

# **DOCTORAL (PhD) DISSERTATION**

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**THE IMPACT OF STRATEGIC HUMAN RESOURCE**  
**MANAGEMENT ON ORGANIZATIONAL**  
**PERFORMANCE BASED ON CASE STUDY OF**  
**STATE-OWNED ENTERPRISES IN XINJIANG**  
**PROVINCE OF CHINA**

Written by  
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## **1. Introduction**

With the rapid development of economic globalization, technology and the diversified development of customer needs, the survival and development of enterprises is undergoing fundamental changes, enterprises are facing an increasingly competitive market competition. The complex environment brings a big challenge to the organizational performance of enterprises, which requires enterprises to adapt to the increasing competition needs in terms of reaction speed, product or service quality, innovation and globalization. Hence, how to improve the resilience, ability of innovation, operational capacity and value-added capabilities and other aspects of organizational performance in the changing environment are becoming urgent problems that need to be solved by enterprises.

In the 1980s, in order to improve competitiveness, European and American enterprises introduced new production methods and technologies to improve the efficiency of enterprises, but because they did not focus on the upgrade human resource management system of the enterprise, the results of these new methods and technologies did not achieve the expected effect. With the intensification of competition, enterprises found that funds and technologies, which could be the factors to achieve competitive advantage in the past, but now they would be learned and copied by competitors very soon. Hence, enterprises started to pay attention to find out a way to improve the organizational performance more effectively. They found that the type and composition of an enterprise's human resource was very difficult to be learned and

copied by competitors. On one hand, the competition of modern enterprises is not only the technical competition, but also more about the competition of talents and human resources. In the face of globalization, the most powerful weapon is to obtain high-quality talent through human resources strategy to help enterprises gain competitive advantage in the market. If enterprises have high-quality talents and a suitable human resource development strategy, the enterprise will gain a competitive advantage and long-term development in the fierce competition market. On the other hand, with the development of the basic management mode of enterprises, enterprises started to treat people as very important strategic resources, the concepts and ideas of people-based management was introduced to more and more enterprises. Under the guidance of this management concept, the human resource management model with talent evaluation, performance evaluation and salary incentive system as the core was established. Compared to the traditional personnel management, human resource management is undoubtedly a significant breakthrough.

The mode of enterprise management changed from a market-based management to a strategic-based management while enterprises' traditional human resource management also moved towards a new mode of management. How to integrate and coordinate strategy and human resource management effectively became an important question of entrepreneurs in the enterprise management process. With the development of strategic management theory, human resources

strategy was introduced into several enterprises, which made the human resources strategy become the focus of enterprises. Under this situation, strategic human resource management came into being and was accepted by enterprises gradually.

Since Peter F. Drucker put forward the concept of human resources in the book *The Practice of Management* (Drucker, 1954), in which he believed that people are resources and have the special ability which other assets do not have, a lot of theories of modern human resource management have come into being, which has led to several new research results. One of them was the research of human resource management, which was divided into micro level and macro level by Thomas Mahoney and John Deckop (Mahoney & Deckop, 1986). Research of human resource management on micro level is functional-based and it is mainly focused on the impact of human resource management practices on the individual. Research of human resource management on macro level is mainly focused on the impact of human resource management practices on organizational performance. On the basis of Mahoney and Deckop, Shuming Zhao added the analysis of dimension, that is the number of human resource management practices divided into single and complex ones (Zhao, 2005). Whether human resource management research at the organizational level or at the individual level can be further subdivided is based on the number of human resource management practices.

Table 1. Classification of Human Resource Management Research

Level \ Number	Single	Complex
Macro	The relationship between human resource management practices and organizational performance	Strategic human resource management
Micro	Impact of human resource management practices on individual	Psychological contract

Source: (Zhao, 2005)

In recent years, with the development of strategic management, resources, ability and knowledge have been confirmed as source of competitive advantage. Therefore, the research field of human resource management began to shift from micro to macro, from the individual level to the organizational level. Thus the research of strategic human resource management has become a hot topic in recent years, and a large number of scholars started to discuss it. The research of the relationship between strategic human resource management and organizational performance in developed countries made great achievements both in theoretical research and in empirical research. But strategic human resource management has been introduced in China in the recent years; some scholars made preliminary study and achieved some results.

Although some empirical evidences show that there is a significant positive correlation between human resource management practices and organizational performance, but from the existing literature we can found that there is a lack of theoretical research of how human resource management improves enterprise performance to achieve sustainable competitive advantage through the management of employees. In the empirical researches, the majority researches are aimed at enterprises in western countries. Hence, the understanding of the relationship between human resource management and enterprises' performance in non-Western environments still has some limitations. Some cultural and institutional factors are likely to have an impact on these relationships, so cross-cultural researches of these relationships are necessary. In this dissertation I will try to figure out some research questions as follow. How does strategic human resource management influence organizational performance? Do the theories of human resource management fit for enterprises from China? How to find and analyze the key factors of strategic human resource management which could have significant impact on organizational performance?

With the intensification of competition, the competitive advantage between Chinese enterprises will be more and more reflected in the competition of human resources. Hence, it is necessary to increase the potential of the individual to reach the goal of the organization through the management with strategies. More and more managers found that enterprises in order to have a high level of competitiveness

and organizational performance must develop and manage the human resources effectively. How to choose the right strategic human resource management model to influence the enterprise performance in a changing environment is becoming an urgent problem of enterprises in China.

## **2. Literature review**



## 2.1 The definitions of strategic human resource management

Strategic human resource management was proposed by the Americans around 1980s. Walker proposed the idea of linking strategic planning to human resource planning initially in his article *Linking Human Resource Planning and Strategic Planning* in 1978 (Walker, 1978). This is the beginning of strategic human resource management ideas. In 1981, Devanna, Fombrun and Tichy (Devanna, Fombrun, & Tichy, 1981) proposed the concept of strategic human resource management in the article *Human Resource Management: A Strategy Perspective* which marking the birth of strategic human resource management research. In this article, the authors analyzed the relationship between enterprise strategy and human resources profoundly. Although it took only thirty years from the emergence of the strategic human resource management to the present, but the research of strategic human resource management was booming in such a short period and it is considered to be an important research of human resources in the 21st century, which is a new perspective of the management of organization on people. Beer et al. published *Managing Human Assets: The Groundbreaking Harvard Business School Program* (Beer, Spector, Lawrence, & Mills, 1984), which marked a leap in human resource management to strategic human resource management in 1984. They believed that strategic human resource management is the integration of the humans and the

organization systematically and it is human resource management with unity and adaptability. It refers to the organization planning of a variety of human resource deployment and activities in order to achieve the goal of organization.

Fombrun, Tichy and Devanna (Fombrun, Tichy, & Devanna, 1984) defined the basic framework for strategic human resource management in 1984, which is considered to be an important milestone. They believed that the external environment of enterprise, such as economic, political, cultural or technological changes had an impact on the organization's internal strategies, organizational structure and human resource management. In the meantime, the strategies, structure and human resource management will make appropriate adjustment to the enterprise through the coordination and integration, so that the enterprise can adapt to changes in the environment quickly.

In 1992, Wright and McMahan defined strategic human resource management as the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals (Wright & McMahan, 1992), which is the most popular definition of strategic human resource management by scholars around the world. The idea of Wright and McMahan considering human resources as a primary resource for gaining competitive advantage emphasized to gain competitive advantage through planning, policy and specific practices. They believed all human resources activities had one objective which was to achieve the business goals of the enterprise.

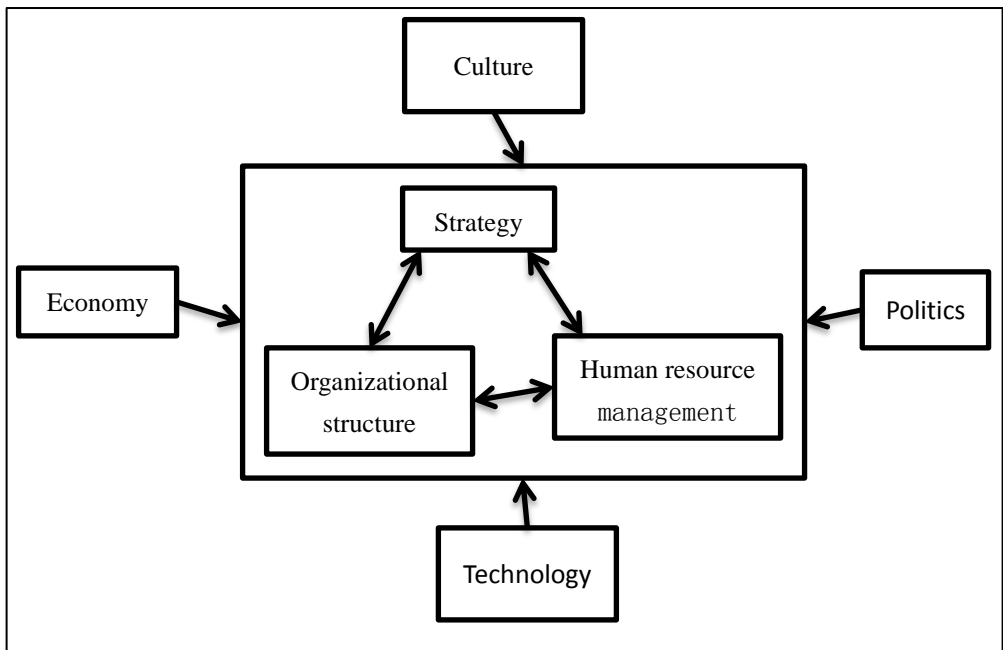


Figure 1. Basic framework of strategic human resource management by Fombrun et al. Source: (Fombrun et al., 1984)

Schuler argued that strategic human resource management could be divided into several different parts, including philosophy, policy, program, practice and processes of human resource management (Schuler, 1994). It contains a collection of content, procedures and activities to be implemented in strategic human resource management in each part, which are interrelated and organized as a unity through organizational hierarchy. Human resources strategies are managed by the human resources department to achieve the strategic objectives of the enterprise. In short, their goal is to make more effective use of human resources to meet the organization's strategic needs in order to improve the current and future performance of enterprises and maintain the competitive advantage.

Martell and Carroll (Martell & Carroll, 1995) argued that strategic

human resource management had characteristics such as long-term process, there was a linkage between human resource management and strategic planning, there was a linkage between human resource management and performance, line managers were involved in the development of human resource policy. They believed that the establishment of long-term plans of human resources was usually the first thing need to be done in the evolution of strategic-oriented human resources. Human resource management can support the implementation of strategy and human resource management can influence the formation of strategy. Harris and Ogbonna (Harris & Ogbonna, 2001) believed that human resource strategy was a decision-making model for human resources-related policies and practices.

The application of strategic human resource management has been proved by many enterprises in Europe, and in the U.S it is the best way to obtain sustainable competitive advantage, which makes the theory popular in the world. Chinese scholars began to research the theory of strategic human resource management in the end of 1990s.

Hong Liu and Shuming Zhao (H. Liu & Zhao, 2002) pointed out that human resources were important and scarce resources for enterprises. From the evolution process of the enterprise, different development stages of the enterprise have different requirements of human resources. Correspondingly, human resource management and development should be different in different stage.

Shimei Yan (Yan, 2003) compared strategic human resource management with human resource management. She analyzed the importance of human resources in strategic human resource management, the function of strategic human resource management, the relationship among strategic human resource management and strategic human resource practice, strategic human resource performance.

Lu Ma and Jiangxian Hu (Ma & Hu, 2004) put forward four strategies of human resource management from the perspective of enterprise life cycle aiming at the characteristics of human resource management in different periods of the enterprise, which explored how to obtain the long-term competitive advantage of enterprises through the implementation of the human resource management strategy of the enterprise.

Jianfeng Peng (Peng, 2003) researched from the theoretical and practical aspects how to form the core competence of the enterprise and support the competitive advantage of the enterprise. He pointed out that the enterprise could improve the strategic capability through the improvement of the human resource management system based on his experience of providing consultation to dozens of enterprises for the human resource management system.

Daoyou Wu (D. Wu, 2008) pointed out that strategic human resource management focused on the development and implementation of business strategy through the improvement of the internal consistency

with the business strategy of enterprise human resource activities to obtain and maintain sustainable competitive advantage.

Miaofen Zhu and Lana Zhang (Zhu & Zhang, 2010) argued that strategic human resource management was a series of management activities, including human resource planning, human resource strategy, human resource practice and human resource allocation based on organizational structure in order to achieve or approach organizational goals.

Through the review of literature we can find out that strategic human resource management is mainly embodied as follows. First, strategic human resource management is consciously combined with the organization's strategy; the second one is that strategic human resource management is more concerned about the impact of the long-term development of the enterprise and strategic human resource management focused on building the core competence from the perspective of human resources; thirdly, strategic human resource management has a clear objective, that is, to match the human resource management system through the construction of enterprise strategy and relying on human resources and related human resources activities to achieve the strategic objectives of the enterprise so that enterprise can get a sustainable competitive advantage.

## 2.2 Basic theories of strategic human resource management

The main point of strategic human resource management is that

human resource management activities can lead to a sustainable competitive advantage and have an important impact on organizational performance ultimately. Many scholars have compiled and elaborated a series of related theoretical models based on different theoretical points of view, such as resource-based view, human capital theory and role behavior theory. These theories are the main theoretical basis of strategic human resource management.

### **2.2.1 Resource-based view**

In the late 1980s, the resource-based view became the theoretical basis of strategic human resource management research. Compared with the traditional SCP (Structure-Conduct-Performance) paradigm, the resource-based view is totally different, which discusses why there are performance differences between enterprises and how to maintain a sustainable competitive advantage from the perspective of the enterprise internal environment. The essence of the theory is that resources and capabilities of enterprises are different from other competitors. It emphasizes that the acquisition of sustainable competitive advantage mainly depends on the key resources within the organization and the key resources must be valuable, scarce, difficult to replace and imitate (Boxall, 1998).

