Business Strategies, HRM Policies and Organizational Performance: Evidence from the Peoples Republic of China

by

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Acknowledgement

A PhD is an ambitious project and a major endeavour in life, which is not only a degree but also a precious episode of life, teaching you the way of life with isolation, confusion, stressfulness, enlightening and cheerfulness.

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Abstract

There are various perspectives for SHRM modelling, including the universal perspective, the contingent-perspective, the configurational perspective (Delery and Doty, 1996) and the contingent-configurational perspective (Lepak and Shaw, 2008). Empirical evidence supporting these modelling perspectives were collected from both developed and transitional economies, but most of the models built based on this evidence were static, which uncovered how HRM generated competitive advantage rather than sustainable competitive advantage. This thesis is aimed at building a dynamic model of SHRM depicting the process of sustainable competitive advantage generation.

Drawing on the data collected via a survey in Beijing, this thesis's research question include,

1)   What is the current state of the application of SHRM in the PRC, and the relationships between business strategies, HRM policies and organizational performance?

2)   What are the elements and what is the structure of organizational performance, and what are the links between organizational performance elements?

3)   What strategic roles does the HR function play in the organization?

4)   How do organizational contextual factors influence the linkages in SHRM system?

It was found, first, that HRM in the researched enterprises was undergoing a change to a strategic model. Second, links between business strategies, HRM and organizational performance were proved in Chinese settings. Third, it deconstructed organizational performance into HR outcomes, organizational outcomes, and financial accounting outcomes, and proved the hierarchical effects between HRM and financial accounting outcomes. Fourth, it linked organizational performance and strategic role of HR function in strategy formulation to business strategies, which made a dynamic SHRM model generating sustainable competitive advantage. Fifth, it empirically proved that HR not only helped in implementing strategies but was also involved in the strategy formulation process.

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Abbreviations

SF: Strategic Role of HR Function in Strategy Formulation

SI: Strategic Role of HR Function in Strategy Implementation

BS: Business Strategy

EFA: Exploratory Factor Analysis

ESOS: Employee Share Ownership Schemes

FAO: Financial Accounting Outcomes

HRM: Human Resource Management

HRMPC: Human Resource Management Policy Configurations

HRO: Human Resource Outcomes

OCF: Organizational Contextual Factors

OO: Organizational Outcomes

OP: Organizational Performance

PRC: the People's Republic of China

SHRM: Strategic Human Resource Management

SRHR: Strategic Role of HR Function

Chapter One

Introduction

1.1 Introduction

This research is focused on St rategic Human Resource Management (SHRM) in a transitional economy based on data collected from the People's Republic of China (PRC). Specifically, it uses empirical data from a transitional economy (PRC), and draws on the theories developed in advanced economies to build a dynamic SHRM model. From a neo-contingency perspective, it draws on contingent-configurational perspective of SHRM modelling (Lepak and Shaw, 2008), competence and resource based strategy formulation theory and the strategic role of HR function to develop a conceptual model of a dynamic SHRM system, which not only investigates the reciprocal relationships between organizational variables in the SHRM system but also explores the elements, structure, and roles of constructs, including organizational performance and the strategic role of HR function. The reciprocal relationships is employed to differentiate the conceptual model of this research to the static models and proposed that HRM and organizational performance influencing each other reciprocally, rather than uni-directionally, and some mediators existing in this relations.

This chapter is divided into six sections. Following this section, section 1.2 provides a brief review of the literature on both SHRM and HRM in China. Section 1.3 delineates the research objectives and research questions of this research. Section 1.4 overviews the development of a conceptual model and the design and implementation of research. The next section, 1.5, explains the organization of this thesis.

1.2 Background: Literature Review on SHRM Research

SHRM has become one of the most popular terms in HRM research. Terms like High Performance Working System (HPWS) and Best Practices (BP) are frequently used in the academic and practitioner literature. The central argument of SHRM is the fits between SHRM elements, as well as the fits between HRM and organizational variables (external and internal), result in superior organizational performance.

SHRM writers focus their inquiries on what variables should be included in the SHRM system (Jackson, et al., 1989; Jackson and Schuler, 1995) and how these variables align themselves into the whole system and contribute to the organizational performance (Delery and Doty, 1996; Lepak and Snell, 2002; Chenevert and Tremblay, 2009). It has been argued that when studying HRM, organizational contextual factors should be included. So far, a few organizational contextual factors are frequently used when studying SHRM in different contexts, such as, ownership, age and size of firm, internal technology, competitive strategies organizational structure, life-cycle, union presence, external technology change, industry characteristics, intensity of competition, labour market conditions, political, law and regulation, location and national culture.

There are generally four approaches to modelling SHRM, namely, a universal approach, a contingency approach, a configurational approach (Delery and Doty, 1996) and a contingent-configurational approach (Lepak and Shaw, 2008). There are also different types of fits in SHRM research, including environment fit, vertical strategic fit, internal organizational fit, intra-function HR fit, and intra-activity HR fit (Chenevert and Tremblay, 2009). This research adopts a contingent-configurational

approach to examine all the five types of fit's contribution to organizational performance.

1.2.1 Evolution of HRM in PRC

The PRC's transitional economy has exerted an enormous influence on its HRM system (Zhu and Dowling, 1994; Zhu, 1997; Braun and Warner, 2002). The changes in the business environment in PRC can be reviewed from four aspects: economic growth, the institutional environment, the legal environment and the increasingly globalized business environment.

In terms of economic development, the PRC achieved an average economic growth rate of 9.8% and, by 2007, the PRC was the second largest beneficiary country of foreign direct investment (FDI), with the investment growing from US$4 billion in 1990 to US$72 billion in 2005 (UNCTAD 2006). Meanwhile, the PRC has been one of the largest outward investors among developing economies, with a cumulative amount of outward FDI of over US$57.2 billion by the end of 2005 (People's Daily 2006, p. 1). The increased use of FDI promoted the boom of Foreign Invested Enterprises (FIE) in PRC, while the growth of outward FDI implies an outgoing trend of Chinese firms, which in turn indicates a need for SHRM to support the outgoing strategy.

The institutional change in the PRC has been mainly focused on the construction of a socialist market economy and corresponding ownership reform. The market operational reform has sought to substitute a market-oriented system for the mandatory central planning system. The market operation reforms have resulted in substantial shrinkage of the centrally planned mechanism and an increasing role for the market in the

economic system (Zhu, et al., 2005). The deteriorating performance of SOEs prompted the Chinese government to shift the focus of SOE reform to ownership and corporate governance restructuring in the mid-1990s. The main purpose of ownership reform was to improve the efficiency of SOEs through clarification of property rights and relationships with government agencies, and by reducing government administrative intervention in the operations of SOEs. An important part of the ownership reform was employee ownership (that is, some company stock is sold to employees), thus linking the benefits of employees with company performance. Along with the increase of use of FDI, ownership in the PRC has been diversified. There are several common types of ownerships currently in the PRC, including State Owned Enterprises (SOE), Collectively Owned Enterprises (COE), Privately Owned Enterprises (POE), Foreign Invested Enterprises (FIE) and Joint Ventures (JV) (Cooke, 2005).

The legal environment has also been changed through the course of the economic reforms. First, the promulgation of the Labour Law of 1994, implemented in 1995, placed the emerging labour-market at its heart, legalizing individual contracts (geren hetong) and collective contracts (jiti hetong) (Warner 1996). More recently, the Labour Contract Law of 2007 enacted by the Standing Committee of the National People's Congress, made it mandatory for employers to provide written contracts to their workers and made it more difficult to lay-off employees. It also set out to enhance to role of the Party-run trade unions, to boost workers' representative bodies and to facilitate collective bargaining.

The business environment changes in PRC have been mainly focused on its increasing involvement into global economy. When Chinese firms go out into the international market, they have to obey international conven-

tions, like those of the WTO and ILO. Admission to the WTO has now exposed China to an unprecedented competitive and dynamic environment in which more modern HRM will be crucial to meet the challenge in creating flexible and adaptable organizations (Chow and Liu, 2007).

1.2.2 Two Rounds of HRM Reform

HRM in the PRC has been transformed from an old Soviet style personnel system to a hybrid HRM system forged by both Western mainstream HRM and Chinese characteristics (Zhu and Warner, 2005). This thesis proposes that there have been two main rounds of reform in HRM in PRC. The first round of reforms changed the Soviet style personnel system to an HRM system with Chinese characteristics, and the second round, which is ongoing, is leading Chinese HRM to become more strategic.

Before the first round of reforms, the Soviet style personnel system was used, which can be portrayed as a centrally-controlled life-long employment system. Under the old planned economy, the personnel policies and practices were strictly under the control of the state via related labour and personnel administrative authorities and bureau. The state determined both the number of employees to be employed and the wage scales of workers in different categories. In this personnel system, the managers and decision-makers of the organizations were only involved in administrative work and had no responsibilities for policy and practice designing and strategy making.

The core of the first round of reforms in HRM in the PRC was the 'three personnel reforms', namely, the implementation of labour contracts, performance-linked rewards systems, and contributory social insurance

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(Warner, 1995). In this process, the employment policies and practices were decentralized to the enterprise level, and managers in SOEs were granted autonomy in hiring and firing workers (Chow et al., 1999). With the flux of FDI and the increase of the number of MNCs and FIEs, Western style of HRM was transferred into the PRC gradually. But the traditional Chinese HRM characteristics did not disappear. It was found that some traditional practices coexist with market-oriented practices in these enterprises (Goodall and Warner, 1999).

The second round of HRM reforms is ongoing with an aim of leading the HR system to become more strategic. In the course of Chinese firm's globalization, they need their HRM to help fulfil their business strategies. There are three features of Chinese firms which make this round of reform possible. They are: the shrinkage of SOEs and the emergence of labour market, the rise and further development of FIEs and JVs operating in a more market-oriented economy, an d the rise of POEs a nd organiza- tion-level competitive strategy. The increase of FIE and JV provides great opportunities for local firms to learn from their Western partners or competitors. The rise of POE and the outgoing strategy creates the needs for strategic HRM. Basically, the differences between the two rounds of reforms are apparently reflected by the driving forces. In the first round, the reform was led by government intervention, while the second round has primarily been driven by the needs of, and at the discretion of, firms.

1.3   Research Objectives and Research Questions

Based on the literature review and the research interest of the author, this thesis has several research objectives: first, to investigate the application of SHRM practices in the PRC, second, to test western theories in a tran-

sitional economy context. Here, the focus is no longer the basic arguments or assumptions of SHRM or HPWS or the HRM- performance link, but the neo-contingency approach of organizational change. Specifically, contingent-configurational perspective of SHRM modelling (Lepak and Shaw, 2008), competence and resource based strategy formulation theory and the strategic role of HR function are the three focal theories. A third objective, a deepening and furthering of the second one, is that the author builds a model to describe the dynamics or interactions between the SHRM variables. This model differs from others by reflecting the way the changes go on over time rather than just giving a snapshot of one way causal relationships. Fourth, it will examine the way in which researchers study certain constructs in the SHRM system and to explore the structure, elements and roles of them. It will explore the role of the HR function in the whole process of SHRM operations, and explore the structure and elements of organizational performance, as well as the inter-relationships between the elements. By doing this, it can further promote the signifi-cance of HR's strategy formulation role, and improve the understanding of the process of HRM- performance linkage, which used to be remained in black box (or at least, had a lack of empirical evidence).

According to the research objectives above, the research questions are as follows:

1) What is the current state of the application of SHRM in the PRC, what are the relationships between business strategies, HRM polices and organizational performance?

2) What are the elements and what is the structure of organizational performance, and what are the links between organizational per-formance elements?

3) What strategic roles does the HR function play in the organization?

4) How do organizational contextual factors influence the linkages in SHRM system?

1.4 Conceptual Model and Research Methodology

1.4.1 A Neo-contingent Approach to SHRM: Contingent-configurational Perspective of SHRM Modelling, Competence and Resource Based Strategy Formulation and the Strategic Role of HR Function.

According to Dubin (1976), theory is an attempt to model certain aspect of the empirical world. Wright and McMahan (1992) went on to argue that the theories, if accurate, fulfill the objectives of prediction (knowledge of the outcome) and understanding (knowledge of the process) regarding the relationships among the variables of interest. Neo-contingency emerged from the criticisms of contingency theory, such as Sorge and Maurice (1990), Sorge (1991), Donaldson (1999, 2001) and Ramirez and Fornerino (2007). Based on the research interests and the literature reviewed, a conceptual model reflecting the five main research concepts and their relationships are proposed. The five research constructs are:

1) HRM Policy Configurations (HRMPC).
2) Business Strategy;
3) Strategic Role of HR (SRHR);
4) Organizational Performance.
5) Organizational Contextual Factor (OCF)

Three theories, Contingent-configurational perspective of SHRM modelling (Lepak and Shaw, 2008), competence and resource based strategy formulation theory (Andrew, 1998) and the strategic role of HR function (Storey, 1992; Ulrich, 1997, 1998), were drawn on to develop the con-

ceptual model. Neo-contingent theory argues that the organization moves out of fit because of a change in the level of one or more of its contingencies, such as an increase in size or diversification. According to Andrews (1998), strategy is determined by both internal competence-resource and external opportunities. The external opportunities are reflected by technology, ecology, economics, industry, society, politics, while the internal competences include by financial competence, managerial competence, functional competence, organizational competence and reputation history. Performance-driven change (Donaldson, 2002) suggests that the high performance generates surplus resources, including profits and cash flow, enhanced debt capacity, and a higher share price that allows quality financing. These resources are surplus in that they are additional to the resources already committed to present operations. Surplus resources are therefore available to fund growth in the organization, such as hiring new employees, opening new branches, launching new products or services, purchasing more advanced technology, and acquiring other firms.

This thesis uses the organizational performance's measurements to reflect both the achievement of enterprises and the competences and resources, which can be used to predict the strategy formulation. HR outcomes and organizational outcomes provide different organizational and managerial competences, while financial accounting outcomes provides financial resources. As a result, the different elements of the organizational performance can influence the formulation of business strategies. In considering the changing role of the HR function, although it has been widely accepted that HR plays both a strategy implementation role and strategy formulation role (Storey, 1992; Ulrich, 1997, 1998), there is a lack of empirical work in the SHRM field, especially in quantitative research.

The conceptual model of this thesis incorporates both of these two roles. Also, it explores the elements and structure of organizational performance and tests the hierarchical effects along HRM- performance link. The conceptual model, presenting all the hypotheses developed based on the related theories, is described by Figure 1

| Strategic Role of HR Function in Formulating Strategy | Business Strategies | Strategic Role of HR Function in Implementing Strategy | HRM Polices | HR Out-comes | Organizational Outcomes | Financial Accounting Outcomes |

Reversed Causality

Contextual Variables   Contextual Variables   Contextual Variables   Contextual Variables

Contingency and/or control variables at organizational level:
Size, age, technology, unionisation, industry sector, etc

Figure 1: Conceptual Model

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1.4.2 Quantitative Cross-sectional Survey via Questionnaire in Beijing, the PRC

The thesis adopts a hypothesis based deductive approach to research design. This author hypothesised the conceptual model (see chapter 4), which consists of constructs of interest in SHRM system. The hypotheses are tested through the epistemological assumption of a scientific (positivist) approach, which involved a highly structured questionnaire. This research is an exploratory one due to the fact that it investigates the relationships between organizational variables in SHRM and the elements and structures of certain constructs. The data was collected through self-administrated structured questionnaires and analyzed with SPSS.

The survey was conducted in Beijing, PRC through self-administrated questionnaires posted or emailed to 820 firms. Among the returned questionnaires, 168 usable ones were selected. This survey went through the Beijing Statistics Bureau, as suggested by the participants at the first stage of questionnaire pre-testing. This survey adopted a key informant approach, as suggested by previous research (Atuahene-Gima and Li, 2000). The participants of this survey are either senior managers in charge of HR or directors/deputy directors of HR, as they are knowledgeable about the HR and strategy of their firms. The questionnaire was originally prepared in English and translated into a Chinese version by the author who is bilingual in both languages, then, translated back to English by another bilingual researcher. Comparison of the two English questionnaires revealed considerable consistency across translators, some minor inconsistencies notwithstanding. Before the survey, a three-phase pre-test was conducted.

The sampling method in this thesis included collecting information from a portion of the population of companies across industries. By investigating the data collected from the representatives from this population, conclusions and generalisations can be made at this population level.

1.5 Organization of the Thesis

To achieve the research objectives, this thesis is organized into eight chapters. Chapter 1 introduces the background of this study by giving a brief review of SHRM and HRM in the PRC, and explains the research objectives and research questions. It also describes the methodological considerations of this thesis. Finally, the research contributions are explained.

Chapter 2 presents a review SHRM research. In this part, theories, principles and methodological concerns are reviewed, which followed by a summaries of new trends in this fields and critics.

Chapter 3 focuses on the evolution of PRC's HRM. It argues that the PRC's economic development exerts impacts on the HRM system and that HRM in the PRC is undergoing a second round of reform, which would result in more strategic HRM. Then, it offers a review on the state of the application of SHRM practices based on the existing literature.

Chapter 4 present a conceptual model of a dynamic SHRM system from a neo-contingency perspective. Specifically, the author uses contingent-configurational perspective of SHRM modelling, competence and resource based strategy formulation theory and the strategic role of HR function construct a SHRM conceptual model. Competence and resource

based strategy formulation theory provides a basis on which the interaction or reciprocal influences between variables can be studied. HR plays both a strategy implementation role and a strategy formulation role in the SHRM system. Also, it explores the elements and structure of organizational performance and examines the inter-relationships between these elements, which can further reveal the process of HRM- performance linkage.

Chapter 5 is dedicated to the discussion of the philosophical and methodological considerations of this thesis. It provides details of the arguments and justifications for the chosen paradigm, the employed research design, the chosen research tools and how the research tools are managed. It also explains the statistical techniques used in data analysis.

Chapter 6 offers the results of the descriptive data analysis. It provides the demographic results about the surveyed firms and the mean values and standard deviation of every item used to measure constructs in this thesis. In doing so, it achieves the basic details about the data, and, more importantly, helps understand the current state of the SHRM practices in China, as well as the strategies they used and their performance.

Chapter 7 reports the results of data analysis by a series of statistical methods via the SPSS software package. It commences by presenting the data preparation and screening procedures which entail the treatment of missing data, detection of outliers and normality considerations. The next focus is the test of factorial validity of different constructs of the conceptual model. Finally, it conducts hierarchical regression to test the hypotheses in the conceptual model.

Chapter 8 presents a discussion based on the findings of this research. It is comprised of three parts. The first part discusses the factorial validity of the constructs in this research. The second focuses on the application of SHRM in China. The third part discusses the results of conceptual model tests.

Chapter 9 will conclude the research endeavour by presenting a research summary of the overall study, followed by a summarizing the key findings and conclusions. Finally, this chapter finishes with a discussion of the implications, limitations and suggestions for future research.

The next chapter will review the SHRM literature in terms of the development of SHRM, the fit in SHRM, the modelling perspectives in SHRM research, and new trends in SHRM research.

Chapter Two

Strategic Human Re-

source Management

Chapter 2 Strategic Human Resource Management

2.1 Introduction

This chapter presents a literature review on SHRM. The chapter is to conduct a critical review on SHRM literature. Main issues include defining SHRM, relationships between SHRM and HRM, fits in SHRM framework, Constructs in SHRM, SHRM modelling perspectives, new trends in SHRM. Criticisms and gaps in literature will be discussed in next chapter.

This thesis studies SHRM under context of the PRC. To selecting this particular topic under this particular context can meet the demands of both the economic development in the PRC and the advancement of the field of SHRM: on one hand, over three decades of economic reforms and development, Chinese economy is stepping into the stage of knowledge economy and transforming its economy development to a more scientific and cost-effective model. In this phase of the economic development, human resource has been regarded as the first resource. In the 17th congress of the Chinese Communist Party, a people-oriented principle was established as the centre of the social and economic development model. Thus, whether the human resource can be developed and utilized effectively at both macro and micro levels is deemed to be the central determinant of the success of the PRC's development. At micro-level, or organizational level, human capital theory has been widely recognized and used (Zhao, 2008) and more work on the mechanism of effective use of human resource has been called for by researches (Zhu, 2008; Cooke, 2009). On the other, as main stream theories of SHRM is of Western origin, which means the acceptable theories in the field of SHRM were developed and proved in mainly in Western countries, especially the US.

Brewster (1999) pointed out that theories of SHRM developed in the US were not generalizable to Europe because of the significantly different context surrounding HR in the European Union. Some scholars took one step further and suggested that the validity of these theories is also needed to be tested under non-western context, especially in transitional economies, like China and Indian (Budhwar and Sparrow, 2002; Chand and Katou, 2007, Cooke, 2009). Towards the end of responding to the calls in both China studies and SHRM studies, this research is decided to focus on SHRM issues under the context of the PRC.

There are a number of crucial issues to be studied in the field of SHRM in the PRC, which helps generate the four objectives of this research. First, to study how the human resources are effectively used in the PRC, the state of the SHRM applications is to be investigated in this thesis. Second, in order to test the validity of the Western developed theories in transitional economy, this thesis is aimed to test the theories in SHRM under Chinese context. Third, as rather than just simple use the specific models of SHRM developed by Western writers, this thesis aims to use related theories to build a dynamic conceptual SHRM model, to map how HR sustainably contribute to organizational performance. Fourth, this thesis is keen on joining other scholar in solving problems of the lack of supporting evidence of HRM-performance link, by exploring HRM's intervening mechanism on performance, particularly, examining the mediation effect of HR outcomes and organizational outcomes between HRM and financial outcomes.

In examining the effects of business strategies on HRM policies, Porter's (1985) generic business strategies of cost reduction, quality enhancement and innovation are used in this research for a number of reasons: first, it

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has been shown to be a relatively powerful predictor of organizational effectiveness (Youndt et al., 1996). Second, scholars (Schuler and Jackson, 1987; Schuler 1989) highlighted its implications for HRM policies. Third, the theory has been commonly used in SHRM research (Guest 1997)

2.2 Defining SHRM

It is very important to summarize what scholars have concluded in SHRM field. It was concluded that the intellectual roots of the SHRM could be traced back to the 1920s in labour economics and industrial relations in the US (Kaufman, 2001). In this time period, the concept of the labour as a human resource and the strategic view of HRM policy and practice were described and discussed by scholars (Lengnick-Hall, et al., 2009). Since the 1980s, a number of influential and innovative perspectives were introduced by authors including Dyer (1984), Schuler and MacMillan (1984) and Schuler and Jackson (1987). Huselid (1995), MacDuffie (1995) and Delery and Doty (1996) further added empirical evidence in this field. Since then, it has been agreed by many authors in SHRM that, first, HRM is a source of competitive advantage; second, the fit between business strategies and HRM can generate superior performance, and the fit between HRM policies and practices generates superior performance; thirdly, the fit between HRM and the organizational internal and external contextual factors also lead to a superior organizational performance. Thus, the basic three relationships are the fit between strategy and HRM, the one between HRM policies and practices and the one between organizational contextual factors and HRM. The goal of SHRM is to achieve superior organizational performance and to fulfil organizational objectives. Superior performance is used to achieve to objectives. On one hand, it refers to a concept broader than financial accounting outcomes.

As pointed out by Purcell and Kinnie (2007) that there were two funda-
mental problems with the use of financial performance data. first, it is far
removed from HRM interventions- too distal. Second, it takes for granted
that firms seek to structure their HR systems to maximize financial out-
comes, often in the short term seen in shareholder value. On the other
hand, it means a better performance than competitors' at the least partially
attributing to the contribution of HRM. In this case, the definition of
SHRM by Wright and McMahan (1992, p 298) that SHRM is 'the pattern
of planned HR deployments and activities intended to enable the firm to
achieve its goals' has been widely accepted.

2.3 SHRM and HRM

To investigate a specific field of research, it is important to know where it
is located in the broader knowledge context, or the relationship between
this field of interest and the broader context. Thus, the relationship be-
tween SHRM and HRM is first identified. Guest (1997) reviewed the
theories used in HRM researched and the impacts on organizational per-
formance. He summarized theories of HRM into three categories: strate-
gic theories, descriptive theories and normative theories. Strategic theo-
ries are concerned with the relationship between a range of possible ex-
ternal contingencies and HRM policies and practices. The research in-
terests exist in identifying and classifying key environmental influences
on HRM and classifying the types of HR strategy, often drawing on ex-
istent modes of corporate strategy. For example, Miles and Snow (1984)
categorized organizational strategies into four types, and argued that those
firms that have a fit between business strategies, structure and HRM
policies and practices would have a superior performance.

Descriptive theories refer to those set out to describe the field in a comprehensive way. Guest (1997) employed two cases, the work of Beer et al. (1985) and that of Kochan et al. (1985), to demonstrate that both of the cases attempt to capture the broad field and to address certain interrelationships. Beer et al. (1985) listed four broad areas of HRM policy and practice and four key outcomes. For Kochan and colleagues', it entailed a systems approach, describing the interrelations between levels. Guest (1997) continued on to argue that the strength and weakness in this respect was the emphasis on an open systems approach which might accurately capture an element of reality but failed to offer specificity.

Normative theories treat theories and modes in a more prescriptive way, reflecting the view either that a sufficient body of knowledge exists to provide a basis for prescribed best practice or that a set of values indicates best practice. With this approach, popular terms such as 'high commitment HRM' and 'high performance' work practices can be found. Guest (1997) also pointed out the problems in this approach. One is that it focuses mainly on the internal characteristics of HRM at the expense of broader strategic issues, and advocates a 'best way' set of practices while ignoring the variety of pressures and consequent business strategies. A second problem is that the related list of HRM practices is far from clear and awaits either a clear theoretical specification or a much stronger empirical basis.

It is easy to believe that SHRM is underpinned by the strategic theories in HRM research, focusing on the fit between business strategies, and HRM, the fit between environmental factors (internal and external ones) and HRM policies and practices, and believes that fit can generate superior performance. This is right but incomplete. Actually, SHRM research is

underpinned by all of the three types of HRM theories. In considering the normative theories, HPWS is in fact the way to outperform competitors in market, via seeking the internal fit between HRM elements, which is one of the basic arguments of SHRM. Regarding the descriptive theories, there has been research keen on describing or entailing the application or mode of SHRM in certain organizational forms (Lepak and Snell, 1998) or under certain contexts (Braun and Warner, 2002; Zupan and Kase, 2005; Morris et al., 2009).

2.4 Fits in Strategic Human Resource Management

The term 'fit' is used frequently in the SHRM literature, and it has been widely accepted that the effectiveness of HRM policies and practices depends on the specific organizational and environmental context (Jackson and Schuler, 1995). In the definition used in this thesis, SHRM is treated as patterns. The pattern actually is comprised of HRM elements, while the fits are the connections between these elements. The fit between HRM and critical internal and external contingencies is regarded as a crucial component in the link between HRM policies and practices and organizational performance (Baron and Kreps, 1999). In SHRM research, as a wide range of organizational and environmental variables are included in researchers' investigation, there are various types of fits at different levels or in different directions. According to Chenevert and Tremblay (2009), fits in SHRM can be classified into five categories (see Figure 2). They are environment fit, vertical strategic fit, internal organizational fit, intra-function HR fit, and intra-activity HR fit. Environment fit represents the linkage of different HRM policies and practices within the HRM system and external environment. In line with this argument, HRM system should be adjusted to the social, cultural, legal and institu-

tional characteristics of the environment. Vertical strategic fit stresses the link between the HR system and business strategies. This type of fit believes that HRM policies and practices should be adapted in order to support the fulfilment of organizational strategies. Internal organizational fit represents the alignment between the HRM system and the other relevant systems in the organization, such as technology, structure, work system, production system and organizational culture. Intra-function HR fit denotes the linkage between different HRM policies and practices within the HR system. Accordingly, the HRM function plays a strategic role in the firm if the HRM system is highly coherent. In other words, when individual HRM policies and practices complement and reinforce on another, HRM can play a strategic role to generate superior organizational performance. Intra-activity HR fit refers to the coordination of policies, activities and actions associated with a particular HR activity.
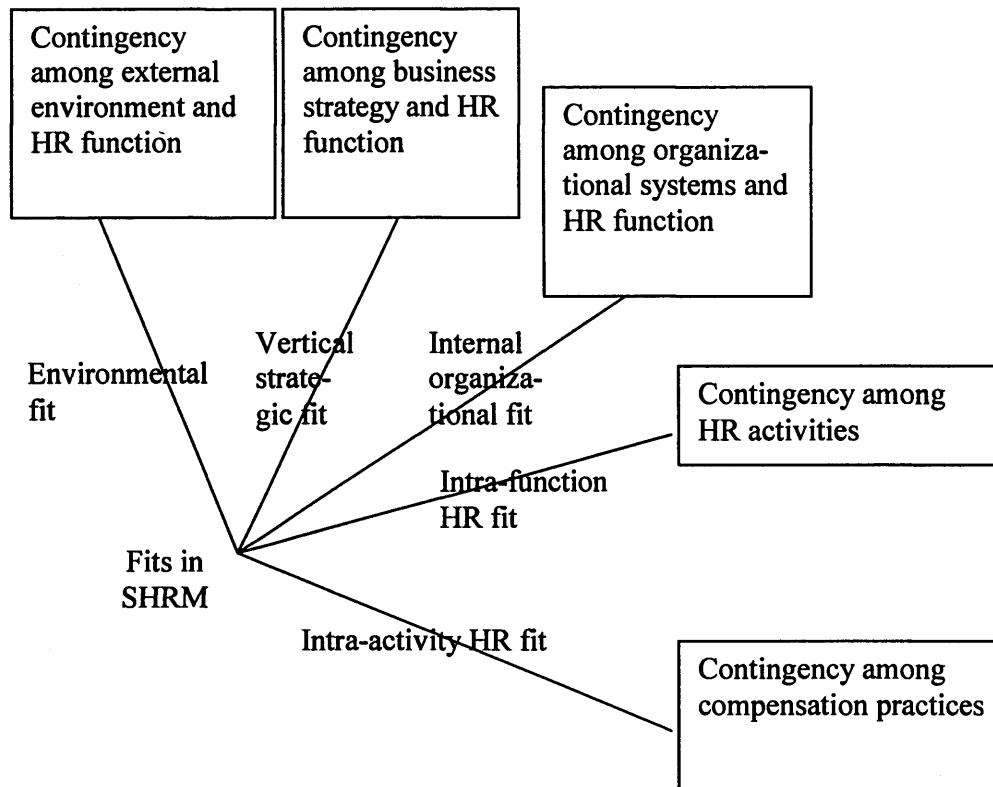
Figure 2: Fit in SHRM research (source: Chenevert and Tremblay (2009))

Chenevert and Tremblay's (2009) classification explicitly mapped framework of SHRM concerned with the fit- performance linkage. This research will use this classification of fits in SHRM to investigate the links, which are the fit between HRM policies and organizational contextual factors, the fits between HRM policies and business strategies, and the fit between HR policies. Also, interactions between organizational variables, for example, links between organizational performance and business strategies and interaction between business strategies and Strategic Role of HR function, will be used from a neo-contingency perspective to build a dynamic SHRM conceptual model. This neo-contingency perspective part will be explained in Chapter 4.

2.5 Constructs or Variables in the Framework of SHRM

According to the four types of fits employed in this research, different groups of variables or factors are subjected to discussion in this section. There are four groups of factors under discussion, namely, business strategies, HRM, organizational contextual factors a nd organizational performance. In this section, HRM is not included but explained in the following section, because by doing so, it can review the method of SHRM modeling as well as entailing HRM variables in SHRM research.

2.5.1 Business Strategy

The term strategy has been a major topic during last two decades among both academics and practitioners. There has been considerable work on organization strategy (for example, Miles and Snow, 1984; Porter, 1980, Wright and Snell, 1991). Most of the concerns in the work of SHRM are the fit between different HR practices/ bundles and organization strategies and the impacts of business strategies onto HRM.

2.5.1.1 Miles and Snow's Typology of Organizations

Miles and Snow (1984) developed four organizational types for classifying different firms, including defenders, prospectors, analyzers and reactor. Defenders have relatively narrow and stable product market domains and make few major adjustments in their strategy, structure, technology or methods of operation. Top managers in this type of organization are highly expert in their organization's limited area of operation but tend to search outside domains for new product opportunities. Because of this narrow focus, this type of organization seldom needs to adjust their technology, structure, or methods of operation. Instead, they devote primary attention to improving the efficiency of their existing operations. Its

characteristics include a limited product line and single, capital-intensive technology, a functional structure; and skills in production efficiency, process engineering and cost control.

Prospectors constantly search for new product and market opportunities and experiment with potential responses to environmental trends. These organizations create changes and uncertainties, to which their competitors have to respond. Due to the strong concern for product and market innovation, these organizations are always inefficient. Prospectors' characteristics are a diverse product line, multiple technologies, a product or geographically divisionalized structure, and skills in product research and development, market research, and development engineering.

Analyzers tend to be a hybrid of the defender and prospector strategy types. They operate in both stable and unstable domains and watch competitors closely for new ideas, adopting only those that seem promising. Analyzer characteristics include a limited basic product line; a search for a small number of related product and market opportunities; cost-efficient technology for stable products and project technologies for new products; a mixed structure; and skills in production efficiency, process engineering, and marketing.

Reactors refer to those move slowly, even resist to the idea that there is a need to move. As reactors are captives of their own past success, they lack a stable strategic focus and they are not able to cope effectively with external change.

Based on Miles and Snow's (1984) typology and from a competence management perspective, Wright and Snell (1991) proposed that: (1)

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Defenders will emphasize the use of behaviour control, behaviour coordination, and sustained competitive advantage competence utilization strategies relative to the other strategies. (2) Prospectors will emphasize competence acquisition, behaviour coordination, and competence displacement strategies relative to the other strategies. (3)Analyzers will emphasize competence acquisition, competence retention and behaviour coordination relative to the other strategies in a newly developed market, and they will emphasize behaviour control, competence utilization, and competence retention strategies relative to other strategies in a mature market.

2.5.1.2 Directional Strategies

According to the work of Wright and Snell (1991), organizations could be either growing, or maintaining, or retrenching in a particular market. Recognizing the different directional strategies of organizations, can help to understand the different needs of organization in various stages of development. In the growing stage, an organization needs to acquire new competences to facilitate growth. Risk-taking on projects is modest. There is a constant dilemma between doing current work and building support for the future. Policies and procedures are starting to be written as there is need for more control and structure for an ever expanding operation.

Organizations with a maintaining strategy exist at a more mature stage of the product life cycle, and thus have much more experience dealing with the manufacturing process and the environment. The focus here is on maintaining existing profit levels. Modest cost cutting efforts and employee terminations may occur. Control systems and structure are well developed along with an extensive set of policies and procedures.

Finally, in a retrenchment strategy, organizations undergo major layoffs and need to displace employees whose competences are the least valuable to the organization. Meanwhile, with the reduction of employees, remaining employees have to assume tasks and responsibilities which they did not do previously. Here, companies focus on saving the operation. Although cost cutting efforts and employee reductions are made, they are short-term programmes for long-run survival. Worker morale may be somewhat depressed.

Based on variety of competence needed in different development stage HR strategies and HRM policies and practices should be adjusted accordingly. (1) Organizations in the growing stage will emphasize competence acquisition and behaviour coordination strategies relative to other strategies. (2) Organizations in the maintaining stage will emphasize competence retention and behaviour control strategies relative to other strategies, (3) Organizations in the retrenchment stage will emphasize competence displacement and competence utilization strategies relative to other strategies (Wright and Snell, 1991).

2.5.1.3 Competitive Strategy

According to Porter's (1985) generic competitive strategies, Schuler (1987, 1989) presented a typology of competitive strategies, including innovation, quality enhancement and cost reduction, is very useful. The innovation strategy emphasizes developing products and services that are different from those of competitors. Overall, for companies pursuing an innovation competitive strategy, the profile of employee role behaviours includes (1) a high degree of creative behaviour, (2) a longer-term focus, (3) a relatively high level of cooperative and interdependent behaviour, (4)

a moderate degree of concern for quality, (5) a moderate concern for quantity, (6) an equal degree of concern for process and results, (7) a greater degree of risk taking, and (8) a high tolerance of ambiguity and unpredictability. Thus, an innovation strategy needs people to work differently (Schuler and Jackson, 1987).

A quality enhancement strategy focuses on improving product and service quality. The essence of a quality strategy is to get employees committed to quality and continuous improvement in order to increase product reliability and customer satisfaction (Garvin, 1993, Ding and Ashtar, 2001). The process of enhancing quality requires broadened employee responsibilities, such as troubleshooting, problem solving, quality assurance planning, scheduling, maintenance, and so on. Schuler and Jackson (1987) described the profile of employee behaviours, for quality enhancement strategy, which includes (1) relatively repetitive and predictable behaviours, (2) a more long-term or intermediate focus, (3) a modest amount of cooperative, and interdependent behaviour, (4) a high concern for quality, (5) a modest concern for quantity of output, (6) high concern for process (how the goods and services are made or delivered), (7) low risk-taking activity, and (8) commitment to the goals of the organizations.

A cost-reduction strategy attempts to be the lowest cost producer to gain a competitive advantage. Organizations pursuing a cost-reduction strategy emphasize efficiently managing a low-skilled workforce (Youndt, et al., 1996), and implement tight controls, overhead minimization, and the pursuit of economies of scale. The central focus of these measures is to increase productivity, that is, output cost per person. This can be achieved by reduction in the number of employees and/or a reduction in wage levels. Other options to realize the cost-reduction is increasing the use of

part-time employees, subcontractors, work simplifaction and measure-ment procedures, automation, work rule changes, and job assignment flexibility. The profile of employee role behaviour are as follows: (1) relatively repetitive and predictable behaviour, (2) a rather short-term focus, (3) primarily autonomous or individual activity, (4) modest concern for quality, (5) high concern for quantity of output (goods or services), (6) primary concern for results, (7) low risk-taking activity, and (8) a rela-tively high degree of comfort with stability (Schuler and Jackson, 1987).

Wright and Snell (1991), based on HR open systems and HRM compe-tence theory, proposed that: (1) the companies using innovation competi-tive strategy are more likely to use competence acquisition, competence displacement and behaviour coordination; (2) the companies using quality competitive strategy are more likely to use competence retention, com-petence utilization and behaviour control; (3) the companies using cost-coordination competitive strategy are more likely to use competence retention, competence displacement and behaviour control. Due to the applicability and empirical support, this research employs Porter's (1985) typology of business strategies.

2.5.2 Organizational Performance

Organizational performance is the focal outcome in most research in SHRM. The first conceptual models explicating the relationship between HRM and performance are probably the classic models of Beer et al. (1985) and of Fombrun et al. (1984). Beer et al. (1985) linked HRM policy choices first of all to HRM outcomes, which in turn had an effect upon long-term consequence and cost effectiveness. Long-term consequences were subdivided into individual well-being, organizational effectiveness,

and societal well-being. Fombrun et al. (1984) developed the so-called HR cycle, in which four crucial HRM policies and practices, selection, rewards, appraisal, and training and development, contribute to performance at both individual and organizational level.

When focusing on organizational performance, it is crucial to explore its internal structure; particularly the intermediating factors within the link between HRM and organizational performance. Guest (1987) developed a normative model, identifying four policy goals: integration, employee commitment, flexibility/adaptability, and quality. In this model these goals serve as HR outcomes; goals and policies together generate a range of organizational outcomes such as high job performance and low turnover. Thus, there are four sub-constructs of organizational performance in this model, HRM outcomes, behaviour outcomes, performance outcomes and financial outcomes. Becker et al. (1997) presented a conceptual model of the HR-shareholder value relationships. Five sub-constructs were involved in this model, namely, employee skills/motivation/job design and work structure, productivity/ creativity/ discretionary effort, improved operating performance, profits growth and market value. Dyer and Reeves (1995) proposed four possible types of measures of organizational outcomes: first, HR outcomes such as turnover and productivity; second, measures such as productivity and service quality; third, financial accounting outcomes such as return on asset and profitability and, finally, capital market outcomes such as stock price and market growth. The structure or the relationships between element of organizational performance were discussed by several scholars, including Becker and Gerhart (1996), Becker and Huselid (1998) and Roger and Wright (1998). The most complete explanation of the structure of HR-performance was conducted by Dyer and Reeves (1995), Colakogu et al. (2006), who

suggested that outcome measures may be ordered from proximal to distal, with employees as an anchor. Accordingly, HR outcomes would be the most proximal, and this leads to organizational outcomes. Then, organizational outcomes lead to financial outcomes and ultimately to market outcomes.

2.5.3 Organizational Contextual Factors

It has been argued that the organizational contextual factors should be incorporated when studying HRM practices, HRM policies and HRM philosophies (Jackson and Schuler, 1995; Boxall and Purcell, 2008; Paauwe, 2008). As Budhwar and Aryee (2008) pointed out, the main considerations concerning the organizational contextual factors are what the influence of economic technological and sociopolitical factors on HRM strategies are, and what the links between organizational contingencies and HRM strategies are. The following section will present a review on the different contingencies in SHRM research. Generally, organizational contextual factors are divided into an internal group and an external one. Internal organizational context factors include ownership, age and size of firm, internal technology, competitive strategies, organizational structure, life-cycle, and union presence. The external organizational context factors include technology change, industry characteristics, intensity of competition, labour market conditions, political, law and regulation, unionization, life-cycle, location and culture (Jackson and Schuler, 1989; Jackson and Schuler, 1995; Fields, et al. 2000; Ding and Akhtar, 2001; Boxall and Purcell, 2008).

2.5.3.1 Internal Organizational Context Factors
Ownership:

Since the implementation of an open door policy, the PRC has gained a vast volume of foreign investments in various forms. There are an increasing number of MNCs launching their businesses in the PRC. Some of the MNCs set up branches, while others found local partners and formed Joint Ventures. In this case, the ownership system in the PRC has been changed dramatically. Currently, there are several types of ownership including State Owned Enterprise (SOE), Private Owned Enterprise (POE), Collective Owned Enterprise (COE), Joint Venture (JV) and Foreign Owned Enterprise (FOE) (Cooke, 2005). FOEs were empowered to determine the size of their staff, recruit senior managerial and technical personnel through the external labour market according to business need, to design reward systems based on performance, and to provide training and use incentive schemes to retain key personnel (Bjorkman and Lu, 1999; Verburg, 1996). As the local policies grant FOEs and JVs a series of priorities when they operate in the PRC, foreign ownership is an important factor to succeed in the PRC. Additionally, FOEs or JVs may be seen as outsiders compared to locally based firms, and due to the highly collective nature of locally Chinese firms and the traditional emphasis on relationships networks, known as *guan xi*, FOEs and even JVs may find it difficult to compete with local firms (Wright, et al. 2002). SOEs, which used to be dominant force in Chinese economy, went through a series of reforms, by reducing governmental interventions and increasing firm-level autonomy. But compared with non-SOEs, they were still hindered by the internal inertia and governmental interventions.

To sum up, although all types of ownership of firms coexist in one market, their perceptions and the received influences are different. On the other hand, differences of ownership result in the differences of organizational internal structure and operational features.

Size

Firm size might have an influence on the choice of HRM policies and practices, particularly in the pace of change in HRM policies and practices. Due to the size of their workforce and cumbersome organizational structures, large firms encounter greater organizational inertia that negatively affects the pace of change (Ding and Akhtar, 2001). Larger companies have more complete and sophisticated HRM systems, and more extensive HRM policies and practices, because they have more workers to control. So, it seems larger companies may meet more barriers in changing HRM policies and practices than smaller ones. Nevertheless, the larger companies have to emphasize retention, as the middle managers can be pursued by smaller companies as senior management, to compete with larger companies and undermine the larger companies' market position (Fields at al., 2000). Jackson et al (1989) pointed out that large companies are different from small companies in three aspects. First, jobs in large companies are generally more specialized and more complex. Second, the type of supervision used in large companies differs from the one used in small companies. In small companies, direct interactions between supervisors and employees are most frequently used. By contrast, indirect, formalized supervision is utilized in large companies. Last, the presence of an internal labour market is different from large companies to small ones. Large companies present a series of career stages for employees, including entry through low-level jobs, internal promotion, career paths, rewards for seniority, and formal grievance procedures.

