

## CHAPTER 1

### INTRODUCTION

There is a growing body of research studies on strategic human resource management (SHRM) and its effects on firm performance (Cho *et al.*, 2006; Lepak *et al.*, 2006; Kundu and Malhan, 2009; Prowse and Prowse, 2009; Nigam *et al.*, 2011; Dobre, 2012; Onyango and Simeon, 2012; Loo and Beh, 2013). It is increasingly acknowledged that human capital is a valuable resource for business success (Wright and McMahan, 1992; Ulrich, 1997), generating revenues and profits (Liu *et al.*, 2007), and a source of competitive advantage (Barney, 1991; Lado and Wilson, 1994; Guest, 1997; Cabrera and Bonache, 1999). Firms employing human resource management (HRM) that are internally consistent, strategically aligned and compatible with firm strategy are believed to be superior performance (Wei *et al.*, 2008). Thus, to properly evaluate SHRM's effect on firm performance, it is vital to capture these interactive effects by treating organisation's SHRM practices as holistic systems (Chadwick, 2010).

Therefore, scholars concur that some intervening factors affect the relationship between SHRM and firm performance (Delery and Doty, 1996; Huselid, 1995; Ferris *et al.*, 1999; Panayotopoulou *et al.*, 2003; Chan *et al.*, 2004; Wright *et al.*, 2005) that lead to open up the "black box" between SHRM and firm performance. This study attempts to investigate the "black box" between SHRM practices and firm performance and organisational culture as a mediating variable. The theoretical argument in this study states that employees are guided by the HRM practices and policies may shape the organisational culture. As a result, organisational culture will be strengthened since the HRM practices are designed to align employees' value, attitude, and aptitude with

organisational core values and strategic goals. Firm performance is, thus, improved with the strengthened organisational culture. Therefore, the proposition of this study is that organisational culture may act as a mediator over the effects of SHRM on firm performance. This study also attempts to use the resource-based view (RBV) of the firm theory and configurational perspectives to explain the relationship between SHRM, organisational culture and firm performance in the Malaysian context.

This chapter presents an overview of the background of the study, statement of the research problem, research questions, objective of the research, contribution of the study, assumptions, significance of the study, limitations and definition of terms.

## 1.1 Background of Study

The impact of globalisation, market force, market deregulation and highly competitive market have forced the insurance industry to be competitive (Kundu and Malhan, 2009), globally and locally. Market orientation is important for organisations in competing against one another in the global market. Organisations need to improve their service quality that requires enhancement as well as development from time to time to maintain the existing market or to venture new business. Good market orientation practices will lead to high service quality, which is becoming crucial for service industry in fulfilling the customers' requirement and hence could lead to superior firm performance (Ramayah *et. al.*, 2011).

The insurance industry in Malaysia is expected to remain a strong contributor to the sustained growth of the Malaysian economy. Moreover, the insurance industry remains the largest source of employment opportunities and as a result, SHRM practices play a

significant role in generating, reinforcing and sustaining employees to achieve competitive advantage globally and locally. Besides, the insurance industry provides an environment that captures central elements of resource-based view such as firm-specific intangible sources e.g. organisational culture. Not only insurance industry captures such element, but the study on implementation of SHRM practices that enhances optimal use of human resources at macro perspective in the insurance industry is relatively new in Malaysia. Furthermore, the empirical studies exploring the relationship between SHRM, organisational culture, and firm performance in the local context specifically in the service industry are scarce.

Employees play a crucial role to develop customer focus, attending customer needs, supplying accurate information to provide better service quality and by channelling good quality services will have great impact on firm performance. Schneider and Bowen's (1993) study concurred that practices and procedures that are in place will facilitate the employees' delivery of excellent service. Their finding also indicated that employee perceptions on both service culture and HRM experiences within their organisations are reflected in how their customers experience service. This means that, when service is promoted through positive HRM practices and procedures, customers are likely to report they received positive service experiences.

As a result of these trends, the role of HRM in maximising its performance is becoming increasingly important, challenging and more strategic (Lado and Wilson, 1994). Organisations constantly transform their employees into high level of skilled and competent workforce embedded with the organisation's structure and culture in achieving superior performance (Liu *et al.*, 2007). Cravens and Oliver (2006) reiterate that to accomplish such mission, a synergistic SHRM system is the pathway to optimise

human capital as a source of competitive advantage. SHRM focuses on strategy, integration, and coherence (Armstrong, 2007) of practices and procedures that mobilise the ability and actions of organisational members toward the firm's goals (McMahan *et al.*, 1999; Phan *et al.*, 2005).

SHRM and its contribution to the firm performance had received increasing recognition worldwide. SHRM now play the frontier role in designing and implementing a set of internally consistent policies and practices (Baird and Meshoulam, 1988) that ensure source of sustainable competitive advantage and its impact on firm organisational performance (Delaney and Huselid, 1996; Huselid *et al.*, 1997; Khatri, 2000; Becker and Huselid, 2006). HRM policies, practices and system affect the perceptions, attitude, and behaviour of the employees which affect organisational outcomes (Batt and Colvin, 2011). This premise provides the backdrop for establishing the key variables for SHRM research that are theoretically concerned with the relationship between HRM practices and firm performance, which greatly interest the academicians and business leaders.

However, SHRM is a complicated phenomenon area of study. A large body of research has documented that the way in which a firm's human resources are managed for its competitiveness on performance measures organisation (Schuler and MacMillan, 1984; Ulrich, 1991a, Wright and McMahan, 1992; Huselid, 1995; Jackson and Schuler, 1995; Bjorkman and Fan, 2002; Collins and Clark, 2003; Guest *et al.*, 2003; Panayotopoulou *et al.*, 2003; Wright *et al.*, 2005; Hiltrop, 2005; Gooderham *et al.*, 2008; Othman, 2009b) but the nature of this relationship remains unclear (Huselid, 1995; Guthrie, 2001). Building on the arguments of Huselid (1995), MacDuffie (1995), Dyer and Reeves (1995), Delery and Doty (1996), there is little consensus as to what constitutes specific components in HRM systems. Indeed, Delaney and Huselid (1996) argued that

there are no two studies that measure HRM practices in the same way. Paauwe (2009) and Guest (2011) state that this uncertainty is due to the fact that SHRM studies differ widely with respect to theoretical foundation, levels of data analysis, classification of HRM practices, industry group, and measure of performance.

Similarly, Wright *et al.* (2001) proposed for more comprehensive empirical studies on the SHRM and firm performance relationship with intervening variables. Harris and Ogbonna (2001) opined that the ambiguity about the relationship between SHRM and organisational performance may be potentially explained by the mediating role of other organisational variables. Newman and Nollen (1996) and Ferris *et al.* (1999) pointed out that organisational culture is a popular topic in management research and used as a powerful mechanism to determine the success of the organisation.

Moreover, many empirical studies have supported the positive relationship between organisational culture and performance (Deal and Kennedy, 1982; Peters and Waterman, 1982; Wilkins and Ouchi, 1983; Barney, 1986; Saffold, 1988; Denison, 1990; Calori and Sarnin, 1991; Gordon and DiTomaso, 1992; Kotter and Heskett, 1992; Denison and Mishra, 1995; Lim, 1995; Cameron and Quinn, 1999; Sorensen, 2002; Lee and Yu, 2004; Ogaard *et al.*, 2005; Rose *et al.*, 2008; Ojo, 2009; Ezirim *et al.*, 2010). The studies done by Schneider (1990), Chatman and Jehn (1994), and Denison and Mishra (1995) have contributed significantly to the field of organisational culture and performance whereby culture is being treated as variable for a specific research purpose.

In summary, there is a growing body of empirical research on the mediating role of organizational culture in the SHRM and organisational performance relationship (Chan *et al.*, 2004; Chien, 2004; Lau and Ngo, 2004; Ngo and Loi, 2008; Wei *et al.*, 2008).

Although the relationship among the SHRM, organisational culture, and firm performance has been investigated in the general business literature, not much work is available in the wide spectrum of the service sector (Nigam *et al.*, 2011). Therefore, this study proposes and attempts to explore this relationship in the insurance industry in Malaysia.

## 1.2 Statement of the Research Problem

The early research on the SHRM-organisational performance linkage was dominated by the “best practice” perspective that strongly emphasised stability in SHRM practices across organisation (Delery and Doty, 1996; Tzafrir, 2006). This approach suggests that some HRM practices are better than the other and organisation should identify and implement these practices for continuous organisational success (Kochan and Osterman, 1994; Rogg *et al.*, 2001; Hughes, 2002; Tzafrir, 2006). Although there is a consensus that a wide range of HRM practices have a positive impact on organisational performance, there appears to be no agreement among the scholars on the universal HRM practices (Becker and Gerhart, 1996a; Paauwe and Boselie, 2005). Boselie *et al.* (2005) argued that there is no single agreement list of HRM practices that are used to define and measure HRM.

Further to that, Colbert (2004) states that “best practice” approach gives little or no importance to interaction between HRM and organisational variables. Moreover, Colbert (2004) criticised that “best practice” will become institutionalised and easily imitated, in long term, and can be difficult for an organisation to create value and sustainable competitive advantage. In addition, Porter (1996) concludes that “best practice” approach restricts organisation’s creativity and the ability to develop new

practices appropriate for the organisational culture. The research evidence demonstrates that “best practice” has not diffused across all industrial sectors (Boxall and Purcell, 2000), which very much depends on the investment from the organisation on implementing the “best practice”.

Since the emergence of “best practice” debate which are discouraging and ambiguous in nature (Paauwe, 2009), there is a need for additional studies to support and emphasise the advancement of SHRM-performance link (Guess, 2011). Scholars (MacDuffie 1995; Delaney and Huselid, 1996; Chand and Katou, 2007) reviewed that the impact of a bundle or system of HRM practices on performance are the more appropriate level of analysis to examine the impact of organisational-level performances. Buller and McEvoy (2012) conclude that a bundle of human resource practices should generate greater effects, in contrast to individual human resource practices which in isolation can produce only a limited amount of competitive advantage (Barney, 2001). Therefore, this study attempts to fill the gap by integrating single and multiple SHRM practices to provide an empirical evidence of the value-added SHRM on firm performance indicators. This study focuses on what combinations of SHRM practices that are most likely to have the greatest impact on firm performance in the Malaysian context.

The studies on SHRM have primarily focused on the content of HRM systems (Huselid, 1995) but neglected on the process of SHRM in association with firm performance (Bowen and Ostroff, 2004). Scholars (Huselid, 1995; Collins and Clark, 2003; Wei *et al.*, 2008) argue that there has been no systematic study done on SHRM process affecting the strength of the SHRM-performance link at organisational level. Mediation study has been argued to be process analysis to uncover the “black box” of the SHRM-performance relationship (Chan *et al.*, 2004; Wei *et al.*, 2008). Further to that, Becker

and Gerhart (1996b) strongly suggested that it is important to consider the intervening variables in the SHRM process analysis, which may offer highest potential leverage on the SHRM-performance relationship at organisational level.

Although the studies emphasise synergetic effect of the HRM process on organisational performance (Huselid, 1995; MacDuffie, 1995), there is a need to provide a source of sustained value creation for the organisational outcome, which still remain a “black box” in the SHRM agenda (Becker and Huselid, 2006). More directly, it needs more focused attention on developing an understanding of the mediators in the SHRM relationship model study (Ferris *et al.*, 1998). According to Carmeli and Schaubroeck (2005), certain firm-specific intangible source of advantage such as organisational culture can be particularly important to sustaining competitive advantage (Barney, 1991) because of its valuable, rare and extremely difficult to imitate by other organisations. In other word, organisational culture is a socially constructed glue binding (O'Reilly and Chatman, 1996; Cameron, 2008) that leverage the resources (Coff, 1997) in achieving organisational goals (Barney, 1986).

Numerous studies (Peters and Waterman, 1982; Deal and Kennedy, 1982; Quinn and Rohrbaugh, 1981; Denison, 1984; Kotter and Heskett, 1992; Choe, 1993; Marcoulides and Heck, 1993; Brown and Leigh, 1996; Rashid and Anantharaman, 1997; Cameron and Quinn, 1999; Deshpande and Farley, 1999; Pool, 2000; Sadri and Lees, 2001; Gifford *et al.*, 2002; Mallak *et al.*, 2003; Siew and Yu, 2004; Hirota *et al.*, 2007; Ojo, 2009; Yali *et al.*, 2009) have found positive relationship between organisational culture and firm performance. However, these studies focused mainly on direct relationship. Only limited studies were conducted on the interconnection between SHRM, organisational culture, and firm performance. For example, Chan *et al.*,’s (2004) study



on the influence of organisational culture on the adoption and implementation of SHRM that affects firm performance. Similarly, Bowen and Ostroff (2004) focused on organisational culture as an antecedent to SHRM as well as mediator between SHRM and organisational performance. Hartog and Verburg's (2004) study conclude that the influence of HRM system on a firm's performance occurs largely through the establishment of an appropriate culture type.

In summary, organisational culture can be viewed as an important determinant of firm performance (Peters and Waterman, 1982; Schein, 1992; Lim, 1995; Denison, 1996). However, the link between organisational culture and firm performance has remained controversial (Winston and Dadzie, 2008) and ambiguity about the direction of the culture-performance relationship (Wilderom *et al.*, 2002). Duncan's (1989) study commented that "strong culture" does not necessarily lead to organisational effectiveness but more of deciding on the type of culture that is needed in the organisation. Pettigrew (1979), Hitt and Ireland (1987), and Denison (1990) commented that most organisations were unaware of their own culture type and to add to this, mismanagement of culture and resources would bring disadvantages to the organisation. Therefore, Reichers and Schneider (1990), Nasir and Lone (2008), Weinzimmer *et al.* (2008), and Gregory *et al.* (2009) suggested the needs to study the relationship between organisational culture and firm performance with more sophisticated statistical analyses to provide detailed insight of this relationship.

This study attempts to gain further insights into such analyses by identifying the intervening variable through which SHRM systems foster organisational culture and the degree to which SHRM system directly impact the culture, which in turn affects the firm performance. Furthermore, this study also attempts to examine the organisational

culture by considering unexplored mediator role as well as culture configurations that further elucidate the process through which SHRM leads to firm performance.

This study focuses on eight major SHRM practices namely SHRM alignment in the organisation, recruitment and selection, training and development, compensation and benefits, performance appraisal, internal communication, career planning, and job design (Cook and Ferris, 1986; Schuler, 1992; Arthur, 1994; Becker and Gerhart, 1996a; Delaney and Huselid, 1996; Delery and Doty, 1996; Huselid *et al.*, 1997; Bjorkman and Fan, 2002; Collins and Clark, 2003; Panayotopoulou *et al.*, 2003; Bowen and Ostroff, 2004; Gooderham *et al.*, 2008) that are generally used in the earlier empirical studies and appear to affect firm performance under all circumstances. However, the applicability of these SHRM practices and its impact on firm performance are mostly confined to western context. Therefore, Bae *et al.* (2003) and Akhtar *et al.* (2008) concur that it is essential to explore these SHRM practices on firm performance in different industry type and cultural settings.

Similarly, there has also been a call for more focused empirical research looking at the link between SHRM and the number of potentially inter-related business outcomes e.g. service quality, profitability, productivity, product quality, sales, etc (Worsfold, 1999). Boselie *et al.* (2005) commented that financial measure (profits) is the main focus of measurement by most researchers in the study of SHRM-performance link. In the same way, Paauwe (2009) concludes that focusing on financial measure is problematic as financial indicators can be influenced by a whole range of factors (both internal and external) which may have nothing to do with SHRM practices. Huselid (1995), Youndt *et al.* (1996), Way and Johnson (2005) and Wright *et al.* (2005), in their review on firm performance, suggested that the use of more multidimensional measures of firm

performance would strengthen future empirical studies. Such approach provides a more holistic view of SHRM-performance relationship instead of just financial performance.

Following that, Becker and Gerhart (1996b) and Gerhart *et al.* (2000) had debated on the usage of objective or subjective measures to measure firm performance. They opine that it is often difficult to obtain objective measure due to non-disclosure of data and this may affect the result findings. However, Wall *et al.*'s (2004) study show that subjective measures of firm performance are strongly associated with objective measures which strengthen their use in SHRM research. Research by Bamberger and Meshoulam (2000) has suggested that the measurement of firm performance should be treated with caution as organization is a complex system and is influenced by multitude factors that are combined in unique ways to both enhance and detract performance (Ramayah *et al.*, 2011)

Another methodological issue that continues to be debated concerns the sources of information about both the presence and implementation of SHRM practices. Previous researchers collected data from a single respondent e.g. Human Resource Manager (Arthur, 1994; Guest and Hoque, 1994; Huselid, 1995; Delery and Doty, 1996), General Manager (Youndt *et al.*, 1996; Wright *et al.*, 1999; Bae and Lawler, 2000), and Chief Executive Officer (Jayaram *et al.*, 1999; Guthrie, 2001). Single respondent measures of SHRM practices may have led to large amount of measurement error (Wright *et al.*, 1999; Guest, 2011). Particularly in the context of large organizations, senior personnel or HR Managers are not very reliable informants. It is more sensible to seek information from those experiencing the practices (Gerhart *et al.*, 2000). Liao *et al.* (2009) recommended that in order to minimize the common method bias, it is suggested that

data is collected from multiple informants about the SHRM practices and its relationship with firm performance.

Hitherto, there has been relatively little research which investigates the relationship between SHRM and firm performance in the insurance industry. Most literatures centered predominantly on manufacturing sectors (Huselid, 1995; MacDuffie, 1995; Huselid *et al.*, 1997; Miah and Bird, 2007; Othman, 2009a and 2009b; Oladipo and Abdulkadir, 2011), food retailing sector (Ogbonna and Whipp, 1999; Ogbonna and Harris, 2002), public sector (Teo, *et al.*, 2003; Bradley and Parker, 2006; Aidla and Vadi, 2007; Ramachandran *et al.*, 2010) from developed countries such as United States, United Kingdom, Canada, European countries and Australia (Aycan *et al.*, 2000; Geringer *et al.*, 2002; Papalexandris and Panayotopoulou, 2004). This study is among the few attempts to provide insights into the relationship between SHRM practices and firm performance in the Malaysian context. This will contribute to a more useful understanding and insights on the SHRM research in the developing countries especially in the Asia Pacific regions.

To overcome the aforementioned, this study proposes that “best practice” to be integrated and grouped into bundle of SHRM practices to capture the desirable and synergetic interactive effect on firm performance. Building on the existing research gaps, this study attempts to explore more systematically the relationship between SHRM practices, organisational culture and firm performance. In addition, the mediation effects on the SHRM and firm performance link were examined. In another word, this study investigates the degree to which organisational culture mediates the relationship between bundles of SHRM practices and firm performance. It is interesting to find out how type of culture actually mediates the SHRM-performance link as the

human resource management (HRM) system is implemented in the insurance industry in Malaysia. Nevertheless, it also examined the relationship between culture types and measures of firm performance focusing on single industry group that employ similar and comparable outcome measures as they provide a clearer picture of the ways in which SHRM practices create value for the organisation (Becker and Gerhart, 1996b). A multiple respondents were selected to provide data on the presence of SHRM practices and implementation in the organisation.

### 1.3 Objectives of Study

The objective of this study was to test the RBV theory and configurational perspective that relate the SHRM practices to firm performance, controlling for demographic characteristics (gender, age, level of education, length of employment, designation, and firm size) for top management, manager, executive, and non-executive in the insurance firms in Klang Valley. The independent variables investigated are SHRM alignment in the organisation, recruitment and selection, training and development, compensation and benefits, performance appraisal, internal communication, career planning, and job design which are generally defined as SHRM practices. The dependent variables namely rate of productivity, customer service, quality of products, and sales growth will be defined as firm performance, and the type of organisational culture (clan, adhocracy, market, and hierarchy) will be statistically defined as a mediator in the study. The above variables specification serves to provides evidence in the research frontier on the effectiveness of bundles of SHRM practices on firm performance using a sample of insurance industry operating in Klang Valley, Malaysia. Moreover, the SHRM studies conducted in Malaysia have yielded equivocal results.

This study was conducted to address the gaps in the literature. This study offered three important research questions that had not been previously investigated in other studies and in the insurance firm setting in Malaysia. This research study was poised towards providing answers to the following questions:

- 1) How firm can effectively implement SHRM practices that positively contribute to the firm's performance?
- 2) How organisational culture can dynamically contribute to the firm's performance?
- 3) Does organisational culture mediate the relationship between SHRM practices and firm performance?

The primary objective of the research is to examine the relationship between SHRM practices, organisational culture, and firm performance. This research is particularly important, as previous researches provide very little evidence concerning the relationship between SHRM practices, organisational culture, and firm performance specifically in Malaysia. In line with this primary objective, this study is intended to achieve the following objectives:

- 1) To examine the relationship between the implementation of SHRM practices and firm performance.
- 2) To diagnose the forms of prevailing organisational culture and the extent to which employees within the organisation perceive the culture.
- 3) To investigate whether type of organisational culture mediates the relationship between implementation of SHRM practices and firm performance.

#### 1.4 Contribution of Study

The past two decades witnessed an increase of SHRM studies. There are numerous empirical evidences on the link between SHRM and firm performance. What human resource practices are and how they impact on firm performance are the central themes in the discussion of a HRM system. For examples, studies of SHRM-performance link that focus on a single or several HRM practices and examine their effect on various performance measures (Delery and Doty, 1996; Delaney and Huselid, 1996), studies examining the effect of bundles of HRM practices on performance (Wright and McMahan, 1992; Huselid, 1995; Delery and Doty, 1996; Youndt *et al.*, 1996; Becker *et al.*, 1997; Wright and Boswell, 2002) and studies on the characteristics or orientation of the HRM function and their link to performance (Cook and Ferris, 1986; Boxall and Steeneveld, 1999). Studies state that different human resource bundles or configurations are needed to achieve a high level of firm performance (Sheppeck and Militello, 2000; Lau and Ngo, 2004). By connecting SHRM practices with firm performance, SHRM covers a series of internally consistent and strategy-compatible HRM practices. It is argued that firms engaging in SHRM will out perform firms that do not.

Most current SHRM related studies, however, is conducted in advanced market economies and Western countries. Given the rapid development of some developing countries in the global economy, such as insurance industry in Malaysia has the largest and contributing market potential. Therefore, it is imperative to study how the competitiveness of insurance industry is being established and to what extent SHRM impacts on the firm performance. Human resources, considered a firm's key internal resource, are increasingly deployed as the source of competitive advantage of the firm (Khilji and Wang, 2006). In Malaysia, there is tremendous growing demand for highly

competent and talented human resources and effective utilisation of human resources to enhance efficiency, productivity, and profit of the organisations. All of these make SHRM in Malaysia a meaningful and worthwhile topic of research.

Based on the RBV theory and configurational perspective, this study explores the conditions under which insurance industry in Malaysia employ SHRM and investigates the implementation of “best practice” and bundles of SHRM that impact firm performance. Also, this study also examines the key factor that influences SHRM, i.e. the mediating factor in the relationship between SHRM and firm performance. The determinants of SHRM examined in this study include SHRM alignment in the organisation, recruitment and selection, training and development, compensation and benefits, performance appraisal, internal communication, career planning, and job design. The mediators studied include clan culture, adhocracy culture, market culture, and hierarchy culture. This study aims at providing a better holistic portrayal about SHRM in insurance industry in Malaysia.

This study also contributes to the literature on SHRM based on RBV by examining the determinants of SHRM in insurance industry in Malaysia. This study focuses on the ‘inside-out perspective’ of firm’s resources and capabilities to its competitiveness, rather than external environment. The internal firm resources can become a source of competitive advantage by making it an integral part of the organisation unique, non-substitutable, and very difficult to imitate (Arthur, 1994; Barney, 2001). In order to survive and compete in the present-day knowledge-based global economy, organisations need to acquire, develop and establish world-class human resource competencies as a sustainable advantage (Singh *et al.*, 2012).



This study also contributes to the potential of human resources selection and accumulation process on the firm's deployment of certain bundles of SHRM practices for achieving its competitiveness. The configurational perspective enables firm to discover SHRM themes and systemic aspect on why and how these elements interrelate and complement each other to produce the driving force of an organisation (Miller, 1996). This is an important issue since it provides information about the conditions that a firm will employ and complement the SHRM practices, making SHRM systems more comprehensive, and more cost-effective than the simultaneous implement of several SHRM practices making firms derive positive returns by enhancing synergy among these practices. Along this logic, the role of business leaders in determining the selection of human resources are identified and directed into the desired value of the organisation which will produce an intricately unique SHRM system.

The relationship between SHRM and firm performance based on RBV theory and configurational perspective is re-examined on sample firms in the Malaysian context. Replication is useful for knowledge accumulation and generalisation (Aupperie *et al.*, 1986; Tsang and Kwan, 1999). According to Tsang and Kwan (1999), universal studies need to be tested and enriched by regional studies for evaluating the scope of the current knowledge. By drawing a sample of firms different from prior studies, this study generalises the application of RBV and configurational perspective on the relationship of SHRM and firm performance to a local context rather than its original/western context, contributing to strengthening the external validity of the original findings.

Finally, not many empirical studies have tested any possible organisational-level mediating effects on the relationship between SHRM and firm performance. Without knowledge of mediating factors that have impact on SHRM-performance linkage, it is

difficult to understand the dynamics of the SHRM process at organisational level. Therefore, there is a need to identify and test intervening factors that strengthen or weaken the relationship between SHRM and firm performance. By applying the competing values framework to the study of SHRM, the variation of SHRM-firm performance relationship at local setting is examined in the insurance industry.

In summary, the major contribution of this study is to apply RBV, configurational perspective, and competing values framework, which is established and introduced based on organisations from the West to the research of SHRM in the insurance industry in Malaysia. Such survey study on the determinants of SHRM and SHRM-firm performance relationship in Malaysia will shed light on the key factors to the employment and implementation of SHRM in the developing countries and will have managerial implications for the local human resource practitioners, as well as the business leader. This study adds to the SHRM knowledge and provides useful empirical reference to human resource practitioner in Malaysia to suggest, deploy, and implement SHRM practices to improve firm performance. Empirical findings in this study will inform local human resource practitioners about specific internal aspects that need to be dealt with for effective implementation of SHRM in Malaysia.

### 1.5 Assumptions of Study

This study was based on the following assumptions:

- a) Insurance firms have a well structured, organised and defined HRM system.
- b) HRM practices that are configured or bundled contribute to firm performance.
- c) Ineffective HRM system contributes negatively to firm performance.
- d) Insurance firms have a preferred type of organisational culture that depicts strong culture and positively enhances their firm's performance.

- e) Productivity, customer service, quality of products and sales growth are strongly linked to SHRM implementation and mediated by type of organisational culture.
- f) Respondents will understand and answer the survey questionnaire completely and honestly based upon their own experiences and beliefs.
- g) Respondents who answer the survey questionnaire are full-time employees and will not discuss the survey with one another before responding.
- h) Researcher bias will be controlled.

#### 1.6 Limitations of Study

The sample in this study is limited to seven major insurance firms in Klang Valley taken from the National Insurance Association of Malaysia (NIAM), Life Insurance Association of Malaysia (LIAM) and General Insurance Association of Malaysia (PIAM) directory as they match the profile as a contributing sector to the nation's economy and employment opportunities. The justification for this is that 80% of major insurance firms or headquarters are located in Klang Valley. This study was conducted with organisational members who are full-time employees and have at least one-year working experience. The participating firms have at least a Human Resource Manager to lead the Human Resource Department. The research design on sampling procedure, data collection, etc will be discussed in detail in Chapter Three.

#### 1.7 Definition of Terms

Human Resource Management: represent the design, development, and implementation of interrelated people management practices that influence how well an organisation can

attract job applicants, retain motivated and successful employees, and ultimately impact job performance and organisational effectiveness (Noe *et al.*, 2009).

Human Resource Practices: organisational activities directed at managing the pool of human resource and ensuring that the resources are employed towards the fulfilment of organisational goals (Schuler and Jackson, 1987).

Human Resource Strategy: set out what the organisation intends to do about the different aspects of its human resource management policies and practices. They will be integrated with business strategy and each other (Armstrong, 2007).

Strategic Human Resource Management: decisions and actions which concern the management of employees at all levels in the business and which are related to the implementation of strategies directed towards creating and sustaining competitive advantage (Miller, 1987).

Organisational Culture: the collective programming of the mind that distinguishes the members of one organisation from another. This includes the shared beliefs, values, and practices that distinguish one organisation from another (Hofstede, 1980; McShane and Glinow, 2000).

Dominant Culture: the core values, assumptions, interpretations, and approaches that characterise an organisation and are shared by a majority of the organisation's members (Cameron and Quinn, 1999).

Competing Values Framework (CVF): helpful framework for assessing and profiling the dominant culture of the organisation because it helps individuals identify the underlying cultural dynamics that exist in their organisation. Four culture types are identified namely clan culture (group), adhocracy culture (developmental), market culture (rational), and hierarchy culture (bureaucratic) (Cameron and Quinn, 1999).

Organisational Culture Assessment Instrument (OCAI): is an instrument used to identify the preferred and perceived culture profile in a six-item ipsative measure being related to dominant characteristics, organisational leadership style, management of employees, organisational “glue”, strategic emphases, and criteria of success (Cameron and Quinn, 1999).

Competitive Advantage: a condition which enables a company to operate in a more efficient or otherwise higher quality manner than the companies it competes with (Porter, 1980). The strategy is value-creating and not currently being implemented by present or possible future competitors (Barney, 1991).

Resource-based view of a firm: explains its ability to deliver sustainable competitive advantage when resources are managed such that their outcomes cannot be imitated by competitors, which ultimately creates a competitive barrier. The firm’s sustainable competitive advantage is reached by virtue of unique resources being rare, valuable, inimitable, non-tradable, and non-substitutable, as well as firm-specific (Barney, 1991; Mahoney and Pandian, 1992).

Configurational perspective: HRM practices are aligned with each other to capture desirable interactive (complementary) effects, exploiting reciprocal interdependence among system components (Chadwick, 2010).

Firm Performance: actual output or results of an organization as measured against its intended outputs, goals and objectives (Dyer and Reeves, 1995). For the purpose of this study, firm performance refers to rate of productivity, customer service, quality of products, and sales growth.

## 1.8 Organisation of the Remaining Chapters

This thesis is organised into five chapters. Chapter 2 reviews the literature on theoretical framework within which the research model is developed. Chapter 3 will describe and explain the research methodology used in the study which includes research design, measurement of variables, research procedures, and statistical method employed. The results of the study will be presented in chapter 4. The discussion of the results, limitation, suggestions for future research, implication and conclusion of the study will be discussed in chapter 5.

## **CHAPTER 2**

### **LITERATURE REVIEW**

In the previous chapter, a detailed overview and purpose of the research study were presented. This chapter reviews the literature to the concepts of HRM and SHRM, components of SHRM, definition and classification of organisational cultures, the concept of Competing Values Framework (CVF), Organisational Culture Assessment Instrument (OCAI) and its application, theoretical background of the subject studies and its effects on firm's performance are discussed. This chapter also discusses past research and findings of the studies conducted on the links between SHRM, organisational culture, and firm performance. Various models, argument and theories underlying SHRM, organisational culture, and firm performance are reviewed. In reviewing the past research done in these areas of study, varieties of researchers' findings or empirical gatherings and methodology used from different academic background or disciplines are included.

#### **2.1 Definition and Concept of Strategic Human Resource Management**

SHRM has become a very strong component of management research that involves designing and implementing internal policies and practices to ensure that an organisation's human capital (employees' collective knowledge, skills and abilities) contributes to overall organisation goals (Jackson and Schuler, 1995; Huselid *et al.*, 1997; Becton and Schraeder, 2009). SHRM addresses broad organisational concerns relating to changes in structure and culture, organisational effectiveness and

performance, matching resources to future requirement, the development of distinctive capabilities, and the management of change (Armstrong, 2000).

The literature reviews provide various definitions of SHRM and its construct to firm performance. In general, analysis in SHRM is concerned with identifying the strategic choices associated with the use of labour in firms and with explaining why some firms manage them more effectively than others (Boxall and Purcell, 2000). Scholars have made every attempt to classify the meaning of the SHRM, yet no consensus was achieved and SHRM is facing an 'identity crisis' (Azhar and Faruq, 2001). What makes HRM "strategic"? A study was conducted by Martell and Carroll (1995) to examine the prevalence of SHRM to improve firm performance. They described that in order for HRM to be strategically aligned with business strategy and goals, the HRM processes must consist of the following characteristics:-

- 1) **A longer-term focus:** an inclusion of multiple-year strategic plans for human resource use is often considered the first step in the evolution of a strategically oriented human resource management function.
- 2) **New linkages between human resource management and strategic planning:** has emerged as a critical element in many models of SHRM. One-way linkages focus on the role of human resource management activities in assisting strategy implementation, while a two-way linkage describes a more proactive approach where human resource management exerts influence on strategy formulation as well.
- 3) **Proposed linkages between human resource management and organisational performance:** most models of SHRM include the proposition that human resource plays a key role in the achievement of strategic goals. Since the expected outcome of company strategies is an improvement in the firm's



economic value, human resource management must thus directly contribute to the firm's bottom line in order to be judged effectively.

- 4) **Inclusion of line managers in the human resource management policy-making process:** the recognition of human resource management's strategic importance may make it more of a line management responsibility, particularly in areas involving the selection and compensation.

The concept of SHRM is predicted on the belief that human resource strategies should be integrated with business or corporate strategies (Guest, 1991; Wright and McMahan, 1992). Strategic integration is necessary to provide congruence between business and human resource strategy, in order for the human resources to support in accomplishing the organisational goals. Sheedan (2005) states the integration of HRM will effectively encourage every employee in the organisation to take responsibility of HRM role and not just the Human Resource Department. This will ensure that HRM will be given a much more focus, attention and central position in decision making at the strategic or operational level. Moreover it reminds the decision makers that an investment in people is the key organisational policy to uphold organisational performance (Othman, 2009a).

SHRM has been defined by Dyer (1983) as dealing with those human resource activities used to support the firm's competitive strategy. On the other hand, Guest (1989) states that SHRM is an integration of human resource practices and firm strategy in both policy levels and across different hierarchical levels to facilitate the achievement of organisational goals. Similarly, Schuler (1992) defines SHRM as involving all those activities affecting the behaviour in their efforts to formulate and implement the strategic needs of the business. Wright and McMahan (1992) further emphasise SHRM

is a pattern of planned human resource deployment and activities intended to enable the organisation to achieve its goals.

From the above definitions, it can be concluded that SHRM is concerned with the relationship between human resource management and strategic management in the firm focusing the overall directions the organisation plans to pursue in achieving its goals through human capital. The SHRM literatures are diverse in its definition and practise by many scholars, yet the term still seems vague (Wright and Snell, 1991). To understand how human resources fit into strategy implementation in an organisation (Wright and Snell, 1998; Wright and Sherman, 1999), Hendry and Pettigrew (1986) state that it must relates to the development of planning systems, which allows the links of human resource practices with the workforce forecast and business short and long-term plans. Similarly, the match of human resources activities, program, practices, and policies to business strategy is emphasised in SHRM, since HRM facilitates the desired employee behaviours, attitudes and values to gear the achievement of organisational goals. Hendry and Pettigrew (1986) also added that SHRM represents a coherent approach to the design and management of personnel system based on an employment policy and manpower strategy of the firm, and are often underpinned by human resource philosophy. Finally, SHRM must stress that human capital of the organisation as the ‘strategic resources’ and the role of HRM in achieving competitive advantage.

Overall, these definitions of SHRM consists of the combination of conventional human resource management with business strategy and its involvement to strategic formulation and implementation to achieve overall organisational performance. It can be concluded that there is always strategic choices associated with labour processes in the firm, whether highly planned or largely emergent in management behaviour and

these choices are inevitably connected to the firm's performance (Purcell and Ahlstrand, 1994). Based on the assumption that human resource is a strategic asset, SHRM represents such a concept that highlights the role of HRM in the business strategic process. SHRM reflects the philosophy and mindset of the corporate leaders, with underlying values and belief, and mobilising firm's human resources for facilitating business development and success (Guest, 1989; Wright and McMahan, 1992).

Summarising from the above definitions, SHRM, in this study, is defined as the pattern of strategically planned human resource practices, activities and policies that reflects the ways of thinking, mission and vision of the organisation leaders, for effectively design a HRM philosophy that encompasses its attitudes and values of the human resources and relates them to its strategic plans to attain high organisational performance.

## 2.2 Definition and Concept of Human Resource Management and Personnel Management

It is vital to understand the differentiation of SHRM from HRM and Personnel Management (PM). Academicians argued that it is difficult to clearly define SHRM and differentiate it from HRM and PM, caused by the lack of a strong theoretical framework in the study of human resources (Truss and Gratton, 1994). The emergence of HRM started in the early 1970s emphasises the harmonization of employee needs, interest, and desires with the corporate objectives and understanding that human beings in an organisations are its most important resource (Desatnick, 1972). In the late 1980s and beyond, the development of HRM definition evolved focusing on management decisions and actions which affect the nature of the relationship between the employee and organisation (Beer *et al.*, 1984).

As the term HRM became well known and widespread in the business, the dominant definition of HRM becomes very closely linked to the work being done in personnel management (Marciano, 1995). PM focuses on controlling the employees, control (Legge, 1989) and less strategic roles (Tichy *et al.*, 1982). PM is closely related to collectivist approach of traditional industrial relations with an emphasis on individual (Guest, 1989).

The term HRM is one that came to be increasingly used in organisations and business essentially replacing the term PM which had been used previously (Mahoney and Deckop, 1986). Mahoney and Deckop (1986) describe the essence of this evolutionary process is that employees are now viewed as a valuable resource (rather than a cost to be minimised), which if effectively managed rather than administered, will contribute significantly to organisational effectiveness and a source of competitive advantage to the organisation. HRM is the management of human capital activities designed to enhance the effectiveness of an organisation's work force in achieving organisational goals (Heneman III *et al.*, 1989). Fisher *et al.* (1993) further states that HRM is concerned with the philosophies, policies, program, practices, and decisions that affect the people who work for an organisation and should be consistent with other systems and activities within the organisation. HRM also entails taking a long-term view of recruiting and developing people, having in place a proper human resource system, and being constantly adaptive to suit the organisation's stage of growth (Arthur, 1994). Table 2.1 presents the detailed comparison between traditional HRM and SHRM.

In summary, the concept and implication of SHRM can be further clarified by differentiating it from traditional HRM, as taken in this study. SHRM operates at firm level and macro approach with a long-term orientation. This reflects the organisational

leader's mindset and philosophy on strategically deploying human resources for achieving competitive advantage for the organisation. SHRM covers a cumulative set of HRM practices, initially originated from PM, that are internally consistent and persistent of its implementation as well externally aligned with the organisation's strategy. Table 2.2 enumerates the major differences between the SHRM approach and the traditional PM approach along six dimensions namely planning and strategy formulation, authority, scope, decision making, integration, and coordination which will be underpinned in this study.

Table 2.1: Comparison between Traditional HRM and SHRM

Key Issues	Traditional HRM	SHRM
Fundamental mind-set	<ul style="list-style-type: none"> <li>• Transactional</li> <li>• Compliance/enforcement orientation</li> </ul>	<ul style="list-style-type: none"> <li>• Transformational</li> <li>• Consultative orientation</li> </ul>
View of organisation	<ul style="list-style-type: none"> <li>• Micro</li> <li>• Narrow skill application</li> </ul>	<ul style="list-style-type: none"> <li>• Macro</li> <li>• Broad skill application</li> </ul>
Education and training	<ul style="list-style-type: none"> <li>• Traditional human resources management (Human Resource Specialist)</li> <li>• Limited business acumen</li> </ul>	<ul style="list-style-type: none"> <li>• Basic business competencies</li> <li>• Human Resource education/training with emphasis on the following: Organisational theory, culture, change, strategic management and job design.</li> </ul>
Critical skill	<ul style="list-style-type: none"> <li>• Organisation</li> <li>• Compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic thinking</li> <li>• Planning</li> <li>• Diagnosis and analysis</li> <li>• Consultation</li> <li>• Managing change</li> </ul>
View of employees	<ul style="list-style-type: none"> <li>• Heads, costs</li> <li>• People are exploitable resources</li> </ul>	<ul style="list-style-type: none"> <li>• Minds, assets</li> <li>• People are critical resources</li> </ul>
Timeframe	<ul style="list-style-type: none"> <li>• Short-term, immediate needs</li> </ul>	<ul style="list-style-type: none"> <li>• Mid to long-term, current and future needs</li> </ul>
Process/outcome orientation	<ul style="list-style-type: none"> <li>• Primary concern for process</li> <li>• Process control</li> </ul>	<ul style="list-style-type: none"> <li>• Primary concern for results</li> <li>• Process innovation</li> </ul>
Risk	<ul style="list-style-type: none"> <li>• Low risk taking</li> <li>• Reliance on proven approaches</li> </ul>	<ul style="list-style-type: none"> <li>• High risk taking</li> <li>• Experiment with new promising approaches</li> </ul>
Response to change	<ul style="list-style-type: none"> <li>• Inflexible to change</li> </ul>	<ul style="list-style-type: none"> <li>• Flexible to change</li> </ul>
Human Resource systems and practices	<ul style="list-style-type: none"> <li>• Routine, established programs and systems (e.g. traditional training program)</li> </ul>	<ul style="list-style-type: none"> <li>• Adaptive, innovative programs and systems to fit future needs (e.g. Web-based, just-in-time training)</li> </ul>
Approach to system development	<ul style="list-style-type: none"> <li>• Reactive benchmarking, best practices</li> <li>• Responding to stated needs</li> </ul>	<ul style="list-style-type: none"> <li>• Anticipatory-forecasting, predicting needs</li> <li>• Recognising unstated needs</li> </ul>
Primary areas of practice	<ul style="list-style-type: none"> <li>• Transactions highly repetitive in nature (e.g. recruitment/selection, training, compensation, labour relations)</li> </ul>	<ul style="list-style-type: none"> <li>• Transformations change, innovation (e.g. strategy, knowledge management, culture, organisational change, talent management, leadership development)</li> </ul>
Status in organisation	<ul style="list-style-type: none"> <li>• Weak</li> </ul>	<ul style="list-style-type: none"> <li>• Strong</li> </ul>

Source : Adopted from Becton and Schraeder (2009)

Table 2.2: Difference between SHRM Approach and Traditional PM

Dimensions	SHRM Approach	Traditional PM Approach
Planning and Strategy Formulation	Participates in formulating overall organisational strategic plan and aligning human resource functions with company strategy.	Is involved in operational planning only.
Authority	Has high status and authority for top personnel officer	Has medium status and authority.
Scope	Is concerned with all managers and employees	Is concerned primarily with hourly, operational, and clerical employees.
Decision making	Is involved in making strategic decisions	Makes operational decisions only
Integration	Is fully integrated with other organisational functions: marketing, finance, legal, production, etc	Has moderate to small integration with other organisational functions
Coordination	Coordinates all human resource activities (e.g. training, recruitment, staffing, etc)	Does not coordinate all human resources functions

Source: Adopted from Anthony *et al.* (2002)

### 2.3 Theoretical and Model of SHRM

For further understanding of the meaning of SHRM, mapping out the process of SHRM and establishing guidelines for the theoretical development of SHRM, is crucial to establish models on SHRM. Wright and Snell (1991) state that the Open System theory is particularly useful for examining the role of human resources in an organisation. Open Systems theory portrays organisation as receiving inputs from the environment and then transforming those inputs into some outputs for an outside group or system. This theory emphasises two important characteristics of organisations: 1) the system character (the movement in any part of the organisation leads to movement in other parts) and 2) the openness to environmental inputs. The important role of human resource is recognised in these two aspects (Wright and Snell, 1991). Firstly, human resources are seen as the carriers of effort and motivation necessary to maintain the social system. Secondly, the social structures of human behaviour are largely responsible for the throughput transformation process. Integrating these two complementary views allow the development of human resource system.

McKelvey (1982) contends that organisations are made up of a number of competencies which are attained by the employees of the organisation. These competencies which make up the organisation's dominant competence can only be found in the individuals, which will determine the survival of the organisation. Figure 2.1 depicts the open system model that consists of inputs (knowledge, skills, and abilities of the employee), throughputs (behaviour of the employee), and outputs (affective outcomes e.g. group cohesiveness and job satisfaction and performance outcomes e.g. tangible product, quality of the product, and service).

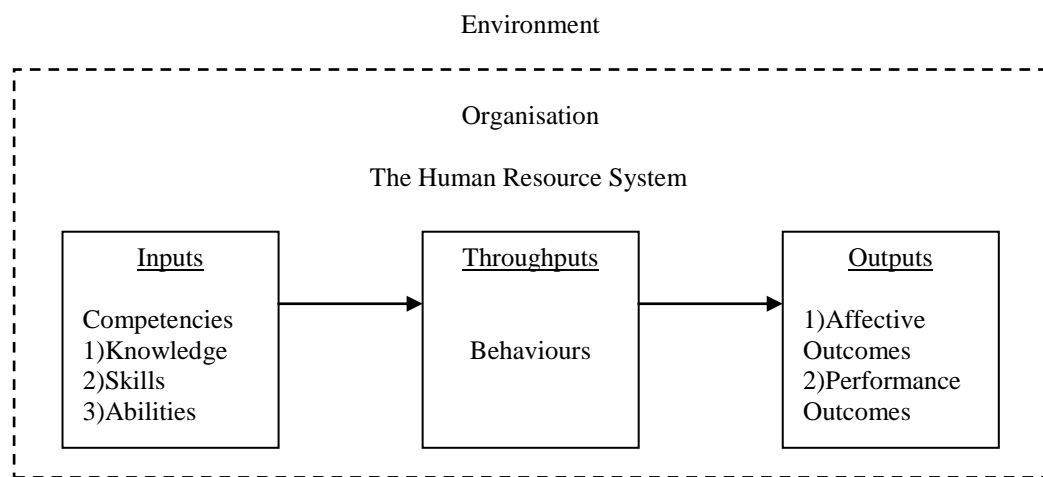


Figure 2.1: An Open System Model of the Human Resource System

Source: Adopted from Wright and Snell (1991)

McKelvey (1991) opines that firm is largely makeup of its human resource pools, thus, closely integrating the human resource functions and strategy. The role of the human resources function is to identify the necessary competencies in carrying out the strategic business plan. Finally the integration of competencies and behaviour remains an important issue in the organisational science study which is essential in aligning SHRM practices with firm's strategies.

Wright and McMahan (1992) further developed the theoretical perspectives for SHRM into behavioural perspective, cybernetic models, agency/transaction cost theory, resource-based view of the firm, power/resource dependence models, and institutional theory that are useful for understanding both strategic and non-strategic determinants of human resource practices. According to Wright and McMahan (1992), the definition of SHRM provides a clear exposition of the variables of interest and their interrelationship to SHRM theory and research. SHRM theory should be concerned with the determinants of decisions about human resource practices (Anthony *et al.*, 2002; Schuler, 1992; Kane and Palmer, 1995), the composition of the human capital resource pool e.g. knowledge, skills, and abilities, the specification of required human resource behaviours, and the effectiveness of these decisions given various business strategies and/or competitive situations (Wright and Snell, 1991).

Figure 2.2 represents six theoretical models that have attempted to describe the determinants of human resource practices as follows.

- 1) **Resource-based view of the firm** focuses primarily on the relationships among strategy, human resource practices, and the human resource capital pool (position to the left of the model).
- 2) **Behavioural approach** is primarily concerned with how strategy, human resource practices, and human resource behaviours are interrelated (position to the right side of the model).
- 3) **Agency/transaction costs** attempt to examine the relationships among strategy, human resource practices, and both the human resource capital pool and human resource behaviours (position is near the centre of the model).



- 4) **Resource dependence and institutional** examines the effect of political and institutional factors on human resource practices (position to the upper right corner of the model).
- 5) **Resource dependence/power model** focuses predominantly on power relationship within and among organisations. It assumes that all organisations depend on a flow of valuable resources (e.g. money, technology, skills) into the organisation in order to continue functioning.
- 6) **Institutionalism approaches** is that many structures, programs, and practices in organisations attain legitimacy through the social construction of reality.

As depicted in Figure 2.2, Wright and McMahan (1992) conclude the first four theories are applicable to SHRM decision making. These theories attempt to view HRM activities as being determined by proactive and strategically intended decisions. The latter two theories focus on the institutional and political determinants of various human resources management practices.

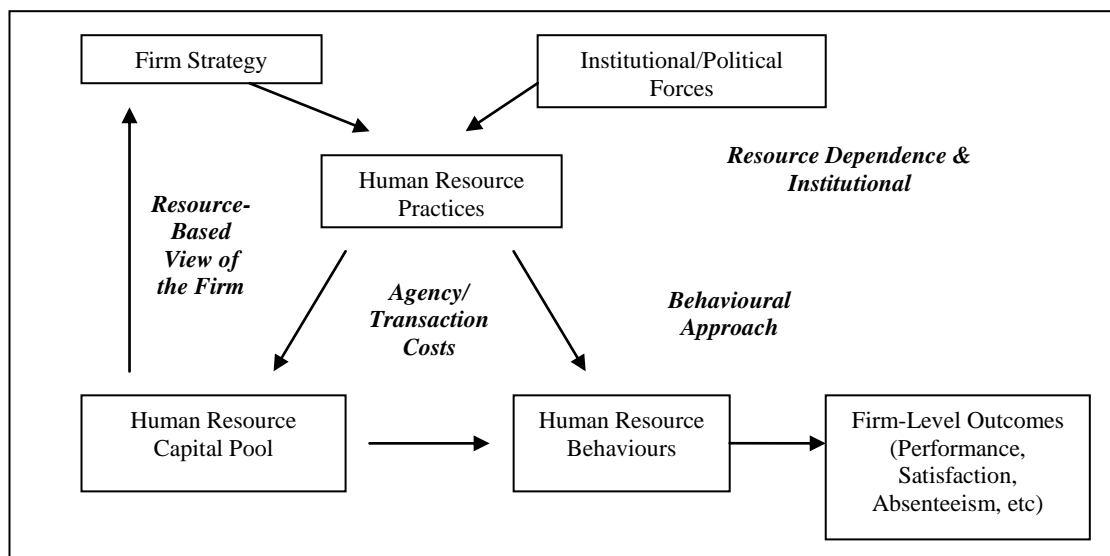


Figure 2.2: A Conceptual Model of Theoretical Frameworks for Studying SHRM

Source: Adopted from Wright and McMahan (1992)

From the SHRM literature reviews, it is found that models of SHRM processes have tended to be normative in nature, rather than empirical or theoretical (Devanna *et al.*, 1981; Miles and Snow, 1984; Lengnick-Hall and Lengnick-Hall, 1990). Therefore, few challenges arise pertaining to the modelling the SHRM from the literature reviews. What obstructs the enforcement of human resource strategy? What mechanism helps the implementation of SHRM? How does human resource strategy influence the organisation decision makers? What are the internal and external variables have the impact on the process of both devising a human resource strategy and implementing it? What are the outcomes of effective SHRM and how it can be measured?

In order to provide an empirical research to address the questions identified above, Truss and Gratton (1994) had constructed a conceptual map of the SHRM process. In Figure 2.3, Truss and Gratton (1994) states that it is common in most SHRM models indicate that the impact of the external environment at both a general and an organisation-specific level are acknowledged but the boundary between organisation and environment is represented by a dotted line which corresponding to an open-system view between organisation and its environment. On the left side of the model, the environmental influences the political, legal, economic and social levels which have impact on the management of the people in the organisation. Within the organisation system, the concept of *intended business strategy* includes the articulated strategic objectives pursued by the organisation. *Intended human resource strategy* via the concept of *strategy context* refers to those aspects of the internal organisational environment that impact on the formal strategy and human resource system process including organisational structure and culture (Lundberg, 1985). *Strategic human resource management context* refers to the contextual features affecting the design and implementation of human resource interventions, notably the characteristics of the

human resource department (i.e. human resource leadership, structure of the human resource department, and the level of expertise of the human resource staff) (Golden and Ramanujam, 1985). The SHRM context plays a crucial role in determining how intended human resource system is translated into human resource practices and interventions. The *realised human resource interventions* are those human resource activities that take place within the organisation, regardless of whether or not they are in response to any articulated human resource strategy (Wright and McMahan, 1992). Finally, the *outcomes* refer to the feedback of the model, affecting the realised human resource interventions and the intended human resource strategy.

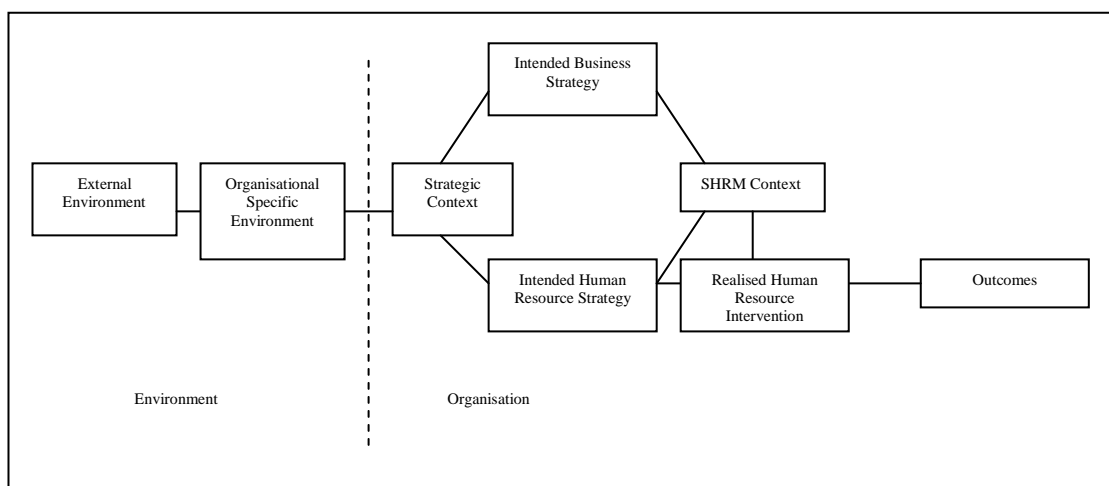


Figure 2.3 Conceptual Map of the SHRM Process

Source: Adopted from Truss and Gratton (1994)

In summary, the above theoretical model frameworks contribute to the understanding of how SHRM takes its role in the organisations, from a variety of angles including both economics and sociological perspectives. In fact, SHRM is an approach manifested by the connection of human resource practices with strategic goals of the organisation. The rationale of such an approach has been explained by different scholars as above mentioned.