Barney (Barney, 1991) argued that the resource-based view emphasized the competitive advantage of the organization generated by the internal resources of the organization. Therefore, resources such as assets, abilities, internal procedures, skills and knowledge of

the organization can be controlled by the organization and contribute to the formation and implementation of the organization strategy. These resources are conducive to the organization to obtain competitive advantage and improve the performance of the organization. He pointed out that the key resources of competitive advantage from the internal resources must have some characteristics such as rareness, valuable, inimitable and difficult to replace. This standard became the benchmark for later judgment of the enterprise's core resources.

The resource-based view also distinguished three organizational resources, including physical capital, human capital and organizational capital. Physical capital refers to the factories, equipment, technology and geographical location; human capital refers to the experience of members, judgment and knowledge; organizational capital includes the structure, planning, coordination system and the informal relationship among groups. Human capital and organizational capital show the possible contribution of human resource management to the establishment of organizational competitive advantage. As human capital represents the competitiveness of employees and organizational capital represents the human resources, the system used to develop and integrate human capital. Human resource management activities indeed have characteristics such as rareness, valuable, inimitable and difficult to replace. An organization can obtain a long-term competitive advantage through the human resource management system to



improve the performance of the organization in this way.

Several researchers used resource-based view to analyze indirectly or directly whether human resources and human resource practice could be a strategic asset of sustainable competitive advantage. Wright, McMahan and McWilliams (Wright, McMahan, & McWilliams, 1994) argued that simple human resources practice could easily be copied by competitors so that it could not be a strategic asset. But the highly skilled and highly intelligent labor reserve of the human resources database is most likely to contribute to the firm's sustainable competitive advantage.

Lado and Wilson (Lado & Wilson, 1994) argued that the human resources practice system had characteristics of unique, casually ambiguous and synergistic, because these characteristics are inimitable, so they could be the source of sustained competitive advantage. Boxall (Boxall, 1996) put forward the concept of human resources advantage, and he thought that the human resource advantage was composed by the advantage of human capital and the advantage of human resources integration. The combination of these two advantages has characteristics of valuable, rareness, inimitable and difficult to replace. Thus it became a source of sustainable competitive advantage.

Osterman (Osterman, 1987) argued that the enterprise human resource management system was divided into four kinds of employment subsystems according to the different characteristics of

employees, including industrial subsystem, salary subsystem, craft subsystem and secondary subsystem. Enterprises usually provide strong job security, changing job responsibilities, flexible allocation and career development programs for employees in the salary subsystem, which are key resources for enterprises to gain a sustainable competitive advantage. Delery and Doty (Delery & Doty, 1996) argued that the enterprise human resource management could be divided into three models including internal, intermediate and external. The staff of internal model is the core resources of enterprises. Wright, Dunford and Snell (Wright, Dunford, & Snell, 2001) developed a strategic human resource management research framework that integrated human resource practices, intellectual capital, knowledge management, dynamic capabilities and core competences.

The resource-based view is one of the theoretical bases of strategic human resource management research. The interpretation model of resource-based view is shown as the following.

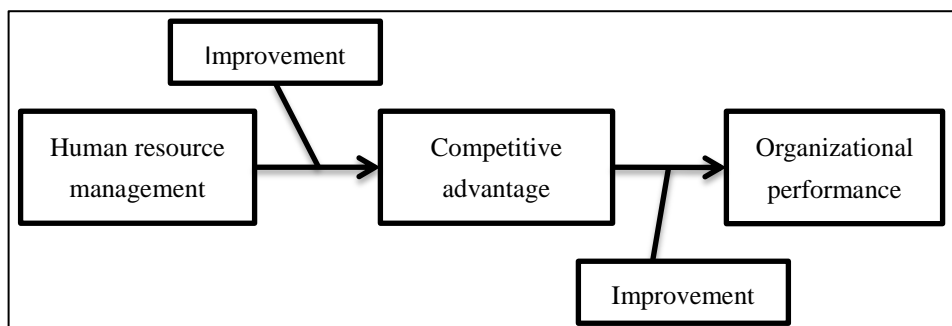


Figure 2. The interpretation model of resource-based view for strategic human resource management Source: Own creation based on (Z. Zhang & Liu, 2005)

### 2.2.2 Human capital theory

The idea of human capital theory believed that human capital was the reflection of individuals and it was an asset used to provide future income and referred to talent, knowledge, skills and qualifications of the individual. Human capital has significant characteristics compared to other capital such as material capital, which makes human capital rare, valuable, difficult to replace and inimitable. Human capital not only means talent, knowledge and skills, but also means time, health and longevity, which make human capital become a rareness resource. Human capital can be used for enterprises at the same time, human capital can increase its value through learning new knowledge and skills. Human capital not only produces monetary benefits, but also produces psychological benefits and social benefits, which determine the multidimensionality value of human capital. The variability of human capital, hierarchy of human capital, investment irreversibility and difficulty in measuring also determine human capital as difficult to imitate and replace. All the characteristics of human capital determine that it can be a strategic asset and a source of sustainable competitive advantage for enterprises.

Youndt et al. (Youndt, Snell, Dean, & Lepak, 1996) believed that there was an economic value of the members of an organization who have the skills, knowledge and ability and there was a positive correlation between human resource management activities and improvement of human capital. These human resource management activities which can improve human capital are the most beneficial for organizational performance.

Some scholars believe that all human resource management activities can achieve the investment of human capital. Cascio's research (Cascio, 1991) shows that the concept of human resource management activities is often applied to various human resource management activities such as selection, training, and payment. Rigorous selection, extensive training and competitive pay can represent direct human capital investment activities. Enterprises carry out human resource management activities, but enterprises do not increase human capital because human capital is allowed to flow between enterprises in a limited way. Even if the employee stays at the enterprise, his or her performance will depend on the level of his or her intention. Therefore, the performance evaluation and incentive pay as well as the promotion of employees an important part, which should also be considered as another investment in human capital (Snell & Dean, 1992).

Huselid (Huselid, 1995) believed that the high-performance human resources activities could improve the effectiveness of organizational performance through the staff skills, incentives and work organizations. From the aspect of staff skills, the improvement of staff skills can be possible through the acquisition or development of human capital. From the aspect of incentive, human resource management activities can encourage employees to work harder and work more efficiently. From the aspect of organization, the improvement of the organization and work structure are possible through the encouragement of staff participation, work improvement

and other activities. Organizations need to provide job security for staff, such as internal promotion and career planning. This activity can improve the motivation of employees to learn exclusive skills and maintain long-term cooperation between employees and organization. He pointed out that if the employees had advanced skill and knowledge because of the organization's investment in human capital, but the organization did not give the opportunity to make full use of the exclusive skills and knowledge of employees, the investment benefits of human capital would be wasted.

Therefore, the differences in human resource management activities can reflect the level of human capital investment. Through the analysis of the differences in human resource management activities we can also figure out the different types of human capital investment. The interpretation model of human capital is as the following,

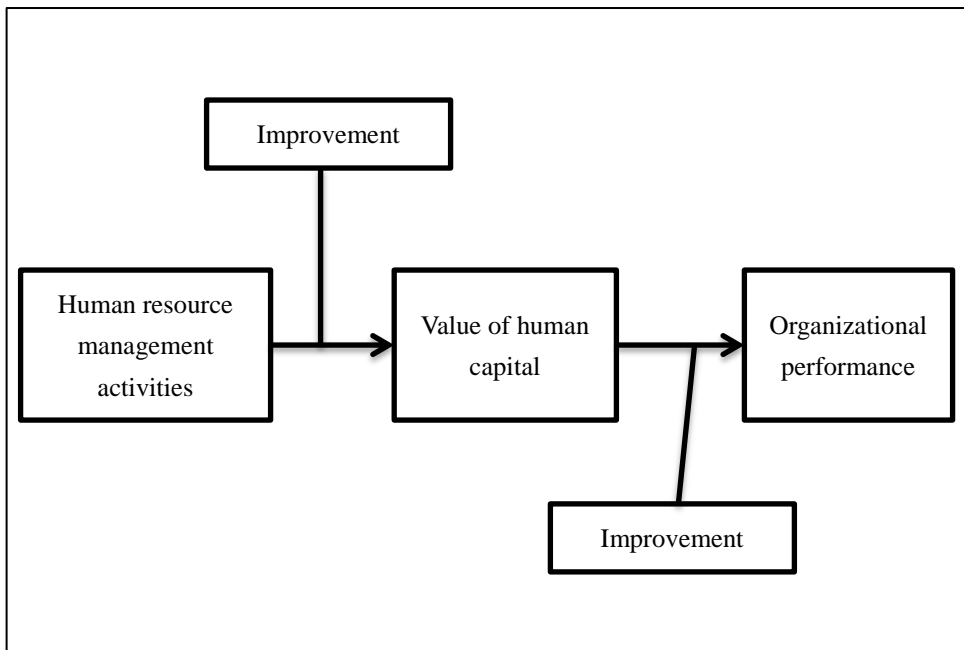


Figure 3. The interpretation model of human capital for strategic human resource management Source: Own creation based on (Z. Zhang & Liu, 2005)

### 2.2.3 Role behavior theory

Another theory used in strategic human resource management is the role behavior theory. Scholars of social psychology defined role behavior theory as a way of expected result in which a person's behavior was properly correlated with the actions of others.

Role behavior theory of strategic human resource management believed that the behavior of employees was the intermediary variables between strategy and organizational performance, human resources practices helped to induce or control the attitude and behavior of employees. Different organizational strategy will lead to different attitudes and behavior, which can be deduced in the strategic human resource management system, because each strategy needs different attitude and behavior of employees, the organization's

human resources practices will also change with it. In other words, human resource management is an important tool for the organization to convey role information, support the behavior reach the expectation and evaluate the role performance to achieve the organization's objective.

Katz and Kahn (Katz & Kahn, 1978) pointed out that roles were part of the interdependence of the organizational system, which refers not only to individual roles, but also to multiple roles in the social system, multiple role arrangers and multiple role evaluators. They defined role behavior as the result of the repetitive behavior of the individual related to the other individuals of the organization.

Frederiksen (Frederiksen, 1986) believed that human resource management was the primary method of organizing input role information, supporting ideal behavior and evaluating role performance. An effective human resource management can make the expectations of the organization's internal role participants consistent with their behavior and business strategy.

Scholars who researched strategic human resource management used the role behavior theory to divide human resource management activities into human resource policy, human resource procedure, human resource practice and human resource process. They thought that these activities, especially human resource practice activities encouraged employees to show different role behavior which required different strategies and role behavior that match the strategy

as effective behavior. In other words, the corresponding role behavior produced by matching strategic human resource management activities is the key factor of an organization to gain competitive advantage and improve organizational performance.

The interpretation model of role behavior theory for strategic human resource management can be drawn as the following.

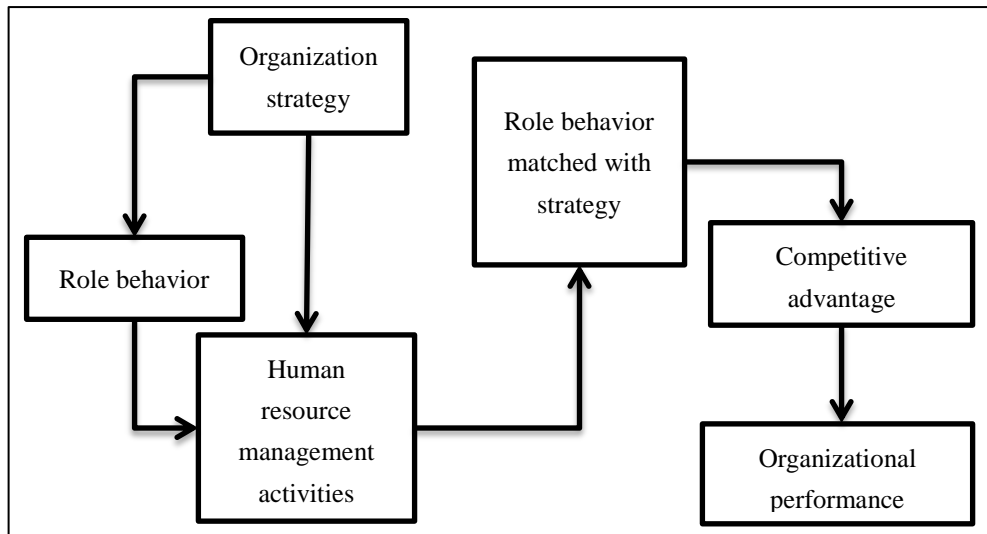


Figure 4. The interpretation model of role behavior theory for strategic human resource management Source: Own creation based on (Z. Zhang & Liu, 2005)

### 2.3 Modes of theorizing of strategic human resource management

In the study of strategic human resource management, the empirical research on the relationship between human resource management and organizational performance is the most popular topic. According to the different logical ways as different scholars follow the relationship between human resource management and enterprise performance, the empirical research on the relationship between



management and organizational performance is attributed to three perspectives which are universalistic perspective, contingency perspective and configurational perspective.

### 2.3.1 Universalistic perspective

The universalistic perspective is the simplest empirical mode of strategic human resource management, because it implies that the relationship between the independent variable and the dependent variable are universalistic in different organizations. The universalistic perspective posits that some human resource practices are often better than other human resource practices, and that these better practices can lead to better organizational performance, which are called strategic human resource practices, sometimes called the best human resource management practices. Therefore, some scholars also referred to the universalistic mode as the best practice model. The logical model of universalistic perspective can be drawn as the following,

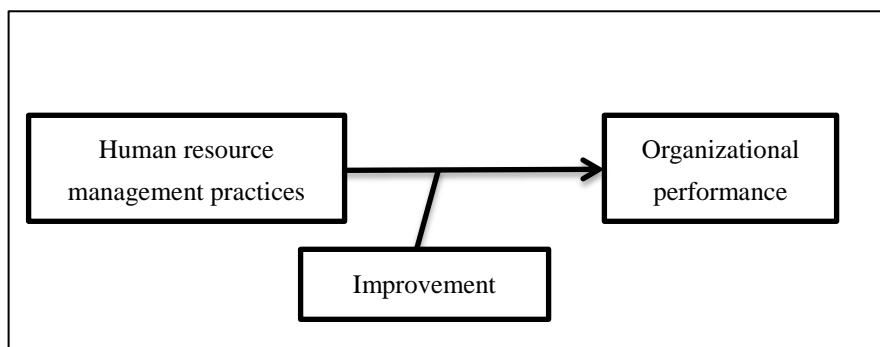


Figure 5. The logical model of universalistic perspective of strategic human resource management Source: Own creation based on (McMahan, Virick, & Wright, 1999)

Although the strategic human resource practices do not have a clear

definition yet, some practice projects are regarded to have the characteristics of the strategy. In the selection process, Terpstra and Rozell selected staff recruitment sources, validity of selection, structured selection process, test of cognitive skills and abilities and weighted application from five practices of selection activities to explore the relevance of strategic human resource practices to organizational performance (Terpstra & Rozell, 1993). The study found that there was a significant positive relationship between the completeness of the implementation of selection activities and profitability, profit growth rate and overall performance, which showed the possible impact of selection activities on organizational performance.

