the degree to which managerial compensation was based on an organization's financial performance was positively related to future financial performance. But this positive relationship is evidenced especially in the market and economic measures but not in accounting-based measures. Using managerial compensation data on 152 organizations, Gerhart & Trevor (1996) found that compensation design was related to employment variability. Delery and Doty (1996) have proved that under a universalistic approach, results-oriented appraisals had strongly affected financial performance. Besides, the survey conducted by Delaney, Lewin and Ichniowski (1989) suggested that practitioners apparently agree with the importance of performance appraisal and feedback.

In respect of participation and involvement, measuring the effectiveness of HRM practices to the satisfaction of 2497 professional unionized Quebecois, Guerin, Wils and Lemire (1997) indicated participation and communication could substantially reduce job dissatisfaction. Also, Huselid (1995) have demonstrated that employee

participation was associated with greater productivity, satisfaction and reduction in turnover.

The following table will show us the best practices supported by different proponents of universalistic approach.

Table 3 Summary of best practices in human resources

Scholars	The best practices recommended
Freund & Epstein (1984)	Job enlargement, job rotation, job design, formal training, personalized work hours, suggestion systems, quality circles, salary for blue-collar workers, attitude surveys, production teams, labor/management committees, group productivity incentives, profit sharing and stock purchase plan
Arthur (1992)	Broadly defined jobs, employee participation, formal dispute resolution, information sharing, highly skilled workers, self-managed teams, extensive skills training, extensive benefits, high wages, salaried workers and stock ownership
Kochan & Osterman (1994)	Self-directed work teams, job rotation, problem-solving groups and TQM
Huselid (1995)	Personnel selection, performance appraisal, incentive compensation, job design, grievance procedures, information sharing, attitude assessment, labor/management participation, recruiting intensity, training hours and promotion criteria
MacDuffie (1995)	Work teams, problem-solving groups, employee suggestions, job rotation, decentralization, recruitment and hiring, contingent compensation, status differentiation, training of new employees and training of experienced employees
Delery & Huselid (1996)	Selective hiring, employee training, incentive compensation, grievance procedure, decentralized decision making, internal market and vertical hierarchy
Delery & Doty (1996)	Internal career opportunities, training systems, result-oriented appraisals, profit-sharing plans, employment security, voice mechanisms and job design

Table 3 Summary of best practices in human resources (suite)

Youndt, Snell, Dean & Lepak (1996)	Staffing (selective staffing, technical skills, problem-solving skills), Training (comprehensive training, technical and problem-solving skills), Performance appraisal (developmental, behavior-based) and Compensation (salary, skill-based, group incentives, external equity)
Peffer (1998)	Employment security, selective hiring, self-managed teams, high compensation contingent on performance, training to provide a skilled and motivated workforce, reduction of status differentials and sharing information
Guest (1999)	Selective hiring, training, job design and communication

Source: Organized according to the scholars' works

2.5.2.3 Empirical researches review on different organizational effectiveness

Organizational effectiveness is not a concept but a construct, the characteristics of which are neither directly observable nor easily measured. Because of divergent theoretical perspectives and emphasis in the organizational literatures, there is no consensus to the clarification of this construct.

Campell (1977) has identified a comprehensive list of 30 criteria in the domain of effectiveness, and he has also stressed the need to “weed out the overlap and get down to the core variables” (p.39). Scott (1977) has suggested three basic models which reduced the numerous criteria of effectiveness: the rational system model, natural system model and open system model. The emphasis of rational system model is on productivity and efficiency. The natural system approach considers the production function as well as the activities required for the unit to maintain it. So job satisfaction should be included in organizational effectiveness. The open system focuses on the exchanges with the environment including profitability, flexibility and so on. Also, Seashore (1979) has proposed three models. His goal model is similar to

Scott's rational model while his natural system model combines Scott's last two models. Then he proposed a new model which is called the decision process model that optimized the information processes.

Instead of measuring organizational effectiveness directly, the organizations select proxy measure to represent effectiveness. Therefore, scholars have to adopt different performance measurement indicators to carry out their empirical researches. Here, it is worth mentioning the four types of measurement for organizational effectiveness proposed by Dyer and Reeves (1995):

In research pertaining to human resource strategy, there are several types of outcomes which might apply (Dyer, 1984). The three most defensible are: (1) human resource outcomes such as absenteeism, turnover, and individual or group performance; (2) organizational outcomes such as productivity, quality, and service; and (3) financial or accounting outcomes such as return on invested capital or return on assets. A fourth possibility, for publicly held firms, is stock market performance as measured by stock value or shareholder return. (Dyer & Reeves 1995:24)

In most of empirical researches, the most used indicators are the financial outcomes which are thought to be most representative. The following table synthesizes the choices of performance measurement indicators used by different scholars in their empirical studies which try to prove the link between SHRM and firm performance.

Table 4 Synthesis of performance measurement

Scholar	Performance measurement indicators
Arthur (1994)	Productivity, employee turnover and scrap rates
Huselid (1995)	Productivity, turnover, Tobin's q, gross rate of return on capital
MacDuffie (1995)	Productivity, quality,
Youndt, Snell, Dean & Lepak (1996)	Employee productivity, machine efficiency, customer alignment
Ichniowski, Shaw & Prennushi (1997)	Productivity
Guthrie (2001)	Turnover and productivity
Batt (2002)	Turnover and sales growth
Wright & al. (2003)	Quality of service, productivity
Collins & Smith (2006)	Revenue form new products and service, sales growth

Source: Organized according to the scholars' works

2.5.2.4 SHRM and firm performance practices and researches in China

With the economic reforms, the entry of foreign firms and the growth of domestic privately owned enterprises (DPOEs), there have been unprecedented changes in human resource management in Chinese enterprises. China's state-owned enterprises (SOEs), which virtually dominated industrial production before the economic reforms began in 1978, have diverged from the traditional practices such like lifetime

employment, egalitarian pay and “cradle-to-grave” welfare (Warner, 2004) and begun to implement strategic HRM practices such like labor contracts, performance-related reward systems and contributory social security (Ding & Akhtar, 2001; Warner, 2004). The “iron rice bowl” no longer legally exists. The phenomenal growth of foreign-invested enterprises (FIEs) helps the broad introduction of western “mainstream practices” such like formal performance appraisal, performance-based compensation and extensive training (Ding, Field & Akhtar, 1997) to Chinese SHRM practices and researches. The substantial growth of DPOEs has forces them to invest more in HRM in order to improve their market competitiveness and to attract and retain talent (Zhu, 2005). They have brought about some practices like profit sharing and employee stock ownership plans.

So-called “high-performance” HRM practices have drawn much attention in recent years. Many empirical researches have tried to demonstrate in solid terms the value and effectiveness of HRM functions in contributing to organizational performance. in the same way, researchers also have begun to focus on testing the effect of SHRM practices on firm performance in the China context (Sun, Aryee and Law, 2007). However, compared to the western empirical researches in this field, the quantity and achievements of empirical researches in China are limited because of its late start. The following table shows the empirical studies in China.

Table 5 Empirical studies on the HRM-performance link in China

Researcher	Analysis	Finding
Björkman & Fan (2002)	The research examined the relationship between HRM and organizational performance in 62 manufacturing Chinese-Western joint ventures (JV) and wholly owned subsidiaries located in different parts of P.R.C.	There is a positive impact of high-performance HR practices which focus on individual performance and employment motivation, and the extent of HRM-strategy integration on firm performance.
Deng, Menguc & Benson (2003)	The research explored the effects of HRM on the export performance based on a survey of 96 SOEs in four special economic zones	They found that a bundle of HR practices had a substantial impact on export growth and the percentage of export sales.
Takeuchi, Wakabayashi & Chen (2003)	This study identified the pattern of HRM practices that would lead to an improvement in business performance in Chinese and Taiwanese-based Japanese affiliates.	The results supported the positive relationship between HR practices and financial performance.
Wang, Tsui, Zhang & Ma (2003)	This study examined the link between employment relationships and firm performance in a heterogeneous sample of firms in P.R.C.	The results demonstrated that it is the combination of a high level of expected contributions coupled with a high level of provided inducements that is critical for firm performance.
Jiang & Zhao (2004)	This study analyzed the relationship among corporate characteristics, HR practices and firm performance based on a survey of 248 firms in H.K	They found that there is no significant positive relationship between HR practices and firm performance. Also, formal training had a significant negative effect on HR outcomes
Xu & Yang (2005)	This study verified the relationship between supportive HR practices and firm performance in 122 manufacturing enterprises in China.	The results showed the positive relationship between the supportive HR practices and firm performance.
Yu & Egri (2005)	The study investigated influences on employee satisfaction with HRM systems and affective organizational commitment in a Sino-German JV and SOE in China	It is found that employees in JV were more satisfied with their HRM practices than those in SOE. In turn, their satisfaction led to a higher affective commitment in JV.

Table 5 Empirical studies on the HRM-performance link in China (suite)

Liu, Zhou & Chao (2005)	This study investigated the HR practices and firm performance in 83 chain stores in southern part of China.	The HR practices didn't have a significant effect on profitability, market share or sales growth. Further, information sharing and participation had a significant negative effect.
Zhang & Zhao (2006)	The study examined the link between HRM practices and firm performance based on the survey of 56 manufacturing enterprises.	They have successfully proved the positive relationship between HR practices and firm performance.
Zhang, Zhang & Liu (2008)	The study examined the effect of HRM system which integrated with business strategies on firm performance.	The effect of the seven HR practices on firm performance didn't reach a significant level.

Source: Organized according to the scholars' works

As we noticed, compared to the western countries, the empirical researches in this domain in China have been late for about 10 years. The differences lie not only in the quantity of researches, but also in the empirical findings.

a) There is a positive relationship between HR practices and firm performance.

Björkman and Fan (2002) have conducted a research in 62 manufacturing Chinese-Western joint ventures (JV) and wholly owned subsidiaries located in different parts of P.R.C. The result has shown the positive impact of high-performance HR practices which focus on individual performance and employment motivation, and the extent of HRM-strategy integration on firm performance. Further analysis has improved that three of the eleven high-performance HR practices adopted by western enterprises significantly

influenced firm performance. Thus, they believed that some of the “high-performance” HR practices might not have the same significant effect in China context.