## 2.4 Resource-Based View of the Firm

The RBV of the firm has gained significant attention and contribution in the study of SHRM (Barney, 1991; Boxall, 1996; Barney, 2001; Wright *et al.*, 2001; Colbert, 2004). Kamoche (1996) suggests that in the RBV, the firm is seen as a bundle of tangible and intangible resources (Amit and Schoemaker, 1993; Conner, 1991; Grant, 1991) and capabilities as sources of competitive advantage. The aim of a RBV approach is to improve resource capability through achieving strategic fit between resources and opportunities and obtaining added value from the effective deployment of resources (Armstrong, 2003). In addition, RBV generates strategic capabilities in an organisation (Boxall and Purcell, 2003) and supports to build a productive theoretical bridge between the fields of strategy and human resource management (Wright *et al.*, 2001).

Resources have been described by scholars as anything that could be thought of as a strength or weakness of a given firm (Wernerfelt, 1984), skilled-based competencies (Hall, 1993), collective learning (Prahalad and Hamel, 1990), core skills (Klein *et al.*, 1991), and/or all assets, capabilities, organisational processes, firm attributes, information and knowledge (Barney, 1995). Central to the understanding of the RBV of the firm is the definition of competitive advantage and sustained competitive advantage.

Barney (1991) describes a competitive advantage as “*when a firm is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors*”. A sustained competitive advantage exists only after efforts to replicate that advantage have ceased (Barney, 1991). According to Wright and McMahan (1992) and Delery (1998), in order for a firm’s resources to provide sustainable competitive advantages, four criteria must be attributable to the resources: 1)

the resource must add positive value to the firm, 2) the resource must be unique or rare, 3) the resource must be non-imitable, and 4) the resource cannot be substituted with another resource by the competing firms.

Many scholars have examined the RBV approach on firm's competitive advantage. Schuler and MacMillan (1984) discussed the prospective for capitalising on superior HRM as a means of gaining and maintaining a competitive advantage. On the other hand, Ulrich (1991) examined how human resource practices can be used by the firm to develop strategies that will lead to a sustained competitive advantage which include organisational culture, distinctive competence, and strategic unity in the strategy-competitive advantage link. Koch and McGrath (1996) study states that firms which develop effective routines for acquiring human assets such as human resource planning, recruitment, and staffing practices and labour productivity, develop a stock of talent that cannot be easily imitated by competitors and this make it a valuable strategic asset to the organisation.

Cappelli and Singh (1992) studied the implication of the RBV on SHRM. Their findings conclude that certain business strategy demands a unique set of behaviours and attitudes from employees. Further to that, certain type of human resource policies produced a unique set of responses from the employees. The study also proposed that the RBV might provide a theoretical rationale for why human resource could have implication for strategy formulation as well as implementation. This is supported by Wright *et al.*'s (1994) and Lado and Wilson (1994) findings that human capital pool (highly skilled and motivated workforce), and human resource practices had greater potential to constitute a source of sustainable competitive advantage.

Ulrich (1991b) proposes that human resources as a competitive advantage to include organisational culture, distinctive competence, and strategic unity as mediators in the strategy-competitive advantage link. Human resource advantage cannot simply reside in a single individual but must broadly base in the management structure and process (Boxall, 1998). The RBV of the firm argues that a firm's growth (Penrose, 1959) and competitive advantage (Wernerfelt, 1984) are function of the unique bundle of resources that it possess and deploys (Barney, 1991). Firms acquired critical human resources and then establish human resource systems to enhance the potential of these resources that are most difficult to imitate (Barney, 1991). This theory seeks to explain the differences in the performance across firms and variance in firm's resource management and talent capabilities that create competitive advantage and produce positive returns (Peteraf, 1993). In RBV terms, human resource policies and practices are valuable and rare because they are socially complex (competitors may not be able to replicate the diversity of the practices) and historically sensitive (organisation takes years to build high levels of workforce trust, loyalty, and commitment) (Wright *et al.*, 1994).

In summary, this study applies the RBV because it has proven to be integral to the conceptual and theoretical development of the SHRM literature (Wright *et al.*, 2001). Moreover, RBV has provided a compelling explanation for why human resource practices lead to competitive advantage. This theory focuses on an internal analysis of the firm provides an extremely important avenue to examine the ways firms attempt to develop human resources as a pool of skills that can provide a resource to serve as a sustained competitive advantage. This study examines how RBV applies to the theoretical and empirical research on the relationship between SHRM and firm performance in the local organisation context. Furthermore, the application of RBV is

able to explore and provide an insight of the relationship between the fields of strategy and HRM in the insurance sector.

## 2.5 Modes of Theorising in Human Resource Research

Three perspectives have been defined in the SHRM literature namely universalistic perspective, contingency point of view, and the configurational approach (Delery and Doty, 1996; Martin-Alcazar *et al.*, 2005). These three modes of theorising emphasise a specific dimension and systematic classification of the SHRM reality in an organisation. This study will also look into the theoretical framework of universalistic, contingency, and configurational perspectives revolving around the implementation of SHRM in insurance industry at local organisation context.

### 2.5.1 Universalistic Perspective

The universalistic perspective is the simplest approach to the analysis of HRM strategies because of its linear relationship between variables that focuses on generalisation of practices and capacity to improve organisational performance (Becker and Gerhart, 1996b). The premise of this perspective is to analyse how certain isolated human resource policies or practices are linked to organisational performance (Terpstra and Rozell, 1993). Universalistic perspective focuses on the ‘best practices’, which implies that firms will be better off if they identify and adopt ‘best practice’ in the way they manage people (Boxall and Purcell, 2000). In other words, some human resource practices are always better than others (Rose and Kumar, 2006) regardless of the firm, its strategy or its environment (Delery and Doty, 1996) and all organisations should adopt them

(Miles and Snow, 1984). From this perspective, for a firm to have effective human resource practices, it needs to copy and implement these universal best practices.

According to Osterman (1987) and Sonnenfeld and Peiperl (1988) universalistic perspective stresses seven practices that have been consistently identified as strategic human resource practices namely internal career opportunities, training systems, appraisals, profit-sharing plans, employment security, voice mechanisms (grievance systems and participation in decision making) and degree to which jobs are narrowly designed. Many scholars have supported this universalistic prediction on the study of SHRM (Gerhart and Milkovich, 1990; Terpstra and Rozell, 1993; Delery and Doty, 1996).

### 2.5.2 Contingency Perspective

The contingency perspective goes beyond the simple, linear, causal relationship explored in universal theories and allows for interaction effects and varying relationships depending on the presence of a contingent variable, in this case firm strategy (Colbert, 2004). In other word, the relationship between the dependent and the independent variable will no longer be stable and it will vary depending on other third variable (contingency variable) that will moderate the link between HRM and performance (Venkatraman, 1989). Therefore, this approach denies the existence of best practices that could lead to superior performance but analysing both single and group HRM practices.



This theory holds that for human resource practices and policies to become effective in its implementation, the practices and policies have to be consistent with other aspects of the organisation (Delery and Doty, 1996). From the literature reviews, this study proposes three aspects to identify the contingency relationship namely, 1) strategic variables e.g. business strategy and HRM strategy (Hax, 1985; Kerr, 1985; Lengnick-Hall and Lengnick-Hall, 1988), 2) organisational variables e.g. size, technology, structure (Jackson *et al.*, 1989; Jackson and Schuler, 1995), and 3) broad set of environmental factors e.g. competitive, macro-economical, labour (Schuler and Walker, 1990; Becker and Gerhart, 1996b; Boxall, 1998). These three aspects provide a more solid foundation than the universalistic approach in determining the link between business strategy and HRM strategy as well as other organisational and environment variables.

By having appropriate human resource practices and policies in place, organisation can elicit employee's behaviour that is aligned with the organisation strategy (Rose and Kumar, 2006). Brockbank (1999) added that in this perspective, the role of strategic human resource practices and policies are to support the business strategy and creating future strategies.

### 2.5.3 Configurational Perspective

The configurational perspective contributes to the explanation of SHRM with a useful insight about the internal aspects of the function, by means of the analysis of the synergic integration of the elements that build it. Therefore, SHRM is defined as a multidimensional set of elements that can be combined in different

ways to obtain an infinite number of possible configurations not only be consistent with the environmental and organisational conditions, but also internally coherent (Delery and Doty, 1996; Martin-Alcazar *et al.*, 2005). The relationship between the configurational patterns and firm performance is not linear, since the interdependence of practices multiplies the combined effect (Green *et al.*, 2006).

This theory goes beyond the contingency perspective which focuses on patterns of human resource practices that together form an internally consistent whole and draws a correlation between those patterns and organisation performance (Doty and Glick, 1994). The configurational perspective in SHRM is concerned with how patterns of multiple, planned human resource deployment and activities achieve the organisational's goals (Rose and Kumar, 2006).

Wright and McMahan (1992) states that for human resource to be effective, there must be horizontal and vertical fit. Horizontal fit implies an internal consistency between the different human resource policies or practices, while vertical fit means that the entire human resource system aligns with other characteristics of the organisation (Becker and Gerhart, 1996a; Werbel and DeMarie, 2005). Colbert (2004) states that the purported advantage of the configurational perspective is that it acknowledges system interaction effects by gathering multiple dimensions of organisations (Meyer *et al.*, 1993), such as strategies, structures, cultures, and processes as multiple independent variables relate to a given dependent variable and measuring their relationship. Table 2.3 shows the early theoretical HRM configurational studies and its relationship with competitive advantage.

Table 2.3: Summary of Human Resource Practices Identified in the Literature by HRM Bundles of Competitive Advantage.

<b>Training and Development Bundle</b>
<p>Extensive training (Pfeffer, 1994; Huselid, 1995; Delery and Doty, 1996; Flanagan and Deshpande, 1996; Pfeffer and Veiga, 1999)</p> <p>Cross utilisation and cross training (Pfeffer, 1994; Mura, 2011)</p> <p>Employee development (Koch and McGrath, 1996; Cantarello <i>et al.</i>, 2013)</p> <p>Performance appraisal (Delaney <i>et al.</i>, 1989, Huselid, 1995; Delery and Doty, 1996; Zheng <i>et al.</i>, 2006)</p> <p>Internal career opportunities (Pfeffer, 1994; Delery and Doty, 1996; Guthrie, 2001)</p> <p>Criteria for promotion (Huselid, 1995; Yeganeh and Su, 2007)</p> <p>Cognitive aptitude (Terpstra, 1994; )</p> <p>Self-managed teams (Pfeffer, 1994; Flanagan and Deshpande, 1996; Pfeffer and Veiga, 1999)</p> <p>Attitude assessment (Delaney <i>et al.</i>, 1989; Huselid, 1995)</p>
<b>Compensation and Benefits Bundle</b>
<p>High compensation (Delaney <i>et al.</i>, 1989; Pfeffer, 1994; Huselid, 1995; Flanagan and Deshpande, 1996; Pfeffer and Veiga, 1999; Chang and Chen, 2002)</p> <p>Performance-based rewards (Pfeffer, 1994; Flanagan and Deshpande, 1996; Stavrou and Brewster, 2005)</p> <p>Employee ownership (Pfeffer, 1994)</p> <p>Wage compression (Pfeffer, 1994; Heneman III and Milanowski, 2011)</p> <p>Profit sharing (Delery and Doty, 1996)</p>
<b>Recruitment and Selection Bundle</b>
<p>Selective hiring (Delaney <i>et al.</i>, 1989; Huselid, 1995; Flanagan and Deshpande, 1996; Koch and McGrath, 1996; Pfeffer and Veiga, 1999; Vlachos, 2008)</p> <p>Recruiting (Pfeffer, 1994; Terpstra, 1994; Flanagan and Deshpande, 1996; Khan, 2010)</p> <p>Structured interviews (Terpstra, 1994)</p> <p>Recruiting intensity (Huselid, 1995; Heneman III and Milanowski, 2011)</p> <p>Job definition (Delery and Doty, 1996)</p> <p>Job design (Delaney <i>et al.</i>, 1989; Huselid, 1995)</p> <p>Flexibility (Flanagan and Deshpande, 1996; Pfeffer and Veiga, 1999)</p> <p>Employment security (Pfeffer, 1994; Delery and Doty, 1996; Flanagan and Deshpande, 1996; Pfeffer and Veiga, 1999; Lee <i>et al.</i>, 2010)</p>
<b>Communication and Participation Bundle</b>
<p>Information sharing (Delaney <i>et al.</i>, 1989; Pfeffer, 1994; Huselid, 1995; Flanagan and Deshpande, 1996; Pfeffer and Veiga, 1999; Guthrie 2001; Vlachos, 2008)</p> <p>Grievance procedures (Delaney <i>et al.</i>, 1989; Huselid, 1995)</p> <p>Voice mechanisms (Delery and Doty, 1996; Ballesteros-Rodriguez <i>et al.</i>, 2012)</p> <p>Reduction in status differences (Pfeffer and Veiga, 1999)</p> <p>Participation and empowerment (Delaney <i>et al.</i>, 1989; Pfeffer, 1994; Flanagan and Deshpande, 1996; Ballesteros-Rodriguez <i>et al.</i>, 2012)</p>
<b>Human Resource Planning Bundle</b>
<p>Planning (Koch and McGrath, 1996; Chang and Chen, 2002; Lee <i>et al.</i>, 2010)</p> <p>Long-term perspective (Pfeffer, 1994; Andersen <i>et al.</i>, 2007)</p> <p>Measurement of practices (Pfeffer, 1994; Delmotte <i>et al.</i>, 2012)</p> <p>Overarching philosophy (Pfeffer, 1994)</p> <p>Decentralisation of organisational design (Flanagan and Deshpande, 1996; Pfeffer and Veiga, 1999)</p> <p>Validation studies (Terpstra, 1994)</p> <p>Goal setting (Terpstra, 1994)</p>

Source : Compiled by the researcher

Despite the evident differences between the universalistic, contingency, and configurational perspective, these approaches complements each other by adding construct, variables or relationship that enriches the understanding of SHRM and its

relationship with firm performance. Table 2.4 summarises the comparison of the three perspectives and their relationship to organisational culture and employment modes undertaken in this study.

Table 2.4: Theoretical SHRM Perspectives and their Relationship to Organisational Culture and Employment Modes

Theoretical perspective	Underlying strategic HRM arguments and assumptions	Underlying organisation culture arguments and assumptions	Underlying employment relationship argument and assumptions	Form of relationship and methodology	Focus of relationship
Universalistic	Certain HR practices are better than others. Organisations should adopt these best practices to optimise firm performance.  Existence of best HRM practices.	A dominant “strong” culture, that all organisational members identify with, improves firm performance	The workforce is viewed as a predominantly homogenous group of career employees with permanent jobs.	Linear and universally generalisable.  Single practice. Do not consider synergistic relationship or integration mechanisms.  Regression analysis.	Individual best practices directly influence firm performance.
Contingency	HR policies and practices must be consistent with other areas of the business if they are to enhance firm performance.  There are not best practices and its effects depend in third variables.	The organisation culture needs to be aligned with the overall business strategy to be a source of sustainable competitive advantage.	Contingent employees: part-time, contractual, seasonal, or casual are integral parts of HR in many organisations and interact with other core employees to influence firm performance.	Interaction.  Many contingents. The relationship between the dependent and the independent variables will be mediated by contingency variables.  Regression, cluster and factorial analysis.	HR practices are aligned with other strategic business areas to affect firm performance.
Configuration	Bundles of HR practices have more influence on firm performance than individual practices working in isolation. Multiple unique configurations of the relevant factors can result in maximal performance.  Combination of HRM practices that built the HRM system. Reflection of both vertical and horizontal fit view of SHRM	Configurations of “ideal” organisation culture type and HR strategies enhance firm performance. HRM bundles of practices need to be aligned with particular culture types to enhance firm performance.	Employment relationship assumed generally to be internal employment systems with internal labour markets and job security.	Higher order interaction.  Holistic approach. Adopt a systemic level of analysis.  Cluster and factorial analysis. Principle Component Analysis	Patterns or bundles of HR strategic types affect firm performance.

Source : Adapted from Deal and Kennedy (1982); Peters and Waterman (1982); Denison (1984); Barney (1986); Pfeffer and Baron (1988); Saffold (1988); Yeung *et al.* (1991); Doty *et al.* (1993); Arthur (1994); Pfeffer (1994); Huselid (1995); MacDuffie (1995); Delaney and Huselid (1996); Delery and Doty (1996); Youndt *et al.* (1996); Wright and Snell (1998); Palthe and Kossek (2003); Martin-Alcazar *et al.* (2005)

## 2.6 Competing Values Framework

Based on the CVF and its application to HRM, Cameron and Quinn (1999) had developed the following four model.

- 1) **Human relations model:** is characterised by flexibility and internal focus. It emphasises teamwork and employee commitment through the development of a strong value system that promotes corporate identity. The main target is to sustain high morale that is based on friendly, almost family-like relations and employee support in personal and work issues. Good relations are a result of meritocracy, equal opportunities, participation and involvement. Motivation is based on empowerment, development and communication, and success is defined in terms of concern to people.
- 2) **Open system model:** is characterised by flexibility and external focus. It encourages innovative, initiatives and development of novel services to the employees. The dominant culture fosters utilisation of employees' ideas, creativity, entrepreneurship, risk taking and aims at creating a vision of the organisation's future. The main Human Resource responsibility is to follow environmental changes in order to be able to adapt to them by continuous improvement, acquisition of new resources and adoption of new processes and methods. Success is defined in terms of adaptability to change and flexibility.
- 3) **Internal process model:** is characterised by control and internal focus. It is characterised by close process and employee control, adherence to procedures, standardisation of procedures, information management, maintenance of stability and hierarchy. Job analysis, rules and regulations, and process improvement through methods such as re-engineering facilitate the human resource task. Predictability and process efficiency are criteria of success.

- 4) **Rational goal model:** is characterised by control and external focus. The basic characteristic of this model is its achievement orientation. To achieve this, human resource emphasises planning, goal-setting, achievement of measurable goals and targets, productivity measurement and competitiveness. Also of great importance is the relation of the function with external stakeholders. The main human resource role is being a strategic partner by aligning its policies with business strategy. In this attempt, the tools that are available to the function are productivity and goal-achievement measurement, development of performance standards and linking rewards to appraisal. Profitability, efficiency, productivity, fame and competitiveness are criteria of success.

In this study, CVF developed by Quinn and Rohrbaugh (1981) will be referred not only to highlight the uniqueness qualities of the organisation, but also to group them into broad categories based on general characteristics shared by all organisational systems. By identifying the characteristic of the organisation (in this case, the type of organisational culture), then it is appropriate for identifying and measuring the HRM orientation at the organisational culture level (Denison and Spreitzer, 1991; Panayotopoulou *et al.*, 2003).

The aim of adopting the CVF is to examine which human resource management dimensions of the competing values framework (in terms of the orientation of the function) are linked strategically to organisational performance. Figure 2.4 shows the CVF for Human Resource Management.

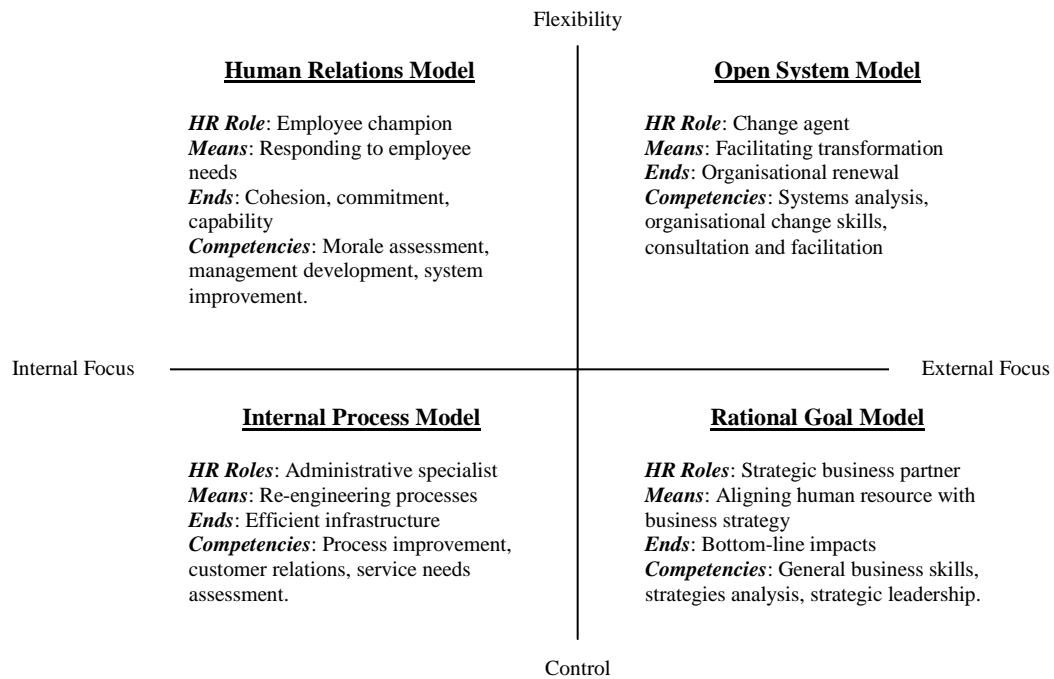


Figure 2.4: CVF for Human Resource Management

Source: Adapted from Panayotopoulou *et al.* (2003)

## 2.7 Definitions of Organisational Culture

From the literature reviews, there are numerous definitions of organisational culture have been identified. Generally, two main disciplinary foundations of organisation culture can be classified, namely, sociological (e.g. organisations *have* culture) and anthropological (e.g. organisations *are* culture). In each of these disciplines, two different approaches to culture were developed: a functional approach (culture emerges from collective behaviour) and semiotic approach (culture resides in individual interpretations and cognitions) (Cameron, 2008). Table 2.5 presents the compilation of the definitions of organisational culture and the shared features of the many definitions and its core cultural components. This study only includes selected definitions that have guided theory building.

Table 2.5: Definitions of Organisational Culture by the Scholars

Previous Research	Definition of Culture in the Organisation Context
Pettigrew (1979)	A system that is publicly and collectively accepted meanings operating for a given group at a given time. This system of terms, forms, categories, and images interprets a people's own situation to themselves.
Peters and Waterman (1982)	The shared values of organisational members.
Davis (1984)	The pattern of shared beliefs and values that give members of an institution meaning, and provide them with the rules for behaviour in their organisation.
Siehl and Martin (1984)	Familiar management tasks or practices.
Sethia and Von Glinow (1985)	The shared and relatively enduring pattern of basic values, beliefs, and assumptions in an organization.
Gordon and DiTomaso (1992)	A pattern of shared and stable beliefs and values that are developed within a company across time
Schein (1992)	A pattern of shared basic assumptions that the group learn as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid, and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problem.
Furnham and Gunter (1993)	Commonly held beliefs, attitudes and values that exist in an organisation.
Mckenna (2000)	Basic assumptions made by employees, do not necessary appear in a document, and are not necessarily transmitted in a training programme, although they can be expressed in written form.
Purcell <i>et al.</i> (2003)	A system of shared values and beliefs about what is important, what behaviours are important and about feelings and relationships internally and externally.

Source: Compiled by the researcher

Examination of the different definitions suggests that organisational culture is the pattern of basic assumptions, values, norms and artefacts shared by organization members. These shared meanings help members of the organisation to make sense out of the organisation e.g. how work is to be done and evaluated, how employees are related to each other and its significance to others, such as customers, suppliers, competitors and government agencies.

In sum, there are many ways to define organisational culture because it is influenced heavily by factors such as the industry in which the company operates, its geographic location, events that have occurred during its history, the personalities of its employee, and their patterns of interaction (Christensen and Gordon, 1999; Sadri and Lees, 2001). According to Sadri and Lees (2001), even within an organisation that has a strong or



dominant culture, there will also be many subcultures form within the organisation for many reasons (Greenberg and Baron, 1997), due to functional differences in the organisation (Finance, Human Resource, Marketing, Production, etc), or to ethnic or geographic differences among the employees. To sustain its competitiveness, the dominant culture in the organisation has to be strong enough for members of various subcultures within the organisation to identify with, share, believe, accept and embrace it.

This study adapts Schein (1992) and Purcell *et al.* (2003)'s definition of the organisational culture. These definitions imply that a culture is widely shared, strongly held (dominant), important to its members, involves internal and external factors and proven of its effectiveness. Both scholars' definition of organisational culture suits this study analysis for several reasons. First, values and belief typically operate as the defining and fundamental elements of a culture in an organisation. This study aims to understand the fundamental elements that are representative of the organisational culture studied. Second, these definitions imply the analysis at the organisational level, aimed at understanding the collective basic assumption of the members. Finally, culture is perpetuated to be a vital role to influence on the individual behaviours and actions and passed down through the generations which lead this study to examine the existing culture and its effectiveness to attain high performance. This study posits that different type of organisational cultures are related to adopting, formulating, supporting, mediating, promoting, and/or reinforcing organisation strategic management, in this case SHRM process, to manage its human capital that have direct effect on organisational performance.

## 2.8 Concept between Organisational Culture and Organisational Climate

The concepts of organisational culture and climate have been used in a rather unclear ways (Denison, 1996). In his analysis of this issue, Denison (1996) states that *culture* refers to the deep structure of organisations, which is rooted in the values, beliefs and assumptions held by the organisational members through socialisation while *climate*, in contrast, portrays organisational environments as being rooted in the organisation's value system in relatively static terms. Culture is an enduring, slow-to-change, core characteristic of organisations (Cameron, 2008) while climate consists of temporary attitudes, feelings, and perceptions of individuals (Schneider, 1990) and is a perception (sensations or realisations experienced by an individual) and descriptive (what a person reports of these sensations) (Rousseau, 1988).

If one were to agree to the above conceptions by different scholars, we can see an important difference between organisational culture and climate. Climate is a set of obvious, noticeable, and behavioural norms but culture may be multi-level including implicit assumptions, beliefs and values and also explicit behavioural norms. The debate about the meanings and interpretations of these terms and concepts can become academic. For a better understanding between organisational culture and climate, it is easiest to regard organisational climate as how people perceive the culture existing in the organisation. As defined by French *et al.* (1985), it is '*the relatively persistent set of perceptions held by organisation members concerning the characteristics and quality of organisational culture*'. They distinguish between the actual situations (culture) and the perception of it (climate). This chapter approaches culture by focusing on culture attributes rather than climate attributes. Table 2.6 illustrates the comparison between organisational culture and climate.

Table 2.6: Comparison between Organisational Culture and Climate

Organisational Culture	Organisational Climate
<p>1) Nature</p> <ul style="list-style-type: none"> <li>As the shared and usually taken-for-granted assumptions, values, and norms that inform communal action.</li> <li>Focus on the meaning of organisational functioning.</li> </ul>	<p>1) Nature</p> <ul style="list-style-type: none"> <li>As the shared perceptions of the behavioural norms and attributes of an organisation.</li> <li>Focus on how the organisation functions.</li> </ul>
<p>2) Levels</p> <ul style="list-style-type: none"> <li>Multiple levels from implicit to explicit: basic assumptions, values, and norms (behavioural patterns).</li> </ul>	<p>2) Levels</p> <ul style="list-style-type: none"> <li>Only overt and perceptible norms and attributes.</li> </ul>
<p>3) Research Approach</p> <ul style="list-style-type: none"> <li>Developed mainly from anthropology and symbolic interactionism.</li> <li>Primarily ideographic.</li> <li>Qualitative methods.</li> <li>To explain dynamic process.</li> <li>From both external and participant views.</li> </ul>	<p>3) Research Approach</p> <ul style="list-style-type: none"> <li>Developed primarily from the Lewinian social psychological framework.</li> <li>Primarily nomothetic.</li> <li>Quantitative methods.</li> <li>To describe phenomena at a given time.</li> <li>From an external perspective.</li> </ul>
<p>4) Relationship with Climate</p> <ul style="list-style-type: none"> <li>Encompasses climate</li> <li>Explains how climate is developed.</li> <li>Directs perceptions and inferences and helps define what is psychologically important.</li> </ul>	<p>4) Relationship with Culture</p> <ul style="list-style-type: none"> <li>Superficial part of culture.</li> <li>Manifests main aspect of culture</li> <li>Shaped and sustained by culture.</li> </ul>

Source: Adopted from Cheng (1989)

## 2.9 Organisational Culture: Schein's Model

Schein (1985) states that organisational culture is discernible at three different levels that need to be carefully distinguished to avoid conceptual confusion.

### Level 1: Artefacts

Artefact is the most visible level of the culture but least exact expression of the shared meaning. Artefacts include things and the arrangement of things in an organisation, as well as observable behaviours captured by organisational stories and jokes, ceremonies, rites and rituals, norms. Also, they are easily detected, although in many instances, the shared meaning held by the members in relation to them are difficult to decipher

readily. Schein argues that it is not the artefact or thing in itself but, rather the shared value is the key appreciating and becoming deeply aware of the organisational culture.

## **Level 2: Values**

The basic issues at this level of organisational culture is the members' determination of what works or is successful for a given organisation problem. Values can be both espoused and enacted; however, members pay the greatest attention to enacted or operationalised values and are more inclined to modify their own values in response to them than to values that are solely expressed or espoused. The validity of a given value is determined by testing the preferred solution against physical or social realities.

## **Level 3: Basic Assumptions**

According to Schein, when the initial preferences for organisational problem solving continue to be successful, organisation members increasingly take the originally tentative solutions for granted and come to believe that their selected solutions actually reflect reality because they have continued to be successful. If a solution works repeatedly, it must be true, and any doubt of its efficacy is eliminated from the minds of the members and eventually from the cultural mind of the organisation. Table 2.7 presents the summary of basic assumptions that may be part of an organisational culture. Lawson and Shen (1998) states that if these basic assumptions determine what organisational members pay attention to, act on, and express a range of intense feelings about, it implies that different kind of organisations may operate according to some of the basic assumptions.

Table 2.7: Examples of Basic Assumptions held by an Organisational Culture

<b>Relationship to the environment</b> <ul style="list-style-type: none"> <li>• Earthly resources are infinite or can be replaced and are to be developed for profit.</li> <li>• Earthly resources are finite and are to be protected or developed sparingly.</li> </ul>
<b>Nature of reality, time and space</b> <ul style="list-style-type: none"> <li>• Reality is based on social consensus, rather than on absolute truths.</li> <li>• Time is money.</li> <li>• Small is better than big.</li> </ul>
<b>Nature of human nature</b> <ul style="list-style-type: none"> <li>• People are basically honest, trustworthy, realistic, and enjoyable.</li> <li>• People are lazy, greedy, only interested in themselves, and cynical.</li> </ul>
<b>Nature of human activity</b> <ul style="list-style-type: none"> <li>• If you do what you love for a living, you will never have to work again.</li> </ul>
<b>Nature of human relationships</b> <ul style="list-style-type: none"> <li>• Never mix business and friendship.</li> <li>• People interact only out of self-interest.</li> </ul>

*Source:* Adopted from Schein (1985)

It has been found that many culture researchers define culture in an approximately the same way – the manifestation and operationalisation of organisational culture. Martin (2002) disputes that the study of organisational culture varies by the approach used to examine organisational culture e.g. some interpretations of a cultural manifestation may not, in fact, be shared by most cultural members; some cultural manifestation studied may not be unique. The management does have more direct control than other organisational members over certain aspect of the organisational culture. Scholars have expressed that certain organisations can foster an allegiance to an organisational culture, nevertheless, it is argued that management has a big role in attempts to intervene the culture of an organisation (Meek, 1988) and this should be a research priority to understand these phenomenon.

## 2.10 Typologies of Organisational Culture

Organisational culture can be a highly sophisticated phenomenon. In order to provide a comprehensible account of organisational culture, it is useful to categorise culture in an organisation. Categorising the organisational culture enables the researcher to organise

the element of organisation into a framework for considering or selecting methods for studying organisational culture. The typologies that have been developed by previous researchers vary markedly in their level of complexity, the variables that have been applied, its dimension and the applicability across the organisation at macro level. For the purpose of this study, only the best-known and empirically proven ones will be discussed in this section.

Harrison (1972) categorised organisational culture into four main categories, which he called 'organisation ideologies' as follows:

- 1) **Power-oriented:** competitive, responsive to personality rather than expertise.
- 2) **People-oriented:** consensual, management control rejected.
- 3) **Task-oriented:** focus on competency, dynamic.
- 4) **Role-oriented:** focus in legality, legitimacy and bureaucracy.

Handy (1981) based his typology on Harrison's classification had enriched the Harrison's classification as follows:

- 1) **Power Culture:** one with a central power source that exercises control. There are few rules or procedures and the environment is competitive, power-oriented and political.
- 2) **Role Culture:** one in which work is controlled by procedures and rules and the job descriptions, is more important than the person who fills it. Power is associated with positions and not people.
- 3) **Task Culture:** one in which the aim is to bring together the right people and let them get on with it. Influence is based more on expert power than on position or personal power. The culture is adaptable and teamwork is important.

- 4) **Person Culture:** one in which the individual is the central point. The organisation exists only to serve and assist the individuals in it.

The research of Deal and Kennedy (1982) specifies that organisational culture can be categorised into four profiles as shown in Table 2.8 below.

Table 2.8: Typology of Organisational Culture by Deal and Kennedy

<p><b>Tough-guy macho Culture</b> (high risk/fast feedback)</p> <p>Heroes are tough, individualistic, superstitious, and risk takers. They keep up with fashion, embrace trendy life-styles., and enjoy competitive verbal interactions. Very short-term orientated. Rarely learn from their mistake. The culture fosters immaturity and distrust of colleagues.</p> <p><i>Organisations associated with this culture can be found in construction, cosmetics, television, radio, venture capital, and management consultancy.</i></p>	<p><b>Bet-your-company Culture</b> (high risk/slow feedback)</p> <p>Heroes are technically competent with respect for authority. Show tendency to double-check decision, decisions are slow, consultative, but top-down. Have tolerance for ambiguity, respect authority and capacity to make breakthroughs in a scientific sense. Vulnerable to short-term fluctuations and cash-flow problems.</p> <p><i>Organisations associated with this culture can be found in oil, defence and aerospace, mining, architectural firms, computer-design companies and actuarial insurance companies.</i></p>
<p><b>Work hard, Play hard Culture</b> (low risk/fast feedback)</p> <p>Heroes are super friendly, not superstitious, fairly conventional and client/customer centred. Rites and rituals revolve around energetic games and contests. Quality is sacrificed for quantity. Lack of thoughtfulness and attention. Short term planning. Culture requires respect and cultivates young people.</p> <p><i>Organisations associated with this culture can be found in Information Technology, car distributions, estate agencies, mass produced goods, and door-to-door selling.</i></p>	<p><b>Process Culture</b> (low risk/slow feedback)</p> <p>Heroes are cautious, attend to detail, order and punctuality. A classic bureaucracy. Put a lot of time into work. Life-style is reflected by rank. Special language and jargon abound. Greeting rituals may be peculiar to this company.</p> <p><i>Organisations associated with this culture can be found in banking, insurance, public utilities, governmental agencies, and pharmaceuticals.</i></p>

Source: Adopted from Deal and Kenedy (1982); Furnham and Gunter (1993); McKenna (2000)

Schein (1985) identified four cultures and has been influential in the understanding of organisational culture as follows:

- 1) **Power Culture:** one in which leadership resides in a few and rests on their ability and which tends to be entrepreneurial.
- 2) **Role Culture:** one in which power is balanced between the leader and the bureaucratic structure. The environment is likely to be stable and roles and rules are clearly defined.

- 3) **Achievement Culture:** one in which personal motivation and commitment are stressed and action, excitement and impact are valued.
- 4) **Support Culture:** one in which people contribute out of a sense of commitment and solidarity. Relationships are characterised by mutually and trust.

Grave (1986) also identifies four type of culture namely barbarian, monarchical, presidential, and pharaonic. Grave's approach on classifying organisational culture have received much criticism of its unique standard categories as neither evidence nor explanation is provided by Grave (1986) on how these categories were derived and why the particular typologies were chosen.

- 1) **Barbarian Culture:** anti-bureaucratic, ego-driven culture that rejects procedures and formality. Workers are workaholics, maverick and pop-star individualists. Leadership is charismatic and groups are unstable.
- 2) **Monarchical Culture:** contempt for formalisation and bureaucracy and planning, yet loyalty and persistence are highly praised. Heavily dependent on the skills of the leader. Promotion comes from within and the quality of leadership is variable.
- 3) **Presidential Culture:** elected leader embodies the needs and aspiration of all the people in the organisation. The leader needs to give clear messages to prevent people drifting into sub-group.
- 4) **Pharaonic Culture:** passion for order, status and ritual. The culture is unchanging and individualism is accepted but the pre-eminence of the system is maintained.

Kets De Vries and Miller (1986), on the other hand, depicts the type of organisational cultures into paranoid culture (persecutory theme), avoidance culture (pervasive sense



of futility), charismatic culture (everything revolves around the leader), bureaucratic culture (depersonalised and rigid), and politicised culture (leadership responsibility abdicated).

Nevertheless, William *et al.* (1989) redefined Harrison's (1972) and Handy's (1981) typology of organisational cultures as follows:

- 1) **Power orientation:** organisations try to dominate their environment and those exercising power strive to maintain absolute control over subordinates.
- 2) **Role orientation:** emphasises legality, legitimacy and responsibility. Hierarchy and status are important.
- 3) **Task orientation:** focuses on task accomplishment. Authority is based on appropriate knowledge and competence.
- 4) **People orientation:** the organisation exists primarily to serve the needs of its members. Individuals are expected to influence each other through example and helpfulness

Kotter and Heskett (1992) in the best seller book *Corporate Culture and Performance* discussed the role of cultures that help organisations anticipate and adapt to environmental change and its association with superior performance over long periods of time. Kotter and Heskett (1992) classifies corporate cultures into two; adaptive and unadaptive culture as shown in Table 2.9.

Table 2.9: Typology of Organisational Culture by Kotter and Heskett

	Adaptive Corporate Culture	Un-adaptive Corporate Culture
Core Values	Most managers care deeply about customers, stockholders, and employees. They also strongly value people and processes that can create useful change.	Most managers care mainly about themselves, their immediate work group, or some product (or technology) associated with that work group. They value the orderly and risk-reducing management process much more highly than leadership initiatives.
Common Behaviour	Managers pay close attention to all their constituencies, especially customers, and initiate change when needed to serve their legitimate interests, even of that entails taking some risks.	Managers tend to behave somewhat insularly, politically, and bureaucratically. As a result, they do not change their strategies quickly to adjust to or take advantage of changes in their business environments.

Source: Adopted from Kotter and Heskett (1982)

From the literature reviews, it can be observed that the methodological approaches in organisational culture studies differ according to the content of the organisational culture in focus, the purpose of the research, the type of research, the possibility for generalisation of knowledge, and the perception of the researcher toward the organisation the researcher is exploring (Janicijevic, 2011). Therefore, there is no generalisation and universal conclusion regarding the nature and dimensions of organisational culture. Each organisational culture is explored individually as a separate entity with its own characteristics, history, context, data gathering, and data analysis (Taras *et al.*, 2009).

Organisational culture research in the realm of management and organisational development is going through the stage of evaluation, validation and augmentation where numerous critical reviews examining the concept are published. The clarification and specification of organisational culture as an organisational construct is not well developed in the literature. For example, Sathe (1983) states that there are two anthropological view of organisational culture in which one perceives culture as

observed patterns of behaviour that are exhibited by members of a community (culture is situated outside the individual and is considered as something that is directly observable within the organisation) and the other explains culture shared in the members' minds.

Generally, there are two basic approaches to studying organisational culture, the typological approach (cultural types) and the trait approach (cultural dimensions) (Liu *et al.*, 2006). This study adopted the typological approach to understand the consistent ways in which cultures affect the perceptions of what people experience and its link to SHRM practices on firm performance. In general, this study is based on premises of organisational culture as stated below:

- 1) Organisational culture is a multi-faceted construct (Pettigrew, 1979);
- 2) Organisational culture reflects customary thinking, feeling, and acting that is attributed to a particular group of people as they learn to cope with their environment (Ouchi, 1981; Deal and Kennedy, 1982);
- 3) Organisational culture is both learned and transmitted (Schein, 1985).

Therefore, this study adopted Cameron and Quinn's (1999) methodology in examining organisational culture. They have established a classification of organisational culture comprising of four forms that is now widely used and empirically proven by most researchers for culture audit and comparison purposes. Cameron and Quinn (1999) proposed that organisational culture as presented in Table 2.10.

Table 2.10: Typology of Organisational Culture by Cameron and Quinn

<p><b>Clan Culture</b></p> <p>This culture is typical for an organisation that concentrates on internal maintenance with flexibility, concern for people, and sensitivity for customers. It places an emphasis on human relations and adopts flexible operation procedures focusing on internal relationship. Core values include co-operation, consideration, agreement, fairness and social equality. Such an organisation is generally a very friendly place to work where people share a lot of themselves. It is like an extended family where leaders are thought of as mentors and loyalty and tradition hold the organisation together.</p>
<p><b>Hierarchical Culture</b></p> <p>This culture focuses on internal maintenance and strives for stability and control through clear task setting and enforcement of strict rules. Accordingly it tends to adopt a formal approach to relationships where leaders need to be good coordinators and organisers and toe the party line. It places a high value on economy, formality, rationality, order and obedience.</p>
<p><b>Adhocracy Culture</b></p> <p>This culture concentrates on external positioning with a high degree of flexibility and individuality that is supported by an open system that promotes the willingness to act. It is generally a dynamic, entrepreneurial and creative place to work where people stick their necks out and take risks. Leaders are visionary and innovative and success means producing unique and original products and services. The organisation values creativity, experimentation, risk, autonomy, and responsiveness.</p>
<p><b>Market Culture</b></p> <p>This culture works toward clear and rational goals that are achieved through high productivity and economical operation. Tends to be results orientated and concentrate on getting the job done and its members value competitiveness, diligence, perfectionism, aggressiveness, and personal initiative. Its leaders are inclined to be hard-driving producer's intent on outperforming competitors and being at the forefront of their field of endeavour by maintaining stability and control. The term market is not to be confused with the marketing function or with customers in the market place. It represents a focus on transactions with external bodies such as suppliers and customers.</p>

Source: Adopted from Igo and Skitmore (2006)

Innovative research has led to the development of new instruments, methods and knowledge that can be used to characterise an organisations culture and identify the range of relevant values and assess how strongly held and widely shared within an organisation. One of the most popular instrument is the Organisational Culture Assessment Instrument (OCAI), which has now been used in almost 10,000 organisations worldwide in most sectors (e.g. private sector, public sector, education, health care, new start-up, NGOs) (Igo and Skitmore, 2006). OCAI was developed from 39 organisational effectiveness indicators, then expressed in terms of two dimensional framework patterns representing the core values of an organisation (Quinn and Rohrbaugh, 1981).

Subsequently, Quinn and Cameron (1983) further developed an assessment tool employing the Competing Values Framework (CVF) as a means for determining the relative importance of cultural trait within an organisation and also to establish the organisation's dominant culture type characteristics and overall culture profile in terms of the four cultural forms mentioned above and six dimensions of organisational culture.

- 1) **Dominant Characteristics:** the degree of teamwork and sense of belonging, level of creativity and dynamism, focus on goals and competition, reliance upon systems and emphasis on efficiency.
- 2) **Organisational Leadership:** leadership style and approach that permeates the organisation. The roles identified were mentor, facilitator, innovator, broker, producer, director, coordinator and monitor.
- 3) **Management of Employees:** how employees are treated, degree of consultation, participation and consensus and working environment.
- 4) **Organisational Glue:** bonding mechanisms that hold the organisation together such as cohesion and teamwork, loyalty and commitment, entrepreneurship and flexibility, rules and policies, goal orientation and competitiveness.
- 5) **Strategic Emphasis:** organisational strategy drivers, long term development of human capital, innovation, stability and competitive advantage, growth and acquisition, achievement of goals.
- 6) **Criteria for Success:** how is success defined and who gets rewarded profits, market share and penetration, sensitivity to customers and concern for people, development of new products and services, dependability and optimum cost.

The competing values concept has been embodied into much of the current research and theory research and is well accepted as accurately determining both type and strength of culture prevalent in an organisation. OCAI method has been rated as one of the 50 most

important models in the history of business study and has proven its worth since its conception in the mid-1980s (Igo and Skitmore, 2006). The four culture types and its key dimension as summarised in Table 2.11.

Table 2.11: Key Dimensions of the Organisational Culture Assessment Instrument

Culture Dimension	Clan	Adhocracy	Market	Hierarchy
Dominant Characteristic	Internal/Flexibility Personal place	External/Flexibility Risk- Taking	External/Control Competitive	Internal/Control Formal rules
Organisational Leadership	Focused on mentoring and facilitating	Takes innovative risks and is entrepreneurial	Results oriented, competitive and hard driving	Good at organising and coordinating
Management of Employee	Teamwork and participation	Individual risk-taking and innovation	High demand for achievement	Stability, job security and conformity
Organisational Glue	High levels of employee loyalty and mutual trust	Innovative and creative ideas	Goal orientation and focus on getting the job done	Efficient operation with formal rules and procedures
Strategic Emphasis	A trusting environment highlighted by cooperation and openness	Looks for new opportunities and welcomes new challenges	Gains new market share and reaches targets	Achieves operational efficiency
Criteria for Success	Concern for people and for developing people	New ideas, products and services	Market leader	Focuses on reliability and dependability of service and product

Source: Adopted from Cameron and Quinn (2006)

## 2.11 Organisational Culture Types Based on Competing Values Framework

The competing values framework (CVF) has been empirically proven as a tool to profiling the dominant cultures of organisations and assessing the underlying cultural dynamics that exist in an organisation. This framework was developed in the early 1980s as a result of studies of organisation effectiveness (Quinn and Rohrbaugh, 1981), subsequently followed by the studies of culture, leadership, structure, and information processing (Cameron, 1986).

The CVF model is characterised by a two-dimensional space that reflects different value orientations (Denison and Spreitzer, 1991). The first dimension in this framework, the flexibility-control axis, shows the degree to which the organisation emphasises change or stability. A flexibility orientation reflects flexibility and spontaneity, while control orientation reflects stability, control, and order. The second dimension in this framework, the internal-external axis, focuses the organisation's choice between focusing on activities occurring within the organisation (internal) and those occurring outside (external) environment. An internal orientation reflects an emphasis on the maintenance and improvement of the existing organisation, while an external orientation reflects an emphasis on competition, adaptation, and interaction with the external environment.

This two-dimensional typology yields four cultural orientations that correspond to four major models in organisational theory. *Group culture*, which corresponds to the human relations model of organisational theory that emphasises flexibility and change and is further characterised by strong human relations, affiliation, and a focus on the internal organisation. *Development culture*, corresponding to the open systems model, also emphasises flexibility but is externally oriented. This model focuses on growth, resource acquisition, creativity, and adaptation to the external environment. On the other hand, *rational culture*, corresponding to the rational goal model, is also externally focused, but it is control oriented which emphasises productivity and achievement, with objectives typically well-defined and external competition a primary motivating factor. Finally, *hierarchical culture*, corresponding to the internal process model, emphasises on stability and focus on the internal organisation. This model is characterised by uniformity, coordination, internal efficiency, and a close adherence to rules and regulations. In sum, the above cultural orientations can be referred to as Clan,

Adhocracy, Market, and Hierarchy, respectively (Cameron and Quinn, 1999) as shown in Figures 2.5 and 2.6 respectively.

These quadrant names were derived from the scholarly literature and identify how, over time, different values have become associated with different forms of organisation (Cameron, 2008). An important assumption underlying this framework is that each quadrant has a specific orientation. It is likely that an organisation will exhibit a combination of different orientation, although one type may be more dominant than the others. An organisation's culture would be characterised by a profile in the two-dimensional space (Stock *et al.*, 2007). In addition, a second assumption is that an effective organisation will exhibit some degree of balance between the different orientations. An overemphasis on one dimension or quadrant at the expense of another would likely restrict the organisation's ability to respond to the demands of different environment conditions (Stock *et al.*, 2007).

The CVF model represents the unseen values over which people, programs, policies, and organisations live as it is proven effective in different organisational contexts (O'Neill and Quinn, 1993) e.g. CVF as a strategic tool to develop policies and management development programs (Ubius and Alas, 2009), diagnosing organisation's existing and desired cultures and execute strategies for major cultural change (Hooijberg and Petrock, 1993), examine organisational gaps and interpreting and understand various organisational functions and processes (Rohrbaugh, 1981).



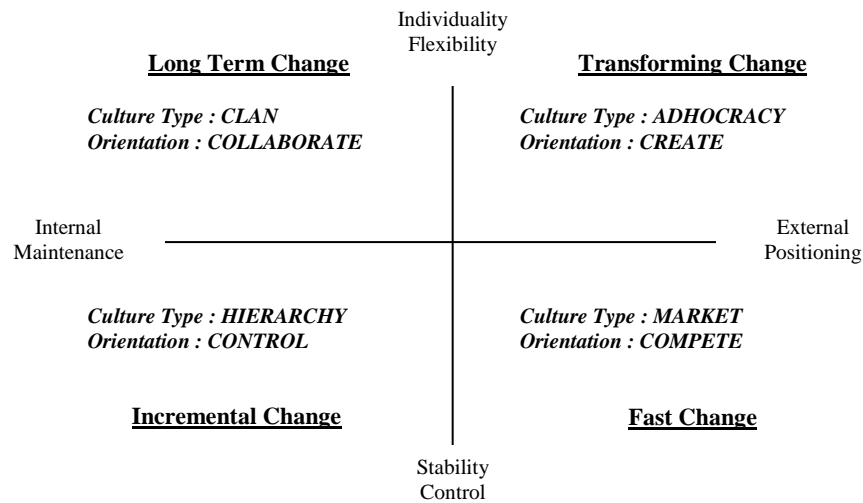


Figure 2.5: Organisational Culture Types Based on Competing Values Framework

Source: Adopted from Cameron (2008)

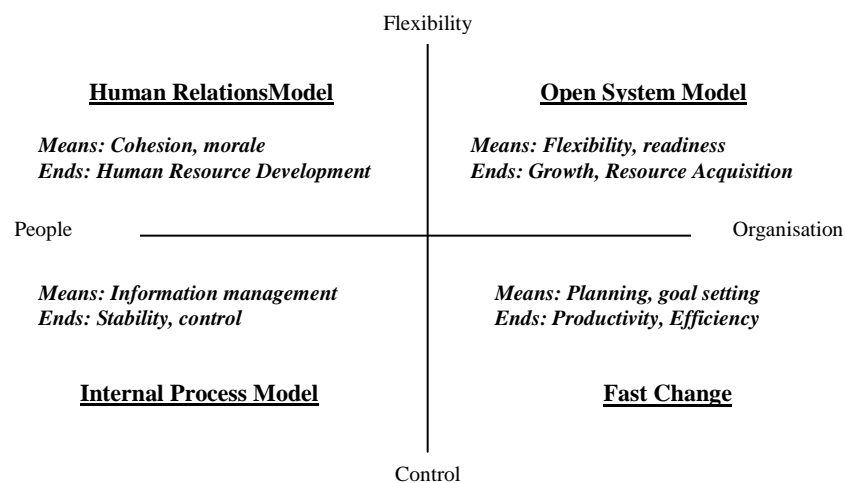


Figure 2.6: Summary of Competing Values Set and Effectiveness

Source: Adopted from Quinn and Rohrbaugh (1981)

## 2.12 Profiling Organisation Culture Based on Competing Values Framework

Cameron and Quinn (2006) present strong empirical evidences that people can accurately describe and measure the cultures of their organisations according to CVF. Therefore, the key to assessing organisation culture is to identify aspects of the organisation that reflect its key values and assumptions and then give people an

opportunity to respond to these cues. The Organisational Culture Assessment Instrument (OCAI) was developed to identify an organisation's culture profile. In the OCAI, organisation members are provided with a set of scenarios that describe certain fundamental cultural indicators in the organisations between four different scenarios, each descriptive of a quadrant in the CVF and rate their organisation's similarity to these scenarios by dividing 100 points between four different scenarios. The contents of OCAI are summarised in Table 2.12.

Table 2.12: The Organisational Culture Assessment Instrument Dimension

Category	Dimension/Style
1) Dominant organisational characteristic	A : Personal, like a family B : Entrepreneurial, risk taking C : Competitive, achievement oriented D : Controlled and structures
2) Leadership style	A : Mentoring, facilitating, and nurturing B : Entrepreneurial, innovative, and risk taking C : No-nonsense, aggressive, and results oriented D : Coordinating, organising, and efficiency oriented
3) Management of employees	A : Teamwork, consensus, and participation B : Individual risk taking, innovation, freedom, and uniqueness C : Competitiveness and achievement D : Security, conformity, and predictability
4) Organisational glue	A : Loyalty and mutual trust B : Commitment to innovation and development C : Emphasis on achievement and goal accomplishment D : Formal rules and policies
5) Strategic emphasis	A : Human development, high trust, and openness B : Acquisition of resources and creating new challenges C : Competitive actions and winning D : Permanence and stability
6) Criteria for success	A : Development of human resources, teamwork, and concern for people B : Unique and new products and services C : Winning in the marketplace and outpacing the competition D : Dependable, efficient, and low cost

Note: Type A (Clan Culture), Type B (Adhocracy Culture), Type C (Market Culture), and Type D (Hierarchy Culture)

Source: Adopted from Igo and Skitmore (2006)

Survey assessment of organisational culture has attributed to numerous advantages by researchers (Ashkanasy *et al.*, 2000). OCAI instrument has been widely accepted as a cultural measurement tool and shown to serve as a guide and indicator to identify culture type and predicting organisational life cycle development (Igo and Skitmore,

2006). Moreover, numerous studies have confirmed the OCAI's reliability (Quinn and Spreitzer, 1991; Yeung *et.al.*, 1991, Zammuto and Krakower, 1991; Cameron and Quinn, 1999; Parker and Bradley, 2000) to which the instrument measures the cultural types consistently. According to Cameron and Quinn (1999), no study of the OCAI has produced contradictory disconfirmatory evidence. Studies by Cameron and Freeman (1991), Quinn and Spreitzer (1991); Zammuto and Krakower (1991) have produced evidence for its validity. In summary, these studies reinforce the confidence of using the OCAI for this particular study.