Age

According to institutional theory, organization practices can be institutionalized through an imprinting process whereby the practices adopted at the beginning of the organization's history remain embedded in the or-

ganization (Wright and McMahan, 1992). Nevertheless, as companies suffer from inertia, the longer a company exists, the harder it is for a company to implement reforms and adopt new practices. The age of the company, in the Chinese context, is found to be correlated to ownership type: most SOEs have a longer history than FOEs or JVs (Ding and Akhtar, 2000). Thus, a long company history implies more traditional personnel management practices, more deeply embedded institutional habits and greater barriers to change towards the SHRM system. This feature is more obvious in the long-transitional economy, as firms set up at different stages of the transition must be constrained and shaped by the context of each time period, and the context keeps changing during the transition. In other words, in a long-transitional economy, firms of different ages were born of different contexts.

Internal Technology
When studying HRM in manufacturing organizations, Jackson et al. (1989) suggested that the level of internal technology should be used as a determinant of HRM. Budhwar and Sparrow (2002) also pointed out that, in spite of popularity of using this variable as a culture-free factor forging HRM in cross-culture studies, the internal technology's influence on HRM should be contingent on culture.

Organizational Life Cycle
An organization's life cycle may influence choice of HRM because organizational needs for human resources may change as companies move through start-up, growth and maturation phases (Jackson and Schuler, 1995). Fields et al. (2000) discussed the ambiguity of the implications of life cycle. In other words, organizations at same stage of the organizational cycle might employ different HR strategies. For example, growth

means expanding opportunities. Growing companies might use an HRM strategy that emphasized securing and nurturing managers as they need more managers to oversee employees. Alternatively, as growing companies already have some competitive advantage that is responsible in some part for their growth, they may be less concerned with building sustained competitive advantage in the capabilities of managers.

2.5.3.2 External Organizational Context Factors

Location

The PRC's coastal and southern regions are more open than the middle and western areas. The openness of an area within which the organization operates may influence the choice of HRM policies and practices. For example, in the western region, the lack of exposure to modern HRM systems and practices led to a general pattern of conservative HRM practices in terms of recruitment, rewards and the role of personnel department (Fields et al., 2000). Also, the competitive position of companies might be influenced by the high costs of being located and doing business in the PRC. Some areas of the PRC are more costly than others to run a business, because of the lag of transportation construction, and the high training costs for low-skilled or non-skilled workers. Lastly, the comparatively poor situation of a local market causes higher costs in seeking customers.

Technology Change

A critical issue affecting HRM strategies is the extent to which the company must anticipate rapid technological change (Dean and Sussman, 1989). In Fields et al's (2000) work, they found that technological change exerted a significant positive influence via the centrality of the HR department.

Industry Characteristics

The term industry refers to a distinctive group of productive or profit-making enterprises. Jackson and Schuler (1995) summarized previous work about industry characteristics and proposed a framework to compare HRM between the private or public sectors, between regulated and unregulated industries, and between stable and changing industries. Recently, the dynamics of industry-based competition has been recommended to be included in SHRM to explore how HRM supports business viability and how might it be a basis for sustained advantage as firms grapple with change in their industries.

Boxall and Purcell (2008) portrayed industry revolution with a three-phase cycle, the establishment crisis, maturity, renewal crisis and argued that, first, firms in a industry in the establishment crisis required talented entrepreneurs (teams) and a s tabilized and well coordinated workforce. Second, firms in a mature industrial context needed greater sophistication while enduring principles. In this case, HR can offer advantages through HR planning, improved management understanding of HRM and consistency of HR practices. Actually, the mature context is the situation which appears in most research and textbooks. Lastly, in the renewal context, referring to the industrial situation that challenging the continuities built up over the establishment and mature phase, only the firms dominating the direction of change and the firms adapting to the direction of change can survive. In this phase, firms require HRM to improve organizational agility/ flexibility (for example, see Dyer and Shafer, 1999).

In this research, the author adopts a business sector perspective, which differentiates firms according to the difference of their main business

services or products, rather than industry sectors, and the business sector measures the variation of industry environment more precisely. Also, this approach has been used in previous work and proved valid (Akhtar, et al., 2008). Manufacturing industry consists of a number of business sector, including electronics, garments, engineering and chemicals, and pharmaceuticals, while the service industry involves insurance and banking, import and export trading, and retailing (department stores) and business services.

Intensity of Competition

Intensity of competition might influence the HRM of companies. The more a firm perceives that competition from other companies is a threat to achieving its objectives, the greater the value the firm may place on creating sustained competitive advantage (Lado and Wilson, 1994; Kamoche, 1996; Fields, et al. 2000). Fields et al (2000) employed intensity of competition into a study of influences of organizational context factors on HRM strategy in Hong Kong's companies. They found out that this variable did play an influencing role in the adoption of HRM strategy.

Labour Market Conditions

Labour market conditions can be characterized along several dimensions including unemployment level, labour diversity, and labour market structure (Jackson and Schuler, 1995). Unemployment levels reflect the demand for labour relative to the supply. Macroeconomic research conducted at the national level indicated that excess demand typically results in low unemployment while excess supply typically results in high unemployment. Then changes of unemployment levels trigger the corresponding changes of wage level, employment turnover rate, absenteeism, profit and investment (Markham, 1985; Carsten, and Spector, 1987).

Meanwhile, a series of changes in law in the PRC (Labour Law 1994, Labour Contact Law 2007 and New Bankruptcy Law 2007) have led to a fast-growing and floating labour force within a free but plural market, as different standards have been applied (Zhu, 2005; Warner, 2008). Coupled with the increase of discretion in recruitment and selection in Chinese organizations, the grounds for establishing a mechanism of HR strategy to support organizational strategies are levelled.

Legal and Political Environments
In the US, almost all aspects of HRM are affected by the legal and regulatory environment, specifically, acts, labour law, tax codes, and so forth (Jackson and Schuler, 1995).

Political risk delineates the likelihood that political forces will cause drastic changes in a country's business environment that will affect the profit and other goals of a particular enterprise (Robock and Simmonds, 1989, p378). The political risk can affect the adoption of HR practices, like control system (Ferris and Judge, 1991).

Currently, in the PRC, the construction of socialist legalization is in progress. The increasingly completed legal system will conduct better regulations on the companies in the PRC. Political stability has attracted a vast volume of FDI, and encouraged the development of local companies since the end of the 1970s. The stable political environment will facilitate the implementation of HRM policies and practices at company level.

Unionization
There are many empirical studies, which have found that unionization is a critical factor influencing HRM. In general, on one hand, the literature

examining the impact of trade union activity suggests a positive effect on the adoption of innovation SHRM practices (Ng and Maki, 1994; Chen, 2007; Som, 2007). On the other hand, it has been suggested that the presence of an active labour union in companies restricts HR managers to be innovative in their process (Ramaswamy and Schiphorst, 2000).

ACFTU is still the key institution here, with over 150 million members, 15 industrial unions and 1.2 million local branches (Warner 1996; Warner and Ng 1999; Warner 2008). One of the major priorities of the ACFTU is to encourage foreign-funded or multinational companies to unionize and sign agreements. To date, however, only about 26% of PRC's 150,000 or so overseas-funded firms have set up trade unions and only around 4 million new members have signed up (People's Daily, 9 August 2006, p. 1). Many overseas multinational corporations remained hostile, fearing that it would increase labour costs and reduce labour flexibility if firms were required to limit the use of temporary workers and seek approval from the trade unions before dismissing workers (Financial Times, 2 May 2007, p. 1).

Culture
The most widely known framework for comparing national cultures is the one developed by Hofstede (1980), who identified four dimensions of culture: individualism, masculinity, uncertainty avoidance, and power distance. Jackson and Schuler (1995) pointed out that empirical studies seldom included direct measures of both culture and HRM. Instead, researchers generally have compared HRM across countries and then argued that cultural values and orientations are determinants of the differences found. As a response to Jackson and Schuler's call, Chow and Liu (2007) employed Wallach's (1983) typology of corporate cultures to

measure the corporate culture and test the impacts on organizational performance. Wallach (1983) divided corporate culture into three types: bureaucratic culture, innovative culture and supportive culture. They found that corporate culture not only showed direct effects which is organizational performance but also moderated the impacts of HRM to organizational performance. Due to globalization, MNCs are increasing prevalent in the world. It is widely accepted that MNCs must understand the cultures of the regions in which they operate in order to effectively manage their human resources.

This is especially the case of the PRC, as it is the second largest FDI recipient in the world, and the PRC has been increasingly attractive for MNCs to launch or enlarge their business in it (Cooke, 2005). Knowledge of Chinese culture is crucial now, the Confucian philosophies, especially Ren (benevolence), Yi (right conduct), Zhong (loyalty) and Li (propriety and good manners), have formed the foundation of Chinese culture. Additionally, the educational system in Chinese schools organizations, and society at large are characterized by active disseminations of 'Hao Ren Hao Shi' (good people and good things) and open criticism of 'Huai Ren Huai Shi' (Bad People Bad Things) (Rotundo and Xie, 2008). Hu Jintao, the president of PRC, recently declared the importance of developing an 'advanced socialist culture' at the Tenth National Meeting of the Chinese People's Political Consultative Conference. Specifically, Hu highlighted the importance of 'eight honours' and 'eight shames' which was claimed to be the essence of the socialist value system (China Daily, 2006). Wong and Star (2000) summarized previous research findings about Chinese workplace culture into four aspects, including the importance of face, the respect for hierarchy, the importance of collectivism and the importance of harmony. Also, the term 'Guanxi' referring to the personal relationship

network, which is one of obvious Chinese characteristics, matters significantly in business (Wright, et al., 2002). The distinctive cultural background, coupled with the complexity of the local situation, creates many difficulties that MNCs have to deal with when operating in PRC. So the cultural factor is included in this research.

At organization-level, workplace culture is a crucial factors influencing HRM practices. Workplace culture impacts the transfer of HRM practices (Huo and Glinow, 1995), creation of business relationships (Fletcher and Fang, 2006) and specific HR practices (Bozionelos and Wang, 2007). These researchers suggested that workplace culture in China or Confucius countries should contain: the extent the people embracing paradox at workplace, the directness of interpersonal approach, the importance of saving face (*mainzi*) and respect for position authority, and Confucian work values in general.

The definition and scope of the concept of culture is, of course, debatable (Tayeb, 1994), It is therefore sensible to examine the impact of those aspects of national culture on HRM, which have a sound theoretical base. As suggested by Budhwar and Sparrow (2002) the one of the most important processes or 'influence mechanisms' attributed to national culture that have been identified was the unique ways of doing things and management logics in a particular country, which are reflective of the broader national business system (Sparrow and Hiltrop, 1997; Whitley, 1992). Culture is usually used as a key determinant of HRM in cross-culture and or cross-country studies to highlight the culture-related characteristics. In this research, the sample firms were located in culture system thus their share same national culture. But, at firm-level, it has been recognized that culture, especially Chinese workplace culture, varies across ownerships

and industries. So, it is sensible to examine the effects of workplace culture on HRM policies, and the relations between organizational variables. Following this sense, the moderating effect of workplace culture on the relations between organizational variables and HRM policies are examined.

As to the selection of control variables, Budhwar and Sparrow (2002) based on the existing literature developed an integrative framework of factors determining the HRM practices. They categorized these factors into fives broad groups: national culture, national factors, contingent variables, organizational strategies and policies and HR strategies and policies. They contended suggested that national culture and national factors influenced HRM practices through contingent variables, including size, ownership, age of organization, life cycle of organization, union status. As to industry sector/ business sector, it was nation states contain unique configurations of industrial/business sectors, which over a period of time based on the functional requirements of the sector and the regional/national characteristics such as culture and dominant institutions of the geographical area(s) in which a particular is sector based, develop and practices 'sector-specific' HRM policies and practices (Budhwar and Sparrow, 2002). Additionally, these factors have been used as valid determinants of the HRM policies and practices under Chinese context.

To sum up, this thesis will employ the variables, including organization life cycle, organizational size, organizational age, ownership, industry (business sectors), presence of trade union and Chinese workplace culture.

2.5.4 HR Roles in SHRM

It has been argued that strategic HRM meant that (1) HR are involved in strategic decision-making board of organizations, and (2) HR devolved its activities to line managers and HR subcontractors (Budhwar and Aryee, 2008). Barney and Wright (1998) contended that if the HR function were allowed to play a strategic role in organizational decisions, HR could be a source of sustained competitive advantage. There is a considerable literature suggesting that the strategic role of the HR function is critical to developing and aligning HRM policies and practices in a way that supports a firm's chosen strategy (Wright and Snell, 1991; Snell, 1992; Taylor et al., 1996; Schuler and Jackson, 1999; Ding and Akhtar, 2001).

It is worthy to note that the strategic role of HR function is not just strategy implementation, which can be explained by Allen and Wright's (2007, p91) statement: 'HR was seen to play only a secondary role in the accomplishment of strategy with an emphasis in the role that HRM played in strategy implementation, but not strategy formulation'. Specifically, the extent to which the human resources function plays a central role in key business decisions may affect the likelihood that a firm uses a human capital development HR strategy for competitive advantage. In essence, the centrality of the HR function in the top management team may determine the extent to which other top managers in a firm see major uncertainties as being solved through the development of competitive advantage in the unique capabilities of managers. In addition, some other organizational contextual factors may affect HRM strategy because the human resource function occupies a central management and policy role. Empirical studies on SHRM point to the importance of aligning HRM policies and practices with competitive strategies by making the HR function central to the organization. In this sense, the strategic role of the

HR function may serve as an intervening contextual variable (Ding and Akhtar, 2001).

In this research, the strategic role of HR is studied from two perspectives. The first perspective is the strategic role of HR function in strategy formulation, as recommended by Allen and Wright (2007), to explore how HR contributes to the formulation of strategy. The other role of HR, the strategic role of HR function in strategy implementation, is recognized as a factor that will mediate the influence of contextual variables, l ike business strategies, on the choice of HRM policies.

2.6 HRM and the Perspectives of SHRM Analysis and Modelling

In this research, the SHRM practices and policies refer to those HRM policies and practices which can create competitive advantage to meet the strategic need of companies. Many writers in SHRM have studied the typology and interpretation of SHRM practices (Miles and Snow, 1984; Schuler and MacMillan, 1984; Schuler and Jackson, 1987; Wright and Snell, 1991; Schuler, 1992; Huselid, 1995; Delery and Doty, 1996; Roger and Wright, 1998; Ding and Akhtar, 2001; Lepak and Snell, 2002).

The HRM are studied from both vertical and horizontal dimensions. Vertically, HRM is studied at different levels ranking from HRM philosophy to HRM policies and practices. Horizontally, the focus of HRM in SHRM studies is to place the different arrangement patterns of HRM policies and practices. Vertically, Schuler (1989, 1992) portrayed a HRM hierarchy with five levels in it, known as the 5-p model. In this model, strategic HRM activities are seen from the level of HR philosophy, HR policies, HR programmes, HR practices and HR processes.

HR philosophy is a statement of how the organization regards its human resources, what role the resources play in the overall success of the business, and how they are to be treated and managed. HR policies provide guidelines for action on people-related business issues and for the development of HR programmes and practices based on strategic needs. HR programmes represent coordinated HR efforts specially intended to initiate, disseminate and sustain strategic organizational change efforts necessitated by the strategic business needs. HR practices can fall into three categories: leadership practice, managerial practice and operational practice. In each case, behaviour associated with a given role should support strategic needs. Finally, HR processes deal with the formulation and implementation of other activities, and HRM should meet the organizational needs at different levels.

Schuler (1989) continued to explore the typology of HR philosophy. He came up with three types of HR philosophies: *accumulation, utilization and facilitation.* The first one, *accumulation*, means the policies and practices of attracting many good candidates very carefully and very consistently, often more on the basis of personal fit than technical fit. The lack of technical skills can be filled by in-house training after recruitment. This takes a longer term view of human resource management; training costs a great deal of money and its benefits are likely to be reaped only after several years. The underlying rationale is that the world is constantly changing and new skills are needed all the time.

The second HR philosophy is called *utilization*, referring to the case that personal characteristics are important, individuals are generally selected with attention to technical skills. Consequently, once employed, individuals can begin working with relatively little training. This shorter-term

view of HRM saves on training costs and allows organizations to put individuals into vacant positions with relatively little long-range planning. In this respect, the practice of recruitment on the basis of technical fit is very efficient and allows for rapid response and adjustment. However, as utilization rests on the policy of employment-at-will and relevant skills and organizational need, any hiring is presumed to be at will; that is, the employer is free to discharge individuals for good cause, or bad cause, or no cause at all, and the employee is equally free to quit, strike, or otherwise cease work.

Facilitation, the last philosophy presented, recognizes that it is important that individuals work together in close reciprocal interaction, while technical skills are necessary for individuals. Employee development is valued and facilitated, other than provided, by organizations. In this case, 'individuals become valuable to the organization and to themselves, consequently, organizations practicing facilitation seek to wed their employees into the organization and very much in a non-coercive manner' (Schuler, 1989, p166).

Horizontally, research in SHRM focuses mainly on what HRM policies and practices and what patterns of the HRM policies and practices can better support the business strategies and lead to superior performance. There are mainly three approaches in SHRM studies. They are the *universalistic, configurational, contingency* (Delery and Doty, 1996), and contingent-configurational approaches (Lepak and Shaw, 2008).

Universalistic arguments are the simplest form of theoretical statement in the SHRM literature. The logic of this perspective is that there is, or maybe, strategic value in certain individual HRM practices (Lepak and

Shaw, 2008). Researchers using this approach believe that the relationship between a given independent variable and a dependent variable is universal across the population of organizations. There are two steps to develop universalistic predictions: first, identifying important strategic HR practices and, second, presenting arguments that relate the individual practices to organizational performance. Perhaps the most well known universalistic perspective is provided by Pfeffer (1995). Based on a review of what successful companies do with regard to HRM practices, he concluded that certain practices should be more universally effective than others, including employment security, selectivity in recruiting, high wages, incentive pay, employee ownership, information sharing, participation and empowerment, self-managed teams, training and skill development, cross-utilization and cross-talking, symbolic equalitarianism, wage compression and finally promotion from within. Strategic HR practices include internal career opportunities, formal training systems, appraisal measures, profit sharing, employment security, voice mechanisms and job definition. The universalistic predictions are consistent with the notion that greater use of specific employment practices will always result in better (or worse) organizational performance (Delery and Doty, 1996). In short, there is some evidence that certain HRM practices are better than others in terms of exhibiting a positive relationship with important organizational indicators of performance. However, this perspective is criticized by failing to consider: (a) what other practices are in place, and (b) the context in which these practices are used, which lead to the contingency and the configurational perspectives.

Configurational arguments are more complex than the universal approach for several reasons. Configurational theories draw on the holistic principle of inquiry to identify configurations, or unique patterns of factors, that are

posited to be maximally effective. In a configurational view, Organizational characteristics tend to commonly occur together and form coherent patterns to affect organizational performance. In other words, the configurational approach is concerned with how the pattern of multiple independent variables is related to a dependent variable rather than how individual independent variables are related to the dependent variable (Delery and Doty, 1996). Some configurations are assumed to be ideal types that are theoretical constructs rather than empirically observable phenomena. As the configurational approach needs to identify distinct HR systems, which include internally consist HR practices, to manage employment relationships, it is consistent with concepts of 'vertical' and 'horizontal' fits (Wright and McMahan, 1992). Perhaps the most well known configurational study was conducted by Huselid (1995). Huselid (1995) demonstrated that a system of HRM practices he labeled a high performance work system (HPWS) was positively and significantly associated with important organizational outcomes.

Delery and Doty (1996) provided two typical kinds of employment systems: a market-type system and an internal system. The market-type system was characterized by hiring from outside an organization, providing little training, and evaluating performance through the use of results measures. Employees who worked under this system were compensated or rewarded for individual performance as measured by the output measures. Little job security and voice were granted to the employees. The internal system was characterized by the existence of an internal labour market. Extensive socialization and training were common. Performance was assessed through behaviour, and appraisal feedback was given for developmental purposes rather than evaluative purposes. A high degree of employment security existed. Lepak and Snell (1999, 2002)

identified four configurations of HRM practices: commitment-based, productivity-based, compliance-based and collaborative-based HRM systems that were used for different groups of employees within organizations depending on their relative strategic value in contributing to organizational objectives.

Contingency arguments, known as the 'best fit' school, are also more complex than universalistic arguments, as this perspective emphasizes the interactions between business strategies and HRM policies and practices and argues the impact of HRM on organizational performance is conditioned by an organizations strategic posture. In other words, the contingency perspective posits that HRM will more effectively enhance organizational performance when it is appropriately integrated with specific organizational and environmental contexts. It also indicates that HRM policies and practices in isolation (universalistic) or in combination (configurational) will be maximally effective only under certain situational conditions (Lepak and Shaw, 2008). There are two types of contingency relationships. The first concerns the influence of various contingencies on single HRM policies and practices. The second type focuses on whether the use and effectiveness of HRM systems depend on some contingency. This type is called contingent configurational perspective by Lepak and Shaw (2008). In other words, universal 'best practices' provide a solid foundation of SHRM activities, but to achieve a higher level of performance, contingent factors should be considered (Lengnick-Hall, 2009). This research, to avoid confusion, names the first type of contingency perspective of Lepak and Shaw (2008) contingency perspective, while the second type contingent-configurational perspective. This research will adopt the contingent configurational perspective to investigate the SHRM in PRC.

2.7 Main Trends in SHRM Research

Lengnick-Hall et al.'s (2009) theme-based review

Lengnick-Hall et al. (2009) summarized the literature of SHRM into seven main themes: including (1) exploring contingency perspective and fit, (2) shifting from a focus on managing people to creating contributions, (3) elaborating HR system components and structure, (4) expanding the scope of SHRM, (5) achieving HR implementation and execution, (6) measuring outcomes of SHRM and (7) evaluating methodological issues. They summarized that during the embryonic stage of SHRM, three themes emerged: initial studies emphasized contingency perspective and fit in order to tie human resource policies and practices to various strategy elements. Over time, this stream of inquiry expanded to include competing frameworks for assessing fit and an assessment of different contexts as contingent factors. The second stream of inquiry according to Lengnick-Hall et al. (2009) referred to the emphasis of HR as a source of important strategic contributions versus a focus on people management. Over time, this stream expanded to include human and capital contributions and HR in increasingly complex systems. A third area of research concerned expanding the scope of SHRM activities beyond conventional organizational boundaries. Over time, the focus of this stream shifted more toward international SHRM concerns. In 1990s, two additional streams emerged. One stream elaborated the structure and components of HR systems. The other line of research emphasized the importance of effective execution of HR policies and practices and ensuring that the strategic intent is realized. Later in the 1990s, as the field became established, a greater concern with measuring the outcomes of SHRM activities emerged. Since 2000, as the field has matured, methodological issues and questions have gained increasing attention.

Guest's (2011) review of the development of SHRM field

Guest (2011) concluded the development of SHRM field into six development steps: namely, the beginnings, empiricism, backlash and reflection, conceptual refinement, bringing the worker centre-stage, growing sophistication and complexity. The step of the beginnings presented the promise of HRM in the form of semi-prescriptive analytic frameworks alongside somewhat anecdotal cases that appeared to confirm this promise of an association between HRM and performance. The classic work at this step includes Beer et al. (1984), Fombrun et al. (1984), Miles and Snow (1984), Schuler and Jackson (1987) and so on.

The second step was empiricism, which occurred in the 1990s and characterised by the used of empirical data via survey-based research. The seminal paper was presented by Huselid (1995). Equally significant papers were Arthur (1994) and Ichniowski et al. (1997), MacDuffie (1995), and Delery and Doty (1996). They all indicated that the adoption of more HR practices was associated with higher performance and in so doing began to provide an evidence-base for the calling about a link.

The step of empiricism was followed by a third step called 'backlash and reflection' by Guest (2011). In this step, researchers realized that the rush to empiricism had occurred at the expense of sufficient consideration of some key conceptual issues, and called for a sounder conceptual basis for determining the appropriate HR practices (Dyer and Reeves, 1995; Guest 1997) and a serious debate about generalizability highlighted in the discussion of universalist, contingency and configurational perspectives (Becker and Gerhart, 1996; Delery and Doty, 1996).

The fourth and fifth steps overlapped chronologically emerged to respond to the need for greater conceptual clarity and worker exploitation. This criticism was from writers including Blyton and Turnbull (1992), Legge (1995) and Keenoy (1997), who argued that the emergence of HRM in general and of a normative high commitment approach in particular was a new and insidious form of exploitation of workers. The fourth step was called conceptual refinement, which sought to found conceptual under-pinning for SHRM models, and generated three themes, namely AMO theory (Ability, Motivation, and Opportunity for employee to perform-ance as three primary outcomes of HRM policies and practices) (Appel-baum et al., 2000; Boselie et al., 2005), Resource-Based View of the firm (RBV) (Barney, 1991; wright et al., 1994; and Lepak and Snell, 1999; 2002) and institutional perspective (Paauwe, 2004).

The fifth step in the development of SHRM research emerged as more central in the past decade concerning the key role of workers and the importance of workers' perceptions and behaviour in understanding the HRM-performance link. A result was a focus on worker outcomes as a central issue in HRM and the consideration of how far it is feasible for HRM to result in both higher performance and enhanced workers' well-being (Peccei, 2004). This theme was consistent with the notion of HR as an 'Enabler' proposed by Paauwe (2004). He contended that ena-bling implies that the HR architecture's main goal is the development of a workforce with a sufficient degree of flexibility and adaptability to im-plement a range of strategic options.

The last step was called growing sophistication and complexity. Concerns in this step included multi-level framework in SHRM analysis, HR im-plementation issues and the lag-effect of HR's impact on performance

(Ostroff and Bowen, 2000; 2004), incorporation of the models from organizational and social psychology, stressing the perception rather than the presence of HR practices (Nishii et al., 2008), call for multiple informants (Liao, 2009) in research design.

Expanding the scope of SHRM research into international context

As this research is undertaken in the context of a transitional economy, it is necessary to review the literature on SHRM in non-Western context. Wei and Lau (2005), using a sample of 600 Chinese firms, examined three factors that lead to a firm's adoption of SHRM: market orientation, HRM importance, and HRM competency. As predicted, Chinese firms were more likely to adopt SHRM if they were more market-oriented (regardless of ownership structure), the HRM professionals were competent, and top management put a higher priority on HRM. Their study shed light on the adoption of SHRM in emerging economies. Wang et al. (2007) used a sample of 167 organizations in China to assess the relationship between organizational goal priorities (economic and humanistic) and the adoption of high-performance HR practices. They found no differences in economic goal priorities, but humanistic goals were emphasized most in foreign-owned enterprises, least in Chinese stated owned enterprises, and somewhere in between the two among privately-owned enterprises. There was not much difference in high performing HR practices across all three types of organizations. Additionally, they found that the relationship between organizational goals and HR practices was strongest for private-owned enterprises, next strongest for foreign-invested enterprises, and weakest for public-owned organizations. Som (2007) presented several propositions regarding the adoption of SHRM in India that he believes also may apply in other emerging economies. He proposed that the national environment (extent of unionization and sector characteristics,

technological sophistication), organizational restructuring and ownership structure, legitimizing driver (use of international consultants), organizational culture, and the role of HR department, all have influenced the adoption of SHRM in India. Akhtar et al (2008) surveyed general managers and HRM directors in 456 Chinese companies on product/service performance and financial performance of their companies and a range of SHRM practices. They found that a set of HR practices (training, participation, reoriented appraisals, and internal career opportunities) affected both product/service performance and financial performance. Additionally, they found that employment security and job descriptions contributed uniquely to product/ service performance, and that profit sharing contributed uniquely to financial performance. Ngo et al. (2008) examined SHRM practices in China to assess their impact on firm performance and employee relations climate. They also tested whether firm ownership moderated the relationships. The researchers found that the levels of adoption of SHRM and HR practices were lower in state-owned enterprises than in foreign-owned or privately-owned enterprises. Furthermore, both SHRM and HR practices were found to have direct and positive effects on financial and operational performance, as well as employee relations climate. But, ownership only moderated the relationship for financial performance. To investigate the performance of subsidiaries of MNCs of origin of transitional economy, Bjorkman and Budhwar (2007) examined the influences of high involvement HRM system, level of global standardization of HRM, integration of HRM and business strategy on Indian MNCs subsidiaries' performance. Their findings were in consistency with the existing literature that supported for the argument of HRM systems' and local adaption of HRM practices' positive prediction of performance over individual HR practices, and MNC standardization's negative prediction of subsidiary performance. In order to re-

spond to the call for multi-level analysis in SHRM research to identify the causations of HRM practices and performance, Takeuchi et al. (2009) drew on the notion of concern for employee climate and proposed that concern for employee climate mediate the influences of high performance work systems at establishment level on employee attitude at individual-level. Their findings demonstrated that shared establishment-level climate acts as an important mediator of the cross-level relationships between high performance work system and individual job attitude. Comparing with their earlier findings (see, Takeuchi et al., 2007), Takeuchi et al. (2009) suggested that there might be multiple multilevel pathways, like establishment-level human capital and social exchange quality, through which high performance work systems benefit the organization. Mellahi et al. (2010) examined the impact of organizational commitment on employees' behaviours, including Exit, Voice, Loyalty, and Neglect (EVLN) in seven Indian organizations. They found that, contrary to the existing literature and their expectation, no form of commitment has a direct and significant association with the use of exit, and calculative commitment is positively associated with loyalty and not associated with neglect. Their findings supported for the assumption that attitudinal commitment is positively associated with the use of voice. They attributed the differences between their findings and the existing findings to two main reasons: the instrumental reason referring to the high growth of Indian economy and the cultural reason that Indian cultural is of relative high collectivism-orientation, which distinguishes itself from Western cultures.

In European context, researcher also made efforts to test the assumptions of SHRM or to build context-specific SHRM model. Brewster (1999) argued that theories of SHRM developed in the US were not generalizable

to Europe because of the significantly different context surrounding HR in the European Union. Zupan and Kase (2005) similarly questioned the extent to which theories postulated by scholars in developed countries apply to counties that are transitional economies and particularly to the Eastern European transition economies. They employed the case of Slovenia to develop a model that emphasized the importance of context and, especially, the role of key facilitators and related power relationships, to explain how HR activities emerged and impacted on firm performance. Katou and Budhwar (2007) found that under Greek context the universalistic model of HRM-performance link was supported by the data of 178 manufacturing firms, and that HRM policies of recruitment, training, promotion, incentives, benefits, involvement, and health and safety are positively related with organizational performance. Katou and Budhwar (2008), based on their further analysis of the same data, found that when business strategies and HRM policies are developed simultaneously, they positively affect organizational performance. Their findings implied that decisions taken simultaneously with respect to quality and employee development, innovation and employee rewards and relations, and cost and employee resourcing would be more valid. Drawing on the same data and the insights from the contingency theory, the resource-based view, and the AMO theory, they further examined the casual relationship between business strategies, HRM policies and organizational performance. Katou and Budhwar (2010) found that business strategies positively and directly impacted and extensive used of HRM policies; that the HRM policies positively impacted HRM outcomes (employee skills, abilities and motivations), directly; that the improvement of HR outcomes positively impacted organizational performance; more interestingly, that the HRM policies were not directed related to organizational performance but exerted impact via HRM outcomes on organizational performance. Similar

findings were reported earlier by Katou and Budhwar (2006) under a different perspective and these findings of different analysis methods together helped building robust mediation effect of HR outcomes between HRM and performance.

Gould- Williams (2004) tested the effects of high commitment HRM on performance at employee-level in public sector of the UK. He tested the relationships between high commitment ten HRM practices on employee satisfaction, employee motivation, employee commitment and worker's intention to quit and found some supportive evidence for the links between high commitment HR practices and performance. Based on social exchange theory, which proposed that these HR practices will initiate positive exchange relationships, especially when managers are able to provide evidence of consideration and concern for the needs of the individual worker (Allen et al., 2003; Eisenberger et al., 1986), Gould-Williams (2007) tested the effects of 'soft' HR practices and organizational climate on employee outcomes in UK local government. He found that the high exchange relationships had significant predicative effects on all five dependent variables, namely discretionary effort, motivation, intention to quit, quality of life and workplace stress.

In order to establish the causation between HRM and performance, Voorde et al (2009) employed unit-level employee survey data of two time points and the corresponding information of productivity, in order to assess the impact of time 1 employee survey dimensions, including performance orientation, development, pay satisfaction and job security, on time 2 (later than time 1) productivity and the time 1 productivity's impact on time 2 survey dimensions. They found that performance orientation was positively associated with productivity at both time points. Devel-

opment at time1 was negatively associated with time 1 productivity. Pay satisfaction at time 1 positively predicated the increase of productivity at time 2. They also found a inverse relationship that productivity at time 1 positively predicted time 2 job security which further was positively associated with time 2 productivity. Their analysis made enormous contributions to the establishment of causation between HRM and performance, but satisfied only two of the three pre-conditions for establishing causation, which are co-variation between cause and effect and time precedence (Wright et al., 2005). Voorde et al.'s (2009) failed to satisfy the third precondition, the possibility of controlling for or ruling out alternative explanations for a relationship.

2.8 Summary

SHRM has mainly been studied from four perspectives: the universal perspective, the contingency perspective, the configurational perspective (Delery and Doty, 1996) and the contingent-configurational perspective (Lepak and Shaw, 2008). There are several groups of factors in the SHRM system: HRM, HR role, business strategies, organizational performance, and organizational contextual factors. The basic arguments of SHRM is, first, the fit between HRM and Contingent variables generates superior organizational performance, second, the fit between HRM practices and policies results in superior organizational performance, and third, the links between business strategies, HRM and organizational performance are contingent upon organizational contextual factors, after which, the main trends in SHRM research were concluded

The existing research has mainly been intended to describe a static situation of the SHRM system. Put another way, scholar mainly attempted to

take a snapshot of the SHRM system. This research's endeavour is to build a model describing how the SHRM system operates over time, by linking the organizational performance and strategic HR role to the change of business strategies from a neo-contingent perspective.

The next chapter will review the development of HRM in the PRC, from personnel, the HRM with Chinese characteristics, then to a SHRM model. Issues including the changing business environment in the PRC, the two rounds of reforms in HRM, the applications of SHRM practices in the PRC, and the criticisms and gaps in SHRM and Chinese SHRM research, will be discussed.

Chapter Three

SHRM in the PRC:

The Transition from

Planned Personnel

Management

to

SHRM

Chapter 3 SHRM in the PRC: the Transition from Central Planned Personnel Management to SHRM

3.1 Introduction

In this chapter, the changing economic and business environment in the PRC is first described. Then, changes in HRM are discussed. It is argued that HRM in PRC is undergoing a second round of reforms, leading HRM in PRC to a Strategic model to support the global competitive and developmental strategies of Chinese domestic organizations. The first round of HRM reforms, which occurred at the beginning of 1980s, turned the old Soviet-style personnel system to a HRM system with both Western and Chinese characteristics. Based on the previous research literature, the author compares the two rounds of reforms, and argues that there is a supportive environment emerging for this transition. It then reviews the application of SHRM in the PRC based on the existing literature. The last part discusses the criticisms and gaps in SHRM research and explains the expected contribution of this research.

This chapter will highlight the following points: first, by the review of the evolution of HRM in the PRC, particularly by pointed out the need of a transition of HRM to a SHRM model, this thesis established the validity of examining the status of applications of SHRM policies and practices. Second, by critically reviewing the studies of SHRM under Chinese context, it proved the validity of the criticism put forth by the Western writers of the research in developed economies. Finally, to echo the need of adopting a SHRM model, and to respond to these criticisms/gaps in the literature, the expected contributions of this research are generated.

3.2 The Changing PRC

The PRC's economic transition and 'opening up' was regarded as the most dramatic change in the global landscape over the last thirty years. Beside the great success of the economic growth, the model of its transition is also of substantial interest for researchers. China has had a unusual economic reform process, termed market reform 'with Chinese characteristics', which was called 'a third way' path to economic and organizational reform between that of former centrally planned economy and more 'big-bang' approach to transition as did by countries of East Europe and former Soviet Union (Morris et al., 2002; Hassard et al., 2004). The reform process has had three major elements: first, an 'open door' to foreign investment; second, the reform of the state-owned industrial sector; and, third, the gradual encouragement of private enterprise (Ahlstrom et al., 2002). This section will review the reforms in the PRC's from perspectives of economic, institution, legal and business environment.

3.2.1 Changes of Economic Environment

'Competition, globalization and continuous change in markets and technology are the principal reasons for the transformation of HRM (Beer, 1997, p49)'. Changes in the business environment in PRC have had a certain number of implications for the HR function and HRM policies and practices (Zhu and Dowling, 1994; Zhu, 1997; Braun and Warner, 2002). In the PRC, the changes after the Open Door policy have included a closer interaction with global development, a more market-driven economy and a separation of government from business operations (Zhao, 2005).

In the transition from a command to a market economy and the increasing globalization of business, PRC has experienced, and is still undergoing,

1990 to US$72 billion in 2005 (UNCTAD 2006). These changes have granted organizations with financial support for emerging firms of various ownerships and built the bridge to the international market. Meanwhile, the PRC has been ranked as one of the largest outward investors among developing economies, with a cumulative amount of outward FDI of over US$57.2 billion by the end of 2005 (People's Daily 2006, p. 1). This is a noteworthy point, indicating there is about to be a flux of Chinese MNCs in the global market. Consequently, the need for an international HRM and SHRM system to support the outward business strategies is emerging. Thus, in this thesis, the trend of out-going development of Chinese firm is argued to be one of the main driving forces, leading Chinese HRM to a more strategic position.

3.2.2 The Changes in the Institutional Environment: Ownership Reforms

The institutional development has been focused on two aspects, that is, central planning and public ownership. The market operational reform has sought to substitute a market-oriented system for mandatory central planning system. It has resulted in substantial shrinkage of centrally planned mechanism and an increasing role for the market in the economic system (Zhu et al., 2005). The deteriorating performance of SOEs prompted the Chinese government to shift the focus of SOE reform to ownership and corporate governance restructuring in the mid-1990s.

There have been two major rounds of reforms in SOE sector: the introduction of Contract Responsibility System (CRS) and the adoption of Modern Enterprises System coupled with Group Company System (GCS) (Hassard et al., 1999; Morris et al., 2002). The main purpose of ownership reform was to improve the efficiency of SOEs through clarification of property rights and relationships with government agencies, by reducing government administrative intervention in the operations of SOEs. An important part of the ownership reform was Employee Share Ownership Schemes (ESOS) (that is, some company stock is sold to employees), thus linking the benefits of the employees with company performance (Cooke, 2005). According to a report by the China State Council, ownership reform increased the efficiency of SOEs and reduced their financial debt (Deng, 2005). The ownership reforms have also resulted in a rapid growth of enterprises in the private sector, which are termed Privately Owned Enterprises (POE). The use of FDI allows the birth and growth of Foreign Owned Enterprises (FOE) and Joint Ventures (JV). The variety of ownership gave birth to the variety of organizational management and a development style and model, enabling organizations to develop their own strategies and management, which indirectly boosted the organizational strategies and corresponding SHRM. Also, organizational ownership has been reported to be an important factor for management in the PRC, given that the current policies being furthered by the government are dramatically changing the ownership of business enterprises (Zhu and Dowling, 2002). The change in ownership in the PRC, especially the privatization of SOEs led to greater adoption of SHRM (Wei and Lau, 2005). Meanwhile, although the reforms of SOEs resulted in a great number of laid-off workers and a series of social problems (Morris et al., 2001), they boosted the emergence of a labour market and reshaped the career path of employees in the PRC (Wu and Morris, 2006).

3.2.3 The Changes in Legal Environment

The promulgation of the Labour Law of 1994, implemented in 1995, placed the emerging labour-market at its heart, legalizing individual contracts (geren hetong) and collective contracts (jiti hetong) (Warner 1996). It has been found that at the shop-floor level in the electronics and garment industries, short-term contacts were used extensively. The contract terms ranged from 1 to 5 years. Only a minority of the shop-floor workers had permanent contracts (Morris et al, 2009). More recently, the Labour Contract Law of 2007 took the previous legislation one step further (The Economist 28 July 2007c, p. 74). The new law, enacted by the Standing Committee of the National People's Congress, made it mandatory for employers to provide written contracts to their workers, restricted the use of temporary labour and made it more difficult to lay-off employees. The law, which took effect in early 2008, also set out to enhance the role of the Party-run trade unions, to boost workers' representative bodies and to facilitate 'collective bargaining' for wages and benefits, even litigation. At present, it is claimed that almost 50% of workers have 'collective contracts' with their employers. These contracts may be possibly regarded as an equivalent of the Western-type collective bargaining but their critics allege that they are not based on freely negotiated accords (Warner and Ng 1999).

The series of changes in law have led to a fast-growing and floating labour force within a free but plural market as different standards have been applied (Zhu, 2005). Coupled with the increase of discretion in recruitment and selection in Chinese organizations, the ground of establishing a mechanism of HR strategy to support organizational strategies is levelled.

3.2.4 The Changes in Business Environment: the Impacts from Globalization

When Chinese organizations go abroad to explore their markets and interact with their international competitors, they have to obey international conventions. In this process, international bodies like the ILO and WTO have exerted influences on the reforms and development of the Chinese economic, business and management system, including HRM. According to research by Zhu and Warner (2004), by the end of May 2003, the PRC had ratified 23 ILO conventions, including those on child labour and discrimination.

After accession into the WTO, labour issues are now linked with international trade and international diplomatic relations. Greater invigilation of trade and labour standards within the WTO comes from Western trade unions, consumer groups, NGOs, and other countries' governments and international bodies (Zhu and Warner, 2004; Zhu and Warner, 2005). As pointed out by Chow and Liu (2007), admission to the WTO has now exposed the PRC to an unprecedented competitive and dynamic environment in which more modern HRM will be crucial to meet the challenge in creating flexible and adaptable organizations.

3.3 Changes in HRM

It have been argued that HRM in the PRC has transformed from an old Soviet style personnel system to a hybrid HRM system influenced by both Western mainstream HRM and Chinese characteristics (Hassard et al., 2004; Zhu and Warner, 2005). Recently, researchers have begun to focus their work on the strategic change of HRM and the impacts on organizational performance in the PRC. These researchers found that the basic

arguments of SHRM in Western world still hold water in the Chinese context, like the link between business strategies and HRM and the link between HRM and organizational performance. The HR function also has been found being involved in strategic operations (Braun and Warner, 2002). Thus, this thesis argues that there is another round of changes of HRM from being functional to being strategic. These changes are currently on-going, and there is no clear border between the HRM and the SHRM system. But the second round of changes in HRM in the PRC is distinguished from the first one, in terms of both driving factors and the role of firms and the role of government. Figure 3 depicts the evolvement of HRM in PRC and the driving factors of these changes.
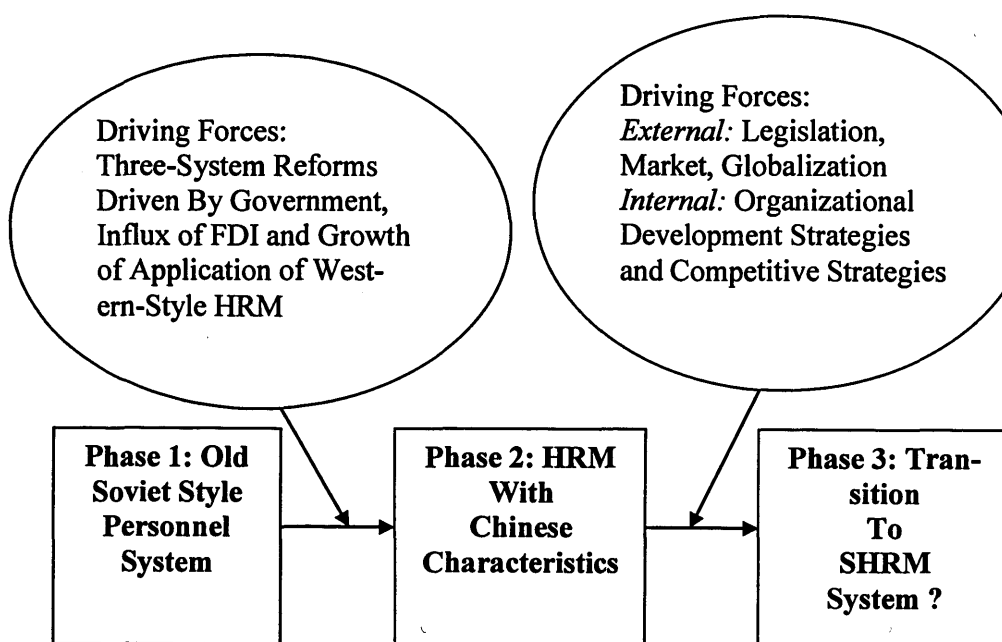
Figure 3: Three Phases of HRM Evolution in PRC and the Driving Forces at Each Round of Reforms

3.3.1 Before the First Round of Reforms: the Soviet-style Personnel System

The personnel system started operating after the founding of the 'New China' in 1949 under the Communist Party. Until the end of Cultural Revolution, the personnel management system was characterized by the state under the planned economy regime (Cooke, 2005). This personnel system can be portrayed as a central-controlled life-long employment system. Under the old planned economy, personnel policies and practices were strictly under the control of the state via related labour and personnel administrative authorities and bureau. The state determined both the number of employees to be employed and the wage scales of workers in different categories. SOEs dominated the Chinese economy, and the personnel management (renshi guanli) of SOEs to organize their employees was borrowed from their Soviet counterparts (Schurman, 1968; Kaple, 1994; Warner, 1995). On the other hand, the 'three old irons' (jiu san tie) employment had been the status quo from the early 1950s onwards in state firms (Frazier 2002; Bian, 2005; Bray, 2005) and could even be seen as a paternalistic hangover from pre-communist times. The 'three old irons' (jiu santi) are the pillars of life-time employment (the 'iron rice bowl', tie fan wan), centrally administered wages (the 'iron wage', tie gongzi), and state-controlled appointment and promotion of managerial staff (the 'iron chair', tie jiaoyi) (Ng and Warner 1998). In this personnel system, the managers and decision-makers of the organizations were only involved in administrative work and had no responsibilities for organizational policies and strategy making, due to top-to-bottom government interventions.

