

**THE RELATIONSHIP BETWEEN STRATEGIC HUMAN RESOURCE
MANAGEMENT (SHRM) AND ORGANIZATIONAL PERFORMANCE**

LOO FONG LING

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KOLEJ PERNIAGAAN
(College of Business)
Universiti Utara Malaysia

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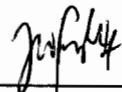
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Loo Fong Ling
College of Business
Universiti Utara Malaysia
06010 Sintok
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ABSTRAK

Sejak kebelakangan ini, organisasi semakin menyedari kepentingan peranan yang dimainkan oleh jabatan sumber manusia dalam kejayaan prestasi sesebuah organisasi. Tujuan kajian ini adalah untuk menguji perhubungan antara amalan pengurusan sumber manusia dan prestasi organisasi. Ia juga bertujuan untuk menentukan sejauh mana kesan amalan pengurusan sumber manusia (pengambilalihan, latihan, retensi dan pasaran tenaga kerja dalaman) terhadap prestasi organisasi. Sampel kajian diperolehi daripada pengumpulan dari kertas kaji soal selidik yang diedarkan kepada 105 pekerja dari organisasi Intel Shared Sumber Manusia Global Services (HR SSC) organisasi yang terlokasi di Pulau Pinang Malaysia. Sebanyak 100 kaji soal selidik yang sah digunakan untuk tujuan analisis. Data dianalisis menggunakan statistik Package untuk Ilmu Pengetahuan Sosial (SPSS) Versi 12,0 dengan uji reliabilitas, analisis korelasi Pearson dan regresi linier untuk menguji hubungan antara SHRM dan prestasi organisasi. Keputusan kajian menunjukkan bahawa di antara keempat pembolehubah bebas, pasaran tenaga kerja dalaman dan pengambilalihan mempunyai pengaruh paling besar terhadap prestasi organisasi. Hasil dari kajian ini boleh menjadi satu asas cadangan yang berguna kepada pengurus dalam menggalakkan amalan pengurusan sumber manusia dan kepada pekerja yang begitu prihatin untuk mengekalkan kelebihan bersaing mereka untuk kejayaan jangka panjang sesebuah organisasi.

ABSTRACT

Over the last decade, Organizations are becoming more aware of the important role human resources play in the success of their organizations to achieve financial performance. The purpose of this study is to examine the relationship between SHRM and organizational performance and to determine the extent of impact of SHRM (acquisition, training, retention and internal labor market) on organization's performance. The data were collected via hard copy questionnaire distributed to 105 employees within Intel Human Resource Global Shared Services (HR SSC) organization located in Penang Malaysia. A total of 100 useable responses were obtained and used for the purpose of analysis. Data were analyzed using Statistical Package for Social Science (SPSS) Version 12.0 with reliability test, Pearson correlation analysis and Linear Regression to examine the relationship between SHRM and organizational performance. The result shown that among all four independent variables, internal labor market and acquisition have the most influence on the organizational performance. The findings can form the basis for useful recommendations for managers in encouraging the practice of human resource management and for employees who are concerned with maintaining their competitive advantage for long-term organizational success.

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Loo Fong Ling
College of Business
University Utara Malaysia

TABLE OF CONTENTS

PERMISSION TO USE.....	ii
DISCLAIMER.....	iii
DECLARATION OF THESIS	iv
ABSTRAK.....	v
ABSTRACT	vi
ACKNOWLEDGEMENTS.....	vii
TABLE OF CONTENTS	viii
LIST OF TABLES.....	x
CHAPTER 1	1
INTRODUCTION	1
1.1 Introduction to the Study	1
1.2 Research Questions	3
1.3 Research Objective	4
1.4 Motivation of Study	7
1.5 Significance of the Study	9
1.6 Organization of Remaining Chapters.....	10
CHAPTER 2	11
LITERATURE REVIEW	11
2.1 Strategic Human Resource Management.....	11
2.2 Development of SHRM	12
2.3 Definition of SHRM	12
2.4 Relationship between SHRM and Organization Performance.....	14
2.5 Definition of Terms.....	18
2.6 Summary of Chapter	25
CHAPTER 3	26
METHODOLOGY	26
3.1 Research Design.....	26
3.2 Population and Sample	27
3.3 Instrumentation	27
3.3.1 Independent Variables	27
3.3.2 Dependent Variables.....	30
3.4 Questionnaire Design.....	31
3.5 Data Collection	32
3.6 Data Analysis	32
3.7 Summary of Chapter	33

CHAPTER 4.....	34
FINDINGS.....	34
4.1 Overview of Data Collection	34
4.2 Profile of Respondents.....	35
4.3 Goodness of Measure.....	37
4.3.1 Reliability Test	37
4.4 Descriptive Analysis	38
4.5 Major Findings.....	39
4.5.1 Pearson Correlation Coefficient	39
4.5.2 Linear Regression.....	40
4.6 Summary of Chapter	42
CHAPTER 5.....	44
DISCUSSION AND CONCLUSION	44
5.1 Overview of the Research.....	44
5.2 Results Summary	44
5.3 Practical Implications.....	46
5.4 Limitations and Strengths of the Research	46
5.4.1 Limitations of the Research.....	47
a. Limited Research Population.....	47
b. Other Variables	47
5.5 Recommendations for Future Research	47
5.6 Conclusion	48
REFERENCES	48
Appendix A.....	55
Appendix B.....	56
Appendix C.....	57
Appendix D.....	58
Appendix E	60
Appendix F	61
Appendix G.....	62

LIST OF TABLES

Table 4.1	Survey Responses	35
Table 4.2	Profile of Respondents	36
Table 4.3	Reliability Test on Instruments	37
Table 4.4	Descriptive Statistics of the Dependent and Independent Variables	38
Table 4.5	Inter Correlations of the Major Variables	39
Table 4.6	Results of Regression Analysis of HRM configurations on Organizational Performance	41

CHAPTER 1

INTRODUCTION

This chapter describes a brief background of the research. It explores the problem statement, objectives and motivation of the study, and the significance of the study.

1.1 Introduction to the Study

In the rapidly changing economic environment, globalization facilitates the formation of a common worldwide market, changing customer and investor demands, and ever-increasing product-market competition. The changes demand that organizations improve their performance to gain greater competitive advantages by reducing costs, enhancing quality, and differentiating their products and services. But these can be easily imitated by the competitors. To outshine them organizations turn to their employees as an important source of competitive advantage (Barney, 2001).

The management of people within organizations has become an increasingly important focus for researchers and practitioners alike over the past 20 years. Organizations are becoming more aware of the important role human resources play in the success of their organizations to achieve financial performance. As a result, organizations are becoming to be employee-centric by focusing on enhancing employee engagement and organizational commitment.

It is important for organizations to adopt human resource management (HRM) system that optimize its workforce as it is able to help organizations achieve competitive

advantage in today's global market economy that provides wider access to technology, finance and other resources. According to resource-based view (Barney, 2001), competitive advantage of an organization lies primarily in the application of the bundle of valuable resources at the organization's disposal. Traditionally, sources such as natural resources, technology and economics of scales, could create competitive advantage for organizations, but these traditional sources have lost their competitive edge as they could be easily imitated by the competitors. As a result, HR has replaced them as a main source of competitive advantage. High quality HR enables organizations to compete on the basis of market responsiveness, quality of product and service, differentiated products, and technological innovation (Becker, Huselid & Ulrich, 2001). Effective HRM assists in developing human resources into a high-quality and efficient workforce, thus enabling the organization to obtain a competitive advantage through their people. In contrast, inefficient workforce can increase labor costs and decrease an organization's productivity and performance. HR strategy is an invisible asset; it creates value when embedded in the operational system that enhances organization ability to deal with a turbulent environment. Indeed, HR has increasingly affected organizations' market valuations, although it does not appear on organization's financial statements (Lev, 2001).

