Strategic HRM: A Comparison Between Selected Manufacturing and Service Firms

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ABSTRACT

Achieving congruence between HRM practice and strategy is one of the key emphasis of the strategic HRM theory. It is also argued that given certain characteristics of the service firms, they should develop a more strategic HRM practice than manufacturing firms. In spite of the relatively widespread acceptance of the theory there is very little evidence of its existence in practice. This study undertakes an empirical examination of the relationship between HRM practice and strategy in the service and manufacturing sector in Malaysia. The findings show that contingencies other than strategy exert a greater influence on HRM practice. No substantial difference between the manufacturing and service sector was detected. A kw other recent studies also found no relationship between strategy and HRM practice. These findings question the validity of the strategic HRM construct.

INTRODUCTION

One of the features that is attributed to human resource management (HRM) is the emphases on achieving strategy-HRM practice fit (Hendry and Pettigrew, 1986; Schuler, 1989; Purcell, 1993). Schuler (1989) proposes that one of the contingencies affecting a firm׳s HRM practice is its competitive strategy. He argues that the attainment of a fit between strategy and HRM practice enables the organisation to optimise the utilisation of its human resource. It is because of such an emphasis on achieving strategic fit that the term strategic HRM has been coined.

In spite of the relatively widespread acceptance of the concept, empirical examination of the validity of the strategic HRM construct is rare. It is only recently that this issue been empirically examined.

STRATEGY-HRM RELATIONSHIP

Schuler (1989) argues that organisations need to develop HRM practices that lead to the development of an employee role behaviour that is supportive of the strategy it adopts. This in turn will influence the organisation׳s performance. He proposes that the practice of HRM in organisations can be categorised into three HRIvI philosophies. These philosophies are:

a. Accumulation:
The accumulation philosophy of HRM emphasises careful selection of good candidates based on

personality rather than technical fit. The main rationale is that the organisation expects the skill requirement for its work-force to change quickly. Thus, recruiting employees who are flexible and highly trainable is important.

Organisations practicing this HRM philosophy place a lot of emphasis on training, pay egalitarianism and lifetime employment. Given the high investment in training, these organisations will seek to ensure that their employees remain in the organisation as long as possible. This is achieved by adopting practices such as promotion from within and offering job security.

b. Utilisation:
Organisations practicing this philosophy of HRM select individuals mainly on the basis of technical ability. In this approach, the organisation places little emphasis on training and seeks to utilise new employees quickly. These organisations take a short term view of HRM and emphasise cost minimisation. Minimal training is undertaken. New skill requirements in the organisation are met by recruiting new workers.

c. Facilitation:
Organisations practising this philosophy engage in HRM practices that emphasise the ability of their employees to work together in a reciprocal relationship. The nature of work in these organisations require a high level of creativity and collaborative work situations. Cross-functional and cross-departmental work teanis are extensively used. In these organisations employees are expected to have a broad range of skills. The use of job rotation and broad career paths help to foster a collaborative work climate and the development of multiple skills among employees. These organisations also place a lot of emphasis on employee development and enhancement. However, instead of providing employees with training to impart new knowledge and abilities these organisations merely facilitate the development of their employees. This is achieved by creating an enriching and stimulating work environment (Schuler, 1989).

Using Porter' s (1980) model of competitive strategy, Schuler(1989) proposes that each competitive strategy requires specific employee role behaviour. The emphasis in each strategy is distinct and therefore require different type of employee role behaviour. A more elaborate definition of the generic strategy types are:

a. Focus strategy:
The focus strategy emphasises the importance of serving a specific target very well. This is achieved by focusing on a particular buyer group, or a segment of a product line, or geographic market.

b. Cost-reduction strategy:
Firms following this strategy seek to gain competitive advantage by being the lowest cost producer. In doing so they are able to obtain a largr profit margin and are more able to face a price war.

c. Different.iation strategy:
Firms following this strategy seek to develop products or services different froni those of the competitors. The main concern of firms following this strategy is to offer products or services that have attributes that are perceived by consumers to be superior to those offered by other firms (Porter, 1980: 35-40).

For these strategies to be successful they have to be supported by certain employee role behaviours. These behaviours are shaped by the HM practice of the organisation. Schuler (1989) proposes that firms following a focLis strategy will require an accumulation HRM philosophy. Firms following a cost-ieduction strategy will require a utilisation HRM philosophy. In these firms, the main concern is to maximise productivity and minimise output cost per unit. He alo argues that firms following a differentiation strategy will require a facilitation HRM philosophy. These organisations emphasise innovation to differentiate themselves from the competitors (Schuler and Jackson, 1989). In organisations following this strategy specialists from a variety of areas work together to design and produce a product. Employees need to be able to work collaboratively.

Table 1 summarises the " Package of HRM Practices and Competitive Strategies" proposed by

Schuler (1989).