3.3.2 The First Round of Reforms: Resulting in A HRM System with Chinese Characteristics

Management in the PRC at the time of starting the 'Open Door' was faced with a strategic choice as how best to cope with the process of modernization. The solution chosen by the PRC was called 'linking up with the international track' (Yu Guoji Jiegui). In public discourse, it referred to Western notions to modernize the country in everything from education to personnel management (Rensi Guanli). 'Linking up with the international track' reflected the intention of the PRC to adapt to globalization but at the same time to retain its own 'Chinese Characteristics' (Wang, 2007; Warner, 2008). This philosophy of reform at least partially explained the notion of 'HRM with Chinese Characteristics', widely used in the literature on HRM in China.

Since market socialism was introduced in the 1980s, the enterprise-based system of 'lifetime employment' and 'cradle-to-grave' mini-welfare state (xiao shehui) has been eroded by various government initiatives. In 1986, for example, the authorities experimented with the introduction of labour contracts for new workers (Korzec, 1992; Zhu, 2005). In 1992, the 'three personnel reforms' (san gaige) were initiated; this entailed the wider implementation of labour contracts, performance-linked rewards systems, and contributory social insurance (Warner, 1995). In turn, access to health-care was to become more inequitable (Wang et al., 2007). By this time, the system had already become a 'hybrid' one, mixing what remained of the old one with the newer features.

Nationwide reforms in HRM have been launched since the 1990s, with the primary objective of enhancing efficiency and productivity in SOE. Major issues included the introduction of fixed-term employment contracts and

performance-based rewards, a shift in welfare provision responsibility, and a new labour law regulating employment relations (Warner, 1996). Additionally, employment polices and practices have been decentralized to the enterprise level, and managers in SOEs have been granted autonomy in hiring and firing workers (Chow et al., 1999). In effect, the 'iron rice bowl' employment system has been abolished. Despite these changes, HR decisions in may SOEs still are affected by social and political considerations, particularly the pace of social security reform and the possibility of mass unemployment (Wong et al., 2005). Government interference in enterprise management still persists in SOEs, and organizational inertia has served as a deterrent to the change in HR systems (Ding and Akhtar, 2001). As Goodall and Warner (1999) noted, some traditional practices coexist with market-oriented practices in these enterprises.

The traditional Chinese economy is not a free market. Most enterprises are still constrained by government regulations and intervention. The conventional 'Western Model' of HRM may not fully capture the HR challenges facing firms in PRC. HRM is a culture-specific and context-specific management system. HRM is forged by national cultural, national factor, organizational contextual factors (Budhwar and Sparrow, 2002), and these factors varies across countries even across regions. As a result, HRM systems exposed to and influenced by different factors may vary to some extent to each other, which required explanations of different theories or adjusted theories. Therefore, HR practices must be modified to fit the PRC's unique cultural and institutional context. The extant research has led to a fairly widespread view that traditional HRM practices in the PRC have changed in recent years and 'we are witnessing the emergence of a more complex, hybrid management model as marketization advances and as enterprise autonomy increases' (Warner, 1998, p31).

As a part of the economic and enterprise reforms beginning in the early 1980s, dramatic changes in personnel systems were witnessed in last two decades in PRC. One of the major changes has been the reduction of direct state control and the consequent increase of autonomy and responsibility at enterprise level in major aspects of their personnel department practice. Along with the economic change to a market economy with Chinese characteristics, fundamental changes in Chinese HRM policies had taken place during the 1980s and, more especially, the 1990s.

Changes in HRM in the PRC in this phase were mainly driven by 'three system' reforms. These included fixed duration individual and collective labour contracts instead of jobs-for-life; a new remuneration system based upon performance, post and skill levels; and new welfare schemes in which all employers and employees are required by law to make a contribution to five separate funds: pension, industrial accident, maternity, unemployment and medical insurance (Warner, 1996; 1999).

Under the labour contract system, organizations were granted the freedom to employ both managerial and non-managerial staff, and to terminate contracts. This change raised the motivations of employees substantially. Also, a scheme called 'competing for post' (jing zheng shang gang) was introduced to SOEs as an incentive for employees to become more competitive by up-skilling themselves. In short, the first round of HRM reforms resulted in a transition from 'plan to market', from 'egalitarian to in-egalitarian' and from 'status to contract' (Zhu, 2005).

This series of changes leading the old personnel system to a HRM system with characteristics have been mainly driven by the state. In these changes, the organizations themselves were passively driven by the state polices and learnt management knowledge from their foreign partners and com-

petitors. Overall, this round of management reforms were led by government, there was no proactive role played by the firms. At firm-level management reformed but under the instruction of government not at their own discretion. However, as the discretion of staffing, promotion and reward management have been devolved to the firm-level management, and firms are now responsible for their own performance, there is a need for independent or strategic thinking and decision-making mechanism. This created the possibility of the use of SHRM.

3.3.3 The Second Round of Reforms Underway: in Transition to SHRM

The transition to a SHRM system in PRC is an on-going process. There is no clear border between the second phase and the third one. The process could be regarded as the furthering and the deepening of the second phase, which is based on reforms in the second phase and is a continuous process of it. The distinction between the HRM changes in first round and the second round is concerned with the primary driving-forces of the reforms. The first round reforms were driven by state policies, while the current round of HR reform is driven by factors including both state policies and non-state factors. These factors include certain new trends in the Chinese market and new attempts of organizations. This is in line with Warner's (2008) argument, who portrayed the evolutionary change-process of HRM in the PRC with a schema of market-driven HR reform. The driving-forces of HRM reforms started from core variables, which are strategic, economic and organizational, via contextual variables, including culture, institutions, politics and values, arrived at the outcomes, such as management, labour-market, employment and HRM. The thesis will now give a discussion on the changing driving-forces of HRM reforms.

3.3.3.1 The Emergence of Labour Market and Social Welfare System

There was no labour market in the planned economy, and the social welfare function was fulfilled by work-units (SOEs), which were called (*Xiao She Hui*). One of the outcomes of SOEs reforms was the reduction of the workforce at both employee and management levels (Sheehan et al., 2000). In May 1997, the State Commission for Economic Restructuring (SCER) predicted that 15 to 20 million surplus workers in the state sector would lose their jobs by 2000 and in turn estimated the total number of surplus workers in SOEs at 54 million, close to half of total workforce (South China Morning Post, May 7, 1997). The SOEs and local authorities together dealt with this surplus work problem based on the principle of 'political stability', by introducing schemes like labour pools, early retirement with a lump- sum investment from the SOEs to help the laid off start their own business. Also, some cities reserved new certain jobs, like taxi driver, for the redundant workers (Hassard et al., 2002; Hassard et al., 2006; Lee and Warner, 2007). Based on this existence of a great number of surplus workers in the PRC, and along with the increasing number of non-state owned enterprises, as well as the development of international labour market, the Chinese national labour market has changed (Wu and Morris, 2009). In addition, a series of changes in law in the PRC (Labour Law 1994, Labour Contact Law 2007 and New Bankruptcy Law 2007) have led to a fast-growing and floating labour force within a free but plural market, as different standards have been applied (Zhu, 2005; Warner, 2008).

The establishment of a nationwide insurance scheme means that costs will be shared between three parties: the state, the enterprise and the individual employee (Ding and Warner, 1999). It is required by the Labour Law that both employees and employers contribute to five funds: pension, accident

and injury, maternity, unemployment and medical funds (Morris and Zhang, 2002; Warner 1997). In 1998 the State Council of China provided a new framework for medical insurance reform that transferred responsibilities from enterprises to local governments (Hassard et al., 2004). As a result, enterprises were gradually freed from the burden of taking care of their employees for life time.

3.3.3.2 The Rise Development of FOEs and JVs under an Increasingly Market-oriented Economy with the Substantial Reduction of the Number of SOEs

On one hand, the Fifteenth Chinese Communist Party Congress in September 1997 decided to allow the selling off, merger, or bankruptcy of all but five hundred of the largest and most strategically significant SOEs (Hassard et al., 1999). Ever since then, the number of SOEs has been reducing. There were only 126 centrally owned SOEs by 2010. On the other hand, as one of the consequences of the open-door policy, the number of FOEs has increased substantially in the PRC over the past two decades. Western 'mainstream practices' in HRM such as formal performance appraisal, performance-based compensation, and extensive training have been widely adopted in these firms (Ding et al., 2004; Warner, 1997, Warner, 1999). Subject to less administrative interference from central and local government, these firms have more discretion in designing their own HR systems (Chow et al., 1999). While international companies are increasingly entering the PRC, the international entrepreneurship approach is an effective strategy not only for expanding new markets and introducing overseas funds and managerial skills for enhancing competitiveness, but also for more and more local companies to introduce and recruit foreign knowledge-managers and technicians for

their joint ventures and/or key local facilities for their business development. Meanwhile, companies are establishing their business branches overseas as a competitive entrepreneurship strategy. Therefore, both strategic and cross-cultural HRM has become a crucial supporting approach (Wang and Zang, 2004).

Meanwhile, with the further integration of the PRC into the global economy, the flourishing of enterprises in the private sector and the decentralization of decision-making to enterprise level, have brought the need for more strategic involvement of the HR function (Braun and Warner, 2002; Zhao and Ni, 1997). The number of privately owned enterprises has also experienced rapid growth. One characteristic of these firms is their ability to respond quickly to environmental changes. As Warner (1996) noted, POEs have greater flexibility in their employment practices than SOEs, and they can employ and unemploy workers in a relatively unconstrained way. Because of their short history, their HR practices tend to be informal and non-systematic as compared with other firms (Zhu, 2005). However, to improve their market competitiveness and to attract and retain talent, these firms have started to invest more in HR and to develop their HR systems (Zhu, 2005).

3.3.3.3 The Rise of POEs and Organization-level Competitive Strategies

On one hand, when Chinese indigenous organizations have achieved certain merits in both market and organizational constructions, they are likely to search for a further development strategy, via which they can either explore new market areas or fit into new development directions. Cooke (2008) summarized the main strategies used by Chinese POEs into

a number of types: diversification, internationalization, product innovation and quality enhancement. Diversification and internationalization have been pursued by a increasing number of Chinese enterprises (Benson and Zhu, 1999; Zhang et al., 2006), because the deficiencies in the institutional environment of emerging economies (Li and Wong, 2003), such as the lack of well-established product markets, capital markets and labour market, the lack of an independent and fully functional regulatory system and the ineffective enforcement of contracts (Khanna and Palepu, 1997). As Wang and Zang (2004) suggested, technological innovation and entrepreneurial networking are among the most popular strategies for business development in the PRC through a variety of cross-regional mergers, acquisitions, joint ventures, and business alliances. There is a significant shift in mergers and acquisitions from the SOEs' acquisition of private companies in 2002, to the private company's acquisition of SOEs in 2003. The state now runs less of the economy than it did in the past. According to Asia Bank (2006, p1), the share of SOEs in productive output had fallen from 77.6% in 1978 to less than 30% in 2006. The SOEs no longer dominated the economy, by either share of output or employment. Many of the privatized enterprises incorporated with company-level technological innovations. However, in many cases of mergers, HRM was a bottleneck for effective integration. Therefore, SHRM is urgently needed for supporting organizational change, technological innovation and entrepreneurial development.

One the other hand, when Chinese indigenous organizations, especially POEs, approach a certain developmental stage, they are seeking to expand their business across regions or even borders. The entrepreneurship transformation in PRC also accelerates the strategic change of HRM. For most Chinese firms, the entrepreneurship transformation is the main

business-driven strategy in connection with intra-entrepreneurship, corporate entrepreneurship and strategic entrepreneurship (Wang, 2003). However, among many Chinese companies, there is a lack of strategy-level integration of SHRM with entrepreneurship and therefore intra-entrepreneurship was often less effective in terms of sustainability (Wang and Mobley, 1999). Recent studies have called for strategic planning to be used to identify and improve those organisational decisions and actions for integrating human resource functions into the organisational and innovation strategy in order to support and implement the strategic plan to achieve a competitive advantage (Wofford, 2002).

At this stage, the organizations of different ownerships have possessed a relatively large freedom when they make their decisions on strategic and operational policies and practices. When discretion was granted by the state, organizations, under less governmental intervention, began to make their decisions according to market situations and the competitive strategies in certain industries and regions. Thus, the driving factors for changes in HRM are both state and non-state factors. Moreover, the state factors are rolling back while the non-state ones are growing rapidly.

3.3.4 Comparing the Two Rounds of HRM Reforms

If organizations want to gain a competitive advantage by continually developing personnel expertise, the adoption of appropriate HR systems will become more prevalent in PRC.

From Table 1, it can be seen that the second round of HRM reform, advancing along with the changes in economic and legal systems, is dis-

tinguished from the first one. In the context of the second round, organizations are more independent from government, and are more responsible for their performance and more flexible to the fast-changing environment. With the rise of outward strategies and cross-regional strategies, organizations, drawing on their unique entrepreneur model, have to adopt a more complex SHRM system to support their success. It can be expected that, with the progress of this round of reform, a SHRM system suitable for the coming global competition will be established in the PRC, though there are still improvements to accomplish.

3.4 SHRM in PRC Today

3.4.1 Application of SHRM Practices in the PRC Today

There is a growing literature investigating HRM practices in the PRC (Zhu and Dowling, 1994; Ding and Akhtar, 2001; Braun and Warner, 2002; Deng et al., 2003; Morris et al., 2009). This section entails the state of the SHRM applications in PRC from some critical perspectives, including HRM function, training and development, and employment involvement, job descriptions and performance appraisal, recruiting and retaining, pay and rewards systems.

	First Round of HRM Reform	Second Round of HRM Reform
Aim	● Enhancing SOEs' Perform-ance ● Encouraging Multiple Own-erships	● SHRM system suits International Market and Serves on Outbound Market Strategy
Driving Factors	● Government-Driven Reforms ● Increase of FDI and the in-troduction of Western Style Mainstream HRM	● Freer Market ● Further Development of Non-SOEs ● Deepened Globalization ● More Supportive Legal System ● Labour Market ● Proactive Organizational-Level Business-Driven Development and Competitive Strategies of Cross-Region and Cross-border
Role of Organizations	● Passive ● Less Informed	● Proactive ● More Experienced
Outcomes	● Hybrid HRM with both ● Chinese Characteristics, ● and ● Western Style	● SHRM system founded: but ● Unbalanced across ownerships and regions. ● Lack of Knowledge and Experience for Outgoing Activities

Table 1: A Comparison between the First and Second Round HRM Reforms

3.4.1.1 HRM Function

In an interview-based study on MNCs in PRC, Braun and Warner (2002) reported that, in most of the cases, the HRM function was described as having high strategic importance and being involved in strategic business decisions. In these cases, the HRM function was a strategic role of HR function in strategy formulation and was strongly involved in new investments, divestments, and launching of new product lines.

Concerning the staffing of HRM function, Child and Yan (1999) suggested that typically the equity position is associated with certain rights linked to managerial appointments. In Braun and Warner's (2002) research, in all the FIEs, as well as the majority equity JVs, the foreign partner appointed the HRM positions, whereas in the minority eq-

uity-stake JVs the HRM positions were more typically made by the Chinese partner. Based on a longitudinal study on the transition of HR to a more strategic position, Zhu et al. (2005) compared the situation of 1994/5 and 2001/2, when the use of independent HR departments increased significantly in Chinese organizations. But there was still a lack of participation into the strategic decision-making process for HR role. Contrasting with Braun and Warner's (2002) findings, Zhu and her colleagues found no significant difference on the perceived importance and effectiveness of the HR functions in PRC across ownerships.

3.4.1.2 Training and Development

In a cross-cultural study of managerial attitudes about HRM practices, Jennings et al. (1995) found that training and development was perceived as the most important strategic HRM practice. In the PRC, the amount of investment in training employees varies across firms with different ownership types (Drost et al., 2002). Zhao (1999) noted that about half of firms' annual expenditure on training was less than RMB 30 per employee. By contrast, in FIEs substantial amounts have been spent on training employees, since training was seen as a critical and effective tool to ensure product and service quality and standards. Also, in large companies managers were encouraged to follow self-learning programmes as well as often being sent on external courses, like MBA or EMBAs which mushroomed in the 1990s. By contrast, people in small and medium-sized enterprises (SME) had little chance of such training and development (Rowley et al., 2004).

In multinational corporations, training is the keystone for localization of top and senior managers. Trained Chinese managers have successfully replaced expatriate managers at the corporate and department levels. In Ericsson PRC Ltd., for example, out of 12 senior managers at the corporate level, nine are local Chinese. Also, out of 25 department directors, 21 are Chinese managers (Akhtar et al., 2008). In SOEs, employee training programmes also gained substantial attention and efforts. It was reported that in the railway industry, organizations relied highly on the full-scale training programme for its employees to maintain a good human resource quality. The training differed across levels and groups in organizations, concentrating mainly on moral teaching and technical skill refreshment (Cooke, 2000).

3.4.1.3 Employee Involvement

In FIEs, it is recommended that local managers need to be consulted as the company strives to integrate its corporate culture with Chinese traditions and customs (Yang, 1998). In SOEs, workers' congresses are traditionally the primary channel for employee involvement in management activities.

Workers' congresses, with trade unions as executive agents, are entitled by law to approve or disapprove of companies' strategic plans and to have a say in major issues related to the welfare of workers (Ding et al., 2001). However, the significance of workers' congresses has declined in recent years. In the large, reformed, SOEs, such as publicly listed firms and joint-stock companies, employee representatives are elected to participate in the meetings of the boards of directors, representing workers and managers in the major corporate decisions.

In multiple case studies, Benson et al. (2000) found that the application of employment involvement schemes differed from company to company. The most widely used scheme was information-sharing schemes in all type of ownerships, including JVs and SOEs. This shared information was not only general information on production plans and schedules, but strategies to improve production and employee performance. But individual grievance mechanisms existed in only a minority of the companies.

3.4.1.4 Job Descriptions and Performance Appraisal

It has now become a popular practice in Chinese firms that each employee has clearly defined duties, which are evaluated regularly to determine his/her level of compensation. Job descriptions are the centre piece for the so called 'post-wage system', which developed from the reward system reform in Chinese enterprises. The "post-wage system" is composed of two parts: a basic wage (determined by the intensity and complexity of job duties) and a supplementary wage (determined by the accomplishment of job duties). This system is accompanied by clear job descriptions and a strict performance appraisal system. In recent years, the "post-wage system" has increasingly added elements of skills and capabilities. The system is called *ganwei jineng gongzizhi*, and emphasizes clear job responsibilities, professional skills, and qualifications, the ability to innovate, and results-based performance appraisal (Warner, 1995; Ding & Warner, 2001).

Performance appraisal in the PRC has been undergoing significant changes (Shen, 2004). It is not used just for managers' promotions and transfers, but for line workers. Recent research conducted by the Development and Research Center of the PRC State Council, reported that

67.3% of the sampled firms utilize performance appraisal. Of 1,044 enterprises, the majority reported that appraisal had positive impacts on employee performance ranging from moderately effective to very effective. 37.2% of the sampled firms asserted that performance appraisal was not as effective as expected. The reasons for the unsatisfactory results of performance appraisal include unclear performance objectives and evaluation criteria, the lack of feedback and two-way communication, uncooperative attitudes by employees arising from a sense of being monitored and controlled, and the lack of a corresponding job descriptions and reward and disciplining systems to match appraisal results (Guo & Suo, 2005).

3.4.1.5 Recruiting and Retaining

Before the economic reforms, the term recruiting and retaining were rarely used in the PRC, as all the personnel activities were centrally planned by the state (Zhu and Dowling, 2002). In recruiting and retaining qualified professionals, providing opportunities for career and personal development plays an important role in attracting young Chinese people holding graduate and postgraduate degrees (Caplan, 2003). As Chinese society gradually moves towards a knowledge society, career management has become an increasingly important part of human resource strategies, especially in the high-technology sector. More and more companies provide opportunities for development and continuous learning in return for high performance and productivity during an employee's stay (Larkin, 2005). Another issue related to recruitment and selection is the situation of labour market as, in the PRC, there is a paradox of the shortages amid plenty, which mean the amount of candidates are of large number, but less than 10% of them are suitable and competent to work in

internationalized or multinational companies (Farrell and Grant, 2005). Recruitment and selection systems also vary across industries. In the electronics and garments industries in the PRC, Morris et al. (2009) reported that the shop-floor workers were recruited via newspaper advertisements, from labour agencies, from schools, or by word of mouth. Companies recruited workers from agricultural areas or recruited migrant workers to respond to the tight local labour market. These recruitment methods ensured docile labour forces, plentiful young female labour and low labour turnover. The entry requirements were relatively low in both electronics and garment industries. Basically, they required single young females, who could 'read write and count'.

3.4.1.6 Pay and Rewards Systems

Job grading has been widely used in PRC as a means to build career ladders and decide pay and rewards. Pay and rewards systems vary from the complex to the simple (Braun and Warner, 2002; Morris et al., 2009). In MNCs, performance-related-pay has been implemented. Bonus payments are based on both individual and collective performance. The level to which individual and collective performance influences bonus payments varies by managerial level and function. Some companies may provide housing to managerial level staff as a means of attracting and retaining them (Braun and Warner, 2002). In the electronics industry, MNCs provided basic salary plus some production related bonus to shop-floor workers (Morris et al., 2009).

In SOEs, multiple rewarding methods are also employed. It is believed that the linking between rewarding system and the job could become a motivational mechanism. In the railway industry, pay was linked to the

financial return of the business unit and the performance of individuals (Cooke, 2000), to reflect more appropriately the differences of skill requirement and performance between different types of jobs. Workers and managers from a Chinese SOE expressed that individually based performance-related pay could be of benefit to the company, and they opposed the use of a 'rigid and flat' reward system (Bozionelos and Wang, 2007).

A form of reward scheme called stock options was found in some companies. For instance, workers were given priority in the purchase of shares when shares were offered to the public. Another form of stock option was that the company shares were offered to employees so that they were collectively owned by all employees. Profit-sharing programmes were also used. This was mainly carried out in a way that Worker's congress determined how the profit would be used and distributed (Benson, et al., 2000).

3.4.2 Does Integration between Business Strategies and HRM, and Fit between HRM Policies and Practices Generate Superior Performance in the PRC?

3.4.2.1 Integration between Business Strategies and HRM as a Predictor of Performance

Bjorkman and Fan (2002) focused on JVs and wholly owned foreign subsidiaries in the PRC and found a positive impact of HRM practices on performance and that the extent of HRM-strategy integration was a stronger predictor of performance than HRM on its own. Chow and Liu (2008) also found that the alignment between strategy and HRM predicted

organizational performance in their researched firms in the PRC. These researchers all tested the interaction between HRM practices and business strategies by input the multiplication of these two groups of variables into multiple regressions as independent variables and compare the beta value with those of HRM practices alone. Nevertheless, Mitsuhashi et al. (2000) reported the poor performance of HR departments of MNCs. HR managers in these firms attributed unsatisfactory performance to the inability of HR departments to act strategically. Zhu et al. (2005) also noted that HR managers across all ownership types were beginning to participate in strategic decision making, but how far they can strategically integrate the HR function remains to be seen. Thus, the extent to which HRM integrates into strategies or strategic decision-making is questionable.

3.4.3 Do HRM and the Fit between HRM Policies and Practices Predict Organizational Performance?

The effects of HRM policies and practices on organizational performance have been investigated by researchers in the PRC. Yu and Egri (2005) found that several HR practices were related to job satisfaction and affective organizational commitment of employees working in a JV and an SOE. Deng et al. (2003) reported that, in a sample of SOEs, a bundle of HR practices had a substantial impact on export performance. Bjokman and Fan (2002) reported that HR practices that focus on individual performance and employment motivation were strong predictors of firm performance in FIEs. Takeuchi et al. (2003) also found support for the positive relationship between a firm's HR practices and financial performance in a sample of Japanese subsidiaries in the PRC. SHRM also supports the innovation performance and the HR outcomes, like employee turnover, task accomplishment and employee satisfaction (Wang and

Zang, 2008). Recently, it was reported by researchers that the fit between HRM policies and practices positively predicted organizational performance (Chow et al., 2008; Zhang and Li, 2009). In this group of research, HRM was treated as bundles or configurations and could predict the increase of performance.

Furthermore, there have been new organizational factors or perspectives which have been introduced into SHRM research, like the employment relationship. Wang et al. (2003) argued that organization-specific employment relationships with different levels of inducements and expected contributions are critical for firm performance. Tsui and Wu (2005) further suggested that certain HR practices such as training and development lead to an employment relationship that contributes to firm performance.

3.4.3.1 Other Considerations in SHRM Research in PRC

Currently, although there is evidence that Chinese HRM is changing to a SHRM system, HRM in the PRC still has both a Western mainstream HRM style and Chinese characteristics. Researchers have been applying the theories developed and empirically proved in Western settings into Chinese context. The results of this research have proved that the theories and arguments from Western world hold in the Chinese context. However, the question will be if these theories or models are able to fully depict HRM in the PRC? The author believes that these theories and models can reflect certain aspects of HRM in the PRC, particularly those of Western style. Original theories and models have to be generated to complete the picture of HRM in the PRC via exploring those aspects with Chinese characteristics.

In fulfilling this task, several researchers have made a breakthrough (for example, Cheah and Chew, 2005; Wang and Zang, 2005; Wang and Wang, 2008). Cheah and Chew (2005) also attempted to model the strategic management in the construction industry in the PRC. But due to the fast-changing business environment of the PRC, they found no hard and fast rule in developing a coherent strategy. Wang and Zang (2005) inter-viewed 52 people from Yangtze Delta Region (Zhejiang and Shanghai) and five models of entrepreneurship were generated. Based on these en-trepreneurship models, they fitted HR of different strategic levels into the models. Based on a survey of 103 firms from 11 cities in the PRC, Wang and Wang (2008) tested the moderating effects of regional difference on the relationships between HRM and organizational performance. They found that comparisons with the eastern, central and western regions played a negative moderating effect on HRM- performance link. In other words, in the eastern region of the PRC, the HRM- performance link was stronger than those in central and western regions. These researchers have made efforts to explore the Chinese aspects of HRM in PRC. These findings, however, have just made a first step destination. More research is needed to explore a more complete view of HRM in the PRC.

3.5 Criticism and Gaps

Chapter 2 and the preceding part of this chapter have reviewed the main research areas, theoretical perspectives and common research methods in SHRM. Within the framework of the three fits and the three approaches to HRM, researchers in this field have indicated that HRM patterns which fit the business strategies and organizational contextual factors leads to a superior performance. However, there are still criticisms on SHRM from researchers.

Association Rather Than Causation

Every since Guest (1987) published his normative framework describing the essence of HRM, the part of the emphasis of HRM has been placed on its strategic contribution, its closer alignment to business and the involvement of line management, and focusing on HRM outcomes like commitment, flexibility and quality. But two major reviews of the research (Boselie et al., 2005; Combs et al., 2006) confirmed that the large majority of published studies demonstrated and association between HRM and performance rather than causation. A frequently cited problem with most of the research on HRM and performance is the cross-sectional nature of research design (Guest, 2011). The data of HRM and performance are mostly collected at a same point of time which fails to take into account the lag-effect of HRM practices implementation. Put another way, the proposed HRM practices have to take certain length of time to be implementation and realized before exert effect on employee and organizational outcomes. It is questionable that the researcher linked current HRM practices to current performance. Thus, the field of SHRM research is in need of more longitudinal research to examine HRM-performance link with considering the lag-effect of HRM practices.

Signal Source of Information

Researchers in this field always collected data of HRM and outcomes from single source of information (Gerhart, 2007). It is naive to assume that a senor HR manager can provide information about local practices either in terms of whether practices are implemented or whether they are effective. The research evidence suggests generally low levels of agreement on the presence of practices when management accounts, usually from HR mangers, are compared with workers accounts with mangers invariably reporting more practices in place than reported by workers (see,

Liao et al., 2009). Thus, the field is in need of research design involving respondents from multiple levels of organization and multiple groups of people.

Measuring Performance

In Boselie et al.'s (2005) extensive review of the literature, half of all articles included financial measures. Paauwe (2009) concluded that it would be problematic because financial measures are more distal from HRM than measures like satisfaction, commitment, intention to quite. Even those examined HRM's impact on HR-related outcomes reported contradictory evidence. Osterman (2000) found that although the new work systems led to improved organizational performance, but it was positively associated with layoffs and not related to pay gains. Appelbaum et al. (2000) reported some contrary results from their research. They found that HRM is positively related to employee earnings, and employee outcomes of commitment, job satisfaction, and reduced level of work stress. In addition to the lack of agreement on the effects of HPWS on employee earnings, there is generally limited research on the effects of HRM on employees besides the focus on gaining their discretionary effort. Thus, research on the HRM- performance relationship may need to include outcomes that focus not only on employee's financial gain but also their well-being (Aryee and Budhwar, 2008). And the field is in need of performance indicators that are far more proximal in terms of what HR practices can actually affect, such as changes in employee attitude and behaviour, and subsequent changes in outcomes at organizational level (Paauwe, 2009).

Missing the Strategic Role of HR Function

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As Allen and Wright (2007, p91) stated: 'HR [function] was seen to play only a secondary role in the accomplishment of strategy with an emphasis in the role that HRM played in strategy implementation, but not strategy formulation'. Brockbank (1997) advocated that firms should adopt a proactive HR role to achieve sustainable competitive advantage. It seems that the models in existing literature failed to incorporate the role of HR function, in spite of recognition of significance of a strategic HR role. Only a few researchers used strategic level of HR function in their research (Ding and Akhtar, 2001).

Testing theories in non-developed economies

It has been pointed out by several researchers (Brewster 1999; Bowen et al. 2002) that strategic HRM research has been mainly carried out in advanced market economies. They suggest that further research is needed in transitional economies to explore whether HRM practices translate into improved productivity at firm level. This is in line with the argument of Paauwe's (2004) institutional perspective to SHRM. He highlighted the importance of an institutional perspective and reminded us that in Europe the legislative framework as well as the institutions relating to education and training and to employee representation ensured that a minimum set of HR practices were in place in most organizations. This means that competitive advantage is more likely to come either from the way in which these standard practices are implemented or from the use of additional distinctive practices. In the same sense, this paper argues that institution in the PRC is different from those in America and Europe, so the SHRM field it also in need of research in transitional countries like the PRC.

About the sustainable competitive advantages

The commonly accepted logic of the SHRM system is that strategy and organizational contextual factors influence the pattern of HRM to leads to the superior organizational performance. Then, the question is what will happen after this series of processes? Although the organizational system will stay stable when it achieves high performance, the organizational structure cannot keep still all the time. Thus, this thesis also argues that a dynamic view should be used to describe the operations of the SHRM system. To fulfil this task, this research draws on the competence and resource based strategic formulation theory and strategic role of HR function to propose a model of dynamic SHRM (see Chapter 4).

In Chinese settings, these gaps were also identified by researchers. In respect of the strategic role of HR function, Zhu et al. (2008) contended that more efforts should be made to explore extent to which the strategic integration and devolvement/delegation of HRM were practiced by industrial firms in China with different characteristics and to examine the impact of the strategic integration and devolvement/delegation of HRM practices on a firms' financial and social performance. This thesis examines strategic role of HR function on two aspects: the strategy formulation role and strategy implementation role of the HR function, drawing on the information offered by classic writers in the changing role of HR function, such as Storey (1 992) and Ulrich (1997, 1998). In terms of lack of the agreement on the mediators between HRM and organizational performance and the lack of its theories underpinning, it has been found that most of the empirical research examined the direct effect on organizational financial performance, and small number of them also linked them to operational outcomes. It has been indicated that the link between HRM and financial performance is less supported by the empirical evidence than other performance, like operation performance in terms of both

the existence of the links and the strength of the impacts, researchers in the field of Chinese SHRM did not draw any relevant theories to explain the results or re-design their research. This researcher adopts a theoretical framework developed by Dyer and Reeves (1995) to examining the mediation of HR outcomes (e.g., employee satisfaction, employee ability and employee attitude) and the mediation of organizational outcomes (e.g., productivity, customer satisfaction and public image) between HRM and financial performance.

3.6 The Expected Contributions of this Research

Based on the literature review and research interests, it is expected that this research will make several contributions to SHRM research.

1) Investigating the Current State of the Application of SHRM in the PRC

It has been argued in this thesis, that HRM in the PRC is undergoing a second round of reforms to adopt a strategic model. This research will use the data collected from enterprises in Beijing to examine the current state of the application of HRM practices, and to test if HRM in the researched enterprises is changing to a strategic model. It will also contribute to the literature with updated evidence of HRM application in the PRC, including HR planning, HR staffing, HR appraisal, HR compensation, training and development and management-employee relationship.

2) Examining the Influences of Business Strategies on HRM, and the influences of HRM on organizational performance

There are various approaches used in studying relationships between HRM and performance (Sivasubramaniam and Kroeck, 1995). Four normative approaches, universalistic, contingency, configurational (Delery and Doty, 1996) and contingent-configurational (Lepak and Shaw, 2008) approaches,

were established in literature. This thesis uses a contingent-configurational perspective to test the links between business strategies, HRM and organizational performance, as well as the moderating effects of organizational contextual factor.

3) Deconstructing organizational performance and examining the hierarchical effects between HRM and organizational performance.

This thesis will contribute to the literature by opening the 'black box' of the link between HRM and organizational performance, drawing on the model of organizational performance's structure of Dyer and Reeves (1995). It will test the hierarchical effects along the link between HRM and financial accounting outcomes, with the HR outcomes and organizational outcomes acting as mediators. This is to respond the call made by Wright and Gardener (2000, p4), ' one of the first issues that must be settled in the effort to understand how HR practices impact performance is to theorize the means through which this relationship occurs, in essence specifying the intervening variables between the measure of HR practices and the measure of firm performance'.

4) Linking organizational performance to business strategies

Some of the existing models explain how the SHRM system sustains the competitive advantage. These models include Beer et al. (1984), Guest (1989), Hendry and Pettigrew (1992), Storey (1992). But the emphasis in these models was placed either on the choices of HRM practices and policies or on HRM- performance link, because these questions were the central debate at that time. A problem is the absence of theorization of the influences of HRM or other outcomes of HRM back on strategies, which

are at the starting-point of SHRM system. As a result, these links were taken for granted and with no theoretical supports.

This thesis will build a model to uncover the process of SHRM creating, managing, preserving and sustaining the competitive advantage. The key link to achieve this model is the link between organizational performance and business strategies. It drew on contingent-configurational perspective of SHRM modelling (Lepak and Shaw, 2008) and competence and resource based strategy formulation theory (Andrews, 1998, Hamel and Prahalad, 1998) to fulfil these objectives.

5) Exploring the Strategic Role of HR Function

The multiple strategic roles of the HR function are examined in this research, as previous research often treated the strategic role of HR as a facilitator of strategy implementation. In other words, the strategic role of HR has been used as a mediator or moderator in the relationships between the main constructs of SHRM research. In this research, the author contends that Strategic HR also plays a proactive role, in which HR function is involved in strategic decision-making process, and influences the adoption of business strategies. Moreover, it argues that the strategic role of HR plays an adjusting role in this whole process. HR adjusts the organizational change by participating in strategy-making and by influencing the adoption of HRM policies and practices. This is in line with the call made by Zhu et al. (2008) for the need to analyze the roles and relationships of HRM with regard to organizational business strategy and firm performance.

6) Examining the difference across Organizational Contextual Factors

Organizational contextual factors, like life cycle, age, size, culture and business sector are important factors shaping the SHRM system in a given context. Although research in Chinese SHRM employed the tests of this organizational contextual factors frequently, the researched enterprises in existing research were mainly from the southeast of the PRC, unlike those in this thesis, which are from Beijing, a municipal city in the north of the PRC.

Also, this research replaces industry sector with business sector. In line with the differences between industries (Cooke, 2005), enterprises are sorted out according to their main products and services. This typology can reflect the variations of organizational process for various products/services.

7) Contribution to the Neo-contingency Theory

Previous research, even that seeking the interrelations between different SHRM constructs, has only presented static models. These models are useful in describing the SHRM system under various contexts. The question, however, is where and what the system will be afterwards? Based on a neo-contingency approach, competence and resource based strategy formulation theory and strategic role of HR (see Chapter 4), this thesis present a dynamic model of SHRM which embeds SHRM in organizational change.

3.7 Summary

In the context of the PRC, a typical transitional economy, the HRM system has been changing since the Open Door policy. There have been two

main rounds of reforms in HRM. The first round turned the old personnel system to HRM with Chinese characteristics. The second one is underway to make the HRM strategic to support PRC's further involvement in globalization and to support the out-going strategies and cross-regional and cross-border strategies. It was found in existing literature that HRM in the PRC showed some features of SHRM.

Criticisms and gaps were mainly focused on three points: a lack of work on the HRM- organizational performance link, a lack of theory testing or generating in developing economies, a lack of sustained competitive advantage generation mechanism exploration.

Based on the literature review and research interests, the author of this thesis will present and examine a dynamic model of SHRM based on PRC's context, which are expected to contribute to the literature both theoretically and practically.

The next chapter will explain the theories used in this thesis, the development of the conceptual model, the generation of hypotheses and the measures of the constructs in the conceptual model.

Chapter Four

A Conceptual Model

and

A Empirical Model

of

SHRM System

Chapter 4   A Conceptual Model of Dynamic SHRM System and the Empirical Model to Be Tested

4.1   Introduction

This research will examine the relationships between the adoption of HRM policies, business strategies, and non-strategic factors, including organizational characteristics, the strategic role of HR function and organizational performance. A conceptual model based on a neo-contingency approach is presented. This model differs itself from previous ones by offering a mechanism of a dynamic SHRM system, which enables the static SHRM system to operate and to self-modify constantly. It draws on three theories in organizational and HR studies: contingent-configuration perspective of SHRM modelling, competence and resource based strategy formulation theory and the strategic role of HR function. Also, it includes the tests of the hierarchical effects between HRM and organizational performance. This chapter presents a conceptual model including all the relationships proposed. It starts with introducing the theories used in this thesis, along with which are the development of the different parts of the conceptual model. Finally, it explains the measures of the constructs.

4.2   Theoretical Framework: Neo-contingency Theory

Neo-contingency emerged from the critics of contingency theory, such as Sorge and Maurice, (1990); Sorge (1991), Donaldson (1999, 2001) and Ramirez and Fornerino (2007). Donaldson's (2001) work is very useful for the current research. He defined three main problems (1) how to explain changes in contingency; (2) how managers define what is fit, in

other words, how changes in organizations occur in order to get the fit; and (3) why organizations move from one fit line to another fit line if there is no gain in higher performance.

Traditional contingency theory is a theory of equilibrium in that it describes organizational change as a process of regaining equilibrium (Burns and Stalker, 1961). It was assumed that organizations would stay where the equilibrium was obtained. It is known that the fit between organization and contingencies leads to high performance. There is no theory of why an organization would move out of fit into misfit. Donaldson (2001) explained that the organization moves out of the fit because one or more of the level of the contingencies changes, like an increase in size, the development of technology, and the change of the market. He also explains that it is organizational performance that drives changes in these contingencies, which in turn results in the change of organizational structure. In this case, the fit between organization and contingencies leads to high performance, and the high performance causes the changes of the level of the contingencies, resulting in the changes of organizational structure. Thus, the change of organization is an ongoing process and the interaction between organization, performance and contingencies is a circling process.

The term 'quasi-fit' means that the organization will move towards fit but never attain it completely. Traditional contingency theory tends to have an implicit view that management knows exactly what a fit an organization should be in. For example, contingency theory holds that as size increases, an organization should increase its level of formalization. However, few people, apart from researchers, know the regression equations that specify the level of formalization that fits size (such as Child 1973, 1975).

Moreover, to apply that knowledge prescriptively, management would need to know the required score of its organization on the scale used in the research to measure formalization (Pugh et al., 1968). Even if a manager knew the quantitative level, variables such as formalization are abstract and so not directly actionable (Pfeffer, 1997). Thus, managers might more plausibly only know the direction in which their organization structure should move to. But it is not plausible for them to know where they should stop so that they can get the full fit. Thus, the term quasi-fit turns out to be useful. Donaldson (2001) suggested that organizational adaptation is a move into a quasi-fit, and organizations in misfit will only rarely, and to a degree with luck, move into full fit. They will much more typically move toward fit, but attain only quasi-fit. That is to say, the organization will move closer to fit but not attain fit completely. Meanwhile, the argument from SHRM studies is also consistent with this quasi-fit idea. Tyson (1995) argued that strategy is self-emergent, which implies a constant process of modification as it is implemented. In a sense, strategy is always about to be but never exists. Thus, the role of HR and the practices and policies of the function are subject to continuous negotiation and review within the process of organization.

Thirdly, Donaldson (2001) introduced the argument of 'fit as hetero-performance'. Traditional contingency theory holds that fit is a line of iso-performance. This holds that the performance of each fit is the same as any other fit, so that the performance produced by a fit of high level equals to low levels of the contingency (Woodward, 1965). Neo-contingency theory argues that fit is a line of hetero-performance on which each point along the line (corresponding to each higher value of the contingency variable) is higher in performance than the one before it. Also, misfit is also hetero-performance, so that the same degree of misfit produces the

Table 2: A Comparison between Contingency and Neo-contingency Theories

Contingency theory	Neo-contingency theory
Determinism of certain variables on management processes (Donaldson, 2001) Unidirectional interaction (Donaldson, 2001)	Reciprocal interaction and functional equivalence (Swan et al., 1999)
Universal effect (e.g. Blau, 1970; Kerr et al., 1964; Pugh et al., 1969) Seeks to understanding (1) the interrelationships within and among subsystems as well as between (2) the organization and its environment and (3) to define pattern of relationships or configurations of variables (Kast and Rosenzweig, 1985)	Placing emphasis on the cultural factors of a firm's location (Sorge and Maurice, 1990; Sorge, 1991)
Organizational effectiveness results from 'fitting characteristics of the organization, such as its structure, to contingencies that reflect the situation of the organization' (Burns and Stalker, 1961; Lawrence and Lorsch, 1967; Woodward, 1965)	Fitting link-up of the societal effect framework, which roughly maintains that organizational structures and processes are interdependent with the business strategy and the market segment unto which a firm launches itself (Donaldson, 2001)
Situational approach and non-prescriptive (Haimann et al., 1978)	Helps to revolutionize the static assumption of the traditional contingency theory, which could be analysed through a realistic and dynamic approach (Miles and Snow, 1978) Tries to respond to such criticism of the traditional thinking of the contingency theory (Donaldson, 2001)

Source: Ramirez and Fornerino (2007, p929)

higher performance at higher levels of the fit line. The work of Castro and Higgs (2008) can support the argument of 'fit as hetero-performance'. They, drawing on Miles and Snow's (1978, 1984, 1994) work on business strategy, HR strategy and dynamics of fit (tight fit, minimal fit and misfit) and using a survey of managers, tested how the alignment between business strategy and HR strategy impact performance. One of their interesting findings was that organization achieved minimal fit between business strategy and HR strategy outperformed those having tight fit. Further scrutiny is needed to be placed on the complexity of fit-performance

linkages, this can to certain extent support that the fit-as-hetero-performance argument.