Xu and Yang (2005) took 122 manufacturing enterprises which located in Shanghai, Jiangsu and Guangdong as sample to test the relationship between supportive HR practices and firm performance in China context and also the moderating effect of different flexible strategies on this relationship. As a result, they have found the positive relationship between the two variables. Furthermore, they have also found that the flexible strategies for new products have not shown a moderating effect, whilst those for market adjustment presented a significant moderating effect.

Zhang and Zhao (2006) collected information of HR practices and firm performance in 56 manufacturing organizations in Shanghai and Shenzhen by a survey. By doing the correlation analysis and one-way analysis of variance (ANOVA), they have found that there is a positive relationship between incentive work design, career development planning, development appraisal and employee involvement groups and firm performance.

b) There is no positive relationship between HR practices and firm performance.

Jiang and Zhao (2004) investigated 248 enterprises in Hong Kong to analyze the relationship among corporate characteristics, HR practices and firm performance in a non-western context. Consequently, firm size and industry are found as important determinant to HRM practices. However, they didn't find the positive relationship between HR practices and firm performance. Furthermore, they have found the significant negative relationship between formal training and employee performance. They believed that the nonlinear, hysteretic and reciprocal causal effect of HR

practices on firm performance has caused the negative and null relationship

Liu, Zhou and Chao (2005) investigated the HR practices and firm performance in 83 chain stores in southern part of China. In regression analysis, all HR practices had not a significant impact on profitability, market share or sales growth, but information sharing and participation had significant negative impact on profitability. In their opinion, one of the possible reasons might be the stage of development. At present, Chinese chain industry remains in their early stage, HRM is seen as a low value added activity. Therefore, they questioned the feasibility of internally driven and high-performance working system in China context.

Zhang, Zhang and Liu (2008) examined the effect of HRM system which integrated with business strategies on firm performance by conducting a survey of 133 cross industry enterprises. It was proved that only career development, performance appraisal and salary management had significant impact on talent attractiveness. Training and salary management had significant impact on enterprise skill levels. Also, salary management and employee participation had significant impact on employee motivation. However, the effect of the seven HR practices on firm performance didn't reach a significant level. They thought, it was inevitable that HR activities didn't have significant effect on firm performance because of the low management level in Chinese enterprises.

In brief, due to the limited quantity and the conflicted findings of empirical researches in China, it is hard to get a persuasive conclusion. But, as we noticed, the empirical studies in manufacturing industry had all got the positive relationship, while those in chain industry and cross industry didn't get it. On the contrary, in western context, most of the empirical researches in high-tech industry, manufacturing industry, service industry and cross industry found the significant

positive effect of HR working system on firm performance, although there are still some arguments on the interpretation of this correlation. It seems that the empirical findings in China context have presented two entirely different conclusions. Therefore, more researches should be conducted to investigate the relationship between HR practices and firm performance in Chinese enterprises.

With a critical perspective in mind, we also found 2 limitations of empirical studies in China compared to those in Western nations.

a) The source and quality of data

For empirical researches, the quality of data largely decides the value of the study. Different from the empirical researches in economic field, most of the data collected for empirical studies in management field depend on subjective judgment. Thus, it is necessary to strictly explain the time, procedure, sample and scales adopted in order to keep the subjective data relatively objective. Generally speaking, in western empirical studies, data for different variables are from different respondents so as to reduce the covariance. Some of the empirical studies collected data for a variable from different sources for the sake of data reliability. For example, in the research of Collins and Smith (2006), the data for HRM are from HR manager. Those for mediate variables are from employees and those for firm performance are from CEO and documents.

From the existing empirical studies in China context, we believe that it is necessary for researchers to provide a more strict, standard and detailed explanation of research data. In most of the empirical researches in China, the data for different variables including independent variable, dependent variable, moderating variable and mediating variable were basically from HR managers. This reduced the reliability of

data and increased the covariance between variables. Besides, most firm performance data in western researches were objective, but the researches in China mostly used subjective data. It is worth mentioning that in the study of Zhang and Zhao (2006), it was the first time for Chinese researchers using objective firm performance data. But in their study, the HR data were from the survey conducted in 2002 while the firm performance data were from the data between 1999 and 2001. Hence, the correlation can just prove that high performance enterprises tend to adopt high-investment HRM, but not that HRM improves firm performance.

b) Control variable setting

Linear-regression analysis is the most used statistical analysis technique. It is used to make unbiased estimation for the impact of independent variables on dependent variables. Owing to numerous factors which could affect the correlation between the two major variables, researchers need to control these factors through sample choosing and control variable setting.

From the comparison between western studies and Chinese studies, we can see that western studies are stricter to the control variable setting. For example, in the cross-industry research of Huselid (1995), control variables included firm size, enterprise assets concentration, industrial union coverage, industrial concentration, industry growth and so on. In the study of Delery and Huselid (1996), they have seen profit-making/non profit-making nature, organizational characteristics, firm size, firm age and so on as control variables. Moreover, Ichniowski and al. (1997) have set up 25 control variables in their study.

Western enterprises are in a relatively pure marketing economic. They are less influenced by institutional factors. On the contrary, Chinese enterprises are in the

period of economic transformation. The influencing factors of HRM in an organization and its firm performance are more complicated. Different industry, different region or different forms of ownership might greatly influence the HR-performance link. This complex environment requires us to be more cautious in selecting samples and setting up control variables. However, the researches in China normally lack of in-depth analysis on control variable setting. Mostly, there are less than two control variables. Obviously, it is not enough to control the influencing factors. For instance, samples in some of the empirical researches in China were from different forms of ownership and different industries. But in regression analysis, they had not seen these factors as control variables. In some cases, the results would show that the two variables are unrelated or even negatively related. If the researchers had added some suitable control variables, they might get the positive relationship. Therefore, it is important to well design the research and cautiously process data in order to avoid the wrong research conclusions.

2.5.3 Synthesis and critique of empirical researches

The empirical studies of universalistic perspective have shown us the positive linkage between the SHRM and firm performance. However, although there is a wealth of literature advocating the best-practice approach, with supporting empirical evidence, it is still difficult to reach generalized conclusions from these studies. This is mainly as a result of conflicting views about the constitution and measurement of ideal sets of HR best practices, the contribution that these sets of HR practices can make to organizational performance and the necessity of cross cultural studies.

1. Lack of consensus regarding best practices (independent variables)

Difficulties arise here, as presented above, the best practices examined by different

scholars vary significantly, which makes generalizations from empirical data difficult. For example, Arthur (1994) lowly emphasized on variable pay, whereas Huselid (1995) and MacDuffie (1995) have a high emphasis on variable pay.

Another problem lies in the measurement of HR practices. First, plenty of scholars have asked to which HR practices should be included in the scale (Delery, 1998). For instance, is the use of job analysis a progressive or bureaucratic practice? At present, there is no consensus for the constitution of the core of HR practices. Second, there is no agreement for the level of specificity at which HR practice measures should be operationalized. For example, with regard to compensation, should we assess the presence/absence of pay for performance include profit sharing, merit pay or further explore other varieties of performance aspects to which pay could be tied. Finally, scholars don't have an agreement about the proper scale of measurement. Many researchers used objective measures by asking respondents to indicate in some form the presence/absence of practices (i.e. Huselid, 1995) while some used subjective ones by asking respondents to indicate "the extent to which" practices exist on a Likert-type scale (i.e. Snell, 1992). These differences on measurement influence the reliability and validity of the results obtained and further affect their comparability.

2. Lack of consensus regarding firm performance (dependent variables)

Researchers have seen important conceptual limitations in the definition of universalistic causal relationships (Delery & Doty, 1996, Martin-Alcazar, 2005). Some scholars implicitly hypothesized that HRM can directly contribute to organizational performance; whilst others argued that HR practices affect HR characteristics and then the latter in turn affect organizational performance. Therefore, in some extent, the formulation of the main dependent variable — firm performance should be particularly criticized.

Because of the different hypothesis on the impact mechanism, scholars disagree about the proper performance measures. In empirical researches, the universalistic measures of performance have relied almost exclusively on financial and accountancy indexes. These researches demonstrated the impact of HRM on a strategic goal such as profitability. Besides, there is a relative emphasis on organizational measures too. Just a few scholars studied on employee outcomes. This kind of researches had a more functionally oriented view of HRM. Different choices of performance measures imply the different views of researchers. That makes scholars hard to integrate the results obtained in different empirical researches.

3. Lack of cross-cultural studies

As we noticed, researches on the link between HR practices and firm performance have exclusively focused on the western organizations, notably in the United States. It is worth pointing out that HRM system has a strong institutional background. Its effectiveness is influenced by different social, organizational and individual variables. Therefore, more empirical researches conducted in other national contexts are needed to deepen our sight in this domain and to support the assumption put forward. For example, as we presented in the last section, compared to the empirical researches based on western context, Chinese empirical researches have got some different results. Unlike the empirical studies based on western context which have mostly got the significant positive relationship between the HRM system and firm performance in different industries, some Chinese empirical studies in service industry and cross-industry haven't got this significant positive relationship.

4. Lack of empirical studies in service sector

Empirical evidence of the link between SHRM and firm performance is based almost entirely on blue collar workers in manufacturing (e.g. Arthur, 1992; MacDuffie, 1995; Youndt & al., 1996; Ichniowski & al., 1997; Applebaum & al., 2000). However, roughly three quarters of employment is in service sector. To some extent, the service sector depends more on human resources compared to the manufacturing sector. And the adoption of strategic HR practices is also determined by different characteristics of different sectors (Kimberly & Rottman, 1987; Jackson & Schuler, 1995). Therefore, more empirical studies in service sector are needed to provide evidence of the SHRM-performance link.

2.5.4 Conclusion

In this section, we have discussed the basic model in this study—universalistic approach. This approach asserts that there is a set of best HR practices and that adopting them will inevitably lead to superior organizational performance whatever the accompanying circumstances (Pfeffer 1994; Delery & Doty, 1996; Armstrong, 2000). Although there is no consensus on the constitution of best practices, it seems that scholars have an agreement on the three theoretical arguments which support the universalistic model: Agency theory, human capital theory and resource-based theory. In addition, through the presentation of empirical studies, it is found that there is a positive relationship between HR practices and firm performance.

2.6 Research Model

2.6.1 HRM practices (independent variables)

In the light of different literatures on strategic human resource management, we have

chosen eight HRM practices as the best practices tested in our study.