Table 1
Package of Competitive Strategies and HRM Practices

1. Differentiation Strategy:	High participation Implicit job analysis External recruitment source Broad career path Process and results appraisal criteria Long-term appraisal criteria Same group criteria Some employment security Many incentives Egalitarian pay Extensive training Cooperative labour-management relation
2. Focus Strategy:	High participation Explicit job analysis Some external recruitment sources Narrow career paths Mostly results appraisal criteria Mostly short-term appraisal criteria Sanie group criteria Some employment security Some incentives Egalitarian pay Extensive training Cooperative labour-management relation
3. Cost-reduction Strategy:	Low participation Explicit job analysis Mostly internal recruitment sources Narrow career paths Results criteria Short-term criteria Mostly individual criteria Little employment security Few incentives Hierarchical pay Little training fladitional labour-management relations

Schuler's (1989) HRM philosophies are interesting because they attempt to provide a model of HRM typology, This is an important contribution in the area of HRM research. Rather than prescribing certain " universal best practice" his work seeks to demonstrate the contingent. nature of the management of human resources in organisations.

SECTOR INFLUENCE

One issue raised by Jackson and Schuler (1992) is the impact of sector on HRIvI practice. They propose that service organisations tend to have more specific role behaviour requirements. Marginson (1988:88) and Hiltrop, Despres and Sparrow (1995) also argue that service organisations require HRM practices which are different from manufacturing organisations.

A reason for this difference between manufacturing and service organisations is the distinct nature of service. One characteristic which differentiates the service sector from manufacturing is that services are consumed (Berry, 1984: 30). The purchaser of a service does not take possession of tangible product. In the sales of service, the production and consumption of the service takes place simultaneously.

This often takes place in the presence of the service provider (Lovelock, 1984:5). Quality cannot be inspected at the end of the production process as in a manufacturing process (Jackson and Schuler, 1992). Instead, service organisations have to control the processes prior to the consumption of the service (Mills and Moberg, 1982).). The service has to be delivered right the first time (Bowen and Lawler, 1992). These distinct characteristics of service require specific role behaviours which are different from manufacturing activities.

Marginson et al (1988: 118) found in their study that firms in the service sector were more likely to have a more coherent approach to HRM. Pfeffer and Cohen's (1984) study of contingencies associated vith the adoption of certain HRM practices found differences between the manufacturing and non-manufacturing sectors. Thus, not only are service organisations likely to display HRM practices which are different from manufacturing organisations, these findings suggests that we can expect there to be stronger HRM-strategy fit in service organisations.

Schuler's (1989) propositions provide an important insight into the possible relationship between HRM and strategy in organisations. His typoiogy of HRM practice offers a more holistic approach in examining the HRM practices of firms. It suggests that the ability of the HRM practices of an organisation to lead to mi- proved corporate performance is contingent on the achievement of a fit between strategy and practice. However, empirical evidence to support these propositions is not substantial.

A number of observations should be made about the relationship between strategy and HRM practice. The possibility that variation in employment size affects HRM practice should not be ignored. Osterman's (1994) study of 694 firms in the US found that the adoption of certain HRM practices is associated with the employment size of firms, He found that smaller firms are associated with more innovative work practices. This suggests the possibility that the variation in HRM practice found by Schuler and Jackson (1989) may be due to variation in employment size. Other studies have shown that the presence of an HRM department in the organisation, whether the organisation is foreign owned, the presence of union and management's values affect the organization's HRM practices (Pfeffer and Cohen, 1984; Kochan and Dyer, 1993; Osterman, 1994)

The evidence supporting the proposed relationship between business strategy and HRM practice has been inconclusive and not substantial. There is a need to find more empirical support for this proposition. This study is an attempt to undertake a more rigorous empirical examination of this relationship.

DEFINING A RESEARCH AGENDA

As mentioned earlier, each strategy needs to be supported by specific forms of HRM practice. Failure to do so will inhibit the ability of the organisation to develop the employee role behaviour needed to ensure the success of the strategy pursued. This study will attempt to examine this issue by looking at the link between strategy and HRM practice.

Research Question

The objective of this research is to undertake an empirical examination of the link between strategy and HRM. As Schuler (1989) pointed out, each strategy needs to be supported by specific employee role behaviour. The employee role behaviour is shaped by the HRM practices of the organisation. Thus, each strategy will require the development of specific forms of HRM practice to be effective. To assess this relationship, the following hypotheses will be examined in this study:

Hypothesis 1:
Devanna, Fombrum and Tichy (1984) argue that the successful implementation of a strategy requires the presence of an appropriate human resource system. Each strategy needs to be supported by a specific employee role behaviour (Schuler, 1989). The effectiveness of each strategy depends on the practice of specific HRM philosophies. Building on Schuler's (.1989)

view, it is hypothesised that:

1. *Firms pursuing the cost reduction strategy are associated with HRM practices akin to the utilisation HRM philosophy.*

2. *Firms pursuing the focus strategy are associated with HRM practices akin to the accumulation HRM philosophy.*

3. *Firms pursuing the differentiation strategy are associated with HRM practices akin to the facilitation HRM philosophy.*

Hypothesis 2:

The distinct characteristics of service organisations imply that they require an employee role behaviour which is distinct from the manufacturing organisations. This means that they will develop HRM practices which are different from manufacturing organisations. Given the greater dependence on capable human resource in the production and delivery of service, it is proposed:

Service organisations exhibit stronger fit between HRM practice and strategy.