### 2.13 Firm Performance

A number of previous researches examined the impacts of SHRM on different kinds of firm performance, there is no consensus amongst the scholars on the measurement of firm performance. Michie and Sheehan (2005) state that the relationship between HRM and performance is dependent upon business strategy. There are many ways to define firm performance according to different purpose of the research studies. In the past studies, scholars argued a number of criteria in determining the SHRM-related outcomes, such as productivity (Chen *et al.*, 2003), employee turnover (Huselid, 1995), financial performance (Huselid *et al.*, 1997; Boselie *et al.*, 2005), customer satisfaction (Dyer and Reeves, 1995), productivity, quality, service (Dyer and Reeves, 1995; Richard and Johnson, 2001; Jin *et al.*, 2012), profits (Guest, 1997), sales, capital market outcomes, and growth (Singh *et al.*, 2012).

As noted, previous studies on the SHRM-performance relationship have been inconclusive because different studies have applied different approach of analyses and measure of performance (Paauwe and Boselie, 2005). At the firm level, performance

can be measured at a more broad-based organisational outcome measures such as quality, productivity, and customer service (Buller and McEvoy, 2012). The literature also indicates that employing financial performance indicators would be ideal for reflecting the performance of companies e.g. return of equity (Earle and Mendelson, 1991), and return on asset (Youndt *et al.*, 1996). Nevertheless, studies also reveal that SHRM-performance link have been conducted largely by taking into account an objective and subjective measure of a firm's performance, and subsequently regressing these measurement on selected SHRM practices of the organisations (Singh *et al.*, 2012).

Only a few studies explored the effect of SHRM practices on firm performance in the correct approach by assessing SHRM practices at one point in time and relating to subsequent performance (Huselid, 1995). This shows that the majority of studies have ignored the very basic rule for representing the causal relationships between SHRM-performance links (Wright *et al.*, 2005). Therefore, more studies are needed with the right research designs that are able to link SHRM practices both to past performance and current performance. In addition to that, there is critical need to develop more effective metrics to assist Human Resource researchers and practitioners some additional tools to assess both the tangible and intangible returns on SHRM practices (Lawler *et al.*, 2004).

As described above, this study adopts Delaney and Huselid (1995) and Dyer and Reeves's (1995) four performance measurement namely rate of productivity, quality of services/products, customer service, and sales growth which could be a good representative of firm's daily business operations and financial strength for this study.

This study also suggests subjective measure of firm's performance to serve as dependent variables.

#### 2.14 The Relationship between Strategic Human Resource Management and Firm Performance

Prior to discussing the theoretical links between SHRM and firm performance, it is important to note the key ways high performance work systems (HPWS) phenomenon in established firms. SHRM scholars have established a burgeoning literature linking indices of HPWS to firm performance (Zacharatos *et al.*, 2005; Messersmith *et al.*, 2011). These systems are deemed "high performance" because they are designed to motivate superior performance that positively affects firm performance (Cappelli and Neumark, 2001).

HPWS is conceived as a complementary or a set of HRM practices that serve to increase the involvement and transforming the employees into partners to achieving organisation's goals (Gardner and Wright, 2009; Razouk, 2011). SHRM theorists opine that HPWS is a key factor and contributor for better firm performance (Becker and Huselid, 2006, Combs *et al.*, 2006, Macky and Boxall, 2007). Shih *et al.* (2006) point out that firm implements HPWS can have an economically and significant impact on productivity and corporate financial outcomes (Combs *et al.*, 2006). Similarly, Zacharatos *et al.* (2005) state that HPWS emphasises on employee's superior skills and abilities, which ensure the organisation achieves superior firm performance and sustainable competitive advantage.

Numerous other studies also find a strong relationship between HPWS with market performance (Richard and Johnson, 2004), innovation (Richard and Johnson, 2004;

Messersmith and Guthrie, 2010), sales growth (Drummond and Stone, 2007; Messersmith and Guthrie, 2010), higher labour productivity (Guthrie *et al.*, 2009), perceived quality (Leggat *et al.*, 2011; Bonias *et al.*, 2010), and employee effectiveness (Demirbag *et al.*, 2014). The link between HPWS use and firm performance relies on the developing organisation's ability to configure value-adding resource bundles that differentiate the firm from their competition. The SHRM literature has argued that human resource meets these criteria and is therefore a useful avenue in which to invest and develop (Wright *et al.*, 2001). In other word, SHRM research has generally theorised that HPWS motivate superior firm performance by increasing the levels of human capital practices within the firm that is congruent with firm strategy (Lepak *et al.*, 2007). This study adapts the term HPWS to emphasise how particular configurations of SHRM practices seeking competitive advantage and improve firm performance.

There is little agreement as to which human resource management practices can be considered as strategic in an organisation (Marchington and Grugulis, 2000; Paauwe, 2004). However, there is a broad consensus that there is a link between SHRM and firm performance (Arthur, 1992; Huselid, 1995; Huselid and Becker, 1996; Huselid *et al.*, 1997; Harel and Tzafrir, 1999; Bae and Lawler, 2000; Bjorkman and Fan, 2002; Singh, 2003a; Wright *et al.*, 2005; Tessema and Soeters, 2006). Huselid's (1995) groundbreaking study established that a set of human resource practices, also known as HPWS were strongly related to turnover (Guthrie, 2001), accounting profits, business strategic planning process (Maxwell and Farquharson, 2007), and firm market value. Since then, many studies have shown similar positive relationship between human resource practices and various measures of firm performance such as productivity and quality in the auto assembly plants (MacDuffie, 1995), accounting profits in the bank

sector (Delery and Doty, 1996), employee productivity, machine efficiency, and customer alignment and its link with quality manufacturing strategy (Youndt *et al.*, 1996), and profitability (Guthrie, 2001).

Review of the literature indicate that essential human resource management practices such as workforce planning (Chang and Chen, 2002; Matthis and Jackson, 2004), job analysis (Cascio, 2006), training and development (Lam and White, 1998; Ngo *et al.*, 1998; Chang and Chen, 2002; Ahmad and Schroeder, 2003; Kundo, 2003; Katuo and Budhwar, 2006; Ismail *et al.*, 2010; Khan, 2010), recruitment and selection (Lam and White, 1998; Chiu *et al.*, 2002; Ahmad and Schroeder, 2003; Kulik, 2004; Katuo and Budhwar, 2006; Khan, 2010), compensation and reward (Lam and White, 1998; Ngo *et al.*, 1998; Milkovich and Newman, 1999; Chiu *et al.*, 2002; Ahmad and Schroeder, 2003), performance appraisal (Bernardin and Russel, 1993; Chang and Chen, 2002; Khan, 2010), career planning management (Schein, 1996), quality of work life (Beh and Rose, 2007), benefits (Chang and Chen, 2002), employee participation (Khan, 2010), involvement of employees (Katuo and Budhwar, 2006), safety and health (Katuo and Budhwar, 2006), empowerment (Tsai, 2006), internal communication (Ulrich, 1997; Richard and Johnson, 2001; Geringer *et al.*, 2002; Oladipo and Abdulkadir, 2011; Osman *et al.*, 2011), job design (Champion, 1988 ; Morgeson and Humphrey, 2006) and employment security (Ahmad and Schroeder, 2003) have positive association with firm performance. These practices capitalised on the strength of the human capital for sustained competitive advantage (Jackson and Schuler, 2000). Furthermore, these studies also provide an insight to the management and human resource practitioner to exercise these practices as strategic tool for superior performance (Khan, 2010).

Researchers have used financial and non-financial metrics to measure the effect of SHRM on firm performance. Dyer and Reeves (1995) proposed four possible types of measurement for organisational performance: 1) Human resource outcomes (turnover, absenteeism, and job satisfaction), 2) organisational outcomes (productivity, quality, and service), 3) financial accounting outcomes (Return Of Asset, profitability), and 4) capital market outcomes (stock price, growth, returns). They concluded that human resource strategies were most likely to directly impact human resource outcomes, followed by organisational outcomes, financial, and capital market outcomes. Similarly, Wang and Shyu's (2007) study conclude the same that HRM strategies has a positive and direct impact on HRM effectiveness and labour productivity.

Wattanasupachoke (2009) conducted a study on the influence of three human resource strategies namely required workforce characteristics, skills from training and development programs and compensation strategies on business performance among the Thailand enterprises. The findings concluded that extra pay and profit sharing scheme (compensation strategies) significantly influence the sense of belonging and greater commitment of the staff as their wealth will be directly linked to firm's financial performance. On the other hand, positive inner character, consisting positive attitudes and politeness were linked with the non-financial performance.

A study was conducted by Apospori *et al.* (2008) to compare the firm-level impact of strategic human resource practices on organisational performance between northern and southern manufacturing and services firms in Europe. Five human resource practices; 1) external recruitment, 2) internal recruitment, 3) training, 4) performance management, 5) communication which reflect the extent to which firms acquire, develop, retain, and motivate their employees were examined on its impact on firm performance. The



findings showed that performance management and internal communication are the human resource practices that have a significant impact on firm performance. However, northern firms in Europe emphasised training to ensure that the acquired human capital has the skills needed for better performance and outperforming others.

Akhtar *et al.* (2008) adopted Delery and Doty's (1996) seven best practices (i.e. training, participation, employment security, job description, result-oriented appraisal, internal career opportunities, and stocks/profit sharing) approach to SHRM in their study to examine the validity of SHRM and their effects on company performance in the Chinese enterprises. A total of 465 Chinese enterprises participated in this study. General Manager of the enterprise was required to respond to the survey on company performance, while Human Resource Director was required to respond to the SHRM practices questionnaire. The findings obtained from the exploratory factor analysis suggest that Delery and Doty's (1996) conceptualisation of SHRM practices has an overall factorial validity. Training, participation, result-oriented appraisal, and internal career opportunities were identified as the "core" of SHRM that have positive affect both product/service performance and financial performance in Chinese enterprises. A practical implication of this finding is that enterprises that have institutionalised these core practices will have sustainable competitive advantage over the long term. Akhtar *et al.*'s (2008) findings are consistent with the results of study done by Shipton *et al.* (2005).

Guest *et al.* (2003) conducted a study to explore the relationship between HRM and performance among United Kingdom organisations in the manufacturing and service sectors. Nine main areas of HRM namely recruitment and selection, training and development, appraisal, financial flexibility, job design, two-way communication,

employment security and internal labour market, single status and harmonisation, and quality were examined to determine its relationship on labour productivity, quality of goods and services, employee turnover, employee absenteeism, employee grievances, sales, profit and financial performance. A total of 366 managers responsible for human resource participated in the study. Findings showed a positive relationship between use of more human resource practices and lower labour turnover and higher profitability. It is concluded that the study confirms a positive association between SHRM and performance but fails to show that SHRM causes higher performance.

Bjorkman and Fan (2002) study has enriched the understanding of high-performance HRM systems and HRM-strategy integration has positive effects on the firm performance. Together with previous research on SHRM and firm performance, Bjorkman and Fan (2002) findings indicate that investments in SHRM pay off in terms of their effect on organisational performance. The implications of the study concluded that 1) focus efforts on the integration of HRM and the strategy of the unit, and 2) introduce a system of high-performance HRM practices, specifically a reward system based on individual performance and a formal employee appraisal system. Also, this study explicitly established that SHRM scholars and practitioners are to develop or formulate best HRM structure and system strategically to achieve superior performance (Karami *et al.*, 2004)

Gooderham *et al.* (2008) conducted a factor analysis of 80 different human resource management practices on its relationship with organisational performance among the European firms. The study resulted in 15 bundles of strategic human resource management practices which were then further categorised into three main bundles namely *calculative bundle* (training monitoring, share-options, evaluation of Human

Resource Department, profit-sharing, group-bonus, performance related pay) which focuses at the efficient use of human resources, *collaborative bundle* (joint human resource management, communication on strategy, communication on finance, employee involvement, communication on organisation of work) aims at promoting the goals of both employees and employer, and *intermediary bundle* (career development, wider-jobs, communication to management and downsizing methods) which consists of practices that have no common theme. All six calculative bundles of practices have a statistically significant impact on performance.

Zheng *et al.* (2006) explored the performance effects of human resource management practices of provision of social benefits, training and development, role for trade unions, performance-based pay, participatory decision-making, free market selection, and performance evaluation in 74 Chinese small and medium-sized enterprises. Regression analysis results showed that the adoption of human resource management practices (performance-based pay, participatory decision-making, free market selection, and performance evaluation) generates better human resource management outcomes and, in turn, better HRM outcomes contribute positively to firm performance. A high level of employee commitment was identified as being the key HRM for enhancing firm's sales and production.

Hoque (1999) examined the relationship of terms and conditions of employment, recruitment and selection, training, job design, communication techniques, qualities issues and pay systems on performance among the 232 hotels in the United Kingdom. The results show that the relationship between adoption of SHRM and performance is dependent upon the business strategy of the hotel is pursuing. In this study, the relationship between SHRM and performance exists only among hotels emphasising the

importance of quality enhancement (quality-enhancer strategy) as the key to competitive success and price and quality, quality and cost control, and responsive to customer needs (other strategy), where else SHRM proves ineffective where cost control (cost-reducer strategy) is seen as the key to business strategy. In other words, the effectiveness of SHRM relies upon its fit with business strategy (Kumari *et al.*, 2011).

Hoque's (1999) study was supported by Chand and Katou's (2007) and Zheng *et al.* (2007) study to further enhance the study on the role of SHRM and its impact on organisational performance in the hotel industry in India. The study focuses to investigate whether some specific characteristics of hotels and human resource management systems affect organisational performance. A sample of 439 hotel organisations, 265 chain hotels and 174 non-chain hotels participated in this study. A total of 27 human resource management practices were factored into six factors namely recruitment and selection, manpower planning, job design, training and development, quality circle, and pay system were measured on a Likert-type scale ranging from 1=very little to 5=very much. Organisational performance was measured with the sales growth, productivity, profitability, goal achievement, and good service quality on a Likert-type scale ranging from 1=very bad to 5=very good. The results indicate that hotel performance is positively associated with hotel category (three-star to five-star deluxe) and type of hotel (chain or independent). In other words, if hotels are to achieve higher performance levels, they should preferably increase their category and belong to a chain. Findings also show that hotel performance is positively related with human resource management systems that adopt harmonised terms and conditions, multi-skills and experience (recruitment and selection), formal manpower planning, career planning (manpower planning), flexible job description, cross-cultural job design (job design), need-based training and development criteria, formal system of induction (training and

development), production/service staff responsible for their service, regular use of attitudes survey (quality circle), and staff informed about market condition and company performance, social appreciation and recognition (pay system) will develop competitive advantages for the hotels performance.

The relationship between SHRM practices and private and public sector performance was investigated by Ghebreorgis and Karsten (2007) in Eritrea. A total of 82 randomly selected public and private firms in the manufacturing sector participated in their study. Results indicate that firms that invest in training, employee development and compensation packages programmes will have lower levels of turnover, absenteeism and grievances and high levels of productivity. Ghebreorgis and Karsten (2007) study's results contribute for the assertion that investment in SHRM practices results in better organisational performance.

Ngo *et al.* (1998) investigated the effects of country origins on human resource practices of firms from the United States, Great Britain and Hong Kong operating in Hong Kong. Findings indicated that MNCs of different country origins differ considerably in their SHRM practices, particularly in training and development and compensation. Furthermore, the findings also found that firms that provide more structural training and development create more new products, had more satisfied employees and higher sales. In addition, firms higher in retention-oriented compensation reported greater profit, more new products, more satisfied employees and greater retention of employees. Nevertheless, results concluded that country origin would influence human resource practices of MNCs because cultural values of countries would influence the extent to which firms from certain countries would relinquish control from headquarter and allow subsidiaries to devise human resource practices that adapts to local conditions.

Similarly, Fey *et al.* (2000) studied the effect of SHRM on firm performance of 101 foreign firms in Rusia that involved 38 human resource management managers and 63 senior managers. The study measured the alignment of human resource management practices and strategy, namely incentive systems, job security, employee training and career planning, decentralisation, internal promotion, and complaint resolution systems on firm performance. Findings showed that non-technical training and high salaries will have a positive impact on human resource outcomes for manager while job security is the most important predictor of human resource outcome for non-managerial employees. Results also indicate a direct positive relationship between managerial promotions based on merit and firm performance for manager and job security and performance for non-manager.

Othman (2009a) examined the strategic integration of human resource management practices with business strategy in the context of its applications and processes in two Japanese multinational companies in Malaysia. A mixed-methodology approach via case studies and questionnaire was used to obtain a cross-section of views on the strategy formulation process among the senior line managers, human resource manager, engineers and executives. Othman (2009a) stated that company with mission statement, corporate statement, corporate strategy and human resource strategy are important determinant for integration of strategy process. Also, the career background and credibility of the Human Resource manager could provide the level of business acumen necessary to be an efficient and effective business partner role as well as representative in the board and management on SHRM decision making.

Othman (2009b) also conducted another study on the application and process of integration of two strategic human resource management practices which are recruitment/selection and training/development among 86 respondents consist of CEO, Human Resource Director, Production Directors and other line managers in the Malaysian and Japanese owned companies in Malaysia. Findings state that strategic integration, recruitment/selection, and training/development show little difference in practices and a higher human resource involvement in the business strategy formulation process between the Malaysian and Japanese owned companies. Othman (2009b) concludes that the human resource management in Malaysia seems to be in a state of change though the process is rather slow. Table 2.13 shows the others selected studies on HRM practices and firm performance linkage.

Table 2.13: Selected Studies on HRM-Performance Relationship

Study	HRM Practice	Firm performance
Youndt <i>et al.</i> (1996)	Staffing, training, performance appraisal, and compensation.	Product quality, employee morale, on-time delivery, inventory management, employee productivity, equipment utilisation, production lead time, and scrap minimisation.
Guest (1997)	Selection, socialisation, training & development, quality improvement, job security, internal promotion, individualised reward system, communication, employee involvement, teamwork, job design, and flexible job description.	Skills & ability (quality), effort & motivation (commitment), and role structure & perception (flexibility).
Paauwe and Richardson (1997)	Recruitment & selection, HR planning, reward, participation, training & development, decentralisation, internal labour market, and formal procedure.	Profit & market value, productivity & market share, product/service quality, customer satisfaction and development of products/services.
Hoque (1999)	Employment terms & conditions, recruitment & selection, training, job design, quality issues, communication & consultation, and pay system.	Labour productivity, quality of service, and financial performance.
Jayaram <i>et al.</i> (1999)	Broad jobs, cross training/job rotation, top management commitment, communication of goals, employee training, cross functional teams, employee autonomy, employee impact, open organisation, and effective labour management relations.	Quality, flexibility, time-based competitors, and lost reduction.
Fey <i>et al.</i> (2000)	Incentive system, job security, technical &	Developing managers and

	non-technical training, career planning, decentralisation, complaint resolution system, internal promotion, and recruitment.	non-managerial skills and knowledge, motivating managers and non-managerial, retaining managers and non-managerial.
Richard and Johnson (2001)	Employee participation & empowerment, teamwork, workforce planning, advanced issue identification, management & executive development, succession & development planning, workforce productivity and quality of output, and employee & manager communication	Productivity, turnover, and return of equity.
Singh (2003a and 2003b)	Compensation, employee participation, information sharing, job definition/description, , organisation surveys, performance appraisal system, selection, training, career planning, promotion & rewards,	Turnover, productivity, and financial performance.
Wright <i>et al.</i> (2005)	Selection, training, pay for performance, performance evaluation, and participation.	Workers compensation, productivity, quality, inventory loss, expenses, and profits.
Cho <i>et al.</i> (2006)	Information sharing, job analysis, internal recruiting, attitude surveys, labour-management participation program, incentive plan, grievance procedure, pre-employment test, compensation on job performance, performance appraisal, promotion criteria, and training.	Turnover rate of managerial and non-managerial staff, labour production, and return of asset.
King-Kauanui <i>et al.</i> (2006)	Training, performance appraisal system, and incentive pay.	Operating profit, return on assets, growth in profits, sales growth, productivity, product quality, new product development, and market development.
Erdil and Günsel (2007)	Selective hiring, teams & decentralisation, compensation & incentive, extensive training, and sharing information.	Market share, growth, profit, innovativeness, and size.
Akhtar <i>et al.</i> (2008)	Internal career opportunities, formal training systems, result-oriented appraisals, employment security, participation, job description, and profit sharing.	Product/service quality, customer satisfaction, technological innovation, profitability, sales growth, and return on investment.
Abdullah <i>et al.</i> (2009)	Training & development, teamwork, compensation/incentives, HR planning, performance appraisal, employee security	Business performance.
Khan (2010)	Recruitment & selection, training & development, performance appraisal, compensation & rewards, and employee participation.	Quality of products and services, production cost, market share, performance relative to competitors, and organisational performance relative to industry average.
Quresh <i>et al.</i> (2010)	Selection system, training, job definition, performance appraisal system, compensation system, career planning system, and employee participation.	Financial performance.
Arumugam and Mojtahedzadeh (2011)	Employee participation, training, job description, career planning system, compensation system, selection system, and	Financial performance.



	performance system.	
Boohene and Asuinura (2011)	Recruitment & selection, performance appraisal, remuneration, and training & development	Financial performance
Gurbuz and Mert (2011)	Strategic human resource management, participation & communication, and selection-development.	Financial/market performance, operational performance, job satisfaction, and turnover.
Ishak <i>et al.</i> (2011)	Human resource planning, staffing, training & development, appraisal, compensation, team cohesiveness, work environment, and communication flow.	Turnover rate
Nayyab <i>et al.</i> (2011)	Selection system, training, job definition, performance appraisal system, compensation system, career planning system, and employee participation.	Bank performance
Ojo (2011)	Effective reward	Financial performance
Osman <i>et al.</i> (2011)	Human resource planning, staffing, job/work design, training & development, performance appraisal, compensation, health and safety, employee relations & communication, and career planning.	Overall Organisational performance compare with their competitors in the same industry.
Pham (2011)	Human Resource planning, performance based compensation, training, performance appraisal, recruitment & selection.	Financial performance

Source: Compiled by the researcher

There are empirical evidences for the link between SHRM and firm performance. What human resource practices are and how they impact on firm performance are the central themes in the discussion of a SHRM system (Som, 2007; Dobre, 2012). For example, studies of HRM-performance link that focus on a single or several HRM practices and examine their effect on various performance measures (Delery and Doty, 1996; Delaney and Huselid, 1996), studies examining the effect of bundles of SHRM practices on firm performance (Wright and McMahan, 1992; Huselid, 1995; Delery and Doty, 1996; Youndt *et al.*, 1996; Becker *et al.*, 1997; Wright and Boswell, 2002; Alleyne *et al.*, 2006; Stavrou *et al.*, 2010), and studies on the characteristics or orientation of the HRM function and their link to performance (Cook and Ferris, 1986; Boxall and Steeneveld, 1999). Studies state that different human resource bundles or configurational needed to achieve a high level of firm performance (Sheppeck and Militello, 2000; Lau and Ngo, 2004; Onyango and Simeon, 2012).

From a RBV perspective, studies demonstrated that an appropriate human resource system creates and develops organisational resources that become sources of competitive advantage (Barney, 1991). A unique, rare and inimitable human resource configuration which is not found in most other organisations imply only a few competitors can adopt a particular combination of human resource practices for sustainable competitive advantage over their peers.

In summary, many earlier studies on SHRM- performance relationship concentrated on examining firm strategy as an important contingent factor. Study on the relationship between SHRM and firm performance should focus on the other uncovering factors in influencing the effect of SHRM on firm performance. The above reviews have unified a list of HRM practices needed for SHRM research and argued that it is the synergistic effect of multiple HRM practices in SHRM that contributes to firm's competitive advantage (Kumari *et al.*, 2011). However, there is no consensus or consistency evidence illustrating what constitutes these SHRM systems or bundles that associated with high firm performance. Therefore, the study proposes the following hypothesis.

Hypothesis 1: Bundle of SHRM practices that are unique, rare, inimitable and non-substitutable will have better firm performance.

## 2.15 The Relationship between Organisational Culture and Firm Performance

The literature on relationship between organisational culture and performance is anecdotal and diverse. Organisational culture has been investigated along many different lines and with many different purposes since the first explosion of interest since 1980s and this concept remains a continuous debate of its definition and the link

between culture and performance is tenuous (Lewis, 1998). Despite of this limitation, the question of whether organisational culture improves or worsens the level of organisational performance is still worth of further research such as the one being undertaken in this study. According to Liu *et al.* (2006), there are two basic approaches to studying organisational culture, the typological approach (cultural types) and the trait approach (cultural dimensions).

In addition, it was found that very little attention has been given in the study of organisational culture and performance link in the insurance firms in Malaysia. This means that the impact of organisational culture on organisational performance has not received adequate research attention on insurance firms in Malaysia. Organisational culture seems to vary from organisation to organisation and is claimed that organisational culture affects organisational performance (Buchanan and Huczynski, 2004). Furthermore, the organisational culture must not only be extensively shared, but it must also have unique qualities, which cannot be imitated (Pascale and Athos, 1981; Lim, 1995; Lewis, 1998; Muratovic, 2013). Chatman and Jehn (1994) and Denison and Mishra (1995) have contributed significantly to the field of culture and performance studies whereby culture is being treated as variable for a specific research purpose.

According to Stoner *et al.* (1995) artefacts, espoused values, and basic assumptions form the basics of understanding organisational culture. An organisational culture is *'the customary or traditional ways of thinking and doing things, which are shared to a greater or lesser extent by all members of the organisation and which new members must learn and at least partially accept in order to be accepted into the service of the firm'* (Duncan, 1989). In other words, organisational culture is a framework that leads day-to-day behaviour and decision making for employees and directs their actions

toward completion of organisational goals. Culture must be aligned with the other parts of organisational actions such as planning, organising, leading, and controlling. If culture is not properly aligned with these tasks in achieving the organisational goals, the organisation is in for difficult times (Stoner *et al.*, 1995).

There has been a great deal of anecdotal evidence and some empirical evidences regarding the link between organisational culture and firm performance. The anecdotal evidence begins with Peters and Waterman (1982) study on the causal association between culture and performance. They state that superior firm performance is possible only when a company moves away from a pure technical and rationalist approach towards a more adaptive and humanistic approach. In other words, firms with strong cultures are pointed out as examples of excellent management. This is supported by Deal and Kennedy (1982) that shared values act as informal systems that guide the organisational members as to what is expected of them, hence positively impacting organisational performance.

Denison (1984) examined the characteristics of the organisational culture of 34 firms and to track their performance. The result indicated that organisational culture that supporting decision making and work design were associated with long term financial performance while supervisory leadership was associated with short term financial performance.

One of the most extensive studies on the culture-performance link was conducted by Kotter and Heskett (1992). They used data gathered from 207 firms over a five years period. In their study, they used various measures of culture and long term economic performance data. The investigation showed that firms with cultures suited to their

market environment have better performance than those that are less fitted to their environments. Kotter and Heskett (1992) concludes that 1) corporate culture can have a significant impact on a firm's long-term economic performance, 2) corporate culture will probably be an even more important factor in determining the success or failure of firms in the next decade, 3) corporate cultures that inhibit strong long-term financial performance are not rare and can be developed easily in firm that are full of reasonable and intelligent people, and 4) although tough to change, corporate culture can be made more performance enhancing. These findings are essential as they show empirical evidence that strong cultures can impact upon company performance.

Marcoulides and Heck (1993) further analysed the relationship between organisational culture and performance using data collected from 26 organisations. The researchers proposed a model in which organisational culture was measured using several latent variables (organisational structure, organisational values, task organisation, climate, and individual values and beliefs) and organisational performance was measured using capital, market and financial indicators. The results of the study showed that all of the latent variables used to measure organisational culture had some effect on performance with workers attitudes and task organisation activities being the most significant variables.

Brown and Leigh (1996) measured the perceptions of organisational culture among sales representatives from three manufacturing companies. The finding concludes that feelings the organisation environment was safe and meaningful led to greater job involvement and commitment, which in turn led to superior performance. Studies also show that organisations with strong culture perform better than those without such a culture (O'Reilly and Chatman, 1996).

Deshpande and Farley (1999) studied the relationship between corporate culture and market orientation in Indian and Japanese firms focusing on four main types of corporate culture namely competitive culture, entrepreneurial culture, bureaucratic culture, and consensual culture. The results showed that most successful Indian firms had entrepreneurial culture, while the Japanese firms had entrepreneurial culture and competitive culture. Deshpande and Farley (2004) concluded that entrepreneurial culture and competitive culture perform better than consensual culture and bureaucratic culture.

Pool (2000) examined the relationship between organisational culture and job stressor. He found that executives working in a constructive culture reduced the role stressors in their working environment. The results indicate that a constructive culture will significantly reduce role stressors, thereby, decreasing job tension and increasing job satisfaction, motivation, job commitment and firm's performance as a whole.

On the other hand, Gifford *et al.* (2002) investigated the relationship between hospital unit culture and nurses' quality of work life within seven different hospitals. Data analysis showed that unit organisational culture did affect the nurses' quality of work life and that human relation cultural values were positively related to organisational commitment, job involvement, empowerment and firm performance.

Mallak *et al.* (2003) also examined the relationships among culture, the built environment, and outcome variables in a healthcare provider organisation. Results supported that culture strength's links with higher performance levels and identified the built environment's role as moderating variable that can lead to improved processes and

outcomes of the organisation. This is supported by Scott *et al.* (2003) finding that a more contingent relationship, in that those aspects of performance valued within different cultures may be enhanced within organisations that exhibit those cultural traits.

Siew and Yu (2004) investigated the possible relationships between corporate culture and organizational performance among Singaporean companies. Culture was found to impact a variety of organizational processes and performance. First, it was discovered that certain cultural dimensions are recurrent elements of organizations. Second, The power of industry membership in limiting unique cultural types was also discovered. Industry dynamics led to the development of distinguishing values that characterised the industry. For instance, hospitals were significantly more team oriented, insurance firms were significantly more task oriented and manufacturing firms were significantly more humanistic. Third, the cultural strength of organizations was related to organizational performance. In addition, the cultural elements which distinguish companies from each other were also found to be related to performance.

Hirota *et al.* (2007) concluded that the strength of corporate culture significantly affects corporate policies (Ubius and Alas, 2009) such as employment policy, management structure, and financial structure in their research using Japanese firms' data from 1987-2000. They have confirmed that the culture and its embedding, contribute to better corporate performance. They suggested that it is important to recognise the existence of the culture for understanding corporate policies and performance.

Ojo (2009) examined the impact of corporate culture on employee job performance as well as organisational performance using the Nigerian banking industry as the case study. The findings of this study are that a large number of respondents (57.7%)

strongly agree that corporate culture has effect on job performance, and that 48.7% of the employees also agree that corporate culture determines the productivity level of the organisation which will increase organisational performance.

Yali *et al.* (2009) examined the relationship between organizational culture and government performance based on Denison's model. Through conducting questionnaires in six-governmental organizations of Shaanxi and Shanxi, and using factor analysis and correlation analysis, the results showed a significantly positive correlation between participatory culture and performance of internal processes, consistency cultural and financial performance, adaptability culture and performance of learning growth, and mission culture and performance of customer dimension.

Organisational culture is also related to organisational strategy (Schwartz and Davis, 1981; Choe, 1993; Rashid and Anantharaman, 1997). Choe (1993) findings showed that organisation pursuing the prospectors' strategy tended to have developmental culture, while organisations with defensive strategy tended to have hierarchical culture. Choe (1993) findings were consistently supported by Rashid and Anantharaman (1997). Kotter and Heskett (1992) recount that only cultures which are strategically appropriate will have excellent performance, thus the better the cultural fit, the better the organisation will perform (Schein, 1986).

The dominant organisational cultures have undergone significant changes since the industrial revolution and management trends (Fligstein, 1985). In the new millennium, it is believed that organisational culture provides the framework to implement and operationalise business strategies and managers need to be conscious of the cultures in which they are embedded. Therefore, it is suggested that it is better for the organisation



to focus not on ‘what it wants to be’ as much as ‘what it is we are right now’ (Igo and Skimore, 2006).

The majority of researches which evaluates culture and suggest models and theories for improving it, come from the view point that culture is an object which can be manipulated. According to Schein (1992) model of organisational culture, the complexity of culture emerges; although artefacts can be changed but the deep underlying assumption that exist within organisational culture represent a greater challenge to the organisation. Therefore, organisational culture should not be seen as merely a ‘part’ of the organisation, but an embodiment of what organisation is. Sadri and Lees (2001) states that a positive corporate culture could provide immense benefits to the organisation, and thereby a leading competitive advantage over other firms in the industry. However, a negative culture could have a negative impact on the organisational performance as it could defer firms from adopting the required strategic or tactical changes

In considering the possible role of organisational culture in enhancing organisational performance, we are interested whether a general conceptual model of organisational culture that has been used extensively in prior research across a broad range of organisational settings, the CVF (Quinn and Rohrbaugh, 1981; Cameron and Quinn, 1999), provides insight into the issue of organisational performance. So, it is believed the CVF would be an appropriate conceptual model to be used to guide this research to examine the relationship between type of organisational culture and organisation performance (Stock *et al.*, 2007).

CVF is empirically proven to help organisations to bring about major changes in their organisation's cultures by 1) assessing organisation's existing and desired organisational culture, 2) assessing how existing and desired organisational cultures are turned into action plans for change, 3) how culture change can be assessed, and 4) whether the action plans have been implemented successfully (Hooijberg and Petrock, 1993). The study also concluded that CVF helps the management of the organisation to simultaneously emphasise more on participation, creativity, efficiency, and goal setting in achieving organisational performance.

Al-Khalifa and Aspinwall (2001) adopted CVF to investigate the degree of compatibility of the culture exists that required for implementing Total Quality Management in 141 Qatar organisations. The findings show that many organisations were not characterised by just one type of organisational culture, but a mix of two organisational cultures. In this study, CVF had supported Qatar organisations to identify the compatible organisational cultures to support total quality (improvement) approach in the organisation which later attribute to organisational performance.

Shepstone and Currie (2006) studied the organisational culture using the CVF application to identify the current cultural environment of the library setting. The study focuses on; 1) identify the various cultures that exist, 2) assess the impact of organisational culture and sub-cultures on the work environment and the progress and success of librarians, 3) examine the impact of culture on organisational issues such as attracting, developing, and retaining librarians, 4) examine the organisational culture from the perspective of all librarian staff, and 5) identifying sub-cultures, congruencies, disconnections and similarities among a variety of formal and informal grouping. The CVF analysis showed a transition from a market and hierarchy culture to an adhocracy

with stronger elements of a clan culture. Shepstone and Currie (2006) concludes that organisations often shift dominant cultural characteristics as they move through their life cycle.

Zhang and Liu (2006) studied the impact of organisational culture on poor performance and low effectiveness in terms of quality and profitability in construction enterprises in China using the CVF method. The study states that organisational culture plays a significant role in determining work performance and effectiveness of the contractors. Results of cluster analysis of the culture profiles of Chinese construction enterprises show that hierarchy and clan culture are dominant and that culture profiles of Chinese contractors may vary in different geographical regions.

Igo and Skitmore (2006) studied the engineering, procurement and construction management consultancy in Australia using CVF an Organisational Culture Assessment Instrument (OCAI) to determine the corporate culture and the extent to which it is perceived to be appropriate in the organisation set-up. Findings indicated that the dominant organisational culture was market-oriented culture and found to be misalignment between what employees thought was needed and what was perceived to exist in the organisation. Therefore, it can be concluded that organisational culture is a complex and multifaceted phenomenon that arises and develops through on-going social interaction among members of a community in the organisation (Bresnen and Marshall, 2000). Even though there is a significant relationship is found to be complex due to employee's expectations that may be unrealistic (Marcoulides and Heck, 1993) and absence of a realistic consensus is likely to generate conflict and ultimately undermine the organisation's ability to cope with its external environment (Schein, 1996).

Zhang *et al.* (2008) investigated the relationship between organisational culture and performance on a sample of 270 companies in China using the OCAI instrument to identify the dominant type of culture and its impact on firm performance. The study revealed that the clan and adhocracy type were positively related to performance indices. Furthermore, the finding showed there was a consistency of organisational culture was related to human resource development and financial performance. Zhang *et al.* (2008) argued that organisational culture is a hybrid of different cultural types and each of the four cultural types has its own advantages, which are beneficial to organisations. Therefore, organisational culture should be regarded as a holistic construct and should be sensitive to their external environment.

Hartnell *et al.* (2011) concludes in their study that market culture exhibit strong association with innovation of products and services, and clan cultures display the strongest relationship with quality of products and service quality. The study also explained that the culture types interact and strengthen each other's association with performance criteria e.g. clan culture emphasis on collaboration, trust, communication, and support may provide the internal integration needed to strengthen market cultures' capacity to innovatively meet customers' needs. Hartnell *et al.* (2011) suggests that interacting culture types needs to apply configuration theory to organisational culture research.

The above empirical studies suggest that organisational culture is an important component in the field of organisational behaviour, in the attempt to better understand the contexts of organisation, strategy, and management. Organisational culture plays a vital role in promoting organisational success, and it is highly depends on the development and sustaining of an appropriate type of organisational culture which is

capable of shaping the organisation to match its managerial values, attitudes, and behaviour. The CVF and OCAI survey instrument enable to report underlying values and assumptions (culture) and not just superficial attitudes or perception (climate) (Demir *et al.*, 2011). When the organisational culture is diagnosed effectively, the level of person-organisation fit can be uncovered. Besides, the problems leading to conflicts and misunderstandings among employees and employers can be minimised. Creating a strong culture is essential for the success and competitiveness of organisations.

Organisation culture is also considered to be an important factor that influences the performance of an organisation. The relationship between the organisational culture and performance have been analysed in the past decades (Aidla and Vadi, 2007). Nevertheless, organisational culture is viewed as a core of a firm's endeavour to improve organisational effectiveness and a source of competitive advantage (Barney, 1986). Organisations tend to develop a dominant orientation and value sets (culture) over time as they adapt and respond to challenges and changes in the environment (Sathe, 1983). Empirical evidences suggest that each culture domain is strongly to be related to firm performance (Cameron and Freeman, 1991). Therefore measuring organisational culture is required to find its relationships between strong and weak or specific dominant organisational culture that contributes to firm performance (Gordon and DiTomaso, 1992; Lim, 1995).

In today's economy, insurance sector is challenged to continuously offer a portfolio of excellence customer service and comprehensive insurance products in achieving high rate of productivity and sales growth. Firm needs to focus on building culture strength (Denison, 1990; Kotter and Heskett, 1992) and to reduce the gap between employee's perception of organisational culture and organisational practices (Hofstede, 1991). The

CVF has proven to be helpful for assessing and profiling the dominant cultures of organisations because it helps people identify the underlying cultural dynamics that exist in an organisation. The CVF was selected in this study as this framework does not attempt to highlight unique qualities of an organisation, but rather groups them into categories based on the characteristics shared by all organisational systems (Denison and Spreitzer, 1991).

The most significant study by Gilson *et al.* (2005) concludes that clan and adhocracy culture have a positive relationship with quality of products and services. Clan culture focuses team sharing information and collaboration which able to identify weaknesses in internal process. Similarly, adhocracy culture induces team members to produce ad hoc solutions to improve products and service quality. Taken together, Gilson *et al.* (2005) confirms that market culture appears to have a more proximal relationship with quality of products and services. Studies show that product and service quality are likely to emanate from firms with a market culture (Pelham and Wilson, 1996; Atuahene-Gima and Ko, 2001; Lau and Ngo, 2004; Verhees and Meulenbergh, 2004; Cameron *et al.*, 2006). In view of this, it is proposed the following hypothesis for the study.

Hypothesis 2: Market culture has a significant stronger positive relationship with firm performance than clan, adhocracy and hierarchy culture.

#### 2.16 The Relationship between Strategic Human Resource Management, Organisational Culture and Firm Performance.

Reviews on studies on the relationship between SHRM and organisational culture suggest that culture plays a vital role in strategy implementation for sustaining competitive advantage and directly contributing to organisation's performance (Dyer and Ericksen, 2005; Robert and Hirsch, 2005; Roehling *et al.*, 2005; Davoudi and

Fartash, 2012). SHRM scholars have noted a necessity to move beyond the current examination of the linkages among business strategy, human resource management, and firm performance to discover a more complex relationship such as organisational culture (Becker and Huselid, 2006; Bowen and Ostroff, 2004; Stone *et al.*, 2007), the one being undertaken in this study.

Aycan *et al.* (1999) conducted a study on culture fit by applying the Model of Culture Fit to explain the way in which socio-cultural environment influences internal work culture and human resource management practices among 1954 employees from business organisations in 10 countries. Respondents were given a 57-item questionnaire which measured managerial perceptions of four socio-cultural dimensions (paternalism, power distance, fatalism, and loyalty towards community), five internal work culture dimensions (malleability, pro-activity, responsibility seeking, participation, and obligation towards others), and three human resource management practices namely job enrichment, empowering supervision, and performance-reward contingency. Moderated multiple regressions at the individual level analysis revealed that managers who characterised their socio-cultural environment as fatalistic also assumed that employees, by nature were not malleable. These managers did not administer job enrichment, empowering supervision, and performance-reward contingency. On the other hand, managers who valued high loyalty assumed that employees should fulfil obligations to one another, and engaged in empowering human resource practices. Finally, managers who perceived paternalism and high power distance in their socio-cultural environment assumed employee reactivity, and furthermore, did not provide job enrichment and empowerment.

Chan *et al.* (2004) tested the role of organisational culture as a intervening variable on the impact of high performance human resource practices on firm performance among 82 Hong Kong and foreign companies in Hong Kong. High-performance human resource practices were measured with a scale based on items developed by Huselid (1995) and modified according to the human resource characteristics of Hong Kong. Two factors were labelled as 1) employee skills and organisational structure, and 2) employee motivation and communication were measured. Chan *et al.* (2004) used these two factors analysis in their study to reflect the human resource systems approach, rather than focusing on individual human resource policies or practices. Organisational culture was measured in five-factor structure, namely involvement culture, member conformity culture, policy consistency culture, adaptability culture, and mission culture adapted from Denison and Mishra (1995). As for firm performance measurement, the study focused on two factors approaches, which are perceived organisational performance and perceived market performance adopted from Delaney and Huselid (1996).

The findings indicate that certain dimension of organisational culture and high-performance human resource practices do interact to impact on firm performance. Findings indicated that 1) neither the correlations nor the regression analyses showed a significant relationship between high-performance human resource practices and organisational performance, 2) Involvement, policy consistency and adaptability culture were significantly and positively correlated with organisational performance, 3) negative moderating effect; involvement organisational culture x the motivation and communication dimension of high-performance human resource practices, and both organisational and market performance and mission organisational culture x the motivation and communication dimension of high-performance human resource



practices on market performance (authors created interaction terms by multiplying each dimension of culture by each dimension of high-performance human resource practices and control variables as well the main effects).

Hartog and Verburg (2004) attempted to investigate the link between high performance work systems and firm performance and relates these to organisational culture among 175 organisations from different sectors in the Netherlands. Recruitment and selection, performance appraisal & reward, training and development, job design, participation and task fulfilment were investigated among three core groups namely core employees, managers and specialist professional staff of their perception on the quality of employee performance, performance of organisation, marketing, profitability, competitive position, level of task performance, board members and others' satisfaction with firm performance and investment. Chief Executive Officers were to measure four organisational cultures (support, innovative, rules and goal orientation). Finding showed that goal and innovative orientation are positively related to several of the high performance work systems (pay-for-performance, job evaluation, and task analysis) to improve productivity and perceived economic outcome (profit sharing). This pattern of findings is similar to the findings in Delaney and Huselid's (1996) study, where more relationships were found between HRM and perceived market performance than perceived organisational performance.

Chew and Sharma (2005) further enhance the study of the effect of human resource management effectiveness and organisational culture on financial performance among the Singapore-based companies. Organisation's espoused values measurement was adopted using the theoretical framework developed by Kabanoff (1991) consisting of authority figures, leadership, team employees, participation, commitment, performance,

reward, affiliation, and normative (rectitude ethics) and cluster analysis was conducted and compared with four culture types namely elite, leadership, meritocratic, and collegial. SHRM effectiveness variables consisting of team, participation by employee/empowerment, workforce planning, workforce productivity, quality output, management development, employee and manager communications, and work family program while technical human resource management effectiveness consist of benefits and compensation, recruiting and training, employee education/training, safety and health, industrial relations, social responsibility programs, and performance appraisal were employed and compared at the average scores to classify by their relative emphasis in human resource management effectiveness. The financial performance measurement used was based on financial ratios such as internal liquidity, efficiency, profitability, and leverage. The key finding of the study is that organisation with either elite or leader values profile, when complimented by human resource effectiveness, had a better financial performance as compared to organisations with meritocratic or collegial values profiles.

Som (2007) conducted a study on the adoption of innovative SHRM practices among the Indian organisations. The study featured of strong culture organisations such as TATA Group, Inforsys, BPCL, and Clariant India, had influential role top management in HRM issues and the organisational impact that the leaders in these organisations have on their HRM adoption process and functions. Finding showed that the more influential is the organisational leadership, the stronger is the likelihood of creating an organisational culture of innovation and more the likelihood of adoption of high performance innovative SHRM practices. This study is supported by Kossek (1987) finding that major innovations in HRM practices occurred when senior line managers

take the lead and their adoption depends in the attitude of top management and their relationship with the HR department.

Wei *et al.* (2008) investigated the role of corporate culture in the process of strategic human resource management and its impact on organisational outcomes among 254 CEOs/Finance manager and 367 Human Resource manager from the state-owned enterprises, foreign-invested enterprises, and private enterprises in China. Strategic Human Resource Management Index developed by Huselid (1995) and Strategic Human Resource Management Scale for Chinese businesses developed by Zhao (2001) were adapted to describe the extent to which their firms have adopted these practices on a five-point Likert scale, ranging from 1=very low extent to 5=very high extent. Corporate culture was measured by competing value culture model adapted from Quinn and Spreitzer (1991) to identify the four types of corporate culture: group, development, hierarchical, and rational culture. Perceptual assessment has been adopted to measure the firm performance by four indicators namely net profit, new product development, efficiency, and return on assets.

The findings confirmed that corporate culture is an antecedent of strategic human resource management. Analysis shows that 1) SHRM plays a full mediation role between group culture and firm performance, and no mediation role between hierarchical culture and firm performance, 2) both group and developmental culture had a positive effect in SHRM, while the relationship between hierarchical culture and strategic human resource management was not significant, and 3) the effect of the developmental and group cultures on SHRM and performance were different; the positive impact of group culture on firm performance was successfully transferred by SHRM, but developmental culture still had some direct effect on firm performance.

Wei *et al.*'s (2008) study is further supported by Chow and Liu (2009) empirical study on the differential impact of an alignment of organisational culture and business strategy through inducement-human resource and involvement-human resource systems and its affect on firm performance. The study involved 451 firms (manufacturing, technology and electronic, utilities, financial, insurance, and property) in Southern China to evaluate the linkages among human resource systems, organisational culture, business strategies and organisational performance among the human resource experts and managers from Guangzhou. Human resource practices were assessed by 15 items, which focused on the human resource practices such as career development path, performance standard, salary level, performance-based pay, employment security, and information sharing. These items were factor analysed to form two different human resource systems; first factor was concerned with pay as incentives or inducement-human resource and the second factor focuses on how participation, sharing and exchange fitted well with the involvement-human resource system. Organisational culture was measured by 18 items using a five-point scale ranging from 1=strongly disagree to 5=strongly agree. The items then were factor analysed to form three cultures; bureaucratic, supportive, and competitive culture. 10 items of business strategies measurement include cost reduction, innovation, and quality enhancement were adopted from Schuler and Jackson (1987) while organisational performance is a multidimensional construct adopted from Dyer and Reeves (1995) composite of employee turnover and overall performance (productivity, quality of products or services, research and development capability and market shares).

Finding states that both inducement and involvement-human resource showed a direct and significant effect on performance outcome but no significant effect on reducing

turnover (Singh *et al.*, 2012). Organisational culture and business strategy as a whole contributed significantly to the firm performance. Human resource systems affect turnover through organisational culture and business strategy. Competitive culture, quality enhancement and innovation strategy were highly significant to firm performance.

To conclude, these studies address the process through which SHRM systems impact firm performance and propose to consider intermediate linkage between HRM practices and firm performance. The synergistic impact is most prominent when these practices are consistently integrated into a whole system. Implementation and organisational culture are explanatory variables that provide substantive interpretations of the underlying nature of the SHRM- performance relationship. Each of these SHRM practices works if it fits the prevailing business strategy and culture. The above empirical findings support SHRM enhances firm performance through fostering organisational culture. In another word, the way SHRM influences firm performance is through effective implementation and organisational culture. The mediating effect of implementation and culture is thus confirmed (Chow, 2012). An HR system should be congruent with the firm's strategy and create an appropriate culture to enhance firm performance (Chow and Liu, 2009).

From the reviews, organisation culture is the core of an organisation endeavour to improve organizational effectiveness and a source of competitive advantage. Organisational culture reflects a certain deeply embedded patterns of management behaviour and practices. Since culture is defined as 'a set of important understandings that members of a community share in common' (Sathe, 1983) or in a simplified version 'the way we do things around here', it influences how corporate leaders formulate their organisation's strategic goals, which is to achieve high performance. Since SHRM represent a set of internally consistent human resource practices based on organisation

strategy, it is clearly guided by the organisation strategy and, hence, influenced the organisational culture (Easterby-Smith *et al.*, 1995; Ngo *et al.*, 1998; Aycan *et al.*, 2000; Abzari *et al.*, 2011).

The implementation of HRM practices in an organisation is a process through which messages and information are communicated (formal or informal) to the employees about which behaviours are important, expected and reinforced (Bowen and Ostroff, 2004). Employees in the same organisation tend to communicate, learn and response to each other and thus, display similar patterns of behaviour and influence the organisational culture (Schein, 1986). The result of this interaction within the organisational predicts that firm operates within a social framework of norms, values, and taken-for-granted assumptions about what constitutes appropriate or acceptable economic behaviour (Oliver, 1997).

It is suggested that the implementation of SHRM practices should be designed according to the organisation's strategy. By so doing, employees would have a shared understanding of the strategic intent of HRM policies, procedures and regulations based on a certain type of organisational culture (Wei *et al.*, 2008). Teo *et al.*'s (2003) study states that market-oriented organisations have a higher level of human resource role effectiveness. Ngo and Loi (2008) added that the role of organisational culture positively mediates the relationship between HRM practices and firm performance in generating sustainable competitive advantage in the competitive environment.

In summary, Khatri and Budhwar (2002); Chan *et al.* (2004); Lau and Ngo (2004) concludes that congruence between HRM systems and organisational culture has important implications for firm performance. Employee is believed to perform better in

a conducive and less threatening environment of an organisation having a SHRM oriented towards caring for its employee safety, welfare, job security and career growth, which in turn allows the organisation to improve performance. In view of this, it is proposed the following hypothesis for the study.

Hypothesis 3: Organisational culture is a mediator between bundle of SHRM practices and firm performance.

Based on the above literature and hypotheses, the research model of the study is presented in Figure 2.7 as shown below.

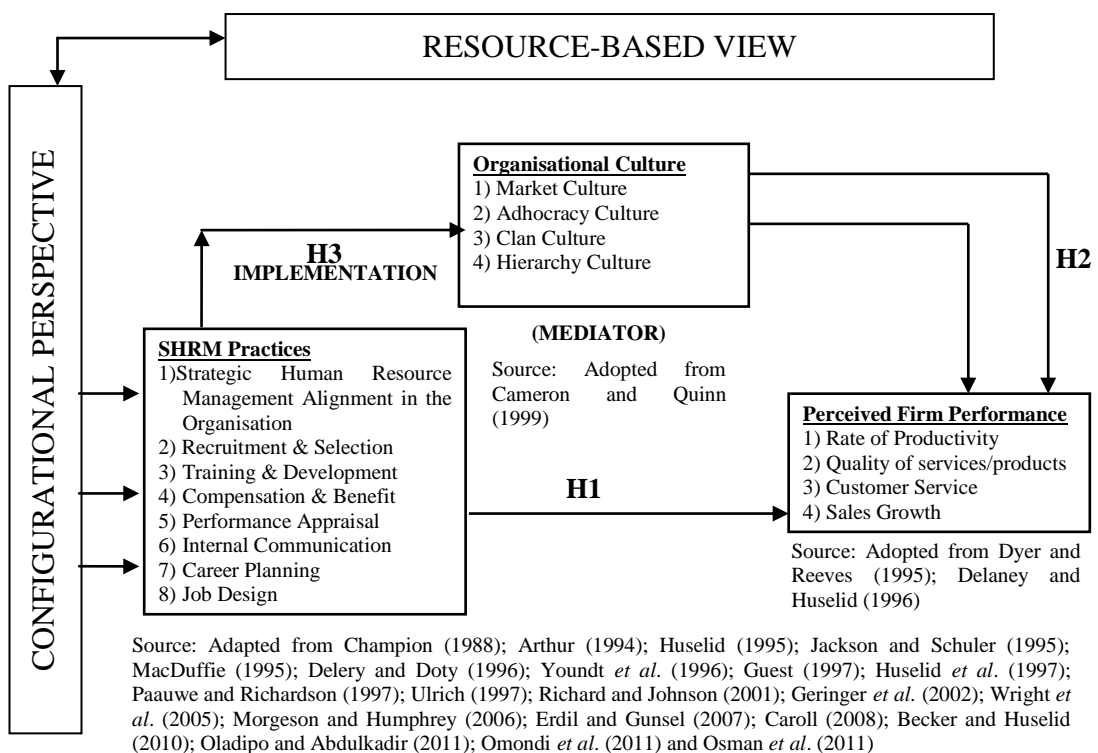


Figure 2.7: Conceptual Model of the Study

## 2.17 Chapter Summary

In summary, this chapter explains some concepts of the SHRM and organisational culture and their relationship with firm performance. The resource-based view of the firm and configurational perspective have proven to be integral to the conceptual and theoretical development of the SHRM literature. This research study also traces back the emergence of SHRM and organisational culture, its definition and introduce some models of SHRM and organisational culture. Finally, this chapter reviewed and focused on the most important SHRM practices namely SHRM alignment in the organisation, recruitment and selection, training and development, compensation and benefits, performance appraisal, internal communication, career planning, and job design in the Malaysian context. The CVF model and OCAI used by earlier works were demonstrated in this study to investigate and identify the type of organisational culture. The conceptual model of the study that summarises the preceding literature review discussion is shown in Figure 2.7. The remainder of this study will build on this conceptual model to investigate the relationship between SHRM practices, organisational culture, and firm performance. The following chapter describes the research design of the study.



## **CHAPTER 3**

### **METHODOLOGY**

This chapter outlines the overall design of the research study. Sampling information, data collection procedure, measurement of variables, analytical procedure, and research ethics are discussed in this chapter.