Sorge (1991) argued that neo-contingency theory abandoned some earlier deterministic concepts. Out has gone the idea that environment and context determine organization uni-directionally, and in came the concept of a reciprocal conditioning between organization, context and environment. Ramirez and Fornerino (2007) summarised the distinctions between contingency theory and neo-contingency theory (see Table 2).

Previous SHRM literature, using a neo-contingency approach has mainly focused on cross-national or cross-cultural studies, which was consistent with the first line of arguments in neo-contingency theory. They often examined the moderating effect of national culture on the organizational structure and its consequent organizational performance (Sorge, 1991; Ramirez and Fornerino, 2007). But there has been little work on the second aspect of neo-contingency theory: the reciprocal effects of organizational internal variables and the dynamic assumptions of the interactions between these variables. Thus, this research's aim is to theoretically fill this gap by proposing a dynamic model illustrating the reciprocal interactions between organizational internal variables.

4.3 Conceptual model

According to Dubin (1976), theory is an attempt to model certain aspects of the empirical world. Wright and McMahan (1992) went on to argue that the theories, if accurate, fulfill the objectives of prediction (knowledge of the outcome) and understanding (knowledge of the process) regarding the relationships among the variables of interest. Thus, it is believed that a

good theory enables one not only to predict what will happen given a set of values for certain variables, but also to understand why this predicted values should result.

A strong research model has great value to both researchers and practitioners. Practitioners are primarily concerned with the accuracy of prediction of a theoretical model in order to guide their decision making. Therefore, an accurate theoretical model allows for better decision making in uncertain conditions. Theoretical researchers have greater concern for understanding the why behind the prediction. For them, a good model enables them to test the model and revise it to increase the accuracy (Wright and McMahan, 1992).

Based on the research interests and the literature reviewe in previous chapters, a conceptual model reflecting the five main research concepts and their relationships is proposed. The five research constructs are:

1) HRM Policy Configurations (HRMPC).
2) Business Strategy (BS);
3) Strategic Roles of HR Function (SRHR);
4) Organizational Performance.
5) Organizational Contextual Factor (OCF)

Three theories, contingent-configurational SHRM modelling perspective (Lepak and Shaw, 2008), competence and resource based strategy formulation theory (Andrews, 1998) and the strategic role of HR function (Storey, 1992; Ulrich, 1997, 1998), are drawn on to develop the conceptual model. The development of the conceptual model is divided into two

steps based on these three theories respectively, which is explained in detail in the following section.

4.3.1 Conceptual Model (part A): Contingent-Configurational Perspective and Competence-Resource-Based Strategy Formulation Theory

4.3.1.1 Theoretical Background and Hypotheses

In order to test the links between business strategies, HRM and organizational performance, this thesis draws on two theories: contingent-configurational perspective of the SHRM (Lepak and Shaw, 2008) modelling and competence-resource perspective of strategy formulation (Andrews, 1998).

From Business Strategy to HRM, then, to Organizational Performance

The contingent-configurational perspective of SHRM modelling argues that the effect of SHRM configurations is contingent upon certain contingencies. It combines contingency perspective and configurational perspective of SHRM modelling. Thus, there are two groups of core factors in this type of SHRM model: HRM policies and contingent factors. According to configurational perspective, HRM is viewed as pattern of multiple factors (practices, policies, programmes, or functions), constructed based on the fit between these factors, which will generate superior organizational performance. This research draw on a configurational approach to construct HRM policy configurations, and argues that these HRM configurations positively predict organizational performance, and also argue based on contingent approach that business strategies positively predicts the adoption of these HRM policy configurations. Based on contingent-configurational perspective, the links between business strategies, HRM and organizational performance are contingent upon organizational contextual factors.

Deconstructing the organizational performance Construct

There are some points concerning the organizational performance and its measures worthy of discussion. These points were noted by Dyer and Reeves (1995), Roger and Wright (1998), Wright and Sherman, (1999), Colakoglu et al. (2006). Dyer and Reeves's (1995) work is useful. They suggested that measures of organizational performance in HR research may vary based on the measure's level of proximity to the HR practices. According to their categorization, HR practices have the most immediate impact on employee outcomes since employee outcomes such as turnover, absenteeism, job satisfaction, commitment and motivation, are in a closer line of sight to HR practices.

They propose that HR practices also have the strongest effect on such employee outcomes, as these outcomes are to some extent the initial goal and include more macro level outcomes associated with aggregates of individuals' efforts, such as indicators of productivity, quality of products and customers services, which constitute the second category of performance, known as organizational outcomes.

The third category of performance noted by Dyer and Reeves (1995) encompasses financial accounting outcomes, such as ROA, ROL, and profitability. Finally, the most distal performance measure to HR practices is the capital market outcome, such as stock price, growth and returns.

Linking Elements of Organizational Performance

Note that implicit in this model of organizational performance's elements and structure (Dyer and Reeves, 1995; Huselid, 1995; Truss and Gratton, 1994), is the basic idea that outcomes can be differentiated by hierarchical levels, with outcomes at one level contributing (along with other factors)

to outcomes at the next level, while each model differs in the number of levels and the exact outcomes. In this research, the hierarchical effect of outcomes at different levels is considered. Roger and Wright (1998) summarized the different measures of organizational performance in SHRM research, and categorized them into four types, namely, HR outcomes, organizational outcomes, financial accounting outcomes and Financial Market Outcomes (FMO).

This research focuses on the reciprocal interactions between internal organizational variables, so only three orders of outcomes proximal to HRPP are incorporated. They are HR outcomes, organizational outcomes and financial accounting outcomes. Dyer and Reeves (1995) suggested that the organizational outcomes included productivity, quality and service, and so on. The financial accounting outcomes included the outcomes like Return on Invested Capital (ROIC) or Return on Assets (ROA) and profitability.

Based on the discussions above, there are two points which need to be clarified. First, HR outcomes play a mediating role between HRM and organizational outcomes, and between HR outcomes and financial accounting outcomes, while organizational outcomes mediate the link between HR outcomes and financial accounting outcomes, and the link between HRM and financial accounting outcomes. Second, the organizational outcomes play a mediating role between HR outcomes and financial accounting outcomes. Second, changes in HR outcomes, organizational outcomes and financial accounting outcomes all influence the adoption of business strategies.

Linking Organizational Performance to Business Strategies

The Harvard framework of HRM (Beer et al., 1984, p27) pointed out, 'Ideally, then, business strategy should influence HRM policies and practices. At the same time, available human resources as well as managerial societal values should inform decisions about business strategy.' According to their map of the HRM territory, HRM policy choices were influenced by stakeholder interests and situational factors, while HRM policies result in HR outcomes, and via HR outcomes, influence long-term consequences, like individual societal well-being. The noteworthy point was the influence of the long-term consequences on the stakeholder interests and situational factors, which contained business strategy. This was probably the earliest model linking organizational performance to business strategies. But this model did explain how the link worked.

An explicit explanation of how the link from organizational performance to business strategies was given by Donaldson (1999) in his performance driven organizational change theory. He viewed organizations as portfolios, that is, as investments subject to different levels of risk and whose performance may be strongly, weakly, or negatively correlated. And according to neo-contingency theory, if the organizational performance is good, organization may change its organizational variable, like size and business strategies. When the organizational performance is poor, organization would change the structure to achieve a satisfied level of organizational performance. This theory contributed to the literature by explaining why and how the organizational performance influenced organizational variables. But it was very difficult to apply this theory into research, especially to operationalize and judge the level of organizational performance, and the level of fit.

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This thesis draws on competence and resources perspective (Andrews, 1998, Hamel and Prahalad, 1998). According to Andrews (1998), strategy is determined by both internal competence-resource and external opportunities. The external opportunities are reflected by technology, ecology, economics, industry, society, politics, while the internal competence include by financial competence, managerial competence, functional competence, organizational competence and reputation history. Performance-driven change suggests that high performance generates surplus resources, including profits and cash flow, enhanced debt capacity, and a higher share price that allows quality financing. These resources are surplus in that they are additional to the resources already committed to present operations. Surplus resources are therefore available to fund growth in the organization, such as hiring new employees, opening new branches, launching new products or services, purchasing more advanced technology, and acquiring other firms. In this case, high performance mainly refers to financial accounting outcomes, which generates financial support for the growth of the organization. The Business Strategy of the whole organizational will change accordingly.

This thesis uses the organizational performance's measurements to reflect both the achievement of enterprises and the competences and resources, which can be used to influence the strategy formulation. Based on the discussion of deconstructing organizational performance construct section, it can be seen that different elements of organizational performance generate various competences, capabilities and resources. HR outcomes and organizational outcomes provide different organizational and managerial competences, while financial accounting outcomes provides financial resources. As a result, the different elements of the organizational performance can influence the formulation of business strategies. HR out-

comes generate employee outcomes such as turnover, absenteeism, job satisfaction, commitment and motivation. These outcomes are crucial for the use of cost-reduction and quality-enhancement strategy. Organizational outcomes contain productivity, quality of products and customers services, which are necessary to the quality-enhancement and cost-reduction, and the plenty financial resource can support innovation. Thus, the links between different elements of organizational performance and business strategies are established.

A conceptual model based on the discussions above is presented in Figure 4

```
┌──────────┐   ┌──────────┐   ┌──────────┐   ┌──────────────┐   ┌──────────────┐
│ Business │──▶│   HRM    │──▶│    HR    │──▶│ Organizational│──▶│  Financial   │
│Strategies│   │ Polices  │   │ Outcomes │   │   Outcomes   │   │  Accounting  │
│          │   │          │   │          │   │              │   │  Outcomes    │
└──────────┘   └──────────┘   └──────────┘   └──────────────┘   └──────────────┘
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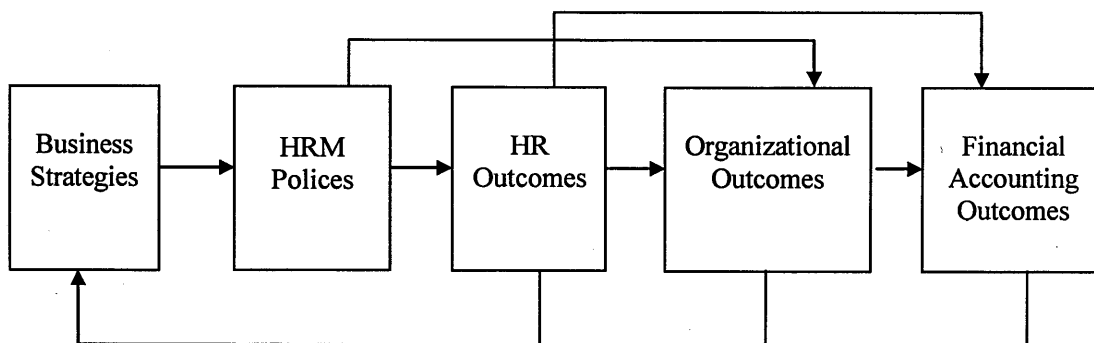
Figure 4: Conceptual model part A – the effect of business strategies on HRM policies and the mediating effects of HR outcomes and organizational outcomes between HRM policies and financial accounting outcomes and the impacts of HR outcomes, organizational outcomes and financial accounting outcomes on business strategies

4.3.2 Incorporating the Strategic Role of HR Function

4.3.2.1 The Changing Sole of HR

The changing role of HR to play a strategic role of HR function in strategy formulation has been discussed and accepted widely. It has been argued that HR should focus on the core and strategic tasks of the organization and should devolve the peripheral tasks to line managers or be subcontracted to HR services providers (Mohrman and Lawler III, 1998; Ulrich,

1998). Legge (1978) differentiated HR roles into conformist innovator, deviant innovator and problem-solver. Tyson and Fell (1986) developed a functional typology of HR role, based on a metaphor for managing a construction operation, and distinguished between 'clerks of works', and 'architects'. Mohrman and Lawler III (1998) suggested that HR should have a full partnership role in four key business processes. They are developing strategy, designing the organization, implementing change, and integrating management. Each role varies on a continuum according to the extent of strategic orientation, based on the amount of discretion allowable, the focus on the long term rather than on short-term priorities, and integration with business goals. Storey (1992) devised a two-dimensional model that highlights the HR tactical versus strategic role and also interventionary versus non-interventionary HR activity (see theFigure 5).

Another widely used model of new HR roles was proposed by Ulrich (1997, 1998). He acknowledged that there is a 'good reason for HR's beleaguered reputation. It is often ineffective, incompetent and costly; in a phrase, it is value-sapping' (Ulrich 1998, p124). In order to overcome these disadvantages, he argued that HR needs to adopt four roles: strategic partner, administrative expert, and employee champion and change agent (see Figure 6).

The SP role means that HR acts as a partner in strategy execution, not in the making of strategy, but in ensuring that it is developed and put into effect. The administrative expert role requires that HR acts as an expert in the way that work is organized and executed, and delivers administrative efficiency both in terms of its own function and for the whole organization, typically through information technology. Employee champion depicts a role that HR acts as a voice for employees both in representing their

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concerns to senior managers and in working to improving their contribu-
tion, their commitment and engagement. the strategic role of HR function
in strategy implementation is a role that HR acts as an agent of continuous
transformation, shaping processes and a culture that together improve the
organizations capacity for change (Ulrich, 1998).

Combining the arguments on the changing role of HR and the call for
HR's further involvement into strategic decision-making process, this
research adopts HR's Strategic involvement role and organization the
strategic role of HR function in strategy implementation to investigate the
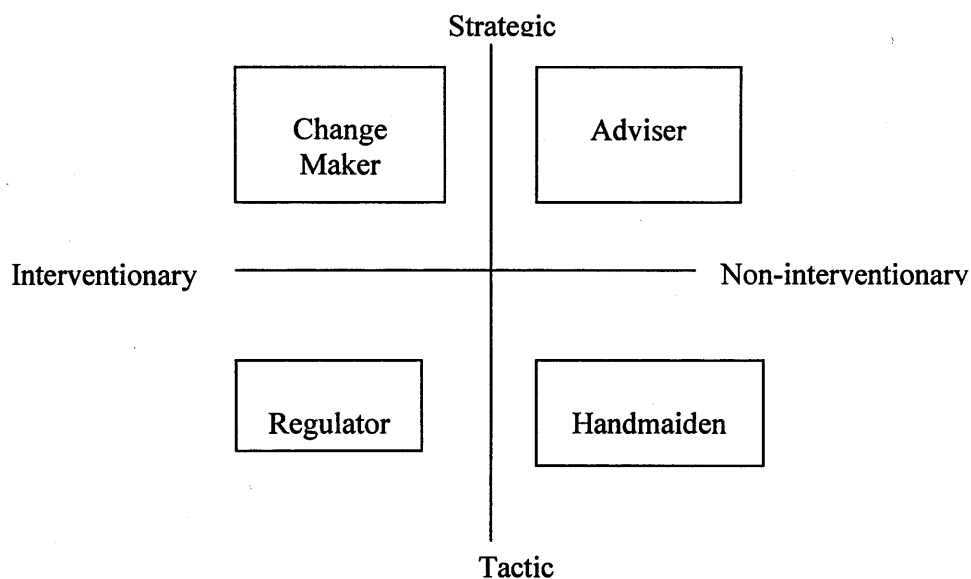effect of HR in the whole SHRM mechanism.

Strategic

| Change Maker | Adviser |

Interventionary ———————————————— Non-interventionarv

| Regulator | Handmaiden |

Tactic

Figure 5: Four Roles of personnel managers (Source: Storey, 1992)