METHODOLOGY

Data Collection

Data collection for this study was performed by using mailed questionnaire. The questionnaire consisted of two main parts. The first part consists of questions relating to HRM practices. The questions in this part is based on the list of HRM practice included in Schuler's HRM menu. Forty one items were developed to operationalise the practices listed in the menu. Respondents were asked to indicate whether they adopt these HRM practices.

The second part sought information on the respondent firm's competitive strategy. This part is based on Dess and Davis's (1984) 21 item instrument. This instrument was developed by Dess and Davis to assess the competitive strategy of manufacturing firms. Since this study also included firms from the service sector, the instrument had to be adapted to include competitive methods which may be unique to the service sector. This was done by seeking the input of managers from the service sector. They were asked to describe the competitive methods used in their industry. The views of academicians specialising in this area and a review of relevant literature was also done to develop an understanding of the competitive issues in these service industries. After this review was done, 9 additional items were added to the instrument making it a 30 item instrument (refer to appendix 1).

Respondents were asked to describe the importance of these 30 competitive methods for their organisations. A 5 point Likert scale, with '1' indicating that a particular competitive method is not important at all and '5' indicating it is very important' was used to measure the importance of these competitive methods. Respondents were asked to choose '1' if a particular competitive method is not relevant to his/her organisation.

The reliability of the 30 items strategy dimension was assessed. The analysis resulted in a coefficient Alpha = 0.888.

Sample

In order to examine the hypotheses forwarded, data from firms in both the manufacturing and service sector was collected. The issues examined in this study and the methodology used require a fairly large number of respondents to enable the appropriate statictical analysis be performed. Thus, only sectors which have a large population size were selected for this study.

The list of firms in the manufacturing sector was drawn from the "FMM directory of Malaysian Manufacturers 1995". Four industries were chosen i.e. electronics/electrical, textile, food and plastic. These industries were chosen because of their relatively large population size. Only firms

with at least 50 full-time employees were chosen. This is because other studies have shown that firms with smaller employment size are less likely to have HRM departments (Rozhan, 1996). Altogether, 545 firms from these four industries were chosen.

Two industries were selected to represent the service sector. These are the banking and financial services (which included banks, finance companies and insurance firms) and the hotel industry. The list of firms in the service sector was drawn from " Directory of Service Industry 1995" . Since this directory did not provide information regarding the sample size of the firms, all firms in these two industries were included. A total of 367 firms were included in this list. The total number of firms involved in this study were therefore 912.

Questionnaires were sent to the human resource managers in these firms. The cover letter accompanying the questionnaire clarified that in organisations not having a HRM department, the questionnaire was to be answered by the most senior manager responsible for human resource affairs. A stamped return envelope was included with the questionnaire. The same questionnaire was sent again to firms which did not respond to the first mailing.

Response

A total of 171 usable responses were received. 112 (65.5%) of these firms are from the manufacturing sector and 59 (34.5%) are from the service sector. This also means that the overall response rate was 18. 75%, among manufacturing firms was 20.5% and among service firms 16.1%. A break down of the respondent firms according to sector is given in Table 2. Almost half of the manufacturing firms are from the electronics/electrical industry. Similarly, almost half of the firms in the service sector are from the banking and finance industry. A total of 102 (59.0%) of the respondents are Malaysian owned firms while 66 (38.6%) are foreign owned. Three of the respondent firms did not provide information regarding ownership nationality. Table 2 shows the distribution of respondent firms according to employment size.

Table 2a
Respondents according to sector

	Frequency	Pct
Manufacturing:		
Electronics/electrical	52	30.4%
Food	19	11.1%
Textile	10	5.8%
Plastic	20	11.7%
Other manufacturing	11	6.4%
Service:		
Banking and finance	28	16.4%
Insurance	7	4.1%
Hotel	20	11.7%
Other services	2	1.2%
Unknown	2	1.2%
Total	171	

Table 2b
Respondents according to owner nationality

	Frequency	Pct
Malaysian	102	59%
Foreign	66	38.6%
Unknown	3	2.4%

Table 2c
Respondents according to employment size

Employment size	Manufacturing	Service	Total
1-50	3	14	17
51-100	17	4	21
101-300	32	18	50
301-500	12	6	18
501-1000	17	7	24
1001 or more	26	7	33
Unknown	5	3	8

FINDING

Competitive Strategy

Factor analysis of the 30 items competitive strategy dimensions resulted in three factors. The determination of the number of factors to be used was based on an examination of the scree plot. Items with factor loadings of 0.40 or more are used. The three factors are labelled as the differentiation strategy (DF), cost reduction strategy (CR) and efficient niche strategy (EN), The items loading on these factors are listed in table 3.