#### **3.1 Research Design**

Questionnaire survey was employed in this study for collecting information about SHRM practices, type of organisational culture, and firm performance. Self-administered structured questionnaire survey is chosen in this study because it offers anonymity and avoids bias. This descriptive study was conducted among the selected major insurance firms in Klang Valley. In this study, a survey research design was employed. This method was chosen because the sampled elements and the variables that are being studied were observed as they are without making any attempt to control, influence, or manipulate them. Moreover, the researcher will be able to interact with the respondents in the organisation which will make it possible to understand the dynamic factors of the research and experiencing the culture by having a first hand experience. The data used in this research were collected primarily from a questionnaire developed from the previous literature review. After the conceptual model of the study was confirmed and the questionnaire was designed accordingly, a pilot study was conducted for an initial examination of the instruments and further modification of the questionnaire items.

Data of this study was collected from a group of employees of each selected major insurance firms in Klang Valley because insurance firms registered under the National Insurance Association of Malaysia (NIAM), Life Insurance Association of Malaysia (LIAM) (Appendix A) and General Insurance Association of Malaysia (PIAM) are located in Klang Valley. The surveys were administered in English and printed questionnaires were distributed by hand with the assistance of the Human Resource Personnel of each organisation. A total of 350 questionnaires were distributed to the selected insurance firms which are based in Klang Valley.

### 3.2 Population and Sample

The unit of analysis in this study is the firm and multi-rater (multi respondents) response approach was adopted. The choice of Klang Valley (is an area in Malaysia comprising Kuala Lumpur and its suburbs, and adjoining cities and towns in the state of Selangor. An alternative reference to this would be Kuala Lumpur Metropolitan Area or Greater Kuala Lumpur. It is geographically delineated by Titiwangsa Mountains to the north and east and the Strait of Malacca to the west. The conurbation is the heartland of Malaysia's industry and commerce) which stems from the fact that the Headquarter offices of major insurance firms are located, centralised and concentrated in Klang Valley. For effective coverage and lower cost, stratified random sampling was adopted. A total of seven (Table 3.1) out of twenty eight major insurance firms participated. The seven major participating firms are classified as general insurance and life companies that provides personal insurance, commercial insurance, and investment-linked funds services.

Previous literature review states that firm with less than 100 employees may not have formal and systematic human resource management policies or programs in place in their organisations. Therefore this study excluded firms with less than 100 employees, in order to include only the firms with formal and systematic human resource management practices. This argument is supported by the study done by Rozhan and Zakaria (1996) stating that firms with smaller employment size which is less than 50 full-time employees are less likely to have human resource department. Studies have acknowledged that Human Resource Department plays a major role in influencing business strategy where human resource management as strategic partner. Human resource practitioner is more likely to develop human resource processes and systems to support the implementation of firm's strategy (Armstrong, 2000; Lawler and Mohrman, 2003) and adds value to business decisions (Ulrich, 1997).

Table 3.1: Seven Major Insurance Firms Based on Financial Strength

Organisation	Financial Statement (Audited year 2012)		Total Employee	Ranking (of the seven participating firms)	Worldwide Network
	Total Asset (RM'000)	Profit after Taxation (RM'000)			
A	1,702,195	69,575	Above 300	6	Canada, Ireland, United Kingdom, United States, Asia.
B	4,863,322	52,950	Above 300	3	Slovakia, United Kingdom, United States, Australia, Belgium, Bulgaria, Canada, Germany, India, Indonesia, Italy, and Pakistan.
C	2,296,313	25,765	Within 200-300	5	United States, Asia, Europe, and Latin America.
D	2,594,699	145,752	Above 300	4	Asia Pacific, Europe & Middle East, North America, and Central & South America.
E	10,214,043	125,723	Above 500	2	Malaysia, Singapore, Brunei.
F	18,012,925	124,906	Above 500	1	Europe, United States, and Asia Pacific.
G	1,203,426	39,937	Above 300	7	United States, Europe, Asia Pacific, Middle East, and Africa.

Source: Compiled by the researcher from each participating firm's website and financial report (audited year 2012).

Considering that the total population of this study consists of 28 major insurance firms and seven participating insurance firms (25%), it is the smaller size could be considered as one of the limitations of this study. However, Hunt (1990) states that *“No manuscript should be rejected on the basis of potential non-response bias – no matter what the response rate is – unless there is good reason to believe that the respondents do in fact differ from the non-respondents on the substantive issues in question and that these difference would make the results of the study unreliable”*. No doubt that the sample size plays an important role in the estimation and interpretation of the findings, Hair *et al.* (1998) concludes that *“although there is no correct sample size, recommendations are for a size ranging between 100 and 200 observations. As the sample size becomes larger, the method becomes “too sensitive” and almost any difference is detected making all goodness-of-fit measures indicate poor fit”*. In sum, for this pioneer study on insurance industry in Malaysia, the population and sample size are justifiable.

A stratified random sampling technique was used to select a total of 350 employees that constituted the sample size. Permission was granted with only 50 respondents of each participating insurance firms. Employees in the selected insurance firms were divided into three strata namely Management staff (10 respondents), Executive staff (20 respondents) and Non-Executive staff (20 respondents) of each selected insurance firms. Non-participating insurance firms were due to the following.

- a) Unwillingness to share their internal human resource management strategies information.
- b) Unable to provide the relevant and current data for this study e.g. a number of major insurance firms outsource their human resource

functions such as training and development, compensation and benefits, etc for cost control.

- c) Insurance firms conduct their internal human resource practices audit on annual basis to measure the effectiveness of its implementation. Therefore, they are not interested on external survey.
- d) Time constraints.

### 3.3 Data Distribution and Collection

Prior to distributing the questionnaire to the respondents, the researcher was required to do a 30 minutes presentation of the objectives of the study to the Management personnel consists of General Manager, Human Resource Directors / Managers, Operations Manager and Executives. The researcher briefed the contents of the questionnaire, distribution method, sampling and collection of the questionnaires to the Human Resource personnel in-charge. The researcher is required to present the findings of the study and provide necessary recommendation to improve and develop their strategic human resource management practices. The questionnaires were distributed by hand to the Human Resource Managers and the researcher tried to establish direct contact with the key informants. The researcher communicates with the person-in-charge via telephone, email and visits throughout the process of distribution and collection of data.

Full time employees who work directly in the insurance firm were participants of the study comprising top management, manager, executive and non-executive levels. By contacting the insurance firms via telephone, the researcher can make sure the contact person(s) were able to understand the meaning of each item and could explain clearly to

the participating firms in case of enquiries. Flynn *et al.* (1990) advocates this to be an effective means for increasing the response rate. To ensure high response rates, the following steps were taken: 1) enclosed a cover letter indicating the objectives of the study and the importance of participation, 2) the participating firms were promised to have access to the output of the study results, 3) follow-up mailings on the status of the participation, and 4) free consultations to participating firms on human resource and organisational culture issues.

Another method the researcher employed to increase the response rate is to send an email reminder to the individual Human Resource Manager with the questionnaire attached approximately three weeks after the first mailing by hand. The Human Resource Manager will inform the respondents that they can have alternative to response to the questionnaire using electronic mailing at their convenience. Researcher is required to acknowledge and sign the Non-Disclosure Agreement to protect the confidentiality of data collected from the respondents.

The self-administered questionnaire took approximately 30 minutes on average to complete. Participation in this study was voluntary and confidentiality was guaranteed. Besides, the response rates may be high among respondents who have strong interest in the issue of SHRM, organisational culture and firm performance. Moreover, respondents can complete the questionnaire at their convenience during or after working hours. Respondents had the choice to hand back the questionnaire during the same visit or to send it back to their Human Resource Department. A total of 312 respondents from the seven participating firms returned the questionnaire and were used for final analysis in this study. This shows a response rate of 89%, which is a good response rate.

### 3.4 Questionnaire Design

The questionnaire was pre-tested in a pilot test/study, and then modified and further reduced/modified in the final usage to capture data of the respondents in the selected insurance firms in Klang Valley. The major constructs employed in this study were developed based on Western literatures, taking into consideration of the nature of local insurance firms. The primary data consists of a number of items in structured questionnaire that was administered to the respondents. The items of the questionnaire were developed on the basis of literature review and after reviewing some previous questionnaires (Appendix B). One important way of ensuring that this study has used the right instrument and have taken correct measurement is that the outcome must be in consonance with two major criteria for measuring quality known as validity and reliability (Ojo, 2003). To ensure the validity and reliability of the questionnaire used for this study, experts were consulted to look at the questionnaire items in relation to its ability to achieve the stated objectives of the research, level of coverage, comprehensibility, logicality, minimising the measurement error and suitability for prospective respondents. The construction of questionnaire was sent to two professors of Management and Organizations, Ross School of Business, University of Michigan namely Professor Dr. Dave O. Ulrich and Professor. Dr. Kim S. Cameron (Appendix C) for verification, comment and improvement of the construction of the questionnaire. Further to that, the questionnaire was also sent to two senior personnel for the same objectives. Table 3.2 shows the summary report of the questionnaire evaluation process.

Table 3.2: Summary Report of the Questionnaire Evaluation Process

Evaluator	Date Sent	Date Confirmation	Improvement of questionnaire
Prof. Dr. Dave O. Ulrich  Ross School of Business, University of Michigan	22nd April 2012	30th April 2012 (confirmed of the items questionnaire)	1. How many respondents will you get from each company? 2. What resources were referred ? 3. Have they been used before? 4. Will you be looking at the extent to which culture or HR practices explain more of the business outcomes? 5. Will you be looking at interaction affect of culture and HR? 6. Can you create an alignment measure of culture and HR?
Prof. Dr. Kim S. Cameron  Ross School of Business, University of Michigan	30th April 2012	2nd May 2012 (confirmed of the items questionnaire)	1. Permission granted to adopt OCAI. 2. Ipsative values to measure culture strength and weakness instead of using Likert scale.
Chief Executive Officer Southern Medicare Bhd	30th April 2012	7th May 2012	Polish the wording. Able to convince and increase confidence level of the respondent to provide accurate scenario e.g. “make a significant”, “give positive contribution”, and “great deal”.
Director of Nursing Sri Kota Specialist Medical Centre (MSQH Accredited Hospital)	30th April 2012	15th May 2012	Simplify the SHRM terms. To ease the respondents’ understanding. Give accurate rating e.g. “cognitive” skill to qualification, “intervene” to mediation, and “career enhancement” to career path.

Source: Compiled by the researcher.



### 3.4.1 Pilot Study: Private Healthcare and Food & Beverage Organisation

A pilot test was conducted to test the research instrument at two organisations namely private healthcare hospital (Organisation 1) in Klang and food and beverage institution (Organisation 2) in Kuala Lumpur, before the actual questionnaire to be distributed to respondents among the insurance firms. This pilot study was conducted for an initial examination of the variables and further modification of the questionnaire items. A total of 100 respondents from Organisation 1 were identified using simple random sampling technique consisting of Allied and Non-Allied Manager, State Registered Nurse, Allied Health personnel (Radiographer, Therapy Radiographer, Medical Laboratory Technologist, Pharmacy Assistant, and Cardiac Technician) and Executive (Finance, Marketing, Procurement and Patient Relations). All the respondents academic qualification is at Diploma and above level. The choice of private healthcare institution for the pilot study was informed by the fact that healthcare institution is service orientated (similar to insurance industry) and the researcher is working as a Human Resource Manager at the said private healthcare institution with a fair concentration of the institution studied. The researcher did not disclose that the purpose of the pilot study is for academic purpose instead informed the respondents that the survey was intended to investigate the effectiveness of the implementation of human resource practices in the work place, working culture and improving the welfare of the employees. By doing so, the respondents will provide genuine answer to the questionnaire.

The food and beverage institution (Organisation 2) comprised 20 respondents (Branch Manager, Captain, and waiter/waitress) with minimum academic

qualification of Sijil Penilaian Malaysia (SPM) to Diploma. The reason of selecting food and beverage for the pilot study are: 1) is a service oriented industry, 2) to make comparison of the research instrument reliability values with two different institutions, and 3) easy access through network recommendation to conduct pilot study. The results of the reliability test for both the institutions are shown in Table 3.3.

Table 3.3: Cronbach's Alpha for Organisation 1 and 2

Item	Cronbach Alpha	
	Organisation 1 (N=100)	Organisation 2 (N=20)
<u>Strategic Human Resource Management</u>		
SHRM Alignment in the organisation (7 items)	0.9679	0.7930
Recruitment and Selection (8 items)	0.9679	0.8001
Training and Development (9 items)	0.9678	0.7873
Compensation and Benefits (9 items)	0.9677	0.7949
Performance Appraisal (8 items)	0.9679	0.7975
Internal Communication (8 items)	0.9679	0.7946
Career Planning (7 items)	0.9676	0.8009
Job Design (8 items)	0.9681	0.7981
<u>Organisational Culture</u>		
Clan culture	0.9685	0.7965
Adhocracy culture	0.9688	0.8059
Market culture	0.9690	0.8054
Hierarchy culture	0.9692	0.8006
<u>Firm Performance</u>		
Rate of productivity	0.9681	0.8001
Customer service	0.9682	0.7993
Quality of products	0.9685	0.8001
Sales growth	0.9684	0.8001

According to Kerlinger (1973), any measurement instrument should have reliability value of more than 0.60, while Frey *et al.* (2000) stress that a measurement instrument can be considered reliable if the results are consistent from one time to another and that the reliability value is 0.70 or greater. The overall Cronbach's Alpha reliability tests of both pilot studies are 0.96 for Organisation 1 and 0.79 for Organisation 2 and they fall within the range between 0.7000 and 0.9700. Therefore, from the alpha values obtained, it is conclude that the research instrument is reliable and consistent.

### 3.4.2 Final Questionnaire Used

The questionnaire was pre-tested in a pilot test/study, and then modified and further reduced/modified in the final usage to capture data of the respondents. The questionnaire used in this study is divided into four parts. The first part contains a range of demographic questions. Specifically, respondents were asked to provide information on gender, name of organisation, age, education, year of service, designation and total employee in their respective firms. The second section aimed to measure type of organisational culture based on the Organisational Cultural Assessment Instrument (OCAI). OCAI consists of six different questions which are relevant to the key dimensions of organisational culture. Each question has four alternative statements representing different cultural orientations making a total of twenty-four items. The overall cultural profile of an organisation was then derived by calculating the average score of all the respondents of each firm. The third section intended to establish whether the organisation(s) had a particular set of human resource management best practice in place. The strategic human resource management questionnaire comprised of sixty-one questions (after item(s) deleted from actual reliability test from the initial 64 items). Respondent gave a response for each human resource management practice in the form of 5-Likert point scale. The final section measure the perceived firm performance using a 5-Likert point scale on four items in the last five years including current performance. A detail description of the construction of questionnaire is presented in the instrumentation section below.

### 3.5 Measurement

#### 3.5.1 Demographics Characteristics of Respondent and Organisation

The demographics measured in this study covered seven demographic characteristics. They were gender, name of the organisation, age, education, year of service, designation, and total employee. The demographic characteristics were then represented by dummy variables namely gender with “1” as male and “2” as female, age with “1” as 30 and below and “2” as above 30, education with “1” as Diploma and below and “2” as Degree and above, year of service with “1” as less than 5 years and “2” as 5 years and above, designation with “1” as executive and below and “2” as manager and above, and total employee with “1” as 200 and below and “2” as above 200. Name of the organisation was omitted as this item function is to indicate the participating firm’s name.

#### 3.5.2 Independent Variables

Though there are many human resource practices, not all of them may affect firm performance. The theoretical and empirical work reviewed indicates that there are certain human resource practices which have a bearing on firm performance (Singh, 2003b). However, for the purpose of this study, eight human resource management practices (which collectively are a measure of SHRM) were selected, which had greatest support across diverse literatures considered to be related to firm performance. The human resource practices used in this present study include: strategic human resource management alignment in the organisation (7 items), recruitment and selection (7 items; one item deleted

after reliability test), training and development (9 items), compensation and benefits (9 items), performance appraisal (8 items), internal communication (6 items; two items deleted after reliability test), career planning (7 items), and job design (8 items). Table 3.4 summarises the variables used, the method employed to measure the best human resource management practices and the related literature.

**Strategic Human Resource Management Alignment in the organisation** can be defined as the perception of how well the human resource practices or functions developed, aligned and performing satisfactory to serve the business in the future (Huselid *et al.*, 1997). The respondents are asked to indicate the extent to which strategic human resource management aligns to the business objectives and strategies on a scale of 1 for ‘strongly disagree’ to 5 for ‘strongly agree’ in their organisation. A sample question is ‘*human resource management strategies are formulated based in your company’s vision and mission*’.

**Recruitment and Selection** represents the process of attracting individuals on a timely basis, with appropriate qualifications and encouraging the individuals to apply for the jobs with an organisation. The process of selection is to choose from a group of applicants best suited for a particular position in an organisation (Mondy and Noe, 2005). The respondents are asked to indicate on a scale of 1 for ‘strongly disagree’ to 5 for ‘strongly agree’ the importance their organisations attached to the usage of recruitment and selection methods and tests on hiring process. A sample question is ‘*In your company, structured test and interview is used in order to properly assess the candidates*’.

**Training and Development** can be defined as an attempt by an organisation to change employees through the learning process so that they are able to perform their jobs as efficiently as possible. These learning activities designed to help employees grow and improve his/her knowledge and skills, but which are not necessarily needed in his/her current job (Aminuddin, 2008). The respondents are asked to indicate on a scale of 1 for 'strongly disagree' to 5 for 'strongly agree' the extent to which training and development needs in their organisations are identified, linked and organised accordingly to the current and future needs of the organisation. A sample question is *'training needs are identified and linked to key performance area of the company'*.

**Compensation and Benefits** describes the total reward employees received in exchange of their work and services include pay and benefits. Benefits consist of financial rewards that are not paid directly in cash to the employee (childcare, healthcare, gym membership, life insurance, etc) and all non-financial rewards (office with a window, special allocated car park, etc) (Stone, 2008). The respondents are to indicate on a scale of 1 for 'strongly disagree' to 5 for 'strongly agree' the extent to which the organisation's compensation and benefit practices are associated to the performance, qualification, seniority and legislated wage adjustment in their organisations. A sample question is *'compensation and other benefits are decided on the basis of the qualification, competence, ability, and contribution of the employees'*.

**Performance Appraisal** is a strategic and integrated approach to delivering sustained success to organisation by improving the performance of the people who work in the organisation and by developing the capabilities of teams and

individual contributors (Armstrong, 2003). In other word, it is a process used to identify, encourage, measure, evaluate, improve and reward employee performance (Mathis and Jackson, 2003). The respondents are asked to indicate the extent to which performance is evaluated, measured, standardised, and documented of its effectiveness within the company and the degree of involving the employee in this process on a scale of 1 for 'strongly disagree' to 5 for 'strongly agree'. A sample question is *'the company conducts a periodic evaluation of employee performance based on measurable objectives'*.

**Internal Communication** can be illustrated a process that enable the workforce to have a greater say in decision-making to varying degrees, with the concomitant loss of managerial prerogatives – an issue that can create conflicts, as well as attempting to allay it (Beardwell *et al.*, 2004). The respondents are asked to indicate on a scale of 1 for 'strongly disagree' to 5 for 'strongly agree' the existence of employees voice in the organisation and efforts made by the organisation to channel the organisation's plans and strategies to all level of employees. A sample question is *'there is a consistency and clarity of strategic decisions from top management and from HR department'*.

**Career Planning** in an organisation consists of activities carried out by employer to assist employees to identify and achieve their career goals (Aminuddin, 2008), providing the opportunities to realise them (Stone, 2008), and identifying career paths that provide for logical progression of the employee between jobs in an organisation (Mathis and Jackson, 2003). The respondents are asked to indicate on a scale of 1 for 'strongly disagree' to 5 for 'strongly agree' the clarity and implementation of career planning system in their

organisation. A sample question is ‘*our company plans for the career and development of the employees*’.

**Job Design** illustrates the outgrowth of job analysis that improves jobs through technological and human considerations in order to enhance organisation efficiency and employee job satisfaction (Snell and Bohlander, 2007). Job design practices include 8 items. It represents the extent to which jobs are specifically defined, expressed and designed to enhance employees’ skills and knowledge. The respondents are asked to indicate their answer on a scale of 1 for ‘strongly disagree’ to 5 for ‘strongly agree’. A sample question is ‘*my job duties, requirement, and goals are clear and specific*’.

Table 3.4: Summary of the Variables used, Method Employed to Measure the SHRM Practices, and the Related Literature Review

Best SHRM practices (construct)	Specification	Description of measurement	References
Strategic Human Resource Management (SHRM) Alignment in the organisation	SHRM alignment with the business objectives, strategies, goals decision making, vision & mission, HRM aligns with company’s business, HR personnel as strategic partner and management involvement in employee program.	Seven items are used to reflect the organisation’s SHRM alignment with the strategic needs of the organisation. Human Resource personnel should be involved in the strategic decision making, providing greater opportunity to align human resource goals, strategies, philosophies, and practices with the firm objectives as well business strategies.	Huselid <i>et al.</i> (1997) Jackson and Schuler (1995) Oladipo and Abdulkadir (2011) Omondi <i>et al.</i> (2011)
Recruitment and Selection	Methods of recruitment (test and interview), investment of recruitment activities, succession planning, hiring/selection criteria, internal job opening,	Eight items are used to measure the degree to which the organisation uses sophisticated, systematic and reliable techniques on recruitment and	Guest (1997) Huselid <i>et al.</i> (1997) Paauwe and Richardson (1997) Ulrich (1997) Wright <i>et al.</i> (2005)



	adaptability to company's values and ways of doing things, proven work experiences, and individual's ability, competency and technical skills.	selection process. Focus is given towards desired specific characteristics and criteria of the candidate's knowledge, skills and attitude in this process. * one item deleted after reliability analysis. Total seven items used in the study.	Oladipo and Abdulkadir (2011) Osman <i>et al.</i> (2011)
Training and Development	Investment on training and development activities, key performance areas, on the job training, training in multiple functions, training practices, process and programs, effectiveness of training, future job assignment, understanding the business.	Nine items are used to measure if employees' job skills and knowledge are being upgraded and developed in order to maintain or improve a workforce with up-to-date skills and associated to business needs.	Arthur (1994) Huselid (1995) MacDuffie (1995) Huselid <i>et al.</i> (1997) Ulrich (1997) Geringer <i>et al.</i> (2002) Caroll (2008) Oladipo and Abdulkadir (2011)
Compensation and Benefits	Rewards based in firm performance, competitive in the industry, based on academic qualification, competency and contribution, clear remuneration policy, long-term results, seniority, asset to the organisation, compensation strategy, and legislated wage.	Nine items are used to measure whether the organisation compensation, remuneration and reward system are consistent with the firm's objectives and goals. Recognition of employee's performance and contribution are in accordance with the proper rewards and incentives.	Delery and Doty (1996) Huselid <i>et al.</i> (1997) Geringer <i>et al.</i> (2002) Erdil and Gunsul (2007) Oladipo and Abdulkadir (2011) Osman <i>et al.</i> (2011)
Performance Appraisal	Periodic evaluation of employee performance, growth oriented, performance based feedback, dealing with poor performer effectively, standardised and documented appraisal system, specific ways to improve, express feeling and focus on employee's promotability in the organisation.	Eight items are used to measure the degree to which the organisation uses two-way systematic performance appraisal procedure to evaluate, counsel and feedback of employee's work performance to achieve firm goals.	Youndt <i>et al.</i> (1996) Ulrich (1997) Geringer <i>et al.</i> (2002) Wright <i>et al.</i> (2005) Caroll (2008) Oladipo and Abdulkadir (2011) Omondi <i>et al.</i> (2011) Osman <i>et al.</i> (2011)
Internal Communication	Speed and effectiveness of response, information sharing, cross-departmental communication and feedback.	Eight items are used to measure the existence of employee voice in the organisation and efforts made by Management to communicate the	Richard and Johnson (2001) Geringer <i>et al.</i> (2002) Ulrich (2007) Oladipo and Abdulkadir (2011) Osman <i>et al.</i> (2011)

		organisation's strategy to all employees. Management provides employees with information regarding their own performance and total organisational performance. * two items deleted after reliability analysis. Total six items used in the study.	
Career Planning	Internal career opportunities, promotion, learning assistance program and career path.	Seven items are used to assess the extent to which organisation has an internal career path planning, development, strategy, and opportunities to retain talent in order to meet organisational goals.	Huselid <i>et al.</i> (1997) Oladipo and Abdulkadir (2011) Osman <i>et al.</i> (2011)
Job Design	Job duties, priority, thinking and analysis of information, multi skills, and flexible work practices.	Eight items are used to assess the extent to which jobs/tasks are specifically designed and defined to make full use of employee skills to achieve organisational goals.	Champion (1988) Morgeson and Humphrey (2006) Becker and Huselid (2010) Oladipo and Abdulkadir (2011) Osman <i>et al.</i> (2011)

Source: Compiled by the researcher

### 3.5.3 Mediator

The study adopted the framework of Cameron and Quinn's Competing Values Framework (CVF) as the theoretical framework for the study on organisational culture. The CVF was measured using the Organisational Cultural Assessment Instrument (OCAI) that assessed the organisational culture profile through a self-reported questionnaire. The questionnaire uses an ipsative response scale in which individuals were asked to divide 100 points among the four different alternatives (clan culture, adhocracy culture, market culture, and hierarchy culture).

The alternatives provided four declarative sentences that represent six content dimensions of organisational culture namely: 1) the dominant organisational

characteristics, 2) organisational leadership style, 3) management of employees, 4) organisational glue, 5) strategic emphases, and 6) criteria of success. The OCAI survey instrument can be conducted using either an ipsative scale or a Likert scale (Zammuto and Krakower, 1991). An ipsative scale will be used in this study because of its ability to provide a clear map of an organisational culture. It is a stronger option for this study (researcher seek advice from the original theorist) because it is inappropriate to separate the four quadrants interdependence as CVF is inherently paradoxical and tied together as a framework for assessment (Quinn and Spreitzer, 1991). Moreover, ipsative scale are naturally dependent on one another, and if respondent rate one particular culture type high, then they are to rate another particular culture type low. This will create an accentuated and exaggerated view of an organisation's culture strengths and weakness. This study investigates the culture mapping view of the insurance industry's organisational culture, and it will allow for a better analysis after the data were collected.

Respondents were requested to divide 100 points among the four sentences, giving the higher points most like and lower points least like at the current state and desired future state of the organisational culture. When the scores are combined and assessed, it will reflect the fundamental cultural values and implicit assumptions about the way the organisation functions (Cameron and Quinn, 2006). The score are tabulated and means are derived for each characteristic, the culture types can then be plotted on the CVF chart to identify the most dominant type of organisational culture and its characteristic. For this study, only current state of organisational culture will be analysed to achieve the objective of the study. Permission to use the OCAI to assess the type of

organisational culture was obtained from Prof. Dr. Kim S. Cameron (Professor of Management and Organizations, Ross School of Business, University of Michigan) (Appendix D). This OCAI has been used and tested its reliability and validity in almost 10,000 organisations worldwide in most sectors (Igo and Skitmore, 2006; Quinn and Spreitzer, 2001).

#### 3.5.4 Dependent Variables

Literature reviews demonstrate that the adoption of a unidimensional measurement of firm performance is problematic, due to the conflicting nature of performance dimensions on the short-term profitability and long-term growth (Delery and Doty, 1996; Youndt *et al.*, 1996). This study used a subjective measurement on firm performance because the insurance firms in Malaysia were very reluctant to disclose their financial performance. Firm performance is measured by the following variable namely: 1) rate of productivity of your company, 2) customer service, 3) quality of products, and 4) sales growth developed by Dyer and Reeves (1995) and Delaney and Huselid (1996).

Rate of productivity or labour productivity has been defined as total output divided by labour input (Samuelson and Nordhaus, 1989). Rate of productivity taps the extent to which the employee is delivering value to the organisation. A firm that excels in the creation and accumulation of human resources should have people who are highly productive relative to the competition (Koch and McGrath, 1996). A number of performance outcome measures (e.g. turnover, absenteeism, profits, etc) have been used to measure the effectiveness of HRM system, this study focuses on rate of productivity among the employees for a

number of reasons. First, rate of productivity is central to organisational outcomes as it indicates the extent to which a firm's human resources are efficiently creating value to the desired outputs. Secondly, the rate of productivity is relatively direct connection with the employee and the employees are governed by the organisation's policies and procedures. Thirdly, Datta *et al.* (2005) state that SHRM theorists have identified productivity as a crucial indicator of workforce performance. Finally, Datta *et al.* (2005) also conclude that productivity has been the most frequently used outcome variable in a large body of study in the SHRM literature.

Customer service measure the employee perceived service quality that cover both the outcome of employee service transaction and the overall service encounter (Chand, 2010). Lee *et al.* (2005) opine that customer service excellence should cover the element of tangibility, reliability, responsiveness, assurance, and empathy. Quality of products measures the essential function of a product which can provide customers with the best value and the impression of customers have regarding on the product (Kano *et al.*, 1984) and employee's perception on overall sales growth as compared to insurance industry average.

These indicators are very commonly used in SHRM and organisational research (Nigam *et al.*, 2011). These indicators are rated anonymously by the respondents on a 5-point Likert scale of 1 = very poor to 5 = very good and each rating is done in relation to the perceived firm performance in the industry.

### 3.5.5 Control Variables

Jackson and Schuler (1995) indicates that a variety of conditions in the internal and external organisational environment influence both SHRM practices and firm performance. For example, employment size is used to capture size and scale effects, since large organisations may be more likely than small organisations to have well-developed and organised human resource management practices (Huselid, 1995; Youndt *et al.*, 1996). Literature review postulates that the larger the size of the organisation, the higher the performance (Pine and Phillips, 2005). Larger organisations are most likely to use better-developed or more sophisticated human resource practices. To reduce these confounding effects, the following control variables were included in the analysis. Overall, five of the six control variables were significant in the regression analyses at varying times, including designation, year of service, gender, education, and age. However, total employee (size of the firm) was excluded from the analysis.

## 3.6 Data Analysis Method

The collected data was analysed using the Statistical Package for Social Science (SPSS) Version 19.0. The analysis of data began with the reliability test for the scales using Cronbach's Alpha. This is followed by descriptive statistics and correlation analysis among the variables. Since the purpose of this study is to examine the relationship between several independent variables, mediator, and dependent variables, multiple regression analysis was used in this study.

### 3.7 Ethical Consideration

The primary ethical consideration in conducting this study was consent and privacy. Special sensitivity was required to ensure privacy of individuals and companies involved in the study. This study did not request specific personal information to limit potential privacy risks. The results of the research was reported as aggregate data only and no organisation was individually identified nor the identity or position of those responding from each organisation. Obtaining consent to conduct research was a fundamental responsibility of the researcher. It is vital for the researcher to provide detail information to the respondents to make a decision regarding participating in this study. Researcher was required to sign a non-disclosure agreement on the issues of confidentiality (disclosure to competitors). The participating organisations were aware that the findings of the study would be published as a thesis or academic journals. Researcher was honoured bound to report all aspects of the research fully and accurately to the top management of the participating organisations. Although a summary of results to be provided to the participating organisations, the summary provides data in the aggregate and in generalisation format.

Protection of the data was also an ethical concern of the researcher. In this study, the complete set of raw data (questionnaire) was only seen by the researcher and computed data was saved to a computer with password only known by the researcher. This study was funded solely by the researcher and no benefits or other compensation of any sort was sought or promised as a result of the research.

### 3.8 Chapter summary

This chapter discussed the research design proposed for this study by presenting the theoretical framework and research variables. Besides, it also includes the discussion of sampling, data collection, the construction of questionnaire, measurement and data analysis. The following chapter presents the findings of the study.



## **CHAPTER 4**

### **DATA ANALYSIS AND RESULTS**

This chapter outlines the results of data analysis obtained from the data collected from the respondents. This chapter explores findings related to the main research questions. Statistical analysis was conducted through the SPSS 19.0 software. The main purpose of this study is to examine the relationship between SHRM practices as the independent variables, organisational culture as the mediator, and firm performance as the dependent variable. This chapter also presents a discussion of the key results and compare with the literature where relevant. This chapter will illustrate the descriptive analysis to describe the profile of respondents in the organisation. Reliability test was conducted to determine the internal consistency of the instruments used. For analysing the relative contribution of independent variables, multiple regression analysis was used to assess the relationship between independent variables and dependent variable mediated by type of organisational culture.

The diagnosis and profiling of type of organisational culture will be presented and compared among the seven organisations. The diagnosis and profiling of the characteristics of the type of organisation is based on the Organisational Culture Assessment Instrument. Finally, multiple regression analysis was conducted to examine the relationship between SHRM practices and firm performance mediated by organisational culture.

#### 4.1 Overview of Data Collection

A total of 350 sets of questionnaire were distributed to the respondents by hand, out of which 329 were returned. Collection of the questionnaires was done by the researcher personally within two months time. However, usable questionnaires for the data analysis were 312, reflecting 89% valid response rate. A total of 17 questionnaires were discarded because the total points for each category added together in the section B (Organisational Culture Assessment Instrument) not equivalent to 100 point, and more than 20% of the questions in Section C (Strategic Human Resource Management) of the questionnaire were not answered by the respondents. A total of 21 questionnaires were uncollected in this study.

#### 4.2 Profile of Respondents

The profile of the 312 respondents in the study is summarised in Table 4.1.

Table 4.1: Profile of Respondents

Characteristics	Frequency	(%)	Characteristics	Frequency	(%)
Gender			Age (years)		
Male	133	42.6	Below 25	8	2.6
Female	179	57.4	25 to 30	53	17.0
			31 to 40	148	47.4
			41 and above	103	33.0
Level of education			Length of employment (years)		
SPM	27	8.7	Less than 5	124	39.7
STPM	8	2.6	5 to 10	70	22.4
Diploma	56	17.9	Above 10	118	37.9
Degree	202	64.7			
Master	19	6.1			
Ph.D	0	0			
Designation			Total Employee		
Non-Executive	21	6.7	Less than 100	0	0
Executive	185	59.3	100 to 200	0	0
Manager	93	29.8	201-300	45	14.4
Top Management	13	4.2	Above 300	267	85.6
Note: n=312					

The demographic results in this study provide a valuable feature of the similarities among the seven insurance firms. Hence, the demographic composition of the total respondents is examined to shed some light on the characteristics of the insurance industry and the generalisability of these results is assessed.

The results of the demographic characteristics of the respondents are tabulated in Table 4.1. It is evident that 57.4% of the respondents are female while 42.6% of the respondents are male. This implies that insurance industry in this country gives female preference in the recruitment and selection process. The study also indicates that the majority of the respondents are aged 31 years and above (80.4%) implying that age is an important factor in appointment of executives, manager and top management. These are responsible positions with high accountability and required a great deal of experience in carrying out their duties efficiently and effectively. A total of 64.7% of respondents obtained Degree and it is presumed that overwhelming majority of the respondents were well educated in their area of expertise. 60.3% of the respondents have been in the industry for at least 5 years of working experience.

This shows that insurance industry provide career planning to its employees. In other words, insurance industry values its human capital growth organically as part of succession planning strategy to sustain in the competitive market. Majority of the participating insurance firms employed above 200 employees and this required a Human Resource Department to formulate policies and practices to manage, develop, and retain its human resources.

## 4.3 Results of Reliability Test

### 4.3.1 Strategic Human Resource Management Instrument

This study uses Cronbach's Alpha to test the reliability of the instruments used. All items were checked (mean score and coding of variables) before computing the reliability test. Next, the items were computed into the reliability analysis procedure. Any of the values that are higher than the final alpha value, the said item will be removed from the scale. The Cronbach's alpha values of each variable are illustrated in Table 4.2. According to Kerlinger (1973), any measurement instrument should have reliability value of more than 0.60, while Frey *et al.* (2000) states that measurement can be considered reliable if the results are consistent from one time to another with reliability value of 0.70 or greater. The overall Cronbach's alpha value for the SHRM scale (61 items) undertaken in this study is 0.956. Therefore, it is concluded that the research instrument is reliable, consistent and acceptable.

Table 4.2: Reliability Test on SHRM Instrument

Independent Variable	Cronbach's Alpha	Total Items (After item deleted)	Item(s) Deleted
SHRM Alignment in the organisation (7 items)	0.881	7	
Recruitment and Selection (8 items)	0.757	7	* The hiring is only based on a person's ability to perform the technical requirement of the job.
Training and Development (9 items)	0.883	9	
Compensation and Benefits (9 items)	0.796	9	
Performance Appraisal (8 items)	0.921	8	
Internal Communication (8 items)	0.835	6	* The informal communication works better than formal communication in my company. * Too many people need to be consulted before I can do anything here.
Career Planning (7 items)	0.808	7	
Job Design (8 items)	0.742	8	

#### 4.3.2 Organisational Culture Assessment Instrument

It is observed in Table 4.3 that the recorded reliability coefficient for the Organisational Culture Assessment Instrument (OCAI) is above 0.60 level. Although this is not a desirable indication for internal consistency, it is still proved that the OCAI and the results will be useful. Table 4.3 also present the comparison reliability coefficient provided by other academicians. The reasons for these lower reliability recordings could be the relatively small participating population undertaken in this study. According to Cameron and Quinn (2006) that studies within larger population groups could lead to higher reliability coefficient measurement. The management of the seven participating insurance firms only allowed the total involvement of 50 participants each firm. With the relatively small but specific population group, a usable coefficient was still obtained according to Kerlinger's guideline of 0.60 (Kerlinger,1973).

Table 4.3: Reliability Test on OCAI Instrument and Its Comparison

Type of culture	Cronbach's alpha for organisational culture	Comparison cronbach's alpha		
		Ali and Rehman (2011)	Visagie and Linde (2011)	Cameron and Quinn (2006)
Clan	0.675	0.69	0.68	0.74
Adhocracy	0.674	0.70	0.63	0.79
Market	0.709	0.69	0.62	0.73
Hierarchy	0.678	0.64	0.66	0.71

#### 4.3.3 Firm Performance

The Cronbach's alpha value for firm performance which consists of four items namely rate of productivity ( $\alpha = 0.713$ ), customer service ( $\alpha = 0.750$ ), quality of products ( $\alpha = 0.791$ ), and sales growth ( $\alpha = 0.798$ ). Overall, Cronbach's alpha

value for firm performance is 0.813. This indicates that the firm performance instrument is reliable and consistent.

#### 4.4 Descriptive Statistics

The descriptive statistics which include the means and standard deviation for the variables studied are illustrated in Table 4.4.

Table 4.4: Descriptive Statistics of the Variables

Variable	N	Mean	Std. Deviation
SHRM Alignment in the Organisation	312	3.7303	.64190
Recruitment and Selection	312	3.6282	.53506
Training and Development	312	3.7792	.54243
Compensation and Benefits	312	3.7867	.48037
Performance Appraisal	312	3.8145	.55269
Internal Communication	312	3.6149	.55614
Career Planning	312	3.5366	.51256
Job Design	312	3.7256	.45059
Clan Culture	312	24.0155	8.42491
Adhocracy Culture	312	19.4065	7.09532
Market Culture	312	29.8510	9.11120
Hierarchy Culture	312	26.4952	8.78209
Firm Performance	312	3.6667	.58059
Valid N (listwise)	312		

From the above descriptive statistics, the sample of seven insurance firms in Klang Valley show each SHRM practices has different implement degree. SHRM practices are evaluated based on a 5-point scale. All SHRM practices achieved mean score of 3.5 above. This means that the respondents generally showed that they are satisfied and most valued with the SHRM practices implementation being taken by the firms. Performance appraisal was rated the most favoured SHRM practices with the mean

score of 3.81. Conversely, respondents viewed career planning was less important aspects among the SHRM practices.

Type of organisational culture is measured based on ipsative value (100 points) to determine the dominant type of organisational culture. Market culture shows the highest point of 29.9. Hierarchy culture scores 26.5 point and followed by clan culture with 24.0 points. Adhocracy culture scores the lowest with 19.4 points. The results indicate the insurance industry to have a dominant market culture. Although OCAI does not proclaim to comprehensively cover all the cultural phenomena within the organisations yet it is the most commonly use instrument to diagnose organisational culture because of its strong validity and reliability (Cameron and Quinn, 1999). Nevertheless, study also found that different SHRM practices made different contributions to the development of cultural types that lead to superior performance (Stavrou *et al.*, 2010).

Firm performance is measured based on a 5-point scale. Generally, firm performance was well rated at a mean of 3.67 implying that these insurance firms are doing very well on the sales growth (mean=3.8), rate of productivity (mean=3.7), customer service (mean=3.7), and quality of products (mean=3.5). From the above we can conclude that firm performance is largely determined by SHRM practices.

Table 4.5: Determinants of SHRM Practices and Firm Performance

Variables	1	2	3	4	5	6	7	8
1. SHRM alignment	1	.337**	.534**	.302**	.503**	.182**	.467**	.444**
2. Training & Development	.337**	1	.622**	.712**	.678**	.278**	.715**	.659**
3. Compensation & Benefits	.534**	.622**	1	.608**	.728**	.456**	.652**	.639**
4. Performance Appraisal	.302**	.712**	.608**	1	.638**	.268**	.664**	.610**
5. Career Planning	.503**	.678**	.728**	.638**	1	.450**	.670**	.683**
6. Job Design	.182**	.278**	.456**	.268**	.450**	1	.150**	.286**
7. Recruitment & Selection	.467**	.715**	.652**	.664**	.670**	.150**	1	.662**
8. Internal Communication	.444**	.659**	.639**	.610**	.683**	.268**	.662**	1
9. Rate of Productivity	.262**	.387**	.370**	.494**	.399**	.187**	.512**	.433**
10. Customer Service	.479**	.358**	.451**	.329**	.526**	.201**	.423**	.462**
11. Quality of Products	.271**	.412**	.359**	.337**	.406**	.322**	.385**	.312**
12. Sales Growth	.271**	.453**	.346**	.482**	.285**	-.036	.591**	.408**
9. Firm Performance	.404**	.500**	.476**	.514**	.502**	.197**	.600**	.509**

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

Table 4.5 provides the inter-correlations of the study variables. As can be seen from the data, the recruitment and selection (structured test and interview, investment on recruitment and selection activities/programs, internal job opening and promotions, succession planning, and hiring criteria) had strong positive correlation with the sales growth ( $r=0.591$ ;  $p < 0.01$ ) and rate of productivity ( $r=0.512$ ;  $p < 0.01$ ) respectively. Career planning (clear career path information, providing academic learning assistance program, career and development plans for the employees, matching of individual and organisational growth needs, career aspirations, preference of internal employees filling up vacancies, and awareness of career path in the organisation) correlated highly with customer service ( $r=0.526$ ;  $p < 0.01$ ) but lowly with sales growth ( $r=0.285$ ;  $p < 0.01$ ).

On the other hand, SHRM alignment in the organisation correlated moderately with customer service ( $r=0.479$ ;  $p < 0.01$ ) and lowly with rate of productivity, quality of products and sales growth. As for the training and development, this practice had moderate correlation with all the dependent variables namely sales growth ( $r=0.453$ ;  $p < 0.01$ ), quality of products ( $r=0.412$ ;  $p < 0.01$ ), rate of productivity ( $r=0.387$ ;  $p < 0.01$ ), and customer service ( $r=0.358$ ;  $p < 0.01$ ). Similarly, compensation and



benefits, performance appraisal, and internal communication correlated moderately with all the dependant variables.

The relationship between the job design and quality of products was found at moderate level ( $r = 0.322$ ;  $p < 0.01$ ) but lowly with customer service ( $r = 0.201$ ;  $p < 0.01$ ) and rate of productivity ( $r = 0.187$ ;  $p < 0.01$ ). In contrast, job design was found non-significant or no relationship with sales growth ( $r = -0.036$ ;  $p < 0.01$ ).

At the overall level, out of eight SHRM best practices, recruitment and selection emerged as the strongest direct positive relationship with firm performance ( $r = 0.600$ ;  $p < 0.01$ ). Whereas, job design indicates a low relationship with firm performance ( $r = 0.197$ ;  $p < 0.01$ ). According to Becker and Huselid's (1999) study, recruitment and selection is one of the seven "best practices" that can lead and build superior economic performance. The process of recruitment and selection in the organisation consists of finding, evaluating, and assigning individuals to work. Literatures have shown that valid and precise selection tests are very useful in employee selection and implementing an effective hiring process is positively correlated with organisational performance (Martell and Carroll, 1995; Terpstra and Rozell, 1993). An organised and sophisticated recruitment and selection system tests a candidate's potential for a position and reduce uncertainty when faced with an external candidate. Furthermore, it also gives the successful candidates who are selected a sense of elitism, imparts high level of expectation in their performance, and stresses the importance of human capital to the organisation (Pfeffer, 1994). An organisation's recruitment and selection system is the key to organisational goals because it involves screening employees on skills, ability and personality characteristics that match the organisation's values.

This implies that recruitment and selection has the greatest impact on insurance performance compared with the rest of SHRM best practices. Insurance firm views that recruitment and selection practices are a vehicle for the firm continuous improvement via a co-ordinate program of people management interventions. It is perhaps not surprising given the tight and competitive labour market and the increasing number of job opportunities facing employees. However, the insurance's performance had low correlation with job design practices.

#### 4.5 Bundling of Two-Paired Strategic Human Resource Management Practices

Table 4.6 shows the inter-correlations between the SHRM best practices that describe the ideal SHRM best practices which complement and reinforcing each other. A total of 34 pair bundles of SHRM were identified in this study. This study follows the Cohen (1988) correlation guidelines to select the combination of SHRM practices. Cohen (1988) guidelines indicate that  $r=0.50$  and above signifies strong relationship. Of the 34 pairs, 17 pairs were discarded due to duplications of correlations.

Table 4.6 : Inter-correlation between Two-Paired SHRM Practices

No	SHRM Practice	SHRM Practice	Pearson Value	Bundle (2 pair)
1	SHRM Alignment	Compensation & Benefits	0.534**	√
2	SHRM Alignment	Career Planning	0.503**	√
3	Training & Development	Compensation & Benefits	0.622**	√
4	Training & Development	Career Planning	0.678**	√
5	Training & Development	Performance Appraisal	0.712**	√
6	Training & Development	Recruitment & Selection	0.715**	√
7	Training & Development	Internal Communication	0.659**	√
8	Compensation & Benefits	Career Planning	0.728**	√
9	Compensation & Benefits	Performance Appraisal	0.608**	√
10	Compensation & Benefits	Recruitment & Selection	0.652**	√
11	Compensation & Benefits	Internal Communication	0.639**	√
12	Compensation & Benefits	Training & Development	0.622**	X
13	Compensation & Benefits	SHRM Alignment	0.534**	X
14	Performance Appraisal	Compensation & Benefits	0.608**	X
15	Performance Appraisal	Career Planning	0.638**	√

16	Performance Appraisal	Recruitment & Selection	0.664**	√
17	Performance Appraisal	Internal Communication	0.610**	√
18	Performance Appraisal	Training & Development	0.712**	X
19	Career Planning	Compensation & Benefits	0.728**	X
20	Career Planning	Performance Appraisal	0.638**	X
21	Career Planning	Recruitment & Selection	0.670**	√
22	Career Planning	Internal Communication	0.683**	√
23	Career Planning	Training & Development	0.678**	X
24	Career Planning	SHRM Alignment	0.503**	X
25	Recruitment & Selection	Compensation & Benefits	0.652**	X
26	Recruitment & Selection	Career Planning	0.670**	X
27	Recruitment & Selection	Performance Appraisal	0.664**	X
28	Recruitment & Selection	Internal Communication	0.662**	√
29	Recruitment & Selection	Training & Development	0.715**	X
30	Internal Communication	Compensation & Benefits	0.639**	X
31	Internal Communication	Career Planning	0.683**	X
32	Internal Communication	Performance Appraisal	0.610**	X
33	Internal Communication	Recruitment & Selection	0.662**	X
34	Internal Communication	Training & Development	0.659**	X

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

In summary, a total of 17 SHRM bundles were formed (Table 4.7). The Pearson's product moment correlation coefficient values reveal strong correlations within the SHRM best practice variables as follows: a) compensation & benefits and career planning ( $r=0.728$ ,  $p < 0.01$ ), b) training & development and recruitment & selection ( $r=0.715$ ,  $p < 0.01$ ), and c) training & development and performance appraisal ( $r=0.712$ ,  $p < 0.01$ ).

The correlations among other variables were highly significant in magnitude (from  $r= 0.503$  to  $0.683$ ,  $p < 0.01$ ). These correlations support the hypothesised linkage of SHRM configurations empirical evidence done by Huselid (1995), MacDuffie (1995), Delaney and Doty (1996), Miller (1996), Guest (1997), Bowen and Ostroff (2004), and Chadwick (2010). In configurations or bundling of SHRM practices, two fundamental parameters may be distinguished in this study namely the direction in which SHRM practices are configured and the degree to which SHRM practices are configured (Guest, 1997). Regarding direction of configuration, research has been directed at the

question whether specific SHRM configurations have positive effect on high performance (Macky and Boxall, 2007; Subramoney, 2009). On the degree of SHRM configuration, research has acknowledged that SHRM practices may have additive, substitutable, positive and negative synergistic relationship, where the latter two are also known as “powerful connections” and “deadly combinations” (Becker *et al.*, 1997). Studies show that empirical evidence is mixed, with mostly reporting modest to small effects of degrees of configurations (Delaney and Huselid, 1996; Delery and Doty, 1996; Huselid, 1995). Therefore, this study attempts to investigate degree of how effectively SHRM configurations have a more positive effect on firm performance in the insurance industry in Malaysia.

Table 4.7: Summary of Selected Two-Paired SHRM Bundles

No	Two-Paired of SHRM Practices		Pearson Value	Bundle
1	SHRM Alignment	Compensation & Benefits	.534**	Bundle 1
2	SHRM Alignment	Career Planning	.503**	Bundle 2
3	Training & Development	Compensation & Benefits	.622**	Bundle 3
4	Training & Development	Career Planning	.678**	Bundle 4
5	Training & Development	Performance Appraisal	.712**	Bundle 5
6	Training & Development	Recruitment & Selection	.715**	Bundle 6
7	Training & Development	Internal Communication	.659**	Bundle 7
8	Compensation & Benefits	Career Planning	.728**	Bundle 8
9	Compensation & Benefits	Performance Appraisal	.608**	Bundle 9
10	Compensation & Benefits	Recruitment & Selection	.652**	Bundle10
11	Compensation & Benefits	Internal Communication	.639**	Bundle11
12	Performance Appraisal	Career Planning	.638**	Bundle 12
13	Performance Appraisal	Recruitment & Selection	.664**	Bundle 13
14	Performance Appraisal	Internal Communication	.610**	Bundle 14
15	Career Planning	Recruitment & Selection	.670**	Bundle 15
16	Career Planning	Internal Communication	.683**	Bundle 16
17	Recruitment & Selection	Internal Communication	.662**	Bundle 17

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

#### 4.6 Bundling of Three-Paired Strategic Human Resource Management Practices

Based on the Table 4.5 (single SHRM practices correlation), a set of SHRM bundles were formed, given the significant interactions among the SHRM variables. The

accumulation of the various SHRM practices can create combined effects larger than what can be expected when these SHRM practices operate in isolation. It can be argued that the simultaneous operation of multiple SHRM practices with a common objective (that is the enhancement of firm performance), increases the possibility of the attainment of this objective (Subramony, 2009). Therefore, it is suggested that SHRM bundles consisting of different practices cooperating to influence on various measures of firm performance. This study uses a deductive approach to combine SHRM bundles on the basis of an existing conceptual bundle typology from various investigations in SHRM literature (Champion, 1988; Arthur, 1994; Huselid, 1995; Jackson and Schuler, 1995; MacDuffie, 1995; Delery and Doty, 1996; Youndt *et al.*, 1996; Guest, 1997; Huselid *et al.*, 1997; Paauwe and Richardson, 1997; Ulrich, 1997; Richard and Johnson, 2001; Geringer *et al.*, 2002; Wright *et al.*, 2005; Morgeson and Humphrey, 2006; Erdil and Günsel, 2007; Carroll, 2008; Oladipo and Abdulkadir, 2011; Omondi *et al.*, 2011; Osman *et al.*, 2011).

The focal of this process is to identify multiple intercorrelations among the SHRM practices (Tables 4.6 and 4.7) to form a single composite score. Then, the single composite score of each multiple bundles were matched and discarded the repetitive bundles. This process yielded eleven core multiple SHRM bundles (3-pair) as presented in Table 4.8.

Table 4.8: Summary of Selected Three-Paired SHRM Bundles

Correlation of SHRM Practices	Bundle of SHRM Practices (3-Pair)
SHRM Alignment x Compensation & Benefits (r = 0.534) Compensation & Benefits x Career Planning (r = 0.728) SHRM Alignment x Career Planning (r = 0.503)	SHRM Alignment x Compensation & Benefits x Career Planning (Bundle 18)
Training & Development x Compensation & Benefits (r = 0.622) Compensation & Benefits x Career Planning (r = 0.728) Training & Development x Career Planning (r = 0.678)	Training & Development x Compensation & Benefits x Career Planning (Bundle 19)

Training & Development x Career Planning (r = 0.678) Career Planning x Recruitment & Selection (r = 0.670) Training & Development x Recruitment & Selection (r = 0.715)	Training & Development x Career Planning x Recruitment & Selection (Bundle 20)
Training & Development x Performance Appraisal (r = 0.712) Performance Appraisal x Career Planning (r = 0.638) Training & Development x Career Planning (r = 0.678)	Training & Development x Performance Appraisal x Career Planning (Bundle 21)
Training & Development x Recruitment & Selection (r = 0.715) Recruitment & Selection x Internal Communication (r = 0.662) Training & Development x Internal Communication (r = 0.659)	Training & Development x Recruitment & Selection x Internal Communication (Bundle 22)
Compensation & Benefits x Career Planning (r = 0.728) Career Planning x Recruitment & Selection (r = 0.670) Compensation & Benefits x Recruitment & Selection (r = 0.652)	Compensation & Benefits x Career Planning x Recruitment & Selection (Bundle 23)
Compensation & Benefits x Performance Appraisal (r = 0.608 ) Performance Appraisal x Career Planning (r = 0.638) Compensation & Benefits x Career Planning (r = 0.728)	Compensation & Benefits x Performance Appraisal x Career Planning (Bundle 24)
Compensation & Benefits x Recruitment & Selection (r = 0.652 ) Recruitment & Selection x Internal Communication (r = 0.662) Compensation & Benefits x Internal Communication (r = 0.639)	Compensation & Benefits x Recruitment & Selection x Internal Communication (Bundle 25)
Performance Appraisal x Career Planning (r = 0.638) Career Planning x Recruitment & Selection (r = 0.670) Performance Appraisal x Recruitment & Selection (r = 0.664 )	Performance Appraisal x Career Planning x Recruitment & Selection (Bundle 26)
Performance Appraisal x Recruitment & Selection (r = 0.664) Recruitment & Selection x Internal Communication (r = 0.662) Performance Appraisal x Internal Communication (r = 0.610)	Performance Appraisal x Recruitment & Selection x Internal Communication (Bundle 27)
Career Planning x Recruitment & Selection (r = 0.670) Recruitment & Selection x Internal Communication (r = 0.662) Career Planning x Internal Communication (r = 0.683)	Career Planning x Recruitment & Selection x Internal Communication (Bundle 28)

#### 4.7 Correlation relationship between Strategic Human Resource Management Bundles and Firm Performance

This study focuses on the interrelationships among the components of SHRM bundles. These components are usually HRM policies and practices, and this type of synergy has been identified as horizontal fit, internal fit, bundling, complementarities, configurations, and alignment (Chadwick, 2010). A growing stream of study done by Huselid (1995); MacDuffie (1995); Ichniowski *et al.* (1997) examines the linkages between organisational level of SHRM systems and organisational performance that suggest this relationship can be meaningfully large for many organisations. This study argues that by configurations or bundling of SHRM practices will have greater positive effects on firm performance using a different set of firm performance indicators than traditional HR best practices.