1. Incentive compensation

Through incentive compensation, firms can attract, retain and motivate competent employees to perform in ways that support organizational objectives (Risher, 2000; Gomez-Mejia, Balkin & Cardin, 2004). Besides, Scarbrough argued that the compensation system plays an important role in motivating employees to acquire and exchange knowledge at work place. A well-construction incentive compensation system will align the goals of the company with those of the employee. Therefore, this HR practice is strongly supported by the agency theory which emphasizes the importance of making pay contingent on the desired performance outcomes (Gerhart & Milkovich, 1990).

Incentives compensation is a best practice tested by many scholars. It may come in many forms including gain sharing, profit sharing, merit pay, bonuses, commissions and so on. Many empirical studies have proved that incentive compensation improves the organizational effectiveness (Abowd, 1990; Gerhart & Milkovich, 1990; Leckie & Caron, 1994; Welbourne & Andrews, 1996; Huselid & Becker, 1997; Barette & Simeus, 1997).

2. Training

Training figures importantly in most high-performance work systems. It aims to prepare employees for future work responsibilities as well as to provide them with the knowledge, skills and abilities to perform their current jobs (Desimone & al., 2002). SHRM studies have stressed the importance of people in organizational competitive success. Consequently, having a work force with adequate skills

becomes quite essential (Pfeffer, 1994).

Organizations can develop and enhance the quality of the current employees by providing comprehensive training and development. Normally, enterprises are more willing to invest in specific trainings which are of use primarily to a particular enterprise (Pfeffer, 1998). However, some scholars argue that raising the employees' general skills can directly enhance firm performance (Bartel, 1994). But the investment in general training made by an enterprise might benefit its competitors in the wake of the job-hopping of trainees.

Researches indicate that investments in training employees in problem-solving, teamwork and interpersonal relations result in beneficial firm level outcomes (Barak & al., 1999). Empirical studies have proved the training-firm performance link (Russell & al., 1985; Bartel, 1994; Wang & Horng, 2002; Chang & Chen, 2002).

3. Selective hiring

This HR practice can ensure companies recruit the right people, with the desirable characteristics and knowledge, in the right place. And these people will fit in the culture and the climate of the organization well. Choosing the right employees could also decrease the cost of employees' training and development.

A rigorous, valid and sophisticated selection system helps in identifying a right candidate with potential to perform. It identifies the applicant pool (external or internal recruitment) and specifies the sophisticated selection techniques. Scholars have developed several selection techniques, such as pre-employment tests and interviews. A pre-employment test could reveal the employees' skills and abilities to complete the job that they have applied. An interview is aimed at predicting the

future behaviors of the candidates. According to Pfeffer (1998), the attributes needed by an organization are assessed in part from interviews employing questions evoking specific instances of these attributes.

The mismatch between the person and the job can hamper firm performance, whereas selective hiring can ensure a better fit between the person's abilities and the organization's requirement. In addition, selective hiring is found to be positively related to firm performance (Holzer, 1987; Terpstra & Rozell, 1993).

4. Performance appraisal

Through the use of performance appraisal systems, enterprises can monitor the development of desired employee attitudes and behaviors so that they can better guide and motivate their employees to achieve the desired firm performance. According to Delery and Doty (1996), appraisals can be based on results or behavior. The results-based appraisal concentrates on the final results achieved by the employee irrespective of his personality or deficiencies. Its measurement is exact and easy to get. But the behavior-based appraisal focuses on the employees' behaviors necessary to perform the job effectively. Its measurement is observable and should be evaluated by line managers.

The appraisal-based information could be used for changing the selection and training practices and also supporting the performance-based compensation system. Many empirical studies have proved that the performance appraisal contributed to the improvement of organizational effectiveness (Delaney, Lewin & Ichniowski, 1989; Delery & Doty, 1996; Heneman & Von Hippel, 1997).

5. Work organization

Work organization is a broad concept with no strict definition. It deals with the way work is organized and managed. According to Applebaum and Berg (1997), the type of work organization used by an enterprise constitutes an important strategic element which influences firm performance. This HR practice illustrates the configuration of positions and the presence of work teams.

6. Information sharing

Information sharing is an essential component of high-performance work systems (Pfeffer, 1998). It may have a dual effect. Firstly, it conveys employees the important message that the organization trusts them. Secondly, so as to make informed decision, employees should have access to crucial information. The routine communication on important dimensions of performance (e.g. strategic decisions; financial information) and training on the way to use and interpret that information help employees to develop and contribute to enhancing firm performance. In addition, employees are willing to receive the performance feedback to know whether they have a satisfactory performance. Moreover, information sharing fosters organizational transparency which reduces turnover (Ahmad & Schroeder, 2003) and forges synergistic working relationship among employees (Nonaka, 1994).

Although information sharing is not a widespread HR practice, there are still some empirical studies which have proved the positive association of information sharing with firm performance (Morishima, 1991; Constant & al., 1994; Burgess, 2005).

7. Employment security

Companies that provide their employees with job security cultivate a long-standing

commitment to their workforce. Pfeffer (1995) argued that << norms of reciprocity tend to guarantee that this commitment is repaid. However, an employer that signals through words and deed that its employees are dispensable is not likely to generate much loyalty, commitment, or willingness to expend extra effort for the organization's benefit>> (1995:58). In addition, employment security may help align the interests of employees and owners, because employees who perceive that their jobs are secure are more motivated to improve productivity and take a more comprehensive and long-term view of their jobs and company's performance. Furthermore, the positive effect of employment security on firm performance is suggested by some empirical evidence (Delery & Doty, 1996; Pfeffer, 1998; Ahmad & Schroeder, 2003; Buitendach & Witte, 2005).

8. Social activities and sports

Organizing or providing employees with opportunities to attend social activities and sports is a HR practice adopted by organizations to encourage employees' positive attitudes, relationship building and a generally healthy lifestyle. These social activities and sports include parties, sports competitions or other entertainment activities which make employees comfortable and cheerful. Literatures and empirical studies showed that employees who are actively involved in social activities and sports will be less stressed and this can finally lead to their high productivity and job performance (Shephard, 1988; Wattles, & Harris, 2003; Landro, 2010).

2.6.2 Organizational performance (dependent variables)

Three types of dependent variables and the respective indicators are presented as below:

1. Social performance

a) Employee satisfaction

In this study, employee satisfaction is separated into two expressions. One is the employee satisfaction towards the working environment. It expresses a level of happiness of a person in his professional environment connected with interpersonal relations with colleagues and superiors. The other is the employee satisfaction towards their work entrusted. It represents employees' need or desire and the pleasure obtained by the fulfillment of work. This indicator is used in many empirical studies (Scott, 1977; Huselid, 1995; Guerin, Wils & Lemire, 1997; Berg, 1999).

b) Employee turnover

There are two general types of employee turnover: voluntary and involuntary. In this study, we will consider voluntary turnover as the indicator of social performance. Voluntary employee turnover is indicated by a ratio of the number of workers that had to be replaced in a given time period to the total number of employees. As we have shown previously, employee turnover is one of the popular performance measurement indicators (Arthur, 1994; Huselid, 1995; Guthrie, 2001; Batt, 2002).

c) Employee absenteeism

Absenteeism refers to absences that are within the employee's control and for which there is no justifiable or reasonable excuse. It is seen as an indicator of individual performance. Employee absenteeism is calculated by a ratio of the total number of employees absences in a given time period to the total number of days worked by

employees. According to Kehoe and Wright (2010), << attendance at work (the opposite of absenteeism) likely represents behavioral manifestations of employees' affective commitment to the organization>>. Therefore, we suggest this indicator as an attitudinal and behavioral outcome of the HR system.

d) Complaints and grievances

A complaint is a concern an employee wants to discuss with supervisory personnel in an effort to resolve the matter, such as work assignments, performance evaluations or rates of pay. And a grievance is made by an employee on the matters that result from any action the organization has taken against them which violates organizational policies or any constitutional rights. This indicator is calculated by the number of complaints and grievances received in a given time period

2. Economic performance

a) Productivity

Productivity is a measure of the efficiency of production. To obtain a measurable form of productivity, it is necessary to be operationalized. In order to enhance comparability with prior work, the logarithm of sales per employee is a measure of productivity used in this study. Considering the empirical evidence of the effect of high performance HR practices on firm productivity, this indicator is a noteworthy economic performance measure (Holzer, 1987; Arthur, 1994; Bartel, 1994; Leckie & Caron, 1994; Huselid, 1995; MacDuffie, 1995; Youndt & al., 1996).

b) Customer satisfaction

The collective attitudes and behaviors of the employees in a service organization have great potential to impact customer satisfaction because of the direct interactions between customers and them. So customer satisfaction represents a measure of performance that is largely under employee's control. Since we test our hypothesis in service sector, we consider customer satisfaction as an indicator of economic performance.

3. Financial performance

a) Return on assets (ROA) or Return on investment (ROI)

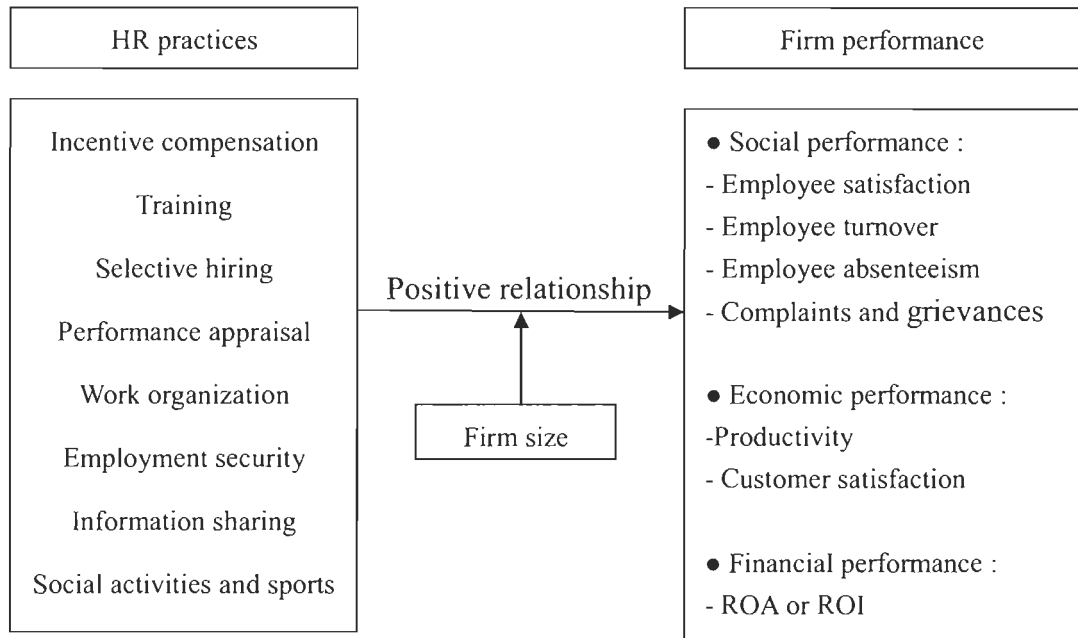
ROA and ROI are similar measures with variations on how "investment" is defined (Farris, Bendle, Pfeifer & Reibstein, 2010). ROA is a logarithm of net income per dollar of assets. And ROI is the ratio of net profit to the total investment. The acquisition of data could be accomplished by consulting the annual financial documents of an organization. ROA or ROI is a popular financial indicator in many empirical studies (Huselid, 1995; Delery & Doty, 1996). But in our study, the measurement of ROA/ROI is based on the subjective evaluation of participants.