The argument that suggests that organizations can gain competitive advantage through their HR has led to increasing scholarly investigations into the impact of HRM on organizational performance. Organizational performance can be classified into financial performance, customer performance, internal process performance, learning and development performance, social performance and environmental performance etc (Mitchell, 2002). The interest in HR-performance link may be heightened by the

fact that the underlying assumption of HRM is that organizational performance is influenced by a set of Strategic HRM (SHRM). Several studies have provided empirical evidence on this relationship (e.g. Becker & Huselid, 1998; Guthrie, 2001; Hitt, Bierman, Shimizu, & Kochhar, 2001; Ichniowski, Shaw, & Prennushi, 1997; MacDuffie, 1995).

Theories about impacts of HRM on organizational performance can be categorized into three major perspectives, i.e. HRM practices, HRM system and strategic HRM. HRM practices theory includes research on the influencing factors of organizational performance, verification of the impact of HRM practices on organizational performance, and looking for the most important factors associated with HRM practices (Katou, 2008). Research on HRM system takes HRM as one of the important parts of the organization which impacts organizational performance as a system. In this system every element of HRM interacts with one another. Through these interactions HRM influences organizational performance (Katou, 2008). Strategic HRM system is a pattern of planned HR deployments and activities intended to enable a organization to achieve its goals. Ulrich and Lake (1990) described SHRM as the linkage of HR functions with strategic goals and organizational objectives to improve business performance and cultivate an organizational culture that fosters innovation and flexibility. This study will examine the impact of organization performance from the SHRM practices perspective.

1.2 Research Questions

This paper addresses the following questions that serve to uncover relationships among the underlying SHRM that affect the organizational performance of HR department:

Research question 1: Does SHRM configuration (acquisition, training, internal labor market , and retention) has relationship to HR organizational performance?

Research question 2: To what extent does SHRM configuration (acquisition, Training, internal labor market, and retention) affect HR organization performance?

1.3 Research Objective

Human Resource Management (HRM) has been developed into Strategic Human Resource Management (SHRM) by researchers seeking to emphasize the importance of the concept to the effective functioning of organizations. To this end, many authors have maintained that SHRM is straightforwardly linked to organizational performance and there is a preponderous of opinion that high-performing work organizations pay special attention to adopting particular HRM policies and linking these to the strategies of their organizations (Harris & Ogbonna 2001). However, regardless of the rising popularity of SHRM, there have been very few systematic evaluations of the claims that it is linked to performance and doubts remain as to its theoretical foundations (Harris & Ogbonna, 2001).

According to Dileep (2006), there are two approaches of SHRM : 1) attempts to link human resource activities with competency based performance measures, and 2) attempts to link human resource activities with business surpluses or profit. These two

approaches indicate two factors in an organizational setting. The first one is the human factor, their performance and competency, and the latter is the business surplus. An approach of people concern is based on the belief that human resources are uniquely important in sustained business success. An organization gains competitive advantage by using its people effectively, drawing on their expertise and ingenuity to meet clearly defined objectives. Integration of the business surplus to the human competency and performance required adequate strategies. Here the role of strategy comes into picture. The way in which people are managed, motivated and deployed, and the availability of skills and knowledge will all shape the business strategy (Schuler, 1992). The strategic orientation of the business then requires the effective orientation of human resource to competency and performance excellence.

Numerous studies have shown a positive relationship between effective SHRM and organizational performance (e.g. Becker & Huselid, 1998; Huselid, 1995; Terpstra & Rozell, 1993). Academicians have also argued that traditional HRM that emphasizes functional roles in organizations no longer contributes to business success, hence, researchers have urged companies to transform their HRM into SHRM (Becker, Huselid & Ulrich, 2001). Several studies proposed that the rapidly changing environment requires SHRM to be a business partner and to align itself with the business to sustain the success of competition (Lawler & Mohrman, 2003; Ulrich, 1997)

In particular quantitative studies have shown that strategic HRM, which includes retention (Collins, 2000), acquisition (Wan, Kok, & Ong, 2002), training (Wan, Kok, & Ong, 2002), and internal labor market (Harel & Tzafrir, 1999), have direct impacts

on organizational performance. However, important questions remain as to whether SHRM impacts the organizational performance.

It is acknowledged that while a few investigations have been initiated in emerging markets and in transitional countries (Ahlstron, Foley, Young, & Chan, 2005; Zupan & Kase, 2005), the literature highlights that most of the studies examining the relationship between HRM and organization's performance have been conducted and focused on manufacturing and services industries in the United States and the United Kingdom (e.g. Huselid, 1995; Guest, Michie, Conway, & Sheehan, 2003). To fill this gap and to further examine the process through which SHRM such as retention, acquisition, training and internal labor market, impact organizational performance, it is important to conduct this study by examining an established US based multinational company which operates in a non US site, and the extent of the HRM impact on the HR organization's performance at non-US site. In this study, I examined a three-year old HR organization, and its HRM practices, and its organization performance.

Another reason for this study is attributed to the uniqueness of the HR department itself. Labor costs in HR department such as salaries, wages and benefits represent 43% of total operating expenses for the organization (Quek, 2000). Hence, the effectiveness of human resource has not been thoroughly studied in an HR organization and there is limited research on how HRM affects an organizations' bottom line performance in its HR organizations.

Hence, the purpose of this study is to examine the relationship between HRM and HR organizational performance. This study focused on Intel Human Resource Shared

Service Center (SSC) organization, which is in one of the significant emerging HR department in Intel. This study is to examine the impact of HRM implementation on HR SSC's organizational performance.

1.4 Motivation of Study

This study arises from the need to manage the HRM of the organization more effectively. The rapid growth of Intel organization, increase in environmental variability and degree of worldwide competition has urged Intel HR organization to aggressively and effectively manage the HRM within Intel in view of the fact that HRM can affect organizational performance and impact the competitive advantage in global market.

Intel HR Global Shared Services Center (SSC) is a one HR Shared Service Center models, with two locations (Penang Malaysia and Costa Rica), delivering seamless HR services and support to Intel employees worldwide. The HR SSC is a true shared service organization consistent with the industry, focuses on broader work than transactions. The mission of the HR SSC organization is to deliver a competitive advantage to Intel by building strong organizations and providing competitive services and benefits. These SSCs provide regional and global HR operational services and support that includes transaction centers, HR business operations, and internal contact centers.



As a shared services organization, HR SSC always needs to ensure that it is striving for and delivering operational excellence in all areas of the business. In moving forward into 2010, Intel will continue to evaluate the needs of the organization and look for opportunities to strengthen the foundation, streamline the operations, and better position itself for success in delivering operational excellence in all areas of the Intel business.

The HR group is essential to the success of this new company structure and to Intel's long-term strength. HR delivers that value through the close alignment with the Intel business and HR continuing strategic focus on developing the people and organizations that will position Intel to win. To meet these goals HR must keep enhancing the strategic business partnering capacity within HRM. Hence it is crucial to understand the impact of SHRM on the organizational performance.

Specifically, this study is intended to achieve the following objectives:

- a. To examine the relationship between SHRM and organization performance.
- b. To determine the extent of impact of SHRM (Acquisition, Training, Retention and Internal Labor Market) on organization's performance.

- c. To examine which among the independent variables is the most important dimension in explaining organizational performance.

1.5 Significance of the Study

Rapid environmental change, globalization, innovations to provide competitive products and services, changing customer and investor demands have become the standard backdrop for organizations. To compete effectively, organizations must constantly improve their performance by reducing costs, enhancing quality, and differentiating their products and services. To improve organization performance and create organization competitive advantage, HR must focus on a new set of priorities. These new priorities are more business and strategic oriented and less oriented towards traditional HR functions such as staffing, training, appraisal and compensation. Strategic priorities include team-based job designs, flexible workforces, quality improvement practices, employee empowerment and incentive compensation (Jing & Huang, 2005). SHRM is designed to diagnose organization strategic needs and planned talent development which is required to implement a competitive strategy and achieve operational goals (Huselid, Jackson, & Schuler, 1997). Thus, this study is valuable for HR practitioners and managers in identifying the specific configurations of HRM practices that impact organizational performance. By doing so, reexamination on the current HR practices can be made so that improvements can be incorporated to make sure that the organization will benefit both in the short and long run.