In the training process, the study of Russell, Terborg and Powers (Russell, Terborg, & Powers, 1985) found that there was a significant positive correlation between employee training programs and financial performance. Ngo et al. (Ngo, Turban, Lau, & Lui, 1998) also found that there was a significant positive correlation between structured training and enterprise performance.

In terms of performance evaluation and compensation, Abowd (Abowd, 1990) studied the relationship between organizational performance-based salaries and organizational financial performance in 1990. Based on six years' data he found that the correlation between the use of performance-based salaries and organizational financial performance was only weakly supported, but it was strongly supported by the positive impact of economic efficiency and market

performance. Gerhart and Milkovich (Gerhart & Milkovich, 1992) found that organizations with higher ratios of salaries changed based on performance, the performance of the organization was better.

Among the researchers who advocate the best practice model, the most prominent one is Pfeffer. He identified sixteen best practices in his early research (Pfeffer, 1994). Delery and Doty (Delery & Doty, 1996) tested seven recognized strategic human resources practices from the studies of several researchers (Miles & Snow, 1984) which are internal job opportunities, formal and informal training systems, appraisal, profit sharing, employment security, employee participation and job description.

### **2.3.2 Contingency perspective**

Contingency perspective believes that the relationship between human resource activities and organizational performance is influenced by contingency factors as organizational strategy. Human resource management should be consistent with the needs of the organization, combined with external factors such as enterprise strategy and organizational development stage, so as to achieve organizational objectives effectively.

The studies of contingency perspective attempted to show how human resource practices were consistent with different strategies and how these practices were connected to enterprise performance. It is more complex than the universalistic perspective because of its implicit interaction rather than a simple linear relationship. In other

words, the relationship between the dependent variable and the corresponding independent variable are changed based on different contingency variables. The relationship between the dependent variable and the corresponding independent variable are changed based on different contingency variables, which is the hypothesis of contingency perspective and organizational strategy is considered to be the main contingency factor. The logical model of contingency perspective can be drawn as the following,

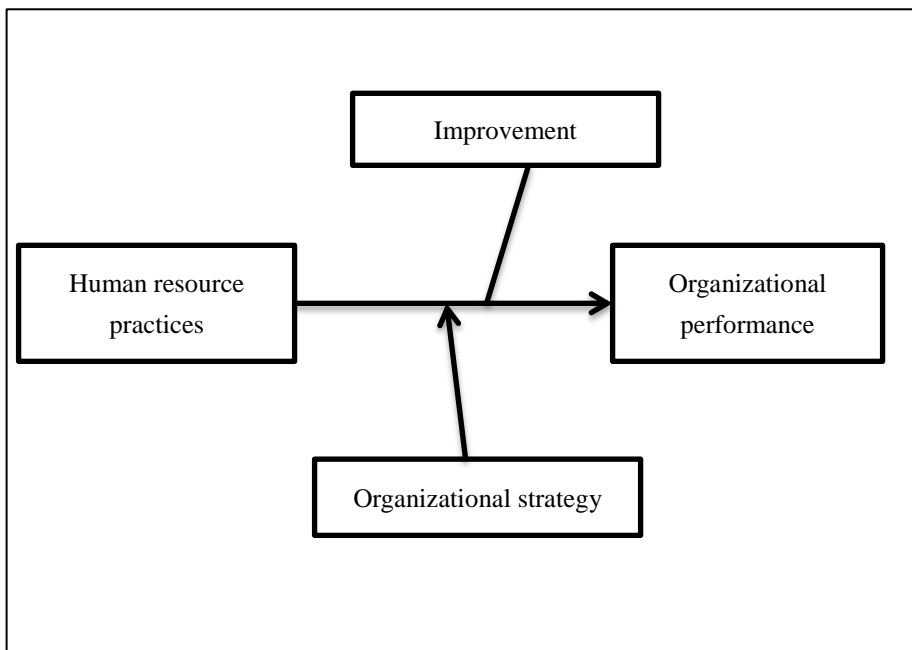


Figure 6. The logical model of contingency perspective of strategic human resource management Source: Own creation based on (McMahan et al., 1999)

Some scholars found that the relationship between human resource management activities and enterprise performance would be affected by some external variables. Delery and Doty (Delery & Doty, 1996) in their empirical study of the impact of strategic human resource practices on organizational performance found that specific human

resource management activities must be coordinated with specific enterprise strategies to achieve better organizational performance.

Macduffie (Macduffie, 1995) believed that innovative human resource management practices might have an impact on organizational performance when the following three conditions were met: employees have the knowledge and skills that managers lack ; employees are motivated and willing to use this knowledge and skills; employees will contribute their efforts to enterprise, the organization can achieve enterprise strategy or manufacturing strategy. His theory combines the incentive mechanism and organizational performance, namely that employees have the right knowledge and skills and understanding of their personal role in the organization, coupled with the organization's incentive mechanism, which will create high performance for each employee. Huselid's (Huselid, 1995) research found that if an organization combined human resource management practices with organizational strategy, there was better financial performance of the organization.

The results of these studies showed that organizational strategies and other factors would increase or reduce the impact of human resource management activities on organizational performance, which emphasized that human resource management activities would influence the organizational performance through the interaction of enterprise strategies. This research idea introduced the contingency variables such as strategy and organizational development stage into the relationship between human resource management activities and

enterprise performance, which embodies the contingency thinking of strategic human resource management external fit and management research.

### 2.3.3 Configurational perspective

Configurational perspective emphasized the interaction between the activities through complement and support to form an effective human resource management system in order to achieve the maximum internal fit. After achieving the internal fit, it combined the human resource management system with the corresponding strategies to achieve maximum external consistency in order to achieve the strategic human resource management internal and external fit. The configurational perspective reflects the characteristics of the internal structure of the human resource management system; it is more complex than the universalistic perspective and the contingency perspective. The logical model of configurational perspective can be drawn as the following:

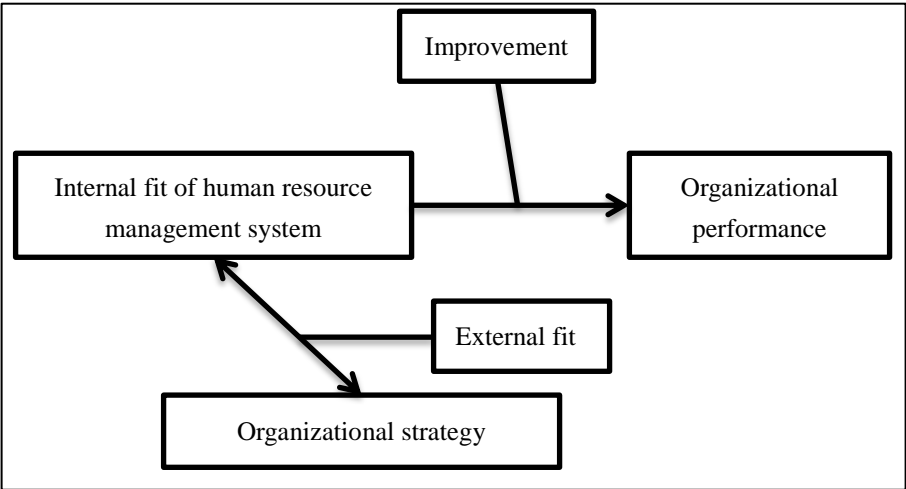


Figure 7. The logical model of configurational perspective of strategic human

resource management Source: Own creation based on (McMahan et al., 1999)

For instance, Delery and Doty (Delery & Doty, 1996) put forward the market-type system of human resource management and the internal system of human resource management. The market-type system refers to recruitment from outside the organization, no formal training is provided, result-oriented appraisals and individual-based pay are provided, while the level of employment security and employee participation are low and the job description is not defined clearly. The internal system of human resource management refers to hiring within the organization, providing very good training and good socialization within the organization, performance evaluation based on behavior and feedback is given to employees for development, providing relatively high employment security and employee participation and jobs description is defined very tightly.

The configurational perspective believes that the complementarity between the different components of the organization can form several different configurations of the organization, and these different organizational configurations can achieve the same organizational objectives. Researches of configurational perspective imply that there are infinite combinations of effective human resource management activities that can achieve internal fit. However, in addition to achieving internal fit of human resource management activities, organizations must maximize the external fit of human resource management activities.

## 2.4 Framework of strategic human resource management

Strategic human resource management is a system, Human resource management activities in this system such as recruitment and training should be fully conducive to the formation of the organization's competitive advantage. Therefore, strategic human resource management is a management system that aims to obtain sustainable competitive advantage and interact with the organization's strategy (Q. Luo & Li, 2007). In this system, human resource management can be divided into two levels which are the individual level of human resource management and the organizational level of human resource management. On the individual level, the organization gains the advantage resources through human resource management; on the organizational level, the organization takes the advantage of resources as the core business strategy, which is formed through human resource management and in the process of the interaction of human resource management and strategy to develop the organization's sustainable competitive advantage.

#### **2.4.1 Individual level of human resource management**

The individual level of human resource management can be divided into three steps in accordance with the human resource management process, which are pre-recruitment management, recruitment management and resource management after recruitment. Before recruitment, the management's work is mainly about job analysis, job design and human resources planning; in the process of recruitment, the management is mainly about recruitment and selection; after the recruitment, the management refers to training, development,



incentive, leadership, communication, performance evaluation, payment and benefits etc. The organization achieves the two objectives through the management activities, which require employees that have the required knowledge, skills and competences of their work and the training of the employees have a sense of identity and a sense of belonging to the organization, improving the employee's loyalty to the organization. According to the two objectives, the functions of individual level of human resource management can be divided into two aspects, including competence management and behavior management. The brief description of competence management and behavior management before recruitment, in the process of recruitment and after recruitment can be seen from the following:

Table 2. Framework of individual level of human resource management

		Competence management	Behavior management
Before recruitment	Job analysis and job design	Recognize and confirm the number of employees; knowledge, skills and ability of employees etc.	Predict the needs of employees; setting the working relationship etc.
	Human	Competence acquisition management;	Confirm organizational objective; design

	resources planning	competence maintain planning etc.	the career development of employees; incentive policy etc.
In the process of recruitment	Recruitment and selection	Recruit and select based on ability demand	Evaluate values and teamwork ability
After recruitment	Training	Skills training; interpersonal relationship ability training etc.	Training of the sense of belonging, the sense of identity etc.
	Incentive	Stimulate employees' potential	Respect employees; employee participation; salary raise etc.
	promotion	Promotion based on competence including performance and potential ability etc.	fairness and impartiality; Objective promotion criteria etc.

	Salary	Attractive salary; performance-based salary etc.	Incentive salary; feedback of employees on salary
	Appraisal	Basis of competence management	Employee's behavior and performance as the basic information of appraisal

Source: Own creation based on (Zhao, 2001)

Competence management includes the following aspects: competence acquisition management, that is, to enable organizations to obtain advantage resources through human resource management; competence maintain management, that is, to retain the advantage resources within the organization through human resource management; competence replacement management, that is, to remove some unnecessary resources in the organization through human resource management; competence use management, that is, to ensure all the necessary resources which can be fully utilized through human resource management in the organization. The essence of competence management is to enable the organization to acquire and maintain a core competence that creates the conditions for the organization's competitive advantage and it is reflected in

most of the activities of human resource management practices.

Having the advantage resources unable to ensure that the organization performs better, it needs to cooperate with behavior management. Behavior management focuses on the degree of motivation and effort of individuals who have certain ability to work. Individuals may be competent for their work, but sometimes they cannot fully use the ability because of their behavior. Hence, they need behavior management and the function of behavior management is to try to conduct behavior control and behavior cooperation to guide the individual's behavior, so that the individual's work behavior and the degree of efforts should be consistent with the objectives of the organization.

#### **2.4.2 Organizational level of human resource management**

Organizational level of human resource management is a combination of human resource management and organizational strategy. Its purpose is to determine the organizational strategy and improve the efficiency and competitiveness of the organization on the basis of the competitive advantage that has been formed on the individual level. The organizational level of human resource management can be divided into two aspects, including strategic match and strategic flexibility management of human resources, benefit management of human resources.

##### **2.4.2.1 Strategic match and strategic flexibility management of human resources**

Changes of the external environment and the organizational development have a significant impact on human resource management (Hong, 2002). Strategic match management is to ensure that human resource management and organizational strategy are consistent with the internal structure of the organization through human resource management practices. Strategic flexibility refers to the adaptation ability of the organizational strategy and structure to the changes of the business environment through human resource management.

In traditional human resource management, human resources are rarely considered to be the basis of the organization's strategy (Xie, Jia, & Wang, 2000). Human resource management is not the part of the organization's business strategy that is only used as a means of identifying or selecting strategic objectives. In traditional human resource management, human resource management and business strategy have only a one-way relationship that make people suitable for the strategy rather than make the strategy suitable for human resources (Zhao, 2002). Strategic human resource management focuses on the interdependence between human resource management and business strategy; it believes that the organization's competitive advantage can be achieved through high-quality human resources (Huang & Hua, 2004). In modern organization management, the relationship between strategy and human resource management is getting closer. The formation and implementation of organizational strategy depends on the knowledge, skills and

behavior of employees in the organization. Therefore, the organization should consider the status of the environment and human resources first when the organization develops its business strategy. One of the purposes of human resource management on the organizational level is to ensure a high degree of consistency between human resource management and organizational strategy.