2.6.3 Control variables

It is necessary for researchers to hold the control variables constant in order to assess or clarify the relationship between independent variables (HR practices) and dependent variables (firm performance). We have concluded the most used control variables which are seen to be relevant to the relationship between HR practices and firm performance. Those are firm size, industry, firm age, firm characteristics (e.g. a branch or a holding company), location, strategy and union presence. According to Jackson and Schuler (1995), investment in human resources is likely to be greater

among larger firms that have more resources or seek legitimacy. Therefore, the control variable included in our study is firm size.

Figure 7. Research model



2.6.4 Hypothesis

The current study applies the researches on high performance HR practices to predict positive relationships between each of the eight strategic HR practices and firm performance. Hence, we hypothesize:

Hypothesis 1: There will be a positive relationship between firm performance and (a) incentive compensation, (b) training, (c) selective hiring, (d) performance appraisal, (e) work organization, (f) information sharing, (g) employment security and (h) social activities and sports.

2.7 Conclusion

In this chapter, we have introduced the emergence and evolution of SHRM. The shift from HRM to SHRM is highlighted and can be seen as inevitable. Then, we have tried to define the concept of SHRM. The evolution of its definition is presented and the principle elements are extracted in order to give us a more in-depth understanding of SHRM. Subsequently, four theoretical models which illustrate the relationship between HR strategy and strategy of development are brought out. Besides, three perspectives which explain the link between SHRM and organizational performance are presented: universalistic approach, contingency approach and configurational approach. Furthermore, we have detailedly explicated the universalistic approach which serves as our analytical framework, including its theoretical foundation and empirical studies. Finally, various variables, including independent variables (HR practices), dependent variables (performance), control variables (firm size) and the primary hypothesis are presented.

CHAPTER 3

METHODOLOGY

3.1 Introduction

The present chapter allows us to present the methodology used in our study. In order to make a clear presentation, this chapter is divided into three main parts. First of all, we will present the strategy and research type; then, the target population in this study will be discussed in the second part; finally, the operational phase which includes sample and procedures, variable measurements and analyses methods will be presented.

3.2 Strategy and research type

In the precedent chapters, we have already discussed the domain of study, the major problem and the relevant theories in this domain. Now, we will present the methodology that we have privileged. First of all, we want to highlight the objective of this research.

3.2.1 Objective of research

As we mentioned in the second chapter, the focus of debates in the domain of human resource management has turned to discover the links between strategic human resource management and organizational performance. Although different scholars have tried to explicate the causal relationship between HRM practices and firm performance (Wright & McMahan, 1992; Pfeffer, 1994; Becker & Gerhart, 1996), this phenomenon is still considered as a << black box >>.

The universalistic perspective, which is the most often studied approach in HRM and which serves as our analytical framework, still has several questions that we will try

to answer (Dyer & Kochan, 1995; Gerhart, 1999; Wright, Dyer, Boudreau & Milkovich, 1999; Wright & Sherman, 1999). Among them, it is quite meaningful to ask whether there is a relationship between HR practices and the firm performance of Chinese SMEs, especially those in service sector. For this purpose, this empirical research is conducted to fill the theoretical gap and give us a better comprehension of this phenomenon. .

3.2.2 Research type

First of all, this is a correlational research. Our study seeks to examine the relationship between a set of HR practices and firm performance irrespective of the strategies chosen by enterprises. Therefore, we have used the universalistic model to verify the theoretical presuppositions concerning the effects of HR practices on organizational performance.

Secondly, a <<hypothetic-deductive>> approach is taken in this research. We have reviewed the general principles, assumptions and ideas from the existent literatures. After then, we have proposed a testable hypothesis which is tested by gathering and analyzing data from particular enterprises. In fact, this study attempts to empirically test theoretical models accepted and recognized (Emory & Cooper, 1991; Gauthier, 1997). As we noticed, most of the researchers of SHRM adopted such a research procedure (Becker & Gerhart, 1996; Newman & Nollen, 1996).

Thirdly, coherent with our research problem, our strategy of verification is adopting the multiple case studies. The investigation is performed quantitatively by a survey. The main instrument is a questionnaire answered by the HR managers or senior managers in Chinese SMEs in service sector where they are to rank the presence of several strategic human resource management practices.

3.3 The population study

The population of this study are the small and medium sized Chinese enterprises in non-public service sector situated in mainland China. According to the general demarcation of SME in service sector, we consider the companies with employees fewer than or equal to 100 as small sized companies, and those with employees more than 100 and fewer than or equal to 300 as medium sized companies. The defined population is selected for several reasons.

First of all, in the past 20 years, the gross national product (GNP) in China has increased more than six-fold. In 1999, the share of Chinese service industry in gross domestic product (GDP) has raised from 21.4% to 32.9%. Despite of the growing importance of service sector in China, there are still few empirical studies which try to prove that HR practices can positively improve the firm performance of the organizations in this sector. More researchers are interested in testing this relationship in manufacturing sector (Björkman & Fan, 2002; Xu & Yang, 2005; Zhang & Zhao, 2006). As we know, the existent empirical studies which focus on the service sector in China haven't got the significant positive relationship (Liu, Zhou and Chao, 2005). Therefore, we attempt to get the significant positive relationship in this sector which is different from the previous researches.

Second, reviewing past limited empirical studies in Chinese enterprises, it is found that their main focuses were on HRM within large and medium sized enterprises including joint ventures, stated owned enterprises and multinational foreign invested enterprises (Björkman & Fan, 2002; Deng, Menguc & Benson, 2003; Takeuchi, Wakabayashi & Chen, 2003). There are few such studies so far as to examine HRM practice specially in small and medium sized enterprises – the sector which has

contributed significantly to economic growth since the reform started 20 years ago. Considering HR might be the most crucial factor in the SMEs in service sector, it is significant to evaluate the relationship between HRM practices and SME performance in order to identify the best practices to assist Chinese SMEs to grow, ultimately they may contribute to sustainable economic development in China.

Third, in this study, we have excluded the organizations in public service sector such as education, public health, etc. A public service is a service which is provided by government to people living within its jurisdiction, either directly (through the public sector) or by financing private provision of services (Wikipedia). The human resource management in this sector is a part of public management. The intervention of government makes the HRM in this kind of organizations different from others. Generally speaking, compared to the organizations in private service sector, government requires a special employment system which offers a higher level of job security and a higher guarantee of a lifetime career. Besides, these organizations mostly are non-profit. Thus, we consider the organizations in public service sector are not suitable for our study.

3.4 Sample and procedures

3.4.1 Sampling

We have found the lists of SMEs in service sector in China which are published by Ministry of Industry and Information Technology (MIIT) of People's Republic of China in 2011. The lists of SMEs in public service sector were firstly removed from our pool of selection. And the rest constitutes the pool of our questionnaire participants. From these lists, we then selected 210 enterprises as our sample. These

enterprises are situated in several cities in Guangdong province and Jiangsu province.

3.4.2 Data collection instrument

For collecting the data we need in this study, we have used a single structured questionnaire which was sent directly to the HR managers or senior managers in the target enterprises. These respondents are stakeholders of strategic decision making. Thus, they should be the relevant informants to provide needed information. The questionnaire consisted of three sections with a total number of 34 questions. Those three sections were first of all the general information which indicates the name of enterprise, the number of employees and their services; then the implementation of HR practices; finally the performance of the enterprise compared to their competitors.

3.4.3 Execution of data collecting

In the lists of SMEs published by MIIT, the e-mail addresses of senior managers or HR managers are provided. We have sent 210 copies of questionnaires from abroad of China via e-mail with a cover letter which describes the purpose of our study to the HR managers or senior managers of our target enterprises. Considering the limited research budget and long distance issues, we have seen e-mail survey as our best choice to collect the necessary data because of its economic and time-saving nature. But the e-mail survey always leads to a lower response rate. In addition, generally speaking, Chinese managers are less enthusiasm in participating surveys. Sometimes, they will just ignore this kind of e-mail. In order to increase the response rate, we have taken some actions as follows:

Firstly, via the snowball technique, we got in touch with some of the target companies by the personal contacts of friends. It is a method especially useful in China where the people think highly of personal contacts. Secondly, we have emphasized the importance of our study in the cover letter and promised to send the study results to the participants. Thirdly, follow-up mailings have been sent out to the managers who haven't replied two weeks after the first mailings were sent. According to Cox (1966), the optimum mailing interval should be between the 7th and 14th day after the previous mailing.

The first waves of e-mails were sent in early October, 2012. By 15th October, 2012, 46 of the 210 questionnaires were completed and sent back. Then, we have sent the follow-up requests to the HR managers or senior managers who had not sent back the questionnaires. By the end of October, 2012, we received 25 more feedbacks. As a result, a total of 71 questionnaires were returned. This total represented a 33.8 percent response rate. Considering the limitations we have presented above, we think this response rate is acceptable and sufficient for this study since the focus of this study is to verify the existence of HR-performance link. Of these valid responses, 40 are small sized enterprises, the rest are medium sized enterprises.

3.5 Measures

3.5.1 HR practices measures

Eight different HR practices were conceptualized and measured. The concepts of the practices were already presented in the previous chapter. The HR managers or senior managers were asked to rate the extent to which each of the 23 activities were being practiced in their firms, using a Likert scale of 1 (not at all established) to 5 (Very extensively established). Each practice was measured as the mean of their

corresponding 5-point Likert-type items. The questionnaire items of different dimensions will be presented in the following table.