1.6 Organization of Remaining Chapters

This paper consists of five main chapters. Chapter 1 provides an overview of the study, the research objectives, motivation of the study and significance of the study. Chapter 2 reviews the available literature and terminology on SHRM practices and organization performance relationships. Chapter 3 details the research process, variables, research methodology, survey design and data analysis. Chapter 4 discusses the interpretation of the research findings. There are reports of the descriptive statistical analysis. The results are summarized in a number of tables to facilitate interpretation. Chapter 5 is the final chapter. It provides a brief summary of the study. Conclusions and implications are also discussed.

CHAPTER 2

LITERATURE REVIEW

The purpose of this chapter is to review the literature relating to the study of the impact of SHRM practices on organizational performance. This chapter is organized into five parts, namely SHRM, development and definition of SHRM, relationship between SHRM and organization performance, and the definition of the variables used.

2.1 Strategic Human Resource Management

Recent theoretical works on business strategy indicate that organization's competitive advantage could be generated from organization's human resources (HR). According to resource-based view (Barney, 1986), the organization could develop sustained competitive advantage by creating value in a manner that is rare and difficult for competitors to imitate. Traditional sources of competitive advantage, such as natural resources, technology and economics of scale have become increasingly easy to imitate. The concept of HR as a strategic asset has implications for this issue. HR is an invisible asset that creates value when it is embedded in the operational system in a manner that enhances the organization's ability to deal with a turbulent environment.

As such, strategic human resource management can be defined as the linking of human resources with strategic goals and objectives in order to improve organizational performance and develop organizational culture that foster innovation, flexibility and competitive advantage. In an organization SHRM means accepting and involving the HR function as a strategic partner in the formulation and

implementation of the organization's strategies through HR activities such as recruiting, selecting, training and rewarding personnel etc.

2.2 Development of SHRM

SHRM has grown considerably in the last 15 years. Schuler, Jackson, and Storey (2001) described the evolution of SHRM from personnel management in terms of a two-phased transformation: first from personnel management to traditional human resource management (THRM), and then from THRM to SHRM. To improve organization performance and create organization competitive advantage, HR organization must focus on a new set of priorities. These new priorities are more business and strategic oriented and less oriented towards traditional HR functions such as staffing, training, appraisal and compensation. Strategic priorities include team-based job designs, flexible workforces, quality improvement practices, employee empowerment and incentive compensation. SHRM was designed to diagnose organization strategic needs and planned talent development which is required to implement a competitive strategy and achieve operational goals (Huselid, Jackson & Schuler, 1997).

2.3 Definition of SHRM

Despite the increasing attention paid to SHRM, the term remains unclear. Some scholars have described SHRM as an outcome, others have described it as a process, and others have considered it a combination of process and outcome. As an outcome, Wright, McMahan, and McWilliams (1994) considered SHRM “the pattern of

planned HR deployments and activities intended to enable a organization to achieve its goals” (pg. 298). Similarly, Wright and Snell (1991) considered SHRM to be “organizational systems designed to achieve sustainable competitive advantages through people” (page 210). As a process, Ulrich and Lake (1990) described SHRM as a process of linking HR practices to business strategy. Bamberger and Meshoulam (2000) argued that SHRM is a competency-based approach to personnel management that focuses on the development of durable, imperfectly imitable, and non-tradable people resources.

Considering both process and outcome together, Truss and Gratton (1994) defined SHRM as the linkage of HR functions with strategic goals and organizational objectives to improve business performance and cultivate an organizational culture that fosters innovation and flexibility. However, in the absence of a consistent definition, scholars broadly agree that the central feature of SHRM involves designing and implementing a set of internally consistent policies and practices to ensure that organization human capital contributes to achieving business objectives (Gratton & Hope-Hailey, Stiles, & Truss,1999; Jackson & Schuler, 1995).

The degree to which HRM may be considered a strategy is determined by the various factors involved. The present study summarized these factors based on previous works as follows. Firstly, as Welbourne and Cyr (1999) suggested, HR professionals play an important part in strategy formulation since they develop policies and procedures to match the business strategy, and thus directly influence the development of the business. Additionally, they may bring critical resources to enhance the departmental ability to implement HR practices. Secondly, strategically

impacting organization performance requires aligning the HR system (internal fit) with the operating and strategic goals (external fit). This alignment should establish a closer relationship between HR and other functions. Thirdly, the specificity and formality requirements of HRM planning and the extent of line manager participation in HRM activities are potential influences on SHRM implementation.

2.4 Relationship between SHRM and Organization Performance

SHRM is the planned pattern of human resource deployment and activities intended to enable the organization to meet organizational goals and objectives (Noe & Wright, 2007). In other words, the definition of SHRM is represented by the degree of participation in core decision-making and partnership undertaken by HRM departments, and the specificity and formality that HRM departments require in planning and implementing. All of that is to ensure that organization human capital contributes to achieving organization business goals. However, the rapidly increasing interest in SHRM has not been matched by the development of appropriate theoretical constructs for the concept (Guest, 1997). Indeed, researchers have criticized the underpinning theoretical foundations of SHRM and many have called for the formulation of a theory of SHRM (Dyer & Reeyes, 1995). Two major reasons account for this criticism. The first is that the concept of HRM, from which SHRM originated, has itself been subjected to extensive criticisms for its poor theoretical framework (Legge, 1994). The second is that researchers have approached the field of SHRM from a variety of perspectives with little acknowledgement of the differences within them and no attempt has been made to identify the common threads in the

perspectives (Delery & Doty, 1996). Such an understanding is important to enable an assessment of the viability and adoption of the concept.

In an extensive review of the literature, Delery and Doty (1996) identify three categories of researchers and the perspectives that they have adopted in theorizing SHRM. They tag the first group of researchers 'universalists' largely because of their interest in identifying 'best practice' SHRM policies. Delery and Doty (1996, p. 803) note that "these researchers . . . posit that some human resource practices are always better than others and that all organizations should adopt these best practices." (page 803). It is within this perspective of theorizing in SHRM that the present interest in developing 'high performance work practices' is located (Osterman, 1994). Thus, the assumption is that the adoption of certain SHRM policies is likely to result in increased organizational performance (Kochan & Dyer, 1993).

The second strand of theorizing identified by Delery and Doty (1996) comprises those researchers adopting a contingency approach. In keeping with the early foundation of the contingency perspective within organizational theory, these researchers argue that the success of HRM policies is contingent upon the achievement of a match between human resource policies and other aspects of the organization. For example, researchers adopting this perspective have demonstrated that different human resource policies may be required at different stages in an organization's life cycle (Bird & Beecher, 1995). Delery and Doty (1996) identified a third group of SHRM theorists as adopting a 'configurational' approach. Delery and Doty (1996, p. 808) noted that this approach is more complex and consists of researchers who seek to " . . . identify configurations, or unique patterns of factors, that are posited to be maximally

effective." This category of researchers are also said to approach their subject from a more theoretical perspective and many of the phenomena they identify may not necessarily be empirically observable (Doty & Glick, 1994).

A consistent theme in all three theoretical perspectives of SHRM is the assumption that SHRM is linked to organizational performance. However, while the literature is rich with claims that both HRM and SHRM are linked to performance, there is little empirical evaluation of this and the theoretical foundations upon which these links are based have been described as inadequate (Guest, 1997). Accordingly, a better understanding of the role of the implementation of strategic human resources management in creating and sustaining organizational performance and competitive advantage should be achieved through further theoretical development and empirical evidence (Jing & Huang, 2005).

In conclusion, the research for this study is based on SHRM approach. It examines the hypothesis that organizations that implement SHRM approach achieve higher performance than organizations that do not. This research will focus on this issue and will add to the body of knowledge about the effect of strategic human resource implementation on organization performance.