Table 3
Items loading on each factor.

a) Factor 1: Differentiation (eigenvalue 7.552, Alpha = 0.869)

Item	Factor loading
a. Offer a broad range of products.	0.710
b. Extensive use of advertising.	0.690
c. Offer new products frequently.	0.645
d. Ability to control channels of distribution.	0.599
e. Innovate in marketing techniques and methods.	0.598
f. Develop new products for the market.	0.594
g. Ability to balance composition of clients.	0.593
h. Achieve consumer brand identification.	0.587
i. Ability to open branches in strategic location.	0.554
j. Ability to have many agents.	0.548
k. Serve special geographical market.	0.545
l. Provide good customer service.	0.527
m. Flexible in pricing product/service.	0.502
n. Minimize dealings with high risk customers.	0.439

b) Factor 2: Cost Reduction (eigenvalue = 3.129, Alpha = 0.780)

Item	Factor loading
a. Develop experience and trained personnel	0.707
b. Achieving operating efficiency	0.704
c. Implement effective quality control	0.609
d. Serve customer quickly	0.584
e. Able to forecast market growth	0.574
f. Increase automation and computerization	0.529
g. Ability to establish reputation in industry	0.524

h. Develop long-term relationship with client	0.514

c) Factor 3: Efficient niche (eigenvalue = 2.956, Alpha 0.809)

Item	Factor loading
a. Ability to innovate in manufacturing process.	0.817
b. Ability to procure necessary raw material.	0.762
c. Able to manufacture specialty products.	0.709
d. Minimise use of external finance.	0.643
e. Positioning products for high price segment.	0.573

These factors were transformed into a three point scale to examine their association with HRM practice. A factor regression score of 0 or less were coded as '1'. A score of more than 0 and less than or equal to 1 was coded as '2'. A regression score of more than 1 was coded as '3'. This was necessary because many of the HRM variables used ordinal and nominal responses. Respondents were asked to indicate whether their organisations adopted these HRM practices. This transformation enables the use of chi-square based measure of association.

Strategy-HRM Relationship

The Pearson's chi-square test of independence in the CROSSTAB procedure in SPSSWIN was used to examine the associations. The output of the CROSSTAB procedure shows the percentage of respondents adopting specific HRM practices according to the transformed strategy factor score. The following statistically significant associations were found:

1. DF strategy firms are associated with the following HRM practices:

a. High level of employee involvement in decision making.
About half of the respondents with DF strategy score of 3 seek to have a high level of employee involvement in decision making. This contrasts with only 25.4% of respondents with a DF strategy score of 1.

b. Long-term planning for HRM.
The use of long-term planning for HRM is present among 75.9% of firms with a DF strategy score of 3. Only 46.5% of those with a DF strategy score of 1 develop long-term HRM practice.

c. The use of managerial job description which defines specific role.
Twice as many firms with with a DF strategy score of 3 use managerial job descriptions which define a specific role when compared to those with a DF strategy score of 1.

d. The use of personality test during recruitment for managerial positions.
Almost twice as many firms with with a DF strategy score of 3 use personality tests for managerial recruitment when compared to those with a DF strategy score of 1.

e. The use of creativity test during recruitment for non-managerial position.
Creativity test is used for recruitment for non-managerial positions by 20.7% of firms with DF strategy score of 3. Only 4.2% of firms with a DF strategy score of 1 use this test.

Items (a) and (b) were recoded from two items. Item (a) initially sought information whether respondent firms had a policy encouraging employee participation in decision making. Respondents were given the choice i) a high level of participation is expected ii) participation is expected only in certain decisions, iii) participation is expected only in certain job categories, iv) participation is left to the discretion of managers and v) participation not considered important. There was no significant association between these responses and DF strategy. However, the response was recoded so that a policy encouraging high participation was classified as one category and other responses as another category. This was done to differentiate between firms that have an explicit policy encouraging a high level of participation and those that do not. A significant association between high participation and DF strategy was found.

Item (b) was initially measured using an item with four choices. Respondents were asked to indicate

the planning period for HRM in their organisations. The choices given were i) the HRM practice in their organisation did not require much planning ii) planning was done on an ad hoc basis iii) planning was done annually and iv) planning was done for an annual period as well as for a longer period. This item was also recoded so that choices iii) and iv) were categorized as long-term planning and choices i) and ii) were categorized as short-terni planning. It was found that DF strategy firms were associated with long-term planning.