Tables 4.9a & 4.9b present the correlation relationship between SHRM bundles and firm performance. Bundle 27 (Performance Appraisal x Recruitment & Selection x

Internal Communication) shows a highly significant correlation with rate of productivity ( $r=0.582, p < 0.01$ ). This is followed by Bundle 26 (Performance Appraisal x Career Planning x Recruitment & Selection) ( $r=0.577, p < 0.01$ ), Bundle 13 (Performance Appraisal x Recruitment & Selection) ( $r=0.576, p < 0.01$ ), and Bundle 14 (Performance Appraisal x Internal Communicate) ( $r=0.540, p < 0.01$ ). Correlations score for Bundle 5, 6, 9, 10, 12, 15, 17, 20, 21, 22, 23, 24, 25, and 28 with rate of productivity ranges from  $r = 0.502$  to  $0.533, p < 0.01$  respectively.

Bundle 18 (SHRM alignment x Compensation & Benefits x Career Planning) has the strongest correlation with customer service ( $r=0.604, p < 0.01$ ). Similarly, Bundle 2 (SHRM alignment x Career Planning) also has a strong significant effect on customer service ( $r=0.596, p < 0.01$ ). This is followed by Bundle 1 (SHRM alignment x Compensation & Benefits) ( $r=0.553, p < 0.01$ ), and Bundle 16 (Career Planning x Internal Communication) ( $r=0.545, p < 0.01$ ). Bundle 5 (Training & Development x Performance Appraisal) has the lowest correlation relationship with customer service ( $r=0.366, p < 0.01$ ).

The correlation relationship between the SHRM bundles and quality of products were moderate. Bundle 19 shows the most significant relationship with ( $r=0.476, p < 0.01$ ). This is followed by Bundle 20 (Training & Development x Career Planning x Recruitment & Selection) ( $r=0.468, p < 0.01$ ), Bundle 23 (Compensation & Benefits x Career Planning x Recruitment & Selection) ( $r=0.466, p < 0.01$ ), and Bundle 4 (Training & Development x Career Planning) ( $r=0.460, p < 0.01$ ). In contrast, Bundle 13 has the strongest significant relationship with sales growth ( $r=0.607, p < 0.01$ ). As well as Bundle 27 (Performance Appraisal x Recruitment & Selection x Internal Communication) ( $r=0.594, p < 0.01$ ), Bundle 6 (Training & Development x Recruitment

& Selection) ( $r=0.578$ ,  $p < 0.01$ ), and Bundle 22 (Training & Development x Recruitment & Selection x Internal Communication) ( $r=0.566$ ,  $p < 0.01$ ).

In summary, a total of twelve SHRM bundles were identified to have strong positive correlation relationship with firm performance ( $r = \text{above } 0.600$ ,  $p < 0.01$ ) namely Bundle 26 (Performance Appraisal x Career Planning x Recruitment & Selection) ( $r=0.641$ ,  $p < 0.01$ ), Bundle 28 (Career Planning x Recruitment & Selection x Internal Communication) ( $r=0.633$ ,  $p < 0.01$ ), Bundle 13 (Performance Appraisal x Recruitment & Selection) & Bundle 23 (Compensation & Benefits x Career Planning x Recruitment & Selection) ( $r=0.625$ ,  $p < 0.01$ ), Bundle 15 (Career Planning x Recruitment & Selection) & Bundle 20 (Training & Development x Career Planning x Recruitment & Selection) ( $r=0.623$ ,  $p < 0.01$ ), Bundle 25 (Compensation & Benefits x Recruitment & Selection x Internal Communication) ( $r=0.621$ ,  $p < 0.01$ ), Bundle 22 (Training & Development x Recruitment & Selection x Internal Communication) ( $r=0.620$ ,  $p < 0.01$ ), Bundle 17 (Recruitment & Selection x Internal Communication) ( $r=0.617$ ,  $p < 0.01$ ), Bundle 10 (Compensation & Benefits x Recruitment & Selection) ( $r=0.610$ ,  $p < 0.01$ ), Bundle 6 (Training & Development x Recruitment & Selection) ( $r=0.606$ ,  $p < 0.01$ ), and Bundle 21 (Training & Development x Performance Appraisal x Career Planning) ( $r=0.600$ ,  $p < 0.01$ ). Findings from this study indicate that the relationship between SHRM bundles is favourably in association with firm performance. Following discussion is on the comparison of relationship between SHRM best practice and SHRM bundles on firm performance.



Table 4.9a: Correlation between Bundle of SHRM Practices (Two-Paired) and Firm Performance.

Variables	B1	B2	B3	B4	B5	B6	B7	B8	B9	B10	B11	B12	B13	B14	B15	B16	B17
Rate of productivity	.339**	.362**	.429**	.445**	.502**	.504**	.455**	.428**	.504**	.505**	.448**	.521**	.576**	.540**	.521**	.466**	.528**
Customer service.	.553**	.596**	.447**	.487**	.366**	.419**	.453**	.532**	.429**	.482**	.506**	.480**	.409**	.446**	.520**	.545**	.488**
Quality of products.	.365**	.393**	.446**	.460**	.419**	.440**	.413**	.437**	.397**	.424**	.377**	.423**	.401**	.371**	.448**	.405**	.392**
Sales growth.	.337**	.308**	.458**	.421**	.531**	.578**	.487**	.345**	.482**	.537**	.425**	.446**	.607**	.521**	.506**	.396**	.556**
Firm Performance	.499**	.518**	.553**	.563**	.567**	.606**	.565**	.541**	.566**	.610**	.550**	.584**	.625**	.590**	.623**	.567**	.617**

\*\* Correlation is significant at the 0.01 level (2-tailed); B=Bundle

Table4.9b : Correlation between Bundle of SHRM Practices (Three-Paired) and firm performance

Variables	B18	B19	B20	B21	B22	B23	B24	B25	B26	B27	B28
Rate of productivity	.339**	.457**	.518**	.524**	.518**	.517**	.518**	.519**	.577**	.582**	.533**
Customer service.	.604**	.501**	.481**	.451**	.461**	.529**	.494**	.508**	.475**	.455**	.531**
Quality of products.	.434**	.476**	.468**	.454**	.437**	.466**	.445**	.421**	.442**	.407**	.439**
Sales growth.	.340**	.431**	.532**	.500**	.566**	.492**	.452**	.534**	.556**	.594**	.517**
Firm Performance	.551**	.579**	.623**	.600**	.620**	.625**	.595**	.621**	.641**	.640**	.633**

\*\* Correlation is significant at the 0.01 level (2-tailed); B=Bundle

Studies show evidence for synergy when SHRM bundles measure has a stronger performance effects that each of the SHRM component practices (MacDuffie, 1995; Delery and Doty, 1996; Bowen and Ostroff, 2004). In a study conducted by Guerrero and Barraud-Didier (2004) to compare the independent effects of SHRM practices on profitability, their findings give evidence for SHRM bundles than single HRM practice. Whittington *et al.* (1999) emphasised that study should compare the contribution of individual practices with the performance payoffs and estimate the effects of a HRM system (bundles) measure exceed the sum of the marginal effects from implementing each practice individually. Also, Horgan and Muhlau's (2006) study concluded that

Table 4.10: Comparison of the Correlations Relationship between SHRM Practices and Configurational of SHRM Practices on Firm Performance.

Firm Performance	SHRM Best Practices	Configuration of SHRM Practices
Variables	Recruitment & Selection	Bundle 27
Rate of Productivity	.512**	.582**
Variables	Career Planning	Bundle 18
Customer Service	.526**	.604**
Variables	Training & Development	Bundle 19
Quality of Products	.412**	.476**
Variables	Performance Appraisal	Bundle 13
Sales Growth	.482**	.607**
Variables	Recruitment & Selection	Bundle 26
Firm Performance	.600**	.641**

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

the complementary effect of the high performance HR management system enhances employee performance over and above the sum of the effects of individual HR practices.

Table 4.10 presents the correlations comparison relationship between SHRM best practices and configurational of SHRM practices on firm performance. The findings show that configurational of SHRM practices has stronger positive correlation relationship on each dependent component as well the firm performance compare to

individual SHRM practices. Therefore, this findings support the key concept in Whittington *et al.* (1999) and Horgan and Muhlau (2006) studies.

#### 4.8 Diagnosing Organisational Culture Profile

During the data reporting and analysis, the insurance firm name was removed and all data reporting will exclude any links to individual institution names. Respondents were given 100 point to divide among the alternatives how closely each choice describes their organisational culture. Ipsative scales force the respondent a “fixed choice” to describe each culture type that best represent their organisation (Quinn and Spreitzer, 1991). Ipsative scales are naturally dependent on one another, and if respondents rate one particular culture type high then they are in essence rating another particular culture type low, creating an accentuated and exaggerated view of a strong or weak organisational culture.

The cultural profile in insurance industry in Malaysia was investigated for each firm by averaging the respondent’s rating for each cultural type across the six dimensions. This produced four scores, one for each of the clan, adhocracy, market, and hierarchy cultures. When the results obtained from the survey are analysed, the mean score of each insurance firm’s culture characteristics were tabulated in order to compute the total score point of each type of organisational culture profile exist in their respective firm (see Tables 4.11a & 4.11b). Results from each survey respondents were entered into an Excel spreadsheet and an average based on all respondents has been calculated in total for each firm.

Mean score was calculated and computed to the roundup score nearest decimal point as the OCAI software template does not allow decimal points entry. This average roundup score is used for the purpose of plotting the OCAI quadrant throughout this chapter. Therefore, the total point score of each type of organisational culture ranges from 99 points to 102 points due to this factor. According to Cameron and Quinn (2006), these ipsative data total points were acceptable in this descriptive analysis to identify one distinct cultural type as being dominant or “strong”. Nevertheless, this study will compute data analysis based on the actual score instead of the roundup scores to analyse the significant difference among the culture types.

The following data shows the current dominant culture type for each insurance firm as perceived by their respective employees. In the organisation A, hierarchy culture is more dominant ( $\bar{X}=28.50$ ) (Figure 4.1) when compared to the other three culture type. In contrast, organisation B ( $\bar{X}=29.50$ ) (Figure 4.2), C ( $\bar{X}=30.10$ ) (Figure 4.3), D ( $\bar{X}=35.80$ ) (Figure 4.4), E ( $\bar{X}=29.60$ ) (Figure 4.5), F ( $\bar{X}=28.90$ ) (Figure 4.6), and G ( $\bar{X}=30.40$ ) (Figure 4.7) are dominated by market culture. Therefore, the prevailing dominant culture, of overall insurance industry in Malaysia happens to be market culture ( $\bar{X}=29.90$ ) (Figure 4.8), according to the highest mean score analysis. However, the overall difference between mean scores of market culture, hierarchy culture ( $\bar{X}=26.60$ ), and clan culture ( $\bar{X}=24.10$ ) is very low. These results are very interesting in terms of their relevance with Al-Khalifa and Aspinwall (2001) analysis of Qatar industries culture indicated that organisations were not characterised by just one cultural type, but tended to be biased towards a mix of cultural types.

Table 4.11a: Mean Score on Perceived Organisational Culture Characteristics

Firm	IA-NOW	IIA-NOW	IIIA-NOW	IVA-NOW	VA-NOW	VIA-NOW	IB-NOW	IIB-NOW	IIIB-NOW	IVB-NOW	VB-NOW	VIB-NOW	IC-NOW	IIC-NOW	IIIC-NOW	IVC-NOW	VC-NOW	VIC-NOW	ID-NOW	IID-NOW	IIID-NOW	IVD-NOW	VD-NOW	VID-NOW
Org A	28.1	29.7	30.6	22.8	22.5	28.1	16.6	17.5	17.2	23.4	22.2	20.0	30.3	20.3	22.5	29.7	23.8	24.1	25.0	32.5	29.7	24.1	31.6	27.8
Org B	20.0	18.9	28.9	21.4	18.6	31.1	16.4	25.0	18.6	20.4	24.3	21.4	25.4	32.1	29.3	36.8	27.9	25.4	38.2	23.9	23.2	21.4	29.3	22.1
Org C	28.1	25.1	25.3	21.1	21.2	22.6	21.2	19.3	22.0	22.0	23.3	18.6	29.0	28.3	31.7	30.1	28.3	33.2	21.7	27.2	21.0	26.8	27.1	25.7
Org D	12.1	17.8	23.2	17.3	13.9	19.6	14.0	15.7	17.7	18.1	20.3	18.4	38.2	35.0	34.2	34.5	35.0	37.9	35.7	31.5	24.9	30.1	30.8	24.1
Org E	28.7	24.1	30.5	24.2	20.3	24.6	15.6	23.3	18.9	19.1	27.0	19.6	30.5	22.9	29.1	31.7	27.8	35.4	25.2	29.7	21.5	25.0	24.9	20.4
Org F	26.0	22.1	31.9	30.4	21.3	23.5	13.7	20.3	13.5	17.1	20.6	17.8	29.1	24.7	27.9	27.8	29.7	34.3	31.2	32.9	26.6	24.7	28.4	24.4
Org G	24.8	29.0	30.1	23.2	23.0	25.8	19.3	19.4	16.8	21.2	20.7	17.9	30.6	22.1	29.9	31.4	32.6	36.0	25.3	29.4	23.2	24.1	23.8	20.3
Overall	24.0	23.8	28.6	22.9	20.1	25.0	16.7	20.1	17.8	20.2	22.6	19.1	30.4	26.5	29.2	31.7	29.3	32.3	28.9	29.6	24.3	25.2	28.0	23.5

Note : A = CLAN Culture; B = ADHOCRACY Culture; C=Market Culture; and D=HIERARCHY Culture

Table 4.11b: Mean Score on Perceived Organisational Culture Profile

Firm	CLAN	ADHOCRACY	MARKET	HIERARCHY
Org A	27.0	19.5	25.1	28.5
Org B	23.2	21.0	29.5	26.4
Org C	23.9	21.1	30.1	24.9
Org D	17.3	17.4	35.8	29.5
Org E	25.4	20.6	29.6	24.5
Org F	25.9	17.2	28.9	28.0
Org G	26.0	19.2	30.4	24.4
Overall	24.1	19.4	29.9	26.6

In general, the overall profile indicated by the respondents was of a mixed culture. In the organisation A, hierarchy culture has the highest score as perceived culture profile. Clan and market culture has the second and third highest score respectively whereas adhocracy culture has the lowest score. Hierarchy culture is categorised as a formalised structured work place to work. This culture favours order, uniformity, structure, control, coordination and efficiency in the workplace. The leaders pride themselves on being good coordinators and organisers who are efficiency-minded (Igo and Skitmore, 2006). Stability and internal maintenance through clear tasks setting and enforcement of strict rules are key determinants of success in this culture (Ali and Rehman, 2011). The domination of this cultural facet in any organization ensures high value of economy, formality, rationality, and obedience. The management of employees is concerned with secure employment and predictability (Cameron and Quinn, 2006). Hierarchy organisation discovers and maintains a secure market niche and offering a limited line of products and services (Quinn and Spreitzer, 1991).

Overall, the dominant culture type in the insurance industry is market culture. Market orientation culture is conceived as a shared set of beliefs and values that place the customer at the centre of business decisions (Deshpande and Webster, 1987). Subsequent research by Narver and Slater (1990) focused on market orientation culture that comprises of three behavioural components namely customer orientation, competitor orientation, and inter-functional coordination as a set of behaviours evidenced by a market-oriented culture. These market behavioural orientations influence decision making criteria that involved long-term focus and profitability. This market orientation culture concept was further developed by Cameron and Quinn (2006) presents market culture is a results-oriented organisation that concern with competitiveness, goal achievement and getting the job done. The leaders are portrayed

as a hard driver, producers, tough, demanding and competitors. The glue that holds the organisation together is an emphasis on winning and victory. The long-term focus is on competitive actions and achievement of measurable goals and targets. Reputation, success, competitive pricing and market leadership are the important factors in achieving a sustainable competitive advantage in the market.

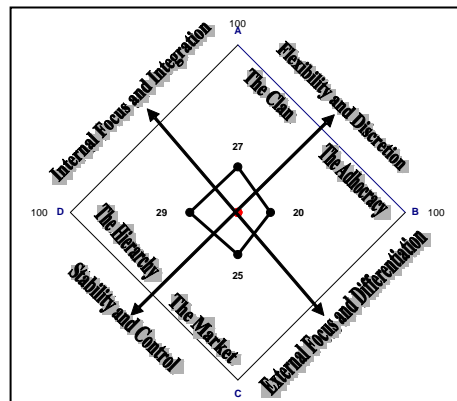


Figure 4.1: Organisational Profile for Organisation A

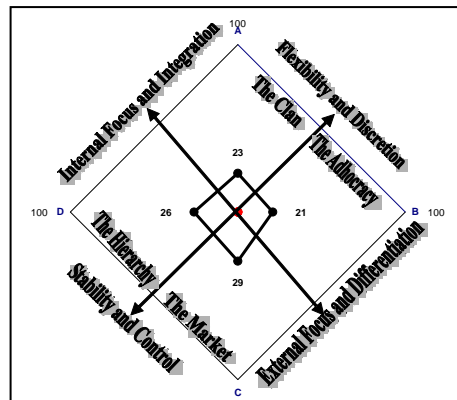


Figure 4.2: Organisational Profile for Organisation B

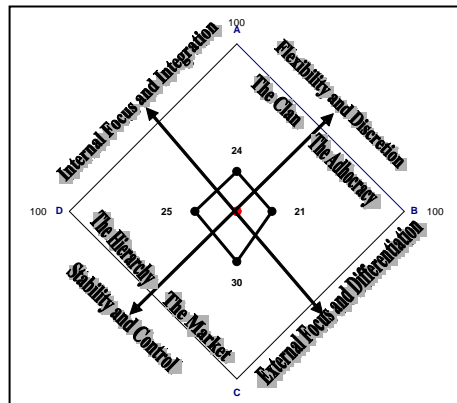


Figure 4.3: Organisational Profile for Organisation C

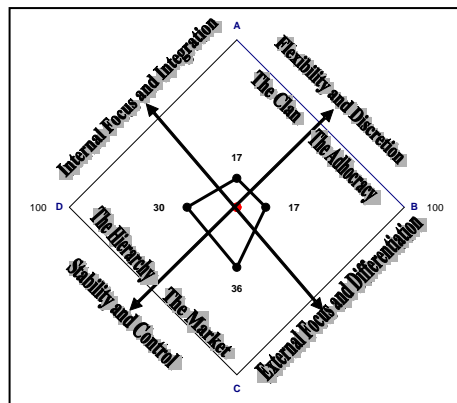


Figure 4.4: Organisational Profile for Organisation D

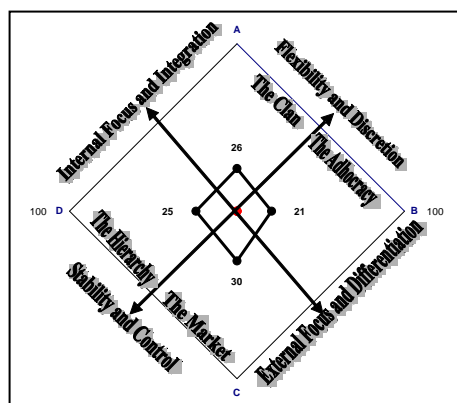


Figure 4.5: Organisational Profile for Organisation E



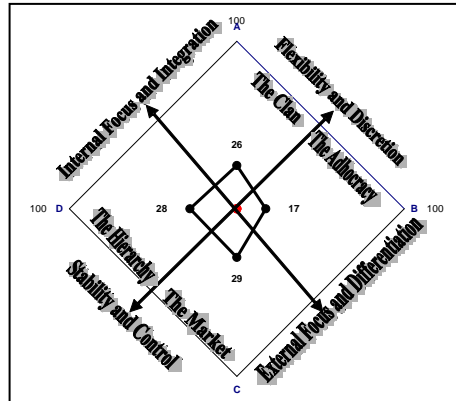


Figure 4.6: Organisational Profile for Organisation F

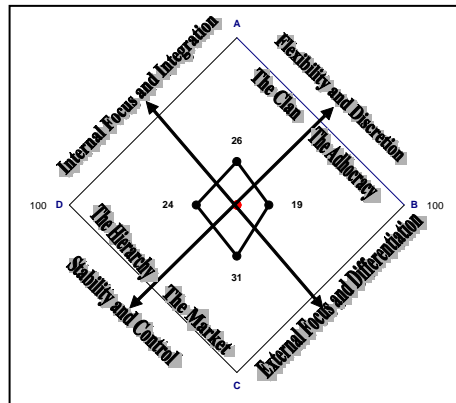


Figure 4.7: Organisational Profile for Organisation G

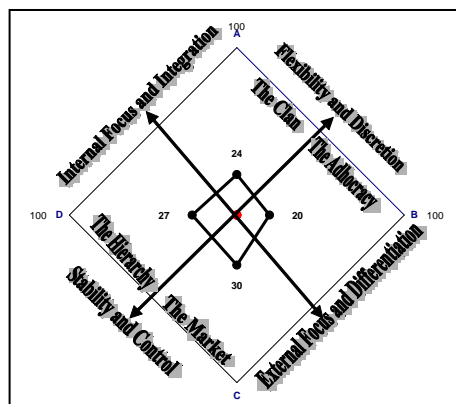


Figure 4.8: Organisational Profile for Insurance Industry (Overall)

The results of the diagnostic on the insurance industry organisational culture profile, primarily aimed at identifying the form of its prevailing organisational culture and the extent to which the employees perceive, think, and react of their organisational culture. Overall cultural profile of the participating insurance industry is determined through an administrated survey employing OCAI based on competing values framework. Although OCAI does not proclaim to comprehensively define all the cultural phenomena within the organisation, OCAI is most commonly used instrument to diagnose organisational profile because of its strong validity and reliability (Cameron and Quinn, 1999).

According to the data collected, this study has created a blueprint of the dominant organisational culture profile of all the participating insurance firms in Klang Valley. The design of the overall existing culture of insurance industry is oriented towards the external focus and differentiation. This finding enabled the creation of the type of organisational culture for industrial groups (Muratovic, 2013).

#### 4.9 Correlation among Organisational Culture Type

Table 4.12 shows the correlations among the organisational culture types. The competing values framework's orthogonal value orientations imply that diagonal quadrants represent competing or conflicting values (Cameron and Quinn, 1999). The competing values framework theory indicates that clan culture values have an insignificant or negative association with market culture values, and adhocracy culture values have an insignificant or negative association with hierarchy cultures (Cameron and Quinn, 2006; Hartnell *et al.*, 2011). Table 4.12 supports the competing values

framework theory, that all organisational culture types were negatively correlated, indicating that the culture types possess mutually independent competing values.

Table 4.12: Correlations among the Organisational Culture Types

	Clan	Adhocracy	Market	Hierarchy
Clan	1	-.051	-.635**	-.259**
Adhocracy	-.051	1	-.182**	-.569**
Market	-.635**	-.182**	1	-.270**
Hierarchy	-.259**	-.569**	-.270**	1

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

#### 4.10 The Relationship between Types of Organisational Culture and Firm Performance

The results of the correlations analysis are presented in Table 4.13. The significant association between all the type of organisational culture and performance were found to be lowly moderated. This shows most of the organisational characteristics are not strongly significant correlated with firm performance.

Accordingly, the all the organisational culture types of characteristics were not included in the analysis in order to conserve statistical power. The total cumulative score of each type of culture characteristics were used in this study. This will provide accurate interpretation of the mediating role of organisational culture types in the relationship between bundle of SHRM practices and firm performance outcomes.

Table 4.13: Correlations of Organisational Culture Characteristics on Firm Performance

OCC	P	CS	QP	SG	FP
C1	-.009	-.031	-.035	-.070	-.046
C2	-.071	-.057	-.057	-.177	-.116
C3	.079	.159	.159	.058	.098
C4	-.022	.067	-.035	.016	.012
C5	-.002	.067	.011	-.039	.012
C6	-.050	.053	-.023	.020	.003
H1	-.054	-.019	.073	.142	.043
H2	.006	-.066	-.040	.082	-.003
H3	-.072	-.167	-.037	-.006	-.090
H4	-.041	-.144	.024	.028	-.046
H5	-.217	-.147	-.129	-.092	-.182
H6	-.142	-.194	-.136	-.042	-.159
A1	-.025	.101	.016	-.002	.030
A2	.120	.164	.090	.124	.158
A3	.012	.019	.093	.036	.046
A4	-.010	.028	.006	-.154	-.044
A5	-.056	.057	-.014	-.068	-.025
A6	.037	.036	.123	-.058	.036
M1	.094	-.026	-.065	-.092	-.026
M2	-.038	-.032	.004	-.023	-.029
M3	-.013	.013	-.021	-.082	-.032
M4	.057	.039	-.007	.065	.051
M5	.259	.040	.127	.179	.188
M6	.168	.086	.026	.050	.105

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

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

C = Clan, A = Adhocracy, M = Market, H = Hierarchy, OC = Organisational Culture Characteristic

P = Rate of Productivity, CS = Customer Service, QP = Quality of Products, SG = Sales Growth

FP = Firm Performance.

#### 4.11 Linear Regression Analysis between Strategic Human Resource Management Practices and Firm Performance

Table 4.14 shows the result of linear regression analysis between SHRM best practices and rate of productivity of the population study (size sample = 312). Two SHRM best practices namely recruitment & selection and performance appraisal were the predictor variables for rate of productivity. In contrast, SHRM alignment in the organisation and job design practice show low effect on rate of productivity.

Significantly, recruitment & selection [ $F(6,305) = 22.253$ ,  $p < .05$ ] with  $R^2$  value of .304 indicates that 30.4% of the variance in rate of productivity is accounted by recruitment & selection ( $\beta = .488$ ). This is followed by performance appraisal [ $F(6,305) = 20.687$ ,  $p < .05$ ] with  $R^2$  value of .289 indicates that 28.9% of the variance in rate of productivity is accounted by performance appraisal practice ( $\beta = .466$ ). Meanwhile, internal communication [ $F(6,305) = 16.003$ ,  $p < .05$ ] contributes 23.9% of variance in rate of productivity ( $\beta = .403$ ).

Table 4.14 : Regression Analysis for SHRM Best Practices and Rate of Productivity

SHRM Practices	R	R <sup>2</sup>	Adj R <sup>2</sup>	Std.Error of the Estimate	F	Sig	B	$\beta$	Tolerance
Control Variable	.284 <sup>a</sup>	.081	.066	.70715	5.375	.000 <sup>a</sup>			
Designation							-.077	-.050	
Year of Service							.158	.109	
Gender							.062	.042	
Education							-.187	-.116	
Age							.327	.170	
SHRM Alignment	.373 <sup>b</sup>	.139	.122	.68545	8.214	.000 <sup>b</sup>	.040	.244	.979
Training&Development	.450 <sup>b</sup>	.203	.187	.65960	12.934	.000 <sup>b</sup>	.054	.358	.952
Compensation&Benefits	.442 <sup>b</sup>	.195	.179	.66276	12.327	.000 <sup>b</sup>	.058	.345	.959
Performance Appraisal	.538 <sup>b</sup>	.289	.275	.62282	20.687	.000 <sup>b</sup>	.077	.466	.960
Career Planning	.455 <sup>b</sup>	.207	.192	.65778	13.287	.000 <sup>b</sup>	.074	.364	.956
Job Design	.325 <sup>b</sup>	.106	.088	.69870	5.996	.000 <sup>b</sup>	.032	.159	.978
Recruitment&Selection	.552 <sup>b</sup>	.304	.291	.61611	22.253	.000 <sup>b</sup>	.095	.488	.940
Internal Communication	.489 <sup>b</sup>	.239	.224	.64428	16.003	.000 <sup>b</sup>	.088	.403	.976

Table 4.15 shows the result of linear regression analysis between SHRM best practices and customer service of the population study (size sample = 312). Four SHRM best practices were identified as predictor variables for customer service. In contrast, one SHRM practice was found to have low effect on customer service.

Career planning [ $F(6,305) = 25.393$ ,  $p < .05$ ] with  $R^2$  value of .333 indicates that 33.3% of the variance in customer service is accounted by career planning ( $\beta = .486$ ), SHRM alignment in the organisation [ $F(6,305) = 23.180$ ,  $p < .05$ ] with  $R^2$  value of .313 indicates that 31.3% of the variance in customer service is accounted by SHRM alignment in the firm ( $\beta = .458$ ), internal communication [ $F(6,305) = 21.125$ ,  $p < .05$ ] with  $R^2$  value of .294 ( $\beta = .437$ ) and compensation and benefits [ $F(6,305) = 19.277$ ,  $p < .05$ ] which contributes 27.5% ( $R^2 = .275$ ) of the variance in customer service ( $\beta = .418$ ). Job design indicates the lowest predictor with 13.4% ( $R^2 = .134$ ) of variance in customer service ( $\beta = .165$ ).

Table 4.15 : Regression Analysis for SHRM Best Practices and Customer Service

SHRM Practices	R	R <sup>2</sup>	Adj R <sup>2</sup>	Std.Error of the Estimate	F	Sig	B	$\beta$	Tolerance
<u>Control Variable</u>	.328 <sup>a</sup>	.107	.093	.74250	7.362	.000 <sup>a</sup>			
Designation							-.159	-.097	
Year of Service							.351	.226	
Gender							-.021	-.013	
Education							-.016	-.010	
Age							.328	.166	
SHRM Alignment	.560 <sup>b</sup>	.313	.300	.65237	23.180	.000 <sup>b</sup>	.080	.458	.979
Training&Development	.442 <sup>b</sup>	.195	.179	.70631	12.309	.000 <sup>b</sup>	.048	.303	.952
Compensation&Benefits	.524 <sup>b</sup>	.275	.261	.67029	19.277	.000 <sup>b</sup>	.075	.418	.959
Performance Appraisal	.430 <sup>b</sup>	.185	.169	.71074	11.524	.000 <sup>b</sup>	.050	.486	.956
Career Planning	.577 <sup>b</sup>	.333	.320	.64284	25.393	.000 <sup>b</sup>	.106	.486	.956
Job Design	.366 <sup>b</sup>	.134	.117	.73254	7.867	.000 <sup>b</sup>	.036	.165	.978
Recruitment&Selection	.514 <sup>b</sup>	.265	.250	.67508	18.286	.000 <sup>b</sup>	.085	.409	.940
Internal Communication	.542 <sup>b</sup>	.294	.280	.66162	21.125	.000 <sup>b</sup>	.102	.437	.976

Table 4.16 the result of linear regression analysis between SHRM best practices and quality of products. Results show moderate effect of all SHRM practices on customer service. Training and development [ $F(6,305) = 12.021$ ,  $p < .05$ ] with  $R^2$  value of .191, scores the highest effects on customer service ( $\beta = .403$ ) and followed by career planning with 19.0% of variance accounted for quality of product ( $\beta = .400$ ). SHRM alignment in the organisation ( $\beta = .266$ ) has the lowest effect on quality of product [ $F(6,305) = 6.038$ ,  $p < .05$ ] with  $R^2$  value of .106. The findings show SHRM practices do not play significant effects on quality of products as the SHRM practices % variance accounted for quality of products less than 20%.

Table 4.16 : Regression Analysis for SHRM Best Practices and Quality of Products

SHRM Practices	R	R <sup>2</sup>	Adj R <sup>2</sup>	Std.Error of the Estimate	F	Sig	B	$\beta$	Tolerance
<u>Control Variable</u>	.192 <sup>a</sup>	.037	.021	.58806	2.352	.041 <sup>a</sup>			
Designation							-.087	-.069	
Year of Service							.065	.055	
Gender							-.079	-.066	
Education							-.088	-.067	
Age							.204	.135	
SHRM Alignment	.326 <sup>b</sup>	.106	.089	.56747	6.038	.000 <sup>b</sup>	.035	.266	.979
Training&Development	.437 <sup>b</sup>	.191	.175	.53979	12.021	.000 <sup>b</sup>	.049	.403	.952
Compensation&Benefits	.402 <sup>b</sup>	.162	.145	.54962	9.793	.000 <sup>b</sup>	.050	.360	.959
Performance Appraisal	.372 <sup>b</sup>	.139	.122	.55704	8.189	.000 <sup>b</sup>	.044	.326	.956
Career Planning	.435 <sup>b</sup>	.190	.174	.54033	11.895	.000 <sup>b</sup>	.066	.400	.956
Job Design	.362 <sup>b</sup>	.131	.114	.55942	7.687	.000 <sup>b</sup>	.051	.311	.978
Recruitment&Selection	.424 <sup>b</sup>	.180	.164	.54364	11.133	.000 <sup>b</sup>	.062	.390	.940
Internal Communication	.354 <sup>b</sup>	.125	.108	.56144	7.266	.000 <sup>b</sup>	.054	.300	.976

Table 4.17 presents the findings of linear regression between SHRM practices and sales growth. Recruitment and selection [ $F(6,305) = 32.154, p < .05$ ] with  $R^2$  value of .387, the highest effects on sales growth ( $\beta = .560$ ), followed by performance appraisal [ $F(6,305) = 20.945, p < .05$ ] with 29.2% of variance in sales growth accounted by performance appraisal ( $\beta = .455$ ). Job design was found to be low effect on sales growth.

Table 4.17 : Regression Analysis for SHRM Best Practices and Sales Growth

SHRM Practices	R	R <sup>2</sup>	Adj R <sup>2</sup>	Std.Error of the Estimate	F	Sig	B	$\beta$	Tolerance
<u>Control Variable</u>	.305 <sup>a</sup>	.093	.078	.74923	6.275	.000 <sup>a</sup>			
Designation							.017	.010	
Year of Service							.017	.011	
Gender							.170	.108	
Education							-.145	-.085	
Age							.500	.253	
SHRM Alignment	.387 <sup>b</sup>	.150	.133	.72644	8.979	.000 <sup>b</sup>	.042	.242	.979
Training&Development	.525 <sup>b</sup>	.276	.262	.67053	19.369	.000 <sup>b</sup>	.070	.438	.952
Compensation&Benefits	.437 <sup>b</sup>	.191	.175	.70888	11.979	.000 <sup>b</sup>	.058	.319	.959
Performance Appraisal	.540 <sup>b</sup>	.292	.278	.66313	20.945	.000 <sup>b</sup>	.080	.455	.960
Career Planning	.386 <sup>b</sup>	.149	.132	.72697	8.892	.000 <sup>b</sup>	.053	.242	.956
Job Design	.311 <sup>b</sup>	.097	.079	.74890	5.445	.000 <sup>b</sup>	-.013	-.062	.978
Recruitment&Selection	.622 <sup>b</sup>	.387	.375	.61672	32.154	.000 <sup>b</sup>	.117	.560	.940
Internal Communication	.485 <sup>b</sup>	.236	.221	.68894	15.668	.000 <sup>b</sup>	.089	.382	.976

Table 4.18 presents the overall findings of linear regression between single SHRM practices and firm performance. Recruitment and selection [ $F(6,305) = 36.938, p < .05$ ] with  $R^2$  value of .421, indicates the highest effects on firm performance ( $\beta = .579$ ). Similarly, internal communication accounted for 33.0% of variance in firm performance ( $\beta = .479$ ), followed by performance appraisal [ $F(6,305) = 24.553, p < .05$ ] with  $R^2$  value of .326 ( $\beta = .478$ ), training & development [ $F(6,305) = 23.029, p < .05$ ] with  $R^2$  value of .312 ( $\beta = .465$ ), and career planning [ $F(6,305) = 22.770, p < .05$ ] with  $R^2$  value of .309 ( $\beta = .461$ ).

Job design has the lowest effects on firm performance [ $F(6,305) = 7.756, p < .05$ ] with  $R^2$  value of .132 ( $\beta = .164$ ), indicating that job design is not prioritise as best practice in

insurance industry to attain superior performance. Given this evidence, job design may play a complementary role to other SHRM practices rather than stand alone SHRM practice. Besides, the implementation of job design used in participating firms may be in traditional method that focuses at individual level instead of alignment to organisational performance. As the market gets more competitive, Human Resource practitioners in insurance industry must look into the job design at the best strategic way on how to engage productivity of the employees in the workplace to achieve high performance. Individual firm may incorporate different methods of job design, but the end result focuses on increasing firm performance.

Table 4.18: Regression Analysis for SHRM Best Practices and Firm Performance

SHRM Practices	R	R <sup>2</sup>	Adj R <sup>2</sup>	Std.Error of the Estimate	F	Sig	B	β	Tolerance
<u>Control Variable</u>	.326 <sup>a</sup>	.106	.091	2.213	7.257	.000 <sup>a</sup>			
Designation							-.306	-.062	
Year of Service							.592	.128	
Gender							.132	.028	
Education							.437	-.085	
Age							1.359	.231	
SHRM Alignment	.497 <sup>b</sup>	.247	.233	2.034	16.709	.000 <sup>b</sup>	.196	.380	.979
Training&Development	.558 <sup>b</sup>	.312	.298	1.945	23.029	.000 <sup>b</sup>	.221	.465	.952
Compensation&Benefits	.547 <sup>b</sup>	.299	.285	1.963	21.684	.000 <sup>b</sup>	.241	.449	.959
Performance Appraisal	.571 <sup>b</sup>	.326	.312	1.925	24.553	.000 <sup>b</sup>	.251	.478	.960
Career Planning	.556 <sup>b</sup>	.309	.296	1.949	22.770	.000 <sup>b</sup>	.299	.461	.956
Job Design	.364 <sup>b</sup>	.132	.115	2.184	7.756	.000 <sup>b</sup>	.106	.164	.978
Recruitment&Selection	.649 <sup>b</sup>	.421	.409	1.784	36.938	.000 <sup>b</sup>	.359	.579	.940
Internal Communication	.574 <sup>b</sup>	.330	.317	1.919	25.027	.000 <sup>b</sup>	.333	.479	.976

#### 4.12 Multiple Regression Analysis: Two-Paired Strategic Human Resource Management Practices

Hypothesis 1 predicted a positive relationship between bundle of SHRM practices that are unique, rare, inimitable and non-substitutable will have better firm performance. A multiple regression analysis using stepwise solution method (Diekhoff, 1992) was conducted to determine the bundle of SHRM-performance relationship. Overall, five of the six control variables were significant in the regression analyses at varying times, including designation, year of service, gender, education, and age.



Table 4.19 shows the multiple regression analysis of bundle of SHRM on rate of productivity. A total of nine bundle of SHRM were found to be predictors in rate of productivity. The value of  $R^2$  for the Bundle 13 (Recruitment & Selection x Performance Appraisal) model is significant ( $R^2 = .340$ , Adjusted  $R^2 = .324$ ,  $F = 22.340$ ,  $p < .05$ ), which means recruitment & selection and performance appraisal practices account for 34% of the variation in rate of productivity. After controlling for all the control variables, the results show that bundle 13 explains the highest significant incremental level of variance explained in rate of productivity ( $\Delta R^2 = .259$ ,  $F$  for  $\Delta R^2 = 16.965$ ,  $p < .05$ ). This is followed by bundle 17 (Recruitment & Selection x Internal Communication) ( $R^2 = .318$ , Adjusted  $R^2 = .302$ ,  $F(7, 304) = 20.235$ ,  $p < .05$ ), performance appraisal and internal communication account for 31.3% of variance in rate of productivity [ $F(7,304) = 19.746$ ,  $p < .05$ ], internal communication and career planning ( $R^2 = .253$ , Adjusted  $R^2 = .235$ ,  $F(7, 304) = 14.678$ ,  $p < .05$ ), and internal communication and training & development ( $R^2 = .252$ , Adjusted  $R^2 = .235$ ,  $F(7, 304) = 14.660$ ,  $p < .05$ ). However, career planning and compensation & benefits only account for 22.1% (Adjusted  $R^2 = .203$ ) of the variance in rate of productivity. The others remaining bundle of SHRM practices moderately significant in the incremental level of variance explained in rate of productivity. Findings also revealed that internal communication significantly contribute to the configurational process with other SHRM practices related to rate of productivity.

Table 4.20 shows the multiple regression analysis of bundle of SHRM on customer service. Eight bundles of SHRM practices were identified as predictors to customer service. Career planning and SHRM alignment in the organisation contribute 39.6% of the variance in customer service ( $F(7,304) = 28.529$ ,  $p < .05$ ). Nevertheless, the combination of career planning ( $\beta = .346$ ,  $p < .05$ ) and internal communication ( $\beta = .203$ ,

Table 4.19: Multiple Regression Analysis for Bundle of SHRM (Two-Paired) and Rate of Productivity

Model	R	R <sup>2</sup>	Adj R <sup>2</sup>	Std.Error of the Estimate	F	Sig	B	β	Tolerance
1. <u>Control Variables</u>	.284 <sup>a</sup>	.081	.066	.70715	5.375	.000 <sup>a</sup>			
Designation							-.077	-.050	
Year of service							.158	.109	
Gender							.062	.042	
Education							-.187	-.116	
Age							.327	.176	
Bundle 1									
2.C & B	.442 <sup>b</sup>	.195	.179	.66276	12.327	.000 <sup>b</sup>	.058	.345	.704
3.SHRM (excluded)	-	-	-	-	-	-	-	-	-
Bundle 2									
2.CP	.455 <sup>b</sup>	.207	.192	.65778	13.287	.000 <sup>b</sup>	.074	.364	.740
3.SHRM (excluded)	-	-	-	-	-	-	-	-	-
Bundle 3									
2.T & D	.450 <sup>b</sup>	.203	.187	.65960	12.934	.000 <sup>b</sup>	.035	.233	.593
3.C & B	.477 <sup>c</sup>	.227	.209	.65055	12.760	.000 <sup>c</sup>	.034	.202	-
Bundle 4									
2.CP	.455 <sup>b</sup>	.207	.192	.65778	13.287	.000 <sup>b</sup>	.046	.226	.525
3.T & D	.479 <sup>c</sup>	.230	.212	.64947	12.947	.000 <sup>c</sup>	.031	.207	-
Bundle 5									
2.PA	.538 <sup>b</sup>	.289	.275	.62282	20.687	.000 <sup>b</sup>	.077	.466	.472
3.T & D (excluded)	-	-	-	-	-	-	-	-	-
Bundle 6									
2.R & S	.552 <sup>b</sup>	.304	.291	.61611	22.253	.000 <sup>b</sup>	.095	.488	.435
3.T & D (excluded)	-	-	-	-	-	-	-	-	-
Bundle 7									
2.IC	.489 <sup>b</sup>	.239	.224	.64428	16.003	.000 <sup>b</sup>	.066	.301	.533
3.T & D	.502 <sup>c</sup>	.252	.235	.63982	14.660	.000 <sup>c</sup>	.023	.156	-
Bundle 8									
2.CP	.455 <sup>b</sup>	.207	.192	.65778	13.287	.000 <sup>b</sup>	.049	.238	.460
3.C & B	.470 <sup>c</sup>	.221	.203	.65304	12.332	.000 <sup>c</sup>	.029	.174	-
Bundle 9									
2.PA	.538 <sup>b</sup>	.289	.275	.62282	20.687	.000 <sup>b</sup>	.077	.466	.620
3.C & B (excluded)	-	-	-	-	-	-	-	-	-
Bundle 10									
2.R & S	.552 <sup>b</sup>	.304	.291	.61611	22.253	.000 <sup>b</sup>	.095	.488	.546
3.C & B (excluded)	-	-	-	-	-	-	-	-	-
Bundle 11									
2.IC	.489 <sup>b</sup>	.239	.224	.64428	16.003	.000 <sup>b</sup>	.068	.312	.569
3.C & B	.501 <sup>c</sup>	.251	.234	.64023	14.585	.000 <sup>c</sup>	.025	.145	-
Bundle 12									
2.PA	.538 <sup>b</sup>	.289	.275	.62282	20.687	.000 <sup>b</sup>	.077	.466	.579
3.CP (excluded)	-	-	-	-	-	-	-	-	-
Bundle 13									
2.R & S	.552 <sup>b</sup>	.304	.291	.61611	22.253	.000 <sup>b</sup>	.061	.313	.527
3.PA	.583 <sup>c</sup>	.340	.324	.60131	22.340	.000 <sup>c</sup>	.043	.258	-
Bundle 14									
2.PA	.538 <sup>b</sup>	.289	.275	.62282	20.687	.000 <sup>b</sup>	.057	.347	.617
3.IC	.559 <sup>c</sup>	.313	.297	.61353	19.746	.000 <sup>c</sup>	.043	.194	-
Bundle 15									
2.R & S	.552 <sup>b</sup>	.304	.291	.61611	22.253	.000 <sup>b</sup>	.095	.488	.529
3.CP (excluded)	-	-	-	-	-	-	-	-	-
Bundle 16									
2.IC	.489 <sup>b</sup>	.239	.224	.64428	16.003	.000 <sup>b</sup>	.065	.295	.511
3.CP	.503 <sup>c</sup>	.253	.235	.63972	14.678	.000 <sup>c</sup>	.033	.161	-
Bundle 17									
2.R & S	.552 <sup>b</sup>	.304	.291	.61611	22.253	.000 <sup>b</sup>	.075	.384	.553
3.IC	.564 <sup>c</sup>	.318	.302	.61116	20.235	.000 <sup>c</sup>	.034	.155	-

Note : C&B=Compensation & Benefits, SHRM=SHRM alignment in organisation, CP=Career Planning, T&D=Training & Development, PA=Performance Appraisal, R&S=Recruitment & Selection, and IC=Internal Communication.

Table 4.20: Multiple Regression Analysis for Bundle of SHRM (Two-Paired) and Customer Service

Model	R	R <sup>2</sup>	Adj R <sup>2</sup>	Std.Error of the Estimate	F	Sig	B	β	Tolerance
1. <u>Control Variables</u>	.328 <sup>a</sup>	.107	.093	.74250	7.362	.000 <sup>a</sup>			
Designation							-.159	-.097	
Year of service							.351	.092	
Gender							-.021	-.013	
Education							-.016	.098	
Age							.328	.121	
Bundle 1									
2.SHRM	.560 <sup>b</sup>	.313	.300	.65237	23.180	.000 <sup>b</sup>	.058	.333	.689
3.C & B	.594 <sup>c</sup>	.353	.338	.63434	23.669	.000 <sup>c</sup>	.043	.240	-
Bundle 2									
2.CP	.577 <sup>b</sup>	.333	.320	.64284	25.393	.000 <sup>b</sup>	.074	.340	.740
3.SHRM	.630 <sup>c</sup>	.396	.383	.61255	28.529	.000 <sup>c</sup>	.051	.293	-
Bundle 3									
2.C & B	.524 <sup>b</sup>	.275	.261	.67029	19.277	.000 <sup>b</sup>	.075	.418	.589
3.T & D (excluded)	-	-	-	-	-	-	-	-	-
Bundle 4									
2.CP	.577 <sup>b</sup>	.333	.320	.64284	25.393	.000 <sup>b</sup>	.106	.486	.525
3.T & D (excluded)	-	-	-	-	-	-	-	-	-
Bundle 5									
2.T & D	.442 <sup>b</sup>	.195	.179	.70631	12.308	.000 <sup>b</sup>	.048	.303	.476
3.PA (excluded)	-	-	-	-	-	-	-	-	-
Bundle 6									
2.R & S	.514 <sup>b</sup>	.265	.250	.67508	18.286	.000 <sup>b</sup>	.085	.409	.435
3.T & D (excluded)	-	-	-	-	-	-	-	-	-
Bundle 7									
2.IC	.542 <sup>b</sup>	.294	.280	.66162	21.125	.000 <sup>b</sup>	.102	.437	.533
3.T & D (excluded)	-	-	-	-	-	-	-	-	-
Bundle 8									
2.CP	.577 <sup>b</sup>	.333	.320	.64284	25.393	.000 <sup>b</sup>	.083	.384	.460
3.C & B	.585 <sup>c</sup>	.342	.327	.63940	22.611	.000 <sup>c</sup>	.026	.142	-
Bundle 9									
2.C & B	.524 <sup>b</sup>	.275	.261	.67029	19.277	.000 <sup>b</sup>	.075	.418	.621
3.PA (excluded)	-	-	-	-	-	-	-	-	-
Bundle 10									
2.C & B	.524 <sup>b</sup>	.275	.261	.67029	19.277	.000 <sup>b</sup>	.048	.268	.535
3.R & S	.551 <sup>c</sup>	.304	.288	.65798	18.936	.000 <sup>c</sup>	.048	.232	-
Bundle 11									
2.IC	.542 <sup>b</sup>	.294	.280	.66162	21.125	.000 <sup>b</sup>	.068	.291	.569
3.C & B	.569 <sup>c</sup>	.324	.308	.64831	20.810	.000 <sup>c</sup>	.042	.231	-
Bundle 12									
2.CP	.577 <sup>b</sup>	.333	.320	.64284	25.393	.000 <sup>b</sup>	.106	.486	.582
3.PA (excluded)	-	-	-	-	-	-	-	-	-
Bundle 13									
2.R & S	.514 <sup>b</sup>	.265	.250	.67508	18.286	.000 <sup>b</sup>	.085	.409	.527
3.PA (excluded)	-	-	-	-	-	-	-	-	-
Bundle 14									
2.IC	.542 <sup>b</sup>	.294	.280	.66162	21.125	.000 <sup>b</sup>	.120	.437	.607
3.PA (excluded)	-	-	-	-	-	-	-	-	-
Bundle 15									
2.CP	.577 <sup>b</sup>	.333	.320	.64284	25.393	.000 <sup>b</sup>	.084	.388	.520
3.R & S	.587 <sup>c</sup>	.344	.329	.63841	22.817	.000 <sup>c</sup>	.031	.147	-
Bundle 16									
2.CP	.577 <sup>b</sup>	.333	.320	.64284	25.393	.000 <sup>b</sup>	.075	.346	.522
3.IC	.596 <sup>c</sup>	.355	.340	.63339	23.871	.000 <sup>c</sup>	.048	.203	-
Bundle 17									
2.IC	.542 <sup>b</sup>	.294	.280	.66162	21.125	.000 <sup>b</sup>	.071	.305	.533
3.R & S	.562 <sup>c</sup>	.316	.300	.65216	20.053	.000 <sup>c</sup>	.043	.205	-

Note : C&B=Compensation & Benefits, SHRM=SHRM alignment in organisation, CP=Career Planning, T&D=Training & Development, PA=Performance Appraisal, R&S=Recruitment & Selection, and IC=Internal Communication.

$p < .05$ ) increased (35.5 – 33.3) percentage or 2.2% to the variance ( $R^2 = .355$  Adjusted  $R^2 = .340$ ) in the criterion variable [ $F(7,304) = 23.871$ ,  $p < .05$ ]. This is followed by the combination of SHRM alignment in the organisation and compensation & benefits ( $R^2 = .353$ , Adjusted  $R^2 = .338$ ,  $F(7, 304) = 23.669$ ,  $p < .05$ ), career planning and recruitment & selection ( $R^2 = .344$ , Adjusted  $R^2 = .329$ ,  $F(7, 304) = 22.817$ ,  $p < .05$ ), and career planning and compensation & benefits ( $R^2 = .342$ , Adjusted  $R^2 = .327$ ,  $F(7, 304) = 22.611$ ,  $p < .05$ ). The findings conclude that compensation & benefits and career planning play a practical significance configurational process with other SHRM practices in relation with customer service.

The study also indicates that bundle of SHRM practices were found to be lowly related to quality of products (Table 4.21). Combination of training & development and career planning only account for 22.1% of the variance in the quality of products [ $F(7,304) = 12.305$ ,  $p < .05$ ]. The interaction between career planning and recruitment & selection account for 21.4% of the variance in the criterion variable [ $F(7,304) = 11.842$ ,  $p < .05$ ], followed by combination of training & development and compensation & benefits ( $R^2 = .211$ , Adjusted  $R^2 = .193$ ,  $F(7, 304) = 11.609$ ,  $p < .05$ ), training & development and recruitment & selection ( $R^2 = .208$ , Adjusted  $R^2 = .190$ ,  $F(7, 304) = 11.426$ ,  $p < .05$ ), and career planning and compensation & benefits ( $R^2 = .200$ , Adjusted  $R^2 = .182$ ,  $F(7, 304) = 10.868$ ,  $p < .05$ ). In summary, a total of eight bundles of SHRM practices were identified as predictor to quality of products performance with compensation & benefits give the most impact of SHRM complementarities on quality of products performance. In contrast, the impact of performance appraisal and internal communication on quality of products is low with  $R^2 = .156$  and Adjusted  $R^2 = .136$ .