The organization as a system, its external function, depends on the internal structure. Human resource management should match the organizational structure and should be able to ensure the flexibility of the organizational structure through human resource management activities. And the consistency of the links in human resources management is also an important part of strategic match and strategic flexibility management. Some scholars such as Schuler and Jackson (Schuler & Jackson, 1987), Gomez-Mejia, Balkin and Cardy (Gomez-Mejia, Balkin, & Cardy, 1997) also have a similar theory, they used either Porter's general competitive strategy or according to their own business strategy classification, pointed out a number of similar models of human resource management and enterprise strategy. These scholars come to similar conclusions that different enterprise strategies need different human resource management practices, and the effect of human resource management depends on whether the human resource management matches the enterprise strategy.

Cynthia A. Lengnick-Hall and Mark L. Lengnick-Hall (Lengnick-Hall & Lengnick-Hall, 1988) proposed a bidirectional

model to prove the existing interaction and interdependence relationship between enterprise strategy and human resource management. They believed that the enterprise strategy was not decided in advance, it was the product of a combination of a variety of factors, including human resources and human resource management and human resource management practices were also the integrated product of a variety of factors, which would be affected by the enterprise strategy. Thus, there is an interdependent relationship between enterprise strategy and human resource management. Although human resource management is not the only or major consideration in the formation of enterprise strategy, human resource management will have a direct impact on the formation of enterprise strategy. In this way, there is a possibility that the enterprise strategy may be adapted to the human resource management practices. In the long term, the enterprise that considers human resource management and enterprise strategy from the perspective of interaction in the process of the formation and implementation of the enterprise strategy will perform better than the enterprise that considers human resource management only as a tool to implement enterprise strategy.

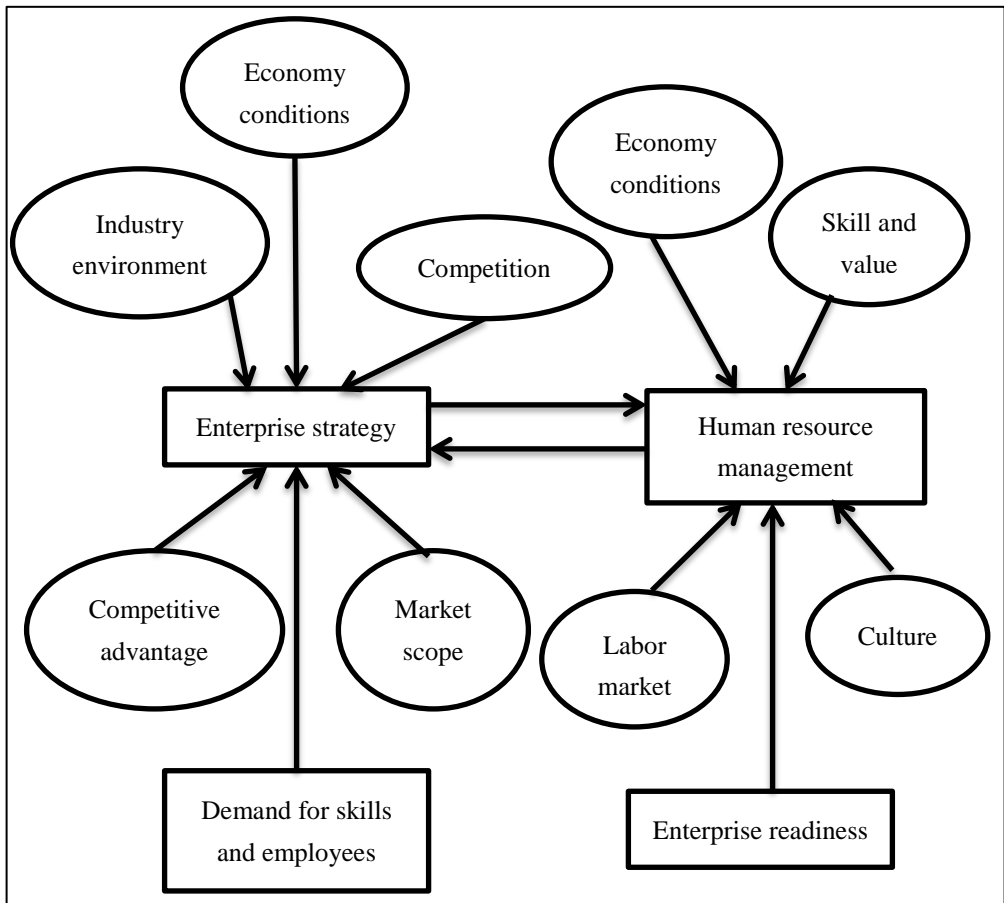


Figure 8. A perspective on enterprise strategy and human resource management interdependence Source: (Lengnick-Hall & Lengnick-Hall, 1988)

#### 2.4.2.2 Benefit management of human resources

On the organizational level, the other aspect of human resource management is the benefit management of human resources. Human resource management as part of the organizational strategy, has a function to help the organization achieve strategic objectives. Thus, the organization needs to figure out the contribution of human resource management to the organization's strategy in a way that it should contribute to the benefit of human resources. Benefit management of human resources includes profits of human resource



management and costs of human resource management (P. Liu & Liu, 2003).

Miles and Snow (Miles & Snow, 1984) divided enterprise strategy into three types, which are defender, prospector and analyzer. Enterprises that implement defender strategy usually engage in a narrow and stable product marketplace with few adjustments to technology and organizational structures. Enterprises that implement defender strategy pursue a better and more efficient way to produce products or provide services and they pay more attention to market defense, but rarely focus on research and development. When they need new technologies, they often introduce technologies from outside the enterprise. Enterprises that implement prospector strategy usually pursue new products and new markets. This type of enterprise pays more attention to new opportunities, it will keep testing for a new product and entering a new market. Enterprises that implement analyzer strategy are more likely to be the combination of defender and prospector. They have stable market segments as well as enterprises that implement defender strategy; they also enter some new markets as well as enterprises that implement prospector strategy. They are not the leaders of market changes but they are able to keep up with the changes of market faster than enterprises that implement defender strategy. According to different requirements of strategies for different organizations, Miles and Snow designed different combinations of human resources management practice and organizational strategies.

Table 3. Model of enterprise strategy and human resource management

Human resource management	Defender	Prospector	Analyzer
Basic strategy	Establishing human resources	Acquiring human resources	Allocating human resources
Recruitment and selection	Recruiting above entry level	Sophisticated recruitment	Mixed recruitment
Training and development	Formal, extensive training programs	Informal, limited training programs	Mixed training programs
Performance appraisal	Process-oriented procedure, individual/ group performance evaluation	Result-oriented procedure, Division performance evaluation	Mostly process-oriented procedure, mixed performance evaluation
Compensation	Oriented towards position in organization hierarchy	Oriented towards performance and incentives	Mixed compensation

Source: Adapted from (Miles & Snow, 1984)

## 2.5 Human resource management in different stages

The research and development of human resources has been going on

for nearly a century and can be divided into three stages, which are personnel management, human resource management and strategic human resource management. Different stages have different frameworks and methods, but more importantly, the understanding of the employees' value in the organization is different (L. Wang, 2004).

### **2.5.1 Management philosophy**

The management philosophy guiding the practice of the personnel management stage mainly focuses on the objectives of enterprises, enterprises pay more attention to the value of capital, employees are the tools and sources to achieve the objectives of enterprises; in the stage of human resource management, employees become an important resource of the organization and the management's function is to acquire, maintain and develop human resources in order to achieve the objectives of the organization; in the stage of strategic human resource management, human resources are regarded as the source of competitive advantage and as a capital that can be used to provide future income. Because human capital has the characteristics of increasing returns and can improve the production efficiency of material capital, human resources are the most important assets in the organization as the fundamental source of competitive advantage. From using employees as attachments to machines to a key source of competitive advantage, human resource management philosophy changed significantly in the last one hundred years.

## **2.5.2 The importance of personnel management, human resource management and strategic human resource management**

In the stage of personnel management, personnel management only concerns about the daily routine of the organization, thus the importance of personnel management is very low. Personnel management plays an administrative role without a connection of organizational strategy; in the stage of human resource management, although human resource management has an impact on both the formulation and the implementation of organizational strategy in strategic management, the impact is not significant, resulting in a lack of dynamic adaptability between human resources and strategies. Although enterprises realized that employees were the resource of enterprises, employees were not considered as an important strategic resource in this stage; in the stage of strategic human resource management, human resource management was considered to be the core function of formulating and implementing the organizational strategy.

When the problems of human resources in the entire strategic management framework are recognized and solved, the expected results of the management and operation of the organization are achieved. In this stage, human resource management and organizational strategies are integrated; human resources managers are often members of the senior management team of the enterprise. Human resource management is directly integrated into the formation and implementation of organizational strategies. Human resource

managers not only provide human resources information to senior enterprise leaders, help leaders to make the best decision, but also create a suitable human resources environment and promote the implementation of organizational strategies through development and human resource management practices after the leaders have made the strategic decision.

### **2.5.3 Management objective**

In the stage of personnel management, the management objective is the better performance of the department within the organization, which is the basis for testing the effectiveness of the work; in the stage of human resource management, the management objective not only focuses on departmental performance, but also pays attention to the contribution of human resource management to organizational objectives; in the stage of strategic human resource management, the management objective focuses on how to achieve the organizational objectives through human resource management. In other words, strategic human resource management is the human resource management activity that is more conducive to the development of the organization and more conducive to the organization to obtain competitive advantage. In this stage, the value of human resource activities depends on whether human resource activities help the organization gain a competitive advantage or whether human resource activities have a strategic role to play in improving performance and achieving strategic objectives.

Table 4. Comparison of personnel management, human resource management and strategic human resource management

	Personnel management	Human resource management	Strategic human resource management
Leader	Personnel department	Human resources manager	General manager
Management scope	Daily routine	Implementation of strategies	Formation and implementation of strategies
Importance	Low	Medium	High
Transformation	Passive adaptation	Active adjustment	Change leadership

Source: Adapted from (Du & Qin, 2006)

## 2.6 Organizational performance

The objective of strategic human resource management is to improve organizational performance. Viewpoint of different theories such as the resource-based view, human capital and role behavior theory, generally agree that all the practical activities of strategic human resource management have an impact on organizational performance.

### 2.6.1 Definition of organizational performance

Organizational performance can also be called enterprise

performance or firm performance that refers to the actual output of the organization. Richard et al. (Richard, Devinney, Yip, & Johnson, 2009) pointed out that organizational performance included three parts of enterprise outcomes, which were financial performance, product market performance and shareholder return.

Shunqi Dong (Dong, 1995) pointed out that organizational performance included efficiency, effectiveness and economy. Efficiency refers to the ratio of social resources consumed during an enterprise's activities for the business goals achieved, usually expressed in terms of relative numbers, such as labor productivity, equipment utilization and capital utilization, which reflect the rate of business activity; effectiveness refers to the effective result produced by the enterprise, usually using output, quality and profit to reflect the result of enterprise activity; economy refers to the percentage of resource utilization, which reflects the labor consumption reduced or saved during the acquisition of a certain objective.

Venkatraman and Ramanujam (Venkatraman & Ramanujam, 1986) pointed out that organizational performance was a multi-dimensional structure, including financial performance, operational performance and organizational effectiveness. Campbell (Campbell, 1977) summed up 30 items to show the multi-level characteristics of organizational performance, which can be attributed to the five types, including productivity, overall performance, employee satisfaction, profit and employee turnover.

Dyer and Reeves (Dyer & Reeves, 1995) classified enterprise performance into four categories, as human resource management performance including employee turnover, employee satisfaction etc.; organizational performance including productivity, quality, customer satisfaction etc.; accounting measurement performance including return on assets, profit, sales revenue etc.; market price performance, including the stock market price.

It can be found from the literature review that most of the indicators that measure the performance of the organization can be classified as financial indicators and non-financial indicators. Financial performance refers to the organizational performance indicators that can be displayed in financial statements, non-financial performance refers to the organizational performance indicators that cannot be displayed in financial statements; non-financial indicators refer to customer satisfaction, employee turnover, while the financial indicators refer to profitability, return on investment and market share etc. Compared with the organizational performance measurement proposed by Dyer and Reeves (Dyer & Reeves, 1995), we can find that human resources output and organizational output indicators are mostly non-financial indicators. Hence, organizational performance can be classified as the following:



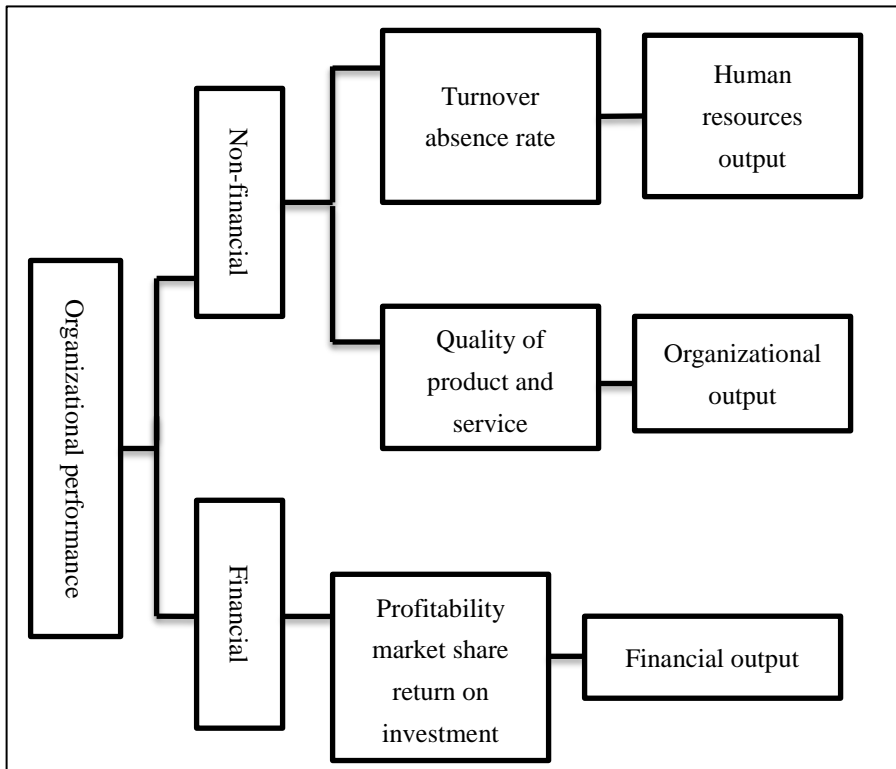


Figure 9. Classification of organizational performance Source: Own creation based on (Dyer & Reeves, 1995)

### **2.6.2 Development of research on human resource management connected to enterprise performance**

In recent years, researchers have done a lot of researches to establish the relationship between human resource management and enterprise performance. Generally speaking, the relationship has been basically recognized as a positive relationship between human resource management and enterprise performance. Becker and Gerhart (Becker & Gerhart, 1996), Paauwe and Richardson (Paauwe & Richardson, 1997), Rogers and Wright (Rogers & Wright, 1998) etc., in their studies basically support the conclusion that there is a positive effect of human resource management on enterprise

performance. For instance, Welbourne and Andrews's (Welbourne & Andrews, 1996) study showed that human resource management practices such as providing stock options to all employees, appointing a human resource manager or clarifying human resource management were the source of the enterprise's competitive advantage had a positive correlation with the stock price of the enterprise. Although there are still differences in the measurement of the variables and the specific degree of the impact, in the field of strategic human resource management, a consensus has been reached that there is a positive impact of human resource management on enterprise performance.