2. EN strategy firms are associated with the following HRM practices:

a. About 17% of firms with an EN strategy score of 3 use foreign workers as a response to labour shortage in managerial positions. This contrasts with only 5,5% among firms with an EN strategy score of 1.

b. Use foreign workers as response to labour shortage in non-managerial positions. Firms with an EN strategy score of 3 are almost twice more likely to use foreign workers when compared with those with EN strategy score of 1.

c. Job description for managerial positions defines specific role.
Firms with an EN strategy score of 3 were found to be more likely to use managerial job descriptions which define a specific role than those with an EN strategy score of 1.

d. Job description for non-managerial positions defines work result.
Firms with an EN strategy score of 3 were found to be more likely to use non-managerial job descriptions which define the work result than those with an EN strategy score of 1.

e. Use of creativity test for non-managerial recruitment. Creativity test was used by 25% of firms with an EN strategy score of 3 compared to only 6.8% of firms with an EN strategy score of 1.

f. Broad career path for non-managerial workers.
Almost all of the firms with an EN strategy score of 3 develop broad career path for their employees. Only 79% of firms with an EN strategy score of 1 do so.

3. CR strategy firms are associated with the following HRM practices:

a. Job description for managerial positions define work result. Twice as many firms with an EN strategy score of 3 use managerial job descriptions which define work result when compared to firms with an EN strategy score of 1.

b. Use of different performance appraisal system for managerial and non-managerial employees. About 94% of firms with an EN strategy score of 3 use different appraisal systems for managerial and non-managerial employees. This contrasts with 62.5% for firms with an EN strategy score of 1.

c. Performance appraisal result is used for training planning by 7 1.6% of firms with an EN strategy score of 3. Only 46.2% of firms with an EN strategy score of 1 do so.

d. HRM department is involved in formulating corporate strategy in 66.7% of firms with an EN strategy score of 3. Only 20% of firms with an EN strategy score of I are involved in formulating corporate strategy.

Tables 4a-c describes the associations found between the strategy scores and HRM practice.

Table 4a
Pct of Respondents Adopting Specific HRM Practice According to DF Strategy Score

HRM practice	DF Strategy Score*		
	1	2	3
High level of employee involvement in decision making (Pearson Chi square = 6.52, p = 0.038)	25.4%	32.1%	51.7%
Long-term planning for HRM (Pearson Chi square = 8.11, p = 0.027)	46.5%	62.5%	75.9%
Managerial job description defines specific role (Pearson Chi square = 11.34, p = 0.003)	37.5%	42.0%	75%

Use of personality test for managerial recruitment (Pearson Chi square 7.86, p 0.019)	37.5% 55.2% 65.5%
Use of creativity test for non-managerial recruitment (Pearson Chi square = 6.83, p = 0.033)	4.2% 13.8% 20.7%

*The factor regression scores were transformed into a three point scale. Factor regression of 0 or less were coded as ' 1'. A score of more than ' 0' and less than or equal to 1 was coded as ' 2'. A regression score of more than 1 was coded as ' 3'.

Table 4b
Pct of Respondents Adopting Specific HRM Practice According to EN Strategy Score

HRM practice	EN Strategy Score		
	1	2	3
Use foreign workers as response to labour shortage in managerial position. (Pearson chi square = 6.76, p = 0.04)	5.5%	1.8%	16.7%
Use foreign workers as response to labour shortage in non-managerial position. (Pearson chi square = 7.07, p = 0.039)	35.6%	53.2%	62.5%
Managerial job description defines specific role. (Person chi square 9.82, p = 0.0 14)	42.6%	40.4%	76.2%
Non-managerial job description defines work result. (Pearson chi square = 9.92, p = 0.007)	23%	5.7%	33.3%
Use of creativity test for non-managerial recruitment. (Pearson chi square = 6.34, p = 0.042)	6.8%	9.7%	25%
Broad career path for non-managerial employees. (Pearson chi square = 9.98, p 0.006)	79%	64.5%	95.8%

Table 4c
Pct of Respondents Adopting Specific HRM Practice According to CR Strategy Score

HRM practice	CR Strategy Score		
	1	2	3
Managerial job description defines work result (Pearson chi square = 16.93, p = 0.000)	27.3%	62.5%	66.7%
Use of different performance appraisal system for managers and non-managers (Pearson chi square = 8.13, P = 0.017)	62.5%	78.9%	94.1%
Appraisal result used for training planning (Pearson chi square = 8.34, p = 0.0 15)	46.2%	69%	70.6%
HRM department involved in formulating corporate strategy (p = 0.000)	20%	30.9%	66.7%

Sector effect

One of the issues raised in this study is that differing HRM role behaviour is needed to support manufacturing and service organizations. Thus,the relationship between strategy and HRM practice for firms in the manufacturing and service sector was compared. Only a small number of HRM practices were found to be associated with service firnis for each strategy. Table 5a-c summarizes the findings.