Table 4.21: Multiple Regression Analysis for Bundle of SHRM (Two-Paired) and Quality of Products

Model	R	R <sup>2</sup>	Adj R <sup>2</sup>	Std.Error of the Estimate	F	Sig	B	β	Tolerance
1. Control Variables	.192 <sup>a</sup>	.037	.021	.58806	2.352	.041 <sup>a</sup>			
Designation							-.087	-.069	
Year of service							.065	.055	
Gender							-.079	-.066	
Education							-.088	.067	
Age							.204	.135	
Bundle 1									
2.C & B	.402 <sup>b</sup>	.162	.145	.54962	9.793	.000 <sup>b</sup>	.050	.360	.704
3.SHRM (excluded)	-	-	-	-	-	-	-	-	-
Bundle 2									
2.CP	.435 <sup>b</sup>	.190	.174	.54033	11.895	.000 <sup>b</sup>	.066	.400	.740
3.SHRM (excluded)	-	-	-	-	-	-	-	-	-
Bundle 3									
2.T & D	.437 <sup>b</sup>	.191	.175	.53979	12.021	.000 <sup>b</sup>	.035	.290	.593
3.C & B	.459 <sup>c</sup>	.211	.193	.53406	11.609	.000 <sup>c</sup>	.025	.182	-
Bundle 4									
2.T & D	.437 <sup>b</sup>	.191	.175	.53979	12.021	.000 <sup>b</sup>	.030	.244	.527
3.CP	.470 <sup>c</sup>	.221	.203	.53071	12.305	.000 <sup>c</sup>	.039	.237	-
Bundle 5									
2.T & D	.437 <sup>b</sup>	.191	.175	.53979	12.021	.000 <sup>b</sup>	.049	.403	.476
3.PA (excluded)	-	-	-	-	-	-	-	-	-
Bundle 6									
2.T & D	.437 <sup>b</sup>	.191	.175	.53979	12.021	.000 <sup>b</sup>	.031	.257	.429
3.R & S	.456 <sup>c</sup>	.208	.190	.53495	11.426	.000 <sup>c</sup>	.032	.199	-
Bundle 7									
2.T & D	.437 <sup>b</sup>	.191	.175	.53979	12.021	.000 <sup>b</sup>	.049	.403	.546
3.IC (excluded)	-	-	-	-	-	-	-	-	-
Bundle 8									
2.CP	.435 <sup>b</sup>	.190	.174	.54033	11.895	.000 <sup>b</sup>	.048	.290	.460
3.C & B	.447 <sup>c</sup>	.200	.182	.53769	10.868	.000 <sup>c</sup>	.021	.151	-
Bundle 9									
2.C & B	.402 <sup>b</sup>	.162	.145	.54962	9.793	.000 <sup>b</sup>	.035	.258	.621
3.PA	.424 <sup>c</sup>	.180	.161	.54444	9.531	.000 <sup>c</sup>	.023	.172	-
Bundle 10									
2.R & S	.424 <sup>b</sup>	.180	.164	.54364	11.133	.000 <sup>b</sup>	.042	.265	.546
3.C & B	.446 <sup>c</sup>	.199	.181	.53807	10.791	.000 <sup>c</sup>	.026	.188	-
Bundle 11									
2.C & B	.402 <sup>b</sup>	.162	.145	.54962	9.793	.000 <sup>b</sup>	.050	.360	.579
3.IC (excluded)	-	-	-	-	-	-	-	-	-
Bundle 12									
2.CP	.435 <sup>b</sup>	.190	.174	.54033	11.895	.000 <sup>b</sup>	.066	.400	.582
3.PA (excluded)	-	-	-	-	-	-	-	-	-
Bundle 13									
2.R & S	.424 <sup>b</sup>	.180	.164	.54364	11.133	.000 <sup>b</sup>	.062	.390	.527
3.PA (excluded)	-	-	-	-	-	-	-	-	-
Bundle 14									
2.PA	.372 <sup>b</sup>	.139	.122	.55704	8.189	.000 <sup>b</sup>	.030	.224	.617
3.IC	.394 <sup>c</sup>	.156	.136	.55246	8.004	.000 <sup>c</sup>	.029	.165	-
Bundle 15									
2.CP	.435 <sup>b</sup>	.190	.174	.54033	11.895	.000 <sup>b</sup>	.042	.256	.520
3.R & S	.463 <sup>c</sup>	.214	.196	.53293	11.842	.000 <sup>c</sup>	.035	.218	-
Bundle 16									
2.CP	.435 <sup>b</sup>	.190	.174	.54033	11.895	.000 <sup>b</sup>	.066	.400	.522
3.IC (excluded)	-	-	-	-	-	-	-	-	-
Bundle 17									
2.R & S	.424 <sup>b</sup>	.180	.164	.54364	11.133	.000 <sup>b</sup>	.062	.390	.553
3.IC (excluded)	-	-	-	-	-	-	-	-	-

Note : C&B=Compensation & Benefits, SHRM=SHRM alignment in organisation, CP=Career Planning, T&D=Training & Development, PA=Performance Appraisal, R&S=Recruitment & Selection, and IC=Internal Communication.

Of the four criterion variables, bundles of SHRM practices were found significantly strong and positively associated with sales growth (Table 4.22). Bundle 15 (recruitment & selection and career planning) accounted for 41.6% ( $\Delta R^2 = .323$ , from Step 1) variability [ $F(7,304) = 30.950$ ,  $p < .05$ ].

Combination of recruitment & selection and performance appraisal accounted for 40% variability ( $F=28.899$ ,  $p < .05$ ), followed by bundle 5 (performance appraisal and training & development) ( $R^2 = .317$ , Adjusted  $R^2 = .301$ ,  $F(7, 304) = 20.125$ ,  $p < .05$ ), and bundle 14 (performance appraisal and internal communication) ( $R^2 = .310$ , Adjusted  $R^2 = .294$ ,  $F(7, 304) = 19.509$ ,  $p < .05$ ). The analysis states that performance appraisal explained more of its role in the integration process with other SHRM practices with sales growth outcome.

Overall, the results of the multiple regression analysis (Table 4.23) shows that the population of the study ( $N=312$ ), recruitment & selection and internal communication were found to be strong predictors in firm performance in the insurance industry. Two other predictors, the bundling of recruitment & selection and training & development practices were not the predictors in firm performance.

Significantly, recruitment & selection [ $F(6,305) = 36.938$ ,  $p < .05$ ] contributes 42.1% variance ( $R^2 = .421$ ) in the firm performance. This means recruitment & selection ( $\beta = .579$ ,  $p < .05$ ) was the main predictor that contributes to superior firm performance. The combination of recruitment & selection ( $\beta = .454$ ,  $p < .05$ ) and internal communication ( $\beta = .186$ ,  $p < .05$ ) increased 1.9% of variability ( $R^2 = .440$ , Adjusted  $R^2 = .427$ ) in the criterion variable [ $F(7,304) = 34.106$ ,  $p < .05$ ].

Further to that, the combination of recruitment & selection ( $\beta = .463$ ,  $p < .05$ ) and performance appraisal ( $\beta = .171$ ,  $p < .05$ ) increased 1.5% of variability ( $R^2 = .436$ , Adjusted  $R^2 = .423$ ) in the criterion variable [ $F(7,304) = 33.605$ ,  $p < .05$ ]. Again, the analysis also found that the combination of recruitment & selection ( $\beta = .484$ ,  $p < .05$ ) and career planning ( $\beta = .141$ ,  $p < .05$ ) increased 1% of variability ( $R^2 = .431$ , Adjusted  $R^2 = .418$ ) in the criterion variable [ $F(7,304) = 32.940$ ,  $p < .05$ ] and recruitment & selection ( $\beta = .494$ ,  $p < .05$ ) and compensation & benefits ( $\beta = .129$ ,  $p < .05$ ) increased 0.9% of variability ( $R^2 = .430$ , Adjusted  $R^2 = .417$ ) in the criterion variable [ $F(7,304) = 32.723$ ,  $p < .05$ ]. The remaining predictors contribute averagely 30% of variance in the firm performance.

Overall, the multiple regression analysis of two-pair SHRM practices revealed that the individual practices accounted for less of the variability in firm performance outcomes. In contrast, the HR bundle accounted for more of the variance in all the firm performance outcomes than the variance of the individual practices alone. These findings help to continue to build knowledge in the area of bundling SHRM practices by moving SHRM practices into larger HRM system in established firms. As such, the results of this study further build on the logic of the RBV and configurational perspective by showing a connection between SHRM and firm performance. In addition, the results of the analysis also support the conceptual model of this study that has linked SHRM practices to firm performance. The following analysis used the three-pair SHRM practices to test further on the Hypothesis 1.

Table 4.22: Multiple Regression Analysis for Bundle of SHRM (Two-Paired) and Sales Growth

Model	R	R <sup>2</sup>	Adj R <sup>2</sup>	Std.Error of the Estimate	F	Sig	B	β	Tolerance
1. Control Variables	.305 <sup>a</sup>	.093	.078	.74923	6.275	.000 <sup>a</sup>			
Designation							.017	.010	
Year of service							.017	.011	
Gender							.170	.108	
Education							-.145	-.085	
Age							.500	.253	
Bundle 1									
2.C & B	.437 <sup>b</sup>	.191	.175	.70888	11.979	.000 <sup>b</sup>	.058	.319	.704
3.SHRM (excluded)	-	-	-	-	-	-	-	-	-
Bundle 2									
2.SHRM	.387 <sup>b</sup>	.150	.133	.72644	8.979	.000 <sup>b</sup>	.028	.163	.722
3.CP	.411 <sup>c</sup>	.169	.149	.71967	8.808	.000 <sup>c</sup>	.035	.160	-
Bundle 3									
2.T & D	.525 <sup>b</sup>	.276	.262	.67053	19.369	.000 <sup>b</sup>	.070	.438	.593
3.C & B (excluded)	-	-	-	-	-	-	-	-	-
Bundle 4									
2.T & D	.525 <sup>b</sup>	.276	.262	.67053	19.369	.000 <sup>b</sup>	.070	.438	.527
3.CP (excluded)	-	-	-	-	-	-	-	-	-
Bundle 5									
2.PA	.540 <sup>b</sup>	.292	.278	.66313	20.945	.000 <sup>b</sup>	.052	.293	.472
3.T & D	.563 <sup>c</sup>	.317	.301	.65246	20.125	.000 <sup>c</sup>	.037	.230	-
Bundle 6									
2.R & S	.622 <sup>b</sup>	.387	.375	.61672	32.154	.000 <sup>b</sup>	.117	.560	.435
3.T & D (excluded)	-	-	-	-	-	-	-	-	-
Bundle 7									
2.T & D	.525 <sup>b</sup>	.276	.262	.67053	19.369	.000 <sup>b</sup>	.052	.324	.546
3.IC	.540 <sup>c</sup>	.292	.275	.66429	17.881	.000 <sup>c</sup>	.040	.170	-
Bundle 8									
2.C & B	.437 <sup>b</sup>	.191	.175	.70888	11.979	.000 <sup>b</sup>	.058	.319	.459
3.CP (excluded)	-	-	-	-	-	-	-	-	-
Bundle 9									
2.PA	.540 <sup>b</sup>	.292	.278	.66313	20.945	.000 <sup>b</sup>	.080	.455	.620
3.C & B (excluded)	-	-	-	-	-	-	-	-	-
Bundle 10									
2.R & S	.622 <sup>b</sup>	.387	.375	.61672	32.154	.000 <sup>b</sup>	.117	.560	.546
3.C & B (excluded)	-	-	-	-	-	-	-	-	-
Bundle 11									
2.IC	.485 <sup>b</sup>	.236	.221	.68894	15.669	.000 <sup>b</sup>	.089	.382	.569
3.C & B (excluded)	-	-	-	-	-	-	-	-	-
Bundle 12									
2.PA	.540 <sup>b</sup>	.292	.278	.66313	20.945	.000 <sup>b</sup>	.080	.455	.579
3.CP (excluded)	-	-	-	-	-	-	-	-	-
Bundle 13									
2.R & S	.622 <sup>b</sup>	.387	.375	.61672	32.154	.000 <sup>b</sup>	.095	.457	.527
3.PA	.632 <sup>c</sup>	.400	.386	.61160	28.899	.000 <sup>c</sup>	.027	.152	-
Bundle 14									
2.PA	.540 <sup>b</sup>	.292	.278	.66313	20.945	.000 <sup>b</sup>	.062	.350	.617
3.IC	.557 <sup>c</sup>	.310	.294	.65564	19.509	.000 <sup>c</sup>	.040	.172	-
Bundle 15									
2.R & S	.622 <sup>b</sup>	.387	.375	.61672	32.154	.000 <sup>b</sup>	.149	.717	.529
3.CP	.645 <sup>c</sup>	.416	.403	.60311	30.950	.000 <sup>c</sup>	.051	.233	-
Bundle 16									
2.IC	.485 <sup>b</sup>	.236	.221	.68894	15.668	.000 <sup>b</sup>	.089	.382	.511
3.CP (excluded)	-	-	-	-	-	-	-	-	-
Bundle 17									
2.R & S	.622 <sup>b</sup>	.387	.375	.61672	32.154	.000 <sup>b</sup>	.117	.560	.553
3.IC (excluded)	-	-	-	-	-	-	-	-	-

Note : C&B=Compensation & Benefits, SHRM=SHRM alignment in organisation, CP=Career Planning, T&D=Training & Development, PA=Performance Appraisal, R&S=Recruitment & Selection, and IC=Internal Communication



Table 4.23: Multiple Regression Analysis for Bundle of SHRM (Two-Paired) and Firm Performance

Model	R	R <sup>2</sup>	Adj R <sup>2</sup>	Std.Error of the Estimate	F	Sig	B	β	Tolerance
1. Control Variables	.326 <sup>a</sup>	.106	.091	2.21369	7.257	.000 <sup>a</sup>			
Designation							-.306	-.062	
Year of service							.592	.128	
Gender							.132	.028	
Education							-.437	-.085	
Age							1.359	.231	
Bundle 1									
2.C & B	.547 <sup>b</sup>	.299	.285	1.96342	21.684	.000 <sup>b</sup>	.183	.341	.704
3.SHRM	.572 <sup>c</sup>	.327	.312	1.92638	21.143	.000 <sup>c</sup>	.104	.201	-
Bundle 2									
2.CP	.556 <sup>b</sup>	.309	.296	1.94888	22.770	.000 <sup>b</sup>	.232	.359	.740
3.SHRM	.583 <sup>c</sup>	.340	.325	1.90775	22.410	.000 <sup>c</sup>	.106	.205	-
Bundle 3									
2.T & D	.558 <sup>b</sup>	.312	.298	1.94546	23.029	.000 <sup>b</sup>	.144	.302	.593
3.C & B	.594 <sup>c</sup>	.353	.338	1.88977	23.669	.000 <sup>c</sup>	.141	.263	-
Bundle 4									
2.T & D	.558 <sup>b</sup>	.312	.298	1.94546	23.029	.000 <sup>b</sup>	.134	.282	.527
3.CP	.592 <sup>c</sup>	.351	.336	1.89227	23.491	.000 <sup>c</sup>	.177	.273	-
Bundle 5									
2.PA	.571 <sup>b</sup>	.326	.312	1.92570	24.553	.000 <sup>b</sup>	.159	.302	.472
3.T & D	.596 <sup>c</sup>	.355	.340	1.88633	23.913	.000 <sup>c</sup>	.119	.250	-
Bundle 6									
2.R & S	.649 <sup>b</sup>	.421	.409	1.78467	36.938	.000 <sup>b</sup>	.359	.579	.435
3.T & D (excluded)	-	-	-	-	-	-	-	-	-
Bundle 7									
2.IC	.574 <sup>b</sup>	.330	.317	1.91967	25.027	.000 <sup>b</sup>	.217	.311	.533
3.T & D	.604 <sup>c</sup>	.365	.350	1.87214	24.938	.000 <sup>c</sup>	.122	.256	-
Bundle 8									
2.CP	.556 <sup>b</sup>	.309	.296	1.94888	22.770	.000 <sup>b</sup>	.185	.286	.460
3.C & B	.580 <sup>c</sup>	.336	.321	1.91336	22.024	.000 <sup>c</sup>	.130	.243	-
Bundle 9									
2.PA	.571 <sup>b</sup>	.326	.312	1.92570	24.553	.000 <sup>b</sup>	.172	.328	.620
3.C & B	.605 <sup>c</sup>	.366	.351	1.87087	25.031	.000 <sup>c</sup>	.136	.254	-
Bundle 10									
2.R & S	.649 <sup>b</sup>	.421	.409	1.78467	36.938	.000 <sup>b</sup>	.307	.494	.546
3.C & B	.656 <sup>c</sup>	.430	.417	1.77387	32.723	.000 <sup>c</sup>	.068	.127	-
Bundle 11									
2.IC	.574 <sup>b</sup>	.330	.317	1.91967	25.027	.000 <sup>b</sup>	.229	.329	.569
3.C & B	.602 <sup>c</sup>	.362	.347	1.87645	24.625	.000 <sup>c</sup>	.127	.237	-
Bundle 12									
2.PA	.571 <sup>b</sup>	.326	.312	1.92570	24.553	.000 <sup>b</sup>	.164	.313	.579
3.CP	.605 <sup>c</sup>	.366	.352	1.86996	25.098	.000 <sup>c</sup>	.171	.265	-
Bundle 13									
2.R & S	.649 <sup>b</sup>	.421	.409	1.78467	36.938	.000 <sup>b</sup>	.287	.463	.527
3.PA	.660 <sup>c</sup>	.436	.423	1.76368	33.605	.000 <sup>c</sup>	.090	.171	-
Bundle 14									
2.IC	.574 <sup>b</sup>	.330	.317	1.91967	25.027	.000 <sup>b</sup>	.211	.303	.607
3.PA	.618 <sup>c</sup>	.382	.368	1.84637	26.860	.000 <sup>c</sup>	.154	.293	-
Bundle 15									
2.R & S	.649 <sup>b</sup>	.421	.409	1.78467	36.938	.000 <sup>b</sup>	.300	.484	.529
3.CP	.657 <sup>c</sup>	.431	.418	1.77135	32.940	.000 <sup>c</sup>	.091	.141	-
Bundle 16									
2.IC	.574 <sup>b</sup>	.330	.317	1.91967	25.027	.000 <sup>b</sup>	.218	.314	.511
3.CP	.601 <sup>c</sup>	.361	.346	1.87822	24.496	.000 <sup>c</sup>	.159	.245	-
Bundle 17									
2.R & S	.649 <sup>b</sup>	.421	.409	1.78467	36.938	.000 <sup>b</sup>	.282	.454	.553
3.IC	.663 <sup>c</sup>	.440	.427	1.75797	34.106	.000 <sup>c</sup>	.129	.186	-

Note : C&B=Compensation & Benefits, SHRM=SHRM alignment in organisation, CP=Career Planning, T&D=Training & Development, PA=Performance Appraisal, R&S=Recruitment & Selection, and IC=Internal Communication

#### 4.13 Multiple Regression Analysis: Three-Paired Strategic Human Resource Management Practices

The data in Tables 4.24 and 4.25 report the results of regression analysis of three-paired SHRM practices on rate and productivity and quality of products. Findings show that three-pair SHRM practices were not found to be significantly related to both the firm performance indicators. In other words, the combination of three-paired SHRM practices had no impact on rate of productivity and quality of products in surveyed insurance firms as compare to individual and two-paired SHRM practices.

Table 4.26 reveals only bundle 20 (Career planning x recruitment & selection x training & development) had significant and positive impact on customer service. Career planning [ $F(6,305) = 25.393, p < .05$ ] contributes 33.3% variance ( $R^2 = .333$ ) in the customer service. This means career planning ( $\beta = .486, p < .05$ ) was the main predictor that contributes to superior firm performance. The combination of career planning ( $\beta = .441, p < .05$ ), recruitment & selection ( $\beta = .233, p < .05$ ) and training & development ( $\beta = .163, p < .05$ ) increased 2.2% of variability ( $R^2 = .355$ , Adjusted  $R^2 = .338$ ) in the customer service [ $F(8,303) = 20.809, p < .05$ ].

Four three-paired SHRM practices were found to be significantly and positively impact sales growth (Table 4.27). The combination of recruitment & selection, career planning, and performance appraisal contribute 44.7% of the variance in sales growth [ $F(8,303) = 30.560, p < .05$ ]. This shows recruitment & selection [ $F(6,305) = 32.154, p < .05$ ] contributes 38.7% variance ( $R^2 = .387$ ) in the sales growth. This means recruitment & selection ( $\beta = .560, p < .05$ ) was the main predictor. The combination of recruitment & selection ( $\beta = .600, p < .05$ ), career planning ( $\beta = -.315, p < .05$ ) and performance appraisal ( $\beta = .254, p < .05$ ) increased 6% of variability ( $R^2 = .447$ , Adjusted  $R^2 = .432$ ) in sales growth.

Table 4.24 : Multiple Regression Analysis for Bundle of SHRM (Three-Paired) and Rate Of Productivity

Model	R	R <sup>2</sup>	Adj R <sup>2</sup>	Std.Error of the Estimate	F	Sig	B	β	Tolerance
1. <u>Control Variables</u>	.284 <sup>a</sup>	.081	.066	.70715	5.375	.000 <sup>a</sup>			
Designation							-.077	-.050	
Year of service							.158	.109	
Gender							.062	.042	
Education							-.187	-.116	
Age							.327	.176	
Bundle 18									
2.CP	.455 <sup>b</sup>	.207	.192	.65778	13.287	.000 <sup>b</sup>	.049	.238	.740;.460
3.C & B	.470 <sup>c</sup>	.221	.203	.65304	12.332	.000 <sup>c</sup>	.029	.174	.678
4. SHRM (excluded)	-	-	-	-	-	-	-	-	-
Bundle 19									
2.CP	.455 <sup>b</sup>	.207	.192	.65778	13.287	.000 <sup>b</sup>	.046	.226	.525;.460
3.T & D	.479 <sup>c</sup>	.230	.212	.64947	12.947	.000 <sup>c</sup>	.031	.207	.429
4.C B (excluded)	-	-	-	-	-	-	-	-	-
Bundle 20									
2.R & S	.552 <sup>b</sup>	.304	.291	.61611	22.253	.000 <sup>b</sup>	.095	.488	.435;.529
3.T & D (excluded)	-	-	-	-	-	-	-	-	-
4.CP (excluded)	-	-	-	-	-	-	-	-	-
Bundle 21									
2.PA	.538 <sup>b</sup>	.289	.275	.62282	20.687	.000 <sup>b</sup>	.077	.466	.472 ;579
3.T & D (excluded)	-	-	-	-	-	-	-	-	-
4.CP (excluded)	-	-	-	-	-	-	-	-	-
Bundle 22									
2.R & S	.552 <sup>b</sup>	.304	.292	.61611	22.253	.000 <sup>b</sup>	.075	.384	.435 ;553
3. IC	.564 <sup>c</sup>	.318	.302	.61116	20.235	.000 <sup>c</sup>	.034	.155	.381
4.T & D (excluded)	-	-	-	-	-	-	-	-	-
Bundle 23									
2.R & S	.552 <sup>b</sup>	.304	.291	.61611	22.253	.000 <sup>b</sup>	.095	.488	.546;.529
3.C & B (excluded)	-	-	-	-	-	-	-	-	-
4.CP (excluded)	-	-	-	-	-	-	-	-	-
Bundle 24									
2.PA	.538 <sup>b</sup>	.289	.275	.62282	20.687	.000 <sup>b</sup>	.077	.466	.620 ;579
3.C & B (excluded)	-	-	-	-	-	-	-	-	-
4.CP (excluded)	-	-	-	-	-	-	-	-	-
Bundle 25									
2.R & S	.552 <sup>b</sup>	.304	.291	.61611	22.253	.000 <sup>b</sup>	.075	.384	.553 ;546
3.IC	.564 <sup>c</sup>	.318	.302	.61116	20.235	.000 <sup>c</sup>	.034	.155	.475
4.C & B (excluded)	-	-	-	-	-	-	-	-	-
Bundle 26									
2.R & S	.552 <sup>b</sup>	.304	.291	.61611	22.253	.000 <sup>b</sup>	.061	.313	.527 ;529
3.PA	.583 <sup>c</sup>	.340	.324	.60131	22.340	.000 <sup>c</sup>	.043	.258	.474
4.CP (excluded)	-	-	-	-	-	-	-	-	-
Bundle 27									
2.R & S	.552 <sup>b</sup>	.304	.291	.61611	22.253	.000 <sup>b</sup>	.061	.313	.527 ;553
3.PA	.583 <sup>c</sup>	.340	.324	.60131	22.340	.000 <sup>c</sup>	.043	.258	.505
4.IC (excluded)	-	-	-	-	-	-	-	-	-
Bundle 28									
2.R & S	.552 <sup>b</sup>	.304	.291	.61611	22.253	.000 <sup>b</sup>	.075	.384	.553 ;529
3.IC	.564 <sup>c</sup>	.318	.302	.61116	20.235	.000 <sup>c</sup>	.034	.155	.430
4.CP (excluded)	-	-	-	-	-	-	-	-	-

Note : C&B=Compensation & Benefits, SHRM=SHRM alignment in organisation, CP=Career Planning, T&D=Training & Development, PA=Performance Appraisal, R&S=Recruitment & Selection, and IC=Internal Communication

Table 4.25 : Multiple Regression Analysis for Bundle of SHRM (Three-Paired) and Quality of Products

Model	R	R <sup>2</sup>	Adj R <sup>2</sup>	Std.Error of the Estimate	F	Sig	B	β	Tolerance
1. <u>Control Variables</u>	.192 <sup>a</sup>	.037	.021	.58806	2.352	.041 <sup>a</sup>			
Designation							-.087	-.069	
Year of service							.065	.055	
Gender							-.079	-.066	
Education							-.088	-.067	
Age							.204	.135	
Bundle 18									
2.CP	.435 <sup>b</sup>	.190	.174	.54033	11.895	.000 <sup>b</sup>	.048	.290	.460;.740
3.C & B	.447 <sup>c</sup>	.200	.182	.53769	10.868	.000 <sup>c</sup>	.021	.151	.678
4.SHRM (excluded)	-	-	-	-	-	-	-	-	-
Bundle 19									
2.T & D	.437 <sup>b</sup>	.191	.175	.53979	12.021	.000 <sup>b</sup>	.030	.244	.527;.593
3.CP	.470 <sup>c</sup>	.221	.203	.53071	12.305	.000 <sup>c</sup>	.039	.237	.429
4.C & B (excluded)	-	-	-	-	-	-	-	-	-
Bundle 20									
2.T & D	.437 <sup>b</sup>	.191	.175	.53979	12.021	.000 <sup>b</sup>	.030	.244	.527;.429
3.CP	.470 <sup>c</sup>	.221	.203	.53071	12.305	.000 <sup>c</sup>	.039	.237	.377
4.R & S (excluded)	-	-	-	-	-	-	-	-	-
Bundle 21									
2.T & D	.437 <sup>b</sup>	.191	.175	.53979	12.021	.000 <sup>b</sup>	.030	.244	.527;.476
3.CP	.470 <sup>c</sup>	.221	.203	.53071	12.305	.000 <sup>c</sup>	.039	.237	.435
4.PA (excluded)	-	-	-	-	-	-	-	-	-
Bundle 22									
2.T & D	.437 <sup>b</sup>	.191	.175	.53979	12.021	.000 <sup>b</sup>	.031	.257	.429;.546
3.R & S	.456 <sup>c</sup>	.208	.190	.53495	11.426	.000 <sup>c</sup>	.032	.199	.485
4.IC (excluded)	-	-	-	-	-	-	-	-	-
Bundle 23									
2.CP	.435 <sup>b</sup>	.190	.174	.54033	11.895	.000 <sup>b</sup>	.042	.256	.520;.460
3.R & S	.463 <sup>c</sup>	.214	.196	.53293	11.842	.000 <sup>c</sup>	.035	.218	.407
4.C & B (excluded)	-	-	-	-	-	-	-	-	-
Bundle 24									
2.CP	.435 <sup>b</sup>	.190	.174	.54033	11.895	.000 <sup>b</sup>	.048	.290	.460;.582
3.C & B	.447 <sup>c</sup>	.200	.182	.53769	10.868	.000 <sup>c</sup>	.021	.151	.541
4.PA (excluded)	-	-	-	-	-	-	-	-	-
Bundle 25									
2.R & S	.424 <sup>b</sup>	.180	.164	.54364	11.133	.000 <sup>b</sup>	.042	.265	.546;.553
3.C & B	.446 <sup>c</sup>	.199	.181	.53807	10.791	.000 <sup>c</sup>	.026	.188	.481
4.IC (excluded)	-	-	-	-	-	-	-	-	-
Bundle 26									
2.CP	.435 <sup>b</sup>	.190	.174	.54033	11.895	.000 <sup>b</sup>	.042	.256	.520;.582
3.R & S	.463 <sup>c</sup>	.214	.196	.53293	11.842	.000 <sup>c</sup>	.035	.218	.471
4.PA (excluded)	-	-	-	-	-	-	-	-	-
Bundle 27									
2.R & S	.424 <sup>b</sup>	.180	.164	.54364	11.133	.000 <sup>b</sup>	.062	.390	.533;.527
3.IC (excluded)	-	-	-	-	-	-	-	-	-
4.PA (excluded)	-	-	-	-	-	-	-	-	-
Bundle 28									
2.CP	.435 <sup>b</sup>	.190	.174	.54033	11.895	.000 <sup>b</sup>	.042	.256	.520;.522
3.R & S	.463 <sup>c</sup>	.214	.196	.53293	11.842	.000 <sup>c</sup>	.035	.228	.449
4.IC (excluded)	-	-	-	-	-	-	-	-	-

Note : C&B=Compensation & Benefits, SHRM=SHRM alignment in organisation, CP=Career Planning, T&D=Training & Development, PA=Performance Appraisal, R&S=Recruitment & Selection, and IC=Internal Communication

Table 4.26 : Multiple Regression Analysis for Bundle of SHRM (Three-Paired) and Customer Service

Model	R	R <sup>2</sup>	Adj R <sup>2</sup>	Std.Error of the Estimate	F	Sig	B	β	Tolerance
1. Control Variables	.328 <sup>a</sup>	.107	.093	.74250	7.362	.000 <sup>a</sup>			
Designation							-.159	-.097	
Year of service							.351	.226	
Gender							-.021	-.013	
Education							-.016	-.010	
Age							.328	.166	
Bundle 18									
2.CP	.577 <sup>b</sup>	.333	.320	.64284	25.393	.000 <sup>b</sup>	.074	.340	.740;.460
3.SHRM	.630 <sup>c</sup>	.396	.383	.61255	28.529	.000 <sup>c</sup>	.051	.293	.422
4.C & B (excluded)	-	-	-	-	-	-	-	-	-
Bundle 19									
2.CP	.577 <sup>b</sup>	.333	.320	.64284	25.393	.000 <sup>b</sup>	.083	.384	.460;.525
3.C & B	.585 <sup>c</sup>	.342	.327	.63940	22.611	.000 <sup>c</sup>	.026	.142	.489
4.T & D (excluded)	-	-	-	-	-	-	-	-	-
Bundle 20									
2.CP	.577 <sup>b</sup>	.333	.320	.64284	25.393	.000 <sup>b</sup>	.096	.441	.520;.525
3.R & S	.587 <sup>c</sup>	.344	.329	.63841	22.817	.000 <sup>c</sup>	.049	.233	.381
4.T & D	.595 <sup>d</sup>	.355	.338	.63448	20.809	.000 <sup>d</sup>	.026	.163	-
Bundle 21									
2.CP	.577 <sup>b</sup>	.333	.320	.64284	25.393	.000 <sup>b</sup>	.106	.486	.525;.582
3.T & D (excluded)	-	-	-	-	-	-	-	-	-
4.PA (excluded)	-	-	-	-	-	-	-	-	-
Bundle 22									
2.IC	.542 <sup>b</sup>	.294	.280	.66162	21.125	.000 <sup>b</sup>	.071	.305	.533;.533
3.R & S	.562 <sup>c</sup>	.316	.300	.65216	20.053	.000 <sup>c</sup>	.043	.205	.381
4.T & D (excluded)	-	-	-	-	-	-	-	-	-
Bundle 23									
2.CP	.577 <sup>b</sup>	.333	.320	.64284	25.393	.000 <sup>b</sup>	.084	.388	.520;.460
3.R & S	.587 <sup>c</sup>	.344	.329	.63841	22.817	.000 <sup>c</sup>	.031	.147	.407
4.C & B (excluded)	-	-	-	-	-	-	-	-	-
Bundle 24									
2.CP	.577 <sup>b</sup>	.333	.320	.64284	25.393	.000 <sup>b</sup>	.083	.384	.460;.582
3.C & B	.585 <sup>c</sup>	.342	.327	.63940	22.611	.000 <sup>c</sup>	.026	.142	.541
4.PA (excluded)	-	-	-	-	-	-	-	-	-
Bundle 25									
2.IC	.542 <sup>b</sup>	.294	.294	.66162	21.125	.000 <sup>b</sup>	.068	.291	.569;.533
3.C & B	.569 <sup>c</sup>	.324	.324	.64831	20.810	.000 <sup>c</sup>	.042	.231	.444
4.R & S (excluded)	-	-	-	-	-	-	-	-	-
Bundle 26									
2.CP	.577 <sup>b</sup>	.333	.320	.64284	25.393	.000 <sup>b</sup>	.084	.388	.520;.582
3.R & S	.587 <sup>c</sup>	.344	.329	.63841	22.817	.000 <sup>c</sup>	.031	.147	.471
4.PA (excluded)	-	-	-	-	-	-	-	-	-
Bundle 27									
2.IC	.542 <sup>b</sup>	.294	.280	.66162	21.125	.000 <sup>b</sup>	.071	.305	.533;.607
3.R & S	.562 <sup>c</sup>	.316	.300	.65216	20.053	.000 <sup>c</sup>	.043	.205	.481
4.PA (excluded)	-	-	-	-	-	-	-	-	-
Bundle 28									
2.CP	.577 <sup>b</sup>	.333	.320	.64284	25.393	.000 <sup>b</sup>	.075	.346	.522;.520
3.IC	.596 <sup>c</sup>	.355	.340	.63339	23.871	.000 <sup>c</sup>	.048	.203	.448
4.R & S (excluded)	-	-	-	-	-	-	-	-	-

Note : C&B=Compensation & Benefits, SHRM=SHRM alignment in organisation, CP=Career Planning, T&D=Training & Development, PA=Performance Appraisal, R&S=Recruitment & Selection, and IC=Internal Communication

Table 4.27 : Multiple Regression Analysis for Bundle of SHRM (Three-Paired) and Sales Growth

Model	R	R <sup>2</sup>	Adj R <sup>2</sup>	Std.Error of the Estimate	F	Sig	B	β	Tolerance
1. <u>Control Variables</u>	.305 <sup>a</sup>	.093	.078	.74923	6.275	.000 <sup>a</sup>			
Designation							.017	.010	
Year of service							.017	.011	
Gender							.170	.108	
Education							-.145	-.085	
Age							.500	.253	
Bundle 18									
2.C & B	.437 <sup>b</sup>	.191	.175	.70888	11.979	.000 <sup>b</sup>	.058	.319	.704 ; .459
3.SHRM (excluded)	-	-	-	-	-	-	-	-	-
4.CP (excluded)	-	-	-	-	-	-	-	-	-
Bundle 19									
2.T & D	.525 <sup>b</sup>	.276	.262	.67053	19.369	.000 <sup>b</sup>	.070	.438	.593 ; .527
3.C & B (excluded)	-	-	-	-	-	-	-	-	-
4.CP (excluded)	-	-	-	-	-	-	-	-	-
Bundle 20									
2.R & S	.622 <sup>b</sup>	.387	.375	.61672	32.154	.000 <sup>b</sup>	.130	.625	.529 ; .435
3.CP	.645 <sup>c</sup>	.416	.403	.60311	30.950	.000 <sup>c</sup>	-.063	-.288	.381
4.T & D	.654 <sup>d</sup>	.428	.413	.59808	28.306	.000 <sup>d</sup>	.028	.174	-
Bundle 21									
2.PA	.540 <sup>b</sup>	.292	.278	.66313	20.945	.000 <sup>b</sup>	.062	.351	.472 ; .579
3.T & D	.563 <sup>c</sup>	.317	.301	.65246	20.125	.000 <sup>c</sup>	.050	.316	.482
4.CP	.578 <sup>d</sup>	.334	.316	.64518	18.996	.000 <sup>d</sup>	.041	.190	-
Bundle 22									
2.R & S	.622 <sup>b</sup>	.387	.375	.61672	32.154	.000 <sup>b</sup>	.117	.560	.553 ; .435
3.IC (excluded)	-	-	-	-	-	-	-	-	-
4.T & D (excluded)	-	-	-	-	-	-	-	-	-
Bundle 23									
2.R & S	.622 <sup>b</sup>	.387	.375	.61672	32.154	.000 <sup>b</sup>	.149	.717	.529 ; .546
3.CP	.645 <sup>c</sup>	.416	.403	.60311	30.950	.000 <sup>c</sup>	-.051	-.233	.467
4.C & B (excluded)	-	-	-	-	-	-	-	-	-
Bundle 24									
2.PA	.540 <sup>b</sup>	.292	.278	.66313	20.945	.000 <sup>b</sup>	.080	.455	.620 ; .579
3.C & B (excluded)	-	-	-	-	-	-	-	-	-
4.CP (excluded)	-	-	-	-	-	-	-	-	-
Bundle 25									
2.R & S	.622 <sup>b</sup>	.387	.375	.61672	32.154	.000 <sup>b</sup>	.117	.560	.546 ; .553
3.C & B (excluded)	-	-	-	-	-	-	-	-	-
4.IC (excluded)	-	-	-	-	-	-	-	-	-
Bundle 26									
2.R & S	.622 <sup>b</sup>	.387	.375	.61672	32.154	.000 <sup>b</sup>	.125	.600	.529 ; .527
3.CP	.645 <sup>c</sup>	.416	.403	.60311	30.950	.000 <sup>c</sup>	-.069	-.315	.471
4.PA	.668 <sup>d</sup>	.447	.432	.58815	30.560	.000 <sup>d</sup>	.045	.254	-
Bundle 27									
2.R & S	.622 <sup>b</sup>	.387	.375	.61672	32.154	.000 <sup>b</sup>	.095	.457	.527 ; .553
3.PA	.632 <sup>c</sup>	.400	.386	.61160	28.899	.000 <sup>c</sup>	.027	.152	.505
4.IC (excluded)	-	-	-	-	-	-	-	-	-
Bundle 28									
2.R & S	.622 <sup>b</sup>	.387	.375	.61672	32.154	.000 <sup>b</sup>	.136	.655	.529 ; .553
3.CP	.645 <sup>c</sup>	.416	.403	.60311	30.950	.000 <sup>c</sup>	-.067	-.306	.449
4.IC	.655 <sup>d</sup>	.429	.413	.59764	28.403	.000 <sup>d</sup>	.039	.166	-

Note : C&B=Compensation & Benefits, SHRM=SHRM alignment in organisation, CP=Career Planning, T&D=Training & Development, PA=Performance Appraisal, R&S=Recruitment & Selection, and IC=Internal Communication

Bundle 28 comprising of recruitment & selection ( $\beta = .655, p < .05$ ), career planning ( $\beta = -.306, p < .05$ ) and internal communication ( $\beta = .166, p < .05$ ) contributes 42.9% of variability ( $R^2 = .429$ , Adjusted  $R^2 = .413$ ) in sales growth [ $F(8,303) = 28.403, p < .05$ ], followed by combination of recruitment & selection ( $\beta = .625, p < .05$ ), career planning ( $\beta = -.288, p < .05$ ), and training & development ( $\beta = .174, p < .05$ ) contributes 4.1% of variability ( $R^2 = .428$ , Adjusted  $R^2 = .413$ ,  $F = 28.306, p < .05$ ), and bundle 21 (performance appraisal x training & development x career planning) contributes 4.2% of variability in sales growth ( $R^2 = .334$ , Adjusted  $R^2 = .316$ ,  $F = 18.996, p < .05$ ). The data also indicates that both career planning and recruitment & selection contributed to the growing empirical evidence in the notion of bundling process with other SHRM practices in sales growth of insurance industry in Klang Valley.

In Table 4.28 the three-paired SHRM practices and firm performance are the subjects of the analysis. Model 1 revealed the effects of control variables. Neither of these variables had a strong significant impact on firm performance. The combination of recruitment & selection, internal communication, and performance appraisal contribute 44.7% of the variance in firm performance [Adjusted  $R^2 = .433$ ,  $F(8,303) = 30.677, p < .05$ ]. This shows recruitment & selection [ $F(6,305) = 36.938, p < .05$ ] contributes 42.1% variance ( $R^2 = .421$ ) in firm performance. This means recruitment & selection ( $\beta = .579, p < .05$ ) was the main predictor. The combination of recruitment & selection ( $\beta = .393, p < .05$ ), internal communication ( $\beta = .149, p < .05$ ) and performance appraisal ( $\beta = .126, p < .05$ ) increased 2.6% of variability in firm performance.

Table 4.28 : Multiple Regression Analysis for Bundle of SHRM (Three-Paired) and Firm Performance

Model	R	R <sup>2</sup>	Adj R <sup>2</sup>	Std.Error of the Estimate	F	Sig	B	β	Tolerance
1. Control Variables	.326 <sup>a</sup>	.106	.091	2.21369	7.257	.000 <sup>a</sup>			
Designation							-.306	-.062	
Year of service							.592	.128	
Gender							.132	.028	
Education							-.437	-.085	
Age							1.359	.231	
Bundle 18									
2.CP	.556 <sup>b</sup>	.309	.296	1.94888	22.770	.000 <sup>b</sup>	.160	.247	.704;.460
3.SHRM	.583 <sup>c</sup>	.340	.325	1.90775	22.410	.000 <sup>c</sup>	.084	.163	.422
4.C&B	.595 <sup>d</sup>	.355	.337	1.89032	20.801	.000 <sup>d</sup>	.098	.183	-
Bundle 19									
2.T & D	.558 <sup>b</sup>	.312	.298	1.94546	23.029	.000 <sup>b</sup>	.114	.239	.593;.527
3.C & B	.594 <sup>c</sup>	.353	.338	1.88977	23.669	.000 <sup>c</sup>	.095	.176	.381
4.CP	.604 <sup>d</sup>	.364	.348	1.87586	21.709	.000 <sup>d</sup>	.113	.174	-
Bundle 20									
2.R & S	.649 <sup>b</sup>	.421	.409	1.78467	36.938	.000 <sup>b</sup>	.300	.484	.529;.435
3.CP	.657 <sup>c</sup>	.431	.418	1.77135	32.940	.000 <sup>c</sup>	.091	.141	.381
4.T & D (excluded)	-	-	-	-	-	-	-	-	-
Bundle 21									
2.PA	.571 <sup>b</sup>	.326	.312	1.92570	24.553	.000 <sup>b</sup>	.125	.238	.579;.472
3.CP	.605 <sup>c</sup>	.366	.352	1.86996	25.098	.000 <sup>c</sup>	.134	.207	.393
4.T & D	.613 <sup>d</sup>	.376	.359	1.85888	22.803	.000 <sup>d</sup>	.074	.156	-
Bundle 22									
2.R & S	.649 <sup>b</sup>	.421	.409	1.78467	36.938	.000 <sup>b</sup>	.282	.454	.553;.435
3.IC	.663 <sup>c</sup>	.440	.427	1.75797	34.106	.000 <sup>c</sup>	.129	.186	.381
4.T & D (excluded)	-	-	-	-	-	-	-	-	-
Bundle 23									
2.R & S	.649 <sup>b</sup>	.421	.409	1.78467	36.938	.000 <sup>b</sup>	.300	.484	.529;.546
3.CP	.657 <sup>c</sup>	.431	.418	1.77135	32.940	.000 <sup>c</sup>	.091	.141	.407
4.C & B (excluded)	-	-	-	-	-	-	-	-	-
Bundle 24									
2.PA	.571 <sup>b</sup>	.326	.312	1.92570	24.553	.000 <sup>b</sup>	.144	.275	.579;.620
3.CP	.605 <sup>c</sup>	.366	.352	1.86996	25.098	.000 <sup>c</sup>	.111	.172	.428
4.C & B	.614 <sup>d</sup>	.377	.361	1.85645	22.961	.000 <sup>d</sup>	.087	.162	-
Bundle 25									
2.R & S	.649 <sup>b</sup>	.421	.409	1.78467	36.938	.000 <sup>b</sup>	.282	.454	.553;.546
3.IC	.663 <sup>c</sup>	.440	.427	1.75797	34.106	.000 <sup>c</sup>	.129	.186	.475
4.C & B (excluded)	-	-	-	-	-	-	-	-	-
Bundle 26									
2.R & S	.649 <sup>b</sup>	.421	.409	1.78467	36.938	.000 <sup>b</sup>	.287	.463	.527;.529
3.PA	.660 <sup>c</sup>	.436	.423	1.76368	33.605	.000 <sup>c</sup>	.090	.171	.474
4.CP (excluded)	-	-	-	-	-	-	-	-	-
Bundle 27									
2.R & S	.649 <sup>b</sup>	.421	.409	1.78467	36.938	.000 <sup>b</sup>	.244	.393	.553;.527
3.IC	.663 <sup>c</sup>	.440	.427	1.75797	34.106	.000 <sup>c</sup>	.104	.149	.481
4.PA	.669 <sup>d</sup>	.447	.433	1.74886	30.677	.000 <sup>d</sup>	.066	.126	-
Bundle 28									
2.R & S	.649 <sup>b</sup>	.421	.409	1.78469	36.938	.000 <sup>b</sup>	.282	.454	.553;.529
3.IC	.663 <sup>c</sup>	.440	.427	1.75797	34.106	.000 <sup>c</sup>	.129	.186	.430
4.CP (excluded)	-	-	-	-	-	-	-	-	-

Note : C&B=Compensation & Benefits, SHRM=SHRM alignment in organisation, CP=Career Planning, T&D=Training & Development, PA=Performance Appraisal, R&S=Recruitment & Selection, and IC=Internal Communication



Similarly, Bundle 24 (Performance appraisal x career planning x compensation & benefits) with full model accounting for 37.7% of the variability in firm performance [Adjusted  $R^2 = .361$ ,  $F(8,303) = 22.961$ ,  $p < .05$ ]. This is followed by bundle 21 (Performance appraisal x career planning x training & development) contributes 37.6% (Adjusted  $R^2 = .359$ ), bundle 19 (training & development x compensation & benefits x career planning) contributes 36.4% (Adjusted  $R^2 = .348$ ), and bundle 18 (career planning x SHRM alignment in the organisation x compensation & benefits ) contributes 35.5% (Adjusted  $R^2 = .337$ ) variability in firm performance.

In summary, the findings on the relationship between bundle of SHRM practices on firm performance indicators support for Hypothesis 1. Table 4.29 shows the comparison of single HRM practices and bundle of SHRM practices on firm performance indicators. The example comparison data in Table 4.29 was selected based on the highest percentage of variance in firm performance indicators, to validate and test the Hypothesis 1.

Table 4.29: Comparison between SHRM practices and Firm Performance Outcomes

Indicator	Single HRM practices (Adjusted $R^2$ )	Two-paired SHRM practices (Adjusted $R^2$ )	Three-paired SHRM practices (Adjusted $R^2$ )
Rate of Productivity	Recruitment & Selection (.291)	Bundle 13 (.324)	-
Customer Service	Career Planning (.320)	Bundle 2 (.383)	Bundle 20 (.338)
Quality of Products	Training & Development (.175)	Bundle 4 (.203)	-
Sales Growth	Recruitment & Selection (.375)	Bundle 15 (.403)	Bundle 26 (.432)
Firm Performance	Recruitment & Selection (.409)	Bundle 17 (.427)	Bundle 27 (.433)

Table 4.29 explains firm performance indicators can be enhanced through bundling the SHRM practices and how these bundling process work toward company goals which is achieving competitive advantage and superior performance. The above empirical findings show that bundling SHRM practices can facilitate these actions. For example,

combination of SHRM practices such as recruitment & selection and performance appraisal can be designed to help insurance firm achieve high rate of productivity (Adjusted  $R^2 = .324$ ) as compared to only recruitment & selection practices (Adjusted  $R^2 = .291$ ). In other words, insurance firm can promote accurate pre-employment expectation (knowledge, skills, attitude, personality, and values of the applicant) and hiring employees with the characteristics required for the job. Expanding the employee job roles, performance appraisal practices should involve the measurement, evaluation, and development of the employee's performance derived from the job analysis. Taken together, both practices provide for much clearer understanding of SHRM configurations, variations and how multiple of SHRM practices impacting groups of employees rather than homogeneously as exemplified by MacDuffie (1995) and Delery and Doty (1996).

In addition, insurance firm can achieve superior sales growth by combining the recruitment & selection, career planning, and performance appraisal practices (Adjusted  $R^2 = .432$ ), compared to single HRM practices recruitment & selection (Adjusted  $R^2 = .375$ ) and combination of recruitment & selection and career planning (Adjusted  $R^2 = .403$ ). In contrast, superior customer service can be achieved by bundling the career planning and SHRM alignment in the organisation practices (Adjusted  $R^2 = .383$ ) compared to combination of career planning, recruitment & selection, and training & development (Adjusted  $R^2 = .338$ ). This empirical evidence shows that one aspect of strategic HRM consisted of creating a horizontal fit among the various HRM practices such that they can complement, substitute for, or even conflict with other practices, and the outcomes the practices seek to elicit.

For example, for a insurance firm seeking to compete through customer service, horizontal fit among the HRM practices would exist when career planning is designed to attract and retain employee with high levels of customer service attitudes and skills, when the SHRM alignment in the organisation practices focuses on employee's well being, recognition, rewards, and development that enable employees to effectively serve customers. Such models identify the mutual high obligation of the employee's commitment and optimism about their career, and intent to stay with the organisation. This finding is consistent with the macro research showing positive firm-level effects for high involvement work system conducted by Arthur (1994) and Huselid (1995).

Similarly, at macro level, insurance firm can integrate recruitment & selection, internal communication, and performance appraisal (Adjusted  $R^2 = .433$ ) in achieving high firm performance. In sum, the analysis reveals that single HRM practices accounted less of the variability in firm performance outcomes and SHRM bundles explained more of the variation for firm performance outcomes. A related approach, the resource-based view proves the underlying assumption that the bundling process of SHRM practices are socially complex and intricately linked, thus making it an integral part of HRM system in the organisation that is unique, non-substitutable, and very difficult to imitate will have better firm performance. Hence, the Hypothesis 1 is accepted.

#### 4.14 Regression Analysis between Organisational Culture and Firm Performance

Table 4.30 shows the regression analysis between organisational culture and rate of productivity. Only market culture have minimal effect on rate of productivity. Market culture ( $F=5.381$ ,  $p < .05$ ) contribute 9.6% of variability on rate of productivity respectively.

Table 4.30 : Regression Analysis for Organisational Culture and Rate of Productivity

Type of Organisational Culture	R	R <sup>2</sup>	Adj R <sup>2</sup>	Std.Error of the Estimate	F	Sig	B	$\beta$	Tolerance
Control Variable	.284 <sup>a</sup>	.081	.066	.70715	5.375	.000 <sup>a</sup>			
Designation							-.077	-.050	
Year of Service							.158	.088	
Gender							.063	.083	
Education							-.187	.094	
Age							.326	.116	
Clan Culture	-	-	-	-	-	-	-	-	.964
Adhocracy Culture	-	-	-	-	-	-	-	-	.949
Market Culture	.309 <sup>b</sup>	.096	.078	.70251	5.381	.000 <sup>b</sup>	.002	.125	.952
Hierarchy Culture	.314 <sup>b</sup>	.099	.081	.70140	5.560	.000 <sup>b</sup>	-.002	-.134	.994

Table 4.31 presents all types of organisational culture were significantly related to customer service. Adhocracy culture ( $R^2 = .122$ ,  $F = 7.054$ ,  $p < .05$ ) contributes the highest percentage of variance in customer service, followed by clan culture ( $R^2 = .119$ ,  $F = 6.863$ ,  $p < .05$ ). The findings reveal the market and hierarchy culture were negatively associated with customer service. In contrast, adhocracy culture only contributes 4.5% of variance in quality of products (Table 4.32) and other organisational culture types were negatively associated with quality of product.

Table 4.31 : Regression Analysis for Organisational Culture and Customer Service

Type of Organisational Culture	R	R <sup>2</sup>	Adj R <sup>2</sup>	Std.Error of the Estimate	F	Sig	B	$\beta$	Tolerance
Control Variable	.328 <sup>a</sup>	.107	.093	.74250	7.362	.000 <sup>a</sup>			
Designation							-.159	-.097	
Year of Service							.351	.226	
Gender							-.021	-.013	
Education							-.016	-.010	
Age							.328	.166	
Clan Culture	.345 <sup>b</sup>	.119	.101	.73895	6.853	.000 <sup>b</sup>	.002	.109	.964
Adhocracy Culture	.349 <sup>b</sup>	.122	.105	.73767	7.054	.000 <sup>b</sup>	.002	.123	.949
Market Culture	.328 <sup>b</sup>	.107	.090	.74372	6.116	.000 <sup>b</sup>	.000	-.003	.952
Hierarchy Culture	.381 <sup>b</sup>	.146	.129	.72766	8.657	.000 <sup>b</sup>	-.003	-.196	.994

Table 4.32 : Regression Analysis for Organisational Culture and Quality of Products

Type of Organisational Culture	R	R <sup>2</sup>	Adj R <sup>2</sup>	Std.Error of the Estimate	F	Sig	B	β	Tolerance
Control Variable	.192 <sup>a</sup>	.037	.021	.58806	2.352	.041 <sup>a</sup>			
Designation							-.087	-.069	
Year of Service							.065	.055	
Gender							-.079	-.066	
Education							-.088	-.067	
Age							.204	.135	
Clan Culture	.193 <sup>b</sup>	.037	.018	.58896	1.964	.071 <sup>b</sup>	-	-.014	.964
Adhocracy Culture	.212 <sup>b</sup>	.045	.026	.58662	2.385	.029 <sup>b</sup>	.001	.091	.949
Market Culture	.192 <sup>b</sup>	.037	.018	.58901	1.955	.072 <sup>b</sup>	-	-.005	.952
Hierarchy Culture	.202 <sup>b</sup>	.041	.022	.68786	2.162	.047 <sup>b</sup>	-.001	-.062	.994

Only hierarchy culture was found to be significant in sales growth which contributes only 9.5% of variability in sales growth (Table 4.33). In summary, at the macro-level analysis, only three types of organisational culture contribute averagely 11% of variability in firm performance e.g. adhocracy culture ( $R^2 = .110$ ,  $p < .05$ ), market culture ( $R^2 = .107$ ,  $p < .05$ ), and clan culture ( $R^2 = .106$ ,  $p < .05$ ) (Table 4.34).