The literature suggests that resource-based view of the organization can link organizational performance to internal resources (Barney, 1991; Lado & Wilson, 1994; Pfeffer, 1994) based on core competencies (Prahalad & Hamel, 1990). There has been support for positive associations between organization level measures of

Huselid (1995) argued that the use of HR practices for organizational performance is contingent on both the degree of complementary or internal fit among the HR practices and the degree of alignment, or external fit. His construct of HR system practices includes comprehensive employee recruitment and selection procedures, incentive compensation and performance management systems, extensive employee involvement, and training systems. Accordingly, this alignment of HR system practices can improve the knowledge, skills and abilities of organization current employees, while increasing motivation, reducing shirking, enhancing retention of quality employees and encouraging non-performers to leave the organization. In this study, the focus is to examine the combined effects of multiple practices (acquisition, training and development, retention and internal labor market) on organizational performance.

Following a configuration approach to SHRM, Datta, Guthrie, and Wright (2003) proposed that multiple bundles of HR practices are related to organizational performance. Specifically a proposal is presented that includes four distinct configurations (acquisition, training and development, retention, and internal labor market) of HR practices that are theoretically related to organizational performance.

2.5 Definition of Terms

Acquisition is the process of employment planning and forecasting, recruiting, evaluating, and selecting employees, setting performance standards or expectations, and employees performance management (Terpstra & Rozell, 1993). Acquisition is important in building an organization's overall level of human capital by acquiring

talent with special knowledge and experiences from outside the organization. HR planning, extensive recruiting, and selective staffing practices have been seen as keys to acquiring higher levels of human capital (Koch & McGrath, 1996; Terpstra & Rozell, 1993). With effective acquisition management, organizations can perform these functions and more to finely tune workforce management and improve performance. Hiring the right person is one of the most important HRM functions for the organization (Crowley, 1999). By hiring the right candidate, the organization is able to save up the training effort and time, increase the retention rates, and reduce the turnover rates (Terpstra & Rozell, 1993). Thus, the acquisition practice leads to financial success, and therefore, increased organizational performance (Terpstra & Rozell, 1993).

To ensure the success of the organization, the acquisition activity requires accurate employment planning and forecasting, which involve determining future human resources supply and demand (Jackson & Schuler, 1995). It is also key in the decision making process of determining a standard of core talents that need to be hired. Prospective candidates can be identified from internal and external sources. Internal recruiting has benefits of cost efficiency and increases employee motivation and moral by rewarding the good work of current employees through either horizontal or vertical movement within the organization (Osterman, 1994). Meanwhile, external recruitment has several advantages over internal recruitment (Gomez-Mejia, Balkin & Cardy, 2001) such as bringing new ideas and talent, providing cross-industry insights, reducing training costs, and helping organizations meet equal employment opportunity requirements. Terpstra and Rozell (1993) examined the relationship between acquisition practices and overall organizational performance. They found

that acquisition practices had significant effects on the indicators of organizational performance.

In summary, organizations will make better informed hiring decisions when they are equipped with knowledge of the market, in terms of worker supply and skill distribution. In general, the more effort an employer is willing to make to reduce uncertainty about the future value of new people, the greater labor productivity the organization will gain (Koch & McGrath, 1996).

Training and Development is the field concerned with organizational activity aimed at bettering the performance of individuals and groups in organizational settings (Barrett & Connell, 2001). Swanson (1995) defined training and development as a process of systematically developing expertise in individuals for the purpose of improving performance. An organization strategically implements training and development programs to improve employees' skills and knowledge for their current jobs and to make employees to prepare for future jobs.

Training and development is the framework that helps employees to develop their personal and organizational skills, knowledge, and abilities. It includes employee training, employee career development, performance management and development, coaching, mentoring, succession planning, key employee identification, tuition assistance, and organization development. (Barrett & Connell, 2001). Training can be treated as an investment in organizational human assets. Organizations that offer training and employee development are making a visible investment in employees. Among its positive outcomes, this investment increases employability for the individual employee. According to exchange theory, this investment can create in

employees a moral obligation to see that the organization gets its money's worth in return it increases the organization performance (Harel & Tzafrir, 1999).

Training and development is a bridge to close the gap between the required skill for performing a job and that available with the workforce, and to meet the future requirements of the organization (Goldstein & Ford, 2002). As a result, the employees need to be trained and retrained to fit to the business needs. Training may be conducted in-house or even by consultants. Training and development is expected to be a systematic process in developing expertise in individuals for the purpose of improving personal and organizational performance (McClelland, 1994). An organization strategically implements training and development programs to up skill employees' capability and knowledge of their current jobs and to make employees to prepare for future jobs.

Designing a training and development program involves a sequence of steps that can be grouped into five phases: needs assessment, instructional objectives, design, implementation and evaluation (McClelland, 1994). To be effective and efficient, all training programs must start with a needs assessment. The purpose of a training needs assessment is to identify performance requirements or needs within an organization in order to help direct resources to the areas of greatest need, those that closely relate to fulfilling the organizational goals and objectives, improving productivity and providing quality products and services (McClelland, 1994). The needs assessment is the first step in the establishment of a training and development program. It is used as the foundation for determining instructional objectives, the selection and design of instructional programs, the implementation of the programs and the evaluation of the

training provided (McClelland, 1994) Thus, needs assessment is a process of identifying “the gap(s) between optimal performance and actual performance” (Breiter & Woods, 1997, p. 88).

Generally, training activities can directly influence performance in at least two ways. First, they improve knowledge, skills, and abilities (KSAs) relevant to employees’ tasks and development (Harel & Tzafrir, 1999). Second, they have been shown to increase employees’ satisfaction with their jobs and workplace. (Harel & Tzafrir, 1999) Researchers (e.g. Bartel, 2004; McClelland, 1994; McElroy, 2001) found evidence to support the notion that training activities build human capital which in turn influences organizational performance. Numerous studies also suggested that the training and development play critical roles in developing and maintaining competitive advantages and employee retention (e.g., Barrett & O’Connell, 2001; Cho, Woods, Liping & Jang, 2001; Saks, 1996).

Internal Labor Market (ILM) refers to the mobility of employee within the organization. Harel and Tzafrir (1999) suggested that employee mobility may improve organizational performance in two ways. Firstly, it directly helps promote knowledge, experience and satisfaction in the work environment. Secondly, it may decrease recruitment, selection and training costs. Internal labor market implies a one-dimensional exchange process (Baron & Kreps, 1999); managers who are more likely to promote the internal employee can expect to gain increased performance in return. Indeed, researchers have found that the opportunity for career development offered by an organization to its employees correlates positively with organizational performance (Delery & Doty, 1996; Delaney & Huselid, 1996).

Retention strategies refer to the means, plan or set of decision-making behavior put in place by organizations to retain their competent workforce for performance (Gberevbie, 2008). Researchers have found that employees are more likely to remain and work for the successful achievement of organizational goals when appropriate employee retention strategies are adopted and implemented by organizations (Amadasu, 2003; Taplin, Winterton & Winterton, 2003; Gberevbie, 2008). Studies have shown that appropriate employee retention strategies such as job satisfaction arising from appropriate rewards (Gomez-Mejia, Balkin & Cardy, 2001; Heneman & Judge, 2003), performance pay (Griffeth, Hom, & Gaetner, 2000), employee training and career development (Okoh, 1998), creation of social community in the workplace that enhances social ties such as encouraging employee marriages and siblings employment (Ayagi, 2001), job security, high level of wage rate and organization's image (Taplin, Winterton & Winterton, 2003) and participative decision making and information sharing (Jike, 2003; Riordan, Vandenberg & Richardson, 2005) serve as catalyst in retaining employees for organizational performance.

The challenge for most organizations is developing the ability to retain their resources. Frank (2004) asserted that employees today are not solely money-focused but more concerned with the sense of involvement, skill growth, sense of organizational belonging, working conditions, and job design. Employees may also be less likely to leave the organization if there is a system of socialization practices in place that foster identification with the organization (Frank, 2004). Many of today's employees are looking to balance their personal and work lives as the most important needs that determine their willingness to stay with an organization (Izzo & Withers,

2002). Manoochehri and Pinkerton (2003) asserted that flexible working schedule and environment leads to high employee satisfaction through flexibility, and ability to balance family needs and work requirement.