Table 6. Dimensions and indicators of HR practices

Dimensions	Indicators
1. Incentive compensation	1.1 performance gain sharing
	1.2 profit sharing
	1.3 individual bonuses
	1.4 ownership sharing
2. Training	2.1 specific training programs
	2.2 general training programs
3. Selective hiring	3.1 external recruitment
	3.2 evaluation via structured tests
	3.3 evaluation via structured interviews
4. Performance appraisal	4.1 evaluation based on measurable objectives
	4.2 evaluation based on observable behavior
5. Work organization	5.1 employee's involvement in work teams
	5.2 consultation through various committees
	5.3 problem solving through project teams
	5.4 regular job rotation at the similar level
6. Information sharing	6.1 strategic decisions
	6.2 financial information
	6.3 new products or services
	6.4 competition
7. Employment security	7.1 protection of employee's job
8. Social activities and sports	8.1 organizing social activities
	8.2 opportunities to participate social activities
	8.3 organization or opportunities for sport activities

3.5.2 Performance measures

The current study measured the organizational performance perceptually. The respondents were asked to indicate how their firms performed as compared to their competitors. Three key areas of performance were covered: social performance, economic performance and financial performance. These measures represent financial and non-financial outcomes at both individual and organizational levels. A Likert scale of 1 (not at all satisfied) to 5 (strongly satisfied) was used in measuring the employee satisfaction. The final score of employee satisfaction derived from the combined average score of the item “employee satisfaction towards working environment” and the item “employee satisfaction towards their work entrusted”. The rest items of social performance including employee’s turnover rate, absenteeism rate and complaints, economic performance and financial performance were measured by the Likert scale of 1 (very low) to 5 (very high). According to Tomaskovic-Devey, Leiter and Thompson (1994), this comparative method is more effective in eliciting responses than asking respondents directly to provide exact numbers for performance. This phenomenon is more obvious in China where most of the organizations are not willing to publish their internal information. In SHRM area, self-reported measures are widely used (Delaney & Huselid, 1996; Youndt & al., 1996). The following table presents the dimensions and indicators of organizational performance.

Table 7. Dimensions and indicators of organizational performance

Dimensions	Indicators
1. Social performance	1.1 employee satisfaction towards working environment
	1.2 employee satisfaction towards their work entrusted
	1.3 employee's turnover rate
	1.4 employee's absenteeism rate
	1.5 employee's complaints (or grievances)
2. Economic performance	2.1 employee's productivity
	2.2 customer satisfaction
3. Financial performance	3.1 return on assets or return on investment

3.5.3 Control variables

The control variable included in the analyses is firm size. The data were also obtained from the responses of the questionnaire respondents. The respondents were asked to indicate that the total number of employees in their firms belongs to which of the categories: 1. fewer than or equal to 100 and 2. between 101 and 300. It was measured as a nominal variable to indicate whether an enterprise was a small sized enterprise or a medium sized enterprise.

3.6 Data analysis

The chosen analysis methods to verify our hypothesis are essentially quantitative. Collected data were analyzed to determine how the sample of the research responds to the items under investigation. We have used the data only at the quantitative level with the help of the statistic software SPSS 19. Three analysis methods were

employed in this study, which are: descriptive statistics, correlation and regression analysis. We first used descriptive statistics to determine the main features of the collected data in quantitative terms and examine the central tendency of the data in terms of mean and standard deviation. Considering the items used in the questionnaire were all based on 5-point Likert scale, the mean values greater than 3.00 for variables are then showing the significant positive trend. Then, we used correlation analysis to find the strength and the direction of the relationship between variables. Finally, the hierarchical regression analysis was used to determine the dependence of firm performance upon the independent variables. In other words, this analysis helped us to find out the individual effect of each HR practice on every firm performance variable. The eight HR practices were independently entered into the equation after the control variable had been entered. Our hypothesis was tested basing on changes in the level of explained variation before and after the variable of interest was added to the control variable.

CHAPTER 4
RESULTS, LIMITS AND SUGGESTIONS

4.1 Introduction

In this chapter, we will present the results of different statistical analysis performed by the software SPSS 19 as we mentioned before. These results will help us to answer the research question we have posed at the beginning: Do the SHRM practices impact on organizational performance?

In the previous chapter, we have already presented the empirical studies which attempted to verify the universalistic perspective. Most of these studies took large enterprises as samples and most of them have got satisfying results. Here, we want to point out that the samples which entered the analysis in our study were all SMEs. It reveals another emphasis of our research: Is the HR-performance relationship which was verified in large firms still valid in SMEs in mainland China?

The results presented will relate to each of the independent variables including: incentive compensation, training, selective hiring, performance appraisal, work organization, information sharing, employment security and social activities and sports. These independent variables will be analyzed in relation to three kinds of performance: social performance including employee satisfaction, turnover, absenteeism and complaints, economic performance including productivity and customer satisfaction, and financial performance including ROA or ROI.

In the presentation of results, there will be three tables which correspond with the three analysis we have performed. They are: the descriptive statistics which showed the means and standard deviations of data, the matrix of correlation which showed the correlations among different variables studied, and the matrix of regression which showed the standard coefficients and R square changes.

4.2 Presentation of results

4.2.1 The description of results

Descriptive results (cf. table 7) brought the positive trend of each of the variables selected for the study to light. More specifically, it presents the means and standard deviation of data in regard to organizational performance as well as the dimensions of HR practices. As we mentioned in chapter 3, the mean values greater than 3.00 for variables are showing the significant positive trend. In this regard, the HR practices including training, selective hiring, performance appraisal and information sharing have shown the significant positive trend. That is to say, these four dimensions of HR practices were widely established in the 71 enterprises selected.

Table 8 Descriptive statistic

	Mean	s.d.	N
Incentive compensation	2.7183	0.92864	71
training	3.1338	1.36266	71
Selective hiring	3.3899	0.92054	71
Performance appraisal	3.3732	1.09126	71
Work organization	2.8592	0.84804	71
Information sharing	3.1585	1.17050	71
Employment security	2.8310	1.26475	71
Social activities and sports	2.7652	1.25785	71
Employee satisfaction	3.2324	0.75039	71
Turnover	2.6479	1.19641	71
Absenteeism	1.7465	0.95197	71

Table 8 Descriptive statistic (suite)

Complaints or grievances	2.5211	1.08046	71
Productivity	3.3944	0.88606	71
Customer satisfaction	3.6338	0.76044	71
ROA or ROI	3.0423	0.91709	71

4.2.2 Correlation analysis

The correlation analysis (cf. table 8) have shown the existence of relationships between all the HR practices and different indicators of firm performance. From the matrix of correlation, we could see a significant relationship between the presence of incentive compensation and employee satisfaction ($r = 0.526$; $p\text{-value} < 0.01$), turnover ($r = -0.406$; $p\text{-value} < 0.01$), customer satisfaction ($r = 0.251$; $p\text{-value} < 0.05$) and ROA or ROI ($r = 0.371$; $p\text{-value} < 0.01$). Training also significantly influenced employee satisfaction ($r = 0.458$, $p\text{-value} < 0.01$), turnover ($r = -0.242$; $p\text{-value} < 0.05$), productivity ($r = 0.34$; $p\text{-value} < 0.01$), customer satisfaction ($r = 0.296$; $p\text{-value} < 0.05$) and ROA or ROI ($r = 0.396$; $p\text{-value} < 0.01$). The presence of selective hiring significantly influenced the same indicators of firm performance like training, which are employee satisfaction ($r = 0.502$; $p\text{-value} < 0.01$), turnover ($r = -0.236$; $p\text{-value} < 0.05$), productivity ($r = 0.241$; $p\text{-value} < 0.05$), customer satisfaction ($r = 0.384$; $p\text{-value} < 0.01$) and ROA or ROI ($r = 0.313$; $p\text{-value} < 0.01$).

The matrix of correlation also shows a positive relationship between the index of performance appraisal and employee satisfaction ($r = 0.521$; $p\text{-value} < 0.01$), productivity ($r = 0.222$; $p\text{-value} < 0.1$) and ROA or ROI ($r = 0.369$; $p\text{-value} < 0.01$). A similar situation is also observed between work organization and employee satisfaction ($r = 0.501$; $p\text{-value} < 0.01$), productivity ($r = 0.336$; $p\text{-value} < 0.01$),

customer satisfaction ($r = 0.279$; $p\text{-value} < 0.05$) and ROA or ROI ($r = 0.389$; $p\text{-value} < 0.01$). The relationship is also significant between information sharing and employee satisfaction ($r = 0.488$; $p\text{-value} < 0.01$), turnover ($r = -0.365$; $p\text{-value} < 0.01$), absenteeism ($r = -0.281$; $p\text{-value} < 0.05$), productivity ($r = 0.352$; $p\text{-value} < 0.01$), customer satisfaction ($r = 0.267$; $p\text{-value} < 0.05$) and ROA or ROI ($r = 0.413$; $p\text{-value} < 0.01$).

The remaining two HR practices also show a significant relationship with firm performance. The presence of job security is positively and significantly related to employee satisfaction ($r = 0.403$; $p\text{-value} < 0.01$), productivity ($r = 0.315$; $p\text{-value} < 0.01$), ROA or ROI ($r = 0.4$; $p\text{-value} < 0.01$) and negatively and significantly related to turnover ($r = -0.248$; $p\text{-value} < 0.05$), absenteeism ($r = 0.285$; $p\text{-value} < 0.05$). Social activities and sports are also significantly related to employee satisfaction ($r = 0.583$; $p\text{-value} < 0.01$), turnover ($r = -0.283$; $p\text{-value} < 0.05$), productivity ($r = 0.306$; $p\text{-value} < 0.01$), customer satisfaction ($r = 0.267$; $p\text{-value} < 0.05$) and ROA or ROI ($r = 0.446$; $p\text{-value} < 0.01$).

From the correlation analysis, the hypothesis of this study has been proved. There is a positive relationship between SHRM practices and firm performance. For further discussion, the results of regression analysis will be presented in the next section.