Table 5a
Pct of Respondents Adopting Specific HRM Practice According to
DF Strategy Score For Each Sector

	DF Strategy Score		
	1	2	3

HRM Practices Adopted by Manufacturing Firms

Use foreign workers as response to labour shortage in managerial position (Pearson Chi square = 6.26, p = 0.044)	3.6%	2.8%	18.8%
Long-term planning for HRM (Pearson Chi square = 5.95, p = 0.050)	38.1%	61.8%	62.5%
Managerial job description defines specific role (Pearson Chi square = 11.38, p = 0.003)	36.4%	46.7%	86.7%
Non-managerial job description defines result expected (Pearson Chi square = 6.47, p = 0.034)	6.8%	16.1%	33.3%
Use of creativity test for managerial recruitment (Pearson Chi square 6.49, p = 0.039)	14.3%	25%	43.8%
Use of assessment centre for managerial recruitment (Pearson Chi square = 8.84, p = 0.012)	8.9%	1.1%	37.5%
HRM Practices Adopted by Service Firms			
Broad career path for non-managerial workers (Pearson Chi square = 10.97, p = 0.004)	56.3%	95.5%	92.3%
Use of personality test for manageria] recruitment (Pearson Chi square = 8.36, p = 0.015)	12.5%	50%	61.5%
Use of creativity test for non-managerial recruitment (Pearson Chi square = 5.87, p = 0.05)	0%	4.5%	23.1%

Table 5b
Pct of Respondents Adopting Specific HRM Practice According to
EN Strategy Score For Each Sector

	EN Strategy Score		
	1	2	3
HRM Practices Adopted by Manufacturing Firms			
Managerial job description defines specific role (Pearson chi square = 6.37, p = 0.003)	6.1%	22.5%	15.7%
Non-managerial hob description defines result expected (Pearson chi square = 10.74, p = 0.005)	15%	5.9%	36.8%
Broad career path for non-managerial employees (Pearson chi square = 8.70, p = 0.013)	76.9%	63.3%	95.5%
Use of creativity test for non-managerial recruitment (Pearson chi square = 6.71, p = 0.035)	3.8%	10.0%	27.3%
Performance appraisal result used for training plainning. (Pearson chi square = 6.34, p = 0.042)	36%	52.5%	72.7%

Table 5c
Pct of Respondents Adopting Specific HRM Practice According to
CR Strategy Score For Each Sector

	CR Strategy Score		
	1	2	3
HRM Practices Adopted by Manufacturing Firms			
Long-term planning for HRM (Pearson chi square = 6.3l,p = 0.043)	35.6%	61.2%	54.4%
Managerial job description defines expected result (Pearson chi square = 8.42, p = 0.015)	25.6%	54.8%	62.5%
Non-managerial job description defines work procedure (Pearson chi square = 6.84, p = 0.033)	25.6%	53.3%	50.0%
Use of different performance appraisal system for managers and non-managers	58.7%	75.5%	100%

(Pearson chi square = 7.85, p = 0.019)	
HRM department involved in formulating corporate strategy (Pearson chi square = 25.76, p = 0.001)	11.1% 31.3% 72.7%
HRM Practice Adopted by Service Firms	
Managerial job description defines expected result (Pearson chi square = 8.62, p = 0.013)	31.3% 77.3% 71.4%

Initial finding

The initial finding suggests that each of the three strategies are associated with a fairly distinct group of HRM practices. DF strategy firms can be described as having a long-term approach to HRM and emphasizes a high level of employee participation. This emphasis is similar to the facilitation HRM philosophy which Schuler (1989) argues to be the form of HRM practice that should be developed by firms pursuing the differentiation strategy. However, the use of job descriptions which define a specific role for managerial employees and the work procedure for non-managerial employees is contrary to Schuler's view that differentiation strategy firms use implicit job descriptions. The use of personality and creativity test as a selection tool in recruitment suggests an emphasis on personality rather than technical fit as a main concern in employee recruitment. The above finding also shows that the use of personality test is niore prevalent in the service sector.

As for EN strategy firms, it was hypothesised that the HRM practice developed should be akin to the accumulation HRM philosophy. The association with the use of managerial job description which defines a specific role and non-managerial job description which defines the expected work result is consistent with emphasis on the use of explicit job descriptions in the accumulation HRM philosophy. However, the use of broad career path is contrary to Schuler's (1989) view that firms adopting this strategy are more likely to provide a narrow path to their employees.

The HRM practices associated with the CR strategy suggests an employee management approach which is very result focused. This is consistent with the utilization HRM philosophy which Schuler (1989) proposed is likely to be adopted by cost reduction strategy firms.This is evident from the use of job descriptions which defines the result expected and the use of appraisal result for training planning. The use of different performance appraisal systems for managerial and non- managerial employees suggests a more sophisticated and specific approach to performance appraisal. HOwever, the use of personality test among service firms adopting this strategy is contrary to the utilization philosophy which Schuler (1989) argued will emphasise the use of technical criteria in their recruitment selection practice.

Interaction effect

As mentioned earlier, studies have shown that the HRM practice of organisations is affected by a number of contingencies. It is therefore necessary to examine this possibility in assessing the relationship between strategy and HRM practice. This is all the more necessary since the evidence shows a relationship between sector and EN strategy. Examination of the data showed that 91.7% of the respondents with an EN strategy score of 3 are from the manufacturing sector (p = 0.000). It is therefore possible that the association between EN strategy and HRM practice can be attributed to sector. Logistic regression was used to examine the relationship of a number of variables on selected HRM practices. The variables selected as the independent variables are:

1. sector (SCT) i.e. whether a firm is in the manufacturing or service sector
2. nationality of firm owner (NFIRIvI) ie. whether it is Malaysian or foreign owned
3. presence of a HRM department (EHD)
4. strategy.