Organizational performance refers to the actual output or results of an organization as measured against its intended outputs, goals and objectives (Skrinjar, Bosilj, Indihar & Stemberher, 2008). Organizational performance includes strategic planners, operations, finance, legal, and organizational development. For an organization to achieve its goals, it is essential for each employee to understand individual roles and responsibilities for organization goal achievement, and there must be continuous dialogues between leaders and employees to set performance expectations, monitor progress, and evaluate results (Skrinjar, Bosilj, Indihar & Stemberher, 2008).

Dyer and Reeves (1995) suggested four types of organizational performance measures: (a) human resource outcomes; (b) organizational outcomes; (c) financial accounting outcome; and (d) capital market outcomes. Human resource outcomes relates to changes in employees' behavior which includes turnover rates, absenteeism rate, and employee satisfaction. Organizational outcomes contain labor productivity, customer satisfaction, and quality of products and services. Financial accounting outcomes include three measures such as return on assets, return on equity and profitability. Capital market outcomes reflect how market evaluates an organization which consists of three indicators: stock price, stock price growth rate, and market returns.

Out of four categories of organizational performance, the organizational outcomes are used in this study to measure organizational performance. Here, organizational

outcomes consists of two main measures: customer outcomes and operational efficiency outcomes. Customer outcomes refer to changed customers' behavior and perceptions such as customer satisfaction, customers' complaints, perceived product and service quality. On the other hand, operational efficiency outcomes refer to the efficiency level that a company achieves through operational functions (Dyer & Reeves, 1995). Roger and Wrights (1998) research indicated that organizational outcomes are the most commonly used measurement of organizational performance compared with the other three outcomes.

2.6 Summary of Chapter

This chapter had presented a review of literature that focused on the SHRM, the development of SHRM, the relationship between SHRM and organizational performance. The following chapter describes in the detail the procedures and methodology that were used for data collection and analysis in this study.

CHAPTER 3

METHODOLOGY

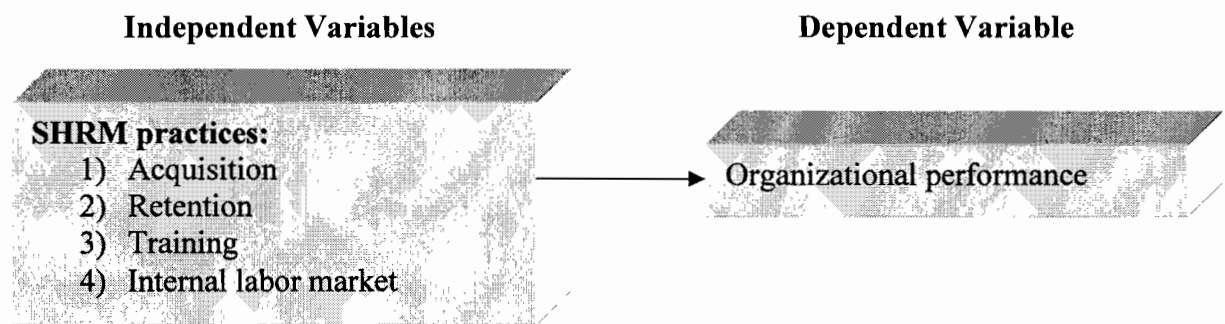
This chapter outlines an overview of the methodology on which this study is based. The research process, research questions, population and sample, questionnaire design, data collection, variables and measures are described in detail.

3.1 Research Design

The main objective of this study is to ascertain the relationship between SHRM practices and organizational performance. Four SHRM configurations are used such as acquisition, training, retention, and internal labor market, to determine their relationship to organizational performance. According to Wan, Kok, and Ong (2002), these variables are considered sufficient to cover the key dimensions of SHRM system because most scales in the area of SHRM concentrate on strategically linking of single or few HR practices. Studies that are conducted with respect to single HRM practices may be biased (Becker & Gerhart, 1996).

Data are collected from the group of HR employees from Intel Greater Asia Regions Human Resource Shared Services Center (GAR HR SSC) based in Penang mainly because this site covers 70% of the entire headcount of Intel Global HR Shared Services Center. A survey was conducted to find out the relationships between HRM practices and organizational performance by distributing printed questionnaires. The questionnaire, together with a cover letter, explaining the research objective of this study (as in Appendix A) was distributed to Intel GAR HR SSC managerial and non

managerial HR employees. Participants were required to complete a SHRM configuration questionnaire that measures the extent of the HR practices in the organization and also the perceived organizational performance. A total of 105 copies survey were distributed to the entire population in GAR HR SSC who based in Penang Malaysia.



3.2 Population and Sample

The population of the present study consisted of employees of the Intel the Intel GAR HR SSC organization in Penang. There are 105 employees in Intel HR SSC in Penang (14 managerial employees and 91 non-managerial employees). Because of the small number of employees, questionnaires were distributed to all of them in order to obtain more accurate and reliable data. A total of 100 useful questionnaires were returned within a week time.

3.3 Instrumentation

3.3.1 Independent Variables

The main objective of this study is to ascertain the relationship between SHRM practices and organizational performance. Four variables are used to model the organizational SHRM system and they are considered adequately to capture the key dimensions of the SHRM system (Snell & Dean, 1992):

- I. Acquisition
- II. Training
- III. Internal labor market
- IV. Retention

I. Acquisition

The skill and capability of an employee in an organization can be influenced through the staffing and hiring selection processes. According to previous empirical work (Bae & Lawler, 2000; Wan, Kok & Ong, 2002), acquisition refers to the extent of organization's use of selective staffing and hiring. To measure this variable, Snell and Dean's (1992) acquisition scale was employed. This instrument measures the extensiveness of the organization's selection process. The 7-items of acquisition were measured on a 5-point Likert scale ranging from strongly disagree (1) to strongly agree (5). The scale appears in Appendix B. According to Harel and Tzafrir (1999), Snell and Dean (1992), and Wan, Kok, and Ong (2002), the reliability estimates for the acquisition configuration in this study are reported respectively at $\alpha = .83$, $.79$ and $.83$.

II. Training

The definition of training expands from training directly related to the performance of official duties to any training that improves individual and organizational performance

and assists an agency in achieving its mission and performance goals. The training instrument is adopted from Snell and Dean (1992) with the reliability estimates for training scale at $\alpha = .88$ (Delaney & Huselid, 1996), $\alpha = .76$ (Harel & Tzafrir, 1999) and $\alpha = .81$ (Wan, Kok, & Ong, 2002). It is a seven-item scale of the extensiveness of employee training. This questionnaire assesses the level of formal training and the effectiveness of the overall training program as identified by Cascio (2000), Delaney and Huselid (1996), and Wan, Kok, and Ong (2002). The respondents rated the effectiveness of the training program in the organization on a 5-point Likert scale ranging from strongly disagree (1) to strongly agree (5).

III. Internal Labor Market

In the recent years, organization is trying to cultivate internal promotion through internal labor market (Delaney & Huselid, 1996). A four-item scale was used to measure the organization readiness to extend the opportunities to employees through internal promotion. The Internal Labor Market (ILM) in an organization is always associated with greater promotion chances, getting higher pay, better development opportunities and greater employee autonomy (Ngo & Tsang, 1998). The ILM instrument in the survey is to assess the extent to which employees are made aware of the internal promotion opportunities and the extent to which internal candidates are given priority over the external candidates. The respondents rated each item on a 5-point Likert scale ranging from strongly disagree (1) to strongly agree (5). The scale appears in Appendix D. The ILM configuration was adopted from Delaney and Huselid (1996) to indicate the level of emphasis an organization places on providing employees with internal mobility opportunities with the reliability estimates for ILM

scale at $\alpha = .82$ (Delaney & Huselid, 1996) , $\alpha = .74$ (Harel & Tzafrir, 1999) and $\alpha = .83$ (Ngo & Tsang, 1998).