In theoretical research, several scholars put forward models for the study of the mechanism between human resource management and enterprise performance. Becker and Gerhart's model is the following:

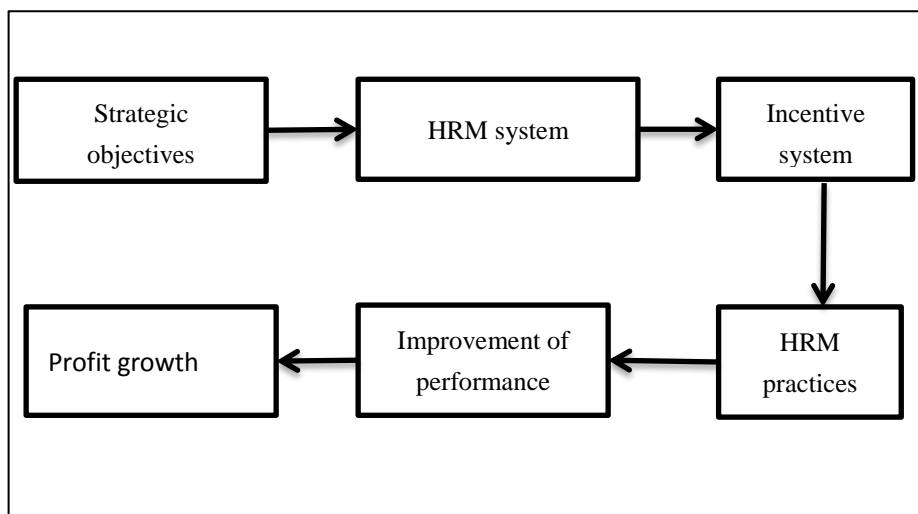


Figure 10. Mechanism model between human resource management and enterprise performance of Becker & Gerhart Source: Adapted from (Becker & Gerhart, 1996)

Becker and Gerhart's model that uses human resource management practices such as training employees, improving work environment

and designing an incentive system to improve creativity, productivity and other capabilities of the employees, and employee's behavior will affect the operation of the enterprise directly, which affects the implementation of the strategy to achieve economic and market performance improvement ultimately.

Ferris et al. (Ferris et al., 1998) put forward a more complex social context model, which contained factors such as culture, organizational climate, and flexibility. They added more intermediate variables to complicate the impact of human resource management on enterprise performance.

This model assumes that organizational culture is the starting point for a model where the human resource management system contributes to organizational performance through its impact on flexibility, employee attitudes, employee behavior and organizational reputation.

In empirical research, several scholars have tried to study the intermediate variable between human resource management and enterprise performance. Their research mainly focuses on two aspects. Some scholars introduced attitudes and behavior as intermediate variables and analyzed the impact of human resource management on enterprise performance through attitudes and behavior; some scholars introduced organizational capacity as an intermediate variable and analyzed the impact of human resource management on enterprise performance through shaping organizational capacity by human

resource management.

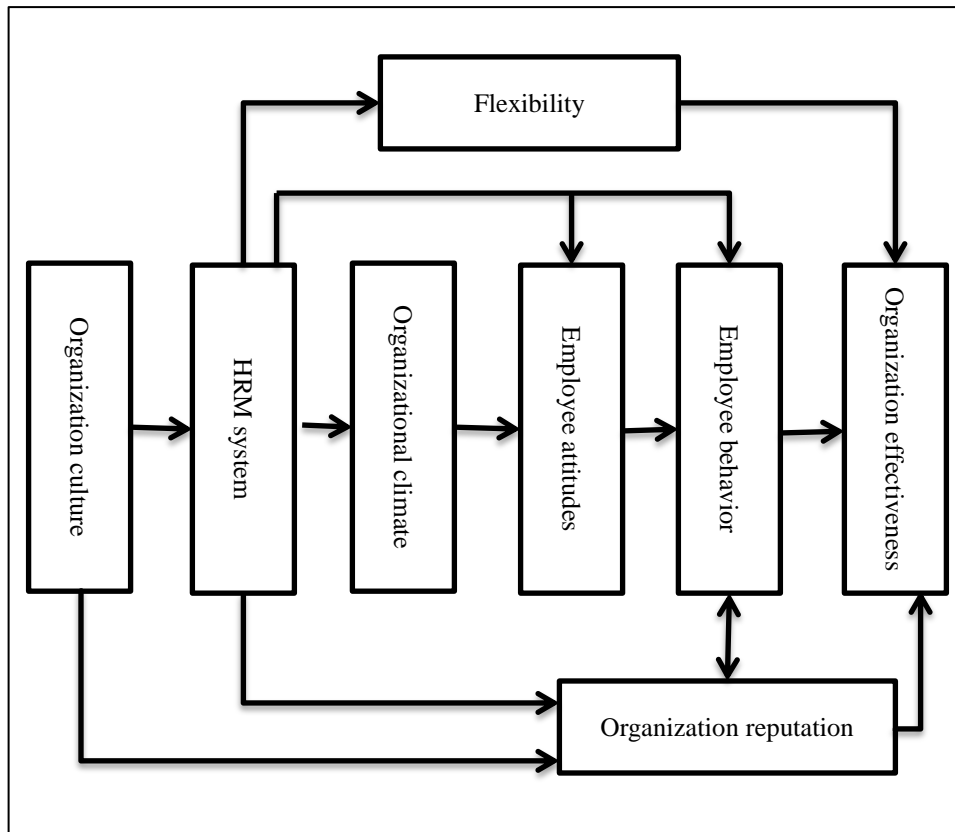


Figure 11. Social context model of the HRM-organization effectiveness relationship  
Source: (Ferris et al., 1998)

For instance, Wright and Snell (Wright & Snell, 1998) hypothesized that human resource management affected behavior and effort through attitude, they set attitude as an intermediate variable and attitudes were expressed by job satisfaction and commitment. Their research confirmed that attitude played an intermediary role between human resource management and enterprise performance. Youndt and Snell (Youndt & Snell, 2004) set intellectual capital as an intermediate variable, namely, they found that there was a strong dimensional relationship between specific human resource

management and specific intellectual capital. Moreover, there is a strong direct relationship between human resource management, intellectual capital and enterprise performance, which confirms that intellectual capital is an appropriate intermediate variable between human resource management and enterprise performance.

In the empirical research, all researches have only introduced some intermediate variables, but there is still no systematic verification of the intermediate mechanism between human resource management and enterprise performance. This is mainly due to the complexity of the research of human resource management on the organizational level, which makes the data acquisition and measurement of variable very difficult.

## 2.7 Individual performance

Campbell (Campbell, 1990) pointed out that the individual performance of employees referred to those individuals who could control the performance and behavior by themselves, which contributed to organizational objectives. In order to achieve organizational objectives, employees must be willing to do many other things voluntarily, some of which may not be directly related to their personal work tasks, such as helping new employees and taking on difficult tasks. However, these kinds of behavior are very important for the overall development of the organization and can be called contextual activities.

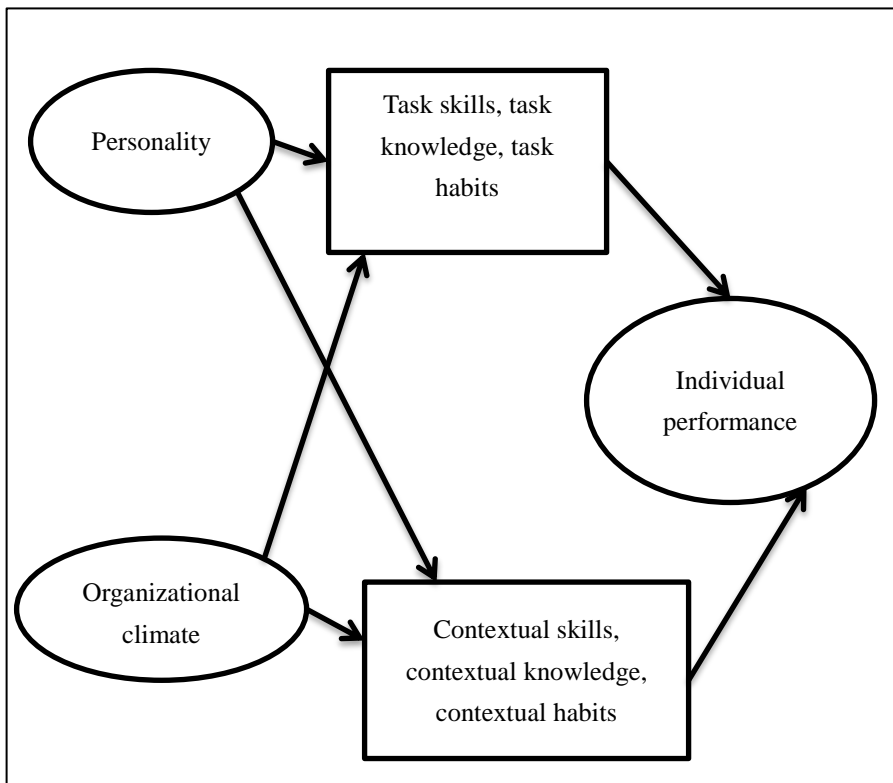


Figure 12. Components of individual performance Source: Own creation based on (Borman & Motowidlo, 1997)

Borman and Motowidlo pointed out that contextual activities could promote the completion of task activities and individual performance was composed of contextual performance and task performance. They argued that personality, organizational climate and the interaction between personality and organizational climate had a direct impact on the individual performance of employees. Personality influences task performance through task knowledge, task skills and task habits, and it influences contextual performance through contextual knowledge; organizational climate influences contextual performance through contextual knowledge, contextual skills and contextual habits, and it influences task performance

through task habits (Borman & Motowidlo, 1997). Based on the idea of Borman and Motowidlo, the model of individual performance can be drawn as Figure 12. In this model, there are two main factors that affect the individual performance of employees, one is personality and the other one is organizational climate.

### **2.7.1 Personality**

Personality includes competence, motivation and attitude. Competence refers to intelligence and hobby, which are the basic abilities of employees before recruitment as well as their skills and working methods, which could be acquired by training and work practices. The more consistent the work characteristics and employee characteristics are, the higher the employee performance is, which cannot only reduce the loss of staff and training costs effectively, but also can improve staff productivity and satisfaction significantly.

Motivation refers to the willingness of people to engage in certain activities and make efforts for a certain goal. Employee motivation is based on the satisfaction of individual needs and their predictability in organizational activities. Maslow's hierarchy of needs divide the needs into physiological needs security, belonging and love, esteem and self-actualization(Maslow, 1943). If employees still fight for physiological needs, their real concern is the income and comfort that has nothing to do with the specific work, so at this time human resource management should improve salary levels, improve working conditions etc.; Security includes personal safety, stability of life and

protection from threats or illnesses. Hence, human resource management should emphasize rules and regulations, job security and benefits and protect employees from unemployment; esteem includes both personal feelings about accomplishments, as well as recognition and respect by others, so human resource management should provide incentives that combine material and immaterial rewards and provide promotion opportunities. Human resource management should leave some space for employee's self-development while designing the work. The more work can meet the needs of employees, the higher the basic satisfaction of employees is, which leads to higher predictability and higher work efficiency. The attitude of employees is composed by cognition, emotion and behavior. Human resource management in the application of employees' attitude should create or strengthen uncoordinated cognition, emotion and behavior in order to change the employees' attitude to provide an internal driving force.

### **2.7.2 Organizational climate**

Organizational climate is a relatively enduring feature of an organization's internal environment and is a set of properties of the work environment that is a driving force in influencing the behavior of employees (Ivancevich & Matteson, 1993). Organizational climate includes organizational principle, leadership style and group norms.

Behavioral scientists have found that the organizational forms and organizational structures established based on the principles of the



organization have a great influence on the organizational climate (Chen, 2002). With the development of socio-economic activities, new organizational principles have emerged the main purposes of which are to eliminate the concept of hierarchy and establish equal relationships between managers and employees; remove barriers of communication and strengthen communication from formal and informal channels; put an emphasis on human psychology and emotions, set the emotional investment as an important measurement of enterprise value costs.

Behavioral theory showed that the management style of leaders had a direct impact on the organizational climate. McClelland (McClelland, 1970) pointed out that there were two different kinds of power in human society, one is negative power, power built on a personal basis, manifested as domination and submission; the other one is positive power, built on socialization that appear to care about collective interests and goals, helping people set goals, communicate information, find ways to achieve their goals and educate and encourage employees to work hard to achieve their goals. The new leadership style can improve the organizational climate satisfy the needs of employees.