```
                        Strategic
                          and
                     Forward-looking
            Strategic          |       Change
            Partner            |       Agent
                               |
Activities                     |
Management  _____|_____  Management of
of Processes                   |                     People
                               |
            Administrative     |       Employee
            Expert             |       Champion
                               |
                          Operational
                             and
                          Day-to-day
```

Figure 6: Four Roles of HR (Source: Ulrich, 1998)

In this research, the interest is on the HR roles related to business strate-
gies and HRM policy configurations. Additionally, to be consistent with
the basic principle of a neo-contingency approach, namely, the dynamic,
reciprocal interaction between organizational internal variables, this re-
search seeks to find a mechanism that enables the interaction or dynamic
interactions between business strategies and HRM policy configurations.
The author argues that HR plays a dual role, which helps both the adap-
tation of the business strategies and change of HRM policy configurations.
Specifically, this research adopts the strategic role of HR function in
strategy formulation and the strategic role of HR function in strategy im-
plementation and argues that BP influences the adaptation of business
strategies and the strategic role of HR function in strategy implementation
exerts impacts on the HRM policy configurations. The relationships be-
tween business strategies, HRM policy configurations and HR roles are
depicted in Figure 7.

There are four relationships in this conceptual model. To be consistent with the conceptual models Part A, the relationship between business strategies and HRM policy is still named as 1. Relationship 5 depicts the hypothesis that Strategic Partner Role influences the adoption of business strategies. Then, the relationship number 6 means that the strategic role of HR function in strategy implementation impacts HRM policy, which is consistent with Ulrich's (1998) theoretical work and Ding and Akhtar's (2001) empirical findings of the mediating role of HR strategic level. Relationship 7 is the influence of business strategies on strategic role of HR function in strategy implementation.
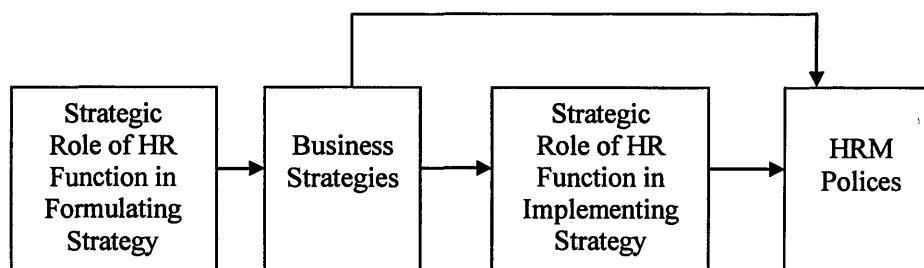
Figure 7: Conceptual Model Part B - The Effects of Strategic Role of HR between Business Strategy and HR Configurations

4.3.3 The Complete Conceptual Model: Combining Part A and Part B

The conceptual model is now complete (see Figure 8). There some noteworthy points in this conceptual model. First, this model distinguishes itself from previous ones by making the organizational internal system a dynamic one, drawing on the neo-contingency ideas of quasi-fit, reciprocal interactions and performance-driven change. Second, this research adopts a proactive approach to HR role. It believes that HR creates competitive advantage not only by strategy implementation but also by decision-making involvement. It introduces human factors into the

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neo-contingency theory, as Child (1972) suggested that it is the top managers' interests that play a crucial role in organizational change. Moreover, the strategy-as-practice approach argued that as people or certain groups' activities in an organization influence organizational strategy and organizational structure change then, consequently, themselves and their activities are influenced by changing organizational strategy and structure (Johnson et al., 2003; Whittington, 2006). This research adopts these ideas and argues that functional groups (e.g. HR) and their roles (e.g. strategic role of HR function in strategy formulation and strategic role of HR function in strategy implementation) exert influence on the organizational strategy and structure, and in turn are influenced by the changing strategy and structure.

In the complete version of the conceptual model of this research, there are fourteen sets relationships between those variables mentioned earlier. This model present a helix-cycle mechanism, which forms a dynamic system of SHRM containing business strategies, strategic roles of HR function in strategy formulation and implementation, HR outcomes, organizational outcomes, financial accounting outcomes.
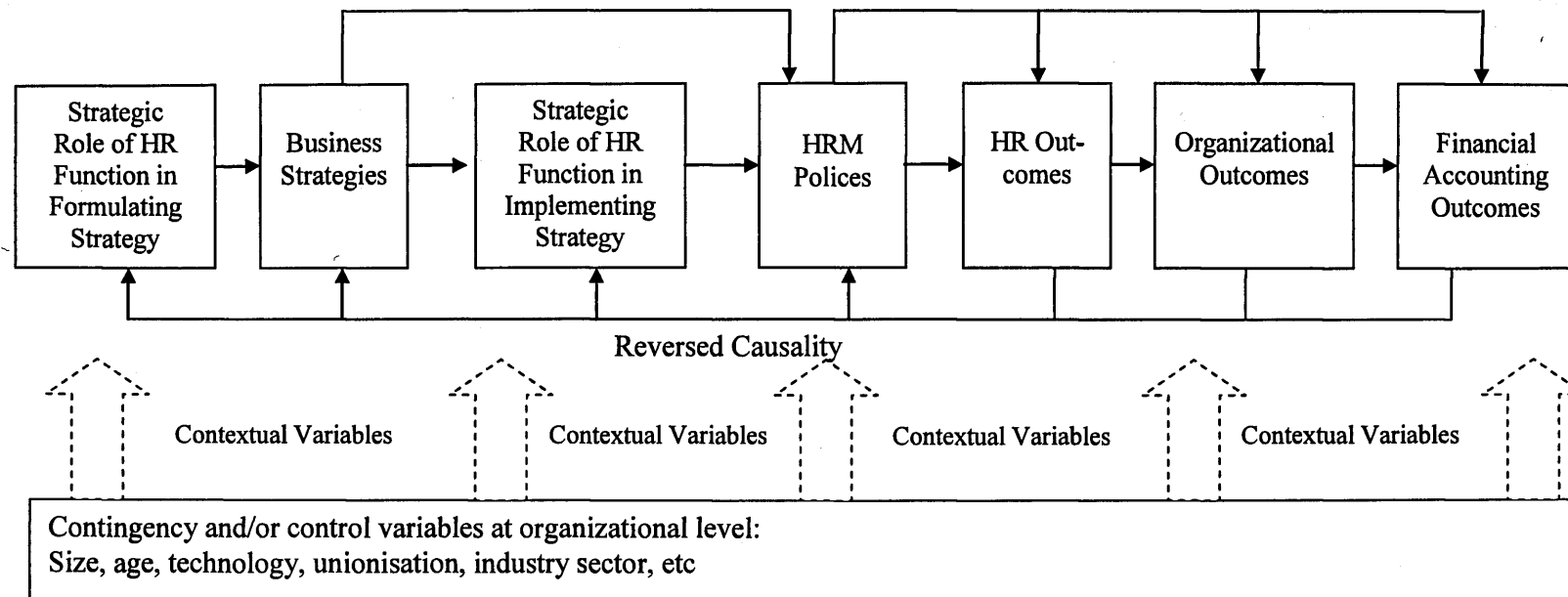
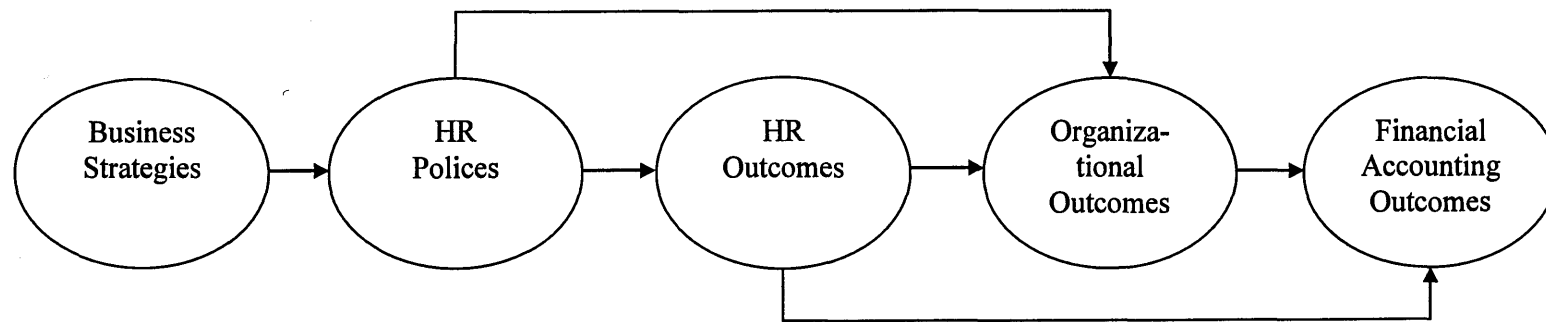**Figure 8**: The Conceptual Model of A Dynamic System

Figure 9: Empirical Model Tested in this thesis

4.4 Empirical Model and Hypotheses Generation

The empirical model tested in this research is presented in the Figure 9, where 5 constructs are incorporated and 2 types of effects are to be tested. The 5 constructs are business strategies, HRM policies, HR outcomes, organizational outcomes and financial accounting outcomes. The 2 types of effects are direct effects on business strategies on HRM policies and the mediating effects of HR outcomes and organizational outcome.

4.4.1 Business strategies and HRM policies

An organization's set of HRM policies will be effective if it is consistent with business strategies (Gomez-Mejia and Balkin, 1992). In this sense, business strategies are followed by HRM policies in determining business performance. Business strategies used in this research is Porter's generic competitive strategies typology, namely, innovation strategy, cost reduction strategy and quality enhancement strategy. The innovation strategy emphasizes developing products and services that are different from those of competitors. Overall, an innovation strategy needs people to work differently. For companies pursuing an innovation competitive strategy, the profile of employee role behaviours includes a high degree of creative behaviour, a longer-term focus, a relatively high level of cooperative and interdependent behaviour, a moderate degree of concern for quality, a moderate concern for quantity, an equal degree of concern for process and results, a greater degree of risk taking, and a high tolerance of ambiguity and unpredictability (Schuler and Jackson, 1987). From an open system and human competence perspective, the companies using innovation competitive strategy are more likely to use competence acquisition, competence displacement and behaviour coordination (Wright and Snell, 1991). In terms of the HR practices, innovation strategy requires more investment in training HR to acquire new skills and knowledge, more

efforts on building a cooperative management-employee relationship to promote the coordination and interdependence between people (Schuler, 1989), more flexibility and incentives in compensation to encourage the creativity of people, but less HR planning especially strict job design to grant people more freedom and less control (Chow et al., 2008). Based on the discussions above, hypothesis 1 is:

H1a: innovation strategy has (i) negative or no significant influence on HR planning and (ii) positively influences on compensation, training and management-employee relationship.

It has been found that a quality enhancement strategy is dominant in Chinese firms (Ge and Ding, 2005; Ding and Akhtar, 2001). A quality enhancement strategy focuses on improving product and service quality. The essence of a quality strategy is to get employees committed to quality and continuous improvement in order to increase product reliability and customer satisfaction (Garvin, 1993, Ding and Ashtar, 2001). The process of enhancing quality requires broadened employee responsibilities, such as troubleshooting, problem solving, quality assurance planning, scheduling, maintenance, and so on. Schuler and Jackson (1987) described the profile of employee behaviours, for quality enhancement strategy, which includes relatively repetitive and predictable behaviours, a more long-term or intermediate focus, a high concern for quality, high concern for process (how the goods and services are made or delivered), a modest amount of cooperative, and interdependent behaviour, a modest concern for quantity of output, low risk-taking activity, and commitment to the goals of the organizations. Writers from open system and human competence perspective suggested that companies using quality competitive strategy are more likely to use competence retention, competence utiliza-

tion and behaviour control (Wright and Snell, 1991). In terms of the specific HRM policies, the quality-enhancement strategy needs more training and development to cultivate skilled employees (Sanz-Valle et al., 1999), stress on compensation to retain the competent employees (Wright and Snell, 1999) and clearly define the job and make HR planning to make the required skills and production processes matching the needs of good quality (Shuler and Jackson, 1987), while as the quality enhancement needs control on the production process, the quality-enhancement strategy not cooperative.

H2: Quality-enhancement strategy has positive influence on HR planning, compensation, training and management-employee relationship.

A cost-reduction strategy attempts to be the lowest cost producer to gain a competitive advantage. Organizations pursuing a cost-reduction strategy emphasize efficiently managing a low-skilled workforce (Youndt, et al., 1996), and implement tight controls, overhead minimization, and the pursuit of economies of scale. The central focus of these measures is to increase productivity, that is, output cost per person. This can be achieved by reduction in the number of employees and/or a reduction in wage levels. Other options to realize the cost-reduction is increasing the use of part-time employees, subcontractors, work simplification and measurement procedures, automation, work rule changes, and job assignment flexibility. The profile of employee role behaviour are relatively repetitive and predictable behaviour, a rather short-term focus, primarily autonomous or individual activity, modest concern for quality, high concern for quantity of output (goods or services), primary concern for results, low risk-taking activity, and a relatively high degree of comfort with stability (Schuler and Jackson, 1987). Based on HR open systems and HRM

competence theory, he companies using cost-reduction competitive strategy are more likely to use competence retention, competence displacement and behaviour control (Wright and Snell, 1991). As to the specific HRM policies, a cost-reduction strategy maximize efficiency by using narrowly designed jobs, close monitoring, and minimal levels of training and development (Schuler, 1989; Sanz-Valle et al., 1999). Thus, the hypothesis concerning relationship between cost-reduction and HRM is:

H3: Cost-reduction strategy has (i) positive influence on HR planning and (ii) negative influence on compensation, training and management-employee relations.

4.4.2 HRM policies and organizational performance

HRM configurations:

From a perspective of configurational approach, organizational contextual factors tend to commonly occur together and form coherent patterns to affect organizational performance. In other words, the configurational approach is concerned with how the pattern of multiple independent variables is related to a dependent variable rather than how individual independent variables are related to the dependent variable (Delery and Doty, 1996). A distinguishing feature of strategic human resource management research is an emphasis on HR systems, rather than individual HR practices as a driver of individual and organizational performance (Lepak et al., 2006).

Guest et al (2004) identified five approaches to formulate HR systems, namely a straightforward measure of reliability (eg Crobanch alpha),

factor analysis (eg principle component analysis, or confirmatory analysis), cluster analysis, regression analysis with interaction variables, and sequential tree analysis.

Some configurations are assumed to be ideal types that are theoretical constructs rather than empirically observable phenomena. As the configurational approach needs to identify distinct HR systems, which include internally consist HR practices, to manage employment relationships, it is consistent with concepts of 'vertical' and 'horizontal' fits (Wright and McMahan, 1992). Perhaps the most well known configerational study was conducted by Huselid (1995). Huselid (1995) demonstrated that a system of HRM practices he labelled a high performance work system (HPWS) was positively and significantly associated with important organizational outcomes.

Delery and Doty (1996) provided two typical kinds of employment systems: a market-type system and an internal system. The market-type system was characterized by hiring from outside an organization, providing little training, and evaluating performance through the use of results measures. Employees who worked under this system were compensated or rewarded for individual performance as measured by the output measures. Little job security and voice were granted to the employees. The internal system was characterized by the existence of an internal labor market. Extensive socialization and training were common. Performance was assessed through behaviour, and appraisal feedback was given for developmental purposes rather than evaluative purposes. A high degree of employment security existed. Lepak and Snell (1999, 2002) identified four configurations of HRM practices: commitment-based, productivity-based, compliance-based and collaborative-based HRM

systems that were used for different groups of employees within organizations depending on their relative strategic value in contributing to organizational objectives.

Organizational performance:

Although evidence has been accumulating, there is still lack of the conclusive evidence of the decisive effects of HRM policies on organizational performance, in terms of both the function (what effects) and form (how impact). Particularly, a lack of solid evidence in HRM policies' influence on financial performance is still obvious (Boselie et al., 2005). Thus, it is necessary to investigate the mechanism through which the HRM influence organizational performance.

It has been suggested in literature that HRM should be more strategically anchored, and related to more proximal outcomes, which in turn improve the more distal outcomes (Lepak et al., 2006). According to, Dyer and Reeves (1995) HRM policies has the direct impact on HR outcomes, and organizational outcomes, and the HR outcomes mediates the HRM policies-organizational outcomes relationship, while, HRM policies have comparatively weak impact on distal outcomes, such as financial accounting outcomes and financial market outcomes. Boselie et al. (2005) summarized the commonalities in HRM and performance research, and suggested that HR outcomes partially mediated the impact of HRM practices on organizational outcomes, which was called internal performance in their research. The organizational outcomes consequently impact financial performance. In this sense, the hypotheses developed concerning HRM policies' influences on organizational performance are:

H4a: HRM policies have positive impact on (i) HR outcomes, (ii) organizational outcomes and (iii) no significant impact on financial accounting outcomes

H4b: HR outcomes have positive impact on (i) organizational outcomes, and (ii) financial accounting outcomes

H4c: organizational outcomes have positive impact on financial accounting outcomes

H5a: HR outcomes mediate the relationships between HRM policies and organizational outcomes

H5b: organizational outcomes mediate the relationship between HR outcomes and financial accounting outcomes.

4.4.3 Moderators and Mediators Used in This Research

4.4.3.1 Mediators in This Research

The mediators used in this research are HR outcomes, and Organizational outcomes. Based on the hypotheses 5, the HR outcomes mediate the effects of HRM policies on the organizational outcomes and financial accounting outcomes, the organizational outcomes mediate the effects of HRM polices and HR outcomes on financial accounting outcomes.

4.4.3.2 Moderators as Control Variables in Multiple Regressions

The moderators are used as control variables in multiple regressions. They are first entered into regressions as a block before the main independent variables being entered, to test if the control variables strengthen or weaken main effects between independent variables and dependent variables.

The control variables were selected based on previous research. 7 variables were determined to be tested as a control variable. They are size, age, unionization, the strength of Chinese workplace culture, ownership, organizational life cycle and business sector (Fields, et al., 2000; Ding and Akhtar, 2001; Chow, et al., 2008; Ngo, et al., 2008). Organizational size and organizational age were measured by asking 'how many full-time employees are employed in your company' and 'how many years has your company been operating in China', workplace culture contains four items 'embracing paradox', 'directness of interpersonal approach', 'importance of saving face (mianzi)', 'respect for position and authority'. It was measured with a five-point Likert-type scale by asking the strength of the culture in your company. '1' means very weak while '5' means very strong. Exploratory factor analysis showed that this factor explained 63.038% of the variances and the Cronbach's alpha value is .804. Presence of union, organizational life cycle, ownership and business sector were used a dummy variables in the analysis.

H6: the relationships proposed by H1-H5 are moderated by (i) organizational age, (ii) organizational size, (iii) workplace culture, (iv) union presence, (v) ownership, (vi) organizational life cycle, (vii) business sector.

4.5 Measurements

Conceptualization produces a specific meaning for a concept for the purpose of research. It involves describing the indicators that the researcher will use to measure research concepts, and the dimensions, or specific aspects, of a concept (Babbie, 2001). The main concepts of this research are business strategies, organizational characteristics, HR Stra-

tegic Roles (HRSR), HRM policies and practices, HR outcomes and organizational performance.

4.5.1 Business Strategic

Table 3: Business strategy

Concept	Construct	Dimensions	Items
Business Strategy	Innovation	Efforts on innovation	Innovative investing
		Production process innovation	Innovative developing
			Innovative introducing
		New products	Delivering new products and service
	Cost Reduction	Reducing cost	The emphasis on reducing the costs of labour to produce existing products or services.
			The emphasis on reducing the costs of materials to produce existing products or services.
			The emphasis on controlling inventory
		Improving efficiency	The emphasis on improving operational efficiency
	Quality Improvement	Effort to improve quality	The emphasis on devoting time to quality control
			The emphasis on working with customers or suppliers to improve quality of product or service
			The emphasis on monitoring quality circles
			The extent to which your company's quality management program are effective
		Improving the quality of quality	The emphasis on improving the quality of existing products or services

The strategic factors refer to the strategic focus on cost, quality, innovation market strategy (Miles and Snow1984; Porter, 1985; Schuler and Jackson, 1987; Schuler, 1987; Wright and Snell, 1991; Youndt, et al., 1996, Wright, et al., 1998; Ding and Akhtar, 2002). A detailed review of

the strategies used in the previous literature was presented in the previous chapter. While researchers have used various ones, the goals of the strategies can be summarized into three categories: increasing innovation, reducing cost, and improving quality. These three strategic goals are the business strategies employed in this research model (see Table 3).

4.5.2 The Adoption of HRM Practices and Policies

This research, in order to examine the different adoptions of SHRM practices and build up a measurable variable system, employs the series of work by Schuler and MacMillan (1984), Schuler (1987) Jackson et al. (1989), Lepak and Snell (2002), and Ramirez and Fornerino (2007). In these pieces of work, the researchers have constructed and used HR practices 'menus' which can lead to different employee role behaviours to support the companies' strategic needs. The details of the HR practices menus are in **Table 4** to Table 9.

Table 4: HR Planning

Short term HR planning	....	Long term HR planning
Informal HR planning	....	Formal HR planning
Implicit job analysis	....	Explicit job analysis
Ambiguously defined job description	....	Clearly defined job description
Low employee involvement of HR planning	....	High employee involvement of HR planning
The contents Job is simple	....	The contents Job is complex

Table 5: HR Staffing

Internal recruitment sources	----------------------	External recruitment sources
Limited selection procedure	----------------------	Extensive selection procedure
Implicit recruitment criteria	----------------------	Explicit recruitment criteria
Fusion with firm's culture	----------------------	Capability-and skill-orientation
Closed procedure	----------------------	Open procedure

Table 6: HR Appraising

Performance Oriented	----------------------	Behaviour Oriented
The main objective is to provide criteria for pay rise and promotion	----------------------	The main objective is to identify employees' weakness and improve performance
HR specialists in charge of the appraisal schemes	----------------------	High employee participation
Individual criteria	----------------------	Group criteria
Conduct appraisal activities frequently, such as weekly or monthly based	----------------------	Conduct appraisal activities occasionally, such as quarterly or yearly based

Table 7: HR Compensation

Low base salaries	------------------	High base salaries
Few perks	------------------	Many perks
Standard, fixed package	------------------	Flexible package
No incentives	------------------	Many incentive
Short term incentives	------------------	Long term incentives
No employment security	------------------	High employment security
No participation	------------------	High participation
Position in work	------------------	Skills in work
Seniority oriented	------------------	Merit oriented

Table 8: HR Training and Development

Employees do not need to go take training programmes every certain length of time	-----------------	Employees need to go take training programmes every certain length of time
Narrow and specific application	-----------------	Broad and general application
Limited training	-----------------	Extensive training
Training credits are not necessary for promotion	-----------------	Training credits are tightly linked to promotion
Productivity orientated	-----------------	Quality of work life oriented
External consultants	-----------------	Internal experts
Off-post training	-----------------	On-post training
Hierarchy	-----------------	Egalitarian
Seniority oriented	-----------------	Merit oriented

Table 9: Management-Employee Relationship

Some communication	-------------------	Extensive communication
Conflicted	-------------------	Cooperative
Management and employee have different facilities	-------------------	Management and employee have same facilities
No participative management in company	-------------------	Participative management
No self-managed teams	-------------------	Widely use self-managed teams
Employee-management meeting is held only in need	-------------------	Employee-management meetings is held regularly
Most operational information is confidential	-------------------	Regularly providing operational information to employees

Source of table 4-9: adopted from Schuler and MacMillan (1984), Schuler (1987) Jackson et al. (1989), Lepak and Snell (2002), and Ramirez and Fornerino (2007).

4.5.3 The Strategic Roles of HR Function

Table 10: Strategic Roles of HR

Concept	Construct	Variable	Dimension
Strategic Roles of HR	Strategic role HR function in strategy formulation (Wilkinson and Marchington, 1994; Procter and Currie, 1999; Ulrich, 1998)	Adviser to senior management	Consulted by senior management Availability of formal documents on HR planning to strategic planners Evaluating the current organizational strategy and providing suggestions on change if the current strategy is inappropriate
		Adviser to other department	Consulted by line managers or other department Help other departments evaluating employees
		Integration into the top management	HR strategy is consistent with the company strategy Be a part of top management Organization strategy includes HR issues
	Strategic role of HR function in strategy implementation (Storey, 1992; Wilkinson and Marchington, 1994; Ulrich, 1998, Caldwell, 2003)	Auditing the organization architecture and eliminating the resistance	Evaluating the current managerial and producing processes and providing suggestions on change if the current processes is inappropriate Evaluating the current rewards system and providing suggestions on change if the current rewards system is inappropriate Evaluating the current managerial and producing processes and providing suggestions on change if the current processes is inappropriate Evaluating the current people and provide suggestions on change if the current people is inappropriate Holding programs to eliminate the resistance
		Stimulate the changes	Explaining the requirement of the changes and encourage employee the support Holding programs to build employees capacity for changes

Source: adopted from Wilkinson and Marchington, 1994; Procter and Currie, 1999; Ulrich, 1998;

Storey, 1992; Caldwell, 2003

Based on previous work, like Wilkinson and Marchington's (2005) categorization of the role of the HR function and Ulrich's (1998) model of the HR function, two roles of the HR function reflect the strategic roles of HR. They are (1) SP and strategic adviser and (2) change agent. Drawing on the work of Storey (1992), Wilkinson and Marchington (1994), Procter and Currie (1999), Ulrich (1998), Caldwell (2003), Ding and Akhtar (2001) and Fields et al. (2000), this concept will be assessed from 16 dimensions, which are illustrated in Table 10.

4.5.4 HR Outcomes

According to Dyer and Reeves (1995), HR outcomes are the most proximal level of the outcomes which exerts a mediating effect between HR and organizational performance. Based on previous research, the construct of HR outcomes is measured in terms of turnover rate, absenteeism, staff morale, employee commitment, job satisfaction and the ability of staff to move between jobs as the work demands (Guest and Hoque, 1996; Yound et al., 1996; Hoque, 1999). The items used to measure HR outcomes are presented in Table 11.

Table 11: Human Resource Outcomes

Construct	Variable	Items
HR Outcomes	HR Effectiveness	Employee commitment Job satisfaction Staff morale
	HR Efficiency	Turnover rate Absenteeism The ability of staff to move between jobs as the work demands

Source: adapted from Guest and Hoque, (1996); Yound etal., (1996); Hoque, (1999), Roger and Wright, (1998)

4.5.5 Organizational Outcomes and Financial Accounting Outcomes

Organizational performance consists of two constructs, namely, organizational outcomes and financial accounting outcomes. Organizational outcomes refer to quality of product, brand image, and satisfaction of customers or clients. It is inappropriate to directly ask financial indices such as return of asset, return of equity, since these indices are usually affected by firms' size. Thus, financial outcome in this research is measured by growth rate of sales (Snell and Youndt, 1995, 2000), revenue (Bae and Lawler, 2000) and market share (Delaney and Huselid, 1996). The measures of this construct are entailed in Table 12.

Table 12: Organizational Performance

Construct	Variable	Items
Organizational Performance	Organizational Outcomes	Quality of product Public image and good will Satisfaction of customers of clients
	Financial Accounting Outcomes	Growth rate of revenues Growth rate of market share Long-run level of profitability

Source: adapted from Guest and Hoque, (1996); Yound etal., (1996); Hoque, (1999), Roger and Wright, (1998)

4.5.6 Organizational Contextual Factors (Control Variables)

Jackson and Schuler (1995) divided non-strategic contextual factors into an internal group and an external group. Internal organizational context factors include ownership, age and size of firm, internal technology, organizational structure and union presence. The external organizational context factors include technology change, industry characteristics, intensity of competition, labour market conditions, political, law and regulation, unionization, location and national culture (Jackson and Schuler, 1989; Huo and Glinow, 1995; Jackson and Schuler, 1995; Fields, et al.

2000; Ding and Akhtar, 2001; Fletcher and Fang, 2006; Bozionelos and Wang, 2007). (see

Table 13).

Table 13: Organizational Characteristics and External Environmental Factors

Construct	Variables	Dimensions(items)
Organization Characteristics	Life Cycle	Start-up Growth Maturity Decline Turnaround
	Ownership	Collectively Owned Enterprise (COE) State Owned Enterprise (SOE) Foreign Invested Enterprise (FIE) Privately Owned Enterprise (POE) Joint Venture (JV)
	Age	Number of years since the company operated in China
	Size	Amount of full-time employee
	Union Presence	The existence of labour union
External Environment Factors	Industry Sector (Business Sector)	Garment Chemicals and Pharmaceuticals Electronics and Engineering Finance, Banking and Insurance Sales and Business Service Others
	National culture	Embracing paradox, Directness of interpersonal approach, Importance of saving face (mianzi), Respect for position authority, Confucian work values

Source: adapted from Jackson and Schuler, (1989); Huo and Glinow, (1995); Jackson and Schuler, (1995); Fields, et al. (2000); Ding and Akhtar, (2001); Fletcher and Fang, (2006); Bozionelos and Wang, (2007).

4.6 Summary

This chapter has presented a conceptual model of SHRM, which differs from the existing ones by offering a dynamic system of SHRM. It combines human factors and non-human factors in the process of organiza-

tional change. This research adopts a neo-contingency approach and draws on theories in organization studies and HR studies – contingent-configurational perspective of SHRM modelling, competence and resource based strategy formulation theory and the strategic role of HR function - and argues that both human and non-human factors drive organizational change. In terms of the non-human factors, it employs contingent-configurational perspective of SHRM modelling, competence and resource based strategy formulation theory and argues that HRM policy, organizational performance and business strategies constitute a circle, along which the organizational change is driven by organizational performance. Moreover, it goes on further to specify the mediating roles of HR outcomes and organizational outcomes between HRM policy configurations and financial accounting outcomes. In terms of the SHRR, it is proposed that the two SHRR, strategic role of HR function in strategy formulation, influence the adaptation of business strategies on the one hand. Change Agent mediates the business strategies -HRM link on the other hand. As a result, the conceptual model is a dynamic model, generating sustained competitive advantage.

Moreover, the empirical model to be tested in this research was specified in this chapter, with related hypotheses developed. The moderators and mediators in this research were explained, and how the variables would be measured was also detailed.

The next chapter will entail the research methods in this thesis.

Chapter Five

Research Methodology

Chapter 5   Research Methodology

5.1   Introduction

In this chapter, details of the research purpose and philosophical stance, research design, data collection and analysis methods, validity and reliability tests will be explained.

5.2   Research Purpose and Philosophical Stance

5.2.1   Research Purpose

There are three types of research purposes: exploratory studies, explanatory studies and descriptive studies. Exploratory research is adequate when the research problem is badly understood. The key characteristic of this research purpose is flexibility, in other words, as new pieces of information are available, the search for the solution may change direction (Ghauri and Gronhaug, 2002). The second type is called explanatory research, also known as casual research, which establishes causal relationships between variables. The emphasis of explanatory research is on studying a situation or a problem in order to explain the relationships between variables. In descriptive research, the problem is structured and well understood. Thus, the key characteristics of descriptive research are structure, precise rules and procedures. The objective of descriptive research is 'to portray an accurate profile of persons, events or situations' (Robson, 1993, p4). It is necessary to have a clear picture of the phenomena on which you wish to collect data prior to the collection of the data (Saunders et al., 2003).

This research intends to explain the relationships between business strategies, HRM policies and practices, organizational performance and the strategic role of HR function. Prior to the empirical test, a conceptual model mapping the relationships between these variables is presented, based on related theories. But, as Churchill and Lacobucci (2002) stated, the distinctions between the three types of research design are not absolute and these three types can be regarded as the three stages of research process. This research is an explanatory one, which also includes descriptive and exploratory aspects at the initial stage of conceptual model development. Concretely speaking, it explores the role of HR function in SHRM system, and argues that HR plays not only strategy-implementing role but also a decision-making partner role, as well as organizational performance's elements structure. Meanwhile, it describes the current state of the application of HRM policies and practices and SHRM in the PRC.

5.2.2 Philosophical Stance

Research philosophy helps to clarify the research design and also provide guidance on the research strategy, relating to the nature of knowledge and how the knowledge is developed (Saunders et al., 2007). Moreover, the appropriate research method relies on the philosophical paradigm, the aim of the research, the context of the study, the nature of the research questions, and the use of resources. The research paradigm is always examined from perspectives of epistemological considerations, ontological considerations and methodological stance (Guba and Lincoln, 1998). An epistemological issue concerns the question of what is (or should be) regarded as acceptable knowledge in a discipline. In the context of social science, the central consideration of epistemology is the question of whether or not

the social world can and should be studied according to the same principles, procedures, and ethos as the natural science. The ontological concerns are placed on the very essence of the phenomena under investigation. The basic ontological questions faced by the social scientists are 'what is the nature of reality' or 'what is the nature of the knowable?' (Guba, 1990,p 3). Methodology specifies how the research could be conducted practically.

The positivist view is that the object of study is defined by objective criteria, rather than human interests and desires. It advocates the application of the methods of the natural sciences to the study of social reality and beyond. It seeks to explain and predict what happens in the social world by searching for regularities and causal relationships between its constituent elements. Some claim that hypothesised regularities can be verified, others maintain that hypotheses can only be falsified, both would accept that the growth of knowledge is essentially a cumulative process. (Burrel and Morgan, 1994)

Positivism encompasses five broad principles: first, only phenomena and hence knowledge confirmed by the sense can genuinely be warranted as knowledge. Second, the purpose of theory is to generate hypotheses and that will allow for explanations of laws to be assessed. Third, knowledge is arrived at through the gathering of facts that provide the basis for laws. Fourth, science must be conducted in a way that is value free. Lastly, there is a clear distinction between scientific statements and normative statements and a belief that the former are the true domain of the scientist (Bryman and Bell, 2007).

The main goal of this study is to apply the models and methods of the natural science to the study of human affairs. Specifically speaking, the growth of knowledge is essentially a cumulative process and seeks to explain and predict what happen in SHRM system, especially the causal relationships between relevant variables. This study is also aimed to examine the model presented in section 4.4, and the author's assumption is that the true nature of reality can only be obtained by testing theories about actual objects, processes, or structures in the real world. Thus, this study employs a hypothetic-deductive approach to theoretical development and testing. To sum up, based the nature of this research, this research adopts a positivism philosophical stance.

5.3 Research Design

5.3.1 Deductive Research

Deduction is a view of the nature of the relationship between theory and research. It entails the development of a conceptual and theoretical structure prior to its testing through empirical observation. It begins with abstract conceptualization and then moves on to testing through the application of theory so as to create new experiences or observations. The process of deduction is theory – hypothesis - data collection –findings - hypotheses confirmed or rejected- revision of theory (Bryman and Bell, 2007).

Specifically, the process of deduction might be divided in to the following stages: concepts, rules, operationalization, instructions, and testing by corroboration. Concepts refer to the work through which researchers decide which concepts represent important aspects of the theory or problems under investigation. In the process of operationalization, rules are created

for making observations, and a clear definition of what it is researchers are going to observe is made. In this, indicators, or measures, which represent empirically observable instances or occurrences of the concepts under investigation, are created. Also, researchers overtly link the abstract concepts to something that is observable and whose variation is measurable. The linking rules, that is, the rules about when and where an observable instance of the concept has empirically occurred, are called operationalization. The following stage is about instructions, as operationalization enables the construction of clear and specific instructions about what and how to observe. This enables the testing of hypotheses and theories by confirming them with the empirical data, which is then collected. Testing by corroboration is the process of testing, by which the assertions put forward by the theory or hypothesis are compared with the 'facts' collected by observation (Gill and Johnson, 2002).

It is noteworthy that the last step of the deduction process involves a movement that is in the opposite direction from deduction: *induction*, as pointed out by Bryman and Bell (2007), as the researcher infers the implications of his or her findings for the theory that prompted the whole exercise. The logical ordering of induction is the reverse of deduction as it involves moving from the plane of observation of the empirical world to the construction of explanations and theories about what has been observed. In sharp contrast to the deductive tradition, in which a conceptual and theoretical structure is developed prior to empirical research, theory is the outcome of induction.

The deductive approach is used in this research, employed to guide the construction and the implementation of this study. The author of this thesis will apply theories to particular cases and data to explain the par-

ticular situation, then to examine and adjust, if possible, the existing theories through the analysis of data. As Gilbert (2001, p19) said, deduction 'staring with a theory and using it to explain particular observations... [It] takes the data about a particular case and applies the general theory in order to deduce an explanation for the data'.

5.3.2 Quantitative Research

Quantitative research can be construed as a research strategy that emphasizes quantification in the collection and analysis of data and that entails a deductive approach to the relationship between theory and research, in which the accent is placed on the testing of the theories. It has incorporated the practices and norms of the natural scientific model, and of positivism in particular, and embodies a view of social reality as an external, objective reality.

A qualitative research strategy is an alternative research strategy to a quantitative one. It emphasizes words rather than quantification in the collection and analysis of data and employs an inductive approach to the relationship between theory and research. In this the emphasis is on generating theories, and it rejects the practices and norms of the natural scientific model and of positivism. Additionally, it embodies a view of social reality as a constantly shifting emergent property of individuals' creation (Bryman and Bell, 2007).

Also, qualitative and quantitative research procedures are often regarded as presenting 'macro' and 'micro' level perspectives on the social world respectively. Quantitative research usually involves large-scale empirical studies using social survey techniques to collect data from representative

samples of the population drawn from a big area. It holds a high level of generalization. Qualitative research, in contrast, provides a micro-level perspective based on case studies or data collected from individuals and groups. Here the emphasis is on exploring the meaning that events and situations have for participants (Clark, 2001). In this research, as it follows a positivist epistemology and a deductive approach, a quantitative strategy is consequently adopted. It will construct a research model, based on previous work and theoretical perspectives, and collect primary quantitative data. Section 5.4 will outline the arrangement of the research methods, the data collection methods and the data analysis methods.

5.3.3 Cross-Sectional Study

Cross-sectional research is designed for studies of a particular phenomenon at a particular time, which is called a 'snapshot' by Saunders et al. (2003). Saunders and his colleagues refer to longitudinal research as a 'diary', which is used to map change in business and management research. A cross-sectional design entails the collection of data on more than one case (usually quite a lot more than one) and at a single point in time in order to collect a body of quantitative or quantifiable data in connection with two or more variables, which are then examined to detect patterns of association. Also, as this study is a quantitative one and, according to Bryman and Bell (2007), the cross-sectional design has been placed firmly in the context of quantitative research, and evaluation of the design drew on criteria associated with the quantitative research design. In this research, it is the relationships between different variables that the author wishes to concentrate on. Also, as the research is a quantitative one as explained above, a cross-sectional research design was adopted to fulfil the tasks posed by the research.

5.4 Survey Methods in the People's Republic of China

5.4.1 Primary Data Sources

Data sources can be divided into two types, primary and secondary, both of which are employed commonly in SHRM research. Primary data are those which have to be collected for the first time by the investigator(s) through observation, experiments or questionnaires. Secondary data includes pre-existing information gathered by someone else for some other purpose. These may be internal or external to the organizations researched, in terms of where they can be found. This research employs primary data collected from the PRC to test the conceptual model.

5.4.2 Key Informant

The underlying assumption of the key informant approach is that the person is able to provide opinions and perceptions that are valid reflections of those of other key decision-makers in the companies. The single informant approach can be the source of needed information for a new venture of a relatively small size (Phillips, 1981), and a multiple-informant approach would be very costly in China (Atuahene-Gima and Li, 2000). The existing literature has revealed that using multiple respondents to complete the same questionnaire separately is problematic in Chinese culture because they would view such an approach as implying a lack of trust in their individual responses. Based on these discussions, this research applied the single 'key informant' approach.

It is argued that the key informant approach has advantages and limitations. The main advantages are that the key information comes directly from knowledgeable people. The key informant approach often provides data and insight that cannot be obtained with other methods. However, inappropriate informant selection could result in biased findings (Chur-

chill and Lacobucci, 2002). In this thesis, the informants are from group of senior managers of firms and directors/deputy directors of HR departments.

5.4.3 The Questionnaire Translated and Back-Translated

The questionnaire was originally prepared in English and then translated into Chinese by the author, who is bilingual in both of these two languages, to establish the equivalent measures. Further, to avoid cultural bias, the Chinese version was then back-translated into English by another bilingual researcher. Comparison of the two English questionnaires revealed considerable consistency across translators. Attention was then paid to any misunderstanding likely to result from the translation. By using translation and back-translation, it improves the literal accuracy and maintains equivalent meaning (Harpaz, 1996; Usunier, 1998).

5.4.4 The Questionnaire Development Process

The procedure of questionnaire design has been discussed by researchers such as Churchill (1991) and Kinnear and Taylor (1991). Churchill's (1991) nine-step procedure for developing a questionnaire was adopted in this research: (1) specify what information will be sought; (2) determine the type of questions and methods of administration; (3) determine content of individual questions; (4) determine the form of response to each question; (5) determine the wording of each question; (6) determine the sequence of questions; (7)determine the physical characteristics of the questionnaire; (8) re-examine steps (1) to (7) and revise if necessary; (9) pre-test questions and review if necessary.

This procedure provides a systematic guide to evolving a questionnaire through the many necessary development stages. It is felt that although several of these steps are aimed at resolving informant response and completion of problems, which are more pertinent in the case of mail surveys, the benefits of this step-by-step approach would also include smoother interview delivery. In practice, following the nine steps often precipitates iteration and looping among them (Churchill, 1991).

5.4.4.1 Information Sought

This first step is to determine the information sought, which in turn will influence the variables specified in relation to the research questions and hypotheses. The hypotheses will not only be a guide to what information will be sought but also determine the type of question and form of response used to collect it. The right people in the right unit will need to be identified as well in order to collect the appropriate information.

5.4.4.2 Type of Questionnaire and Method of Administration

The quantitative approach arises from a positivist paradigm that is centred on objective truth, scientific methods and systematic measurement of phenomena. Its emphasis is on statistical relationships allowing generalisations or pointing to specific linkages between elements of a problem. Based on this justification, a structured questionnaire was chosen for this research. Valid measures in previous research were adopted for this study. As it was very difficult to have face-to-face interviews with all the management-level respondents, this research used a self-administered questionnaire approach (Saunders et al., 2003). The questionnaires were posted or emailed to 820 respondents.

The data used in the research was primary data obtained through a three-stage questionnaire survey. The questionnaires were sent out as a single mail shot to 820 firms based in Beijing. The mail shot was complemented by a series of three letters. The purpose of which is described below:

Letter 1 (appendix 1): pre notification (arrives 5 days before the questionnaire), to let prospective participants know in advance that a questionnaire would arrive shortly, to describe the purpose of the questionnaire, and to invite them to participate. Letter 2 (appendix 2): notification arrived along with the questionnaire to introduce the questionnaire and explain in more detail the purpose of the questionnaire and to invite them to participate. Letter 3 (appendix 3) a follow-up letter contained a questionnaire (10 days after questionnaire) arrived, to provide the prospective participant with a second opportunity to contribute before the survey was closed. The survey started in the beginning of February 2008 and ended at the end of July 2008. Finally, 211 respondents returned the questionnaire and the response rate was 25.7% (211/820). After excluding the questionnaires from a organization having less than 200 people, the number of the valid sample ultimately was 168.

5.4.4.3 Determine Content of Individual Questions

Once the type of questionnaire and methods of administration have been decided, the next crucial stage is to consider what to include in the individual questions. In order to meet the required validity and reliability criteria, multiple indicators for each construct were employed to minimise the error of measurement (Churchill and Lacobucci, 2002). Moreover, the use of multiple indicators enables a richer description of the variables,

which is particularly valuable for SHRM research. The development of the questions follows the conceptual model depicted in chapter 4 relating to the constructs of interest in this investigation. All the items were selected from existing literature.

5.4.4.4 Determine the Form of Response to Each Question

Once the content of each individual question was determined, the next decision is to decide on the particular form of response. Following the predominant approach in the SHRM literature, most of the items in the questionnaire utilized rating scales, which enable powerful parametric and multivariate statistical analysis (Hair et al., 1998). The questions are close-ended and in order to maintain uniformity, a 5-point Likert type scale is applied to all items, whereby responses ordinarily ranged from strongly agree to strongly disagree.

5.4.4.5 Determine Wording of Each Question

The phrasing of each question is crucial as a poorly phrased question can cause item non-responses or measurement error (Churchill, 1999). The use of simple words, explicit assumptions and options and the avoidance of ambiguous words, generalizations and estimates, and leading questions may avoid these problems (Dillon et al., 1990; Churchill and Lacobucci, 2002). Similarly, Churchill (1991) noted the 'vocabulary problem' for most researchers as they are normally more highly educated than the typical questionnaire respondents. Hence, it was decided that the questionnaire must be pre-tested to avoid ambiguous wording or any misleading questions and where apposite, questions were amended and simple/unambiguous languages was used. In addition, extant empirical stud-

ies show that practitioners were different terminologies from academics. This is considered a critical issue in a transitional economy like the PRC.

5.4.4.6 Determine the Sequence of Questions

There are several rules of thumb that need to be followed regarding question sequence. First of all, the first few questions need to be simple, interesting, and non-threatening (Churchill, 1991). The first section in this research is general information, for example, how many employees are in your company? Where is your business located? How many years has your company been in China? These opening questions appear simple and not confidential which encourages the respondents to fill out the questionnaire and not confidential which encourages the respondents to fill out the questionnaire in a relaxed mood. Additionally, Malhorta and Birks (2000) suggested that all questions should be divided into various sections and the questionnaire should move smoothly from one section to another. The questionnaire used in this research was divided into 5 sections: named A to E. Section A contains the questions concerning basic organizational characteristics and contextual factors. Section B collects the data about HRM policies and practices. Section C asks questions about Strategic Role of HR, and Section D is concerned with the business strategies. The last part, section E, investigates organizational performance in terms of HR outcomes, organizational outcomes and financial accounting outcomes.

Finally, to help respondents completing questions accurately, clear instructions were given at the beginning of each section and respondents were thanked for their contribution to this project.

5.4.4.7 Determine Physical Characteristics of the Questionnaire

The physical layout of the questionnaire is important to attract the respondent's attention and helps to increase accuracy (Churchill, 1999). In this project, respondents were targeted at senior manager level (vice presidents, HR directors or deputy HR directors), hence the questionnaire needed to be short as research shows that business professionals appear to be more sensitive to the length of the questionnaire than the general population (Jobber and Saunders, 1993). In addition, managers may wish to skip the whole questionnaire before deciding to fill it out. In this case, the layout and quality of the questionnaire would be extremely important. Thus, the different form types as well as bold and underlining facilities were used. The layout was produced to be attractive, each page was compact and well organised, and a cover letter (see appendix 2) was attached to the front page to state the purpose of the research.

5.4.4.8 Re-examine and Revise if Necessary

Although a considerable effort was made in developing the questionnaire thus far, the researcher should not expect that the first draft will result in a usable questionnaire (Churchill, 1999). Thus, re-examination and revision are considered vital. In this regard, each question was reviewed to ensure that the question was not confusing or ambiguous, potentially offensive to the respondents, bias inducing, or too easy to answer. In addition, every effort was made to uncover faults within the formulation stages discussed previously.

5.4.4.9 Pre-test

Questionnaire pre-testing is the last stage in questionnaire development. The purpose of the pre-test is to refine the questionnaire so that respondents will have no problems in answering the questions and there will be

no problems in recording the data, also, to discover if the questions have meaning for the respondent, to check respondent modification of a question's intent, to examine question continuity and flow, to experiment with question sequencing patterns, to collect early warning data on item validity, and to fix the length and timing of the research instrument (Churchill, 1999; Cooper and Emory, 1995).

Prior to the main survey, the researcher conducted a thorough investigation of the research instrument, which was pre-tested in three phases of personal interviews. To assess the appropriateness of the instrument, the resulting questionnaires were first pre-tested in form of in-depth interview among three companies operating in the PRC. Using input from the pre-test, the survey instrument was revised to improve the clarity and relevance of the questionnaire, and to ensure that questions were interpreted as expected. To further test the reliability and validity of the measures, the revised questionnaire was followed by a further two-phase pre-test among 18 Chinese managers. The final version of the questionnaire reflected several minor modifications suggested by participants in the pre-test. Thus, the detailed back-translation, series of rigorous pre-tests, and in-depth discussion with managers during the pre-test, gave confidence in the general appropriateness of the instrument and data collection method. The three-phase pre-tests are detailed explicitly as follows:

5.4.4.9.1 Phase 1:In-depth Interview

In the first stage, the researcher interviewed three managers in three companies in the PRC. In addition to going through the instrument, this author aimed for two key tasks, first, to build up connections with practi-