IV. Retention

Retention was assessed by using a seven-item scale ($\alpha = .72$), developed by Collins (2000). This scale measures the degree to which strategies are established, both at the organizational and individual levels to retain the employees. A retention configuration offers work situation alternatives that encourage a balanced work life (e.g. work flexible schedule) that can serve as an encouragement to employees. This configuration can help the organization to attract and retain the talented and valuable employees (Collins, 2000). The respondents were asked to rate on a 5-point Likert scale ranging from strongly disagree (1) to strongly agree (5). The scale appears in Appendix E.

3.3.2 Dependent Variables

Organizational performance

The dependent variable in this study is organizational performance. Mahoney (1984) argues that because of interactions and dependencies in the work process, organizational performance is not a simple sum of individual or unit performance or productivity. Becker et al. (2001) noted that SHRM is a goal-directed process, and for research to accurately measure effectiveness, it must evaluate the degree to which the process meets the goals set for it. This variable is to assess employees' perceptions of the organization performance in relation to the past two years of other organizations that do the same kind of work. The organizational performance instrument was

adopted from Delaney and Huselid (1996) with the reliability scaled at $\alpha = .85$ (Delaney & Huselid, 1996), $\alpha = .76$ (Harel & Tzafrir, 1999), and $\alpha = .87$ (Smith-Perry & Blum, 2000). Perceived organizational performance is measured as the perception of an organization's current performance relative to other organizations in the same industries with respect to their products, services quality and employees productivities, customer satisfaction and development of the new products or services. It consists of five questions, measured on a 5-point Likert scale ranging from much worse (1) to much better (5).

3.4 Questionnaire Design

The questionnaire consists of three main sections. Part A contains information regarding the respondent's demographic features, which include age, gender, year of experience, and total years of experience with the organization. Part B of the questionnaire consists of questions related to HRM practices (acquisition, training, ILM and retention). Part C of the questionnaire seeks answers for organizational performance by comparing the performance of the past two years. The final questionnaire appears in Appendix F.

The questionnaire consists of a total of 34 questions in English as it is the main communication language in the organization. The acquisition configuration contains seven questions related to acquiring employees. There are six questions for the training configuration to assess the type and effectiveness of employees training. Four questions are raised to evaluate the internal labor market, and seven questions are

asked to assess the practices in organization to retain talented employees. Participants were asked to evaluate the organization performance by five questions.

3.5 Data Collection

The data were collected via questionnaire distributed within the organization. A package containing a cover letter (Appendix A) outlining the project purpose is distributed personally to 105 employees within the GAR HR SSC organization together with the questionnaire. Participants were given a week to complete the survey form and upon they were asked to return them to the researcher personally. As this survey involves collecting some sensitive information from respondents, their responses were made anonymous. All questionnaires were stamped with an identification number (SSC-1, SSC-2, SSC-3...), which was recorded on a master list. Throughout the data collection process, no major obstacle encountered as all of the SSC employees were very cooperative and they had given the greatest support by returning the questionnaires within a week time.

3.6 Data Analysis

Data were analyzed using Statistical Package for Social Science (SPSS) Version 12.0. The analysis of data began with reliability test for the scales using Cronbach's alpha. This is followed by the examination and presentation of demographic profile of respondents using descriptive statistics. Pearson correlation analysis was carried out next to determine the relationships between independent and dependent variables - HRM practices, which consists of the four domains (acquisition, training, internal

labor market, retention) and the dependent variable, organizational performance. Finally, linear regression analysis was conducted to examine which among the independent variables is the most important dimension in explaining organizational performance.

3.7 Summary of Chapter

This chapter discussed the research method proposed for this study by presenting the theoretical framework and research variables. Aside to that, it also includes the discussion of data collection, questionnaire, measurement and data analysis.

CHAPTER 4

FINDINGS

This chapter outlines the results of data analysis obtained from data collected from respondents. The main purpose of this study is to examine the relationship between SHRM (acquisition, training, retention and internal labor market) as the independent variables, and organizational performance as the dependent variable.

Pearson correlation was used to determine the existence of any relationships between the independent variable and dependent variable. Additionally, regression analysis was conducted to examine which, among the four configurations of the independent variable, is the most significant impact to the dependent variable.

This chapter also illustrates the reliability test made to the instruments used using Cronbach's alpha. Descriptive analysis was conducted to describe the profile of respondents which includes age, gender, job category, the total years of working experiences, and total years of working experiences in the organization.

This chapter is divided into eight parts which includes an overview of the data collection, profile of respondents, goodness of measure, descriptive analysis, major findings, summary of the findings and conclusion.

4.1 Overview of Data Collection

A total of 105 sets of questionnaires were distributed to respondents, out of which or 98% were returned. Two questionnaires were returned as the respondents were on

business trip during the data collection period. However, out of the 103 sets received, three sets of questionnaires had to be discarded because more than 30% of the questions in the questionnaires were not answered by the participants. Usable questionnaires for data analysis were 100, reflecting 95.3% valid response rate. Table 4.1 showed the breakdown of the survey responses.

Table 4.1

Survey Responses

	Total	%
Questionnaires distributed	105	100
Collected questionnaires	103	100
Usable questionnaires	100	95.3
Discarded questionnaires	3	2.8
Uncollected questionnaires	2	1.9

4.2 Profile of Respondents

The profile of 100 participants in the study is summarized in Table below.

Table 4.2

Profile of Respondents

Profile	Frequency	%
Gender		
Male	23	23
Female	77	77
Job category		
Non managerial	86	86
Managerial	14	14
	Mean	Std. Deviation
Age	34.58	6.831
Total years working	11.944	7.044
Total years in organization	6.262	5.711

The study indicates that the youngest respondent was 22 years old and the oldest respondent was 56 years old with a mean of 34.58. The data shows that 77% of the respondents were female while the remaining 33% were male. The majority of the respondents (84%) were non managerial employees while the remaining (14%) were managerial employees.

The data indicated the most junior respondent has only one year working experience and the longest length of working experience of the respondent is at 37 years (mean = 11.94; SD = 7.04). The shortest length of working experience in the organization under study was less than 3 months and the longest length of working experience was, 36 years (mean = 6.26; SD = 5.71).

4.3 Goodness of Measure

4.3.1 Reliability Test

This study uses Cronbach's alpha to test the reliability of the instruments used. The Cronbach's alpha values of each variable are illustrated in Table 4.3 below.

Table 4.3

Reliability Test on Instruments

Variables	Cronbach's Alpha	Number of Items
Organizational performance	0.903	5
Acquisition	0.624	7
Training	0.827	6
Internal labor market	0.658	4
Retention	0.767	7

Table 4.3 shows that the Cronbach's alpha for both dependent (organizational performance) and independent (acquisition, training, internal labor market, and retention) variables are considered acceptable. According to Sekaran (2003), reliabilities with less than 0.60 are deemed poor while those in the range of 0.70 ranges are acceptable, and those above 0.80 considered good. As shown in table 4.3, alpha value for both independent variables and dependent variable are ranging above 0.60 which is considered as acceptable.

4.4 Descriptive Analysis

Descriptive statistics which include the means and standard deviation for the independent and dependent variables are illustrated in Table 4.4.

Table 4.4

Descriptive Statistics of the Dependent and Independent Variables

	Mean	Std. Deviation
Acquisition	3.95	0.360249
Training	4.05	0.492081
Internal labor market	3.86	0.486328
Retention	4.15	0.400947
Organizational performance	4.18	0.594588

All variables are evaluated based on a 5-point scale. On this scale, the mean value for acquisition and internal labor market are at 3.95 and 3.86. This means that the respondents generally indicated that the acquisition and internal labor market activities carried out are favorable. The mean value for training and retention are at 4.05 and 4.15. This means that the respondents generally showed that they are satisfied with the training and retention actions that being taken by the organization. Meanwhile, the mean value for organizational performance is 4.18, which means generally the respondents felt that the performance of the organization is better compared to two years ago.