Table 4.33: Regression Analysis for Organisational Culture and Sales Growth

Type of Organisational Culture	R	R <sup>2</sup>	Adj R <sup>2</sup>	Std.Error of the Estimate	F	Sig	B	β	Tolerance
Control Variable	.305 <sup>a</sup>	.093	.078	.74923	6.275	.000 <sup>a</sup>			
Designation							.017	.010	
Year of Service							.017	.011	
Gender							.170	.108	
Education							-.145	-.085	
Age							.500	.253	
Clan Culture	.308 <sup>b</sup>	.095	.077	.74970	5.326	.000 <sup>b</sup>	-.001	-.044	.964
Adhocracy Culture	.305 <sup>b</sup>	.093	.075	.75041	5.220	.000 <sup>b</sup>	-	-.011	.949
Market Culture	.305 <sup>b</sup>	.093	.075	.75046	5.212	.000 <sup>b</sup>	-	-.001	.952
Hierarchy Culture	.308 <sup>b</sup>	.095	.077	.74962	5.337	.000 <sup>b</sup>	.001	.045	.994

Table 4.34 : Regression Analysis for Organisational Culture and Firm Performance

Type of Organisational Culture	R	R <sup>2</sup>	Adj R <sup>2</sup>	Std.Error of the Estimate	F	Sig	B	β	Tolerance
Control Variable	.326 <sup>a</sup>	.106	.091	2.21369	7.257	.000 <sup>a</sup>			
Designation							-.306	-.062	
Year of Service							.592	.128	
Gender							.132	.028	
Education							-.457	-.085	
Age							1.359	.231	
Clan Culture	.326 <sup>b</sup>	.106	.089	2.21694	6.047	.000 <sup>b</sup>	.001	.018	.964
Adhocracy Culture	.332 <sup>b</sup>	.110	.093	2.21189	6.307	.000 <sup>b</sup>	.004	.068	.949
Market Culture	.328 <sup>b</sup>	.107	.090	2.21570	6.110	.000 <sup>b</sup>	.002	.037	.952
Hierarchy Culture	.343 <sup>b</sup>	.118	.100	2.20272	6.784	.000 <sup>b</sup>	-.005	-.109	.994

At a broad level, results reveal that the CVF's culture types are significantly associated with firm performance. These findings support the widely held proposition that organisational culture is an important organisational variable and reinforce the value of conducting quantitative investigations into the function of organisational culture. The empirical strength between the organisational culture and firm performance, this study defines what culture is and how it manifests within the insurance industry delineate the variables that influence culture and the mechanisms through which culture influences organisational outcomes, which are helpful in extending the knowledge about organisational culture at local context.

Taken together, the results of this study may suggest that the CVF's culture type in opposite quadrants are not competing, instead coexist and work together. Consequently, the presence of one culture type may not necessarily pre-empt the presence of another, but may be more complementary than contradictory. This possibility may partially account for the mixed support for the CVF's nomological validity. State differently, culture types are all positively associated with the performance criteria because the culture types are, on low, average, moderately to strong correlated (Denison and Spreitzer, 1991; Cameron *et al.*, 2006; Hartnell *et al.*, 2011).

The positive interrelationships among the CVF's four culture types suggest that identifying "dominant" culture types may be of limited utility because they do not fully account for organisational culture. That is organisational cultures include unique and dynamic aspects from multiple culture types (Denison and Spreitzer, 1991; Lamond, 2003). Therefore, this study attempts to investigate the synergistic interaction among the culture types that define the dynamic of organisational culture in achieving superior performance. Rather than investigating culture types' independent association with

performance criteria, research should pursue a configural approach (Miller, 1996) by ascertaining an organisation's culture profile in the insurance industry.

Table 4.35 shows the combination that six type of organisational culture and its correlations between organisational culture types and firm performance at 95% confidence intervals excluding zero. These results demonstrate that the CVF's culture type, indeed, had a mixed association with firm performance. Overall, the combinations of two-culture type and firm performance were small but significant. The combination of clan and market culture contribute 11.3% ( $R^2 = .113$ , Adjusted  $R^2 = .095$ ,  $p < .05$ ) of variance in firm performance. This is followed by clan and adhocracy culture ( $R^2 = .110$ , Adjusted  $R^2 = .093$ ,  $p < .05$ ) and market and adhocracy culture ( $R^2 = .108$ , Adjusted  $R^2 = .090$ ,  $p < .05$ ). The other combination of organisational culture types showed negative significant impact on firm performance.

Table 4.35 : Regression Analysis for Combinations of Organisational Culture

Organisational Culture	R	R <sup>2</sup>	Adj R <sup>2</sup>	F	Sig	B	β
<u>Control Variable</u>	.326	.106	.091	7.257	.000		
Designation	<sup>a</sup> ,				<sup>a</sup> ,	-.306	-.062
Year of Service						.592	.128
Gender						.132	.028
Education						-.437	-.085
Age						1.359	.231
Culture 1 (Clan x Market)	.335	.113	.095	6.445	.000	.001	.082
	<sup>b</sup> ,				<sup>b</sup> ,		
Culture 2 (Clan x Adhocracy)	.332	.110	.093	6.309	.000	.001	.068
	<sup>b</sup> ,				<sup>b</sup> ,		
Culture 3 (Clan x Hierarchy)	.340	.116	.098	6.663	.000	-.001	-.100
	<sup>b</sup> ,				<sup>b</sup> ,		
Culture 4 (Market x Hierarchy)	.328	.108	.090	6.127	.000	.000	-.040
	<sup>b</sup> ,				<sup>b</sup> ,		
Culture 5 (Market x Adhocracy)	.329	.108	.090	6.153	.000	.000	.045
	<sup>b</sup> ,				<sup>b</sup> ,		
Culture 6 (Adhocracy x Hierarchy)	.326	.106	.088	6.030	.000	.000	-.007
	<sup>b</sup> ,				<sup>b</sup> ,		

The

comparison with single organisational culture type and configurational of organisational culture type show similar result of the percentage of variability in firm performance. Findings show that clan, market, and adhocracy cultures play a significant role in the association with firm performance, both individual and combination with other culture

type. The study findings indicate varying relationship between the organisational culture types and measure of firm performance. This shows the dynamism of organisational culture types (single versus configurational) and determining how to embed a culture that produces competitive advantage.

One explanation for this pattern is that the culture types interact and strengthen each other's association with firm performance criteria. For example clan culture's emphasis on collaboration, trust, communication, and support may provide the internal integration needed to market culture's capacity to innovatively meet customers' needs. Likewise, externally focused cultures may provide the information requirement for clan culture to improve customer service. By combining the information acquisition and internal process may cumulatively amplify overall firm performance.

The second hypothesis of the study was that market cultures would have significantly stronger positive association with firm performance than would clan, adhocracy, and hierarchy culture. Results demonstrate a mixed support for this hypothesis, leaving Hypothesis 2 partially supported.

#### 4.15 Mediation Analysis

In order to test this hypothesis, this study conducted multiple regression analyses in three steps as recommended by Baron and Kenny (1986). This study first included only the control variables. In step 2, the bundle of SHRM practices were added to the model. The results showed a significant impact of bundle of SHRM practices on firm performance outcomes. In step 3, the mediators were then added to Model 2. If these conditions all hold in the predicted direction, the effect of the independent variable on



the dependent variable must be less in the third equation than in the second. Perfect mediation holds if the independent variable has no effect when the mediator is controlled. The results indicated that bundle of SHRM practices was significant in relation to firm performance. At the same time, the mediator was also significant. Notably, when the mediator and the independent variables are used simultaneously in Model 3 to explain the dependent variable, the previously significant path between the independent and dependent variables in Model 2 changed. Table 4.36 shows the result of the inclusion of organisational culture leads to slight decrease in the standardised for compensation & benefits and SHRM alignment in the organisation from  $\beta = .201$  to  $\beta = -.106$  (Clan),  $\beta = .137$  (Market), and  $\beta = -.093$  (Hierarchy) with respect to firm performance. At step 3, market culture accounted for an additional of 1.8% of the variability in the model ( $\Delta R^2 = .018$ , Adjusted  $R^2 = .327$ ,  $p < .05$ ) and was significant ( $\beta = .137$ ,  $t = 2.824$ ). However, clan and hierarchy culture were found negatively associated with firm performance and adhocracy culture was not found to be significantly associated with firm performance. Based on the results, the study concludes that market culture partially mediates the relationship between compensation & benefits and SHRM alignment in the organisation and firm performance.

Table 4.36: Regression Analysis for Bundle 1 and Organisational Culture

Dependent Variable	Firm Performance							
	$\beta$				Sig.			
Step 2 C&B x SHRM	.201				.000**			
Mediator	Clan Culture		Adhocracy Culture		Market Culture		Hierarchy Culture	
	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.
Step 3 C&B x SHRM (after the inclusion of organisational culture into the model as predictor)	-.106	.033*	Excluded		.137	.005*	-.093	.048*
R <sup>2</sup> (Controls)	.106				.106		.106	
$\Delta R^2$ (Bundle 1)	.221				.221		.221	
$\Delta R^2$ (Mediator)	.011				.018		.009	
R <sup>2</sup> (Total Model)	.338				.345		.336	
F (Total Model)	19.295				19.921		19.169	

Note: N=312, Standardised beta coefficients are shown. \* $p < 0.05$ , \*\* $p < 0.01$

C&B = Compensation & Benefits, SHRM = SHRM alignment in the organisation.

Table 4.37 shows that market culture accounted for an additional of 2.1% of the variability ( $\Delta R^2 = .021$ ,  $p < .05$ ) and was significant ( $\beta = .153$ ,  $t = 3.165$ ). Clan culture was found negatively associated with firm performance and adhocracy and hierarchy culture were not found to be significantly associated with firm performance. Based on the results, the study concludes that market culture partially mediates the relationship between career planning and SHRM alignment in the organisation and firm performance (Adjusted  $R^2 = .345$ ).

Table 4.37: Regression Analysis for Bundle 2 and Organisational Culture

Dependent Variable	Firm Performance							
	$\beta$				Sig.			
Step 2 CP x SHRM	.205				.000**			
Mediator	Clan Culture		Adhocracy Culture		Market Culture		Hierarchy Culture	
	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.
Step 3 CP x SHRM (after the inclusion of organisational culture into the model as predictor)	-.122	.013*	Excluded		.153	.002*	Excluded	
R <sup>2</sup> (Controls)	.106				.106			
$\Delta R^2$ (Bundle 2)	.234				.234			
$\Delta R^2$ (Mediator)	.014				.021			
R <sup>2</sup> (Total Model)	.354				.361			
F (Total Model)	20.725				21.443			

Note: N=312, Standardised beta coefficients are shown. \* $p < 0.05$ , \*\* $p < 0.01$

CP = Compensation & Benefits, SHRM = SHRM alignment in the organisation.

Table 4.38 shows that market culture accounted for an additional of 1.1% of the variability ( $\Delta R^2 = .011$ ,  $p < .05$ ) and was significant ( $\beta = .110$ ,  $t = 2.317$ ). Hierarchy culture was found negatively associated with firm performance. Clan and adhocracy culture were not found to be significantly associated with firm performance. Based on the results, the study concludes that market culture partially mediates the relationship between training & development and compensation & benefits and firm performance with total adjusted  $R^2$  of 0.347 (34.7% of variance in firm performance).

Table 4.38: Regression Analysis for Bundle 3 and Organisational Culture

Dependent Variable	Firm Performance							
	$\beta$				Sig.			
Step 2 T&D x C&B	.263				.000**			
Mediator	Clan Culture		Adhocracy Culture		Market Culture		Hierarchy Culture	
	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.
Step 3 T&D x C&B (after the inclusion of organisational culture into the model as predictor)	Excluded		Excluded		.110	.021*	-.092	.048*
R <sup>2</sup> (Controls)					.106		.106	
$\Delta R^2$ (Bundle 3)					.247		.247	
$\Delta R^2$ (Mediator)					.011		.008	
R <sup>2</sup> (Total Model)					.364		.361	
F (Total Model)					21.678		21.404	

Note: N=312, Standardised beta coefficients are shown. \* $p < 0.05$ , \*\* $p < 0.01$   
T&D = Training & Development, C&B = Compensation & Benefits

Table 4.39 shows that market culture accounted for an additional of 1.3% of the variability ( $\Delta R^2 = .013$ ,  $p < .05$ ) and was significant ( $\beta = .120$ ,  $t = 2.495$ ). Clan culture was found negatively associated with firm performance. Based on the results, the study concludes that market culture partially mediates the relationship between training & development and career planning (decreased of  $\beta$  from .273 to .120) with a 34.7% of variance in the firm performance (Adjusted  $R^2 = .347$ ).

Table 4.39: Regression Analysis for Bundle 4 and Organisational Culture

Dependent Variable	Firm Performance							
	$\beta$				Sig.			
Step 2 T&D x CP	.273				.000**			
Mediator	Clan Culture		Adhocracy Culture		Market Culture		Hierarchy Culture	
	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.
Step 3 T&D x CP (after the inclusion of organisational culture into the model as predictor)	-.102	.038*	Excluded		.120	.013*	Excluded	
R <sup>2</sup> (Controls)	.106				.106			
$\Delta R^2$ (Bundle 4)	.245				.245			
$\Delta R^2$ (Mediator)	.009				.013			
R <sup>2</sup> (Total Model)	.360				.364			
F (Total Model)	22.324				21.686			

Note: N=312, Standardised beta coefficients are shown. \* $p < 0.05$ , \*\* $p < 0.01$   
T&D = Training & Development, CP = Career Planning

Table 4.40 shows that adhocracy culture accounted for an additional of 1% of the variability ( $\Delta R^2 = .010$ , Adjusted  $R^2 = .359$ ,  $p < .05$ ) and was significant ( $\beta = .105$ ,  $t = 2.240$ ). Based on the results, the study concludes that adhocracy culture partially mediates the relationship between internal communication and training & development and firm performance.

Table 4.40: Regression Analysis for Bundle 7 and Organisational Culture

Dependent Variable	Firm Performance							
	$\beta$				Sig.			
<u>Step 2</u> IC x T&D	.256				.000**			
Mediator	Clan Culture		Adhocracy Culture		Market Culture		Hierarchy Culture	
	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.
<u>Step 3</u> IC x T&D (after the inclusion of organisational culture into the model as predictor)	Excluded		.105	.026*	Excluded		Excluded	
R <sup>2</sup> (Controls)			.106					
$\Delta R^2$ (Bundle 7)			.259					
$\Delta R^2$ (Mediator)			.010					
R <sup>2</sup> (Total Model)			.375					
F (Total Model)			22.737					

Note: N=312, Standardised beta coefficients are shown. \* $p < 0.05$ , \*\* $p < 0.01$

IC = Internal Communication, T&D = Training & Development

Table 4.41 shows that market culture accounted for an additional of 1.1% of the variability ( $\Delta R^2 = .011$ ,  $p < .05$ ) and was significant ( $\beta = .109$ ,  $t = 2.431$ ). Based on the results, the study concludes that market culture partially mediates the relationship between recruitment & selection and compensation & benefits and firm performance (decreased of  $\beta$  from .127 to .109). Approximately 42.6% (Adjusted  $R^2 = .426$ ) of variance in firm performance is accounted for by recruitment & selection, compensation & benefits, and market culture.

Table 4.41: Regression Analysis for Bundle 10 and Organisational Culture

Dependent Variable	Firm Performance							
	$\beta$				Sig.			
Step 2 R&S x C&B	.127				.030*			
Mediator	Clan Culture		Adhocracy Culture		Market Culture		Hierarchy Culture	
	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.
Step 3 R&S xx C&B (after the inclusion of organisational culture into the model as predictor)	Excluded		Excluded		.109	.016*	Excluded	
R <sup>2</sup> (Controls)					.106			
$\Delta R^2$ (Bundle 10)					.324			
$\Delta R^2$ (Mediator)					.011			
R <sup>2</sup> (Total Model)					.441			
F (Total Model)					29.834			

Note: N=312, Standardised beta coefficients are shown. \* $p < 0.05$ , \*\* $p < 0.01$

R&S = Recruitment & Selection, C&B= Compensation & Benefits

Table 4.42 shows that market culture accounted for an additional of 1% of the variability ( $\Delta R^2 = .010$ ,  $p < .05$ ) and was significant ( $\beta = .106$ ,  $t = 2.245$ ). Adhocracy culture was found to be significantly associated with firm performance but the percent of variability (Adjusted  $R^2 = .354$ ) is smaller than market culture (Adjusted  $R^2 = .356$ ). Based on the results, the study concludes that market and adhocracy culture partially mediates the relationship between internal communication and compensation & benefits and firm performance with a decreased of  $\beta$  from .237 to .106 (Market culture) and .096 (Adhocracy culture).

Table 4.42: Regression Analysis for Bundle 11 and Organisational Culture

Dependent Variable	Firm Performance							
	$\beta$				Sig.			
Step 2 IC x C&B	.237				.000**			
Mediator	Clan Culture		Adhocracy Culture		Market Culture		Hierarchy Culture	
	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.
Step 3 IC x C&B (after the inclusion of organisational culture into the model as predictor)	-.118	.014*	.096	.041*	.106	.026*	Excluded	
R <sup>2</sup> (Controls)	.106		.106		.106			
$\Delta R^2$ (Bundle 11)	.256		.256		.256			
$\Delta R^2$ (Mediator)	.012		.009		.010			
R <sup>2</sup> (Total Model)	.374		.371		.372			
F (Total Model)	22.667		22.301		29.834			

Note: N=312, Standardised beta coefficients are shown. \* $p < 0.05$ , \*\* $p < 0.01$

IC = Internal Communication, C&B= Compensation & Benefits

Table 4.43 shows that market culture accounted for an additional of 0.9% of the variability ( $\Delta R^2 = .009$ ,  $p < .05$ ) and was significant ( $\beta = .100$ ,  $t = 2.091$ ). Clan culture was found to be negatively associated with firm performance while adhocracy and hierarchy culture were found not significant with firm performance. Based on the results, the study concludes that market culture partially mediates the relationship between performance appraisal and career planning and firm performance (decreased of  $\beta$  from .265 to .100). A total of 35.9% (Adjusted  $R^2 = .359$ ) of variance in firm performance is accounted for by performance appraisal, career planning and market culture.

Table 4.43: Regression Analysis for Bundle 12 and Organisational Culture

Dependent Variable	Firm Performance							
	$\beta$				Sig.			
<u>Step 2</u> PA x CP	.265				.000**			
Mediator	Clan Culture		Adhocracy Culture		Market Culture		Hierarchy Culture	
	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.
<u>Step 3</u> PA x CP (after the inclusion of organisational culture into the model as predictor)	-.103	.034*	Excluded		.100	.037*	Excluded	
R <sup>2</sup> (Controls)	.106				.106			
$\Delta R^2$ (Bundle 12)	.260				.260			
$\Delta R^2$ (Mediator)	.010				.009			
R <sup>2</sup> (Total Model)	.376				.375			
F (Total Model)	22.788				22.750			

Note: N=312, Standardised beta coefficients are shown. \* $p < 0.05$ , \*\* $p < 0.01$

PA = Performance Appraisal, CP = Career Planning

Table 4.44 shows that adhocracy culture accounted for an additional of 0.9% of the variability ( $\Delta R^2 = .009$ , Adjusted  $R^2 = .375$ ,  $p < .05$ ) and was significant ( $\beta = .097$ ,  $t = 2.098$ ). Other organisational culture types were not found to be significantly associated with firm performance. Based on the results, the study concludes that adhocracy culture partially mediates the relationship between internal communication and performance appraisal and firm performance.

Table 4.44: Regression Analysis for Bundle 14 and Organisational Culture

Dependent Variable	Firm Performance							
	$\beta$				Sig.			
Step 2 IC x PA	.293				.000**			
Mediator	Clan Culture		Adhocracy Culture		Market Culture		Hierarchy Culture	
	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.
Step 3 IC x PA (after the inclusion of organisational culture into the model as predictor)	Excluded		.097	.037*	Excluded		Excluded	
R <sup>2</sup> (Controls)			.106					
$\Delta R^2$ (Bundle 14)			.276					
$\Delta R^2$ (Mediator)			.009					
R <sup>2</sup> (Total Model)			.391					
F (Total Model)			24.316					

Note: N=312, Standardised beta coefficients are shown. \* $p < 0.05$ , \*\* $p < 0.01$

IC = Internal Communication, PA= Performance Appraisal

Table 4.45 shows that market culture accounted for an additional of 1.2% of the variability ( $\Delta R^2 = .012$ , Adjusted  $R^2 = .429$ ,  $p < .05$ ) and was significant ( $\beta = .115$ ,  $t = 2.572$ ). Other organisational culture types were not found to be significantly associated with firm performance. Based on the results, the study concludes that market culture partially mediates the relationship between recruitment & selection and career planning and firm performance.

Table 4.45: Regression Analysis for Bundle 15 and Organisational Culture

Dependent Variable	Firm Performance							
	$\beta$				Sig.			
Step 2 R&S x CP	.141				.019*			
Mediator	Clan Culture		Adhocracy Culture		Market Culture		Hierarchy Culture	
	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.
Step 3 R&S x CP (after the inclusion of organisational culture into the model as predictor)	Excluded		Excluded		.115	.011*	Excluded	
R <sup>2</sup> (Controls)					.106			
$\Delta R^2$ (Bundle 15)					.325			
$\Delta R^2$ (Mediator)					.012			
R <sup>2</sup> (Total Model)					.443			
F (Total Model)					30.181			

Note: N=312, Standardised beta coefficients are shown. \* $p < 0.05$ , \*\* $p < 0.01$

R&S = Recruitment & Selection, CP= Career Planning

Table 4.46 shows that market culture accounted for an additional of 1.2% of the variability ( $R^2 = .373$ , Adjusted  $R^2 = .356$ ,  $p < .05$ ) and was significant ( $\beta = .115$ ,  $t = 2.413$ ). Clan culture was found to be negatively associated with firm performance. Based on the results, the study concludes that market culture partially mediates the relationship between internal communication and career planning and firm performance (decreased of  $\beta$  from .245 to .115).

Table 4.46: Regression Analysis for Bundle 16 and Organisational Culture

Dependent Variable	Firm Performance							
	$\beta$				Sig.			
Step 2 IC x CP	.245				.000**			
Mediator	Clan Culture		Adhocracy Culture		Market Culture		Hierarchy Culture	
	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.
Step 3 IC x CP (after the inclusion of organisational culture into the model as predictor)	-.124	.010*	Excluded		.115	.016*	Excluded	
R <sup>2</sup> (Controls)	.106				.106			
$\Delta R^2$ (Bundle 16)	.255				.255			
$\Delta R^2$ (Mediator)	.013				.012			
R <sup>2</sup> (Total Model)	.374				.373			
F (Total Model)	22.671				22.502			

Note: N=312, Standardised beta coefficients are shown. \* $p < 0.05$ , \*\* $p < 0.01$

IC = Internal Communication, CP= Career Planning

Table 4.47 shows that market culture accounted for an additional of 0.8% of the variability ( $\Delta R^2 = .008$  (.448 - .440) , Adjusted  $R^2 = .434$ ,  $p < .05$ ) and was significant ( $\beta = .095$ ,  $t = 2.156$ ). Other organisational culture types were not found significantly associated with firm performance. Based on the results, the study concludes that market culture partially mediates the relationship between recruitment & selection and internal communication and firm performance (decreased of  $\beta$  from .186 to .095).



Table 4.47: Regression Analysis for Bundle 17 and Organisational Culture

Dependent Variable	Firm Performance							
	$\beta$				Sig.			
Step 2 R&S x IC	.186				.001*			
Mediator	Clan Culture		Adhocracy Culture		Market Culture		Hierarchy Culture	
	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.
Step 3 R&S x IC (after the inclusion of organisational culture into the model as predictor)	Excluded		Excluded		.095	.032*	Excluded	
R <sup>2</sup> (Controls)					.106			
$\Delta R^2$ (Bundle 17)					.334			
$\Delta R^2$ (Mediator)					.008			
R <sup>2</sup> (Total Model)					.448			
F (Total Model)					30.782			

Note: N=312, Standardised beta coefficients are shown. \* $p < 0.05$ , \*\* $p < 0.01$

R&S = Recruitment & Selection, IC = Internal Communication

Table 4.48 shows that market culture accounted for an additional of 2.1% of the variability ( $\Delta R^2 = .021$ , Adjusted  $R^2 = .358$ ,  $p < .05$ ) and was significant ( $\beta = .155$ ,  $t = 3.239$ ). Clan culture was found negatively associated with firm performance. Based on the results, the study concludes that market culture partially mediates the relationship between compensation & benefits, SHRM alignment in the organisation, and career planning and firm performance (decreased of  $\beta$  from .183 to .155).

Table 4.48: Regression Analysis for Bundle 18 and Organisational Culture

Dependent Variable	Firm Performance							
	$\beta$				Sig.			
Step 2 CP x SHRM x C&B	.183				.010*			
Mediator	Clan Culture		Adhocracy Culture		Market Culture		Hierarchy Culture	
	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.
Step 3 CP x SHRM x C&B (after the inclusion of organisational culture into the model as predictor)	-.131	.007*	Excluded		.155	.001*	Excluded	
R <sup>2</sup> (Controls)					.106			
$\Delta R^2$ (Bundle 18)					.249			
$\Delta R^2$ (Mediator)					.021			
R <sup>2</sup> (Total Model)					.376			
F (Total Model)					20.234			

Note: N=312, Standardised beta coefficients are shown. \* $p < 0.05$ , \*\* $p < 0.01$

CP = Career Planning, SHRM = SHRM alignment in the organisation, C&B = Compensation & Benefits

Table 4.49 shows that market culture accounted for an additional of 1.5% of the variability ( $\Delta R^2 = .015$ , Adjusted  $R^2 = .361$ ,  $p < .05$ ) and was significant ( $\beta = .128$ ,  $t = 2.686$ ). Clan culture was found negatively associated with firm performance. Based on the results, the study concludes that market culture partially mediates the relationship between training & development, compensation & benefits, and carer planning and firm performance (decreased of  $\beta$  from .174 to .128).

Table 4.49: Regression Analysis for Bundle 19 and Organisational Culture

Dependent Variable	Firm Performance							
	$\beta$				Sig.			
Step 2 T&D x C&B x CP	.174				.019*			
Mediator	Clan Culture		Adhocracy Culture		Market Culture		Hierarchy Culture	
	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.
Step 3 T&D x C&B x CP (after the inclusion of organisational culture into the model as predictor)	-.114	.019*	Excluded		.128	.008*	Excluded	
R <sup>2</sup> (Controls)	.106				.106			
$\Delta R^2$ (Bundle 19)	.258				.258			
$\Delta R^2$ (Mediator)	.012				.015			
R <sup>2</sup> (Total Model)	.376				.379			
F (Total Model)	20.206				20.494			

Note: N=312, Standardised beta coefficients are shown. \* $p < 0.05$ , \*\* $p < 0.01$

T&D= Training & Development, C&B= Compensation & Benefits, CP = Career Planning

Table 4.50 shows that market culture accounted for an additional of 0.9% of the variability (Adjusted  $R^2 = .367$ ,  $p < .05$ ) and was significant ( $\beta = .101$ ,  $t = 2.108$ ). Clan culture was found negatively ( $\beta = -.098$ ) associated with firm performance. Based on the results, the study concludes that market culture partially mediates the relationship between performance appraisal, career planning, and training & development and firm performance (decreased of  $\beta$  from .156 to .101).

Table 4.50: Regression Analysis for Bundle 21 and Organisational Culture

Dependent Variable	Firm Performance							
	$\beta$				Sig.			
<u>Step 2</u> PA x CP x T&D	.156				.032*			
Mediator	Clan Culture		Adhocracy Culture		Market Culture		Hierarchy Culture	
	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.
<u>Step 3</u> PA x CP x T&D (after the inclusion of organisational culture into the model as predictor)	-.098	.041*	Excluded		.101	.036*	Excluded	
R <sup>2</sup> (Controls)	.106				.106			
$\Delta R^2$ (Bundle 21)	.270				.270			
$\Delta R^2$ (Mediator)	.008				.009			
R <sup>2</sup> (Total Model)	.384				.385			
F (Total Model)	20.951				20.993			

Note: N=312, Standardised beta coefficients are shown. \* $p < 0.05$ , \*\* $p < 0.01$

PA= Performance Appraisal, CP = Career Planning, T&D = Training & Development

Table 4.51 shows that market culture accounted for an additional of 1.1% of the variability ( $\Delta R^2 = .011$ , Adjusted  $R^2 = .370$ ,  $p < .05$ ) and was significant ( $\beta = .110$ ,  $t = 2.314$ ). Clan culture was found negatively ( $\beta = -.114$ ) associated with firm performance. Based on the results, the study concludes that market culture partially mediates the relationship between performance appraisal, career planning, and compensation & benefits and firm performance (decreased of  $\beta$  from .162 to .110).

Table 4.51: Regression Analysis for Bundle 24 and Organisational Culture

Dependent Variable	Firm Performance							
	$\beta$				Sig.			
<u>Step 2</u> PA x CP x C&B	.162				.020*			
Mediator	Clan Culture		Adhocracy Culture		Market Culture		Hierarchy Culture	
	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.	$\beta$	Sig.
<u>Step 3</u> PA x CP x C&B (after the inclusion of organisational culture into the model as predictor)	-.114	.018*	Excluded		.110	.021*	Excluded	
R <sup>2</sup> (Controls)	.106				.106			
$\Delta R^2$ (Bundle 24)	.271				.271			
$\Delta R^2$ (Mediator)	.012				.011			
R <sup>2</sup> (Total Model)	.389				.388			
F (Total Model)	21.353				21.298			

Note: N=312, Standardised beta coefficients are shown. \* $p < 0.05$ , \*\* $p < 0.01$

PA= Performance Appraisal, CP = Career Planning, C&B = Compensation & Benefits

In summary, Hypothesis 3 was partially supported. A market culture was found to partially mediate the relationship between the bundles of SHRM practices and firm performance. Similarly, adhocracy culture was also found to partially mediate the relationship between bundles of SHRM practices and firm performance. Therefore, this study concludes that two organisational culture types mediate the relationship between SHRM practices and firm performance.

#### 4.16 Chapter summary

This chapter discussed the data analysis and findings of a series of propositions which were drawn from a review of the SHRM, organisational culture, and firm performance literature. These propositions established a framework for the study and guided the collection of data and its analysis. Table 4.52 summarises those propositions, research questions, the findings of the study and their implications. These matters are discussed in the following chapter.

Table 4.52: Summary of the Research Propositions, Findings, and Study Contributions

Research Proposition and Question	Findings	New contribution made by this study
<p><u>Research Proposition 1</u> Bundle of SHRM practices that are unique, rare, inimitable and non-substitutable will have better firm performance.</p>	<p><u>Single HRM Practices</u> Recruitment &amp; Selection (<math>R^2=.421</math>, Adj <math>R^2 = .409</math>) * Universalistic Perspective * Imitable and easily to be substituted</p> <p><u>Two-Pair SHRM Practices</u> Recruitment &amp; Selection x Internal Communication (<math>R^2=.440</math>, Adj <math>R^2 = .427</math>) * Configurational Perspective * Inimitable, rare, unique, and non-substitutable</p> <p><u>Three-Pair SHRM Practices</u> Recruitment &amp; Selection x Internal Communication x Performance Appraisal (<math>R^2=.447</math>, Adj <math>R^2 = .433</math>) * Configurational Perspective * Inimitable, rare, unique, and non-substitutable</p>	<p>Increased understanding of the extent to which top management are aware and respond to the proposition that bundling of SHRM practices contributes to firm performance.</p> <p>Rich quantitative data demonstrating that insurance firms have not employ configurational model of SHRM.</p> <p>To take opportunistic advantage of the existing HRM practices into the process of bundling these practices to achieve competitive advantage which competitors are</p>

<p><u>Research Question 1</u> How can firm effectively implement SHRM practices that positively contribute to the firm's performance?</p>	<p>Results confirm that bundles of SHRM practices positively impact on firm performance to a greater degree than their individual effects. The configurational of recruitment &amp; selection, internal communication, and performance appraisal practices that are unique, rare, inimitable and non-substitutable (RBV) will have better firm performance outcomes.</p> <p><b>Hypothesis 1 was accepted.</b></p>	<p>unable to imitate these bundle of SHRM practices into their organisation.</p>
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<p><u>Research Proposition 2</u> Market culture has a significant stronger positive relationship with firm performance than clan, adhocracy and hierarchy culture.</p>	<p><u>OCAI score</u> Clan Culture = 24.1 (<math>R^2=.106</math>) Adhocracy Culture = 19.4 (<math>R^2=.110</math>) <b>Market Culture = 29.9 (<math>R^2=.107</math>)</b> <b>Hierarchy Culture = 26.6 (<math>R^2=.118</math>)</b></p> <p>Employee perceived Market Culture the dominant organisational culture in insurance industry.</p> <p><u>Configurational of Organisational Culture</u> <b>Clan x Market (<math>R^2=.113</math>, Adj <math>R^2=.095</math>)</b> Clan x Adhocracy (<math>R^2=.110</math>, Adj <math>R^2=.093</math>) Market x Adhocracy (<math>R^2=.108</math>, Adj <math>R^2=.090</math>)</p>	<p>This study illustrates the instrumental conception of OCAI in the existing dominant organisational culture type in the local insurance industry.</p> <p>To construct a organisational culture type as an additional valuable resource in achieving superior firm performance.</p>
<p><u>Research Question 2</u> How organisational culture can be dynamically contributes to the firm's performance?</p>	<p>The dynamism of organisational culture types (single versus combination) and determining how to embed a culture that produces competitive advantage will dynamically contributes to the firm's performance. One explanation for this pattern is that the culture types interact and strengthen each other's association with firm performance criteria.</p> <p>Source: Adapted from Cameron and Quinn (1999)</p> <p><b>Hypothesis 2 was partially supported.</b></p>	

<p><u>Research Proposition 3</u> Organisational culture is a mediator between bundle of SHRM practices and firm performance.</p>	<p>SHRM Bundle 1 = Market (<math>\Delta R^2 = .018</math>)*  SHRM Bundle 2 = Market(<math>\Delta R^2 = .021</math>)*  SHRM Bundle 3 = Market(<math>\Delta R^2 = .011</math>)*  SHRM Bundle 4 = Market(<math>\Delta R^2 = .013</math>)*  SHRM Bundle 7 = Adhocracy(<math>\Delta R^2 = .010</math>)*  SHRM Bundle 10 = Market(<math>\Delta R^2 = .011</math>)*  SHRM Bundle 11 = Market(<math>\Delta R^2 = .010</math>)*  Adhocracy (<math>\Delta R^2 = .009</math>)*  SHRM Bundle 12 = Market(<math>\Delta R^2 = .009</math>)*  SHRM Bundle 14 = Adhocracy(<math>\Delta R^2 = .009</math>)*  SHRM Bundle 15 = Market(<math>\Delta R^2 = .012</math>)*  SHRM Bundle 16 = Market(<math>\Delta R^2 = .012</math>)*  SHRM Bundle 17 = Market(<math>\Delta R^2 = .008</math>)*  SHRM Bundle 18 = Market(<math>\Delta R^2 = .021</math>)*  SHRM Bundle 19 = Market(<math>\Delta R^2 = .015</math>)*  SHRM Bundle 21 = Market(<math>\Delta R^2 = .009</math>)*  SHRM Bundle 24 = Market(<math>\Delta R^2 = .011</math>)*  * decreased of <math>\beta</math> value from Step 2</p>	<p>This study suggests that management should regard organisational culture as an HRM function.</p> <p>Insurance firms can implicitly recognise that competitive advantage can be obtained from rare, valuable, inimitable resources such as bundling of SHRM practices and organisational culture to deliver the desired outcomes or the processes required to achieve them.</p>
<p><u>Research Question 3</u> Does organisational culture mediate the relationship between SHRM practices and firm performance?</p>	<p>Yes, only partial mediation. Market culture mediates 87.5% of all the SHRM bundles and Adhocracy culture mediates 12.5%.</p> <p><b>Hypothesis 3 was partially supported.</b></p>	

## CHAPTER 5

### DISCUSSION AND CONCLUSION

The main purpose of this research study was to examine the relationship between SHRM practices, organisational culture and firm performance in the insurance industry in Klang Valley, Malaysia. The study investigated how bundle of SHRM practices and organisational culture type (clan, adhocracy, market, and hierarchy) influenced firm performance. A conceptual model of the study is developed and three research hypotheses are empirically examined using stepwise multiple regression analysis. Seven insurance firms in Klang Valley responded to questionnaires pooling 312 respondents.

It has been argued that replication of research study is important to ensure the validity and reliability of research for rigorous theory development (Singh *et al.*, 2003). By employing a different research procedure, population of samples, and industry, replication with extension and generalisation contribute to the new body of knowledge to the validity of the original study (Tsang and Kwan, 1999). This study also tested the application of RBV of the firm and configurational perspective in the local industry context. This study replicated prior studies on SHRM-performance relationship that were mostly conducted in western firms. This replication of study was able to generalise the conclusion drawn from western context to Malaysian context.

The most basic argument in the study of SHRM is the efforts in designing and implementing these practices that will positively influence the firm performance. On the basis of this essential premise of SHRM, scholars continue debating whether the influence of SHRM on firm performance requires the implementation of a single HRM

‘best practice’ or the combination of multiple HRM practices that are strategically aligned with firm’s goals. Therefore, the concept of ‘fit’ has emerged as central to theories about SHRM (Richardson and Thomson, 1999). Katuo and Budhwar’s (2006) study highlights that there exists a set of ‘best human resource practices’ that fit together sufficiently so that one practice reinforces the performance of the other practices. Similarly, Miles and Snow (1984) conclude that synergy of the interconnected practices can be achieved if the combined performance of a set of SHRM practices is greater than the sum of individual performances. MacDuffie’s (1995) findings strongly emphasise that individual HRM practices can not be implemented effectively in isolation, but in the combination of HRM practices into a coherent bundles that support and mutually reinforce one another. This assumption was further investigated and positively supported by Delery and Doty (1996), Youndt *et al.*, (1996), Guest (1997), Wright and Boswell (2002), Combs *et al.*, (2006), and Arthur and Boyles (2007). In sum, previous research has presented empirical evidence in favour of coherent bundle of SHRM practices on performance.

The challenge most of the scholars faced is to determine and identifying the most effective combination set of synergistic SHRM practice that will lead to higher firm performance. Becker and Huselid (2006), for example, stressed that the composition of the sets of SHRM practices (influenced by a variety of non-economic factors such as government regulations, owner’s values, managerial choices, etc) and the substitution effects between the HRM practices contribute to the existence of configurational effects on firm performance. As a result, Delery and Doty (1996) highlighted that there can be countless combinations of SHRM practices that support and improve one another, may result in identical firm performance outcomes. This contributes to the concept of ‘equifinality’, in which identical results can be achieved by a number of different



bundles of SHRM practices. The concept of ‘equifinality’ among the bundles of SHRM practices on firm performance is empirically proven in this study (Table 5.1). A superior configuration combines all elements in such a way that their interdependencies are strategically aligned towards achieving superior performance. These configurations resemble certain ideal type that represents a unique combination of more than one configuration of interrelated SHRM practices, each equally effective in determining firm performance outcomes (Short *et al.*, 2008). Takeuchi *et al.* (2003) conclude that if the consistency within the configuration of SHRM practices and between the SHRM practices is achieved, then the configuration will achieve better performance outcomes.

In sum, in line with previous studies discussed in the literature review, the results of this study clearly support the configurational perspective on SHRM-performance links. Most notably, this study constructed an empirically taxonomy of successful and unsuccessful bundle of SHRM on firm performance in the insurance industry in Malaysia. Furthermore, this study avoids bias with predetermined conceptions about the structure of SHRM configurations done by previous scholars (MacDuffie, 1995; Delery and Doty, 1996; Khatri, 2000; Marchington and Grugulis, 2000; Khatri and Budhwar, 2002; Othman, 2009a). This study is able to construct multiples and equally effective SHRM configuration that are unique and inimitable in achieving superior firm performance.

Table 5.1: ‘Equifinality’ among the Bundles of SHRM Practices on Firm Performance

SHRM practices (Independent Variable)	Dependent Variable
<u>Single SHRM Practices</u> Recruitment & Selection ( $R^2 = .304$ , $\beta = .488$ )	Rate of Productivity
<u>Bundle of SHRM Practices</u> Recruitment & Selection x Performance Appraisal ( $R^2 = .340$ , $\beta = .258$ ) Recruitment & Selection x Internal Communication ( $R^2 = .318$ , $\beta = .155$ ) Performance Appraisal x Internal Communication ( $R^2 = .313$ , $\beta = .194$ ) Internal Communication x Career Planning ( $R^2 = .253$ , $\beta = .161$ ) Internal Communication x Training & Development ( $R^2 = .252$ , $\beta = .156$ ) Internal Communication x Compensation & Benefits ( $R^2 = .251$ , $\beta = .145$ )	

<p>Career Planning x Training &amp; Development (<math>R^2 = .230</math>, <math>\beta = .207</math>)  Training &amp; Development x Compensation &amp; Benefits (<math>R^2 = .227</math>, <math>\beta = .202</math>)  Career Planning x Compensation &amp; Benefits (<math>R^2 = .221</math>, <math>\beta = .174</math>)  <u>Bundle of SHRM Practices (Three-Paired)</u>  Nil</p>	
<p><u>Single SHRM Practices</u>  Career Planning (<math>R^2 = .333</math>, <math>\beta = .486</math>)</p> <p><u>Bundle of SHRM Practices (Two-Paired)</u>  Career Planning x SHRM alignment in the organisation (<math>R^2 = .396</math>, <math>\beta = .293</math>)  Career Planning x Internal Communication (<math>R^2 = .355</math>, <math>\beta = .203</math>)  SHRM alignment in the organisation x Compensation &amp; Benefits (<math>R^2 = .353</math>, <math>\beta = .240</math>)  Career Planning x Recruitment &amp; Selection (<math>R^2 = .344</math>, <math>\beta = .147</math>)  Career Planning x Compensation &amp; Benefits (<math>R^2 = .342</math>, <math>\beta = .142</math>)  Internal Communication x Compensation &amp; Benefits (<math>R^2 = .324</math>, <math>\beta = .231</math>)  Internal Communication x Recruitment &amp; Selection (<math>R^2 = .316</math>, <math>\beta = .205</math>)  Compensation &amp; Benefits x Recruitment &amp; Selection (<math>R^2 = .304</math>, <math>\beta = .232</math>)</p> <p><u>Bundle of SHRM Practices (Three-Paired)</u>  Career Planning x Recruitment &amp; Selection x Training &amp; Development (<math>R^2 = .355</math>, <math>\beta = .163</math>)</p>	Customer Service
<p><u>Single SHRM Practices</u>  Training &amp; Development (<math>R^2 = .191</math>, <math>\beta = .403</math>)</p> <p><u>Bundle of SHRM Practices (Two-Paired)</u>  Training &amp; Development x Career Planning (<math>R^2 = .221</math>, <math>\beta = .237</math>)  Career Planning x Recruitment &amp; Selection (<math>R^2 = .214</math>, <math>\beta = .218</math>)  Training &amp; Development x Compensation &amp; Benefits (<math>R^2 = .211</math>, <math>\beta = .182</math>)  Training &amp; Development x Recruitment &amp; Selection (<math>R^2 = .208</math>, <math>\beta = .199</math>)  Career Planning x Compensation &amp; Benefits (<math>R^2 = .200</math>, <math>\beta = .151</math>)  Recruitment &amp; Selection x Compensation &amp; Benefits (<math>R^2 = .199</math>, <math>\beta = .188</math>)  Compensation &amp; Benefits x Performance Appraisal (<math>R^2 = .180</math>, <math>\beta = .172</math>)  Performance Appraisal x Internal Communication (<math>R^2 = .156</math>, <math>\beta = .165</math>)</p> <p><u>Bundle of SHRM Practices (Three-Paired)</u>  Nil</p>	Quality of Products
<p><u>Single SHRM Practices</u>  Recruitment &amp; Selection (<math>R^2 = .387</math>, <math>\beta = .560</math>)</p> <p><u>Bundle of SHRM Practices (Two-Paired)</u>  Recruitment &amp; Selection x Career Planning (<math>R^2 = .416</math>, <math>\beta = .233</math>)  Recruitment &amp; Selection x Performance Appraisal (<math>R^2 = .400</math>, <math>\beta = .152</math>)  Performance Appraisal x Training &amp; Development (<math>R^2 = .317</math>, <math>\beta = .230</math>)  Performance Appraisal x Internal Communication (<math>R^2 = .310</math>, <math>\beta = .172</math>)  Training &amp; Development x Internal Communication (<math>R^2 = .292</math>, <math>\beta = .170</math>)  SHRM alignment in the organisation x Career Planning (<math>R^2 = .169</math>, <math>\beta = .160</math>)</p> <p><u>Bundle of SHRM Practices (Three-Paired)</u>  Recruitment &amp; Selection x Career Planning x Performance Appraisal (<math>R^2 = .447</math>, <math>\beta = .254</math>)  Recruitment &amp; Selection x Career Planning x Internal Communication (<math>R^2 = .429</math>, <math>\beta = .166</math>)  Recruitment &amp; Selection x Career Planning x Training &amp; Development (<math>R^2 = .428</math>, <math>\beta = .174</math>)  Performance Appraisal x Training &amp; Development x Career Planning (<math>R^2 = .334</math>, <math>\beta = .190</math>)</p>	Sales Growth
<p><u>Single SHRM Practices</u>  Recruitment &amp; Selection (<math>R^2 = .421</math>, <math>\beta = .579</math>)</p> <p><u>Bundle of SHRM Practices (Two-Paired)</u>  Recruitment &amp; Selection x Internal Communication (<math>R^2 = .440</math>, <math>\beta = .186</math>)  Recruitment &amp; Selection x Performance Appraisal (<math>R^2 = .436</math>, <math>\beta = .171</math>)  Recruitment &amp; Selection x Career Planning (<math>R^2 = .431</math>, <math>\beta = .141</math>)  Recruitment &amp; Selection x Compensation &amp; Benefits (<math>R^2 = .430</math>, <math>\beta = .129</math>)  Internal Communication x Performance Appraisal (<math>R^2 = .382</math>, <math>\beta = .293</math>)  Performance Appraisal x Career Planning (<math>R^2 = .366</math>, <math>\beta = .265</math>)</p>	Firm Performance

Internal Communication x Training & Development ( $R^2 = .365$ , $\beta = .256$ )	
Internal Communication x Compensation & Benefits ( $R^2 = .362$ , $\beta = .237$ )	
Internal Communication x Career Planning ( $R^2 = .361$ , $\beta = .245$ )	
Performance Appraisal x Training & Development ( $R^2 = .355$ , $\beta = .250$ )	
Training & Development x Compensation & Benefits ( $R^2 = .353$ , $\beta = .263$ )	
Training & Development x Career Planning ( $R^2 = .351$ , $\beta = .273$ )	
Career Planning x SHRM alignment in the organisation ( $R^2 = .340$ , $\beta = .205$ )	
Career Planning x Compensation & Benefits ( $R^2 = .336$ , $\beta = .243$ )	
Compensation & Benefits x SHRM alignment in the organisation ( $R^2 = .327$ , $\beta = .201$ )	
<u>Bundle of SHRM Practices (Three-Paired)</u>	
Recruitment & Selection x Internal Communication x Performance Appraisal ( $R^2 = .447$ , $\beta = .126$ )	
Performance Appraisal x Career Planning x Compensation & Benefits ( $R^2 = .377$ , $\beta = .162$ )	
Performance Appraisal x Career Planning x Training & Development ( $R^2 = .376$ , $\beta = .156$ )	
Training & Development x Compensation & Benefits x Career Planning ( $R^2 = .364$ , $\beta = .174$ )	
Career Planning x SHRM alignment in the organisation x Compensation & Benefits ( $R^2 = .355$ , $\beta = .183$ )	

## 5.1 Human Resource Management Practices of Service Industry

A descriptive of the distinctive characteristic of service industry is pertinent to understand the peculiar demands of service activities on HRM. One obvious characteristic that differentiates the service industry from the others is that services are consumed (Berry, 1984). In other words, the purchaser of a service does not take possession of a tangible product and the production and consumption of the service takes place simultaneously. Moreover, the service is time-bound where it has to be delivered when and where it is needed. This means that service firm has to control the processes prior to the consumption of the service.

One of the important empirical investigation conducted by Jackson and Schuler (1992) on the relationship between HRM practices and service organisations, had established that service organisations are unique and distinct from other organisation. They conclude that service organisations were more inclined to use customer inputs and feedback as part of their employee's performance appraisal. The performance appraisal focuses on results and project basis that take a longer period of time. The performance

appraisal is also more formalised and specific of its measurement indicators. In sum, the performance appraisal is used as a mechanism to determine compensation and reward for the employees.

In addition, service organisations place training and development practice a top priority for effective service by spending more investment and time training and developing employees. More service employees received training to develop the skills needed in their jobs, and the number of hours of training received was greater for both new hires and those already past the status of new hire. The training provides for long-term and skills development with more training hours per year.

Service organisations also offer varieties of choices in the design of pay package. The use of flexible compensation packages mainly concern for the bottom-line results such as labour cost. Alternatively, this concept of flexibility can be a strategy used by the service organisations to attract and sustain highest quality employees internally and externally. It is believed that when service passion is high, employees in the unit will express favourably about various HRM issues especially on internal equity of compensation and benefits.

In conclusion, Jackson and Schuler's (1992) findings show that employee perceptions about both service and HRM experiences within their organisations get reflected in how their customers experience the service quality rendered, the promotion of product quality and its value-added to the customers' well being, the productivity of the employees in delivering their work commitment to the customer, and company's financial strength and reputation in the market. This support the contention that when an organisation promotes a quality atmosphere for service and the employees, these efforts

will be reflected in positive customer experiences in the organisation. In other words, when service is strongly promoted through SHRM practices, customers are likely to report they receive excellence positive service experiences. This conclusion is strongly supported by Schneider and Bowen's (1993) study in banking and retailing, Othman's (1998) study in electronics, textile, food, plastic, banks, finance companies, and insurance firm and Kundu and Malhan's (2009) in insurance firms.

## 5.2 Determinants of Strategic Human Resource Management Practices in Insurance Industry in Malaysia

This study demonstrates an association between strategic HRM practices and its effectiveness in the context of RBV and configurational perspective. Previous researchers have speculated that there are both significant and substantially different interaction effects among the HRM practices and reject the existence of synergetic effects due to lack of evidence in the result of methodological limitations (Huselid *et al.*, 1997; Delery, 1998; Chadwick, 2010). This study applied interactions between variables in the study of bundling SHRM practices and provided strong evidence in favour of the configurational perspective. The findings of this study reveal the existence of positive and negative synergies among the various SHRM practices.

The findings also clearly indicate that SHRM practices cannot be studied in isolation but ought to be combined (interdependencies with each other) to obtained superior firm performance. This study also examined in-depth the nature of these configuration and explored in details of their synergetic and non-synergetic dynamics. The discussion is restricted only on successful SHRM configuration on firm performance outcomes. However, the discussion will make use of the unsuccessful SHRM configuration to clarify certain arguments, where necessary.

Various authors have identified a range of SHRM practices (Champion, 1988; Arthur, 1994; Huselid, 1995; Jackson and Schuler, 1995; MacDuffie, 1995; Delery and Doty, 1996; Youndt *et al.*, 1996; Guest, 1997; Huselid *et al.*, 1997; Paauwe and Richardson, 1997; Ulrich, 1997; Richard and Johnson, 2001; Geringer *et al.*, 2002; Wright *et al.*, 2005; Morgeson and Humphrey, 2006; Erdil and Günsel, 2007; Zheng *et al.*, 2007; Carroll, 2008; Oladipo and Abdulkadir, 2011; Omondi *et al.*, 2011; Osman *et al.*, 2011). This study identified eight major HRM practices namely SHRM alignment in the organisation, training and development, compensation and benefits, performance appraisal, career planning, job design, recruitment and selection, and internal communication that are theoretically and empirically related to overall firm performance. These practices generally reflect the HRM practices defined respectively by Ulrich and Lake (1990) as generating, sustaining, and reinforcing competencies. As a result, these HRM practices undertaken in this study are strongly associated with firm performance effectiveness and configured to gain competitive advantage.

The RBV theory of the firm posits that valuable, rare, inimitable, and non-substitutable resources and capabilities confer a sustainable competitive advantage to a firm (Barney, 1991). A unique SHRM configuration implies some form of rareness and only few competitors can implement a particular combination of SHRM practices (Soo *et al.*, 2005). Most probably due to shortage of capable HR practitioner who have the knowledge or experience to effectively implement these bundling SHRM practices into the organisation. Thus, firms that are able to successfully implement these practices, find themselves with an inimitable resource, are positioned for sustainable competitive advantage over their peers.

The first hypothesis was to identify the pattern of HRM practices that can improve firm performance in the insurance industry in the light of a configurational perspective based on current debate in the SHRM field. The results of the multiple regression analysis provided support for the configurational approach of HRM practices in explaining the firm performance outcomes in the operations of insurance industry. The study found that nine two-paired bundle of SHRM practices (see Table 5.1) had the most direct positive impact upon rate of productivity.

The combination of recruitment & selection and performance appraisal is strongly significant and positively related to the subjective evaluation of rate of productivity. This result is in accordance with Ferris *et al.* (1999) and Takeuchi *et al.*'s (2003) study that a firm's HRM practices should be internally aligned or bundled to create better organisational results. Beaumont and Hunter's (1992) study uncovered strong empirical evidence that recruitment & selection was being implemented strategically to bring about a more flexible workforce that was necessitated by the organisation's competitive strategy. Similarly, Sparrow and Pettigrew (1988) concludes that strategic integration envisages recruitment & selection as a powerful organisational mechanism for aligning the behaviour of employees in the organisation.

The recruitment and selection practices focus on how to make fair and relevant assessments of the strength and weaknesses of applicants (Boxall and Purcell, 2003). Huselid (1995) states that recruitment procedures that provide a large pool of qualified applicants, paired with a reliable and valid selection system, will have a substantial influence over the quality and type of skills an applicant possess. However, Mullins (1999) also points that it is also necessary to comply with the employment legal

requirement relating to employment equal opportunities, code of practice and ensure justice and fair treatment for all applicants.