Group norms refer to the common rules set by the group, each member must comply with the group norms (Liang & Wang, 2001). Group norms work through group pressure, which is different from the authoritative order. It works through imitation, public opinion and the close relationship between the members of the group that

individuals are often difficult to defy psychologically. To change an individual's behavior, sometimes it is stronger than authoritative order.

Having a good organizational climate, such as challenging work, fair payment, supportive working environment, and harmonious co-worker relationships will lead to changes in the motivation and attitude of the employees, enabling employees to work harder and participate in management more actively, increasing the employee's job satisfaction, reducing turnover etc., and thus affecting the organizational performance. The best way to improve the organizational climate is through human resource management. as All the human resource management activities such as designing work effectively, performance evaluation, compensation and recognition system and providing training opportunities etc., will affect the employees' perception of the organizational climate.

## 2.8 The impact of individual performance on organizational performance

The evaluation of the contribution of human resource management to organizational performance can be done mainly from two aspects, first, to evaluate the contextual performance, that is employees' job satisfaction and loyalty to the enterprise; second is to evaluate the task performance, that is, individual productivity, production or service quality and service satisfaction.

Organizational performance comes from the individual performance of employees, the personal characteristics of employees within the organization such as competence, motivation and attitude and other elements are the foundation of organizational performance. Organizational climate such as organizational principle, leadership style and group norms are the catalysts of organizational performance. Under the guidance of the organization climate, the individual performance has an influence on the organizational performance based on certain attitudes and personal behavior. Part of the work of a human resources department in an enterprise is to try to solve the problems of organizational climate and personality (Xiao, 2006).

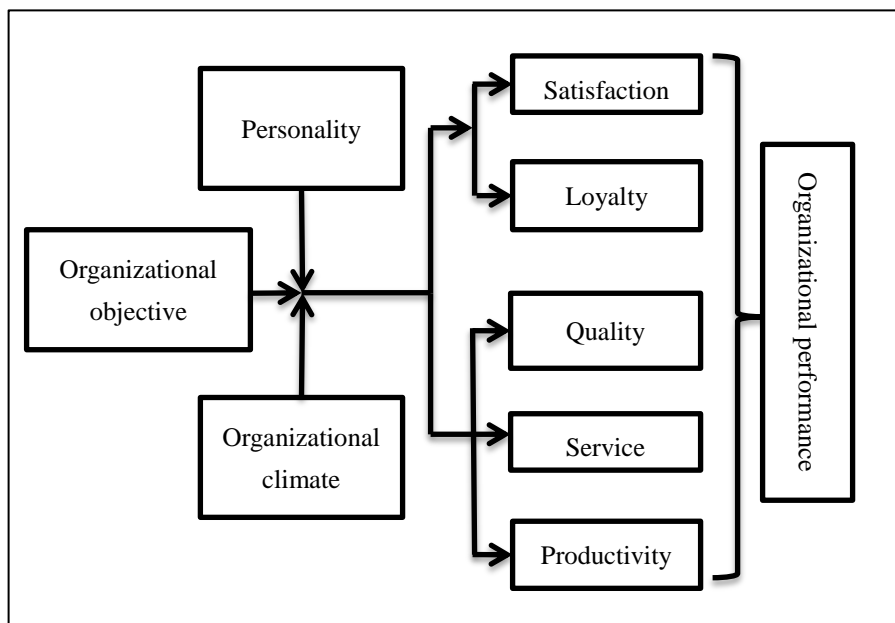


Figure 13. Model of relationship between individual performance and organizational performance Source: Adapted from (Xiao, 2006)

In this model, organizational objective is a very important part. Human resource management practices to guide the individual behavior of employees effectively according to the strategic objective

of the organization, which has an impact on individual competence, motivation and attitudes leading to individual performance influence on organizational performance.

### 2.9 Model of strategic human resource management related to organizational performance

After literature review, this dissertation created a model based on the ideas from Paauwe & Richardson, and Darwish. The Model can be drawn as the following:

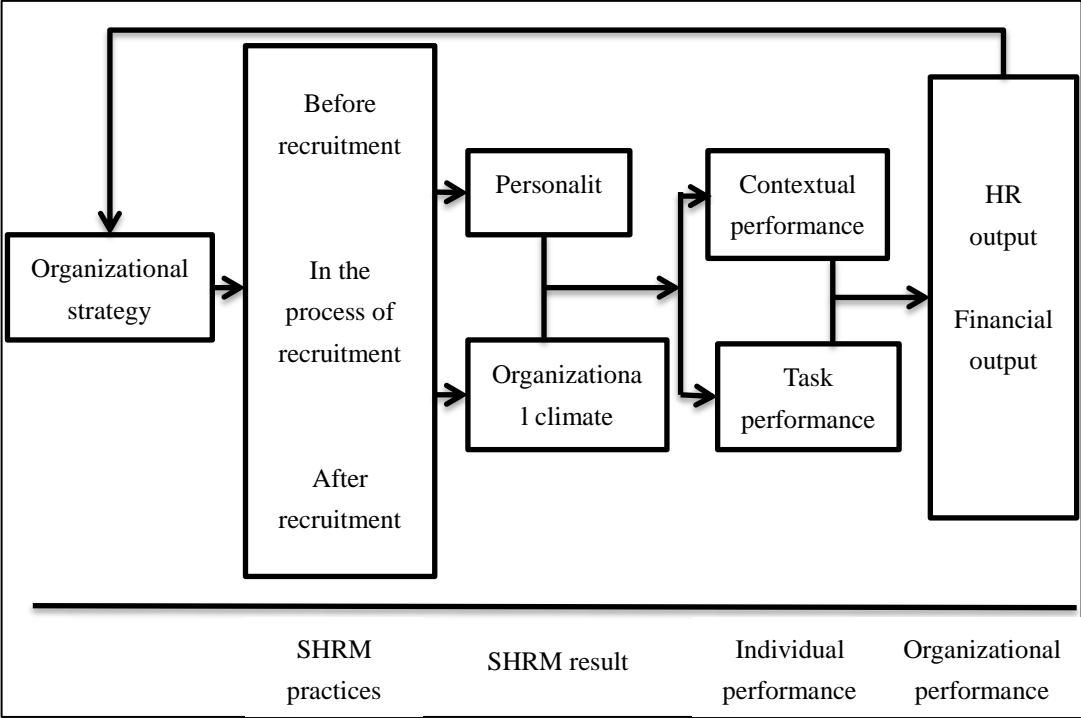


Figure 14. Mechanism model of SHRM connected to organizational performance  
 Source: Own creation based on (Paauwe & Richardson, 1997) & (Darwish, 2013)

In this model, the strategic human resource management practices are divided into a before recruitment, including job analysis, designing, planning; in the process of recruitment phase, including recruitment

and selection; and an after recruitment phase, including training, motivation, communication performance evaluation and compensation etc. The strategic human resource management results are divided into personality, including competence, motivation and attitude; and organizational climate including organizational principles, leadership style and group norms. Individual performance is divided into contextual performance, including employee satisfaction, loyalty; and task performance, including personal productivity, quality and service. Organizational performance includes human resource output and financial output.

### **3. Objectives of the study**

At present, there is no systematic mechanism of the interaction between strategic human resource management and organizational performance. With the intensification of competition, the competitive advantage among Chinese enterprises will be more and more manifested as the competition of human resources. Therefore, to research the mechanism between strategic human resource management and organizational performance and the construction of the mechanism model between strategic human resource management and organizational performance will surely make a contribution to the development of theoretical research and it is also meaningful for guiding enterprises to improve competitiveness of human resources. To sum up, objectives of the dissertation include discussing the mechanism between strategic human resource management and organizational performance, and trying to build a systematic mechanism model between strategic human resource management and organizational performance; based on the survey of Chinese enterprises to verify the relationship between strategic human resource management and organizational performance.

## **4. Materials and methods**



Different theories of strategic human resource management agreed that human resource practice had a significant impact on organizational performance. Human resource practices that are highly aligned with the organizational strategy should result in higher organizational performance. Hence, verifying the impact of human resource management practices on organizational performance has become an important area of strategic human resource management. Although there is a larger number of empirical research in the area, most of them are based on the empirical research of enterprises in developed countries such as the U.S. and the EU countries. Chinese scholars started to research strategic human resource management relatively late. Some Chinese scholars (J. Jiang & Zhao, 2007; C. Li, 2009; J. Luo & Qin, 2006; H. Wu & Chang, 2012) have done empirical researches on the impact of strategic human resource management on organizational performance, but from the literature review we found that most of the researches focused on the manufacturing industry. This dissertation will verify the relationship between strategic human resource management and organizational performance based on the sample of state-owned enterprises in Xinjiang province, China.

## 4.1 Method

### 4.1.1 Hypothesis

In the chapter of literature review I introduced three modes of theorizing of strategic human resource management, including

universalistic perspective, contingency perspective and configurational perspective. From the three modes of strategic human resource management, the universalistic perspective is accepted by several scholars. There are two assumptions in this mode that the best human resource management practices increase the financial contribution to the organization without regard to the organization's strategic goals, which are also known as strategic Human resource management practices; these management practices are generally applicable. Through the comparison of these three modes, I find that universality mode is accepted by several scholars because of its simple verifiability. Hence, this dissertation selects the universalistic mode as the empirical model of research. It is because strategic human resource management has been introduced into China for a short time and has not been widely adopted by Chinese enterprises; the universalistic mode can reflect the actual situation of human resource management in enterprises better and the mode is accepted by several scholars.

Based on the literature review and the mode of universalistic perspective, the main hypothesis of this dissertation is that strategic human resource management practices have a positive impact on organizational performance. In order to verify the main hypothesis, there are four hypotheses needed to be verified, the first of which is the index of human resource management practices that has positive correlation with financial performance; the second is the index of human resource management practices that has positive correlation

with customer satisfaction; the third is the index of human resource management practices that has positive correlation with market share; the fourth is the index of human resource management practices that has negative correlation with employee turnover.

#### **4.1.2 Questionnaire development**

Based on the mode of universalistic perspective, this dissertation takes human resource management practices as the independent variable and organizational performance as the dependent variable. The data of the independent variable and dependent variable were obtained through a questionnaire, then using SPSS software for regression the relationship between independent variable and dependent variable were analysed. This dissertation uses 14 items of human resource management practices and 4 items of organizational performance for verification. The selected items have been applied in Chinese state-owned enterprises and these items will be explained in the ensuing paragraphs.

The questionnaire of the dissertation was adapted and modified according to my research objectives from questionnaires proposed by Becker, Arthur and Huslied, it also concerned about Pfeffer's sixteen human resource management practices and Delery & Doty's seven human resource management practices. The questionnaire includes two parts; the first part includes background information and fourteen items of human resource management practices. The fourteen items have been selected from previous researches by scholars such as

Arthur, Huslied et al., Lee & Miller, Koch & McGrath Jiang, Xu & Yang (Arthur, 1994; Huselid, Jackson, & Schuler, 1997; C. Jiang, 2007; Koch & McGrath, 1996; Lee & Miller, 1999; Xu & Yang, 2005). Part of the items in the questionnaire uses Likert scale to measure. The interviewee should grade every item according to the actual situation. In the questionnaire, 1 represents strongly disagree, 2 represents disagree, 3 represents neither agree nor disagree, 4 represents agree and 5 represents strongly agree; the second part is the information of organizational performance, including financial performance and non-financial performance. The data of financial performance should be filled according the statements of statistics in the end of 2016 of the enterprise, non-financial performance should be filled according to the estimation of the interviewee based on the actual situation. Because the results of the questionnaire have a significant impact on the accuracy of data regression, hence, the questionnaire should be filed by the head of human resources department who is in charge of the overall planning and operation of the human resources of the enterprise, which can ensure the credibility and accuracy of the data.

## 4.2 Material

### 4.2.1 Samples

State-owned enterprises are special enterprises whose capital is wholly or mainly invested by the state and whose entire capital or major shares are owned by the state. In China, state-owned

enterprises also include those one controlled by local governments (X. Li, 2003). The government's will and interests determine the behavior of state-owned enterprises. As a kind of production and management organization, state-owned enterprises have the characteristics of both profit-making corporations and public corporations (Jin, 2001). State-owned enterprises in China have some characteristics such as state-owned enterprises, which are engaged in production and business activities and also have profit-making purposes, they also have non-profit-making purposes; a state-owned enterprise is an organization, the state is the only or mainly contributor to the organization; it is wholly or mainly funded by the state and managed by the relevant competent authorities of the state, the state also appoints the staff to host enterprises for production and business activities; it shares certain state-owned management functions but different from the state organization, it is mainly engaged in production and business activities.

In view of the different level of economic development and cultural environment in which enterprises are located, the indicators of evaluation and the weights of indicators should also be different. As the questionnaire involves the financial data of enterprises, in order to avoid the sample bias caused by regional differences and concerned about the convenience of data acquisition, I decided to limit the samples to state-owned enterprises which have more than 300 employees in Xinjiang province, China. Why 300 employees? The first reason is enterprise has more than 300 employees usually could

be a big state-owned enterprise in Xinjiang province and their organizational performance especially financial performance will be better than small state-owned enterprise. The second reason is that some small state-owned enterprises (employees less than 300) in Xinjiang usually do not have the professional human resource department. They still use the personnel management system in their enterprises and the human resource management practice is not fully applied in these enterprises. The third reason is that most of the state-owned enterprise in Xinjiang has employees more than 300 people because the population is large.

#### **4.2.2 Data**

According to the website of State-owned Assets Supervision and Administration Commission of Xinjiang, there are 70 state-owned enterprises that each has more than 300 employees in Xinjiang province. Because Xinjiang is my hometown, with the help of my family, friends and schoolfellows, I sent 70 questionnaires to state-owned enterprises and this survey started from June, 2017 carried out by Wenjuanxing, the biggest questionnaire solution of China. 59 questionnaires were collected and 55 of 59 were valid questionnaires, the valid response rate was 78.6%. The standard of valid questionnaire was the following: the interviewee should be the head or manager of human resources department; employees of the enterprise with fewer than 300 people is not valid because the human resource practices are usually not fully applied in the enterprise if the enterprise has fewer than 300 employees; some answers were missing

in the questionnaire.