4.5 Major Findings

The results of Pearson Correlation Analysis are presented in the following section.

4.5.1 Pearson Correlation Coefficient

A correlation test is conducted to determine the relationship between organizational performance as the dependent variable and the four configurations of HRM, acquisition, training, internal labor market and retention as the independent variables.

The correlation matrix between organizational performance and four HRM configurations is exhibited in Table 4.5 below.

Table 4.5

Inter Correlations of the Major Variables

	Acquisition	Training	Internal Labor Market	Retention	Organizational performance
Acquisition	1	0.446**	0.471**	0.493**	0.220*
Training	0.446**	1	0.499**	0.435**	0.300**
Internal Labor Market	0.471**	0.499**	1	0.367**	0.355**
Retention	0.493**	0.435**	0.367**	1	0.321**
Organizational performance	0.220*	0.300**	0.355**	0.321**	1

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

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

The relationship between acquisition is tested against organizational performance.

The results indicate that there is a positive relationship between the two variables ($r =$

.220, $p < .05$). The relationship between the variables is significant although the correlation is moderate.

The relationship between training is investigated against organizational performance. The results show that there is a positive relationship between the two variables ($r = .300, p < .01$). The relationship is significant with moderate correlation.

The relationship between internal labor markets is tested against organizational performance. There is a significant relationship between the two variables ($r = .355, p < .01$).

Lastly, the relationship between retention is investigated against organizational performance. The result shows a positive relationship between the two variables with moderate correlation ($r = .321, p < .01$).

4.5.2 Linear Regression

Regression analysis is conducted to identify which among the independent variables that explained most the dependent variable. The result is illustrated in Table 4.6.

Table 4.6

Results of Regression Analysis of HRM configurations on Organizational Performance.

Variables	Dependent Variables Usage – Group Performance (Beta Standardization)	Sig
Acquisition	-.047	.033
Training	.108	.690
Internal labor market	.248	.032
Retention	.207	.068
F Value	5.089	
R	.420	
R Square	.176	
Adjusted R Square	.142	

*p<.05, **<.01

Table 4.6 indicated that the Multiple R shows a substantial correlation between the four independent or predictor variables and the dependent variable, which is organizational performance ($R = .420$). The R-square value identifies the portion of the variance accounted for by the independent variable. Approximately 17.6% of the variance in the organizational performance is accounted for by acquisition, training, internal labor market and retention cumulatively. This value indicates that those four factors explained 17.6% of variance in organizational performance. This also means that there are also some other factors that can help explain organizational performance but were not being considered in the study.

The Adjusted R Square is considered a better population estimate and is useful when comparing the R Square values between models with different number of independent variables. The value of Adjusted R Square obtained is .142, illustrating that 14.2% changes of dependent variable, which is the organizational performance, can be explained by the four independent variables of acquisition, training, internal labor market, and retention. The other 85.8% are explained by other factors.

The beta (β) value for acquisition ($\beta = -.047$), training ($\beta = .108$), internal labor market ($\beta = .248$), and retention ($\beta = .207$) explain the significance of the four independent variables to organizational performance. Among all four variables, internal labor market ($\beta = .248$) is the strongest variable, followed by retention ($\beta = .207$), training ($\beta = .108$), and acquisition ($\beta = -.047$). The model summary also shows the F change value of 5.089 is significant at 0.001 level.

The results had shown the four independent variables with coefficient alpha of .033 for acquisition, .690 for training, .032 for internal labor market and .068 for retention. Among the four independent variables, only internal labor market and acquisition are significantly correlated to organizational performance.

4.6 Summary of Chapter

The findings show that all four independent variables are significantly correlated with organizational performance. However, among all four independent variables, only internal labor market and acquisition have the most influence on the organizational performance. Discussion, limitations, implications, and conclusions related to the present study are presented in the next chapter.

CHAPTER 5

DISCUSSION AND CONCLUSION

This chapter begins with an overview of the research and then presents a summary of the results. Then, a discussion pertaining to the limitations of the study is presented. Next, the chapter focuses on the information that was gained from the study with respect to conceptual and practical implications. The chapter then concludes with a recommendation for research.

5.1 Overview of the Research

The purpose of this study was to examine how strategic human resource management configurations (such as acquisition, training, internal labor market and retention) affect the perception of organizational performance. These dimensions were examined on Intel Human Resource Shared Service Center (SSC).

5.2 Results Summary

The data serve as expanding the view that strategic human resource management can be viewed as important in impacting organizational performance as discussed by resource-based view of the organizations (Barney, 1991; Wright, Dunford, Snell, 2001).

Fully utilizing internal labor market, enhancing acquisition strategies, and effective training appears to predict organizational performance. The findings are consistent with Huselid (1995)'s findings.

The empirical results of the current study provide evidence that certain SHRM practices have an impact on perceived organizational performance. As suggested by the RBV of the organization, an organization's unique human capital and capabilities provide the basis for competitive advantage by having the unique configurations of human resource practices that include an effective training program, appropriate utilization of internal labor market and effective acquisition strategies will have a positive impact on perceived organizational performance.

The finding suggests that training configuration can be considered an element of attaining competitive advantage as provided by Barney (1991) in his resource-based view of the organization. Investments in effective training programs that nurture and strengthen these competencies were shown to be related to perceptual measures of organizational performance.

Meanwhile, the data did not show that greater use of retention configuration is significantly related to perceived organizational performance, which contradicts Huselid (1995)'s and Collins (2000)'s argument that organizational performance can be improved by minimizing employees' turnover. Many organizations found that turnover has a negative impact on organizational performance, as documented by a number of studies (Huselid, 1995; Cascio, 2000; Guthrie, 2001). However study

shows in-significant relationship between retention and organizational performance. One of the reasons may be that the internal labor market configuration, acquisition strategies, and effective training programs in this organization are able to speed up the recovery of the loss of turn over. Hence a significant impact on the organizational performance is not realized.

5.3 Practical Implications

These findings, as they relate to acquisition, employee retention, training and internal labor market, have important implications for human resource practitioners. For example, retention is one of the challenges to organizations and it is not often recognized that employees' retention represents strength. Hence with these findings, HR practitioners must recognize that acquisition, training and internal labor market can positively impact the organizational performance. For example, as retention strategies are developed, the HR practitioners must be able to recognize the combination of intrinsic and extrinsic values that affect employee retention. It is imperative for HR practitioners to find out the key factors that can motivate employees and make it as retention determinant.

5.4 Limitations and Strengths of the Research

The findings of this study had provided some insights into the organizational performance in HR department itself. However, there are strengths and limitations to this research that must be taken into consideration when interpreting the results.

5.4.1 Limitations of the Research

This research is restricting by several limitations. The various limitations stated as follows:

a. Limited Research Population

Intel HR Global SSC has two locations in Penang Malaysia and Costa Rica, however this study has limited the scope and population to Penang SSC only due to the time and resource constrain and this may have impact the outcomes of the research.

b. Other Variables

The findings show besides the four configurations (e.g. acquisition, training, internal labor market and retention) discussed in the study, there are other possible variables that were not examined and may have exogenous effects on the relationships studied. In particular, culturally compatible human resource strategies (Greene, 1995) and social capital (Penning, Lee, & Witteloostuijn, 1998) have been cited as essential competencies for competition and performance in the organization.

5.5 Recommendations for Future Research

For future studies, researchers could shift the emphasis to single HR practices or to the individual level to narrow the scope to derive more precise evidence regarding the impact of SHRM and organizational performance. The strategic HR function choice, e.g. performance appraisal, compensation, different levels of performance, e.g. employee outcome, operational outcome, financial or accounting outcome and market-based outcome, organizational structure and other related variables could be included.

5.6 Conclusion

In conclusion, this study has provided evidence and achieved its objective of examining the impact of SHRM on organizational performance. It has shown that the SHRM practices related to training, internal labor market, and retention are directly related to the perception of organizational performance. From these findings, HR practitioners can make a better planning on the training practices, internal labor market, and retention strategies in order to achieve the competitive advantage in the global market through better organizational performance. Besides that, these findings can also help scholars to continue pursuing an assiduous approach to understanding the relationship on other SHRM practices (besides training, internal labor market, and retention) and organizational performance.