Table 9 Matrix of correlations among different variables studied

	Comp.	Train- ing	Selec. hiring	Perfor. Appr.	Organ.	Info sharing	Job Sec.	Acti. sports	E. Satis.	Turn- over	Absen.	Compl.	Prod.	C. Satis.	ROA
Comp.	1 -														
Train- ing	.510 .000	1 -													
Selec. hiring	.453 .000	.533 .000	1 -												
Perfor. Appr.	.653 .000	.521 .000	.406 .000	1 -											
Organ.	.518 .000	.551 .000	.509 .000	.609 .000	1 -										
Info Sharing	.599 .000	.575 .000	.525 .000	.649 .000	.652 .000	1 -									
Job Sec.	.467 .000	.332 .005	.254 .033	.419 .000	.454 .000	.523 .000	1 -								
Acti. sports	.666 .000	.594 .000	.468 .000	.578 .000	.538 .000	.565 .000	.385 .001	1 -							
E. Satis.	.526*** .000	.458*** .000	.502*** .000	.521*** .000	.501*** .000	.488*** .00	.403*** .000	.583*** .000	1 -						
Turn- over	-.406*** .000	-.242** .042	-.236** .047	-.161 .181	-.162 .177	-.365*** .002	-.248** .037	-.283** .017	-.329 .005	1 -					
Absen.	-.106 .378	-.172 .152	-.233 .051	-.148 .217	-.195 .103	-.281** .018	-.285** .016	-.046 .702	-.276 .020	.322 .006	1 -				
Compl.	-.165 .170	-.053 .661	-.001 .994	.027 .826	-.160 .181	-.176 .141	-.186 .121	-.143 .237	-.187 .119	.498 .000	.214 .074	1 -			
Prod.	.137 .255	.340*** .004	.241** .043	.222* .062	.336*** .004	.352*** .003	.315*** .007	.306*** .009	.290 .014	-.042 .726	-.151 .210	.081 .503	1 -		
C. Satis.	.251** .03	.296** .012	.384*** .001	.193 .107	.279** .019	.267** .025	.068 .571	.267** .024	.276 .020	-.254 .033	-.248 .037	-.043 .724	.387 .001	1 -	
ROA	.371*** .001	.396*** .001	.313*** .008	.369*** .002	.389*** .001	.413*** .000	.400*** .001	.446*** .000	.380 .001	-.156 .195	-.217 .070	.035 .771	.419 .000	.412 .000	1 -

Legend:

- N=71. Each cell contains: First row: correlation; Second row: p-value.

- * p-value < 0.1; ** p-value < 0.05; ***p-value < 0.01.

4.2.3 Regression analysis

The correlation analysis is the basis of the regression analysis. But in the correlation analysis, variables are not distinguished into independent variables or dependent variables. We cannot find out the causal relationship of variables and determine the dependence of firm performance upon the HR variables. Therefore, the regression analysis were undertaken to validate the hypothesis. The results turn out that the regression analysis (cf. table 9) strongly supports the correlation analysis. In fact, it seems that all the HR variables we proposed can influence the firm performance of Chinese SMEs in service sector.

An analysis of each of the HR variables shows that the investment on incentive compensation can strongly increase the level of employee satisfaction ($B = 0.508$; $\Delta R^2 = 0.24$; $p\text{-value} < 0.01$), reduce the turnover rate ($B = -0.423$; $\Delta R^2 = 0.166$; $p < 0.01$) and marginally positively relate to customer satisfaction ($B = 0.202$; $\Delta R^2 = 0.038$; $p\text{-value} < 0.1$). Different from the study of Berg (1999) which hasn't found the positively significant relationship between compensation and employee satisfaction, in this study, the incentive compensation explains significant variations in employee satisfaction and also in turnover (24% and 16.6% respectively). Similar to many studies (Gerhart & Milkovich, 1990; Abowd, 1990; Huselid & Becker, 1997; Barette & Simeus, 1997), this HR practice can also strongly influence the ROA or ROI ($B = 0.321$; $\Delta R^2 = 0.096$; $p\text{-value} < 0.01$). But we don't find the significant relationship between incentive compensation and productivity which is opposite to the findings of the studies of Likewise et al. (1994) and Chang & Chen (2002).

As mentioned previously, training is also a strategic practice for SMEs. The presence of training strongly influences employee satisfaction ($B = 0.437$; $\Delta R^2 = 0.174$; $p\text{-value} < 0.01$), productivity ($B = 0.312$; $\Delta R^2 = 0.089$; $p\text{-value} < 0.05$) and ROA or

ROI ($B = 0.345$; $\Delta R^2 = 0.108$; $p\text{-value} < 0.01$). It also relates to turnover ($B = -0.25$; $\Delta R^2 = 0.057$; $p\text{-value} < 0.05$) and customer satisfaction ($B = 0.247$; $\Delta R^2 = 0.055$; $p\text{-value} < 0.05$). The results are against to those of the studies of Delery & Doty (1996) and Arcand, Bayad & Fabi (2002) which haven't found the relationship between training and any indicators of firm performance.

Similar to the incentive compensation, the HR practice of selective hiring has no significant effect on absenteeism, complaints and productivity. The results are in opposition to the study of Holzer (1987) which proved the extensive recruiting efforts increased productivity. However, the presence of this practice significantly increases the level of employee satisfaction ($B = 0.491$; $\Delta R^2 = 0.212$; $p\text{-value} < 0.01$), customer satisfaction ($B = 0.342$; $\Delta R^2 = 0.103$; $p\text{-value} < 0.01$) and marginally affects the turnover ($B = -0.249$; $\Delta R^2 = 0.055$; $p\text{-value} < 0.1$) and ROA or ROI ($B = 0.249$; $\Delta R^2 = 0.054$; $p\text{-value} < 0.05$). These results correspond to the theoretical assumptions and empirical findings (Terpstra & Rozell, 1993; Barrette & Simeus, 1997).

Compared to the other HR practices, the HR practice of performance appraisal relates to the fewest indicators of firm performance. In line with the findings of the empirical researches of Delery & Doty (1996), Delaney & al. (1989) and Barrette & Simeus (1997), performance appraisal is significantly related to ROA or ROI ($B = 0.343$; $\Delta R^2 = 0.116$; $p\text{-value} < 0.01$). This practice also strongly improves employee satisfaction ($B = 0.504$; $\Delta R^2 = 0.251$; $p\text{-value} < 0.01$) and marginally improves productivity ($B = 0.203$; $\Delta R^2 = 0.041$; $p\text{-value} < 0.1$).

The regression analysis also states the conclusions in regard to work organization. Work organization, alone, explains 21.8% variations in employee satisfaction of Chinese SMEs in service sector ($B = 0.48$; $\Delta R^2 = 0.218$; $p\text{-value} < 0.01$), but also about 10% variations in productivity ($B = 0.310$; $\Delta R^2 = 0.091$; $p\text{-value} < 0.05$) and

11% variations in ROA or ROI ($B = 0.345$; $\Delta R^2 = 0.112$; $p\text{-value} < 0.01$). It also has a positively significant effect on customer satisfaction ($B = 0.236$; $\Delta R^2 = 0.053$; $p\text{-value} < 0.05$). In accordance with the empirical studies of Guerin, Wils & Lemire (1997) and Huselid (1995), this study also indicates the positive relationship between participation and employee satisfaction as well as productivity.

The results more eloquent are got from the analysis on information sharing. The presence of information sharing has a significant effect on all the indicators except the complaints. It strongly influences employee satisfaction ($B = 0.467$; $\Delta R^2 = 0.205$; $p\text{-value} < 0.01$), turnover ($B = -0.375$; $\Delta R^2 = 0.132$; $p\text{-value} < 0.01$), productivity ($B = 0.326$; $\Delta R^2 = 0.1$; $p\text{-value} < 0.01$) and ROA or ROI ($B = 0.369$; $\Delta R^2 = 0.128$; $p\text{-value} < 0.01$). Its effect on absenteeism ($B = -0.259$; $\Delta R^2 = 0.063$; $p\text{-value} < 0.05$) and customer satisfaction ($B = 0.222$; $\Delta R^2 = 0.046$; $p\text{-value} < 0.1$) is less intensive but also significant.

Like the previous HR practices, employment security is also reflected in the regression analysis. Delery & Doty (1996), Stephen & Verma (1995) and Arcand & al. (2002) have got the positive relationship between employment security and financial performance. In our study, we have got the same conclusion. Employment security significantly influences ROA or ROI ($B = 0.383$; $\Delta R^2 = 0.146$; $p\text{-value} < 0.01$), employee satisfaction ($B = 0.391$; $\Delta R^2 = 0.152$; $p\text{-value} < 0.01$), turnover ($B = -0.245$; $\Delta R^2 = 0.06$; $p\text{-value} < 0.05$), absenteeism ($B = -0.275$; $\Delta R^2 = 0.075$; $p\text{-value} < 0.05$) and productivity ($B = 0.303$; $\Delta R^2 = 0.091$; $p\text{-value} < 0.05$). More precisely, the higher level of employment security SMEs provides to employees, the better their social performance, economic performance and financial performance will be.

The results related to social activities and sports shows that this HR practice explains

significant variations in employee satisfaction ($B = 0.603$; $\Delta R^2=0.301$; $p\text{-value}<0.01$) and ROA or ROI ($B = 0.403$; $\Delta R^2=0.135$; $p\text{-value}<0.01$) (30% and 13.5% respectively). In addition, it has a significant effect on turnover ($B = -0.317$; $\Delta R^2=0.083$; $p\text{-value}<0.05$) and productivity ($B = 0.277$; $\Delta R^2=0.063$; $p\text{-value}<0.05$).

We have also taken some complementary analysis which entered all the HR practices simultaneously into all the hierarchical regression equations predicting all the indicators of firm performance. We can see that the set of HR practices significantly influence the index of employee satisfaction ($\Delta R^2=0.463$; $p\text{-value}<0.01$), turnover ($\Delta R^2=0.265$; $p\text{-value}<0.05$), productivity ($\Delta R^2=0.236$; $p\text{-value}<0.05$) and ROA or ROI ($\Delta R^2=0.297$; $p\text{-value}<0.01$).