## 4.3 Selection of variables

### 4.3.1 Independent variable

Choosing the right strategic human resource management practices is an important part of my research. In different empirical researches, the researchers' ideas of human resource management practices are different. Pfeffer (Pfeffer, 1994) identified 16 human resource management practices; other scholars such as Miles & Snow, Kerr & Slocum, Delery & Doty (Delery & Doty, 1996; Kerr & Slocum, 1987; Miles & Snow, 1984) identified 7 human resource management practices, including internal job opportunities, training systems, appraisal, profit sharing, employment security, employee participation and job description. After literature review and combined with the actual situation of stated-owned enterprises in Xinjiang, this dissertation selects 14 items of human resource management practices as the independent variables. There are five items including internal job opportunities, training systems, appraisal, employment security and employee participation adapted from the research of Delery & Doty and I divide training system into two parts, including induction training and on-the-job training. Other items were selected from relevant researches. The details can be seen from Table 5 as the following:

Table 5. Human resource management practices

Items	Description	Source
Recruitment	Ratio of new employee from recruitment	(Delaney & Huselid, 1996)
Human resources strategy	Combined recruitment with enterprise strategy	(Paauwe, 2004)
Internal job opportunities	Ratio of internal recruitment	(Delery & Doty, 1996)
Induction training	Training new employees for required skill etc. (number of days)	(Arthur, 1994; Delery & Doty, 1996)
On the job training	Training for old employees (number of days)	(Arthur, 1994; Delery & Doty, 1996; Kalleberg & Moody, 1994)
Payment for performance	Ratio of payment for performance to salary	(Banker, Lee, Potter, & Srinivasan, 1996; Ngo et al., 1998)
Level of salary	Salary compared with same type of enterprise	(Delery & Doty, 1996; Huselid et al., 1997)
Career planning	Ratio of employees for career planning	(Koch & McGrath, 1996; Wallace, 1995)



Appraisal	Whether enterprise has good appraisal system	(Delery & Doty, 1996; Huselid et al., 1997; Ngo et al., 1998)
Promotion criteria	The importance of skill and performance in promotion	(Delery & Doty, 1996)
Attitude survey	Ratio of employees who join attitude survey	(Lee & Miller, 1999; D. Wang & Zhao, 2013)
Feedback system	Whether enterprise has feedback system for employees	(Arthur, 1994; Delery & Doty, 1996; Gu & Chen, 2010)
Team building	Relation between team performance and individual performance	(Banker, Field, Schroeder, & Sinha, 1996; Y. Li & Sun, 2013)
Employment security	Compensation, security policy etc.	(Delery & Doty, 1996)

Source: Own creation

### **4.3.2 Dependent variable**

In this dissertation I set organizational performance as the dependent variable that can be divided into two types of organizational performance, namely financial performance and non-financial performance. Most of previous researches only focused on market performance, but in my research I concern about both market performance and individual performance. In different empirical

researches, the researchers focused on different organizational performance indicators, such as Huselid (Huselid, 1995) focused on employee turnover, productivity and financial performance; Zhang & Zhao (H. Zhang & Zhao, 2006) focused on operating performance and the relative performance etc.

In this dissertation, I will choose financial performance (return on assets), market share, customer satisfaction and employee turnover as dependent variables based on previous researches. Financial performance mainly refers to return on assets, which is the ratio of profitability to total assets in the dissertation. The reason to choose this item is the return on assets, which is a very important indicator to reflect the financial performance of an enterprise. Moreover, financial data is difficult to collect because it may involve a business secret. Hence, return on assets is the best choice for financial performance. Market share refers to market share in the market of similar products, market share can reflect the sales situation of products and it is also an important indicator of organizational performance. This item should be filled by the interviewee according to the financial statement of the enterprise. Customer satisfaction refers to satisfaction of customers with the products and services of the enterprise. Customer satisfaction has become an important indicator of organizational performance because the evaluation of the customer has a significant impact on the reputation of the enterprise. Employee turnover refers to the ratio of employees leaving the enterprise voluntarily in the previous year to the total number of employees in

the enterprise. I have chosen this item because human resources have become the core competence of enterprises, thus the employee turnover is an important indicator of organizational performance.

## **5. Results**

## 5.1 Reliability and validity

Reliability refers to repeated measurements of the consistency of the results obtained for the same or similar targets. Reliability can be measured by the aspects of stability, equivalence and internal consistency. Generally, internal consistency is used to indicate the reliability of the test. This dissertation uses method of Cronbach's alpha to measure the reliability of the questionnaire, the higher the reliability is, the more reliable the results of the questionnaire are. Nunnally (Nunnally, 1978) and DeVellis (DeVellis, 1991) pointed out that Cronbach's alpha greater than 0.7 was acceptable. If the coefficient of Cronbach's alpha can reach between 0.7-0.98, we can believe that this questionnaire has good reliability, if the coefficient is lower than 0.35, it must be rejected. Using SPSS to test the reliability, the result is the following:

Table 6. Reliability Statistics for 14 items

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.866	.882	14

From the result of Table 6, the coefficient of Cronbach's Alpha for 14 items of independent variables is 0.866, which is an acceptable coefficient.

Table 7. Reliability Statistics for 18 items

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.768	.796	18

From the result of Table 7, the coefficient of Cronbach's Alpha for 18 items of questionnaire is 0.768, which is an acceptable coefficient. Hence, the questionnaire of this dissertation has a high degree of internal consistency.

Validity is the extent to which a concept, conclusion or measurement is well-founded and corresponds accurately to the real world (Brains, Willnat, & Rich, 2011). The more the measured results and the content to be investigated fit, the higher the validity is. The questions of the questionnaire are generated by literature and related scholars' researches, the content validity of which is very high, as well as the expert consultation and the small-scale pretest and revision of the initial questionnaire. The expert consultation and the small-scale pretest started from May of 2017, the experts includes five professors, Weizhong Liu, Guoxin Yu, Junxiao Yang, Yulan Song and Xianghui Liu from Xinjiang Agricultural University where I got my master degree, I asked opinion from them because they are familiar with the situation of the enterprises in Xinjiang and their professions are human resource management or related to human resource management Hence, the questionnaire should have good content validity.

## 5.2 Index of human resource management practices

In most of previous researches, scholars used the method of regression analysis between human resource management practices and organizational performance. Although they have achieved results

of the correlation between human resource management practices and organizational performance, there is correlation between the independent variables, so the result of regression may not be able to get the correct conclusion. In this dissertation, there 55 samples and 14 independent variables and correlation may exist among independent variables, hence, we can use the method of Principal Component Analysis to combine multiple independent variables into a few variables independent of each other that fully reflect the overall information, then to build a human resource management practices index and to verify the relationship between strategic human resource practices and organizational performance through the regression analysis of the index and dependent variables.

### **5.2.1 Principal component analysis**

Table 8. Correlation matrix

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	1.000	0168	0.151	0.011	0.105	0.126	0.147	0.038	-0.027	-0.130	-0.157	0.009	-0.059	-0.166
2	0.168	1.000	0.093	0.334	0.260	0.196	0.166	0.453	0.171	0.291	0.248	0.119	0.207	0.227
3	0.151	0.093	1.000	0.268	0.164	0.444	0.006	0.274	-0.207	-0.248	0.005	-0.132	-0.248	-0.076
4	0.011	0.334	0.268	1.000	0.687	0.319	0.398	0.464	0.214	0.207	0.415	0.211	-0.122	0.338
5	0.105	0.260	0.164	0.687	1.000	0.227	0.377	0.402	0.197	0.118	0.427	0.115	0.118	0.377
6	0.126	0.196	0.444	0.319	0.227	1.000	0.329	0.496	-0.022	0.072	0.296	-0.007	-0.091	0.090



7	0.147	0.166	0.006	0.398	0.377	0.329	1.000	0.393	0.272	0.110	0.392	0.121	-0.016	0.396
8	0.038	0.453	0.274	0.464	0.402	0.496	0.393	1.000	0.312	0.113	0.634	0.229	-0.107	0.256
9	-0.027	0.171	-0.207	0.214	0.197	-0.022	0.272	0.312	1.000	0.349	0.365	0.625	0.301	0.432
10	-0.130	0.291	-0.248	0.207	0.118	0.072	0.110	0.113	0.349	1.000	0.129	0.334	0.421	0.270
11	-0.157	0.248	0.005	0.415	0.427	0.296	0.392	0.634	0.365	0.129	1.000	0.376	0.154	0.608
12	0.009	0.119	-0.132	0.211	0.115	-0.007	0.121	0.228	0.625	0.334	0.376	1.000	0.334	0.506
13	-0.059	0.207	-0.248	-0.122	0.118	-0.091	-0.016	-0.107	0.301	0.421	0.154	0.334	1.000	0.361

14	-0.166	0.227	-0.076	0.338	0.377	0.090	0.396	0.256	0.432	0.270	0.608	0.506	0.361	1.000
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Table 8 is the correlation matrix of 14 items, concerned about the scale of table, I use numbers instead the name of items. No.1 represents recruitment, No.2 represents human resources strategy, No.3 represents internal job opportunities, No.4 represents induction training, No.5 represents job training, No.6 represents pay for performance, No.7 represents level of salary, No.8 represents career planning, No.9 represents appraisal, No.10 represents promotion criteria, No.11 represents attitude survey, No.12 represents feedback system, No.13 represents team building and No.14 represents employment security. From Table 8 we can found that there are correlations among 14 human resource management practices that these variables can be used in principal component analysis.

From Table 8 we can find out that extraction sum or rotation sum are no matter, the eigenvalues of the first six principal components are greater than 0.8 and the cumulative is reached 75.744% that the interpretability for the independent variables is very high. Hence, 6 principal components are enough from the 14 variables.

Table 9. Total variance explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.180	29.858	29.858	4.180	29.858	29.858	2.333	16.664	16.664
2	2.418	17.270	47.127	2.418	17.270	47.127	2.220	15.855	32.519
3	1.200	8.572	55.699	1.200	8.572	55.699	2.095	14.961	47.480
4	1.021	7.296	62.995	1.021	7.296	62.995	1.658	11.843	59.322
5	.963	6.882	69.877	.963	6.882	69.877	1.205	8.607	67.929
6	.821	5.867	75.744	.821	5.867	75.744	1.094	7.815	75.744
7	.784	5.601	81.346						
8	.740	5.287	86.633						
9	.502	3.583	90.216						
10	.437	3.122	93.338						
11	.309	2.207	95.545						
12	.272	1.946	97.492						
13	.211	1.505	98.996						
14	.141	1.004	100.000						

Extraction Method: Principal Component Analysis.

Table 10. Component matrix

	Component					
	1	2	3	4	5	6
Recruitment	.008	.298	.657	.629	-.010	.042
Human resources strategy	.505	.089	.560	-.286	-.027	-.096
Internal job opportunities	.099	.700	.075	-.155	.260	.464
Induction training	.691	.343	-.065	-.063	-.363	.217
On the job training	.654	.249	-.019	.034	-.546	.254
Pay for performance	.421	.555	.108	-.191	.342	-.200
Level of salary	.589	.189	-.099	.366	-.191	-.495
Career planning	.715	.372	-.029	-.082	.309	-.160
Appraisal	.588	-.463	.002	.296	.235	.055
Promotion criteria	.411	-.466	.351	-.378	-.081	-.190
Attitude survey	.768	-.002	-.356	-.040	.138	-.076
Feedback system	.547	-.488	.008	.255	.356	.321
Team building	.268	-.630	.336	-.196	-.062	.120
Employment security	.706	-.321	-.244	.035	-.064	.104

Extraction Method: Principal Component Analysis. 6 components extracted.

Table 11. Rotated component matrix

	Component					
	1	2	3	4	5	6
Recruitment	-.002	.061	.039	-.041	.953	.050
Human resources strategy	-.002	.413	.235	.629	.216	-.009
Internal job opportunities	-.129	.540	.259	-.280	.159	-.577
Induction training	.107	.300	.822	.058	-.013	.041
On the job training	.100	.098	.903	.090	.065	.089
Pay for performance	-.061	.821	.094	.023	.056	.025
Level of salary	.154	.315	.342	-.044	.143	.739

Career planning	.256	.787	.254	.050	-.029	.158
Appraisal	.789	.043	.048	.195	.053	.195
Promotion criteria	.179	.035	.037	.791	-.134	.126
Attitude survey	.499	.442	.349	.019	-.325	.265
Feedback system	.893	.020	.034	.156	.047	-.081
Team building	.358	-.241	.008	.667	-.038	-.083
Employment security	.611	.059	.405	.178	-.256	.198

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

Table 10 is a component matrix that shows which human resource management practices could explain the principal components. Table 11 is a rotated component matrix that shows the results of principal component analysis.

All principal components can be expressed as a linear combination of 14 human resource management practices variables through the rotated component matrix. If using  $C_m$  ( $m=1, 2, 3, 4, 5, 6$ ) represent the variables of human resource management practices, the formula of  $C_m$  can be the following:

$$C_m = H_i \times S_i (i = 1, 2, 3 \dots 14; m = 1, 2, 3 \dots 6)$$

$H_i$  is the coefficient of each human resource management practice in rotated component matrix.

$S_i$  is the actual score of each human resource management practice.