tioners in the PRC. It is well-known that 'personal connection/relationship' plays a vital part in Chinese society. Extant empirical research has confirmed the importance of '*Guan Xi*' (personal relations network) in accessing institutions in such complex environments (Child and Yan, 1999). Secondly, the author aimed to gain more advice from practitioners regarding the main survey.

In the first step, the researcher conducted three separate in-depth interviews. Two of the interviewees were the author's former schoolmates, who are now HR professionals in China. They were all very enthusiastic and hopeful in terms of giving advice and introducing other informants in the PRC. Each interview lasted 2-3 hours and suggestions and conclusions are summarised as follows:

On one hand, an unmanaged mail survey is unlikely to achieve much in the PRC since there are numerous questionnaires received per day in each company. One way of increasing the response rate is to provide an 'incentive', for example, a voucher or a management book would be considered suitable, albeit this does not guarantee the quality of data. On the other hand, a good way to secure access would be cooperating with a university or government department, such as the Bureau of Statistics. This will secure a high response rate as enterprises normally would expect to maintain good relationships with these associations by responding to sponsored questionnaires. Nevertheless, one concern for this particular study is this project requires the informant at manager level; what normally happens in Chinese society is the questionnaire will be passed to the manager's assistant/secretary to fill in. This causes an obvious reliability/validity concern for this study.

Based on their suggestions, the author of this thesis used the *Guan Xi* (personal relationships) with the Bureau of Statistics of the PRC to secure the access to the managers in manufacturing and services companies in China.

5.4.4.9.2 Phase II and Phase III

The phase II was a pilot study to a sample of 10 HR managers. It revealed that, on average, respondents spent about than 20 minutes to complete the questionnaire. Furthermore, feedback was gathered from participants with relation to the length, wording and instructions of the questionnaire. As a result, some minor refinements were made to the wording of a few of questions.

Based on the feedback from the first two phases, the questionnaires were distributed to 13 respondents again, to ensure that respondents understood the terminology used in questionnaire. On completion of these stages the researcher felt confident of the validity and rigour of the research instrument.

Although researchers have pointed out that the SHRM field is in need of longitudinal research, and data/information collected from multiple respondents, this thesis is not able to address these issues due to the certain constraints, including the limited time and access to multiple respondents in this research.

5.5 Sampling Techniques

Sampling is intended to gain information about a population by a scientific choice of representative cases. Therefore, accurate sampling methods and a comprehensive sampling frame are the foundation of empirical

surveys. Sampling methods can be broadly divided into probability sampling and non-probability sampling. Probability sampling includes simple random sampling, systematic sampling, stratified sampling and cluster sampling (Babbie, 2001). These methods are based on probability theory and therefore each case with the characteristics the researcher is interested in has the same chance of being selected. These methods are widely used in large-scale surveys. Non-probability sampling includes four types: reliance on available subjects, purposive or judgemental sampling, snowball sampling and quota sampling (Babbie, 2001). If it is impossible to obtain a sampling list or the research has particular research intentions, non-probability sampling would be used.

5.5.1 Sampling Frame

A sampling frame is a list or a 'quasi-list' of elements from which a probability sample is selected (Babbie, 2001). The samples for this study were principally companies, or MNC's Chinese Branches, which were set up and operating in the PRC.

As the research focuses on companies and their SHRM in the PRC, the selected companies should have been set up and been operating in China. However, this is not to say that multinational companies (MNCs) were excluded, as long as the MNCs or MNCs operations were set up and have been based in the PRC, they will be included. In the PRC, there are six principal types of ownership including State Owned Enterprises (SOE), Collectively Owned Enterprises (COE), Privately Owned Enterprises (POE), Joint Ventures (JV) and Foreign Owned Enterprises (FOE) (Cooke, 2005). In this research, the population included the companies in all the six types of ownership, based and operating in China. The number

of the cases was expected to be around 150-200. These companies were drawn mainly from a full list of firms operating in Beijing, the capital city of the PRC. The list was received from the Bureau of Statistics of Beijing. Previous research has examined the SHRM of firms in the South and the East of PRC, like Zhejiang, Jiangsu and Shanghai, Guangdong, Pearl River Delta, Hong Kong etc. (Fields et al., 2000; Ding and Akhtar, 2001; Wang and Zang, 2005; Zhu et al., 2005; Akhtar et al. , 2008; Ngo et al., 2008; Wang and Wang, 2008; Zhu et al., 2008). Enterprises of Beijing were only investigated as one of three sources of the sample in SHRM research (Ngo et al., 2008).

5.5.2 Survey Sample

Based on the sampling frame explained above, 820 companies were included in the population list. At the beginning of February 2008, self-administrated questionnaires were used in the research to collect data. The questions in the questionnaire were drawn from items used in the literature to describe the constructs employed here in the theoretical model. Among the returned questionnaires, 168 usable one were used. Multiple regression analysis via SPSS was used to explore the relationships between the constructs. As this is quantitative research and a large scale of the survey was to be undertaken, the respondents in the study were to remain anonymous. The data was coded and analysed with each questionnaire identified by a code assigned according to the sequence of response, to ensure the respondents could not be identified by the code.

5.6 Data Analysis: Statistical Technique Choice

In the thesis, quantitative analysis was the main research tool. The consideration on the types and nature of the data collected and the hypotheses

was proposed in Chapter 4. Based on these considerations, a number of multivariate statistical techniques were chosen. They were:

First, Exploratory Factor Analysis (EFA) was employed to determine the relationship across items underlying factors and reduce the number of variables. Second, hierarchical multiple regression was used to evaluate which independent variable(s) determined the dependent variable with certain influencing factors under control. All the analysis was to be carried out with SPSS 10.0 for windows. The details about the usage of factor analysis and hierarchical multiple regression will be presented in Chapter 7.

5.7 Validity and Reliability Assessment

According to Churchill (1999), no single item is likely to provide a perfect representation of a concept, as no single word can be used to test for differences in subjects' spelling abilities and no one question can measure concepts like a person's intelligence, the constructs of interests in this study are reported via 'multi-item' scales. In order to generate findings from these measures, a central part in the development of any scale is establishing its content validity, construct validity and reliability (Boudreau et al. 2001).

5.7.1 Content Validity

Content validity is typically established through the literature review and expert judges (Cook and Campbell, 1979). It is the first step toward establishing the correspondence between theoretical constructs and items measured. If a measuring scale does not possess content validity, it cannot possess construct validity no matter what statistical analysis is conducted

(Graver and Mentzer, 1999). In this regard, the easy way to determine content validity is through the literature review and expert judgment. The items used in this thesis were adopted from existing literature and proved by both academic and professional experts.

5.7.2 Construct Validity

Construct validity is assessed by whether the measure confirms or denies the hypotheses predicted from the theory based on the constructs. It primarily checks relationships involving the theoretical ideas underlying the measure (Hair et al. 1998; Churchill and Lacobucci, 2002). Typically, construct validity is comprised of sub-dimensions which include convergent and discriminant validity. Convergent validity is the extent to which the latent variable correlates to items designed to measure the same latent variable, while discrimiant validity is the extent to which the items representing a latent variable discriminate that construct from other items representing other variables (Churchill and Lacobucci, 2002). The Construct validity was checked by the correlations between the variables of different constructs in the conceptual model (see Table 14). There are three main constructs in the conceptual model of this research, namely, HRM policies, business strategies and organizational performance. It was found that the correlations between variables in same constructs were at a higher level than those between items of different constructs.

Table 14: Correlations between Variables

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26
Age(log)																										
Size(log)	.058																									
Culture	.814**	-.002																								
Unionization	.287**	.007	.194*																							
Sate Owned Enterprise	.267**	.014	.259**	.418**																						
Joint Venture	-.147	-.056	-.059	-.006	-.290**																					
Privately Owned Enterprise	-.081	-.092	-.110	-.440**	-.448**	-.283**																				
Foreign Invested Enterprise	-.156*	.016	-.111	-.182*	-.205**	-.129	-.199**																			
Starting	-.249**	-.044	.023	-.247**	-.117	-.038	.107	.106																		
Growing	-.260**	-.020	-.261**	.072	.049	.122	-.088	-.026	-.205**																	
Declining	.197*	.059	.173*	-.043	.100	-.038	-.057	-.076	-.063	-.205**																
Turning	.240**	-.132	.203**	.149	.122	-.153*	-.072	.028	-.090	-.291**	-.090															
Chemicals & Pharmaceuticals	-.101	-.136	-.097	.060	-.063	-.038	.107	.015	-.063	.103	-.063	-.010														
Electronics & Engineering	-.055	.082	-.088	.038	-.069	.088	.089	-.051	.005	-.014	-.051	-.022	-.161*													
Finance, Banking & Insurance	.057	.058	.065	.003	.131	-.108	-.028	.033	-.048	.078	-.048	.036	-.115	-.293**												
Sales & Business Service	.055	-.119	.113	-.137	-.091	-.005	-.043	.022	.063	.001	-.015	.101	-.092	-.236**	-.168*											
Mixed	.068	.011	.093	-.017	.041	.051	.024	-.056	.109	-.169*	.109	-.054	-.134	-.341**	-.243**	-.195*										
Innovation	-.163*	-.062	-.160*	-.024	-.094	.049	.065	.039	-.056	.125	-.194*	.040	.081	.018	.026	.037	-.218**									
Cost Reduction	-.176*	.023	-.231**	.022	-.094	.060	.033	-.070	-.121	.172*	-.192*	-.099	.015	.114	-.029	-.036	-.149	.277**								
Quality Enhancement	-.184*	.079	-.162*	-.067	-.130	-.046	.054	.009	.004	.088	-.159*	-.040	.111	-.025	.079	-.026	-.189*	.342**	.544**							
HR Outcomes	-.191*	-.030	-.214**	-.094	-.083	-.015	.159*	-.133	.061	.020	-.178*	.053	.117	-.009	.067	-.039	-.086	.209**	.397**	.486**						
Organizational Outcomes	-.161*	.174*	-.160*	-.049	-.086	-.006	.127	-.038	-.011	-.017	-.095	-.115	.041	-.032	.054	-.001	-.091	.292**	.375**	.649**	.453**					
Financial Accounting Outcomes	-.031	-.105	-.063	-.020	.056	-.014	.097	-.070	-.006	.123	-.114	-.151	.021	.013	.022	-.002	-.020	.379**	.353**	.356**	.415**	.387**				
HR Planning	-.068	.015	-.115	-.057	-.224**	.037	.050	.089	-.073	-.054	-.145	-.023	.016	-.057	.069	.075	-.061	.185*	.237**	.375**	.392**	.354**	.238**			
Compensation	-.125	-.044	-.175*	-.142	-.211**	-.047	.169*	.060	-.089	.099	-.213**	-.123	.044	.001	.085	.077	-.110	.229**	.298**	.386**	.443**	.235**	.269**	.426**		
Training	-.268**	-.080	-.285**	-.105	-.153*	.024	.173*	.009	-.081	.062	-.158*	-.115	.064	.027	.074	-.049	-.123	.213**	.308**	.380**	.529**	.262**	.281**	.478**	.617**	
Management-Employee Relationship	-.194*	.085	-.187*	-.045	-.176*	.043	.186*	-.043	-.078	.074	-.206**	-.086	.111	.052	.009	-.088	-.078	.231**	.341**	.421**	.502**	.391**	.183*	.356**	.450**	.609**

5.7.3 Reliability Test

Reliability concerns the accuracy of the measuring instrument, while validity is associated with whether a particular construct is the underlying cause of the covariation (DeVellis, 1991). Two different ways of testing construct reliability are test-retest and internal consistency (Hair et al., 1998). The former denotes the consistency in the responses of an informant at two points of time. The latter refers to consistency among the variables within a construct scale. The latter has been proved as the more popular one in correlational research to date, due to the fact that there are a number of convenient diagnostic measures that can be used, such as item-to total correlations and Cronbach's alpha coefficients (Hair et al., 1998). This indicator is likewise favoured in the present investigation. By contrast, a test-retest procedure can be problematic insofar as it would involve approaching informants a second time to persuade them to fill out the same set of questions, which is extremely difficult in practice. Apart from the researcher's time and cost issues, the managerial informants have already contributed their valuable time to assist the research.

5.7.4 Common Method Bias Checking

This research acknowledges that it might be affected by common method bias, as the same respondent provided data on both the independent variables and dependent variables. However, the common method bias can be limited in this study because in the questionnaire, the dependent variables followed rather than preceded the independent variables. Moreover, the questionnaire was quite long and it was rather exhaustive for a single respondent to complete the questionnaire.

Furthermore, the application of Harman's (1967) single-factor test to all the relevant variables in the model, using the eigenvalue greater than one criterion, revealed 17 factors, and just one, with the first factor explaining 22.110% of the variance in the data. Thus, it was believed that the common method bias in the data was relatively limited.

5.8 Summary

This chapter provided an explanation of the methodological approach adopted in the present empirical investigation. Pertinent method aspects covered included the research design, data sources and generation, questionnaire development, survey construction and data analysis. Significant information was provided on each of these topics, though in the case of data analysis there are additional details that it is proper to report in the two analysis chapters following chapter 6, the descriptive analysis part, and chapter 7, hypotheses testing results. The next chapter reports the descriptive analysis of the data, which is the first stage of the data analysis. In includes a demographic profile of the sample, and descriptive analysis of the constructs consisting of the conceptual model.

Chapter Six

Descriptive

Data Analysis

Chapter 6   Descriptive Data Analysis

6.1   Introduction

Descriptive analysis refers to the transformation of raw data into a form that will make it easy to understand and interpret. It is generally the first stage of the analysis of findings and involves calculations of frequency distributions, measures of central tendency and dispersion and tabulations. The purpose of the present chapter is to investigate the descriptive statistics for the constructs appearing in the conceptual model, presented in chapter 4, before which the demographic profile will be presented. This chapter presents the descriptive statistical results only. The interpretation of these results will be presented in chapter 8.

6.2   Demographic Profile of the Sample

The results of descriptive analysis of demographic profile of the researched firms are presented in Table 15:

6.2.1   Size of Companies

Firm size was measured by the number of full time employees. Table 15 above showed that 29.8% of the sample firms were with 200 to 500 employees, while those of 501-2000 employees accounted for 16.2% of the sample. Those had 2001-5000 employees made up 23.8% of the researched firms. Finally, 20.2% of the researched firms had more than 5000 employees.

The age of the company was divided into four categories. The first category contained 44.6% of the sample, and they had operated for less than

10 years. Firms having an age between 10-20 years accounted for 34.5% of all the researched firms, of which 11.9% were 21-30 years old and 8.9% were older than 30 years.

There are six types of ownership in PRC: State Owned Enterprises (SOE), Collectively Owned Enterprises (COE), Privately Owned Enterprises (POE), Township and Village Enterprises (TVE), Joint Venture (JV) and Foreign Invested Enterprises (FIE). The proportion of the companies of different ownership varied from 4.8% (TVEs) to 31.5% (SOEs) and 30.4% (POEs). 9.5% of the sample firms were COEs, and 15.5% of the sample firms were JVEs. FIEs accounts for 8.3% of the sample.

Of the researched firms, 58.3% of them were unionized.
Concerning the organizational life cycle stage of the firms, only 6% of the companies in the sample were at the stage of start-up. 39.9% of them were at the growth stage, while 36.9% of the companies were mature. 6.0% and 11.3% of the sample were declining and turning-around respectively.

In respect to business sector, the sample was divided into the garment sector (6.0%), chemical and pharmaceuticals (29.2%), electronics and engineering (17.3%), finance, banking and insurance (11.3%), sales and business service (22.6%) and others mixed (13.7%).

Table 15: Demographic Profile of the Researched Firms (sample size: 168)

Demographic Characteristics	category	Percentage (%)
Ownership	State owned enterprise	31.5
	Collectively owned enterprise	9.5
	Township and Village Enterprise	4.8
	Joint Venture	15.5
	Privately Owned Enterprise	30.4
	Foreign Owned Enterprise	8.3
Union Presence	Unionized	58.3
	Non-unionized	41.7
Organizational Life Cycle	Starting-up	6.0
	Growing	39.9
	Mature	36.9
	Declining	6.0
	Turning around	11.3
Business Sector	Garment	6.0
	Chemicals & Pharmaceuticals	29.2
	Electronics & Engineering	17.3
	Finance, Banking & Insurance	11.3
	Sales & Business Service	22.6
	Mixed	13.7
Organizational Age	Less than 10 years	44.6
	10-20 years	34.5
	21-30 years	11.9
	More than 30 years	8.9
Organizational Size	200-500	29.8
	501-2000	26.2
	2001-5000	23.8
	More than 5000	20.2

6.3 Descriptive Analysis of Constructs

6.3.1 Business Strategy

The respondents were asked to answer to what extent the company emphasizes each strategic orientation. Business strategy was measured on three dimensions: innovation, cost-reduction and quality-enhancement. Table 16 revealed that the mean scores of Inno1, Inno2 and Cost3 were comparatively low (less than 3). All the rest items were with mean scores between 3 and 4. Items of quality enhancement strategy scored higher

values than others, which indicated that quality enhancement strategy was dominant over the other two.

Table 16: Business Strategy

Constructs/Items		Response Scale (%)					Mean	SD
		1	2	3	4	5		
Inno1	Innovative investing in R &D	17.9	19	26.2	29.2	7.7	2.90	1.23
Inno2	Innovative introducing new products and brands	16.1	17.9	31.5	26.2	8.3	2.93	1.19
Inno3	Delivering new products and service	11.9	14.9	29.2	34.5	9.5	3.15	1.16
Inno4	Seeking new business opportunities	7.7	12.5	30.4	32.1	17.3	3.39	1.14
Cost1	Reducing the costs of labour to produce existing products or services.	7.7	21.4	33.9	29.8	7.1	3.07	1.05
Cost2	Reducing the costs of materials to produce existing products or services.	7.7	20.2	35.1	28	8.9	3.10	1.07
Cost3	Controlling inventory	9.5	22.6	35.1	26.2	6.5	2.98	1.07
Cost4	Improving operational efficiency	8.3	15.5	31.5	32.7	11.9	3.24	1.11
Qual1	Devoting time to quality control	5.4	14.9	35.1	34.5	10.1	3.29	1.02
Qual2	Working with customers or suppliers to improve quality of product or service	1.8	11.9	36.3	35.1	14.9	3.49	.95
Qual3	Quality circles	6	12.5	39.3	29.8	12.5	3.30	1.04
Qual4	The effectiveness of company's quality management program	2.4	11.3	32.7	35.1	18.5	3.56	1.00
Qual5	The improving the quality of existing products or services.	3	8.9	33.3	35.7	19	3.59	.99

6.3.2 HRM Policies

HRM policies were measured on six dimensions, HR planning, HR staffing, HR appraisal, HR compensation, HR training and development, and management-employee relationship. In Table 17, the mean scores of HR planning (except Plan5) were higher than 3. Also, three items in HR staffing (Staf3-5), one item in compensation (Comp6), one item in Training (Trai9) and 3 items in management-employee relationships

(MER1,2 and 5) had mean scores higher than 3. 11 items Plan5, Appr2, Appr3, Comp3, Comp4, Comp5, Comp7, Comp8, Trai4, Trai5 and Trai7 had mean scores lower than 3. And all the rest had mean scores around 3 (non-significantly different from mid-point value 3).

Table 17: Adoption of HRM Policies

	Constructs/ Items			Response Scale (%)					Mean	SD
		T-test		1	2	3	4	5		
Plan1	Short term HR planning	3.605**	Long term HR planning	8.9	17.3	27.4	22.6	23.8	3.35	1.26
Plan2	Informal HR planning	.567	Formal HR planning	14.9	23.2	24.4	16.1	21.4	3.06	1.36
Plan3	Implicit job analysis	5.09**	Explicit job analysis	6	14.3	29.8	28.6	21.4	3.45	1.15
Plan4	Ambiguously defined job description	6.033**	Clearly defined job description	3	15.5	32.1	26.2	23.2	3.51	1.10
Plan5	Low employee involvement of HR planning	-1.951	High employee involvement of HR planning	20.8	22	25	20.2	11.9	2.80	1.31
Plan6	The job is simple	7.112**	The job is complex	3	10.1	36.3	28	22.6	3.57	1.04
Staf1	Internal recruitment sources	-.415	External recruitment sources	19	15.5	29.8	22	13.7	2.96	1.30
Staf2	Limited selection procedure	-.816	Extensive selection procedure	15.5	19.6	35.1	16.7	13.1	2.92	1.23
Staf3	Implicit recruitment criteria	5.753**	Explicit recruitment criteria	8.3	13.1	21.4	28.6	28.6	3.56	1.26
Staf4	Fusion with firm's culture	3.578**	Capability-and skill-orientation	7.7	13.7	33.3	30.4	14.9	3.31	1.12
Staf5	Closed procedure	3.039**	Open procedure	10.1	16.7	29.2	21.4	22.6	3.30	1.27
Appr1	Performance Oriented	-.469	Behaviour Oriented	20.2	15.5	25.6	26.2	12.5	2.95	1.32
Appr2	The main objective is to provide criteria for pay rise and promotion	-1.642	The main objective is to identify employees' weakness and improve performance	19	22.6	23.2	25.6	9.5	2.84	1.27
Appr3	HR specialists in charge of the appraisal schemes	-2.161*	High employee participation	16.7	20.8	32.7	24.4	5.4	2.81	1.14
Appr4	Individual criteria	.599	Group criteria	10.7	19	37.5	19.6	13.1	3.05	1.16
Appr5	Conduct appraisal activities frequently, such as weekly or monthly based	.935	Conduct appraisal activities occasionally, such as quarterly or yearly based	11.3	16.7	36.3	23.8	11.9	3.08	1.15
Comp1	Low base salaries	-.257	High base salaries	7.1	16.1	51.8	21.4	3.6	2.98	.90
Comp2	Few perks	1.821	Many perks	8.9	14.9	36.3	32.1	7.7	3.15	1.06
Comp3	Standard, fixed package	-2.881**	Flexible package	21.4	20.2	31	19	8.3	2.73	1.23
Comp4	No incentives	-3.254**	Many incentive	22.6	20.8	28.6	20.8	7.1	2.69	1.23
Comp5	Short term incentives	-2.192*	Long term incentives	17.3	20.8	37.5	13.7	10.7	2.80	1.20
Comp6	No employment security	5.728**	High employment security	6	10.7	29.8	36.9	16.7	3.48	1.08
Comp7	No participation	-9.741**	High participation	40.5	23.8	22.6	8.9	4.2	2.13	1.16
Comp8	Position in work	-4.929**	Skills in work	29.8	17.9	28.6	17.9	6	2.52	1.25
Comp9	Seniority oriented	1.048	Merit oriented	8.9	16.7	44	17.3	13.1	3.09	1.10

Table 17 continued

	Constructs/ Items			Response Scale (%)					Mean	SD
		T-test		1	2	3	4	5		
Trai1	Employees do not need to go take training programmes every certain length of time	1.506	Employees need to go take training pro-grammes every certain length of time	11.3	19.6	28	25.6	15.5	3.14	1.23
Trai2	Narrow and specific application	-1.110	Broad and general application	14.9	21.4	31.5	23.2	8.9	2.90	1.18
Trai3	Limited training	-1.928	Extensive training	21.4	19	26.2	23.8	9.5	2.81	1.28
Trai4	Training credits are not necessary for pro-motion	-3.795**	Training credits are tightly linked to pro-motion	23.8	16.7	37.5	14.9	7.1	2.65	1.20
Trai5	Productivity orientated	-4.309**	Quality of work life oriented	23.8	20.8	33.9	14.3	7.1	2.60	1.20
Trai6	External consultants	.543	Internal experts	10.7	19	35.7	23.8	10.7	3.05	1.14
Trai7	Off-post training	-3.805**	On-post training	20.2	22	32.1	22	3.6	2.67	1.14
Trai8	Hierarchy	1.379	Egalitarian	11.3	15.5	36.3	23.2	13.7	3.13	1.17
Trai9	Seniority oriented	1.673	Merit oriented	7.7	14.9	45.2	20.2	11.9	3.14	1.06
MER 1	Some communication	3.051**	Extensive communication	9.5	14.3	32.1	26.8	17.3	3.28	1.19
MER 2	Conflicted	6.769**	Cooperative	1.2	16.7	30.4	29.8	22	3.55	1.05
MER 3	Management and employee have different facilities	1.164	Management and employee have same fa-cilities	13.1	18.5	28.6	23.8	16.1	3.12	1.26
MER 4	No participative management in company	-1.286	Participative management	14.3	20.8	33.9	23.8	7.1	2.89	1.14
MER 5	No self-managed teams	2.671**	Widely use self-managed teams	7.7	17.3	32.7	28.6	13.7	3.23	1.13
MER 6	Employee-management meeting is held only in need	1.081	Employee-management meetings is held regularly	17.3	14.3	28.6	19.6	20.2	3.11	1.36
MER7	Most operational information is confidential	-1.329	Regularly providing operational information to employees	14.9	23.8	32.7	16.1	12.5	2.88	1.22

(If a mean values is significantly smaller than 3, it is highlighted with Green colour, while a mean value significantly bigger than 3 is highlighted with dark yellow colour. * p< or= 0.05, ** p< or= 0.01)

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6.3.3 Organizational Performance

Organizational performance was measured on three dimensions, namely, HR outcomes, organizational outcomes and financial accounting outcomes. The mean scores of HR outcomes (except HRO4) were generally higher than other dimensions (see Table 18). All the items of organizational performance were higher than 3. Standard deviations varied from .86 to 1.15.

Table 18: Organizational Performance

Constructs/Items		Response Scale (%)					Mean	SD
		1	2	3	4	5		
HRO1	Quality of product	2.4	7.1	25.6	42.9	22	3.75	.96
HRO2	Public image and good will	1.2	6	25.6	46.4	20.8	3.80	.88
HRO3	Satisfaction of customers or clients	1.2	5.4	28.6	46.4	18.5	3.76	.86
HRO4	Staff turnover rate	7.7	21.4	33.9	22	14.9	3.15	1.15
HRO5	Absenteeism (R)	1.2	7.1	19.6	44	28	3.91	.93
OO1	Staff morale	6	33.9	45.8	14.3	6	3.68	.79
OO2	Employee commitment	3.6	14.3	32.7	35.7	13.7	3.42	1.01
OO3	Job satisfaction	4.2	14.3	37.5	33.3	10.7	3.32	.99
OO4	The ability of staff to move between jobs as the work demands	8.9	13.7	42.3	27.4	7.7	3.11	1.03
FAO1	Growth rate of revenues	6.5	8.9	40.5	32.7	11.3	3.33	1.01
FAO2	Growth rate of market share	8.3	11.9	35.1	34.5	10.1	3.26	1.07
FAO3	Long-run level profitability	6.5	11.9	41.7	28	11.9	3.27	1.04

6.3.4 Strategic Roles of HR Function

Strategic role of HR function was measured on two dimensions: strategic role of HR function in strategy formulation (SF) and implementation (SI). Two items SI5 and SI6 had mean scores lower than 3. The rest items' mean scores were non-significantly different from 3. The mean scores ranged from 2.79 to 3.16. The standard deviations fluctuated between 0.97 and 1.14 (see Table 19).

Table 19: Strategic Roles of HR

Strategic Roles of HR Function		One sample t-test with 3	Response Scale (%)					Mean	SD
			1	2	3	4	5		
SF1	The extent that the human resources department is consulted by top management	1.005	10.1	14.9	39.9	26.8	8.3	3.08	1.07
SF 2	The extent that HR is considered part of top management	1.267	7.1	16.7	40.5	31.0	4.8	3.10	.97
SF 3	The extent that the human resources department is consulted by line managers	.292	8.3	22	35.7	26.8	7.1	3.02	1.06
SF 4	The extent that HR frequently helps managers and supervisors	.940	9.5	16.7	38.1	28.0	7.7	3.08	1.07
SF 5	The extent that the company's strategic plan includes HR issues explicitly	-.308	9.5	17.9	42.9	25.0	4.8	2.98	1.00
SF 6	How effective is it that the programmes held by HR can build employees capacity for changes	-.695	10.1	17.9	43.5	24.4	4.2	2.95	1.00
SF 7	How effective is it that HR explain the requirement of the changes and encourage employee the support	-.071	11.3	18.5	36.9	26.2	7.1	2.99	1.09
SF 8	The extent that the HR strategy is consistent with companies' competitive strategy	1.829	9.5	16.7	34.5	26.8	12.5	3.16	1.14
SI1	The extent that a formal document on HR planning is available to strategic planners	1.121	9.5	17.9	35.7	27.4	9.5	3.10	1.10
SI2	The extent that HR can hold programmes to eliminate the resistances to changes	.147	8.3	20.2	42.3	20.2	8.9	3.01	1.05
SI3	The extent that HR can identify the resistance to changes	-.079	8.3	18.5	42.9	26.2	4.2	2.99	.98
SI4	How effective is it that HR evaluate the current people and provide suggestions on change if the current people is inappropriate	-1.569	7.7	25.0	45.2	15.5	6.5	2.88	.984
SI5	How effective is it that HR evaluate the current organizational strategy and provide suggestions on change if the current strategy is inappropriate	-2.871**	9.5	27.4	41.7	17.9	3.6	2.79	.97
SI6	How effective is it that HR evaluate the current organizational structure and provide suggestions on change if the current structure is inappropriate	-2.449*	9.5	26.2	41.1	19.6	3.6	2.82	.977
SI7	How effective is it that HR evaluate the current rewards system and provide suggestions on change if the current rewards system is inappropriate	-.961	9.5	23.8	37.5	23.2	6.0	2.92	1.04
SI8	How effective is it that HR Evaluate the current managerial and producing processes and provide suggestions on change if the current processes is inappropriate	-1.965	10.7	23.2	42.3	18.5	5.4	2.85	1.02

(If a mean values is significantly smaller than 3, it is highlighted with Green colour, while a mean value significantly bigger than 3 is highlighted with dark yellow colour. *, p< or = 0.05, ** p< or= 0.01,)

6.4 Summary:

This chapter has demonstrated the demographic profile of the sample and highlighted the descriptive findings for the constructs in the conceptual model. The descriptive analysis implied that the responses for every construct varied to a certain degree. The next chapter presents the findings from the multivariate analysis through using SPSS.

Chapter Seven

Testing Hypotheses of

the Conceptual Model

Chapter 7   Testing Hypotheses of the Conceptual Model

7.1   Introduction

This chapter will report the results of data analysis by a series of statistical methods via SPSS software package. It commences by presenting the data preparation and screening procedures which entail the treatment of missing data, detection of outliers and test of normality, and non-response bias test. The next focus is the test of factorial validity of different constructs of the conceptual model. Finally, it conducts hierarchical regression to test the hypotheses in the conceptual model. This chapter presents the results of statistical tests only. The interpretation and discussions of these results will be presented in chapter 8.

7.2   Data Preparation and Screening

Multivariate analysis techniques have a strong analytical power to test hypotheses in the research design, albeit they are not without limitations. Data preparation and screening is the initial step in the data analysis process. It is a time-consuming, but necessary, step that is frequently overlooked by the researcher (Hair et al., 1998). Data preparation and screening can avoid leading the model estimation and fitting programmes to a failing solution (Kline, 2005). Regression requires assumptions of distributional characteristics of the data set for an accurate analysis (Tabachinick and Fidell, 2001). Thus, this stage is a crucial consideration for multivariate analysis. The following sections contain missing data, outliers, normality and multicollinearity issues.

7.2.1 Missing Data

Missing data are very common in multivariate analysis (Hair et al., 1998) and is one of the biggest problems in data collection. The researcher can scarcely avoid some form of missing data problem. In this regard, the challenge of the researcher is to address issues raised by missing data that affect the generalisability of the results (Tabachnick and Fidell, 2001).

Two main concerns are, first, to determine reasons underlying the missing data and, second, the extent of missing data (Hair et al., 1998). Tabachinick and Fidell (2001) suggest the pattern of missing data is more important than the amount missing. If missing values are scattered randomly through a data matrix, they rarely pose severe problems. However, non-randomly missing values are serious no matter how few of them there are because they impact the generalisability of results (Tabachinick and Fidell, 2001). In addition, it is debatable how many missing observations are tolerated. Cohen and Cohen (1983) suggested that 5% or even 10% missing data on a particular variable is not large. Generally, it is commonly accepted that if the missing observation is relatively small within a large database, the problem could be considered as less serious and any treatment should yield similar results (Kline, 2005). The number of the missing values in this research was relative small and with no systemic pattern.

There are three standard approaches to treat missing data, namely, pair-wise deletion, list-wise deletion and imputation (Hair et al., 1988). Pair-wise deletion excludes the cases that are missing on the variable involved in the specific analysis, resulting in inconsistent sample size from analysis to analysis which may result in a covariance matrix that is not positively definite. List-wise deletion is conducted only on complete

observations, which reduces the sample size and as a consequence decrease the statistical power (Arbuckle, 2003). The imputation process occurs not by replacing the missing data on the remaining cases, but estimating the missing values based on the valid values of other observations in the dataset wither by mean imputation or by regression-based substitution (Hair et al., 1998). This research will use the 'Exclude cases pairwise' option to exclude the case only if they have missing values required for the specific analysis, to keep the size of sample.

7.2.2 Outliers

Outliers are cases with extreme values on one variable or a combination of variables that unduly influence statistics (Tabachnick and Fidell, 2001). They are found in both univariate and multivariate situations and they lead to Type 1 and Type 2 errors. A univariate outlier is a case with an extreme value on one variable, whilst a multivariate outlier is an odd combination of scores on two or more variables. Outliers may significantly affect the results of regression and, thus, it is important to identify those extreme values, to check for plausibility and to choose necessary solutions, for example, deletion, redefining the population of study, or re-specifying the model (West et al., 1995).

There is no absolute characterisation of an extreme point for an univariate outlier. A widely accepted rule of thumb is that a value more than three standard deviations away from the mean is considered as outlier (Kline, 2005). The multivariate outlier can be diagnosed with the 'Mahalanobis D^2 Measure', which is a measure to assess the position of each observation comparing with the centre of all observations on a set of variable (Byrne, 2001). A large Mahalanobis distance value represents the case as having

extreme values on one or more variables. It is recommended that a very conservative statistical test of significance at 0.001 is the threshold value (Tabachnich and Fidell, 2001).

In order to reduce the influence of the outliers, the research transformed these two variables (organizational age and organizational size) by conducting a log transformation. But after this treatment, all the cases appeared outliers before the transformation still remained outliers. Although the outlier cases reflects the reality of conditions of the surveyed organizations, to avoid the influence of outliers, which would biased the representativeness of statistical model, this research replaced the values of the outlier with 'the mean plus two standard deviations' (Field, 2009, p153).

7.2.3 Non-responses Bias Test

In order to check and avoid potential non-response bias, Armstrong and Overton (1997) and Lambert and Harrington (1990) recommended comparing the last quartile respondents with the first quartile respondents. A series of t-test were conducted for all the items in questionnaire measured on the Likert-scale. The results in Table 20 showed that most assessments yielded no significant differences, which indicate than the 168 responses can be used to avoid non-response sample.

Table 20: Results of Response and Non-response Bias Test				
	Mann-Whiney U	Wilcoxon W	Z	Asymp.sig (2-tailed)
Plan1	856	1891	-1.301	0.193
Plan2	908	1943	-0.867	0.386
Plan3	865	1900	-1.236	0.216
Plan4	931	1966	-0.687	0.492
Plan5	765.5	1800.5	-2.045	0.041
Plan6	995	2030	-0.149	0.881
Staf1	696	1731	-2.646	0.008
Staf2	548.5	1583.5	-3.883	0
Staf3	658.5	1693.5	-2.958	0.003
Staf4	769	1804	-2.089	0.037
Staf5	744	1779	-2.239	0.025
Appr1	523.5	1558.5	-4.071	0
Appr2	603	1638	-3.407	0.001
Appr3	997.5	2032.5	-0.126	0.9
Appr4	749	1784	-2.207	0.027
Appr5	613.5	1648.5	-3.351	0.001
Comp1	763.5	1798.5	-2.234	0.025
Comp2	952	1987	-0.518	0.605
Comp3	625.5	1660.5	-3.224	0.001
Comp4	658.5	1693.5	-2.949	0.003
Comp5	673	1708	-2.878	0.004
Comp6	854.5	1889.5	-1.34	0.18
Comp7	573.5	1608.5	-3.692	0
Comp8	611.5	1646.5	-3.339	0.001
Comp9	705.5	1740.5	-2.664	0.008
Trai1	605.5	1640.5	-3.401	0.001
Trai2	590	1625	-3.545	0
Trai3	608.5	1643.5	-3.353	0.001
Trai4	731.5	1766.5	-2.363	0.018
Trai5	562	1597	-3.813	0
Trai6	646	1681	-3.092	0.002
Trai7	686	1721	-2.725	0.006
Trai8	552.5	1587.5	-3.858	0
Trai9	699	1734	-2.733	0.006
MER1	724	1759	-2.411	0.016
MER2	582.5	1617.5	-3.618	0
MER3	585	1620	-3.539	0
MER4	718.5	1753.5	-2.463	0.014
MER5	605.5	1640.5	-3.417	0.001
MER6	749	1784	-2.18	0.029
MER7	601.5	1636.5	-3.462	0.001
SPF1	838	1873	-1.489	0.1364
SPF2	933.5	1968.5	-0.667	0.5046

Table 20 continued				
	Mann–Whiney U	Wilcoxon W	Z	Asymp.sig (2-tailed)
SPF3	833	1868	-1.528	0.1266
SPF 4	922	1957	-0.765	0.4443
SPF 5	749.5	1784.5	-2.237	0.0253
SPF 6	912.5	1947.5	-0.859	0.3906
SPF 7	803	1838	-1.78	0.075
SPF 8	924	1959	-0.744	0.4572
SPI1	903.5	1938.5	-0.921	0.3568
SPI2	847	1882	-1.439	0.1503
SPI3	935.5	1970.5	-0.663	0.5075
SPI4	795.5	1830.5	-1.886	0.0592
SPI5	819	1854	-1.666	0.0957
SPI6	630.5	1665.5	-3.231	0.0012
SPI7	822.5	1857.5	-1.609	0.1076
SPI8	837.5	1872.5	-1.509	0.1313
Inno1	904.5	1939.5	-0.901	0.3675
Inno2	921	1956	-0.765	0.444
Inno3	953	1988	-0.498	0.6188
Inno4	1007	2042	-0.046	0.9631
Cost1	881	1916	-1.112	0.2661
Cost2	804.5	1839.5	-1.749	0.0803
Cost3	871.5	1906.5	-1.188	0.235
Cost4	925	1960	-0.755	0.45
Qual1	961.5	1996.5	-0.437	0.6622
Qual2	911.5	1946.5	-0.858	0.3908
Qual3	978.5	2013.5	-0.286	0.7747
Qual4	927.5	1962.5	-0.716	0.4739
HRO1	704.5	1739.5	-2.65	0.0081
HRO2	841	1876	-1.472	0.1411
HRO3	824.5	1859.5	-1.624	0.1045
HRO4	965.5	2000.5	-0.396	0.6918
HRO5	839.5	1874.5	-1.48	0.1388
OO1	782	1817	-1.973	0.0485
OO2	629	1664	-3.222	0.0013
OO3	543	1578	-3.959	7.54E-05
OO4	695.5	1730.5	-2.732	0.0063
FAO1	943	1978	-0.598	0.55
FAO2	983	2018	-0.253	0.8003
FAO3	782.5	1817.5	-1.99	0.0465
Organization Age	508	1543	-4.079	0
Culture 1	970	2005	-0.373	0.709
Culture 2	806.5	1841.5	-1.764	0.078
Culture 3	782.5	1817.5	-1.935	0.053
Culture 4	925	1960	-0.731	0.465
Culture 5	951	1986	-0.533	0.594

7.2.4 Normality, Linearity, Homoscedasticity and Multicollinearity

7.2.4.1 Normality

The most fundamental assumption in multivariate analysis is normality which refers to the shape of the data distribution and its correspondence to the normal distribution (Hair et al., 1998). Multivariate normality means that individual variables are normal in a univariate sense and that their combinations are also normal. In other words, if a variable is multivariately normal, it is also univariately normal. However, multivariate normality is more difficult to test and large sample sizes tends to diminish the detrimental effect of normality (Hair et al., 1998)

The simplest diagnostic test for normality is a visual check of the histogram. A more reliable approach is the normal probability plot, which compares the cumulative distribution of actual data values with the cumulative distribution of a normal distribution. In addition, normality can be identified by skewness, which portrays the symmetry of distributions and kurtosis, which refers to 'peakedness' or 'flatness' of distributions compared with the normal distribution. Skewness values falling outsides the range of -1 to +1 indicate substantially skewed distribution (Hair et al, 1998). This research uses the skewness and kurtosis methods to check the normality of data values distribution. It was found that no skewness value fell out of the range from -1 to +1.

7.2.4.2 Linearity, Homoscedasticity and Multicollinearity

An implicit assumption of all multivariate techniques based on correlational measures of association is linearity (Hair et al., 1998). Nonlinear effects will not be represented in the correlation value since correlations represent only the linear association between variables. Another concern

in multivariate techniques is homoscedasicity, which refers to the assumption that dependent variables exhibit equal levels of variance of the dependent variable being explained in the dependence relationship should not be concentrated in a limited range of the independent values (Hair et al., 1998). Both linearity and homoscedasticity all refer to the distribution of scores and the nature of the underlying relationship between the variables. These assumptions can be checked from the residual scatterplots which are generated from the multiple regression procedure. In order to secure the underlying assumption, this research checked these residual scatterplots, due to the limited space, these results are not presented.

The other issue that must be addressed prior to conducting the regression analysis is multicollinearity which exists when the independent variables are highly correlated (Pallant, 2005). The Tolerance values were checked before reporting the results of multiple regressions and they were above the 'rule of thumb' level of .40 (Allison, 1999), thus suggesting that the level of association between the predictor variables was not problematic.

7.3 Item and Scale Purification

This stage includes item analysis and scale purification. Item analysis was computed by item-total correlations (each item with the sum of the remaining items), inter-item correlations (each item with every item) and exploratory factor analysis. The rule of thumb for retaining items within the scale is to delete those negatively correlated items or those items which are not statistically significant (at $p > 0.05$) item-whole correlations (Spector, 1992).

7.3.1 Item Analysis

First, all constructs for this study were subjected to item analysis. Each construct was examined separately through correlation analysis. The Pearson product-moment correlation coefficient was conducted as it is designed for interval level (continuous) variables (Pallant, 2005). The results show all items under assessment correlate strongly with each other.

7.3.2 Exploratory Factor Analysis

Exploratory factor analysis (EFA) is a preliminary analysis when there is little sufficient theory available to establish the underlying dimensions of a specific construct and to reduce a large amount of items pooled to a manageable set (Gerbing and Anderson, 1988). This technique analyses data on a relatively large set of variables and identifies a smaller set of factors. There are several techniques for accomplishing this analysis procedure, and principal component analysis is the most widely accepted extraction technique (Luck and Rubin, 1987).

This study applied this multivariate statistical technique to determine the most suitable items for each construct. Orthogonal rotation (varimax) was conducted as it helps to facilitate the accurate interpretation of the underlying structure of the data (Hair et al., 1998). This research followed the 'eigenvalue-greater-than-one' rule for deciding how many factors to retain for each factor solution (Churchill, 1991). Regarding the cut-off for the minimum level of item loading and maximum level of items cross-loading, Tabachnich and Fidell (2001) argue that it is a matter of researcher preference. Accordingly, this study retained items that have loadings higher than 4.0 (Gerbing and Anderson, 1998).

7.3.2.1 Exploratory Factor Analysis Results: HRM Policy Configuration

Table 21: Exploratory Factor Analysis of HRM Polices

	Factor 1	Factor 2	Factor 3	Factor 4
HR Planning				
Formal HR planning is used in your company	-.116	.111	-.015	.746
Explicit job analysis is used in your company	.378	.066	.239	.763
Clearly defined job description is used in your company	.386	.112	.152	.682
Compensation				
Flexible package is used in your company	.105	-.011	**.881**	-.106
Many incentives are offered in your company	.358	.350	**.584**	.274
The design of compensation package is merit oriented in your company	.197	.201	**.655**	.343
Training				
Broad and general training is used in your company	**.755**	.227	.345	.183
Extensive training is used in your company	**.813**	.141	.198	.147
Internal experts are used to deliver the training	**.770**	.374	.016	.127
On-the-post training is preferred in your company	**.773**	.145	.152	.024
Egalitarian-oriented criteria are used in offering training opportunities in your company	**.554**	.284	.431	.216
Merit oriented criteria are used in offering training opportunities in your company	**.415**	.292	.432	.248
Management-Employee Relationship				
Extensive communication is used in your company	.253	**.850**	.173	.031
Cooperative management-employee relationship exists in your company	.140	**.876**	.122	.093
Operational information is provided to employees regularly	.377	**.619**	.078	.252
Percentage of variance accounted for	24.059	16.430	14.886	13.738
Cronbach's Alpha	**.884**	**.805**	**.677**	**.717**

Total Variance Explained: 69.113
Kaiser-Meyer-Olkin Measure of Sampling Adequacy: .884
Bartlett's Test of Sphericity: Approx. Chi-square:1324.849
Df:105
Sig:.000

Items of the HRM Policy construct were subjected to exploratory factor analysis using SPSS. The initial un-rotated factors matrix was computed to help obtain a preliminary indication of the number of factors to extract (Hair et al., 1998).

Initially the suitability of the data from the items scale was assessed by examining the correlation matrix. This showed that many correlations

were above the value 0.3. Items with communality values less than 0.6 were excluded. The Kaiser-Meyer-Oklin value was 0.901, exceeding the recommended value of 0.6 and the Barlett's Test of Sphericity reached statistical significance (p=0.00), thereby supporting the factorability of the correlation matrix (see Table 21).

Exploratory factor analysis results showed the presence of 4 components with eigenvalues exceeding 1, explaining 69.113 percent of the total variance. The first factor included six items concerning training policies. It explained 24.059% of the total variance, and the Cronhach's Alpha was .884. This HRM policy configuration was named training. The second factor contained three items about the cooperative relationship and communication between management and employee. It explained 16.430% of the total variance and had a Cronbach's Alpha 0.805. This HRM policy configuration was named management-employee relationship. The third factor involved three items concerned with incentives and flexible pay. It explained 14.886% of the total variance and had a Cronbach's Alpha .677. This HRM policy configuration was named compensation. The fourth factor embraced three items of formal HR planning, job analysis and description. It explained 13.738% of the total variance and had a Cronbach's Alpha .717. This HRM policy configuration was named HR planning.

This research conducted the exploratory factor analysis to examine the inter-consistency between HRM policies. It is also sensible to review what type HRM system used to be proposed and examined by previous research. Arthur (1994) used a sample of steel minimills operating under two different HR systems (control vs. commitment), and it was found that commitment HR systems in contrast to control systems, resulted in higher

productivity, lower scrap rates, and reduced turnover. Control HR systems are aimed to reduce direct labour costs, or improve efficiency, by enforcing employee compliance with specified rules and procedures and basing employee rewards on some measurable output criteria (Arthur, 1994). High-commitment HR systems creates conditions that encourage employees to identify with the goals of the organization and to exert effort to achieve them (Whitener, 2001). High involvement HR systems focus on the use of certain HR practices that directly influence the nature and scope of the jobs employees perform, for example, MacDuffie (1995) focused on the use of formal work teams, employee involvement groups, product-related suggestions made and implemented by employees, the use of job rotation within and across teams and carrying out quality teasks. Iverson (2005) concentrated on empowering employees through increased information flows and devolution of decision of decisions-making power, leading to greater productivity. High performance work systems, as noted by Huselid (1995, p635) that 'high performance work practices can improve the knowledge, skills and abilities of a firm's current and potential employees, increase their motivation, reduce shirking, and enhance retention of quality employees while encouraging non-performers to leave the firm'. HR systems for occupational safety, building on the logic of Pfeffer's (1998) work, Zacharatos et al. (2005) proposed and designed a high-performance work system for occupational safety, and they found that safety-oriented HRPWS enhanced employee trust in management, and enforced a positive safety climate, which in turn improved employees' safety orientation and lowered injury incidences. When choosing to use certain types of HR systems, the goals of organizational and HRM should be considered as determinants (Lepak et al., 2006).

7.3.2.2 Exploratory Factor Analysis of Strategic Role of HR Function

Table 22: Exploratory Factor Analysis of the Strategic Role of HR Function

	Factor 1	Factor 2
Strategic Role of HR Function in Strategy Formulation		
The extent that the human resources department is consulted by top management		.791
The extent that HR is considered part of top management		.746
The extent that the human resources department is consulted by line managers		.843
The extent that HR frequently helps managers and supervisors		.654
The extent that the company's strategic plan includes HR issues explicitly		.644
Strategic Role of HR Function in Strategy Implementation		
How effective is it that the programmes held by HR can build employees capacity for changes	.685	
How effective is it that HR explain the requirement of the changes and encourage employee the support	.690	
How effective is it that HR evaluate the current organizational strategy and provide suggestions on change if the current strategy is inappropriate	.774	
How effective is it that HR evaluate the current organizational structure and provide suggestions on change if the current structure is inappropriate	.817	
How effective is it that HR evaluate the current rewards system and provide suggestions on change if the current rewards system is inappropriate	.841	
How effective is it that HR Evaluate the current managerial and producing processes and provide suggestions on change if the current processes is inappropriate	.773	
Percentage of variance accounted for	37.391	30.882
Cronbach's Alpha	.909	.869
Total Variance Explained: 68.273 **Kaiser-Meyer-Olkin Measure of Sampling Adequacy: .931** **Bartlett's Test of Sphericity: Approx. Chi-square: 1145.089** **Df:55** **Sig:.000**		

Items of the strategic role of HR function construct were subjected to EFA using SPSS. The initial un-rotated factors matrix was computed to help obtain a preliminary indication of the number of factors to extract (Hair et al., 1998).

Initially the suitability of the data from the items scale was assessed by examining the correlation matrix. This showed that many correlations were above the value 0.3. Items with communality values less than 0.6 were excluded. The Kaiser-Meyer-Oklin value was 0.901, exceeding the recommended value of 0.6 and the Barlett's Test of Sphericity reached

statistical significance (p=0.00), thereby supporting the factorability the factorability of the correlation matrix (see Table 22).

Exploratory factor analysis results showed the presence of 2 components with eigenvalues exceeding 1, explaining 68.27 percent of the total variance. The first factor included six items concerning HR function's role in strategy implementation. It explained 37.391 percent of the total variance, and the Cronhach's Alpha was .909. This factor was labelled strategic role of HR function in strategy implementation. The second factor contained five items about HR function's role in strategy formulation. It explained 30.882% of the total variance and had a Cronbach's Alpha 0.869. This factor was named strategic HR function role in strategy formulation.

7.3.2.3 Exploratory Factor Analysis Results: Business Strategies

13 items of the business strategies construct were subjected to EFA using SPSS. The results are presented in Table 23. The initial un-rotated factors matrix was computed to help obtaining a preliminary indication of the number of factors to extract (Hair et al., 1998).

Initially the suitability of the data from the 13 items scale was assessed by examining the correlation matrix. This showed that many correlations were above the value 0.3. 1 item was excluded as its communality value was less than 0.6. The Kaiser-Meyer-Oklin value was 0.828, exceeding the recommended value of 0.6 and the Barlett's Test of Sphericity reached statistical significance (p=0.00), thereby supporting the factorability the factorability of the correlation matrix.

EFA results showed the presence of 3 components with eigenvalues exceeding 1, explaining 70.186 percent of the total variance. The Catells

(1966) scree test revealed that 3 component had to be retained for further analysis. The un-rotated factor analysis results revealed that all 12 items loaded onto one factor explaining 70.186% of the total variance. Thus the 12 items were retained for further analysis.

Table 23: Exploratory Factory Analysis of Business Strategies

	Factor 1	Factor 2	Factor 3
Innovation			
Investing in Research & Development	.131	.014	**.881**
Introducing new products and brands innovatively	.036	.049	**.914**
Delivering new products and service	.139	.186	**.814**
Cost-Reduction			
Reducing the costs of labour to produce existing products or services.	.248	**.765**	.057
Reducing the costs of materials to produce existing products or services.	.271	**.826**	.020
Controlling inventory	.056	**.806**	.179
Improving operational efficiency	.394	**.711**	.032
Quality-Enhancement			
Devoting time to quality control	**.597**	.322	.180
Working with customers or suppliers to improve quality of product or service	**.735**	.306	.074
Using quality circles	**.770**	.189	.054
The effectiveness of company's quality management program	**.852**	.228	.124
Improving the quality of existing products or services.	**.870**	.064	.061
Percentage of variance accounted for	**27.524**	**22.903**	**19.760**
Cronbach's Alpha	**.864**	**.838**	**.856**
Total Variance Explained: 70.186 Kaiser-Meyer-Olkin Measure of Sampling Adequacy: .838 Bartlett's Test of Sphericity: Approx. Chi-square:1025.123 Df:66 Sig:.000			

Exploratory factor analysis results revealed that the first factor incorporated five items concerning activities of enhancing quality of products and services. It explained 27.524% of the total variance, and had a Cronbach's Alpha .864. This factor was named quality-enhancement strategy. The second factor involved four items of reducing the costs of organizations. It explained 22.903% of the total variance, with a Cronbach's Alpha .838. This factor was named cost-reduction strategy. The third factor included

three factors about investing in innovation and innovative activities. This factor explained 19.760% of the total variance, had a Cronbach's Alpha .856. This factor was named innovation.

7.3.2.4 Exploratory Factor Analysis Results: Organizational Performance

12 items of the organizational performance construct were subjected to exploratory factor analysis using SPSS. The results are presented in Table 24. The initial un-rotated factors matrix was computed to help obtaining a preliminary indication of the number of factors to extract (Hair et al., 1998).