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Appendix A

Cover letter

Dear Participant,

I am Loo Fong Ling, a master's student of College of Business at the University Utara Malaysia, is conducting a study to understand the impact of human resource management on organizational performance. The research will help organization in identifying the specific domains or components of Human resource management that impact organizational performance.

I would greatly appreciate your completing the enclosed questionnaire, which should take not more than 15minutes to complete. Upon completion of the questionnaire, please return to me via email (mailto: fong.ling.loo@intel.com)

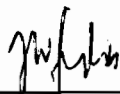
The information you provide will be kept CONFIDENTIAL and will NOT be disclosed. For absolute ANONYMITY the questionnaire has no ID number / identifier so your participation cannot be identified.

I believe that your participation would not only greatly aid this project, but also help to advance human resource management practices for the organization.

I understand that you are busy, and recognize that your time is valuable. Thank you for taking the time to assist me with this survey.

Should you wish to contact me, you may reach me by email.

Sincerely,



Loo Fong Ling
Student of University Utara Malaysia
Email: fong.ling.loo@intel.com

Appendix B

Acquisition configuration (Adapted from Snell and Dean 1992)
Five point Likert Scale (1 = Strongly disagree, 5 = strongly agree)

- 1 We have an extensive employee selection process for jobs in this organization (e.g., use of tests, interviews, etc.).
- 2 It is important to select the best person for a given job.
- 3 Generally, we try to fill an open position immediately, once a job becomes open on a unit.
- 4 Many people are involved in the selection decision.
- 5 We spend a great deal of money to insure that we hire the right person for the job.
- 6 Multiple applicants are screened before a position is filled to ensure the best person is selected for the job.
- 7 Importance is placed on the staffing process in this organization.

Appendix C

Training configuration (Adapted from Snell and Dean 1992)
Five point Likert Scale (1 = Strongly disagree, 5 = strongly agree)

- 1 We have an extensive training process for members of our work unit
- 2 Employees training are the key priority in our unit.
- 3 There are different kinds of training programs available for the members of our work units.
- 4 There is always formal training process in our organization
- 5 We spend a great deal of money on training programs in our work unit.
- 6 There is a standard required training hours to be fulfilled yearly for the members of our work unit.

Appendix D

Internal labor market configuration (Adapted from Delaney and Huselid 1996)
Five point Likert Scale (1 = Strongly disagree, 5 = strongly agree)

- 1 Employees are made aware of the internal promotion opportunities
- 2 The wages in this organization are competitive for this industry
- 3 Internal candidates are given consideration over external candidates for job opening.
- 4 We fill managerial vacancies with people already employed at the organization.

Appendix E

Retention (Adapted from Collins 2000)

Five point Likert Scale (1 = Strongly disagree, 5 = strongly agree)

- 1 We select individuals who believe in our core value.
- 2 We involve many employees in the selection process to insure that we hire individual that will fit the culture of our organization.
- 3 We offer a relaxed dress code (business casual)
- 4 We allow employees to work flexible schedules.
- 5 We provide telecommute / virtual offices.
- 6 Our organization frequently celebrates business successes.
- 7 We sponsor outside activities (e.g: sports teams, teambuilding, social events) for employees to socialize with each other.

Appendix F

Perceived Organizational Performance (Adapted from Denalely and Huselid 1996)

Five point Likert Scale (1 = Strongly disagree, 5 = strongly agree)

- 1 The quality of products, services, or programs, are:
- 2 The development of new products, services, or programs, are:
- 3 The ability to attract essential employees (new hire) is:
- 4 The ability to retain essential employees (existing employees) is:
- 5 The satisfaction of customers or clients (internal / external) is:

Appendix G

Questionnaire

Questionnaire

Date _____

Department _____

Part 1: Demographic Information

Please state your current age: _____ years old

Gender (*Please Tick applicable*)

- ☐ Male
- ☐ Female

Job category (*Please Tick applicable*)

- ☐ Non managerial
- ☐ Managerial

How many years of working experience do you have until now?
_____ years

How many years of working experience do you have until now in this organization? _____ years

Part 2: HRM Practices

Please circle the number that best describes your organization based on the following scale:

How accurate are each of the following statements in describing the situation in your organization?

A Acquisition Configuration -
listed below is a series of
statement pertaining to HR
selection and recruitment
practices. Please indicate your level
of agreement or disagreement with
the following statements by circling
a number from 1 = strongly
disagree to 5 = strongly agree

		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	We have an extensive employee selection process for jobs in this organization (e.g., use of tests, interviews, etc.).	5	4	3	2	1
2	It is important to select the best person for a given job.	5	4	3	2	1
3	Generally, we try to fill an open position immediately, once a job becomes open on a unit.	5	4	3	2	1
4	Many people are involved in the selection decision.	5	4	3	2	1
5	We spend a great deal of money to insure that we hire the right person for the job.	5	4	3	2	1
6	Multiple applicants are screened before a position is filled to ensure the best person is selected for the job.	5	4	3	2	1
7	Importance is placed on the staffing process in this organization.	5	4	3	2	1

B Training - please rate the agreement of your HR practices in the area of training within your organization, with the degree of agreement or disagreement for each statement by circling a number from 1 = Strongly disagree to 5 = strongly agree

		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	We have an extensive training process for members of our work unit	5	4	3	2	1
2	Employees training are the key priority in our unit.	5	4	3	2	1
3	There are different kinds of training programs available for the members of our work units.	5	4	3	2	1
4	There is always formal training process in our organization	5	4	3	2	1
5	We spend a great deal of money on training programs in our work unit.	5	4	3	2	1
6	There is a standard required training hours to be fulfilled yearly for the members of our work unit.	5	4	3	2	1

C Internal Labor Market Configuration - with respect of your knowledge of HR practices in the organization for which you now work, please indicate the degree of agreement or disagreement with each statement by circling a number from 1 = Strongly disagree to 5 = strongly agree

		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Employees are made aware of the internal promotion opportunities	5	4	3	2	1
2	The wages in this organization are competitive for this industry	5	4	3	2	1
3	Internal candidates are given consideration over external candidates for job opening.	5	4	3	2	1
4	We fill managerial vacancies with people already employed at the organization.	5	4	3	2	1

D Retention Configuration -
 listed below is a series of
 statement related to HR practices
 used to retain an organization
 valuable asset - employees who in
 turn provide human capital. With
 respect of your knowledge of HR
 practices in the organization for
 which you now work, please
 indicate the degree of agreement
 or disagreement with each
 statement by circling a number
 from 1 = strongly disagree to 5 =
 strongly agree

		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	We select individuals who believe in our core value.	5	4	3	2	1
2	We involve many employees in the selection process to insure that we hire individual that will fit the culture of our organization.	5	4	3	2	1
3	We offer a relaxed dress code (business casual)	5	4	3	2	1
4	We allow employees to work flexible schedules.	5	4	3	2	1
5	We provide telecommute / virtual offices.	5	4	3	2	1
6	Our organization frequently celebrates business successes.	5	4	3	2	1
7	We sponsor outside activities (e.g: sports teams, teambuilding, social events) for employees to socialize with each other.	5	4	3	2	1

Part 3: Organizational Performance

Please circle the number that best describes your organization based on the following scale:

Compare the organization's performance over the past 2 years to that of other organizations that do the same kind of work (circle the appropriate)

		Much Better	Better	Same	Worse	Much worse
1	The quality of products, services, or programs, are:	5	4	3	2	1
2	The development of new products, services, or programs, are:	5	4	3	2	1
3	The ability to attract essential employees (new hire) is:	5	4	3	2	1
4	The ability to retain essential employees (existing employees) is:	5	4	3	2	1
5	The satisfaction of customers or clients (internal / external) is:	5	4	3	2	1