Table 10 Results of the regression related to the universalistic perspective of HR

	E. satisfaction		Turnover		Absenteeism		Complaints		Productivity		C. satisfaction		ROA or ROI	
Variables	B ^a std.	△R ²	B ^a std.	△R ²	B ^a std.	△R ²	B ^a std.	△R ²	B ^a std.	△R ²	B ^a std.	△R ²	B ^a std.	△R ²
Control		0.041		.002		.024		.003		.035		.057		.073
HR practices:														
Compensation	.508***	.240	-.423***	.166	.070	.005	-.161	.024	.094	.008	.202*	.038	.321***	.096
Training	.437***	.174	-.250**	.057	-.138	.017	.039	.001	.312**	.089	.247**	.055	.345***	.108
Selec. hiring	.491***	.212	-.249*	.055	-.204	.037	.022	.000	.200	.035	.342**	.103	.249**	.054
Perfor. Appr.	.504***	.251	-.157	.024	-.132	.017	.034	.001	.203*	.041	.167	.028	.343***	.116
Work organ.	.480***	.218	-.159	.024	-.169	.027	-.156	.023	.310**	.091	.236**	.053	.345***	.112
Info. sharing	.467***	.205	-.375***	.132	-.259**	.063	-.173	.028	.326***	.100	.222*	.046	.369***	.128
Job security	.391***	.152	-.245**	.060	-.275**	.075	-.182	.033	.303**	.091	-.051	.003	.383***	.146
Social activity	.603***	.301	-.317**	.083	.022	.000	-.144	.017	.277**	.063	.203	.034	.403***	.135
Total model^b		.463***		.265**		.178		.142		.236**		.183		.297***

Legend:

a: B standard (i.e. individual effect of each HR variable)

b: the total △R² takes into account all the HR variables. *: p-value<0.10; **: p-value<0.05; ***: p-value<0.01

4.3 Discussion and conclusion

The primary purpose of this study was to demonstrate that, in line with the findings of the most empirical studies conducted in western context (Huselid, 1995; Delery & Doty, 1996; Arcand, Bayad & Fabi, 2002), the relationship between strategic human resource management and firm performance is also valid in China context. The results reported in this study indicate that the HR-firm performance link is viable in China. This finding increases the empirical evidences for the researches in this domain.

In light of the results we got, can we say that the strategic universalistic model of human resource management is appropriate for Chinese SMEs in service sector? In some respect, the current study differs from previous studies (Jiang & Zhao, 2004; Liu, Zhou & Chao, 2005; Zhang, Zhang & Liu, 2008) because our results provide us a strong evidence of the relationship between SHRM practices and organizational performance in Chinese SMEs in service sector. All individual HR practices, including incentive compensation, training, selective hiring, performance appraisal, work organization, information sharing, employment security and social activities and sports, had strong universalistic relationships with employee satisfaction and important accounting measures of performance. Also, each of the HR practice had independently affected other different indicators of performance. But no HR practice had significant effect on complaints. Furthermore, the regression analysis have eloquently proved that these HR practices are high performance regardless of the strategic orientation followed by the 71 Chinese SMEs in service sector. In other words, from the statistical analysis, it is clearly shown that there is strong support for the universalistic perspective in China context.

The incentive compensation had a significant relationship with employee satisfaction ($B = 0.508$, $P < 0.01$) and turnover ($B = -0.423$, $p < 0.01$). It seems that the incentive compensation has played an important role in attracting and retaining employees. This might be due to the characteristic of service sector. In fact, compared to agricultural sector and industrial sector, the service sector is relatively new in China. Its vigorous development results in the lack of skilled employees. The high turnover rate is always a problem in service sector. Besides, the average basic salary in this sector is low. Thus, the enterprises which offer better incentive compensation become more attractive. As a result, this HR practice is seen as a best practice for improving employee satisfaction and retaining talents.

The universalistic support for the effectiveness of training and selective hiring is consistent with human capital theory (Duncan & Hoffman, 1981; Tsang 1987; Rumberger, 1987). This theory implies that organizations that use rigorous selective hiring and effective training to get and develop valuable knowledge, skills and abilities present better performance (Delaney & Huselid, 1996). From the descriptive analysis, we can see that these two HR practices were widely used in Chinese SMEs in service sector. The results turned out that they both had significant effect on customer satisfaction. Training also significantly affected productivity. Because of their proximity to customers, employees in service enterprises are better able to influence customer satisfaction. Therefore, the qualities of employees should be taken seriously. As we mentioned above, in Chinese service sector, skilled workers are sought-after. Compared to large firms, SMEs seem much less attractive. Therefore, it seems that training programs could be an alternative choice. Through training employees, SMEs can create their own skilled human capital base.

The universalistic relationship between the presence of performance appraisal and organizational performance supports an agency theory (Delery & Doty, 1996). In the

current study, we considered both results-oriented appraisal and behavior-oriented appraisal. The results showed that performance appraisal was a practice widely adopted in Chinese SMEs in service sector. The periodical appraisal pushed employees to improve their productivity and devote themselves to the amelioration of financial performance. Besides, this HR practice supports the performance-based compensation system. Therefore, a periodical appraisal system helps employee get the pay they deserve, which can significantly improve the level of employee satisfaction. Once the employees are well motivated, the agency problems will decrease.

As a not widespread HR practice, information sharing has given us a surprise in the current study. It seems that these Chinese SMEs had shown greater interest in sharing private business information with employees. This HR practice has significantly influenced the most indicators of firm performance compared to the other HR practices in this study. We believe that the limited size and the trend of enterprise informatization give SMEs a chance to pass on information more quickly and less costly. The routine communication on important dimensions of performance improves the sense of belonging and productivity of employees, which finally contributes to enhancing firm performance.

Overall, the findings of the current study strongly support the positive effect of SHRM practices on firm performance as put forward in universalistic perspective. That is to say, in accordance with the resource-based theory and the models in SHRM, human resources indeed play an important role in the development of firm performance. Especially for SMEs which have limited available resources, they should know well what resources to invest and how to take advantage of them. In consideration of the limited quantity of empirical researches in China, our study has provided guidance for Chinese SMEs in service sector to plan their future. We also

filled a theoretical gap in this domain.

4.4 Limitations and suggestions

In spite of the contributions of this research, a few limitations which influence the generalizability and availability of the findings should be pointed out. First of all, the HR practices tested in this study took up a small set of the population of those used by organizations. According to Becker and Gerhart (1996), there is no unified view for the composition of high performance work systems. Although we have chosen the HR practices which are universally considered to be strategic and proposed by many researchers, other HR practices might as well constitute components of high performance work systems. Thus, future studies are needed to find out other possible best practices.

Second, the sample size of this study was relatively small. Being limited by the budget and long distance issues, we have used e-mail survey to collect necessary data. But because of the nature of e-mail survey, we had only 71 responses. Compared to the existing empirical studies (Huselid, 1995; Delery & Doty, 1996; Gerhart & Trevor, 1996), our sample size may be insufficient. In addition, we limited the study to a single sector (i.e. the service sector). The findings may not be valid in other sectors. Therefore, a cross industry study is needed to find out whether industry is an important influencing factor.

Third, this study was limited to a single respondent who is the HR manager or senior manager of an enterprise. The measurement was based on the subjective perspective of the respondents, so potential bias may occur. Hence, future studies should consider using subjective evaluation and objective data simultaneously. Also, evaluations from

multiple respondents are preferred.

Fourth, there are plenty of factors which would influence the firm performance and the presence of HR practices. However, subject to the time and budget, we couldn't integrate all of them (e.g. firm age, industry, firm characteristic, etc.) into our control variables. Furthermore, the moderating effect of firm strategy and the synergistic effect of HR practices were not tested in this study. Future study should take these factors into account.

Fifth, the use of cross-sectional research design is another limitation of this study. The current study relates to the information on HR practices and organizational effectiveness over a given period. However, the causal ambiguity problem cannot be well addressed in cross-sectional designs. Therefore, future studies should consider using longitudinal designs to better find out the causal relationship between the HR practices and firm performance.

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APPENDIXES

Appendix 1:

Questionnaire

This questionnaire includes 34 questions which divided into three distinct sections. These three sections are respectively: General information of enterprise, the human resource practices in the enterprise and the different index of organizational performances.

Section I : General information

1. Name of the enterprise: _____
2. Number of employees: _____
A. fewer than or equal to 100 B. between 101 and 300 C. more than 300
3. Services provided? _____

Section II : Human resource management practices

Instructions: Please find a list of human resource management practices which could be part of your enterprise. For each of these selected practices, a statement will be suggested. Please assess your opinions on the five-point Likert scale concerning the extent to which your company implements these HR practices.

1= not at all established

5= Very extensively established

For each statement, please circle the figure which best describes the level of implementation of this particular human resource practice within your organization.

If you answer this questionnaire in e-format, you can also change the color of the chosen number into red.

Example: In our company, gain sharing based on the employee's efficiency is an activity:

1	2	3	4	5
Not at all established		Moderately established		Very extensively established

If you think gain sharing is a HR practice that intensively established in your company, you should select the figure "5"; Conversely, you should select the figure "1" if it is not at all established.

Nota Bene: The actual questionnaire is related to human resources practices intended for the non-management employees.

1. Incentive compensation

In our company,

1.1 Gain sharing based on the employee's efficiency is an activity:

1	2	3	4	5
Not at all established		Moderately established		Very extensively established

1.2 Sharing a part of the profits among employees is an activity:

1	2	3	4	5
Not at all established		Moderately established		Very extensively established

1.3 Granting individual bonuses to the best performing employees is an activity:

1	2	3	4	5
Not at all established		Moderately established		Very extensively established

1.4 Ownership sharing is an activity:

1	2	3	4	5
Not at all established		Moderately established		Very extensively established

2. Training

In our company,

2.1 Using specific training programs allowing employees to fulfill the requirements of their position (e.g. financial courses for accountants) is an activity:

1	2	3	4	5
Not at all established		Moderately established		Very extensively established

2.2 Using general training program allowing employees to fulfill the future needs of the organization (e.g. Leadership or communication classes) is an activity:

1	2	3	4	5
Not at all established		Moderately established		Very extensively established

3. Selective Hiring

In our company,

3.1 Looking at external recruitment is an activity:

1	2	3	4	5
Not at all established		Moderately established		Very extensively established

3.2 Using structured tests to properly evaluate the selected candidates (abilities, skills, personality, etc) is an activity:

1	2	3	4	5
Not at all established		Moderately established		Very extensively established

3.3 Using structured interviews to properly evaluate the selected candidates (abilities, skills, personality, etc) is an activity:

1	2	3	4	5
Not at all established		Moderately established		Very extensively established

4. Performance appraisal

In our company,

4.1 A periodic appraisal of the employee's performance based on measurable objectives (e.g. individual sales volume of salesmen) is an activity:

1	2	3	4	5
Not at all established		Moderately established		Very extensively established

4.2 A periodic appraisal of the employee's performance based on observable behavior is an activity:

1	2	3	4	5
Not at all established		Moderately established		Very extensively established

5. Work organization

In our company,

5.1 Employee's involvement in work teams is an activity:

1	2	3	4	5
Not at all established		Moderately established		Very extensively established

5.2 Regular consultations with the employees by means of different committees is an activity:

1	2	3	4	5
Not at all established		Moderately established		Very extensively established

5.3 Solving problems through project teams led by employees is an activity:

1	2	3	4	5
Not at all established		Moderately established		Very extensively established

5.4 A regular job rotation at the similar level is an activity:

1	2	3	4	5
Not at all established		Moderately established		Very extensively established

6. Information sharing

In our company, sharing with the employees...