Initially, the suitability of the data from the 12 items organizational performance scales was assessed by examining the correlation matrix. This showed that many correlations were above the value 0.3. 2 items are excluded as their communality values are less than 0.6. The Kaiser-Meyer-Oklin value was 0.834, exceeding the recommended value of 0.6 and the Barlett's Test of Sphericity reached statistical significance (p=0.00), thereby supporting the factorability of the correlation matrix. Exploratory factor analysis (un-rotated) showed the presence of three components with an eigenvalues exceeding 1, explaining 76.752 percent of the total variance. The Catells (1966) scree test revealed that three components had to be retained for further analysis.

The un-rotated factor analysis results revealed that all the 10 items loaded onto three factor explaining 76.752% of the total variance. Thus the 10 items were retained for further analysis.

Table 24: Exploratory Factor Analysis of Organizational Performance

	Factor 1	Factor 2	Factor 3
HR Outcomes			
Improvement of staff morale	.739	.262	.125
Improvement of employee commitment	.829	.305	.175
Improvement of job satisfaction	.831	.265	.043
Improvement of the ability of staff to move between jobs as the work demands	.744	-.093	.326
Organizational Outcomes			
Improvement of quality of product	.142	.882	.168
Improvement of public image and good will	.161	.859	.179
Improvement of satisfaction of customers or clients	.290	.810	.146
Financial Accounting Outcomes			
Growth rate of revenues	.244	.119	.837
Growth rate of market share	.169	.163	.883
Growth of long-run level profitability	.091	.218	.867
Percentage of variance accounted for	**27.050**	**25.008**	**24.694**
Cronbach's Alpha	**.841**	**.874**	**.879**

Total Variance Explained: 76.752
Kaiser-Meyer-Olkin Measure of Sampling Adequacy: .834
Bartlett's Test of Sphericity: Approx. Chi-square:936.893
Df:45
Sig:.000

This first factor included four items about the employee-related outcomes. It explained 27.050% and had a Cronbach's Alpha .841. This factor was labelled HR outcomes. The second factor involves three items about organization's quality of product, customer satisfaction, and public image. It explained 25.008% of the total variance and had a Cronbach's Alpha .874. This factor was labelled organizational outcomes. The third factor incorporates three items of company's revenue market share and profitability. It explained 24.694% of the total variance and had a Cronbach's Alpha .879. This factor was labelled financial accounting outcomes.

7.3.2.5 Exploratory Factor Analysis Results: Chinese Workplace Culture

5 items of the Chinese workplace culture construct were subjected to exploratory factor analysis using SPSS. The results are presented in Table 25. The initial un-rotated factors matrix was computed to help obtaining a

preliminary indication of the number of factors to extract (Hair et al., 1998).

Table 25: Exploratory Factor Analysis of Chinese Workplace Culture	
	Factor 1
Chinese workplace culture	
Embracing paradox	.776
Directness of interpersonal approach	.779
Importance of saving face (*mian zi*)	.823
Respect for position and authority	.798
Cronbach's Alpha	**.804**
Total Variance Explained: 63.038 **Kaiser-Meyer-Olkin Measure of Sampling Adequacy: .741** **Bartlett's Test of Sphericity: Approx. Chi-square:219.756** **Df:6** **Sig:.000**	

Initially, the suitability of the data for the 5 items was assessed by examining the correlation matrix. This showed that many correlations were above the value 0.3. 1 item was excluded as their communality values are less than 0.6. The Kaiser-Meyer-Oklin value was 0.741, exceeding the recommended value of 0.6 and the Barlett's Test of Sphericity reached statistical significance (p=0.00), thereby supporting the factorability of the correlation matrix.

EFA (un-rotated) showed the presence of one component with an eigenvalues exceeding 1, explaining 63.038% of the total variance. This factor had a Cronbach's alpha value of .804.

7.4 Testing the Hypotheses

7.4.1 Methods used in testing hypotheses:

7.4.1.1 Method to Test Moderating Effects

The term 'moderation' is employed to describe the situation that the impact of an independent variable on a dependent variable is dependent on the level of a third variable. There are two ways to test moderating effect. One is to test the form of moderation. The other is to test the strength of the moderation. The distinction between the form and the strength of moderation illustrates both theoretical and analytical issues. If, theoretically, the dependent variable is jointly determined by the interaction between an independent variable and a moderator, it is a form test of moderation. Conversely, the hypothesis that the predictive ability differs across different levels of a third variable is concerned with the strength of moderation (Venkatrman, 1989). The previous SHRM literature examined both the form and strength of the control variables and found evidence of significant moderators in various contexts. As the focus of this research was the relationships between business strategies and HRM polices, and the mediating effects of HR outcomes and organizational outcomes between HRM policies and financial accounting outcomes, the joint prediction of the independent variable and moderator on the dependent variable, or the form of moderation, was not incorporated in the examination. Instead, the research examined the strength of the moderation, namely, treated the moderators as control variables in hierarchical multiple regressions.

7.4.1.2 Method to Test the Impact of Business Strategies on HRM Policy Configurations

Hierarchical multiple regression with control variables were used to test the effects of business strategy on HRM policies. In this test, control variables including organizational age, size, work-place culture, union presence, ownership, organizational life cycle and business sector were entered into analyses at the first step of multiple regressions. The independent variables, business strategies, then were entered at the second step.

7.4.1.3 Method to Test Mediating Effects

This research takes four steps to test the mediating effects. First, the independent variables have to directly influence the dependent variable. Second, the independent variables have to directly influence the proposed mediators. Third, the proposed mediators have to directly influence the dependent variables. The fourth and final step involves a comparison of the β values when both the independent variables and the mediating variable are added to the regression equation. Partial mediation occurs when the mediator reduces the size of the effect of the independent variables on the dependent variables. The direction of the effects must also be as hypothesised. For full mediation, the significant relationships between independent variables and dependent variables must become non-significant after the mediator is added to the analysis.

7.4.2 The Impacts of Business Strategies on HRM Policies

From the results of our regression analyses in Table 26, it was indicated that overall the independent variables predicted an acceptable level of change in the dependent variables. 23.3% of the variance of HR planning was predicated by the independent variables. 28.3% of the variance of com

Table 26: Testing the Effect of Business Strategies on HRM policies

	HR Planning		Compensation		Training		Management-Employee Relationship	
	Model1 Standard β	Model 2 Standard β	Model1 Standard β	Model 2 Standard β	Model1 Standard β	Model 2 Standard β	Model1 Standard β	Model 2 Standard β
Age (log)	.026	.100	.036	.108	-.207	-.141	-.252	-.179
Size (log)	.004	-.024	-.064	-.089	-.074	-.099	.119	.093
Culture	-.099	-.122	-.103	-.118	-.079	-.093	.088	.076
Trade Union								
Non-Unionization (reference)								
Unionization	.021	.035	-.074	-.063	.016	.028	.067	.079
Ownership								
COE (reference)								
Sate Owned Enterprise	-.255*	-.187	-.194	-.129	.003	.069	-.064	.008
Joint Venture	-.051	.000	-.142	-.098	.034	.082	.043	.092
Privately Owned Enterprise	-.084	-.048	-.019	.010	.163	.199	.189	.225
Foreign Invested Enterprise	.004	.049	-.017	.027	.010	.057	-.035	.017
Organizational Life Cycle								
Starting	-.130	-.113	-.156	-.134	-.174	-.153	-.155	-.130
Growing	-.155	-.157	-.020	-.025	-.120	-.123	-.058	-.063
Mature (reference)								
Declining	-.154	-.100	-.206*	-.146	-.123	-.069	-.179*	-.116
Turning	-.078	-.076	-.160	-.157	-.113	-.106	-.053	-.045
Business Sector								
Garment (Reference)								
Chemicals & Pharmaceuticals	.012	.007	.042	.043	-.017	-.018	.040	.041
Electronics & Engineering	-.029	.032	.081	.141	-.043	.008	-.049	.008
Finance, Banking & Insurance	.107	.128	.152	.177	.056	.076	-.023	.003
Sales & Business Service	.087	.135	.128	.175	-.031	.013	-.073	-.024
Mixed	-.002	.097	.034	.137	-.109	-.020	-.083	.019
Innovation	—	.053	—	.079	—	.029	—	.052
Cost Reduction	—	.024	—	.067	—	.076	—	.102
Quality Enhancement	—	.332**	—	.293**	—	.288**	—	.302**
R2	.118	.233	.166	.282	.167	.269	.153	.282
Δ R2		.115		.116		.102		.129
F Value (Sig. level) for Δ R2		7.531**		7.881**		6.869**		8.777**
F Value (Sig. level)	1.179	2.232**	1.758*	2.883**	1.764*	2.706**	1.593	2.882**

*statistically significant at 0.05 level; **statistically significant at 0.01 level

pensation was predicted by the independent variables. 26.9% of the variance of the training was predicted by the independent variables and

28.2% of the variance of management-employee relationship was predicted by the independent variables.

When linking the results to the hypotheses, it was found that quality enhancement strategy had dominant status in the researched firms and had significant positive impact on all of the four HRM policy configurations: HR planning (β=.332, p 0.01), compensation (β=.293, p 0.01), training (β=.288, p 0.01) and employee-management relationship (β=.302, p 0.01), which supported H2. It was found that no significant impact of innovation and cost-reduction on HRM policies configurations occurred. Thus, the H1 (i) was supported, while H1 (ii) and H3 were not supported.

It appeared that firms with a quality enhancement strategy were more likely to adopt formal HR policy configurations, while those with an innovative strategy or a cost-reduction strategy showed little concern on HR policy choice.

7.4.3 The Effects of HRM Polices on HR Outcomes, Organizational Outcomes and Financial Accounting Outcomes

The equation 1 of HR outcomes in Table 27 showed that HR planning policy configuration (β=.170, p 0.05), training policy configuration (β=.197, p 0.05) a nd management-employee relationship policy configuration (β=.247, p 0.01) positively predicted the change in HR outcomes. 45.1% of the total variance of HR outcomes was explained by independent variables. As 3 out of 4 HRM policy configurations positively influenced HR outcomes, H4a (i) was partially supported. Regarding the impact of the HRM policies on organizational outcomes, HR

planning (β=.282, p 0.01) and management-employee relationship (β=.290**, p 0.01) positively predicated the change in organizational outcomes (R^2=28.0%). As two out of four HRM policy configurations positively predicted the change in organizational outcomes, H4a (ii) was partially supported. It was found that all the four HRM policy configurations had no significant influence on financial accounting outcomes, which made H4a (iii) supported. This was consistent with Dyer and Reeves (1995) argument that financial-related outcomes were more distal than HR and organization-related outcomes to HRM and organizational-based outcomes.

7.4.4 The Effects of the HR Outcomes and Organizational Outcomes

HR outcomes positively predicated organizational outcomes (β=.447**, p 0.01) and financial accounting outcomes (β=.448**, p 0.01). 30% of the variance in organizational outcomes in this equation was predicated by the independent variables, and 30% of the variance in organizational outcomes in this equation was predicated by the independent variables, and 21.6% of the variance in financial accounting outcomes was predicated by the independent variables (see Table 27). Thus, H4b (i) and H4b (ii) were supported by the empirical results.

Organizational outcomes positively predicated the change in financial accounting outcomes (β=.427**, p 0.01), and 24.7% of the variance in financial accounting outcomes were predicted by the independent variables. Thus, H4c was supported.

Table 27: Testing the Mediating Effects of HR Outcomes

Independent Variables	HR Out-comes	Organizational Outcomes			Financial Accounting Outcomes		
	Step 1	Step2	Step3	Step4	Step2	Step3	Step4
	Standard β	Standard β	Standard β	Standard β	Standard β	Standard β	Standard B
Age (log)	.080	-.159	-.190	-.189	.169	.158	.136
Size (log)	.002	.164*	.203**	.164**	-.096	-.114	-.097
Culture	-.171	-.009	.082	.054	-.109	-.058	-.039
Trade Union							
Non-Unionization (reference)							
Unionization	-.088	.062	.115	.094	-.009	.023	.027
Ownership							
COE (reference)							
SOE	.067	.164	.073	.139	.258*	.200	.231*
JV	-.004	.083	.076	.084	.084	.070	.085
POE	-.030	.201	.196	.212	.164	.152	.176
FIE	-.194*	.000	.079	.071	.012	.102	.091
Organizational Life Cycle							
Starting	.190*	-.005	-.104	-.075	.082	-.012	.004
Growing	.026	-.110	-.137	-.120	.092	.067	.082
Mature (reference)							
Declining	-.011	-.004	-.032	.000	-.053	-.058	-.048
Turning	.172*	-.075	-.149	-.138	-.126	-.215**	-.196*
Business Sector							
Garment (reference)							
Chemicals & Pharmaceuticals	.068	-.037	-.055	-.062	-.005	-.036	-.032
Electronics & Engineering	-.040	-.147	-.135	-.132	.020	.043	.036
Finance, Banking & Insurance	.005	-.047	-.046	-.049	-.017	.002	-.019
Sales & Business Service	-.061	-.014	.022	.008	.013	.061	.038
Mixed	-.039	-.157	-.132	-.143	.010	.035	.026
HR Planning	.170*	.282**	—	.219**	.179	—	.109
Compensation	.166	.057	—	-.005	.119	—	.051
Training	.197*	-.135	—	-.207	.112	—	.032
Management-Employee Relationshi	.247**	.290**	—	.199**	.008	—	-.093
HR Outcomes	---	—	.447**	.368**	—	.448**	.410**
R^2	.451	.280	.300	.355	.184	.261	.276
F Value (Sig. level)	5.700**	2.710**	3.544**	3.626**	1.564	2.917**	2.512**

*statistically significant at 0.05 level; **statistically significant at 0.01 level

Table 28: Testing the Mediating Effects of Organizational Outcomes

Independent Variables	Organizational Outcomes	Financial Accounting Outcomes		
	Step 1 Standard β	Step2 Standard β	Step3 Standard β	Step4 Standard B
Age (log)	-.189	.136	.236	.193
Size (log)	.164*	-.097	-.199*	-.147
Culture	.054	-.039	-.145	-.056
Trade Union				
Non-Unionization (reference)				
Unionization	.094	.027	-.046	-.001
Ownership				
COE (reference)				
SOE	.139	.231*	.163	.189
JV	.084	.085	.033	.060
POE	.212	.176	.077	.112
FIE	.071	.091	.016	.070
Organizational Life Cycle				
Starting	-.075	.004	.050	.026
Growing	-.120	.082	.115	.118
Mature (reference)				
Declining	.000	-.048	-.080	-.048
Turning	-.138	-.196*	-.127	-.154
Business Sector				
Garment (reference)				
Chemicals & Pharmaceuticals	-.062	-.032	.008	-.014
Electronics & Engineering	-.132	.036	.087	.076
Finance, Banking & Insurance	-.049	-.019	.036	-.004
Sales & Business Service	.008	.038	.039	.035
Mixed	-.143	.026	.071	.069
HR Planning	.219**	.109	—	.043
Compensation	-.005	.051	—	.053
Training	-.207	.032	—	.094
Management-Employee Relationship	.199*	-.093	—	-.153
HR Outcomes	.368**	.410**	—	.299**
Organizational Outcomes	—	—	.427**	.301**
R2	.355	.276	.247	.335
F Value (Sig. level)	3.626**	2.512**	2.709**	3.147**

*statistically significant at 0.05 level; **statistically significant at 0.01 level

7.4.5 The Mediation Effects of HR Outcomes and Organizational Outcomes

As described earlier, to test the mediation effects (see Table 27), independent variables have to directly impact dependent variables, and mediator, and the mediator has to directly impact the dependent variables. Lastly, both independent variables and mediator are entered into equation, partial mediation occurs when the mediator reduces the size of the effect of the independent variables on the dependent variables. The direction of the effects must also be as hypothesised. Full mediation occurs when the significant relationships between independent variables and dependent variables must become non-significant after the mediator is added to the analysis (compare step 4 and step 2). Thus, our data analysis results supported for H5a and Hab.

7.4.6 The Effects of Control Variables

According to the results of in table 26-28, organizational age, workplace culture, trade union presence, and business sector had no mediating effects on any relationships proposed by H1-H5. Thus, H6 (i), H6 (iii), H6 (iv) and H6 (vii) were not supported.

Regarding the effects of organizational size, it positively impact organizational outcomes. But, as not all the proposed hypotheses (H1-H5) were supported by the empirical data, H6 (ii) was merely partially supported. In terms of ownership, state owned enterprises appeared to have a higher level of financial accounting outcomes. Foreign invested enterprises had a comparably lower level of HR outcomes. Similarly, as only some of the hypotheses of H1-H5 were supported, the H6 (v) was only partially supported. In respect of organizational life cycle, it was found that firms at

starting up stage had a higher level of HR outcomes while those at turning around stage had higher level of HR outcomes but a lower level of financial accounting outcomes. Thus, H6 (vi) was also partially supported.

7.5 Summary

This chapter presented the results of a series of statistical tests. First, the data preparation and assumption checks were conducted. Second, it described the results of exploratory factor analysis. Third, the results of hypotheses testing were presented. These analyses were conducted with SPSS for Windows 10.0. Next chapter will be discussions on the findings of this chapter.

Chapter Eight

Discussion

Chapter 8   Discussion

8.1   Introduction

This chapter presents a discussion based on the findings of this research. It is comprised of three parts. The first part discusses the factorial validity of the constructs in this research. The second focuses on the current state of the application of SHRM in the PRC. The third part discusses the results of conceptual model tests.

8.2   The Factorial Validity

Statistically, the results obtained from the exploratory factor analysis suggested that the business strategies, HRM policy configurations and organizational performance measurements had an overall validity, which was consistent with previous empirical research. There were no item overlaps and all the dimensions of business strategies, HRM policy configurations and organizational performance were internally consistent. These measurements of HRM policies were selected from previous research, mainly conducted in Western settings. These findings indicated that the measurements of business strategies, HRM policy configurations and organizational performance utilized in the present study can be used with confidence.

Theoretically, the validity of these measurements, which were created originally in Western settings, implied a convergence trend of organizational variables at conceptual level, which was also proved in the previous research, for example, that of Akhtar et al. (2008) and Chow et al. (2008). According to convergence theory, driven by the market and technological forces, certain specific management functions and practices are necessary

for administration and coordination in an industrial economy. In addition, with the emergence of capitalist economy, the PRC's value system will change and become more similar to that of main Western capitalist economies. As a result, management practices developed in Western cultures should be capable of generalization to other industrial settings (Negandi, 1975; Pascale and Maguire, 1980, Brewster, 1999, Harris et la., 2003; Sparrow et al., 2004; Warner, 2008).

Practically, this convergence is a reflection of the reality of the changes in HRM of the PRC. As Akhtar et al. (2008) argued, the apparent conceptual convergence in strategic HRM practices were rooted in the phenomenal change that had taken place in the personnel practices of Chinese enterprises since the economic reforms began in 1978. In this thesis, it is argued that there are two rounds of changes in HRM in the PRC: the first round included the removal of the Soviet-style and centrally planned model of HRM and the adoption of a Western-style model while remaining certain Chinese characteristics; the second round is an on-going change aiming at the adoption of a SHRM model.

Specifically, the changes in the first step included abandoning cradle-to-the-grave welfare, and adopting the 'three systems reforms' that involved the introduction of labour contracts, performance-related reward systems, and contributory social security, which are typical Western-style HRM practices.

The second step is an ongoing reform of HRM to become more strategic. The reasons and driving forces for adopting SHRM include the needs and requirements fr om both inside and outside of enterprises. Internally, Chinese enterprises need to further develop and to expand business at a

cross-regional or even a cross-national level. This needs a support to the strategy from HRM. In both FIEs and reformed SOEs, HRM managers are well educated in business management, which provided the intellectual support for using SHRM. Externally, the deepening of internationalization, exemplified by the accession into the WTO, has created the conditions to adopt strategic HRM practices in the relatively developed coastal regions (Rowley et al., 2004). Therefore, there are both internal and external pressures encouraging the convergence in strategic HRM practices.

The factorial validity of the HRM policy configurations meant that in practice the PRC's HRM policies had obtained inter-consistency. Put another way, activities of different HRM functions matched and supported each other. This implied that decision-makers in the Chinese enterprises started to adopt a strategic and systematic view of the HRM designing, and supported the argument of this thesis that the PRC's HRM is changing to a strategic model to meet the requirements of the deepening and furthering of globalization and marketization.

The factorial validity of strategic role of HR function proved that HR function in the researched firms not only facilitates the implementation of business development, as previous researchers examined in their work, but also played a significant role in business strategies decision-making process. This, on one hand, empirically supports the theoretical argument of changing role of HR function (Storey, 1992; Ulrich 1997, 1998) in terms of the strategy formulation role and the strategy implementation role. On the other hand, it reflected that the Chinese enterprises were increasingly aware of the significance of and the use of the strategic roles of the HR function, rather than mere administrative roles.

Finally, the exploratory factorial analysis of organizational performance indicated that the measures of organizational performance had an overall validity. This offered solid empirical evidence for the deconstruction of the organizational performance construct, and was consistent with the conceptual work of Dyer and Reeves (1995), who argued that HR outcomes and organizational outcomes played a mediating role between HRM policies and financial accounting outcomes. Certain previous research attempted to explore the elements of performance (for example, Ngo et al., 2008; Chow et al., 2008, Akhtar er al., 2008). Ngo et al (2008) measured organizational performance from two aspects including financial performance and operational performance. Similarly, Akhtar et al., (2008) divided organizational performance into two sub-constructs: product/ service performance and financial performance, while Chow et al., (2008) examined the impact of HRM on sales growth, profit growth and turnover rate. However, the structure of organizational performance and the relationships between the elements of organizational performance still remained un-researched in empirical work. This thesis drew on Dyer and Reeves's (1995) model to examine the structure of organizational performance and the mediation effects of HR outcomes and organizational outcomes.

8.3 The Application of HRM Practices

In last two decades, especially after the PRC's entry into WTO, HRM in the PRC enhanced the speed of reform to reach a strategic model. It is argued that there are two rounds of HR reforms in the PRC. The first round resulted in a Western-style HRM with Chinese characteristics, while the second one is an ongoing change to adopt a strategic model of HRM. This section will discuss the main features of Chinese HRM, in

terms of the role of HR, HR planning, HR staffing, HR appraisal, HR compensation, HR training and development and management-employee relationship, toward the end of assessing the current status of HRM in the PRC.

8.3.1 The Role of HR function

Among the mean scores of items used to measure the strategic role of HR function, a majority of the items had mean scores close to the mid-point 3. Only two items, 'how effectively does HR evaluate the current organizational strategy and provide suggestions on change if the current strategy is inappropriate' (SI5) (t. -2.871, p .01) and 'how effectively does HR evaluate and change current organizational structure (SI6) (t. -2.449, p .05)', were with mean scores significantly smaller than 3. 'The extent that HR is considered part of the top management' (SF2); 'how well the HR strategy is consistent with firm's strategy (SF8)'; and 'the extent that a formal document on HR planning is available to strategic planners (SI1)' had relatively high mean scores (over 3, but not statistically significant). This means that firms in the PRC have been aware of the importance of the HR function, and the position of HR in firms has been enhanced to the top management-level. This actually is a precondition of adopting a SHRM model. Moreover, HR function was found active in aligning HR strategies with business strategy. These two findings together implied that the HR function in the PRC already achieved a strategic position in firms and HR system started to become consistent with the company-level business strategies.

Four items, including 'the extent that the HR department is consulted by senior management (SF1), line managers (SF3) and supervisors (SF4)',

and 'the extent that HR can hold programmes to eliminate the resistances to changes (SI2)' had means scores between 3.00 and 3.10 (but non-significantly larger than 3). This meant that the firms researched in this thesis recognized the important of these issues, but had some problem when carried the out these activities. As Zhu (2005) reported, although HR was considered a part of the top management, the duties of this strategic HR were not fulfilled as well as expected.

Items, including 'the extent that the company's strategic plan includes HR issues explicitly (SF5)' and 'the extent that HR build up employees capacity for changes (SP6), explain the requirement of organizational changes (SF7)', 'the extent that HR can identify the resistance to changes (SI3)', 'how effective is it that HR evaluate the current people and provide suggestions on change if the current people is inappropriate (SI4)' how effective is it that HR evaluate the current rewards system and provide suggestions on change if the current rewards system is inappropriate (SI7) and 'managerial and producing process (CA8)' had mean scores lower than 3 (but non-significantly smaller than 3) and of them 'how effectively does HR evaluate the current organizational strategy and provide suggestions on change if the current strategy is inappropriate' (SI5) and 'how effectively does HR evaluate and change current organizational structure (SI6)' had mean scores significantly lower than 3. These findings meant that HR had an unsatisfactory performance in these activities.

Basically, the HR function worked well in achieving a high position in the organization, proactively detecting shortcomings in the organizations and providing suggestions on change. However, in influencing the decision-making process and implementing the plans HR made, HR could not perform equally well. Furthermore, HR performed even worse when it

was needed to deeply influence specific work processes and organizational structure. This problem was also found by Zhu (2005), that HR was not devolved enough down to line managers. The reasons of this uneven performance on different aspects of strategic HR function might be two-fold: first, HRM in China has just started changing to a strategic model. It has achieved a good position in company. More efforts should be made to build up the abilities of a strategic HR to actually influence the decision-making process and to help initiating changes in organizational processes and structure. Second, the traditional Chinese culture addresses the importance of '*main zi*' (face), which requires people to concentrate on their own work and not to criticize or even just disturb other people (Akhtar et al., 2008). This cultural factor might also partially explain the current state of the role of HR function in the PRC.

8.3.2 HR Planning

The personnel system started operating after the founding of the 'New China' in 1949 under the Communist Party. Until the end of the Cultural Revolution, the personnel management system was highly characterized by the state control under the planned economy regime. This personnel system can be portrayed as a central-controlled life-long employment system. Under the old planned economy, the personnel policies and practices were strictly under the control of the state via related labour and personnel administrative authorities and bureaus. The state determined both the number of employees to be employed and the wage scales of workers in different categories. Thus, the management of firms played only an administrative role. After the open-door reforms, firms were granted the discretion to determine the number of their employees and to select in accordance with the requirements of business from labour market.

Management of firms started to deal with the HR planning ever since then (Cooke, 2005).

In this thesis, the research findings showed HR planning activities gained much attention. It was reflected that HR planning had a long term concern (Plan1), and firms conducted explicit job analysis (Plan3) and clearly defined job description (Plan4), and that the job was more complex than before (Plan6). At the same, the formality of HR planning (Plan2) in the researched firms had modest scores (not significantly different from 3, mid-point of the scale). There was a lack of employee involvement in the HR planning (Plan5), which had a score significantly lower than 3. Zhao and Wu (2003) reported that in their survey, 75% of 31 companies had a formal HR planning system and 67% of them conducted job analysis. From these findings, it was indicated that HR planning was already regarded as an important part of the long term plan, which reflected a strategic and flexible view on HRM rather than a reactive view of self-adjusting to outside changes. Jobs were more enriched and more complex than before, and were well analyzed and defined via job analysis and job description (see also, Tang and Ward, 2003). In terms of the formality of HR planning, it was showed that firms were working on building formal HR planning systems. But efforts were still needed to be made to further improve the quality and formality of HR planning system. In this process of improving HR planning quality, the incorporation of employee involvement is a crucial factor, as it can increasing employees' understanding of and commitment to HR planning. However, the employee's involvement into HR planning was not widely used in practice in the PRC.

8.3.3 HR Staffing

According to the existing literature, selecting and placing people in the right positions enables them to perform effectively, while a mismatch between jobs and people can substantially reduce the effectiveness of work (Bernardin and Russell, 1998). But before the economic reform, this concept was barely used in the PRC's personnel system, as all the personnel activities were centrally planned and arranged according to political considerations (Zhu and Dowling, 2002). Since the beginning of economic reforms, HR staffing practices have been changed to a more complex, hybrid management model as marketisation advances and as enterprise autonomy increase (Warner, 1998). As Zhu and Dowling (2002) reported in their research findings from a survey in 1994/1995, staffing practices were more formalized and more like Western-style model on certain aspects, such as the use of written job description, the use of local labour market and the ability oriented selection principles. It was also found that in the selection criteria, personal qualification and file records outweighed the political background (Zhu and Dowling, 2002). According to the finding of the research conducted in 1997/1998, Benson et al. (2000) found although some numerical flexibility, like the right to dismiss employees, had been granted to firms, selection of employees remained external to the researched SOEs. In PIEs, the technical and managerial employees were selected by the owner, while HR managers were only able to select general staff and low skilled workers (Zhu, 2005).

In this thesis, it was demonstrated by the research findings that HR staffing practices have become more Western-style and formal. Firms used explicit recruitment criteria (Staf3) and adopted an open procedure (Staf5) and used both internal and external recruitment sources (Staf1). Similar findings were reported by Wang and Zang (2005). They found

that firms in the PRC used formal recruitment and selection procedures, tests, job analysis and descriptions. It was also found in this thesis that firms e mphasized the capability and skill (Staf4), which echoed the findings of Zhu and Dowling (2002). Also, Morris and Shen (2002) argued that while length of service and party loyalty was still important, there was a considerable shift for a promotion system that formerly relied heavily on 'redness' or partly loyalty. However, the selection procedure was modestly extensive (Staf2), which meant an all-round solution and systematic mechanism were still needed to be constructed, though firms had gained the awareness of using formal staffing procedures.

In this thesis, the findings of all the five items of staffing practices reflected that firms had already replaced the political background criterion with a skill-ability one, started to construct, and used formal recruitment and selection procedures and measures. But further efforts were needed to advance the recruitment and selection procedures to a more systematic and complex level, for example, to achieve a richer content and a broader coverage.

8.3.4 HR Appraisal

According to the literature, during Mao's regime, there were no specific criteria for performance appraisal. Appraisal was conducted regularly for only managerial and technical staff in state owned enterprises (Zhu, 2005). Since the economic reforms, performance appraisal has been emphasized and used to decide the pay increase/ reduction and promotion/ transfer/ dismiss in SOEs. In POEs, the criteria were explicit and the results of appraisal were linked with bonuses and promotion, and a precondition of this link is the fact that POEs' compensation composed of low salaries and

high bonuses. In FIEs, the appraisal system was formal and conducted regularly to determine the salaries and promotion. The same criteria were applied for different groups, while the weighting given to each item varied between different groups (Zhu, 2005). Zhu (2005), based on a comparison between two surveys conducted in 1994/5 and 2001/2 respectively, concluded that performance of employees was formally assessed in more enterprises with standardized forms and criteria, with department managers still holding the responsibilities for carrying out this practices. The purpose of performance appraisal was mainly focused on administration rather than development and communication.

In this thesis, HR appraisal activities were aimed at providing criteria for pay rise and promotion (Appr2) rather than further development. This was in line with the findings of Zhu's (2005) research. However, appraisal activities were mainly conducted by HR specialist (Appr3), which was different to previous findings that department managers carried out the appraisal (Zhu, 2005). This indicated that the HR role participated in the line management and further implies a strategic change. There was not apparent preference between group and individual criteria (Appr4), or performance oriented and behaviour oriented (Appr1). Zhu (2005) reported that group criteria were adopted by using same criteria for whole firm while giving different weighting to each criterion for different groups. The results of this research indicated a move to the individual criteria from group criteria. As to the orientation of the appraisal, no preference was found between a performance and a behaviour orientation. This mirrored the fact that both of performance and behaviour were assessed in work. For example, the criteria used in SOEs included attitude, competence, effort and performance records (Zhu, 2005). This change reflected an emphasis on the sophistication and complexity on the performance ap-

praisal design and a stress on the balance between group and individual criteria. Particular preference to the frequency of the appraisal (Appr5) was not found in this research. This might be due to the variations between different ownerships and size. For example, the POEs were more likely to conduct performance appraisal frequently and regularly than SOEs and FIEs (Zhu, 2005).

It can be seen from the finding or this thesis that the performance appraisal practices in the PRC had two main changes: first, it emphasized both group criteria and individual criteria, seeking balance between performance and behaviour orientations. Second, HR took the responsibility for conducting performance appraisal activities, different from the previous way that departmental managers carried out the appraisal. This could improve the level of standardization of the appraisal work. In addition to these changes, Appraisal was characterised by a balance between merit and behaviours. Overall, the appraisal practices were more formal, more complex and more standardized, which was also found by Wang and Zang (2005). However, the goal of appraisal was still focused on salaries and promotion determinations, rather than development. This reflected the needs of long-term and strategic thinking and a developmental view in designing the appraisal system.

8.3.5 HR Compensation

As indicated by the literature, the wage systems in the PRC had been controlled by the government before the economic reforms (Ding and Warner, 2001; Cooke, 2005). In the publicly owned sector, there were three major reforms of compensation system: between 1953 and 1956, in

1985 and in 1993. Each of the reforms was an adjustment to the social and economic development of the era.

The first reform aimed to bring to an end the dual system of pay made up of material supply and monetary wage and to move to a salary-based pay system (Tien, 2000). It included the use of the principle of 'distribution on the basis of labour' and the introduction of a nation-wide Soviet-style wage grade system (Takahara, 1992). The second major compensation reform was implemented in 1985 to introduce the 'structural wage system' with professional wage as it main component. It was designed according to the four factors emphasized by the International Labour Organizational in 1950: knowledge required, responsibility assumed, work intensity involve; and working conditions (Hu and He, 1992). There were four parts in structural wage system: basic wage, positional wage, longevity pay and bonus (Cooke, 2005). The third reform was introduced in 1993 in which the state separated the pay system of the public sector from that for the government organizations (Kang, 1996). It also set up for the first time pay systems that were considered to be appropriate for each type of public sector (Cheng, 2000). This reform led to the establishment of five pay systems and two parts in order to reflect the diverse range of jobs in the sectors. The five pay system referred to the individual system for each sector. Wage package in each pay system was divided into two parts: fixed-wage and flexi-wage, in theory on a 70 per cent and 30 per cent ratio (Cooke, 2005).

In the private sector, wages were largely determined by the employers with little scope for bargaining or employee involvement, although, in theory, the state requires employers to set up a collective negotiation system with their employees. There were increasing intra-sectors gaps in

the wage levels across different types of ownerships in the private sectors (Cooke, 2005).

In the early 1990s, Employee Share Ownership Schemes (ESOS) were first adopted in SOEs, followed by some Town and Village Enterprises (TVE). Since 2000, ESOs have become an important agenda in the deepening reform of SOEs. Benson et al. (2000) found that profit-sharing schemes existed in half of his researched companies in one form or another. In some companies, employees were given a priority in purchasing the limited shares of the company available to the public, while some other companies offered their shares to employees in collective ownership. But the SOEs were criticized in using ESOS for several reasons. First, the long-term strategy of low wages and high welfare prevented employees from accumulating savings to invest in ESOs. Second, there was a lack of transferability of shares. Third, the egalitarianism in the profit sharing defeated the purpose of motivation.

Recent trends of compensation in the PRC included that, first, performance has become the key determinant factors of wage level determination. Second, pay rises and individualized pay packages were used to recruit and retain key employees. Third, a dual labour strategy was used in designing compensation schemes, in which cheap labour tended to have a low and undifferentiated wage package, which the well-rewarded professionals and technical staff were offered a much wider variety of pay schemes (Cooke, 2005; Zhu, 2005).

Overall, the compensation system in the PRC become increasingly more sophisticated, evolving from the earlier Soviet-style grading system to a variable pay system with more emphasis on performance and profit

sharing aimed to motivating long term performance of employees (Cooke, 2005). It was clearly showed in Zhu's (2005) research findings that the PRC had initiated a trend towards a performance-based compensation system. Firms under different types of ownerships had fairly similar approaches to general compensation practices, such as placing emphasis on material incentives by including bonuses in pay packages and linking pay to performance rather than seniority.

In this thesis, it was found in this thesis that compensation in the researched fir ms were mainly in a form of a standard, fixed package (Comp3). This was consistent with Cooke's (2005) finding about the public sectors pay package ratio (70 per cent fixed pay and 30 per cent bonus). In POEs, a grading system of compensation packages were used, and the pay package was determined based on position, qualification, skills and seniority. However, there were other forms of welfare benefits, such as pension insurance, medical allowances, housing fund, and so on (Zhu, 2005). It was also found in this thesis that the compensation system had relatively low incentives (Comp4). This might be due to the fact that the compensation package was composed of largely fixed salaries (Comp3) and the egalitarianism in the welfare schemes (Cooke, 2005). A relatively high employment security in compensation (Comp6) reflected a characteristic of stability in the compensation systems. Although differences in compensation were huge between different groups of workers and between industries (Cooke, 2005), the stability and egalitarianism still existed between members in same group or industry.

A short-term-incentive orientation (Comp5) was also found by Zhu's (2005), who attribute this problem to many aspects of corporate governance, including the appointment of general managers, and the regulatory

system. The compensation was mainly determined by the position rather than skills and ability in work (Comp8). Empirically, Goodall and Warner (1997) found that age-related and service-time wages were still used in many enterprises, which reflected the importance of loyalty and seniority of employees in a firm (Jackson and Bak, 1998). Participation programs were not widely used (Comp7). This finding differed from that reported by Cooke (2005) that Employee Share Ownership Schemes (ESOS) had been promoted and implemented in SOEs and COEs since the early 1990s. It might because SOEs now went to be listed, and the ESOS schemes were also integrated into the broader public-listed schemes. Besides, in this thesis, COEs only account for 10% of the sample and was not big enough to reflect the use of financial participation schemes. In FIEs, schemes like executive stock options were only offered to senior managerial staff (Ding et al., 2006). No particular preferences between high and low base salaries (Comp1) and between seniority and merit orientations (Comp9) were found. Perks in compensation were offered at a modest level (Comp2). Consistent with Morris and Zhang's (2002), in SOEs, pay packages were dependent on multiple factors, including job category, qualifications and years of service. This finding seemingly contradicts that of increasing use of performance related pay. For example, Ding et al. (1997) found that managerial pay increases were related to either the performance of the individual manager or the overall performance of the organizations. This might because that Ding et al.'s (1997) research was focused on the managerial staff, while firms in the PRC used a dual labour strategy, which offer cheap labour low and fix pay, while giving managerial and technical staff performance-related pay(Cooke, 2005) or an annual salary system and executive stock options (Ding et al., 2006). Thus, the overall pattern reflected neither the trait of a performance-related pay system nor the preference of the proportion of basic salaries.

To conclude, the findings of this thesis indicated that the compensation in the PRC was in a pattern of fix package plus many perks, with a modest proportion of basic salaries. Although a moderate level of the number of perks existed in compensation, the proportion of the packages made up by the perks is not big. Thus, the compensation generally was still characterized by standard, fixed packages rather than flexible packages, which consequently generated low and short-term incentives. Compensation was position-oriented rather than skills-oriented. This fact would make people focus on the 'climbing the ladders' in the hierarchy of the organization rather than improving the skills and technology and even the quality of the products and services. No apparent signals indicated whether the emphasis was on seniority. This indicated at any rate that seniority has lost the dominant position in determining compensation. There is a lot of work to do to improve the flexibility of compensation and to change it to be more merit and performance-based, and to generate long-term incentives.

8.3.6 HR Training and Development

According to the existing literature, from 1949 to 1966, the state implemented an anti-illiteracy movement, in which all workers who were illiterate or semi-illiterate had to undertake state education in their spare time. In 1966 the Cultural Revolution stopped the training programmes. From the early 1980s, training programmes were mainly focused on making up for the loss of training and education under the Cultural Revolution. All workers without junior secondary school qualifications should attend courses organized by the enterprises. Nearly 200 new higher education institutes were built for managerial training. After mid-1990s, two major state-driven training initiatives played an important role in much of the training and assessment: positional training and vocational training. In

addition, a dual-certificate system was introduced in which each individual worker was required to possess both occupational and positional qualification certificates to work in the post.

Over recent years, with the development of a market-oriented economy and the furthering and the deepening of internationalization of Chinese economy, a great number of MNCs and JVs started to operate in the PRC. They transferred more formal and sophisticated training programmes into the PRC. Besides, the rapid growth of commercial training organizations with an expanding range of training service provisions served as a driving factor for firms to spend more on training their employees and to rely more on external training bodies to provide the training (Wang, 2002; Cooke, 2005). Last but not least, the progress of globalization and the needs to match international standard was also a driving factor to improve training system. For example, the last decade witnessed a tidal wave of applications for ISO 9000 and ISO 14000 quality series accreditation by many business organizations in the PRC, which required an increase in training to fulfil the accreditation requirements (Cooke, 2005). The entry into the WTO also required training for the WTO rules and international trade and management rules (Zhu and Warner, 2005).

In terms of training programmes in enterprises, from 1994/5 to 2001/2 the training programmes had been improved on certain aspects, including employees' interpersonal and teamwork abilities, employees' knowledge of competitors, new technologies and enterprises' culture, employees' ability to do different jobs, to do future work, and the quality of entrance training when employees first work in enterprises, but still under the expectation of people (Zhu, 2005).

It was reflected by the findings of the thesis that the training was productivity oriented (Trai5). Similar findings were reported by Akhtar et al. (2008). Zhu (2005) found that by 2001/2 training programmes were mainly focused on on-the-job training and improvement of labour productivity. Training was used at a low level for increasing workforce adaptability and employee commitment in 1994/5, with somewhat higher results in 2001/2. In the mid-1990s, technical training rather than the behaviour training remained standard practice (VonGlinow and Teagarden, 1990). In this thesis, it was found that training credits were not necessary for promotion (Trai4) but the priority of training went to employees who had a good merit (Trai9). This was consistent with previous findings, as pointed out by Zhu (2005) that there were needs of the improvement between training and career development.

Training activities were off-the-job (Trai7) more than on-the-job. This finding is different from previous findings. Zhu (2005) reported that in the 1990s, the use of on-the-job training was still more widely used than the off-the-job training, although there were increases in all types of training. This change might be due to the growth of the number of FIEs and the transfer of Western-style HR practices to Chinese enterprises, as FIEs used to offer far more off-the-job training than others (Zhu, 2005).

No preference was found on whether training is extensive (Trai3); whether the selection of trainees was based on hierarchy or egalitarian (Trai8). These findings reflected a movement away from the state that trainees were selected from the mid-1990s, when decisions to send employees for training were made by senior managers, and were often influenced by one's connections rather than one's merits or needs, and employees did not view training as a real, non-monetary, reward. In the

twenty-first century, companies tended to link the training programmes to performance of individuals and groups (Braun and Warner, 2002). It further implies a move from the old personal-relation-based style to performance-and-merit-base style.

It was unclear whether firms regularly conducted training (Trai1), whether the training was narrow and specific or broad and general (Trai2). This findings were in line with previous report that the specific orientation training programmes and periodical training needs analysis scored 3 of a five-point scale, which indicated that the there was no particular preference on specific or general training design (see, Wang and Zang, 2005). Similar findings were reported by Akhtar et al. (2008) and Zhang and Li (2009), in terms of the periodicity of conducting training programmes (with a mean close to mid-point on the measuring scale). Also, no particular preference was found between the external and internal experts used to deliver the training (Trai6). Braun and Warner (2002) found that, although companies used both external or internal resources in training practices, some of the companies put a strong emphasis on external resources while others main used internal resources. The degree to which training was externalized depended on whether the necessary training skills were available within the company, and whether training could be provided in a cost-efficient way.

The change to a more formal and sophisticated style was not apparently reflected in the findings of this research, neither was a long-term orientation. Training was recognized as an important part of the HR, and people were offered more opportunities to take the off-the-job training. Additionally, multiple sources were employed from both inside and outside of enterprises. Meanwhile, there was a apparent move from the old seniority

and personal relations based training opportunity distribution to a egalitarian way. However, further efforts were needed to broaden the training programmes and to link the training to other HR functions, like career development (and promotion). Also, training should not be only focused on improving productivity bout also improving the ability and adaptability of employee to future work, a strategic investment in firms' human resources (Tang and Ward, 2003; Zhu, 2005).

8.3.7 Management-Employee Relationship

According to previous researches, like Ng and Warner (1998), Cooke (2005), in the PRC, only one trade union- the All-China Federation of Trade Unions (ACFTU) - is recognized by the Chinese government. The trade union performed a dual-function, providing employee services, managing welfare distribution, representing on one hand; and also acing as an agent of management and the state in resolving disputes, maintaining labour discipline, and exhorting workers to higher productivity, on the other.

The findings of this thesis showed that management-employee relations was cooperative (MER2); enterprises employed extensive communication (MER1), relatively widely used self-management teams (MER5). The trade union in the SOEs played four roles: assistant to management, caretaker, and representative of employees and training programme organizer. In COEs, the trade union passed on the suggestions from employees to directors in order to improve the production. In FIEs, the management-labour relationship was good due to the sophisticated and well-functional trade union, worked as both workers' representative and assistant management (Zhu, 2005). It was also reflected that the equality

between management and labour in terms of access to facilities (MER3) and operational information (MER7) was not clearly defined. This might be due to the differences between enterprises under different ownerships. In SOEs and some COEs, the trade union performed the role of evaluating the management's performance based on the information of firms performance and operation, while in the PIEs and FIEs, employees rarely had this type of opportunity (Zhu, 2005), nor did they in some FIEs (Morris et al, 2009).

No preferences on whether the employee-management meeting was held regularly (MER6) and whether participative management was widely used (MER4) were found. This might be due to the differences between industries. According to the existing literature, in SOEs, the Workers Congress was held regularly and the congress members were involved into the management decision-making. In COEs, the main role of the trade union was to take care of employees. However, in POEs, a union was not required by law, and the unionization rate was far lower than those in SOEs and COEs, thus the communication and management-labour relations seemed problematic in POEs, as there was always one-way communication, namely, the employees followed the employers' instructions (Cooke, 2005; Zhu, 2005).

It was implied by the findings of this thesis that the management-employee relationships were cooperative, with extensive communication. Problems were found in the use of employee's participation into management. Usually, workers were involved in the decision-making process mainly via providing suggestions to management and decision-makers. Besides, gaps between firms under different ownerships existed. In SOEs and COEs, the workers congress had the right to evalu-

ated management's performance regularly. In some PIEs workers can offer their suggestions through communication mechanism, but in POEs, and some PIEs or JVs, there were only one way communication system from top to bottom.