For instance,  $C_1 = (-0.002*S_1) + (-0.002*S_2) + (-0.129*S_3) + (0.107*S_4) + (0.100*S_5) + (-0.061*S_6) + (0.154*S_7) + (0.256*S_8) + (0.789*S_9) + (0.179*S_{10}) + (0.499*S_{11}) + (0.893*S_{12}) + (0.358*S_{13}) +$

$$(0.611*S_{14})$$

$$C_2 = \dots$$

$$C_3 = \dots$$

$$C_4 = \dots$$

$$C_5 = \dots$$

$$C_6 = (0.050*S_1) + (-0.009*S_2) + (-0.577*S_3) + (0.041*S_4) + (0.089*S_5) + (0.025*S_6) + (0.739*S_7) + (0.158*S_8) + (0.195*S_9) + (0.126*S_{10}) + (0.265*S_{11}) + (-0.081*S_{12}) + (-0.083*S_{13}) + (0.198*S_{14})$$

Hence we can build the index of human resource management practices using C to indicate the index of human resource management practices, the model can be the following:

$$C = 0.29858C_1 + 0.17270C_2 + 0.08572C_3 + 0.07296C_4 + 0.06882C_5 + 0.05867C_6$$

### 5.2.2 Regression

Using the index of human resource management practices and organizational performance for regression analysis, the results are the following:

Table 12. Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.789 <sup>a</sup>	.621	.605	.12965

a. Predictors: (Constant), C

Table 13. Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.148	.026		5.757	.000
	C	.577	.087	.789	6.517	.000

a. Dependent Variable: Financial performance

Table 12 and Table 13 are the results of regression of the index of human resource management practices C and financial performance. From the results we can find out that both the index of human resource management practices and the financial performance significant correlated under the level of 0.001, and the correlation coefficient is 0.577, is increasing 1 unit of the index of human resource management practice, the financial performance will increase 0.577. The adjustment fitting coefficient reached 0.605, so the explanation degree of the regression was good. The first hypothesis that the index of human resource management practices has positive correlation with financial performance is verified.

Table 14. Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.835 <sup>a</sup>	.750	.743	.59366

a. Predictors: (Constant), C

Table 15. Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.567	1.108		32.966	.000
	C	.643	.081	.835	5.731	.000

a. Dependent Variable: Customer satisfaction

Table 14 and Table 15 are the results of regression of the index of human resource management practices C and customer satisfaction. From the results we can find out that the adjustment fitting coefficient reached 0.743, so the explanation degree of the regression was good, which means that customer satisfaction can be explained by the index of human resource management practices as very good. Both the indexes of human resource management practices and customer satisfaction significant correlated under the level of 0.001, and the correlation coefficient was 0.643, that is increasing 1 unit of the index of human resource management practice, the customer satisfaction will increase 0.643. The second hypothesis that the index of human resource management practices has positive correlation with customer satisfaction is verified.

Table 16. Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.678 <sup>a</sup>	.474	.454	.06088

a. Predictors: (Constant), C

Table 17. Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.096	.012		8.350	.000
	C	.184	.038	.678	4.842	.038

a. Dependent Variable: Market share

Table 16 and Table 17 are the results of regression of the index of human resource management practices C and market share. From the



results we can see that the index of human resource management practices and the market share significant correlated under the level of 0.05, and the correlation coefficient is 0.184 that is increasing 1 unit of the index of human resource management practice, the market share will increase 0.184. The adjustment fitting coefficient reached 0.454, so the explanation degree of the regression is medium. The third hypothesis that the index of human resource management practices has positive correlation with market share is verified.

Table 18. Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.624 <sup>a</sup>	.393	.369	.053403

a. Predictors: (Constant), C

Table 19. Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.084	.010		8.326	.000
	C	-.137	.033	-.624	-4.095	.053

a. Dependent Variable: Turnover

Table 18 and Table 19 are the results of regression of the index of human resource management practices C and employee turnover. From the results we can find out that the index of human resource management practices and the employee turnover significant correlated negatively under the level of 0.1, and the correlation coefficient was -0.137, that is increasing 1 unit of the index of human resource management practice, the employee turnover will decrease

0.137. The adjustment fitting coefficient reached 0.369, so the explanation degree of the regression was good enough. The fourth hypothesis that the index of human resource management practices has negative correlation with employee turnover is verified.

## **6. Conclusions**

After the regression, we can conclude from the results the following:

Through the whole paper, we can find out that because of the special social system and economic system of China, not all the theories of human resource management are fit for Chinese enterprise. Scholars and entrepreneurs tried to apply these theories and modified these theories that more suitable for enterprise from China. We also learned from these theories and figured out some ways to find out the key factors of strategic human resource management which could have significant impact on organizational performance such as by using universalistic perspective, contingency perspective and configurational perspective. Advanced theories of human resource management from western countries made great contribution to the development of theories of human resource management in China.

For the state-owned enterprises in Xinjiang Province of China, the index of human resource management practices is positively related to financial performance, customer satisfaction and market share, and is negatively correlated with the employee turnover. It shows that the higher the score of human resource management practice index is, the better the financial performance and customer satisfaction of enterprises, the higher the market share and the lower the employee turnover are. The results have verified the research hypothesis and supported the theoretical perspective of strategic human resource management theory that strategic human resource management practices have a positive impact on organizational performance.

The results show that although the index of human resource management practices has correlation with financial performance, customer satisfaction, market share and employee turnover of state-owned enterprises in Xinjiang, it has higher correlation only with financial performance and customer satisfaction that are 0.577 and 0.643 respectively; the market share, employee turnover only have correlation of 0.184 and -0.137 respectively.

The reason why the index of human resource management practices is not closely related to the market share and the employee turnover may be that the state-owned enterprises have not paid enough attention to human resource management and the management cannot keep up with the development and be consistent with the strategy of enterprises. Although the employee turnover of most state-owned enterprises is not high, some state-owned enterprises have several temporary workers, which has a certain impact on employee turnover. If state-owned enterprises do not have good incentive systems, training systems or control systems, the employee turnover of enterprises will not be well controlled.

The results show that in order to obtain the desired result, we need to build the index of human resource management practices through principal component analysis and regression with organizational performance.

Although the related research of strategic human resource management and organizational performance attracted the wide

attention of scholars in China, the empirical research results are not plentiful because of the difficulty of measurement and evaluation. This research combines theories, the empirical methods and quantitative analysis, discusses the influence of strategic human resource management on organizational performance. In today's increasingly fierce market competition, the survival and development of enterprises face various challenges. The most direct and the most important indicator for measuring an enterprise's performance is organizational performance. There are several factors that affect organizational performance. The practice of countless enterprises around the world has proved that human resource is the source of the enterprise's sustainable competitive advantage, and it is a powerful guarantee for an enterprise to obtain high performance. Strategic management allows managers to adapt to changing market conditions based on clear goals. In a highly competitive environment, managers must work hard to enable the enterprise to gain and maintain competitive advantages, not just to keep up with changes in the situation. Strategic human resource management is a directional plan to explain enterprise-related business issues. It is a functional management strategy formulated and implemented by managers. It helps managers determine how to support the enterprise's strategy and implementation of personnel management which can improve the organizational performance. All in all, strategic human resource management is the basis for an enterprise to achieve its goals. It affects the enterprise's financial performance, production efficiency,

core competitiveness, customer satisfaction, market share etc. Any enterprise that wants to maximize its competitiveness must be able to manage its own human resources successfully.

With the development of strategic human resource management, strategic human resource management has gradually become participants and cooperators of organizational strategies and plays a very important role in the formulation and execution of organizational strategies. Strategic human resource management gradually penetrates into the daily work of the organization and plays an important role in the realization of organizational performance. Hence, according to the problems existing in the implementation of strategic human resources management in China's enterprises, it has great significance to put forward effective countermeasures in order to support the organizational strategy and improve organizational performance better, such as designing the human resource plan based on enterprise's strategy, establishing a systematic recruitment plan, establishing a standardized training program and a fair performance appraisal plan. They also need to establish a scientific compensation program and an effective incentive plan. For instance, enterprise can design a recruitment plan based on the next 5 to 10 years development strategy of enterprise that can help enterprise reserve talents in advance compare with other enterprises. Talents is the basement and core resources of enterprise, if you have talents reserve in advance that means you have competitive advantages in markets. Hence, the state-owned enterprises should establish and design a fully

concerned human resource management plan based on enterprise's strategy of next 5 to 10 years even more. In the meantime, establish a comprehensive system of human resource management from aspects of recruitment, training, appraisal, compensation and incentive.



## **7. New scientific results**

The index of human resource management practices of state-owned enterprises in Xinjiang of China as the following,

$$C=0.29858C_1+0.17270C_2+0.08572C_3+0.07296C_4+0.06882C_5+0.05867C_6$$

The correlation coefficient of index of human resource management practices and financial performance of state-owned enterprises in Xinjiang is 0.577.

The correlation coefficient of index of human resource management practices and customer satisfaction of state-owned enterprises in Xinjiang is 0.643.

The correlation coefficient of index of human resource management practices and market share of state-owned enterprises in Xinjiang is 0.184.

The correlation coefficient of index of human resource management practices and employee turnover of state-owned enterprises in Xinjiang is -0.137.

## **8. Summary**

This dissertation starts from literature review and introduces the definitions of strategic human resource management and basic theories of strategic human resource management. Basic theories of strategic human resource management include resource-based view, human capital theory and role behavior theory. In the chapter of literature review, the dissertation also introduces modes of theorizing of strategic human resource management, including universalistic perspective, contingency perspective, configurational perspective. From the literature review, we can find out that the framework of strategic human resource management can be divided into individual level of human resource management and organizational level of human resource management. The comparison of personnel management, human resource management and strategic human resource management shows the different characteristics of the three stages of human resources development.

After the literature review, the author assumes that strategic human resource management practices have a positive impact on organizational performance using the data collected from a questionnaire for state-owned enterprises in Xinjiang province of China to analyze the relation between human resource management practices and organizational performance. Then, the method of principal component analysis was used to build an index of human resource management practices, which make regression with organizational performance.

From the result of regression we can conclude that the index of human resource management practices is positively related to financial performance, customer satisfaction and market share, and is negatively correlated with the employee turnover for the state-owned enterprises in Xinjiang province. This shows that the higher the score of human resource management practice index is, the better the financial performance and customer satisfaction of enterprises, the higher the market share and the lower the employee turnover are. The results show that although the index of human resource management practices has some correlation with financial performance, customer satisfaction, market share and employee turnover of state-owned enterprises in Xinjiang, it has higher correlation only with financial performance and customer satisfaction that are 0.577 and 0.643 respectively; the market share, employee turnover only have correlation of 0.184 and -0.137 respectively.

The results verified the research hypothesis and support the theoretical perspective of strategic human resource management theory that strategic human resource management practices had a positive impact on organizational performance.

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## **11. The Publication related to the topic**

Presentation: Study on the Impact of Strategic Human Resource Management on Enterprise Performance in XI<sup>th</sup> Regions in and beyond the Carpathian basin International Scientific Conference.

DING JIE, CAI XIANGYU. (2017): Comparative study on human resource management in China and Europe [中国与欧洲企业人力资源管理比较研究]. *Finance & Economy*, (24): 116-117.

DING JIE, CAI XIANGYU. (2018): Study on the Impact of Strategic Human Resource Management on Enterprise Performance. *International Journal of Human Resource Studies*, 8(3): 60-68.

DING JIE. Research on the Relationship between Strategic Human Resource Management and Organizational Performance. *Regional and Business Studies*. (In Press).



## **12. The Publication not related to the topic**

DING JIE. (2017). Game Theory Applied in Human Resource Management (underview)

CAI XIANGYU, DING JIE. (2017): Research on the problems and countermeasures of enterprise cost management [企业成本管理存在的问题及对策研究]. Logistics Engineering and Management, 39(10): 124-125.

CAI XIANGYU, DING JIE, CSONKA ARNOLD. (2017): Research on cost management of small and medium-sized enterprises in China-case study of Xinjiang province. Technology and Economic Guide, 26(3): 152-153.

## **13. Curriculum vitae**

Jie Ding was born on 7th of June in 1990 in Tacheng, Xinjiang, China. She graduated from Xinjiang Agricultural University in 2012 major in Economics (BA). After completing her BA, she continued her studies at Xinjiang Agricultural University and she received her degree majoring in Management MSc in 2014. From 2014 up to now, she is a PhD student of Kaposvar University.

## **14. Abbreviations**

HRM: Human resource management

HRMP: Human resource management practices

SHRM: Strategic human resource management

OP/EP: Organizational performance/ Enterprise performance

## **15. Appendix**

<b>Questionnaire of strategic human resource management of state-owned enterprise</b>	
<b>NOTE: The information that you'll provide is only for the purpose of this study and will be treated as confidential. In the questionnaire, 1 represents strongly disagree, 2 represents disagree, 3 represents neither agree nor disagree, 4 represents agree and 5 represents strongly agree. Thank you very much for your help! Wish you all the best!</b>	
<b>Name of Enterprise:</b> <b>Total number of employees:</b> <b>Position:</b> <b>Name:</b> <b>Age:</b>	
<b>Section A</b>	
Please complete the following questionnaire by choosing exact number according to your own experience.	
1. Your company has full strategy for recruitment	1   2   3   4   5
2. Your company has full strategy of human resource management combine with orgnaizational strategy	1   2   3   4   5
3. Your company has good internal job opportunities	1   2   3   4   5
4. Your company provides unduction training for new employee	1   2   3   4   5
5. Your company provides on the job training	1   2   3   4   5
6. Your company implements payment for performance	1   2   3   4   5
7. Your company provides very high level of salary in your industry	1   2   3   4   5
8. Your company provides career planning for employee	1   2   3   4   5
9. Your company has good appraisal system for employee	1   2   3   4   5
10. Your company has clear and strict promotion criteria for employee	1   2   3   4   5



<p>11. Your company implements attitude survey every year and all most of employees will join the survey</p> <p>1   2   3   4   5</p>
<p>12. Your company has feedback system for employee</p> <p>1   2   3   4   5</p>
<p>13. Your comoany provides team building for employee</p> <p>1   2   3   4   5</p>
<p>14. Your company provides very good employment security for employee</p> <p>1   2   3   4   5</p>
<p><b>Section B</b></p>
<p>15. Your company has good financial performance (return on assets)</p> <p>1   2   3   4   5</p> <p>Please note the exactly number of your company's financial performance:</p>
<p>16. What's the exact market share of your company?</p> <p>Please note:</p>
<p>17. Your company has very good customer satisfaction</p> <p>1   2   3   4   5</p>
<p>18. What's the exact number of employee turnover till the end of last financial year?</p> <p>Please note:</p>
<p>This questionnaire is intended to provide information for a study that leads to award of the Degree of PhD of Kaposvar University.</p>