6.1 information related to strategic decisions (e.g. strategic planning, technology implementation, etc.) is an activity:

1	2	3	4	5
Not at all established		Moderately established		Very extensively established

6.2 information related to financial information (e.g.annual reports, etc.) is an activity:

1	2	3	4	5
Not at all established		Moderately established		Very extensively established

6.3 information related to the new products or services offered by the company is an activity:

1	2	3	4	5
Not at all established		Moderately established		Very extensively established

6.4 information related to the competition (e.g. competitive products, market share, etc.) is an activity:

1	2	3	4	5
Not at all established		Moderately established		Very extensively established

7. Employment security

In our company,

7.1 to commit to protect employee's job, despite foreseeable changes, is an activity:

1	2	3	4	5
Not at all established		Moderately established		Very extensively established

8. Social activities and sports

In our company,

8.1 organizing social activities (e.g. dinner parties, new year parties, teambuilding activities, etc.) is an activity:

1	2	3	4	5
Not at all established		Moderately established		Very extensively established

8.2 providing employees with opportunities to participate in various social activities (e.g. tickets to cinema, admission to exhibitions, etc.) is an activity:

1	2	3	4	5
Not at all established		Moderately established		Very extensively established

8.3 organizing or providing with opportunities for sport activities (e.g. offering gifts or monetary reward to the winners of sport activities, organizing badminton competition, etc.) is an activity:

1	2	3	4	5
Not at all established		Moderately established		Very extensively established

Section III: Organizational performance

Here is a list of performance criterias regarding to your organization. For each statement, you will be asked to assess your opinions on the five-point Likert scale concerning the level of your organizational performance. These criterias are divided into three parts: social performance factors, economic factors and financial factors.

1. Social performance factors

In your opinion, how do you evaluate...

1.1 your employee's level of satisfaction towards working environment?

1	2	3	4	5
Not at all Satisfied		Average		Strongly Satisfied

1.2 your employee's level of satisfaction towards their work entrusted?

1	2	3	4	5
Not at all Satisfied		Average		Strongly Satisfied

1.3 your employee's turnover rate? (Calculation: Divide the number of voluntary departures in a year by the total number of employees in that year.)

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

1.4 your employee's absenteeism rate? (Calculation: Divide the number of absences in a year by the total number of days worked by employees in that year.)

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

1.5 the number of employee's complaints (or grievances) in a year?

1	2	3	4	5
Very low		Average		Very high

2. Economic performance factors

In comparison with your competitors, how do you rate...

2.1 your employee's productivity?

1	2	3	4	5
Very low		Average		Very high

2.2 your customer's level of satisfaction?

1	2	3	4	5
Very low		Average		Very high

3. Financial performance factors

In comparison with your competitors, how do you evaluate...

3.1 your return on assets (ROA) or return on investment(ROI)? (ROA= net profit (after tax and before extraordinary items)/total assets; ROI= net profit (after tax and before extraordinary items)/total investments.)

1	2	3	4	5
Very low		Average		Very high

Thank you very much for your participation!

Appendix 2:

Questionnaire (in Chinese)

调查问卷

问卷信息

这个调查问卷包括 34 个问题，这些问题分为 3 个不同的部分。他们分别是：企业的一般信息，企业实施的人力资源实践和不同的组织绩效指标。

第一部分：企业的一般信息

1. 企业名称：_____
2. 员工人数：_____
- A. 少于 100 B. 介于 100 与 300 之间 C. 300 以上
3. 您的企业所提供的服务？_____

第二部分：人力资源实践

说明：下面是一个人力资源实践的清单，其中一些可能是贵公司人力资源系统的组成部分。每个人力资源实践下都设有一个或者几个问题，对于每个在调查问卷中的问题，请您就贵公司实施该实践的程度，在五分量表上标记出您的意见。

1=根本没执行

5=坚决贯彻

请圈出您认为最能体现该人力资源实践在贵公司的执行情况的数字。如果您以电子格式回答问卷，可以把所选数字改成红色。

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

适度执行

坚决贯彻

如果您认为共享企业的绩效收入在贵公司是一项坚决贯彻的人力资源实践，您可以选择数字“5”。相反，如果该实践根本没执行，您该选择数字“1”。

注意：此部分问卷是针对适用于非管理层员工的人力资源实践。

1. 激励薪酬

在我们公司，

1.1 和员工分享企业的绩效收入（基于员工工作效率），是一项措施：

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

根本没执行

适度执行

坚决贯彻

1.2 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

适度执行

坚决贯彻

1.3 为最佳表现员工发放奖金，是一项措施：

1	2	3	4	5
根本没执行		适度执行		坚决贯彻

1.4 股份分享是一项措施：

1	2	3	4	5
根本没执行		适度执行		坚决贯彻

2. 培训

在我们公司，

2.1 采用具体技能培训使得员工更能满足他们所在职位的需要（例如，为财务人员提供财务技能培训），是一项措施：

1	2	3	4	5
根本没执行		适度执行		坚决贯彻

2.2 采用一般技能培训使得员工更能满足公司未来的需要（例如，培训员工全方面的管理技能，提供领导力或交流能力培训），是一项措施：

1	2	3	4	5
根本没执行		适度执行		坚决贯彻

3. 选择性招聘

在我们公司，

3.1 从外部招聘员工，是一项措施：

1	2	3	4	5
根本没执行		适度执行		坚决贯彻

3.2 利用结构化测验，以正确评估候选人（技能，能力，人格），是一项措施：

1	2	3	4	5
根本没执行		适度执行		坚决贯彻

3.3 使用结构化面试来正确评估候选人（技能，能力，人格），是一项措施：

1	2	3	4	5
根本没执行		适度执行		坚决贯彻

4. 绩效评估

在我们公司，

2.1 周期性地评估员工绩效，这种评估是基于可测量的结果（例如，销售人员的个人销售额），是一项措施：

1	2	3	4	5
根本没执行		适度执行		坚决贯彻

4.2 周期性地评估员工绩效，这种评估基于可观测的行为（例如，平时工作勤快），是一项措施：

1	2	3	4	5
根本没执行		适度执行		坚决贯彻

5. 工作的组织

在我们公司，

5.1 将员工融入工作团队之中，是一项措施：

1	2	3	4	5
根本没执行		适度执行		坚决贯彻

5.2 定期通过各种不同的委员会与员工协商，是一项措施：

1	2	3	4	5
根本没执行		适度执行		坚决贯彻

5.3 通过由员工带领的项目团队解决问题，是一项措施：

1	2	3	4	5
根本没执行		适度执行		坚决贯彻

5.4 定期进行同等级的员工岗位轮换，是一项措施：

1	2	3	4	5
根本没执行		适度执行		坚决贯彻

6. 信息共享

在我们公司， 与员工分享.....，

6.1 有关公司战略决定的信息（例如，战略规划，技术启用等），是一项措施：

1	2	3	4	5
根本没执行		适度执行		坚决贯彻

6.2 公司有关的财务信息（例如年度报告等），是一项措施：

1	2	3	4	5
根本没执行		适度执行		坚决贯彻

6.3 有关公司提供的新产品/服务的信息，是一项措施：

1	2	3	4	5
根本没执行		适度执行		坚决贯彻

6.4 有关公司的竞争情况（例如，竞争产品，市场份额等），是一项措施：

1	2	3	4	5
根本没执行		适度执行		坚决贯彻

7. 就业保障

在我们公司，

8.1 向员工承诺，在任何可预测的变革情况下，保障其职位，是一项措施：

1	2	3	4	5
根本没执行		适度执行		坚决贯彻

8. 社交活动和运动

在我们公司，

8.1 组织社交活动（例如，员工聚餐，新年晚会，团队建设等），是一项措施：

1	2	3	4	5
根本没执行		适度执行		坚决贯彻

8.2 给员工提供参与各种社交活动的机会（例如，电影票，展览门票等），是一项措施：

1	2	3	4	5
根本没执行		适度执行		坚决贯彻

8.3 组织或提供机会参加体育活动（例如，给体育活动获胜者提供奖品或奖金，组织羽毛球赛等），是一项措施：

1	2	3	4	5
根本没执行		适度执行		坚决贯彻

第三部分：企业绩效

下面是一个企业绩效指标的清单。对于每个在调查问卷中的问题，请您就贵公司企业绩效的水平，在五分量表上标记出您的意见。这些绩效指标被分为三个部分：社会绩效因子，经济绩效因子和财务绩效因子。

1. 社会绩效因子

就您的观点，您该怎么评价.....

1.1 员工对工作环境的满意程度？

1	2	3	4	5
完全不满意		基本满意		完全满意

1.2 员工对所指派的任务的满意程度？

1	2	3	4	5
完全不满意		基本满意		完全满意

1.3 员工的流失率？（一年内自愿离职人数除以全体员工人数）

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

1.4 员工缺勤率？（一年内所有员工缺勤总天数除以当年所有员工工作天数）

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

1.5 一年内员工抱怨/投诉数量？

1	2	3	4	5
非常低		中等		非常高

2. 经济绩效因子

与您的竞争对手相比，您怎么评价.....

2.1 员工生产效率？

1	2	3	4	5
非常低		中等		非常高

2.2 顾客满意度？

1	2	3	4	5
非常低		中等		非常高

3. 财务绩效因子

与您的竞争对手相比，您怎么评价.....

3.1 贵公司的资产收益率或投资回报率？(资产收益率=净利润(税后和非经常项目前)/总资产；投资回报率=净利润(税后和非经常项目前)/总投资)

1	2	3	4	5
非常低		中等		非常高

非常感谢您的参与！