8.3.8 The Overall State of the Application of HRM in the PRC

As summarized by previous researches, from the late 1980s, firms in the PRC began to get on track with international business practices. Internally, this resulted in the form of greater formalization, and the drawing up of explicit rules and procedures to guide the running of the firm. Firms drew up sets of organizational rules and established job descriptions, appointment procedures, promotion tests and grievance procedures (Tang and Ward, 2003).

With regard to the application of HRM in the PRC, it was found in this thesis that the HRM already started to change to a strategic model, and the foundation for this change was established. HR has achieved a strategic position in enterprises and the fits between HR activities. However, further efforts were required to advance this reform so as to build a long-term-oriented and sophisticated strategic HRM model. The current state of the application of HRM in the PRC was characterized by gaps in the strategic use of HRM systems and functions. This could be found at both HRM system level and HRM function level. As to the former, the HR gained a high position in firm and participated in the decision-making process. Yet, there were gaps between different HR functions. HR planning, appraisal, staffing and management-employee relationship were found to be more formal and more long-term focused than training and compensation. With regard to the latter, gaps were found within certain

HR functions. For example, firms constructed and used formal recruitment and selection procedures and measure in staffing function, but the selection procedures were still not extensive as expected.

The reasons for these gaps are twofold: on one hand, Chinese HRM was at the initial stages of a change to a strategic model. The sense and the principles of formalization and long-term orientation were established, and a high position and strategic role of HR were recognized. However, more time and effort was needed to build up the whole system, to deepen this change on every aspects of HRM and to strengthen the strategic role of HR, including both strategic decision-making and change-agent. Also, the HR activities and functions were required to link to each other more strongly. On the other hand, there was a distinction between the rules and the application. According to Weber (1978), rationality at work can be divided into two types: formal rationality and substantive rationality. The former entails the impersonal application of a rule applying equally to all to keep exceptions to a minimum. The latter desires to judge each individual case on it merits, the rule serving merely as a rough guide in the hand of someone who should take full account of the specifics of the situation. While all societies, institutions and organizations contain elements of both types of rationality, in China the balance has traditionally leaned more heavily than in the West toward substantive rationality (Tang and Ward, 2003). Put another way, Chinese people are more used to rely on man's judgement more than regulations. In this case, more efforts were needed to enforce people to follow rules.

To sum up the indications of the findings of this research, it was found that HR in China started to change to a strategic model, by taking a high position and formalization. The discussion above supported the argument

that HRM in PRC is undergoing a reform, leading Chinese HR to being more strategic, although much work was needed to be done to mature the strategic HRM systems.

8.4 Hypotheses Testing

In this section, the discussion focuses on the hypotheses in the empirical model presented in Chapter 4. Basically, the results of the data analysis of this research supported or partially supported 11 of 20 sub-hypotheses (Table 29). Of those unsupported hypotheses, three were about the impact of business strategies, and four were related to contextual variables' moderating effects.

Table 29: Summary of the Outcomes of Hypotheses Testing

Hypotheses	Not Supported	Partially Supported	Supported
H1a: innovation strategy has (i) negative influence on HR planning and (ii) positively influences on compensation, training and management-employee relationship.	H1 (i) H1 (ii)	———	
H2: quality-enhancement strategy has positive influence on HR planning, compensation, training and management-employee relationship.	———	———	H2
H3: cost-reduction strategy has (i) positive influence on HR planning and (ii) negative influence on compensation, training and management-employee relations.	H3 (i), H3 (ii)	———	———
H4a: HRM policies have positive impact on (i) HR outcomes, (ii) organizational outcomes and (iii) no significant impact on financial accounting outcomes	H4a (iii)	H4a (i), H4a (ii)	———

Table 29 continued

Hypotheses	Not Supported	Partially Supported	Supported
H4b: HR outcomes have positive impact on (i) organizational outcomes, and (ii) financial accounting outcomes	_____	_____	H4b(i) H4b(ii)
H4c: organizational outcomes have positive impact on financial accounting outcomes	_____	_____	H4c
H5a: HR outcomes mediate the relationships between HRM policies and organizational outcomes		_____	H5a
H5b: organizational outcomes mediate the relationship between HR outcomes and financial accounting outcomes.		_____	H5b
H6: the relationships proposed by H1-H5 are moderated by (i) organizational age, (ii) organizational size, (iii) workplace culture, (iv) union presence, (v) ownership, (vi) organizational life cycle, (vii) business sector.	H6 (i), H6 (iii), H6 (iv), H6 (vii)	H6 (ii), H6 (v), H6 (vi)	_____

8.4.1 The Effects of Business Strategies

Competitive strategies' effects on HRM policies and practices have been tested in both China's business firms (Ding and Akhtar, 200; Ge and Ding, 2005) and non-Chinese context (Katou and Budhwar, 2010). According to the results of this research, only quality enhancement strategy exerted significant impact on the adoption of HRM policies. This finding was consistent with previous findings that quality-enhancement strategy is dominant among Chinese firms (Ge and Ding, 2005). Of the seven sub-hypotheses in this research, four were supported by the data analysis results. The possible reasons for dominance of quality-enhancement strategy and the weakness of application and impact of cost-reduction and innovation strategies might be: first, as Chinese economy is still a transitional economy and with a huge domestic market of a comparably low level of marketization. The industries in this market were not yet ad-

vanced and well developed. Thus, the competition between firms was focused on the quality rather that the innovative characteristics of the products and services (Cooke, 2007). Second, the development strategy is high energy consuming and the labour cost in the PRC was substantially low in comparison with Western countries. Third, innovation strategy is more prevalent in technology industry, but 'up to now China's technology has not yet achieved the status of technological innovation hub (Chow et al., 2007, p53) '. Moreover, this research is of a cross-industry nature, the role played by innovation in technology industry could be abated by the existence of large proportion of firms in other industries of the researched firms.

8.4.2 The Effects of HRM policies on Organizational Performance

This section discusses the link between HRM and three elements of organizational performance: HR outcomes, organizational outcomes and financial accounting outcomes. The basic argument of configurational approach of SHRM modelling is that the fits between HRM elements result in a superior performance (Delery and Doty, 1996; Guest, 1997; Lepak and Snell, 2006). It was found in this research that HR planning, training and management-employee relations exerted significant and positive impact on HR outcomes. 45.1% of the variance in HR outcomes was explained. Of the four HRM policy configurations, HR planning and management-employee relations significantly impacted organizational outcomes. 28.0% of the variance in organizational outcomes was predicted by the independent variables. Looking at the results concerning financial accounting outcomes, it was found that none of the four HRM policy configurations significantly predicted it. T he empirical results supported or partially supported all the sub-hypotheses of H4a, and also

supported the argument of Dyer and Reeves (1995) that HRM policies and practices had the most significant impact on HR outcomes and less significant impact on organizational outcomes and least impact on financial accounting outcomes, due to the increase of the distance of these outcomes to HRM. Put another way, HR outcomes are the most immediate consequence of HRM policies and practices, while organizational outcomes are more distal to HRM policies and practices and so received weaker predication of them. Compared to HR outcomes and organizational outcomes, financial accounting outcomes are the most distal one to HRM policies and practices, which thus was least influenced. Similar findings were reported under Chinese context by Akhtar et al. (2008). In their research, all the HR practices explained 23% of the variance in product/service related performance and 16% in financial performance. The product/service performance received more contribution from HRM than financial performance did. However, Ngo et al. (2008) reported some opposite findings that HRM practices significantly impact both operational and financial outcomes. One plausible reason could be that their researched firms were all in manufacturing industry, whose financial performance relied on HR outcomes and operational outcomes less than those in service industry. In service industry, the performance of the firms is to a large extent determined by the ability and skills of front-line people (Combs et al., 2006). As the sample firms of this research were in both manufacturing industry and service industry, the role of employee-related outcomes should be crucial in predicting the financial accounting outcomes.

As to the unsupported the sub-hypotheses concerning the HRM policies' impact on performance, the author could only speculate about the reasons. It was plausible that differences existed between the proposed HRM

policies and the realized HRM policies. Truss and Gratton (1994) contended that realized human resource interventions are those HR activities that take place within the organization, and they may or may not be in response to any articulated HR strategy. Further, Purcell and Wright (2007) also suggested that there should be a construct/variable referring to perceived outcomes following the realized practices and prior to employee related outcomes. This research was a cross-sectional research in nature, which collective data of dependent variables and independent variables at same time point. This may neglect the lag-effect of HRM policy implementation.

8.4.3 The Mediation Effects of HR Outcomes and Organizational Outcomes

It was found that HR outcomes partially mediated the impact of HRM policies on organizational outcomes. Specifically, HR outcomes exerted significant impact on both organizational outcomes and financial accounting outcomes, and HRM policies significantly impact the organizational outcomes. When both HRM policies and HR outcomes were entered in regression as independent variables, the influence of HRM policies on organizational performance decreased. These findings supported the argument about the hierarchical or step based intervening effects of HRM on organizational performance (Dyer and Reeves, 1995). Besides, it is, to large extent, consistent with the causal model for the relationship between HRM and performance proposed by (Boselie, 2005). At theoretical level, the findings were in line with AMO theory (Appelbaum et al., 2000; Boselie et al., 2005; Lepak et al., 2006) that HRM policies and practices were focused on developing employees' ability to perform, improving employees' motivation to perform and creating opportunities for

employees to make contributions. Consequently, the increased employee-related outcomes, such as employee's skills, motivation and behaviour, further encourage the organizational outcomes (Katou and Budhwar, 2010).

As to the mediation effects of organizational outcomes in the impact of HR outcomes on financial accounting outcomes, it supported not only the step-based intervening effects of HRM on performance (Dyer and Reeves, 1995; Boselie wt al., 2005) but also the impact of the HR outcomes on financial accounting outcomes (Lepak et al., 2006). Meanwhile, it was in line with the HRM's intervening steps proposed by Purcell and Wright (2007) that employee-related outcomes can be divided into attitudinal outcomes and behavioural outcomes; that HRM should impact employee's attitudinal outcomes and consequently influence employee's behaviour outcomes.

These finding encouraged firms to draw more attention on employee-related outcomes and organizational outcomes, in order to ultimately increase their financial accounting outcomes, and provided supporting evidence against the criticism of HRM's contribution to organizational performance.

8.4.4 The Moderation Effects of Organizational Contextual Variables

It was found that organizational age, workplace culture, union presence and business sector did not significantly moderate the proposed relationships of H1-H5, while organizational size, ownership and organizational life cycle significantly moderated some of the proposed relationships of H1-H5.

Findings as to the moderation effects of organizational contextual variables under Chinese context were reported by scholars. Organizational age was found negatively moderating HRM's impact on performance (Akhtar et al., 2008; Wei and Lau, 2008). In this research, however, organizational age did not exert any moderation. Size positively moderated HRM's impact on performance in Wei and Lau's (2008) research, which was consistent with the finding of this research.

In this research, workplace culture exerted no significant moderation on any proposed relations. On the contrary, Chow et al. (2007) found that sharing culture positively moderating the impact of HRM incentives on overall performance. It might because that on one hand that culture constructs in these two pieces of research measured different contents, though under same name. For another thing, the methods used to test moderation effects were different. This research used culture as a control variable, while Chow and colleagues used the interactions between culture and HRM practices as independent variables in multiple regressions. Thus, to further speculate about the way in which culture exerted mediation.

Ownership (Chow et al., 2007; Ngo et al., 2008; Wei and Lau, 2008) was found to be a valid moderator under Chinese context. Ngo et al., (2008) found that both SHRM and HR practices had direct and positive effects on financial and operational performance, as well as employee relations climate. But, ownership only moderated the relationship for financial performance. Similarly, this research found that state owned enterprises positively moderated the impact on financial account outcomes compared to collectively owned enterprises, which could plausibly explain the advantage and favouring policies enjoyed by state owned enterprises in the

PRC and the high level of financial outcomes achieved by them. Foreign invested enterprises had a lower level of HR outcomes compared to collectively owned enterprises, which means they were suffering from the difficulty of enhancing employee-related outcomes.

Union presence did not moderate the relationships proposed by H1-H5. Although union presence's moderation was not tested in SHRM research under Chinese context, this finding was not surprising, as the union in China is not of the same nature as it counterpart in Western countries. In the PRC, trade union is mainly engaged in administrative and welfare issues rather than employee representation and collective bargaining (Cooke et al., 2005).

Business sectors were found not moderating any relationships in this research, which was consistent with the Akhtar et al.'s (2008) research findings. In their research, same typology of business sectors was used. However, moderation effects were found at industry level in previous research. Ngo et al. (2008) found heavy manufacturing and light manufacturing industries significantly and positively moderating the relationships between HRM policies and practices and operational performance. Wei and Lau (2008) reported manufacturing industry compared with non-manufacturing industry negatively moderating the impact of SHRM practices on net profit, but the effect size was quite small (β. -.009, p. 0.1). Thus, in the PRC, whether industry or business sector should be used as moderato in SHRM research required further investigation.

Organizational life cycle was not tested in SHRM research under Chinese context, it was that in this research that firms at starting-up stage of organizational life cycle, compared with those at mature stage, had higher

level of HR outcomes, and firms at turning-around stage had a higher level of HR outcomes but a lower level of financial accounting outcomes. Both starting-up and turning-around stages indicate a state of transformation and instability. Firms, at starting-up stage, are focused on taking more market share and building up the organizational structure. Thus, the employees' performance should be a crucial factor. Firms at turning up stage are seeking to either restructure organizations or to embark on doing new business, in which employee related performance are still a determinant of success. Besides, at this stage, firms usually place their emphasis on achieving objectives like entering into new business area, providing new products or restructuring themselves, rather than the financial accounting outcomes. Thus the discussions above were supported by the findings of this research.

8.5 Summary

This chapter presented discussions about the findings of this research. The chapter was ordered according to the sequence of hypotheses in conceptual model presented in Chapter 4.

First, the results of statistical tests proved that the measurements of business strategies, HRM policies and organizational performance were valid in the Chinese context. There were three noteworthy points. One was that the HRM policy measurements, selected from research in Western settings, can be used in China-based research in the future, and HRM policies in the researched enterprises achieved an inter-consistency, which also indicated a trend of adopting a strategic model of HRM. The second point was that the validity of the factor analysis of organizational performance proved that organizational performance construct consisted

of multiple sub-constructs, which further provided the basis to test mediation effects, like HR outcomes and organizational outcomes in this research. Third, the validity of the strategic role of HR function proved that proposed strategic roles of HR function in this research and filled the gap of strategic role of HR function in strategy formulation in empirical research.

Second, the tests of the hypotheses proved the influences of business strategies on HRM policies, and HRM policies' positive impact on HR outcomes and organizational outcomes, while no significant impact on financial accounting outcomes. These findings supported that hierarchical effects or step-based intervening mechanism of HRM on organizational performance. Since HR outcomes and organizational outcomes are regarded more proximal to HRM policies and practices than financial performance, HRM policies should have stronger impact on HR outcomes and organizational outcomes than on financial accounting outcomes (Dyer and Reeves, 1995). It revealed the fact that HRM policies to some extent were aligned with business strategies of firms under Chinese context, and that HRM policies have impact on multiple outcomes, including employee related outcomes, organizational outcomes and financial accounting outcomes.

Finally, the research found that HR outcomes played a mediating role between HRM policies and organizational outcomes, and organizational outcomes played a mediating role between HR outcomes and financial accounting outcomes. This finding supports the theoretical work of Dyer and Reeves (1995). It also offered evidence against the criticism of the contribution of HR to organizational performance, due to the lack of solid

empirical evidence of the link between HRM and financial accounting outcomes.

Chapter Nine

Conclusions

Chapter 9   Conclusions

9.1   Introduction

The final chapter concludes the research endeavours by presenting a research summary of the overall study, followed by a summary of the key findings and conclusions from descriptive data analysis, exploratory factor analysis and regression analysis. So far, limited research on SHRM has been done in the PRC and it has mainly focused on the testing of theoretical assumptions developed in the Western world. This research has built a PRC-based model of SHRM. The findings from this research make several contributions to the literature on SHRM. Finally, this chapter finishes with a discussion of implications, limitations and suggestions for future research directions.

9.2   The Summary of Research

The objectives of this thesis were fourfold: First, to investigate the application of SHRM practices in the PRC and, second, to test western-designed theory in a transitional economy context are the first two objectives of this research. To fulfil these objectives, this research used empirical data collected from the PRC to investigate the current status of HRM in the PRC, to test the inter-consistency between HRM policies and to explore the sub-constructs of organizational performance and strategic role of HR function. Then it employed multiple regressions to test the impact of business strategies on HRM policies and HRM policies' influences on organizational performance. It went further to test the mediation effects of HR outcomes and organizational outcomes in HRM-performance link.

In respect of the third objective of building a dynamic conceptual SHRM model, the focus was no longer merely the basic arguments or assumptions of SHRM or HPWS or the HRM- performance link, but the neo-contingency approach of organizational change. Specifically, competence and resource based strategy formulation theory and changing role HR function were the two primary theories. This model differed itself from others by reflecting on the way how the changes go on over a time period rather than just giving a snapshot of one way causal relationships.

Fourth, it aims to explore the structure, elements and roles of constraints in SHRM. It explored the strategic role of HR function in the whole process of SHRM, and explored structure and elements of organizational performance, and the effects of mediators between HRM and performance. By doing this, it can further promote the significance of HR's strategy formulation role, and improve the understanding of the process of HRM-performance linkage, which used to be researched in a black box fashion (at least, was under-researched).

To achieve the research objectives, the following research questions were developed:

1) What is the current state of the application of SHRM in PRC, what are the relationships between business strategies, HRM polices and organizational performance?

2) What are the elements and what is the structure of organizational performance, and what are the links between organizational performance elements?

3) What strategic roles does the HR function play in the organization?

4) How do organizational contextual factors influence the linkages in SHRM system?

To answer these research questions, a critical literature review on the SHRM research, HRM in the PRC was conducted. Based on the literature and research interests, a dynamic model of SHRM system was developed. In this model, there were 20 hypotheses. 13 of which were relationships between constructs and the other 7 ones were moderator effects of control variables. To test the hypotheses in the conceptual model, empirical data was collected by self-administrated questionnaires from Beijing.

The current state of the application of SHRM in the PRC was explored via descriptive data analysis. By doing exploratory factor analysis, it revealed the structure and elements of the strategic role of HR function and organizational performance. The multiple regressions tested the hypotheses in conceptual model. The results of the research objectives, questions and hypothesis testing were summarized and presented in Table 30 and Table 31.

Table 30: Objectives, Questions and Hypotheses Testing

Objective	Question	Hypothesis and data analysis
application of SHRM practices in PRC	Question 1	Descriptive analysis and t-test
test the western theory in transitional economic context (PRC)	Question 1,2, 3 and 4	H1-H6
build a model to describe the dynamics or interactions between the SHRM variables		Conceptual model
explore the structure, elements and roles of constructs in SHRM (the strategic role of HR function and organizational performance)	Question 2, 3.	Exploratory factor analysis of strategic role of HR function and organizational performance H5

Table 31: Summary of the Results of Hypotheses Testing

Hypotheses	Not Supported	Partially Supported	Supported
H1: innovation strategy has (i) negative or no significant influence on HR planning and (ii) positively influences on compensation, training and management-employee relationship.	H1 (ii)	_____	H1 (i)
H2: Quality-enhancement strategy has positive influence on HR planning, compensation, training and management-employee relationship.	_____	_____	H2
H3: Cost-reduction strategy has (i) positive influence on HR planning and (ii) negative influence on compensation, training and management-employee-relationship.	H3 (i), H3 (ii)	_____	_____
H4a: HRM policy configurations have positive impact on (i) HR outcomes, (ii) organizational outcomes and (iii) no significant influence on financial accounting outcomes		H4a (i), H4a (ii)	H4a (iii)
H4b: HR outcomes have positive impact on (i) organizational outcomes, and (ii) financial accounting outcomes	_____	_____	H4b (i), H4b(ii)
H4c: organizational outcomes have positive impact on financial accounting outcomes	_____	_____	H4c
H5a: HR outcomes mediate the relationships between HRM policy configurations and organizational outcomes		_____	H5a
H5b: organizational outcomes mediate the relationship between HR outcomes and financial accounting outcomes.		_____	H5b
H6: the relationships proposed by H1-H5 are moderated by (i) organizational age, (ii) organizational size, (iii) workplace culture, (iv) union presence, (v) ownership, (vi) organizational life cycle, (vii) business sector.	H6 (i), H6 (iii), H6 (iv), H6 (vii)	H6 (ii), H6 (v), H6 (vi)	_____

9.3 Confirmed and Contributions

9.3.1 Confirmed Model

Based on the results of the regression analyses above, the current model is portrayed below.

Figure 10: The Confirmed Model
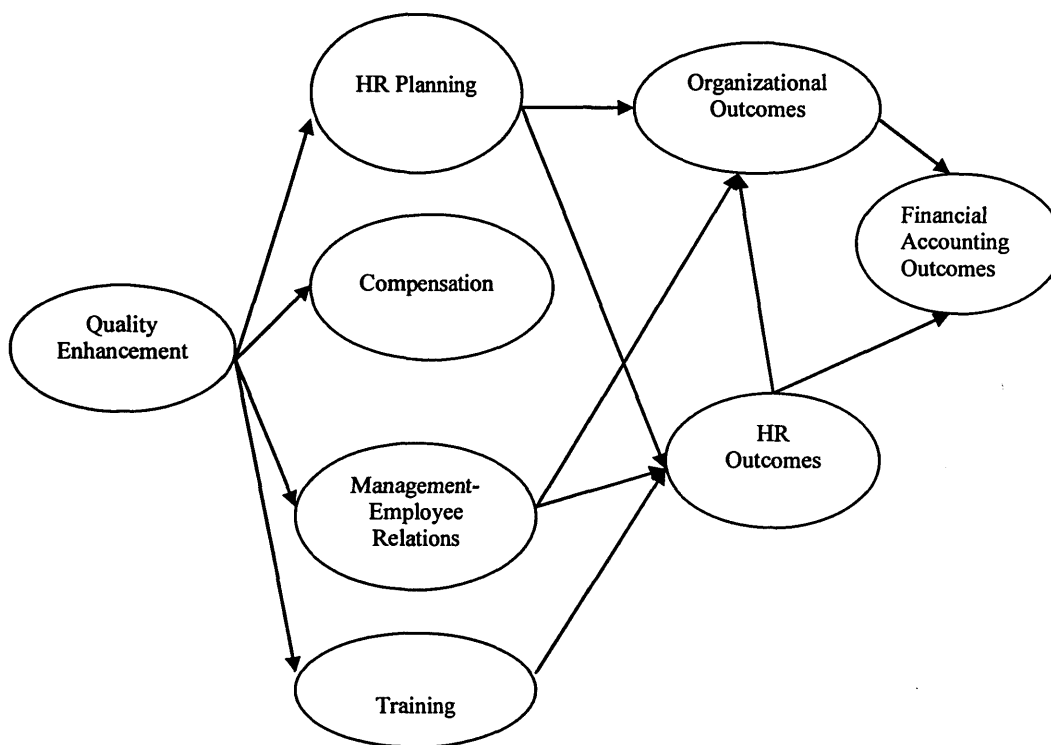
Figure 10 pictures the confirmed relations among variables. It demonstrates first, that quality-enhancement strategy positively predicted the adoption of all the four HRM policy configurations. Innovation strategy and cost-reduction strategy did not significantly influence the HRM policies.

Second, HR planning and Management-employee relations policies positively predicated HR outcomes and organizational outcomes, and not significantly influenced financial accounting outcomes. HR outcomes

directly impacted organizational outcomes and financial outcomes. Organizational outcomes directly impact financial outcomes.

Third, HR outcomes partially mediated the influences of HR planning and management-employee relations on organizational outcomes. Organizational outcomes partially mediated the impact of HR outcomes on financial accounting outcomes.

Finally, organizational size, ownership and organizational life cycle were found to moderate some of the links between variables proposed by hypothesis 1 to hypothesis 5.

9.3.2 Contributions

The current status of the HRM in the PRC
It was found that HRM in the researched enterprises was undergoing a change to a strategic model, which can be reflected by two characteristics: on one hand, HRM already achieved a high position at strategic decision-making level. Meanwhile, the inter-consistency between HRM polices has been achieved, which can be seen from the valid results of the exploratory factor analysis.

On the other hand, the SHRM system was not well developed, and a lot of effort will be needed to be done to advance the change of HR to be strategic. The reasons for the need of the further efforts included: first, although having achieved a high position, HR function was needed to play a better strategy formulation role in enterprises than strategy implementation role, which meant that HR must improve its ability in detecting and changing the weaknesses and inappropriateness. Second, although the inter consistency between HRM polices was achieved in the researched enterprises, there were imbalances between different HR functions.

HR planning, staffing, management-employee relationships were found more formal and long-term focused than appraisal, compensation, training and development. While in each single HR function, there was also a characteristic of imbalance between different aspects of this function. Overall, the two characteristics, achieving high position and imbalance of developments, existed at different levels of HRM system. Thus, further work was needed to further and deepen the change of HRM to a strategic model.

HRM-performance link, from a contingency-configurational perspective
In this research, HRM policies contributed to HR outcomes and organizational outcomes directly. It supported the configurational perspective SHRM modelling, which argues that bundles or HR systems rather than individual HR policies and practices make contribution to the increase of organizational performance (Delery and Dolty, 1996; Boselie et al., 2005). It also supported that HRM contribute directed to HR outcomes and organizational outcomes rather than financial outcomes, because HR outcomes and organizational outcomes are more proximal to HRM compared with financial accounting outcomes (Dyer and Reeves, 1995; Lepak et al., 2006).

The testing of the influence of business strategies on HRM policies supported the contingency perspective of SHRM modelling that business strategy is a key contingent factor affecting the adoption of HRM policies (Schuler, 1987; Delery and Doty, 1996; Guest, 1997). It was also found that under Chinese context quality-enhancement strategy was a dominant strategy over innovation and cost-reduction strategy.

The intervening mechanism of HRM on performance

According to the results of exploratory factors analysis, organizational performance could be divided into three sub-constructs, including HR outcome, organizational outcome and financial accounting outcome. Moreover, HR outcomes and organizational outcomes played mediation roles between HRM and financial accounting performance. This was consistent with the argument of the structure of organizational performance in the existing literature (Dyer and Reeves, 1995).

This thesis contributed to the literature by opening the black box of the link between HRM and organizational performance, drawn on the model of organizational performance's structure of Dyer and Reeves (1995), it empirically proved the structure and uncovered the mediating role played by HR outcomes and organizational outcomes between HRM and financial accounting outcomes. In other words, HRM mainly contributed to HR outcomes and organizational outcomes rather than financial accounting outcomes. Organizational outcomes were mainly predicted by HR outcomes, while financial accounting outcomes was predicted by HR outcomes and organizational outcomes. This research also responded the call made by Wright and Gardener (2000, p4), ' one of the first issues that must be settled in the effort to understand how HR practices impact performance is to theorize the means through which this relationship occurs, in essence specifying the intervening variables between the measure of HR practices and the measure of firm performance'.

The effects of organizational contextual factors on SHRM

It was found that organizational size, ownership and organizational life cycle were valid moderators for SHRM under Chinese context. The contributions of these findings were twofold: on one hand, it supported the contingency perspective of SHRM model (Delery and Dolty, 1996) and

the argument of context-specific HRM (Budhwar and Sparrow, 2002). On the other hand, it revealed that under Chinese context, organizational size, ownership and organizational life cycle should be considered when designing or implementing SHRM policies and practices.

Theoretical contributions

SHRM research in neo-contingency approach mainly focused on the cultural factors of a firm's location (Sorge and Maurice, 1990; Sorge, 1991). This thesis presented a conceptual model to change the static assumption of the traditional contingency theory, which could be analysed through a realistic and dynamic approach (Ramirez and Fornerino, 2007). Traditional contingency theory believed unidirectional interaction and a static view. Until the work of Donaldson (2001), which presented the notion of quasi-fit and fit as hetero-performance, the basis for the change from statistic view to a dynamic view was established. Although Donaldson (2001) proposed a model of performance driven organizational change, he merely delivered it at conceptual model, with no empirical supports. Taking the hint from Donaldson's (2001) work, this thesis used contingent-configurational perspective of SHRM modelling (Lepak and Shaw, 2008) and competence and resource based strategy formulation (Andrews, 1998) theory, to theorize and introduce the performance-strategy link into SHRM model, which has been proposed by researchers but without theoretic underpinning (Paauwe, 2008).

9.4 Implications, Limitations and Future research

9.4.1 Implications

Based on the findings, this thesis draws several implications for researchers and practitioners.

The Awareness of Change of HRM Model and the Long-lasting Adaptation of Organization

The argument about the HR change to a strategic model is crucial to both scholars and practitioners. Based on both existing literature and the findings of this research, it was found that HRM in the PRC has been advanced, along with the development of Chinese economy, to a model of SHRM. The clear messages for the practitioner here include, first, they have treat human resources as the source of competitive advantage, which is against to the conventional view of labour. A strategic view to is that human resources as a resource of firm can add value to its product and services, while the conventional view of HR believes that in the PRC the biggest advantage in China is the *'Low Labour Costs'*. Admittedly, the reduction of labour cost can increase profit rate, but only in short term sense. And other indicators of short-term or bottom-line performance, for example, return on investment, are not enhanced, let along those long-term outcomes, like employee outcomes. Second, practitioners have to lay their focus on not only economic performance, but also, and more importantly, the social-political performance. To achieve sustainable successes, firms need to take care of both customers and the employees, meet the demand of both stakeholders and shareholders. Lastly, the practitioners have to know or learn how to management their human resources to achieve sustainable advantage. The take home point here is how to establish the barriers to imitation, but, before which, managers should not simply imitate or copy other firms' methods of HRM, because the HRM is a context-specific and culture-specific system (Budhwar and Sparrow, 2002). The way that people view HRM policies and practices should be systematic and configurational and achieve the inter-consistency between HRM policies and practices. HRM polices are not independent of each other and work individually, but influence and inter-correlate to each

other. The interactions could be between activities crossing the different HR functions, like the connection between individual-performance related pay and on-post training. Thus, when HR staff design the HRM system, they should achieve fits not only between HR functions but also between every single HR activities.

To Adopt A Broader Range of Business Strategies

Both the existing literature and this research revealed a face that of the three competitive strategies, quality enhancement strategy is the dominant one and it strongly linked with deployed HRM policies. These findings informed us the truth that, on one hand, quality matters much more than innovation and cost-reduction strategies, one the other, HRM policies were not deployed to be aligned with innovation and cost-reduction strategies. As the Chinese economy is still at transitional phase, the dominant task for the Chinese is to transform its development model from a high-cost and high-pollution one to a more cost-effective and green model. Thus, the practitioners especially entrepreneurs need to adopt innovation strategy and minimize the cost of production and operation. In adopting and implementation these two strategies, HR is deemed to be critical resource to provide intellectual supports. For the HR professionals, to realize the emerging shift of business strategy and have HR well prepared for these changes can not only immeasurably increase the possibility of future successes, but also further enhance HR's significance i\ business and management.

Strategic Role of HR in An Ever-changing Organizational Context

The analysis of the strategic role of HR function suggests that the HR function in an organization should be treated as a compound construct consisting not only of a strategy implementation role but also strategic

decision making role. The research findings of this thesis pictured the current status of the roles of HR functions, namely, the HR function has left the old model of pure administration and is moving to the model of strategic model, by achieving a high position in firms and aligning HRM to business strategies. But HR should make improvement in the following aspects including: devolving non-core activities to line managers, building up a cooperative relationship with line managers to facilitate the delivery of HR related work, identifying the barriers to strategy implementation and organizational change. Above these aspects, HR should also turn proactive to detect and predict emerging opportunities for firms' development, and it should also identify the inappropriateness and weaknesses of the organizations, and initiate the changes by influencing the adoption of strategies, and by helping facilitating the implementation of these strategies in front of a fast changing environment (Brockbank, 1997).

Understanding HRM-Performance Intervention Mechanism

It is widely accepted that human resource is a source of competitive advantage and well managed HR make leads to increased organizational performance.

As stated earlier, HRM has both economic goals and social-political goals, and both of the goals require attention of managers, although the economic goal often gains priority of the firms focuses. The exploration of the structure and elements of organizational performance in this research uncovered the fact that organizational performance is a compound construct, and revealed that there various sub-constructs in organizational performance, involving HR outcomes, organizational outcomes and financial accounting outcomes. However, a key aspect of HR's contribution

to performance the practitioner should learn is the intervening mechanism of this contribution. It must be known by the practitioners that these different kinds of performance are not independent to each other. The improvement of the employee outcomes and organizational outcomes can consequently improve the financial performance in a sustainable way.

This implies that HRM's goals involves not only economic goals, like profitability, return on investment, and return on sale but also the non-economic goals, like employee outcomes and organizational outcomes. Managerial staff of firms should lay their focus on both groups of HRM's goals, as financial accounting outcomes is of short-term nature, while the social-political goals can help sustain the development of firms and achieve long-term success.

Differences across Different Organizational Contextual Factors
It is undoubted that HRM is a context-specific rather that context-free management system (Budhwar and Sparrow, 2002). It does not mean that the best practices school is of no value or wrong. As Boxall and Purcell (2008) contended that the best practice school provides a list of available practices while the best fit school explores the methods of managing them. When managing HRM practices, some crucial determinants been identified and should be taken into account. In this research, it was found that in the researched firms, organizational size, ownership and organizational life cycle were valid moderators impacting the links between SHRM variables. Thus, decision-makers under different context should realize that the characteristics of these contextual variables also lead to different requirements for managing human resources.

9.4.2 Limitations and Directions for Future Research

There are certain limitations in this thesis. First, there is always the issue of generalizability in social science research, and this study is no exception. The data used in this research was collected from Beijing in the PRC. Although the model presented in this thesis was tested with rigorous analysis techniques, generalizability needs to be further tested in future work. The PRC is huge country of massive geographic spread and diversity, and so far the SHRM research has mainly focused on Beijing and the southeast of the PRC, thus, future research should focus on other areas.

Second, this thesis used a key informant approach. Though this thesis followed rigorous methodological guidelines in identifying appropriate informants, guaranteeing anonymity and maximizing respondent objectivity, there is still the potential and possibilities of information bias. In future research, multiple respondents should be included in order to enhance the accuracy of the measures of variables at the organizational level.

Thirdly, it has been criticised that the lag-effect of the HRM's impact on organizational performance were omitted by previous research. Writers suggested that HRM and performance data should be collected at different points of time. As a cross-sectional study, however, this research can only provide a snapshot of the process. So, in order to further explore the changing process and the dynamics of the model, future research needs to employ a longitudinal analysis to study the consequences hypothesized by this model.

Fourthly, in terms of the methodology of SHRM research, although this thesis explored the structure and elements of certain constructs, all the

constructs/variables used in this model were adopted from previous research which, to certain extent, ensured the validity of the measures. As SHRM system is a one of enormous complexity, new constructs and relationships need to be indentified and studied in future research.

Finally, HRM in the PRC is undergoing rapid and necessary changes. Although this research has reported some aspects of the application of SHRM practices in PRC, as some findings presented in previous research are based on either qualitative or different quantitative measures or items, it is difficult to make a comparison to see how HRM in PRC has changed in recent years. Future research should pay more efforts on this issue.

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Appendix

Appendix:

Appendix 2: Questionnaire (English)

SHRM in the Peoples' Republic of China

Introduction

The purpose of this survey is to build and test a dynamic SHRM system, and to explore the elements and structure certain constructs and the relationships between organizational variables at different levels.

To answer the questions, please either write down your answer or select one of the options, which could best describe the situation of your firm.

For each question, please make a separate and independent judgment. Work at a fairly high speed through the questionnaire and do not worry or puzzle over individual items.

Your answers are strictly confidential and anonymous, and intended for academic research only.

Your contribution to the successful outcome of this research is invaluable; please answer all the questions as fully and honestly as possible and note that there are no 'right' or 'wrong' answer.

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A: Organizational Characteristics and Environmental Factor

<u>OWNERSHIP</u>

What is the type of your company's ownership?

State- owned enterprise		Collective owned enterprise		Foreign-invested enterprise	
Joint venture enterprise		Privately-owned enterprise			

<u>AGE</u>

How many years has your company been operating in China?

_____ year (s).

<u>SIZE</u>

Amount of full-time employee is _____ people.

<u>UNION PRESENCE</u>

Is there trade union(s) in your company? (Please tick on the square against the appropriate option)   Yes ☐ No ☐

<u>LIFE CYCLE</u>

At what development stage is your company at present?

☐ Start-up ☐ Growth ☐ Maturity ☐ Decline ☐ Turnaround

BUSINESS SECTOR

Garment	☐	Chemical and Pharmaceutical	☐	Electronics and Engineering	☐
Banking, Finance and Insurance	☐	Sales and Business Service	☐	Others	☐

WORKPLACE CULTURE

	1	2	3	4	5
Embracing paradox	☐	☐	☐	☐	☐
Directness of interpersonal approach	☐	☐	☐	☐	☐
Importance of saving face (*mianzi*)	☐	☐	☐	☐	☐
Respect for position and authority	☐	☐	☐	☐	☐
Confucian work values	☐	☐	☐	☐	☐

B: SHRM Polices and Practices

How do the following <u>HR Planning</u> approaches match those of your companies?

	1	2	3		5	
Short term HR planning	☐	☐	☐	☐	☐	Long term HR planning
Informal HR planning	☐	☐	☐	☐	☐	Formal HR planning
Implicit job analysis	☐	☐	☐	☐	☐	Explicit job analysis
Ambiguously defined job description	☐	☐	☐	☐	☐	Clearly defined job description
Low employee involvement of HR planning	☐	☐	☐	☐	☐	High employee involvement of HR planning
The job is simple	☐	☐	☐	☐	☐	The job is complex

How do the following <u>HR Staffing</u> approaches match those of your companies?

	1	2	3	4	5	
Internal recruitment sources	☐	☐	☐	☐	☐	External recruitment sources
Limited selection procedure	☐	☐	☐	☐	☐	Extensive selection procedure
Implicit recruitment criteria	☐	☐	☐	☐	☐	Explicit recruitment criteria
Fusion with firm's culture	☐	☐	☐	☐	☐	Capability-and

	1	2	3	4	5	
						skill-orientation
Closed procedure	☐	☐	☐	☐	☐	Open procedure

How do the following <u>HR Appraising</u> approaches match those of your companies?

	1	2	3	4	5	
Performance Oriented	☐	☐	☐	☐	☐	Behaviour Oriented
The main objective is to provide criteria for pay rise and promotion	☐	☐	☐	☐	☐	The main objective is to identify employees' weakness and improve performance
HR specialists in charge of the appraisal schemes	☐	☐	☐	☐	☐	High employee participation
Individual criteria	☐	☐	☐	☐	☐	Group criteria
Conduct appraisal activities frequently, such as weekly or monthly based	☐	☐	☐	☐	☐	Conduct appraisal activities occasionally, such as quarterly or yearly based

How do the following <u>HR Compensation</u> approaches match those of your companies?

	1	2	3	4	5	
Low base salaries	☐	☐	☐	☐	☐	High base salaries

Few perks	☐ ☐ ☐ ☐ ☐	Many perks
Standard, fixed package	☐ ☐ ☐ ☐ ☐	Flexible package
No incentives	☐ ☐ ☐ ☐ ☐	Many incentive
Short term incentives	☐ ☐ ☐ ☐ ☐	Long term incentives
No employment security	☐ ☐ ☐ ☐ ☐	High employment security
No participation	☐ ☐ ☐ ☐ ☐	High participation
Position in work	☐ ☐ ☐ ☐ ☐	Skills in work
Seniority oriented	☐ ☐ ☐ ☐ ☐	Merit oriented

How do the following <u>HR Training and Development</u> approaches match those of your companies?

	1 2 4 5	
Employees do not need to go take training programmes every certain length of time	☐ ☐ ☐ ☐ ☐	Employees need to go take training programmes every certain length of time
Narrow and specific application	☐ ☐ ☐ ☐ ☐	Broad and general application
Limited training	☐ ☐ ☐ ☐ ☐	Extensive training

Training credits are not necessary for promotion	□ □ □ □ □	Training credits are tightly linked to promotion
Productivity orientated	□ □ □ □ □	Quality of work life oriented
External consultants	□ □ □ □ □	Internal experts
Off-post training	□ □ □ □ □	On-post training
Hierarchy	□ □ □ □ □	Egalitarian
Seniority oriented	□ □ □ □ □	Merit oriented

How do the following <u>management-employee relationship</u> approaches match those of your companies?

	1 2 3 4 5	
Some communication	□ □ □ □ □	Extensive communication
Conflicted	□ □ □ □ □	Cooperative
Management and employee have different facilities	□ □ □ □ □	Management and employee have same facilities
No participative management in company	□ □ □ □ □	Participative management

No self-managed teams	☐	☐	☐	☐	☐	Widely use self-managed teams
Employee-management meeting is held only in need	☐	☐	☐	☐	☐	Employee-management meetings is held regularly
Most operational information is confidential	☐	☐	☐	☐	☐	Regularly providing operational information to employees

C: Strategic Role of HR

STRATEGIC ROLE OF HR

Measures	Low				High
	1	2	3		5
the extent that the human resources department is consulted by top management	☐	☐	☐	☐	☐
the extent that HR is considered part of top management	☐	☐	☐	☐	☐
the extent that the human resources department is consulted by line managers	☐	☐	☐	☐	☐
the extent that HR frequently helps managers and supervisors	☐	☐	☐	☐	☐
the extent that the company's strategic plan includes HR issues explicitly	☐	☐	☐	☐	☐
How effective is it that the programmes held by HR can build employees capacity for changes	☐	☐	☐	☐	☐
How effective is it that HR explain the requirement of the changes and encourage employee the support	☐	☐	☐	☐	☐
the extent that the HR strategy is consistent with companies' competitive strategy	☐	☐	☐	☐	☐
the extent that a formal document on HR planning is available to strategic planners	☐	☐	☐	☐	☐
the extent that HR can hold programmes to	☐	☐	☐	☐	☐

eliminate the resistances to changes					
the extent that HR can identify the resistance to changes	☐	☐	☐	☐	☐
How effective is it that HR evaluate the current people and provide suggestions on change if the current people is inappropriate	☐	☐	☐	☐	☐
How effective is it that HR evaluate the current organizational strategy and provide suggestions on change if the current strategy is inappropriate	☐	☐	☐	☐	☐
How effective is it that HR evaluate the current organizational structure and provide suggestions on change if the current structure is inappropriate	☐	☐	☐	☐	☐
How effective is it that HR evaluate the current rewards system and provide suggestions on change if the current rewards system is inappropriate	☐	☐	☐	☐	☐
How effective is it that HR Evaluate the current managerial and producing processes and provide suggestions on change if the current processes is inappropriate	☐	☐	☐	☐	☐

At which <u>POSITION</u> in organizational hierarchy is HR at in your company?

1	2	3	4	5
☐	☐	☐	☐	☐
No HR department				First-level division

D: Business Strategy

How much emphasis does your company pose on the following activities?

		1	2	3	4	5
<u>Innovation</u>	Innovative investing in R &D	☐	☐	☐	☐	☐
	Innovative introducing new products and brands	☐	☐	☐	☐	☐
	Delivering new products and service	☐	☐	☐	☐	☐
	Seeking new business opportunities	☐	☐	☐	☐	☐
<u>Cost reduction</u>	Reducing the costs of labour to produce existing products or services.	☐	☐	☐	☐	☐
	Reducing the costs of materials to produce existing products or services.	☐	☐	☐	☐	☐

	Controlling inventory	☐	☐	☐	☐	☐
	Improving operational efficiency	☐	☐	☐	☐	☐
Quality im-provement	Devoting time to quality control	☐	☐	☐	☐	☐
	Working with customers or suppliers to improve quality of product or service	☐	☐	☐	☐	☐
	Quality circles	☐	☐	☐	☐☐	
	The effectiveness of company's quality management program	☐	☐	☐	☐	☐
	The improving the qual-ity of existing products or services.	☐	☐	☐	☐	☐

E: Organizational Performance

Please rate the following items in your company over the past 3-5 year.

		1	2	3	4	5
Organizational Outcomes	Quality of product	☐	☐	☐	☐	☐
	Public image and good will	☐	☐	☐	☐	☐
	Satisfaction of customers or clients	☐	☐	☐	☐	☐
	Staff turnover rate	☐	☐	☐	☐	☐
HR Outcomes	Absenteeism	☐	☐	☐	☐	☐
	Staff morale	☐	☐	☐	☐	☐
	Employee commitment	☐	☐	☐	☐	☐
	Job satisfaction	☐	☐	☐	☐	☐
	The ability of staff to move between jobs as the work demands	☐	☐	☐	☐	☐
Financial Accounting Outcomes	Growth rate of revenues	☐	☐	☐	☐	☐
	Growth rate of market share	☐	☐	☐	☐	☐
	Long-run level profitability	☐	☐	☐	☐	☐

Thank you again

for your contribution to this research project

Appendix 3: Questionnaire (Chinese)

中国战略人力资源管理

本问卷的目的是建立并检验一个动态战略人力资源管理模型，探索一些特定的组织变量的组成及结构，并且在不同层次检验组织变量之间的关系。

在回答问题时，请直接写出相应的答案或者选择一个最能描述您企业现实状况的选项。

对于每一个问题，请进行独立判断。快速填写问卷，并以直觉判断回答不拘泥于个别问题的探索。

您的贡献对本次研究之结果是非常宝贵的，敬请诚实地回答所有问题。所有答案没有对错之分，只有不同之区别。

谢谢您的合作

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A: 组织特征与外部环境特征

所有制

您所在的企业属于下列哪种所有制形式? (请在合适的选项后面的方框内画 '×')

国有	☐	集体所有	☐	外资	☐
中外合资	☐	私有	☐		

组织年龄

您所在的公司在中国地区运营了多少年?

_____ 年.

组织规模

您所在的公司的总人数是 _____ (人).

工会

您所在的公司是否建立了工会 (请在合适的选项后面的方框内画 '×')

Yes ☐   No ☐

企业生命周期

您所在的企业正处于生命周期的哪一阶段? (请在合适的选项前面的方框内画 '×')

☐ 初期   ☐ 成长期   ☐ 成熟期   ☐ 衰退期   ☐ 转型期

所属行业

服装制造	☐	化学与制药	☐	电子与工程	☐
银行,金融与保险	☐	销售与商业服务	☐	其它	☐

工作场所文化

	低				高
	1	2	3	4	5
对冲突的包容度	☐	☐	☐	☐	☐
人与人之间关系的直接程度	☐	☐	☐	☐	☐
面子的重要性	☐	☐	☐	☐	☐
对地位和资历的尊重程度	☐	☐	☐	☐	☐
儒家思想的影响	☐	☐	☐	☐	☐

B: 战略人力资源管理政策也实践

1 最接近左侧的选项，5 最接近右侧的选项，请选择最能反映您所在公司的人力资源规划方法的选项，并在相对应的方框内画'×'?

	低				高	
	1	2	3	4	5	
人力资源规划一般为短期规划	☐	☐	☐	☐	☐	人力资源规划一般为长期规划
使用非正式的人力资源规划	☐	☐	☐	☐	☐	使用非正式的人力资源规划
工作分析很不清晰	☐	☐	☐	☐	☐	工作分析很清晰
职位说明书内容模糊	☐	☐	☐	☐	☐	职位说明是内容清晰
人力资源规划工作没有普通员工参与	☐	☐	☐	☐	☐	人力资源规划工作有普通员工参与
工作（非人力资源）本身很简单	☐	☐	☐	☐	☐	工作（非人力资源）本身很复杂

1 最接近左侧的选项，5 最接近右侧的选项，请选择最能反映您所在公司的人力资源配置方法的选项，并在相对应的方框内画'×'?

	低				高
	1	2	3	4	5

一般采用内部招聘	☐	☐	☐	☐	☐	一般采用外部招聘
选拔程序简单有限	☐	☐	☐	☐	☐	选拔程序复杂多样
招聘的标准含糊不清	☐	☐	☐	☐	☐	招聘的标准很清晰
与公司的文化相容性为主要标准	☐	☐	☐	☐	☐	以能力和技术水平为主要标准
招聘选拔程序保密	☐	☐	☐	☐	☐	招聘选拔程序公开

1 最接近左侧的选项，5 最接近右侧的选项，请选择最能反映您所在公司的人力资源考核方法的选项，并在相对应的方框内画'×'?

	低				高	
	1	2	3	4	5	
结果导向	☐	☐	☐	☐	☐	过程行为导向
目的在于找出员工弱点并提高绩效	☐	☐	☐	☐	☐	目的在于为加薪和晋升提供依据
考核由人力资源专业员实施	☐	☐	☐	☐	☐	员工也参与绩效考核
强调个人绩效	☐	☐	☐	☐	☐	强调团队绩效
绩效考核频繁，以周或月为周期	☐	☐	☐	☐	☐	绩效考核不频繁，以季度或年为周期

1 最接近左侧的选项，5 最接近右侧的选项，请选择最能反映您所在公司的人力资源薪资福利方法的选项，并在相对应的方框内画'×'?

	低				高	
	1	2	3		5	
基本工资很低	☐	☐	☐	☐	☐	基本工资很高
工资等级很少	☐	☐	☐	☐	☐	工资等级很多
薪资福利标准化、固定化	☐	☐	☐	☐	☐	薪资福利很灵活
激励方式有限	☐	☐	☐	☐	☐	激励方式丰富
激励着眼于长期目标	☐	☐	☐	☐	☐	激励着眼于短期目标
薪资福利体系灵活	☐	☐	☐	☐	☐	薪资福利体系稳定
薪资政策制定的过程中没有员工参与	☐	☐	☐	☐	☐	薪资政策制定的过程中有员工参与
薪资福利水平由职位决定	☐	☐	☐	☐	☐	薪资福利水平由既能决定
薪资福利水平由资历决定	☐	☐	☐	☐	☐	薪资福利水平由功绩决定

1 最接近左侧的选项，5 最接近右侧的选项，请选择最能反映您所在公司的人力资源培训开发状况的选项，并在相对应的方框内画'×'?

	低			高		
	1	2		4	5	
员工不必须定期参加培训	☐	☐	☐	☐	☐	员工必须定期参加培训
培训与开发所覆盖的内容很窄	☐	☐	☐	☐	☐	培训与开发所覆盖的内容很宽泛
培训开发项目有限	☐	☐	☐	☐	☐	培训开发项目多样
培训经历与晋升不挂钩	☐	☐	☐	☐	☐	培训经历与晋升挂钩
培训与开发以提高工作效率为目标	☐	☐	☐	☐	☐	培训与开发以提高工作生活质量为目标
使用外部顾问	☐	☐	☐	☐	☐	使用内部专家
在培训与开发方案制定时没有员工参与	☐	☐	☐	☐	☐	在培训与开发方案制定时有员工参与

	低				高	
脱产培训	☐	☐	☐	☐	☐	在职培训
挑选参加培训开发人员时以资历为标准	☐	☐	☐	☐	☐	挑选参加培训开发人员时以资历为标准

1 最接近左侧的选项，5 最接近右侧的选项，请选择最能反映您所在公司的人力资源管理者与员工关系状况的选项，并在相对应的方框内画'×'?

	低				高	
	1	2	3	4	5	
管理者与员工交流很少	☐	☐	☐	☐	☐	管理者与员工交流很多
管理者与员工之间的关系是对立的	☐	☐	☐	☐	☐	管理者与员工之间是合作关系
管理者与员工使用的硬件设施有所不同	☐	☐	☐	☐	☐	管理者与员工使用的硬件设施相同
员工从不参与管理	☐	☐	☐	☐	☐	员工参与管理
没有团队自我管理	☐	☐	☐	☐	☐	广泛运用团队自我管理
管理者与员工会议只有在需要的时候才召开	☐	☐	☐	☐	☐	管理者与员工会议定期召开
运营信息是对员工保密的	☐	☐	☐	☐	☐	运营信息是对员工公开的

C: 人力资源的战略职能

	低		高		
	1	2	3	4	5
在多大程度上公司高级管理层会向人力资源部征询建议	☐	☐	☐	☐	☐
在多大程度上人力资源部会被认为是公司高级管理层的一部分	☐	☐	☐	☐	☐
在多大程度上公司部门经理会向人力资源部征询意见	☐	☐	☐	☐	☐
在多大程度上人力资源部被认为对部门经理和中层管理者有帮助和支持作用	☐	☐	☐	☐	☐
在多大程度上公司的战略计划会很明显地体现人力资源事宜	☐	☐	☐	☐	☐
在多大程度上人力资源部的措施会提高员工应对变化的能力	☐	☐	☐	☐	☐
在多大程度上人力资源部会向员工明确解释商业变化对员工提出的新要求并鼓励员工去适应这些变化	☐	☐	☐	☐	☐
在多大程度上人力资源战略与公司的竞争战略是相一致的	☐	☐	☐	☐	☐
在多大程度上公司的战略决策者能够很容易获得关于人力资源规划方面的正式文案	☐	☐	☐	☐	☐
在多大程度上人力资源部的工作能够减少对组织变化的阻力	☐	☐	☐	☐	☐
在多大程度上人力资源部的工作能够确认对组织变化的阻力	☐	☐	☐	☐	☐

在多大程度上人力资源部能够确认现有人员对组织变化产生的阻力并提供行之有效的解决方案	☐	☐	☐	☐	☐
在多大程度上人力资源部能够确认现有商业战略对组织变化产生的阻力并提供行之有效的解决方案	☐	☐	☐	☐	☐
在多大程度上人力资源部能够确认现有组织结构对组织变化产生的阻力并提供行之有效的解决方案	☐	☐	☐	☐	☐
在多大程度上人力资源部能够确认现有薪酬系统对组织变化产生的阻力并提供行之有效的解决方案	☐	☐	☐	☐	☐
在多大程度上人力资源部能够确认现有管理和生产过程对组织变化产生的阻力并提供行之有效的解决方案	☐	☐	☐	☐	☐

人力资源部在公司属于什么地位？

1	2	3	4	5
☐	☐	☐	☐	☐
没有独立的部门				公司的一级部门

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D: 公司战略

在下列事项中您所在的公司所作的努力有多大（请在合适的选项所对应的方框处打"×"）

		低 1	2	3	4	高 5
创新战略	创新性的研发投资	☐	☐	☐	☐	☐
	创新性的引进新产品、新品牌	☐	☐	☐	☐	☐
	提供新产品、新服务	☐	☐	☐	☐	☐
	在市场中搜寻新的商业机会	☐	☐	☐	☐	☐
降低成本战略	在现有生产规模下节省人力资源成本	☐	☐	☐	☐	☐
	在现有生产规模下节省生产资料成本	☐	☐	☐	☐	☐
	通过控制产品存储来节省资本	☐	☐	☐	☐	☐
	通过提高运营效率来节省成本	☐	☐	☐	☐	☐
提高质量战略	花在质量控制上时间和精力	☐	☐	☐	☐	☐
	通过与客户和供应商的合作来提高产品或服务的质量	☐	☐	☐	☐	☐
	注重运用'质量圈'（即从事相关工作的员工，定期开会共同商讨解决保证和提高质量的问题）	☐	☐	☐	☐	☐
	注重提高公司质量管理的质量	☐	☐	☐	☐	☐
	注重提高现有产品或服务的质量	☐	☐	☐	☐	☐

E: 组织绩效

请选择最能准确描述您所在的公司近 3 年状况的选项（请在合适的选项所对应的防框处打"×"）

		低				高
		1	2	3	4	5
组织绩效	公司产品或服务的质量（在本行业中）	☐	☐	☐	☐	☐
	公司的公共形象	☐	☐	☐	☐	☐
	客户，消费者的满意程度	☐	☐	☐	☐	☐
	员工的流失率	☐	☐	☐	☐	☐
人力资源绩效	员工的出勤率	☐	☐	☐	☐	☐
	员工的道德水平	☐	☐	☐	☐	☐
	员工的凝聚力	☐	☐	☐	☐	☐
	员工的工作满意度	☐	☐	☐	☐	☐
	员工在不同工作之间的转换能力	☐	☐	☐	☐	☐
财政绩效	企业年收益的增长情况	☐	☐	☐	☐	☐
	企业所占的市场分额的年增长情况	☐	☐	☐	☐	☐
	长期以来的利润率	☐	☐	☐	☐	☐

再次感谢您对于本次研究的帮助与支持