SCT and NFIRM were recoded into dummy variables SCT1, SCT2, NFIRM 1 and NFIRM2. Explaination of the coding is provided in Table 6a. Firms having a HRM department were coded as

' 1' and those without a HRM department were coded as ' 0' . The factor regression score for the strategies were used as the nieasure for strategy. All of the HRM practices described earlier as having significant associations were used as the dependent variables.

The logistic regression analysis resulted in six equations achieving goodness of fit (refer to table 6). The analysis shows that DF strategy is significant in predicting the use of managerial job descriptions which defines a specific role (refer to table 6a). However, EHD is a stronger predictor of this HRM practice. EHD and NFIRM2 are significant in predicting the use of long-term planning for HRM. Again, EHD is a stronger predictor of this practice.

Table 6a
R coefficient for Logistic Regression Equation for DF Firms

HRM practice	DF	NFIRM1[a]	NFIRM2[b]	SCTI[c]	SCT2[d]	EHD	PCC*
Use of long-term planning for HRM	0.077 (0.073)	0.061 (0.096)	0.098 (0.045)	0.000 (0.790)	0.000 (0.720)	0.277 (0.000)	70.3%
Managerial job description defines specific role	0.1114 (0.036)	0.000 (0.362)	0.000 (0.719)	0.000 (0.793)	0.000 (0.816)	0.144 (0.016)	64.7%

Table 6b
R coefficient for Logistic Regression Equation for EN Firms

HRM practice	DF	NFIRM1[a]	NFIRM2[b]	SCTI[c]	SCT2[d]	EHD	PCC*
Managerial job description defines specific role	-0.43 (0.127)	0.000 (0.472)	0.000 (0.986)	0.000 (0.786)	0.000 (0.797)	0.168 (0.007)	63.2%
Appraisal result used for training planning	0.204 (0.001)	0.05 (0.105)	0.000 (0.181)	0.000 (0.764)	0.000 (0.731)	0.000 (0.314)	70.4%

Table 6c
R coefficient for Logistic Regression Equation for CR Firms

HRM practice	DF	NFIRM1[a]	NFIRM2[b]	SCTI[c]	SCT2[d]	EHD	PCC*
Appraisal result used for training planning	0.146 (0.012)	0.026 (0.144)	0.000 (0.296)	0.000 (0.824)	0.000 (0.721)	0.000 (0.242)	64.5%
Long-term planning for HRM	0.076 (0.073)	0.049 (0.114)	0.084 (0.062)	0.000 (0.852)	0.000 (0.725)	0.256 (0.000)	69.0%

Figure in bracket is significance level.
a. NFIRM1 is a firm nationality dummy variable. Malaysian firms are coded as ' 1' and otherwise ' 0' .
b. NFIRM2 is a firm nationality dummy variable. Foreign firms are coded as ' 1' and otherwise ' 0' .
c. SCT1 is a sector dummy variable. Service firms are coded as ' 1' and otherwise ' 0' .
d. SCT2 is a sector dummy variable. Manufacturing firms are coded as ' 1' and otherwise ' 0' .
*Refers to percent correct classification of adoption and non-adoption of a HRM practice by logistic regression equation when compared with actual data.

EN strategy is significant in predicting the use of performance appraisal result for training planning, EHD is significant in predicting the adoption of managerial job descriptions which defines a specific role by EN firms. CR strategy is significant as a predictor of the use of performance appraisal result for training planning. EHD is significant in predicting the use of long-term planning by CR firms.

The evidence shows that in four of the six equations, variables other than strategy are stronger predictors of the dependent variables. This shows that the impact of strategy is less pervasive than suggested by HRM theory. As described earlier, EN and CR strategies are significant in predicting the use of appraisal result for training planning. This suggests that the impact of strategy may be more limited to training. It should also be noted that R coefficients are very small in these equations and are of limited practical significance. The finding also illustrates that contingencies other than strategy exert a bigger influence in shaping HRM practice.

A caveat should be raised here. The higher percentage of respondents in the service sector with less than 50 employees may have introduced some bias. The higher response rate among firms in the electronics/electrical industry and financial service firms, may also pose a similar problem. Likewise, the smaller number of responses from the service sector may be a reason there were only a limited number of statistically significant association between service firms and strategy. This may impose some limits on the generalisability of the findings of this study.

DISCUSSION

The findings do not show much support for the contention that the HRM practice of organisations are distinctly related to their strategy. Initially, it appeared that some HRM practices are associated with strategy. However, these practices tend to centre around the form of job description and selection method used by the firms and do not represent distinct types of HRM practice as depicted in Schuler's (1989) HRM philosophy. The differences between the manufacturing and service firms pursuing these strategies did not indicate that service firms exhibit stronger fit between HRM practice and strategy. Thus, it can be concluded that none of the hypotheses forwarded in this study are supported by the data gathered.

It is tempting to simply conclude that Malaysian firms are not strategic in their approach to HRM. However, in spite of the popularity of the strategic HRM concept there is no conclusive evidence that it exists in practice. Various studies which set out to examine the relationship between HRM practice and strategy in the US, UK and the Republic of Ireland did not find any relationship between the two(Storey, 1992: Peck, 1994: Rozhan, 1996). Some of the recent work in HRM has questioned the validity of the view suggesting a relationship between strategy and HRM practice (Peck, 1994). It is becoming increasingly evident that the influence of strategy on HRM practice is far less pervasive than suggested by the HRM theory.

It has been argued that the strategy-HRM fit concept is too simplistic. The strategy-HRM thesis is predicated on the assumption that strategy formulation is a rational and linear process and that strategy is easily accessible to HR managers (Storey and Sisson, 1993:39). In reality this is seldom the case. Quite often, strategy formulation is a political and emergent process which is continuously subjected to the influence of a number of forces (Mintzberg, 1978). As such, managers tend to have a problem grasping and pinning down the exact characteristics of their organisation's strategy and find it even more difficult to decide how their HRM practices should be shaped to support the strategy. Strategy is not always the dominant determiner of HRM practice. Instead, various contingencies interact to shape an organization's HRIvI practice. The findings of this study indicate that factors such as sector, ownership nationality and the existence of a HRM department also influences the HRM practice of an organization.

CONCLUSION

The findings of this study lend further support to the body of evidence indicating the lack of a relationship between strategy and HRM practice. This is important in pointing out the limitation of the strategic HRM construct. It is becoming clearer that the concept is a bit too simplistic and ignores the dynamic and complex interaction of internal and external contingencies that shape HRM practice (Boxal], 1993).

The findings suggest that the presence of HRM competencies, as indicated by the relationship between HRM practices and the presence of a HRM department, may be more important in shaping the form of HRM practice. Hiltrop, Despres and Sparrow (1995) observed that HR managers in Holland and Italy tend to focus on cost control. They attribute this to the predominantly finance background of HR managers in these countries. On the other hand, many HR managers in Germany are from the legal background and thus more concerned about interpreting rules and regulations. The characteristics of an organisation's HRM practice are to an extent shaped by the characteristics and competence of the HR managers.

HRM practitioners need to be mindful of the limitation of the prescriptions often found in the strategic HRM literature. The process of shaping the HRM practice in organisations will be influenced by various internal and external factors.

Appendix
30 Items Used to Measure Competitive Strategy.

	Mean	s.d.	n
i. Ability to develop new products for the market.	3.53	1.49	168
ii. Ability to provide good customer service.	4.63	0.89	169
iii. Achieving operating efficiency.	4.64	0.68	168
iv. Implementing effective quality control.	4.44	0.94	170
v. Develop experienced and trained personnel.	4.27	0.86	169
vi. Maintaining high inventory levels.	2.61	1.30	169
vii. Pricing your products competitively.	3.90	1.22	170
viii. Offer the market a broad range of products/facilities.	3.31	1.31	168
ix. Developing and improving existing products.	3.82	1.13	170
x. Achieving consumer brand identification.	2.99	1.61	169
xi. Ability to innovate in marketing techniques & methods.	3.49	1.32	166
xii. Ability to control channels of distribution.	2.72	1.48	167
xiii. Ability to procure the necessary raw materials.	3.10	1.58	166
xiv. Minimizing the use of external financing.	2.78	1.36	167
xv. Serve special geographical markets.	2.64	1.43	167
xvi. Capability to manufacture specialty products.	2.52	1.58	165
xvii. Positioning products for the high price market segment.	2.65	1.48	165
xviii. Extensive use of advertising.	2.45	1.23	169
xix. Ability to establish reputation in industry.	4.20	0.99	169
xx. Ability to forecast market growth.	4.09	1.00	170
xxi. Ability to innovate in manufacturing processes.	3.03	1.53	168
xxii. Ability to establish branches/outlets in strategic locations.	2.58	1.47	168
xxiii. Ability to serve customer quickly.	4.36	1.02	170
xxiv. Flexibility in pricing product/service.	3.34	1.28	169
xxv. Ability to minimize dealings with high risk customers.	3.21	1.31	169
xxvi. Ability to offer new products frequently.	2.63	1.39	167
xxvii. Ability to balance composition of clients.	3.10	1.30	167
xxviii. Increase use of automation and/or computerization.	3.89	1.05	170
xxix. Ability to develop long term relationship with customer.	4.44	0.92	170
xxx. Ability to have many agents.	2.14	1.24	169
	Mean	s.d.	n

Respondents were asked to indicate to what extent the above competitive methods are important for their organization. They were given a 5 point Likert scale to indicate the importance of these competitive methods with 1 indicating "Not important at all" and 5 "Very important".

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