In a specific context, recruitment and selection practices is to obtain at minimum cost the number of quality employees required to satisfy the human resource needs of the company (Armstrong, 2007). In this era of globalisation, most organisations are undergoing a growth phase and recruitment of all level of categories is an explicit priority, especially in the service industry. In the recruitment and selection process, hiring manager determines the decisions as to which candidates will get employment offers. Bohlander *et al.* (2001) indicate that it is vital for hiring managers to understand the objectives, policies, and practices used for recruitment and selection. The main purpose of these exercises is to improve the matching between employees and the organisation, teams, and work requirements to create a healthy work environment. In doing so, selection may be seen as an essential mechanism for firm performance (Terpstra and Rozell, 1993). The proper design of recruitment and selection practice, it will identify competent candidates and accurately match them to the job. The use of proper recruitment and selection device will increase the probability that the right people will be chosen to fill the positions. When the best talent people are selected and hired for the job, productivity increases (Koch and McGrath, 1996).

Performance appraisal practice involves a continuous evaluation on the behaviour and performance to improve the utilisation of human resources in the organisation. The evaluation data collected at the appraisal phase can be used in other HRM functions such as planning (alignment with the organisational goals), recruitment, compensation, promotion, training, and lay off (Cardy and Dobbins, 1994). Similarly, Schuler and Jackson (1987) distinguished performance appraisal process into two major orientations



based on behavioural and results-oriented. Behavioural approach assesses employee's conduct in the workplace while results-oriented approach evaluates employee's outcome. Yeganeh and Su's (2008) study on HRM practices in Iranian public sector concludes that managers expressed their preference for behavioural approach.

Boohene and Asuinura's (2011) investigation on the effect of HRM on group corporate level performance reveals a clear and strong relation between organisational performance and the attention given to performance management and employee appraisal. Their study stresses that all organisation members need to know what is important for the organisation and what is expected from them, to ensure the organisation members work under the same work ethic conduct and clear-structured regime which directly support the achievement of the organisational productivity. In sum, proper performance appraisal system enable organisation to monitor, evaluate, and develop the desired employee attitudes, behaviour, and performance (Sani, 2012).

From the above discussion, insurance firm can achieve superior rate of productivity by bundling the recruitment and selection and performance appraisal practices. With a thorough process of recruitment and selection of employees, employers can recruit the best and brightest employees in which they can fully contribute their expertise in developing the organisational productivity. Recruitment and selection is a critical practice and must be implemented cautiously to acquire employees who are really qualified so as to improve organisational growth via increasing in employee's productivity.

Then, once after the hiring process is completed, the performance of the employee needs to be properly planned in order to assess the extent to which employee perform

the job well. This appraisal system provides employers the required information on the employees' progress in implementing their jobs. Employer can acknowledge the employee's behaviour and result-oriented appraisal from time to time and keep track their employees' development and capabilities by allocating more time in providing a developmental response, communicating problems and discovering new aspects to develop the employee's skill, knowledge, and behaviour.

In conclusion, both practices complement each other and show positive association with rate of productivity. This strong relationship between recruitment and selection and performance appraisal is in line with configurational perspective and the combination of these practices produce a unique and inimitable SHRM system in achieving productivity in the insurance firm. Another way to interpret this result is that effective insurance firm is more likely to use recruitment and selection practice to identify and hiring talent, more likely to include managers in selection process, and more likely to include employer and employee input in performance appraisal process.

Insurance industry performance is very much depending on clients' experience and this provides a key issue in understanding customer service quality. According to Schneider and Bowen (1993), service organisation has permeable boundary between themselves and their clients because employees and clients frequently work together, observe each other, and interact with each other. Therefore, employee's commitment to his/her work breeds service quality and this requires a focus on service quality oriented HRM practices throughout the organisation.

The findings of this study show that the combination of career planning and SHRM alignment in the organisation practices have a strong significant relationship with

customer service. Career planning, in the individual context, refers to career growth of the employee in an organisation (Paul and Anantharaman, 2003). It is important for the HR Department to provide clear career path information to the employees. HR Department has to work hand-in-hand with the management to prepare employee's career plan and development that match the organisational goals. The career plan can be in the form of academic learning assistance program, internal promotion, etc.

Proper career planning will affect employee retention and employee productivity in providing excellent customer service (Ulrich, 1991a). This is in conformity with the finding of Igarria and Greenhaus (1992). Since most of the respondents in the insurance industry age 40 and below (67%), holding a degree qualification (64.7%), and at executive middle management level (59.3%), this category of employees are looking for career growth. If there is a systematic career path planned for this group, employees will feel attached to the organisation and remain longer and fully contribute towards organisational success, which is to provide value-added customer service to the clients. It is argued that firms that are interested in a long-term relationship with employees will obtain rewards in financial terms through increased service quality (Allen and Meyer, 1996).

Career planning is the action that employees take to reduce the time required to achieve their career goals (Gould and Penley, 1984). Chang (2002) indicated that the usefulness of a particular career planning depends on the type of job, education level, and the nature of the work. In this study, employees who work in a service-oriented industry, should engage in networking by developing good interpersonal skills with significant people (i.e. superior, colleagues, and clients) within and outside the organisation. Such networking will open up more business opportunities, since their job nature is solely

interacting with their customers (Lee, 1986) as well keeping up good sales performance via customer service excellence.

According to Gould and Penley (1984), the relationship-oriented, namely networking and seeking career guidance can be known as social support. Seeking social support in which employees obtain career support, information, and advice from senior personnel, ultimately getting more business opportunities, information sharing, constructive feedback, and emotional support from significant and influential people, which will in turn promote their career growth and satisfaction. Greenhaus and Callanan (1994) conclude that the use of career strategies can act as an indicator of employee's career satisfaction, which is largely influenced by the organisational career planning support. The findings in this study is supported by Tan and Yahya's (2013) study on individual perceptions of organisational HRM practices and career strategies among the insurance agents in Malaysia and Birasnav and Rangnekar's (2012) study on employee's career management processes in the Indian manufacturing industry.

In order to gain competitive advantage in the face of change, it is important for the management to develop its SHRM practices that align with the organisational goals and business strategies that meet customer needs in unique ways (Ulrich and Lake, 1990). According to Ulrich (1992), the key to successful SHRM alignment with organisational vision and mission, is to creating linkages between clients and employees. When SHRM practices are aligned and integrated accordingly, employees and clients can come to agreement about organisational ends (strategies, goals, missions, and vision), and the means to be used to reach the ends (staffing, reward, satisfaction, etc).

Proper SHRM alignment in the organisation enables the organisation to strive to have the right number and the right kinds of people, at the right places, at the right time, doing things which result in both the organisation and the employees receiving maximum long-term benefits (Akhigbe, 2013). Conceptually, SHRM alignment practice should be an integral part of business planning. The strategic planning process should define projected changes in the scale and types of activities carried out by the organisation. Moreover, it should identify the core competencies the organisation needs to achieve its goals and involves gap analysis between current and future human resources need.

Career planning is a process by which employees develop insight into themselves and their environment, formulate career goals, and acquire feedback regarding career progress (Greenhaus *et al.*, 2000). This process deals with the aspects of career exploration, career goals, and career strategy. In the work organisation, career planning is where employees explore, how they explore, how much they explore and what they explore (Stumpf *et al.*, 1983). For example, salary progression and promotion are aspects that an employee highly focuses to achieve in the career growth (Noe, 1996). This career goal is achieved through designing a series of career planning activities (Greenhaus and Callanan, 1994) that align with firm's SHRM capabilities to manage it. In the insurance industry, the SHRM alignment in the organisation is very much service oriented that enable the firm to encourage career progression among the employees, and thus enhancing or facilitating one's career outcomes (Kilduff and Day, 1994). Therefore, the combination of career planning and SHRM alignment in the organisation will enhance employee's commitment for long-term employment that ensure standardised, value-added, and consistency of customer service to the current and potential clients.

Insurance industry is a very competitive business and changing business environment which makes the implementation of HRM imperative for competitive advantage. In the insurance industry, there has been immense insurance products to cater for the client needs e.g. life insurance, retirement annuity, investment-linked insurance, child education plan, motor insurance, home insurance, medical & health insurance, travel insurance, and personal accident insurance. It is in need for knowledgeable and highly skilled employees to improve and enhance the quality of the products (Dockery *et al.*, 1997) and services, affect positive changes in processes and deliver quality service to clients (Khan, 2010).

Rigorous research has been done to examine the effects of training and development on firm performance. The researchers found positive and significant link between investment in training and development activities and firm's performance (Huang, 2001; Smith and Dowling, 2001; Savery and Luks, 2004; Cifalino and Baraldi, 2009; Khan, 2010; Thang and Quang, 2011). According to Noe *et al.* (2010), training and development practice consist of planned activities to assist the learning process related to job knowledge, skills, and employee behaviour. Well-trained employees can share their knowledge and creativity to produce or serve a product to clients and understand the system development of product or service in the organisation (Loan-Clarke *et al.*, 1999).

According to Harel and Tzafrir (1999), training and development can influence performance by improving relevant skills and abilities of the employees and increases employee's satisfaction with their current job and workplace. Training and development can consist of on-job training, off job-training, formal training, skill training, cross-functional training, team training, and literacy training (Gomer-Mejia *et al.*, 2004).

Therefore, insurance firms are very active in organising comprehensive training and development to acquired new knowledge to improve the quality of products. Kundu (2003) stressed that organisations should invest heavily in training the employees for implementation of customer focused strategy and products development.

Westhead and Storey's (1996) study found that acquisition of knowledge and skills can be derived from in-house training and external training. Many insurance firms in Malaysia are developing their own in-house training education programs for their employees as well as offering these programs to the public. It is therefore, interesting to consider the role of training in educating the people of the insurance products benefits and functions to the community. In connection to career planning, training gives the employees specific skills and knowledge to improve their work productivity and career opportunity in long-term. Glaveli and Kufidu (2005) suggested that the role of training was to aim to sustain, raise, and innovate the employee core competencies for a strategic positioning of the firm in the industry. Drost (2002) also conclude that training and development is a mean to prepare employees for future job assignment which promotes product growth and innovation.

The findings of this study also reveal that the combination of recruitment and selection, career planning, and performance appraisal have strong significant impact on sales growth. Recruitment activities form a major part of an organization's overall resourcing strategies, which identifies and secures people needed for an organization to survive, compete and succeed in the short to medium-term (Elwood and James, 1996). The finding of this study is also in tandem with the views of Holton and Trott (2005) that recruitment and selection provides a cost-effective source for recruits if the potential of the existing pool of talents is enhanced through training, development and other

performance-enhancing activities, internally or externally. It also concurs with Wall and Wood's (2005) that whether an individual joins an organization based on certain tangible factors, such as pay and perks, opportunity for career growth, nature of work and educational opportunities. It should be understood from the basis of this finding, and as pointed out by Barney (2001), that employees of an organization create an important source of competitive advantage for the organization, and so it is vital for firms to adopt recruitment and selection and other related HRM practices that make best use of its employees.

On the other hand, performance appraisal practice is designed to help top management achieve strategic business objectives which is achieving high sales growth. By linking the organisational goals with individual goals, the performance management system reinforces the desired behaviours consistent with the attainment of organisational goals (Cleveland *et al.*, 1989; Aguinis 2007). When employees acknowledge that performance efforts within the firm are aligned and complementary, this is a clear signal about which attitudes and behaviours have the potential to contribute to the success of the organisation. Similarly, performance appraisal is also designed to furnish valid and useful information for making HR-related decisions, including salary adjustments, promotions, employee retention and termination, recognition of superior individual performance, identification of poor performance, and merit based on how well the employees achieved the desired sales growth. When employees are aware of the information on which performance based reward decisions are made, this is a clear signal about what is valued by the organisation and employees will remain and build their career growth in the organisation. In addition, this information allows managers to conduct on-going internal recruitment, by identifying the strengths and weaknesses of



the potential candidates who are that able to contribute to the success of the organisation in long-term basis (Cleveland *et al.*, 1989; Aguinis 2007).

### 5.3 Strategic Human Resource Management Practices and Firm Performance

The relationship between bundles of SHRM practices and firm performance was found to be positive. This was consistent with most conclusions drawn on sample firms from the West (Arthur, 1994; Huselid, 1995; Jackson and Schuler, 1995; MacDuffie, 1995; Delery and Doty, 1996; Youndt *et al.*, 1996; Guest, 1997; Huselid *et al.*, 1997), thus providing empirical evidence on the firm performance implication of bundles of SHRM practices to current literature by examining the SHRM-firm performance relationship in a local context of insurance industry in Klang Valley (a prime urban area in the capital of Malaysia).

In addition, this study expanded the current work on SHRM-firm performance relationship by examining a broader performance dimension namely rate of productivity, customer service, quality of products (organisational outcome), and sales growth (financial outcome) were employed. In summary, significant positive impact of bundles of SHRM practices on firm performance were found on all firm performance measures. Only two-paired bundles of SHRM practices were found significant with rate of productivity and quality of products, and customer service and sales growth were found related to two and three-paired bundles of SHRM practices.

These findings imply that SHRM practices contributes to firm performance in terms of the improvement of productivity internally, commitment to provide excellent customer service, delivery of quality of products, and promotion of sales growth. In the following

SHRM analyses, bundles of SHRM practices have been shown to be more effective than their individual components at enhancing all the firm performance indicators. However, not all bundles of SHRM practices are equally effective, though some two-paired SHRM practices are clearly better than three-paired SHRM practices (e.g. Career Planning x SHRM alignment in the organisation ( $R^2 = .396$ ,  $\beta = .293$ ) is greater than Career Planning x Recruitment & Selection x Training & Development ( $R^2 = .355$ ,  $\beta = .163$ ) in relation to customer service. In addition, the findings also indicate that the more effective the bundles, the more superior human resource strategy being implemented and making it difficult to imitate by the competitors.

Delaney and Huselid (1996) conclude that the impact of bundle of SHRM practices on performance is of the appropriate level of analysis to examine the impact of organisation-level performance. It is stated that a bundle (horizontal fit) of practices should generate greater effect owing to the whole being greater than the sum of its parts. For instance, the findings of this study show that recruiting and selecting good candidates to be hired as employee and without having to appraise their behaviour and work performance after a period of employment, or to otherwise poor internal communication on communicating regarding the staff performance after coming on board to the organisation, or newly hired employee are not being communicated on their work expectation and this contributes to biasness of performance appraisal evaluation, will produce few effects. If implementing the three practices together namely recruitment & selection, internal communication, and performance appraisal ( $R^2 = .447$ ,  $\beta = .126$ ), these would produce greater effects on firm performance (Wall and Wood, 2005).

This is in contrast to individual HRM practice that is recruitment and selection ( $R^2 = .421$ ,  $\beta = .579$ ), in isolation, can produce only a limited amount of competitive advantage on firm performance (Barney, 1995). In totality, however, there is no consensus amongst the academicians on what these bundles of SHRM practices should be, or the number of HRM practices that can enhance firm performance (Dyer and Reeves, 1995; Wright and Gardner, 2003; Guest, 2011). The only agreement to this study's finding is by bundling the recruitment & selection, internal communication, and performance appraisal practices, which can lead to better firm performance for the insurance industry in Malaysian context.

This study concludes that all eight SHRM practices help to improve firm performance. The results found in this analysis are consistent with the previous studies (Champion, 1988; Arthur, 1994; Huselid, 1995; Jackson and Schuler, 1995; MacDuffie, 1995; Delery and Doty, 1996; Youndt *et al.*, 1996; Guest, 1997; Huselid *et al.*, 1997; Paauwe and Richardson, 1997; Ulrich, 1997; Richard and Johnson, 2001; Geringer *et al.*, 2002; Wright *et al.*, 2005; Morgeson and Humphrey, 2006; Erdil and Gunsul, 2007; Carroll, 2008; Oladipo and Abdulkadir, 2011; Omondi *et al.*, 2011 and Osman *et al.*, 2011) and all conclude that firms implementing HRM practices strategically were more productive than those organisations that did not implement them.

The present study seeks to identify the pattern of SHRM configurations that would lead to improvement in firm performance in the insurance industry. Results from the present study fully support for the configuration hypothesis in predicting firm performance. Based on a theoretically-driven measure of SHRM practice configuration, a higher score on this measure indicates relatively intensive use of bundles of SHRM practices. Configuration of recruitment and selection and performance appraisal showed a

moderate positive significant effect on rate of productivity. Meanwhile, configuration of career planning and SHRM alignment in the organisation also showed a moderate positive significant effect on customer service. However, the configuration of training and development and career planning showed a low significant effect on quality of product. Finally, the configuration of recruitment and selection, career planning, and performance appraisal showed a strong significant effect on sales growth. Thus, it is important to align recruitment and selection, internal communication, and performance appraisal to a firm's performance to yield maximum results. The logic of this bundling study is to design and derive taxonomies of SHRM practices that uncover the resulting configurations in the insurance industry in Malaysia.

#### 5.4 Organisational Culture and Firm Performance

The relationship between organisational culture and firm performance has attracted attention among the academicians and practitioners. This study investigates the relationship between organisational culture and firm performance, taking the interactive process between the types of organisational culture and firm performance outcomes. This study argues that organisational culture is a hybrid of different types that enhance firm performance.

Several of the findings are of interest to the theory and research. Firstly, in support of the competing values model, the study found a positive linkage between the competing cultural types and firm performance indicators in the insurance industry in Malaysia. Within the organic culture dimension, market culture was positively linked to rate of productivity while hierarchy culture negatively linked to rate of productivity. However, clan and adhocracy culture were not found to be significant with rate of productivity.

The lack of significant association between clan and adhocracy culture and rate of productivity suggest that organisational culture which incorporate the flexibility and discretion elements do not promote the increased of rate of productivity.

In contrast, clan and adhocracy culture were found to be significant on customer service. This finding show that flexibility and discretion elements promote the increased of customer service render to the clients. Clan culture is found to be more appropriate because this type of culture concerns towards human commitment and focus on internal maintenance with flexibility, while adhocracy culture practices open system that concern towards adaptation and expansion and focus on external positioning with flexibility and individuality. The findings of this study generally support Wilkins and Ouchi's (1983) proposed classification of alternative organisational cultures and their differential effectiveness of the respective culture types.

Only adhocracy culture is significantly associated with quality of product. This culture type is externally oriented and is supported by a flexible organisational structure. The fundamental belief in adhocracy culture is that change fosters the creation of new resources and induces employees to be creative, adaptability and taking risks. Furthermore, this culture values growth, stimulation, variety, autonomy, and attention to details. This finding is supported by Denison and Spreitzer's (1991) study that adhocracy culture embraces and cultivates innovation and cutting-edge output, and in turn this relates to quality of product improvement for the benefits of the clients.

The finding also indicates that hierarchy culture was found to be significant on sales growth. The hierarchy culture type is internally oriented and is supported by an organisational structure driven by control mechanism. The core assumption of this

culture is that control, stability, and predictability foster efficiency. Employees meet expectations when their roles and responsibilities are clearly defined. This shows hierarchy culture values precise communication, routinisation, formalisation, and consistency that promote efficiency, timeliness, and smooth functioning (Quinn and Kimberly, 1984). However, most studies conducted by other researchers indicate that market culture pursues organisational profits and sales growth through competing intensely to acquire new customers and aggressively attacking competitors' market share (Narver and Slater, 1990; Deshpande and Farley, 2004; Hartnell *et al.*, 2011) and not hierarchy culture.

In summary, clan, adhocracy, and market culture had a small but significant relationship with firm performance. These results provide a mixed support for Hypothesis 2 as more than one organisational culture type influence firm performance. Although market culture had a significant relationship on firm performance (Hypothesis 2), but it is not the dominant culture that effect firm performance. Therefore, taken together of the interacting culture types, this study suggest the need to apply the configurational theory to investigate the dynamism of organisational culture research in relation to firm performance in the insurance industry.

In sum, these findings reveal modest support for the CVF's nomological validity. One explanation for this relationship is that the culture types interact and strengthen each other's association with effectiveness criteria. Three configurational of organisational cultures were identified and significantly related to firm performance in the insurance industry namely, clan and market (Culture 1), clan and adhocracy (Culture 2), and market and adhocracy (Culture 3). For instance, clan cultures' emphasis on collaboration, trust, communication, and support may provide the internal integration

needed to strengthen market cultures' capacity to innovatively meet customers' needs. This finding is supported by Hartnell *et al.*'s (2011) study.

According to Hartnell *et al.*'s (2011) findings suggest that the CVF's culture types in opposite quadrants are not competing. Instead, they coexist and complement each other to create the dynamism of organisational culture taxonomy in association with firm performance. This possibility may partially account for the mixed support for the CVF's nomological validity e.g. clan and market ( $\beta = .082$ ), clan and adhocracy ( $\beta = .068$ ), and market and adhocracy ( $\beta = .045$ ) culture are all positively associated with the firm performance.

In the same way, Cameron *et al.* (2006) states that identifying the dominant or strong culture type may be of limited utility because the identified dominant culture type does not fully account for organisational culture's bandwidth. But, organisational cultures include unique aspects from multiple culture types (Denison and Spreitzer, 1991) that create dynamism and synergistic interaction among the values and characteristics that define an organisation's culture. In conclusion, market culture ( $\bar{X}=29.90$ ,  $R^2 = .107$ ,  $\beta = .037$ ) was found to be the dominant culture type in the insurance industry in Malaysia. Accordingly, the configuration of clan and market culture ( $R^2 = .113$ , Adjusted  $R^2 = .095$ ,  $\beta = .082$ ) show a fruitful alternative theoretical perspective on the dynamism and synergetic of multiple culture types.

## 5.5 Organisational Culture as the Mediator Role in the Strategic Human Resource Management -Performance Link

This study investigated the mediating mechanism through which bundling of SHRM practices is hypothesised to affect firm performance. Results from the study confirmed

that the effect of bundles of SHRM practices on firm performance may be because of the existence of mediator variables that are affected by HRM practices, which, in turn, influence firm performance. The findings of this study are consistent with Chan *et al.* (2004); Hartog and Verburg (2004); Chow and Liu (2009); and Chow's (2012) study on the relationship between SHRM practices, organisational culture and organisational performance.

The findings of this study provide further credence to the importance of bundle of SHRM practices and firm performance for insurance industry in a local context. Results of this study indicate that both market and adhocracy culture mediates the implementation of bundles of SHRM practices on firm performance, and bundles of SHRM practices have positive effects on firm performance. Moreover, market ( $\beta = .037$ ) and adhocracy ( $\beta = .068$ ) culture also have some direct positive effects on firm performance. A firm's performance can be enhanced by its implementation of compensation and benefits, SHRM alignment in the organisation and career planning (Bundle 18,  $\beta = .183$ ) together with market culture ( $\beta = .155$ ,  $\Delta R^2 = .021$ , Total Adjusted  $R^2 = .358$  to achieve superior firm performance. The combination of compensation and benefits and SHRM alignment in the firm (Bundle 1,  $\beta = .201$ ) together with market culture ( $\beta = .137$ ,  $\Delta R^2 = .018$ , Adjusted  $R^2 = .327$ ) also contribute significantly to firm performance. Combination of training and development, compensation and benefits and career planning (Bundle 19,  $\beta = .174$ ) together with market culture ( $\beta = .128$ ,  $\Delta R^2 = .015$ , Adjusted  $R^2 = .361$ ) were also contribute significantly to firm performance. In conclusion, market culture mediates (percentage of  $\Delta R^2$  on variability in the criterion variable) the relationship between fourteen bundles of SHRM practices and firm performance.



The findings also reveal more than one organisational culture type that mediates the relationship between bundle of SHRM practices and firm performance. Adhocracy culture ( $\beta = .105$ ,  $\Delta R^2 = .010$ , Adjusted  $R^2 = .359$ ) was found to mediate the relationship between the combination of internal communication and training and development (Bundle 7,  $\beta = .256$ ) and firm performance. Similarly, adhocracy culture ( $\beta = .097$ ,  $\Delta R^2 = .009$ , Adjusted  $R^2 = .375$ ) also was found to mediate the relationship between the combination of internal communication and performance appraisal (Bundle 14,  $\beta = .293$ ) and firm performance.

Another discovery from the findings show that both market ( $\beta = .106$ ,  $\Delta R^2 = .010$ , Adjusted  $R^2 = .356$ ) and adhocracy ( $\beta = .096$ ,  $\Delta R^2 = .009$ , Adjusted  $R^2 = .354$ ) culture complementary mediate the relationship between the combination of internal communication and compensation and benefits practices (Bundle 11,  $\beta = .237$ ) and firm performance. This suggests that the presence of either one or both culture types exhibit the association with firm performance. In conclusion, the results on the mediating model of this study demonstrate that the organisational culture (e.g. market culture contributes most to the bundle of SHRM – performance link) is a relevant factor that explains the relationship between the bundles of SHRM practices that enhance firm performance in the insurance industry in Klang Valley. This study reiterates the importance for insurance firms of designing an integrated (configuration) SHRM system consistent with their organisational culture and firm performance.

## 5.6 Contribution to the Body of Knowledge

Malaysia is an interesting and important context in which to re-examine and extend the debate on SHRM practices. The organisation-environment relationship in Malaysia is

different from the western countries where the central government has strong influence over many aspects of the management on the organisation operating in Malaysia. Second, the Malaysian employees have unique cultural values that may affect the implementation of SHRM practices in the organisation. The unique characteristics of Malaysia described above collectively suggest that Malaysia-based studies may offer valuable information for the cross-national validity of the strategic configurational perspective of SHRM practices, and specifically demonstrated that organisational culture mediates the SHRM-performance relationship in Malaysia.

Overall, the findings of this study contribute to the current study of the relationship among bundles of SHRM practices, organisational culture, and firm performance. Firstly, this study confirmed that bundle of SHRM practices is the antecedent of firm performance. The findings from this study support the initial proposition that synergistic bundles of SHRM practices are likely to be positively correlated with specific firm performance indicators. Most prior studies examined HRM practice at universalistic perspective (Jackson and Schuler, 1992; Easterby-Smith *et al.*, 1995; Marchington and Grugulis, 2000; Paul and Anantharaman, 2003; Singh, 2003a; Combs *et al.*, 2006; Shih *et al.*, 2006; Yeganeh and Su, 2008; Kundu and Malhan, 2009; Quresh *et al.*, 2010; Boohene and Asuinura, 2011; Cantarello *et al.*, 2012), this study focuses on the effect of synergistic of bundles of SHRM practices on firm performance in the Malaysian context.

These findings confirm that firms can benefit from the configurational of SHRM practices that complement each other, making HRM systems more comprehensive and firms could derive positive returns by enhancing synergy among these practices. Furthermore, this study argues that instead of ensuring bundles of SHRM practices be

simultaneously present, firms might benefit from enforcing a smaller number of combination of SHRM practices and then build synergies among them. The introduction of two-paired and three-paired of bundles of SHRM practices are likely to be more cost-effective than several SHRM practices. This enable sufficient time and resources for the firm to integrate these practices with each other and with other organisational initiatives. This is consistent with Subramony's (2009) study about synergistic of HRM bundles.

The results of the study also provide new insights to the RBV theory and configurational perspective application in the study of SHRM. The process of bundling the SHRM practices enable the firm to acquire resources and integrate them quickly, developing the information system to integrate resources and activities with clients, establish a resource management unit, complement the value of a resource with another resource, and disposal of the less strategic resources. This is consistent with Wong and Karia's (2010) study about bundling of strategic logistic resources among the logistics service providers using the RBV approach. Given the increased importance and attention of bundling of SHRM practices and its effects on firm performance is worthy of investigation.

Second, responding to the call to go beyond the SHRM-performance link and further investigate the relationship between SHRM and firm performance, this study examines the organisational culture as mediator adds evidence to the literature of SHRM implementation in the context of Malaysia. The findings of the study support that both market and adhocracy culture provide some impetus for firms to develop SHRM practices, which would enhance the competitiveness of insurance firms in Malaysia. This is consistent with Lim (1995) and Shahzad *et al.*'s (2012) study on the role of organisational culture in SHRM implementation process.

This study also indicates the importance of building up organisational culture in Malaysian firms. The findings of this study suggest that organisational culture have positive effects on firm performance, and the effects of certain organisational culture type were indirect through the implementation of bundles of SHRM practices. Similarly, this study also contributes to the understanding of interrelationships among culture types consistent with the propositions derived from the CVF. This study further suggest that there is no one best dominant type of organisational culture, rather different/combination of culture types are related to higher levels of firm performance on different performance dimensions. However, it is also worth noting that clan and hierarchy culture are irrelevant to both implementation of SHRM practices and firm performance.

Firms operating in Malaysia are undergoing tremendous environmental changes and business reforms. Managing the organisational culture is a complex process and most firms working to establish effective organisational culture while upgrading internal management practices. Building an appropriate and strong SHRM practices and culture is a fundamental way to improve firm performance and heighten competition. It is critical for top management to promote any new and advanced SHRM practices and aligned them into organisation's values and beliefs, the firm can ultimately benefit from implementing it and achieve sustainable competitive advantage.

## 5.7 Limitation and Future Research

This research has several limitations. The research design in this study was dictated largely by resource constraints. First, the research was based on a relatively small sample from seven major insurance firms in Klang Valley and is conducted within a

single industry. This will result in the question of generalisability and applicability to other industries in the study of SHRM-performance linkage. Therefore, it would be better for future study to obtain a cross-industry sample for comparison in the case of firms competing in globalised environment.

Second, they are difficulties faced by the researcher such as interfering the daily operations of Human Resource Managers and respondents. In the insurance industry, respondents lead a busy and hectic working life (performing insurance applications processing, entertaining enquiries from the clients, submission processing, etc.). Only those who are interested to participate in this survey would voluntarily do so with the Human Resource Management's office.

Further, a longitudinal study could be of many benefits. This survey covered seven firms and the findings may not be strongly established and as being indicative of the larger population in the insurance industry in Malaysia. A longitudinal research design will be more accurate, before and after measurements to test the causality.

The construction of the research questionnaire only consists of few items to explore the relationships between SHRM practices and firm performance. Only eight out of a wide range of possible HRM practices were selected in this study. The selection of the SHRM items were based on the most popular SHRM practices quoted and validated from previous studies. There are other possible variables that were not examined such as employee relations, work systems, employment security, etc and may have exogenous effects on the relationships studied.

Although multiple performance measures were employed in this study, these measures concern on organisational and financial outcomes of the firm only. Taking a much broader view, including the human resource outcomes such as turnover, individual or group performance, etc would deepen the understanding of the comprehensive effects of SHRM on firm performance (Dyer and Reeves, 1995). Since firm performance is the results of the firm's effective utilisation of its human resources, it is crucial to identify human resource outcomes aspects for measuring the true performance of a firm. Therefore, multiple criteria of performance should be considered and covered in the future studies on the SHRM-performance linkage.

The findings of this study generalise to only a limited number of culture types because this study exclusively tested the CVF's theoretical which contains only four types of organisational culture. As a result, the narrow set of values and behaviours that the CVF measures may not fully capture the essence of organisational culture. Future research should incorporate a broader set of culture types in creating a measure of organisational culture. Although this study investigates the direct relationship between culture configurations and firm performance, the findings do not include the testing role of culture configuration as mediator in the SHRM-performance relationship. Therefore, configuration should be used to identify culture's relationship with similarly broad antecedents, mediator, and outcomes. Moreover, configuration of culture type using the CVF model is limited by the number of types used to create them. Therefore, a more robust set of culture types is needed to accurately portray the holistic pattern of culture configurations across the organisation.

One most common limitation is the cross-sectional study. This study is unable to test the reciprocal relationship between SHRM practices and organisational culture based on the

data collected. Future studies are needed to capture the causal relationship of SHRM practice and organisational culture in various insurance firms and the corresponding effects on firm performance. Insurance industry in Malaysia is going through a transformation with more extensive business reforms. This requires the insurance industry to develop and improve their HRM system, and gradually build their organisational culture and internal process-related determinants of firm performance.

This study examines the role of organisational culture in the SHRM-performance links. Organisational culture acts as mediator and facilitating the effective implementation of bundles of SHRM practices, can be further examined as an important moderating variable that may influence the relationship between SHRM and firm performance. Similarly, organisational culture can be tested as independent variable on firm performance, mediated or moderated by SHRM practices. Comparative studies of these relationships would help for both theory development and the practice of SHRM.

Finally, this study only focused on the insurance industry in Klang Valley and the results may differ from other industries in Malaysia or other countries. Therefore, it is meaningful to examine the development of SHRM in firms from different industries to extend the knowledge on the configuration process of SHRM. In addition, since insurance firm performance is closely associated with some firm-specific resources, identification of these resources and investigation on their role in building up inimitable, unique, and non-substitute bundle of SHRM practices is another contribution to the study of SHRM. Nevertheless, future studies should also analyse contingency perspective of HRM practices and their effect on firm performance. By comparing the configurational and contingency perspectives it may provide valuable findings on firms' integrated HRM practices in their strategic process and whether the more proactive

approach improves firm performance. Also, this study will be valuable if future researchers may take up study to cover a wider area such as insurance business unit branches and multiple respondents including insurance consultants/agents with cross cultural extensions.

## 5.8 Managerial Implication of the Study

The employment of bundles of SHRM practices is helpful and useful for improving the firm performance indicators of insurance industry in Klang Valley. The appropriate practice of people management is widely known and can contribute to achieving superior firm performance. Therefore, the efforts made in developing relevant practices in the field of HRM are likely the investment with high return. The contribution of SHRM to the firm's bottom line is established through this study, thus implementing effective bundle of SHRM practices aligned with organisational culture could strengthen the competitiveness and competitive advantage of insurance industry. As suggested by some researchers, the congruence between SHRM practices and organisational culture has important implications for firm performance (Chan *et al.*, 2004; Khatri and Budhwar, 2004; Lau and Ngo, 2004).

It is crucial that Human Resource Manager and department remain committed to the development of effective SHRM systems by focusing upon implementation of bundles of SHRM practices within the organisation in order to achieve and enhance human resource satisfaction levels. Thus, this study's discussion highlights the importance not only to integrate an HRM system but determining the components of SHRM practices embedded in the configuration design affecting firm performance. For top management, theoretical predictions about which bundle of SHRM practices is optimal for an



organisation's context could change how management put its efforts in priority. If efficient complementary of SHRM practices is the most effective approach, then the management can decide the appropriate methodologies for determining success in organisational HRM systems.

The differentiation among the four culture type used to assess culture strength and weakness provide preliminary evidence of the specific structural and management attribute that uniquely characterise string culture in each of the four culture types (Smart and John, 1996). These distinguishing features may inform management in the insurance industry with each of the four culture types they may wish to focus, or to avoid, in efforts to build an alignment with organisational practices and thus to enhance performance.

## 5.9 Chapter summary

This chapter discusses the results of the study to support the notion that by bundling the SHRM practices it will capture the desirable interactive effects on firm performance. The discussion also provides an insight of a broad-based support for the CVF's assertion that culture types are associated with firm performance. Drawing from the literature of SHRM practices, organisational culture, resource-based view of the firm, and configurational perspective of SHRM, this study suggests that organisational culture functions as mediator to the relationship between SHRM practices and firm performance. The results of the study support the notion that market or adhocracy culture mediates the implementation of bundles of SHRM practices which has a subsequent positive impact on firm performance. This research contributes to the SHRM literature by uncovering the components of SHRM configuration that best suit

the organisation. Also, this chapter highlights the limitations of the study and significant implications for management practice, specifically in the field of SHRM development and culture management in Malaysia.

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## **LIST OF PUBLICATIONS AND PAPERS PRESENTED**

### **List of Publications- Journals**

- Beh, L.S., & Loo, L.H. (2013). "Human resource management best practices and firm performance: a universalistic perspective approach". *Serbian Journal of Management*, 8(2). 155-167.
- Loo, L.H., & Beh, L.S. (2013). The effectiveness of strategic human resource management on firm performance in the Malaysian insurance industry. *International Journal of Academic Research in Business and Social Sciences*, 3(5). 703-714.
- Beh, L.S., & Loo, L.H. (2012). Job stress and coping mechanisms among nursing staff in public health services. *International Journal of Academic Research in Business and Social Sciences*, 2(7), 131-176.

### **List of Publications - Forthcoming**

- Loo, L.H., & Beh, L.S. (2014). Single versus Bundles of Strategic Human Resource Management Practices on Firm Performance: An Empirical Study on Insurance Industry in Malaysia. *Asian Business & Management*, (forthcoming, ISI) (ISI-Cited Publication)
- Loo, L.H., & Beh, L.S. (2014). Strategic Human Resource Management, Organisational Culture, and Firm Performance in the Insurance Industry in Malaysia. *Asia Pacific Journal of Human Resources* (forthcoming, ISI) (ISI-Cited Publication)
- Loo, L.H., & Beh, L.S. (2014). Diagnosing Organisational Culture in the Insurance Industry in Malaysia. *Organizational Dynamics* (forthcoming, ISI) (ISI-Cited Publication)

### **List of Publications (Proceedings)**

- Loo, L.H., & Beh, L.S. (2013). The Effectiveness of Strategic Human Resource Management Practices on Firm Performance in the Malaysian Insurance Industry. Proceedings of the 10th Asian Academy of Management International Conference, Pp: 299-306.
- Loo, L.H., & Beh, L.S. (2013). Does SHRM play a role in firm performance? An empirical evidence. Proceedings of Business and Information, Vol. 10, ISSN 1729-9322, 2013, G1~G780.
- Beh, L.S. & Loo, L.H. (2013). Strategic Human Resource Management and Firm Performance in the Insurance Industry in Malaysia. Proceedings of International May Conference on Strategic Management. Pp: 6-16. ISBN: 978-86-6305-006-8

### **Conference Paper Presentation**

The effectiveness of strategic human resource management practices on firm performance in the Malaysian Insurance industry, The 10<sup>th</sup> Asian Academy of Management International Conference 2013, 23<sup>rd</sup> to 25<sup>th</sup> August 2013, Universiti Sains Malaysia (International).

Does SHRM play a role in firm performance? An empirical evidence, International Conference on Business and Information, 07 to 09 July 2013, Academy of Taiwan Information Systems Research (ATISR), (International).



**Persatuan Insurans Hayat Malaysia**  
**Life Insurance Association Of Malaysia**

26 January 2012

Mr Loo Leap Han  
Ph.D Candidate (EHA 100001)  
Faculty of Economics and Administration  
University of Malaya

Dear Mr Loo

**Letter of Support for Research on Life Insurance Companies**

We refer to the emails dated 12 January 2012 and are pleased to provide our support to your research on the life insurance companies in Malaysia.

We noted that your study will focus on organizational culture, strategic human resource management and firm performance. The result of this study will be useful for our members.

Attached herewith is the list of Head of Corporate Communications of LIAM member companies for your information.

As stated in your email, we look forward to receiving a report of the findings of your survey in due course.

Our best wishes to your research.

Thank you.

Yours sincerely  
LIFE INSURANCE ASSOCIATION OF MALAYSIA

NANCY TAN  
Executive Secretary

No. 4, Lorong Medan Tuanku Satu, Medan Tuanku, 50300 Kuala Lumpur  
Tel: 2691 6168, 2691 6628, 2691 8068 Fax: 2691 7978  
Website: [www.liam.org.my](http://www.liam.org.my)  
E-mail: [liaminfo@liam.org.my](mailto:liaminfo@liam.org.my)

Firm Code:
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**RESEARCH QUESTIONNAIRE**Information for respondent

<b>Strategic Human Resource Management, Organisational Culture, and Firm Performance in the Insurance Industry in Malaysia</b>
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I am a postgraduate in the Faculty of Economics and Administration at University Malaya. As part of my doctoral studies, I am conducting a research study under the supervision and direction of Associate Professor Dr. Beh Loo See.

This study offers 1) an insight on strategic human resource management practices that leads to better firm performance 2) determining the dominant type of organisational culture, and 3) establishing the relationship between the strategic human resource management, organisational culture and firm's performance in the insurance industry in Malaysia. This study will enable the insurance firms to manage its strategic human resource management strategies and culture management that encourage better performance.

There are four sections in this questionnaire. Please read the given directions on how to answer the questions. Please answer all the questions freely. All the information you provide will be treated in the strictest confidence. We anticipate that the questionnaire should take you approximately 15 minutes to 30 minutes to complete. Please answer the questions in the column provided. Try and complete the questions at a time when you are unlikely to be disturbed. Even if you feel the items covered may not apply directly to you, please do not ignore them. Your answers are essential in building an accurate picture of this research study. When you have completed the questionnaire, kindly return it to the Human Resource Manager.

I hope you find completing the questionnaire enjoyable, and thank you for taking the time to complete this questionnaire. Please contact me (012 6557944 or [michael.loo@hotmail.com](mailto:michael.loo@hotmail.com)) if you need more information about the research study.

Thank you.

Loo Leap Han (EHA 100001)  
Ph.D Candidate  
Faculty of Economics and Administration  
University Malaya



## Section A: Demographic characteristics of the respondent and organisation

Please tick [ / ] in the appropriate box and fill in the blank where necessary.

(1) Gender: [ ] Male [ ] Female

(2) Name of the organisation: \_\_\_\_\_

(3) Age: [ ] below 25 [ ] 25 – 30 [ ] 31 – 40 [ ] 41 and above

(4) Education: [ ] SPM [ ] STPM [ ] Diploma [ ] Degree [ ] Master [ ] Ph.D

(5) Year of service: [ ] less than 5 years [ ] 5 – 10 years [ ] above 10 years

(6) Designation: [ ] Non-Executive [ ] Executive [ ] Manager [ ] Top Management

(7) Total employees: [ ] less than 100 [ ] 100 – 200 [ ] 201 – 300 [ ] above 300

## Section B: About your organisation's culture

### Instruction for completing the Organizational Culture Assessment Instrument (OCAI)

In completing this section of the questionnaire, you are providing an organisational picture of the ways in which your organisation operates and the values that best characterise it. There is no right or wrong answers exist for these questions just as there is not right or wrong culture. Therefore, be as accurate as you can in responding to the questions so that your resulting cultural diagnosis will be as precise as possible.

In each set of the statements below, you will have 100 points to distribute among these four alternatives depending on the extent to which each alternative is similar to your own organization. Give a higher number of points to the alternative that is most similar to your organization. *For example, in Question One, if you think alternative A is very similar to your organization, alternative B and C are somewhat similar, and alternative D is hardly similar at all, you might give 55 points to A, 20 points to B and C, and 5 points to D.* Just be sure your total equals 100 points for each question.

Note, that the first pass through the six questions is labelled "Now". This refers to the culture, as it exists today. After you complete the "Now", you will find the questions repeated under a heading of "Future". Your answers to these questions should be based on how you would like the organization to look five years from now.

Question 1. Dominant Organizational Characteristics		Point (Now)	Point (Future)
A	The organization is a very personal place. It is like an extended family. People seem to share a lot of themselves		
B	The organization is a very dynamic entrepreneurial place. People are willing to stick their necks out and take risks.		
C	The organization is very results oriented. A major concern is with getting the job done. People are very competitive and achievement oriented.		
D	The organization is a very controlled and structured place. Formal procedures generally govern what people do.		
Total		100	100
Question 2. Organizational Leadership Style		Point (Now)	Point (Future)
A	The leadership in the organization is generally considered to exemplify mentoring, facilitating, or nurturing.		
B	The leadership in the organization is generally considered to exemplify entrepreneurship, innovating, or risk taking.		
C	The leadership in the organization is generally considered to exemplify a no-nonsense, aggressive, results-oriented focus.		
D	The leadership in the organization is generally considered to exemplify coordinating, organizing, or smooth-running efficiency.		
Total		100	100



Question 3. Management of Employees		Point (Now)	Point (Future)
A	The management style in the organization is characterized by teamwork, consensus, and participation.		
B	The management style in the organization is characterized by individual risk-taking, innovation, freedom, and uniqueness.		
C	The management style in the organization is characterized by hard driving competitiveness, high demands, and achievement.		
D	The management style in the organization is characterized by security of employment, conformity, predictability, and stability in relationships.		
Total		100	100
Question 4. Organization Glue		Point (Now)	Point (Future)
A	The glue that holds the organization together is loyalty and mutual trust. Commitment to this organization runs high.		
B	The glue that holds the organization together is commitment to innovation and development. There is an emphasis on being on the cutting edge.		
C	The glue that holds the organization together is the emphasis on achievement and goal accomplishment. Aggressiveness and winning are common themes.		
D	The glue that holds the organization together is formal rules and policies. Maintaining a smooth-running organization is important.		
Total		100	100
Question 5. Strategic Emphases		Point (Now)	Point (Future)
A	The organization emphasizes human development. High trust, openness, and participation persist.		
B	The organization emphasizes acquiring new resources and creating new challenges. Trying new things and prospecting for opportunities are valued.		
C	The organization emphasizes competitive actions and achievement. Hitting stretch targets and winning in the marketplace are dominant.		
D	The organization emphasizes permanence and stability. Efficiency, control and smooth operations are important.		
Total		100	100
Question 6. Criteria of Success		Point (Now)	Point (Future)
A	The organization defines success on the basis of the development of human resources, teamwork, employee commitment, and concern for people.		
B	The organization defines success on the basis of having the most unique or newest products. It is a product leader and innovator.		
C	The organization defines success on the basis of winning in the marketplace and outpacing the competition. Competitive market leadership is key.		
D	The organization defines success on the basis of efficiency. Dependable delivery, smooth scheduling and low-cost production are critical.		
Total		100	100

### Section C: Strategic Human Resource Management (SHRM) Practices

A number of statements dealing with various SHRM practices in your company are given below. Please think about the human resource practices in your company to which you think your company places importance on each item.

Please indicate the degree of importance using the following 5-point Likert scale.

1 = strongly disagree	2 = disagree	3 = undecided	4 = agree	5 = strongly agree
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### A. Strategic Human Resource Management Alignment in the organisation

Human resource practices help achieve business objectives.	1	2	3	4	5
Human resource practices are used to implement business strategies.	1	2	3	4	5
Human resource management is involved in business decision making.	1	2	3	4	5
Human resource management strategy is formulated based in your company's vision and mission.	1	2	3	4	5
Human resource management strategies are aligned with my company's business.	1	2	3	4	5
Human Resource Director or Manager is a strategic partner in your company's businesses.	1	2	3	4	5
Human resource management is involved in the development of employee program.	1	2	3	4	5

### B. Recruitment and Selection Practices

In your company, structured test and interview is used in order to properly assess the candidates.	1	2	3	4	5
Your company spend a great deal of money on recruitment and selection activities/programs.	1	2	3	4	5
Your company give consideration to internal over external candidates for job opening and promotions.	1	2	3	4	5
Percent of jobs filled with candidates on succession plan is on timely manner.	1	2	3	4	5
Employees are hired and assessed against criteria set by the organisation, rather than on the manager's personal preference.	1	2	3	4	5
The hiring is based on how well the person will fit the company's values and ways of doing things.	1	2	3	4	5
The hiring is based on proven work experiences in a similar job.	1	2	3	4	5
The hiring is only based on a person's ability to perform the technical requirement of the job.	1	2	3	4	5

### C. Training and Development Practices

Your company make a significant investment on training and development to upgrade employee's skill.	1	2	3	4	5
Training needs are identified and linked to key performance areas of the company.	1	2	3	4	5
There are formal training programs to teach new employees the skills they required to perform their job.	1	2	3	4	5
Your company has a systematic and organised training practices, process and programs.	1	2	3	4	5
Employees receive training on our organisation's values and ways of doing things.	1	2	3	4	5
The training practices help our company to have employees who are satisfied with their jobs.	1	2	3	4	5
The training practices make a positive contribution to the overall effectiveness of the company.	1	2	3	4	5
The training practices prepare employees for future job assignments.	1	2	3	4	5
The training practices help the employees understand the business.	1	2	3	4	5

### D. Compensation & Benefits Practices

Incentives and bonuses are given on the basis of how well our organisation performs.	1	2	3	4	5
The remuneration and other benefits are comparable to what is generally obtainable in the industry.	1	2	3	4	5
Compensation and other benefits are decided on the basis of the qualification, competence, ability and contribution of the employees.	1	2	3	4	5
HR Manager provides a clear explanation of remuneration policy and how it is to be implemented.	1	2	3	4	5
Our pay policies recognise that long-term results are more important that short-term results.	1	2	3	4	5
An employee's seniority does enter into compensation and benefits decisions.	1	2	3	4	5
An employee's earning depends on the importance of his or her job to the organisation.	1	2	3	4	5
Pay incentives such as bonus and profit sharing are an important part of the compensation strategy.	1	2	3	4	5
Cost-of-living adjustment or legislated wage adjustments determine increases in salary.	1	2	3	4	5

### E. Performance Appraisal Practices

The company conducts a periodic evaluation of employee performance based on measurable objectives.	1	2	3	4	5
Appraisal system in your company is growth and development oriented.	1	2	3	4	5
Employees are clear of the objectives of the appraisal and provided performance based feedback and counselling.	1	2	3	4	5
The company's performance appraisal process for dealing with poor performer is effective.	1	2	3	4	5
The performance appraisal process is standardised and documented.	1	2	3	4	5
The appraisal practices lay out specifics ways in which employee can improve performance.	1	2	3	4	5
The appraisal practices discuss employee's view and allow employee to express feelings.	1	2	3	4	5
The appraisal system determines employee's promotability in the organisation.	1	2	3	4	5



### F. Internal Communication Practices

There is a consistency and clarity of strategic decisions from top management and from HR department.	1	2	3	4	5
Speed and effectiveness of responses to employee complaints in my company.	1	2	3	4	5
There is information sharing among departments in my company.	1	2	3	4	5
There is effectiveness of human resource mediation between employees and management.	1	2	3	4	5
The informal communication works better than formal communication in my company.	1	2	3	4	5
Too many people need to be consulted before I can do anything here.	1	2	3	4	5
Good cross-departmental communication exists in my company.	1	2	3	4	5
My immediate superior often gives information/suggestions or feedback and asks for my opinions.	1	2	3	4	5

### G. Career Planning Practices

Human Resource department provides clear career path information to the employees.	1	2	3	4	5
Our company provides academic learning assistance program.	1	2	3	4	5
Our company plans for the career and development of the employees.	1	2	3	4	5
Individual and organisational growth needs are matched in this company.	1	2	3	4	5
My career aspirations within the company are known by my immediate superior.	1	2	3	4	5
Our company prefers an internal employee whenever a vacancy exists.	1	2	3	4	5
Each employee in my organisation is aware of his/her career path in the company.	1	2	3	4	5

### H. Job Design Practices

My job duties, requirements, and goals are clear and specific.	1	2	3	4	5
My job is highly specialised in terms of purpose, tasks, or activities.	1	2	3	4	5
The job allows me to decide on the order in which things are done on the job.	1	2	3	4	5
The job is arranged so that I can do an entire piece of work from beginning to end.	1	2	3	4	5
The results of my work are likely to significantly affect the organisation.	1	2	3	4	5
The job requires that I engage in a large amount of thinking and analyse a lot of information.	1	2	3	4	5
The job requires me to utilise a variety of different skills in order to complete my work.	1	2	3	4	5
Flexible work practices (flexible working hours, home working, job sharing) are available to employees.	1	2	3	4	5

### Section D: Perceived Firm Performance

Compare to the performance of the best performing companies in your related industry. How do you rate on each of the following before 5 years and now?

Please use the following 5-point Likert scale to indicate the performance of your company.

1 = very poor	2 = poor	3 = satisfactory	4 = good	5 = very good	
Rate of productivity of your company.	1	2	3	4	5
Customer service.	1	2	3	4	5
Quality of products.	1	2	3	4	5
Sales growth.	1	2	3	4	5

----- END -----

## RE: Dr. Ulrich: Permission to adapt SHRM questionnaire (Country of Malaysia)

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From: **Dave Ulrich** (dulrich@rbl.net)  
Sent: Tuesday, 24 Apr, 2012 10:47 AM  
To: Leap Han Loo (michael.loo@hotmail.com)

Thanks for sending survey.

Let me offer a few observations:

Demographics:

OK ... do you have hypotheses?

How many respondents will you get from each company?

How are you defining "organization" ... corporate or business unit?

Culture:

Looks like a 4-cell typology ... four archetypes of culture

Strategic HR:

Where did you get these questions? Have they been used before

Outcome:

We used the following outcome:

<b>2</b>	How does your organization compare to its main competitors in terms of:	Very poorly	Poorly	Somewhat Well	Well	Very Well	N/A
a	Profitability (objective data equivalent: EBITDA)	TM	TM	TM	TM	TM	TM
b	Labor productivity (objective data equivalent: sales per employee)	TM	TM	TM	TM	TM	TM
c	Development of new products and services	TM	TM	TM	TM	TM	TM
d	Customer satisfaction	TM	TM	TM	TM	TM	TM
e	Attraction of required employees (blue collar and managerial)	TM	TM	TM	TM	TM	TM
f	Regulatory compliance	TM	TM	TM	TM	TM	TM
<b>3</b>	Please answer <b>one</b> of the following two questions:	Much Worse	Worse	About the same	Better	Much Better	N/A
	<b>For-Profit Companies:</b> Compared to the major competitor in your business in the last three years, how has your business performed financially?	TM	TM	TM	TM	TM	TM
		Very Poorly	Poorly	Somewhat Well	Well	Very Well	N/A
	<b>Non-Profit Organizations:</b> How effectively have you met your goals?	TM	TM	TM	TM	TM	TM

If you can show how others have used your questions, it makes it easier to build on them.

Also, I am having a little trouble seeing the statistics you will be doing. You will have a dependent variable (the outcome scale of business performance) and three sets of independent variables: demographics, culture, and HR practices.

Will you be look at the extent to which culture or HR practices explain more of the business outcomes?

Will you be looking at interaction affect of culture and HR? Can you create an alignment measure of culture and HR?

Again, I think the instrument looks good, except maybe the outcome measure.

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**From:** Leap Han Loo [mailto:michael.loo@hotmail.com]  
**Sent:** Sunday, April 22, 2012 9:45 AM  
**To:** Dave Ulrich  
**Subject:** RE: Dr. Ulrich: Permission to adapt SHRM questionnaire (Country of Malaysia)

Dear Prof Dr. Ulrich,

My apology. I sent the wrong attachment.  
Append herewith the correct version.

Cheers  
Michael Loo  
Malaysia

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From: [michael.loo@hotmail.com](mailto:michael.loo@hotmail.com)  
To: [dulrich@rbl.net](mailto:dulrich@rbl.net)  
Subject: RE: Dr. Ulrich: Permission to adapt SHRM questionnaire (Country of Malaysia)  
Date: Sun, 22 Apr 2012 22:47:39 +0800

Dear Prof Dr. Ulrich,

Hi, I'm Michael Loo from Malaysia.  
I refer to our last conversation of the below matter.  
Append herewith my final version of the research questionnaire for my research study. Now, the questionnaire is in the process (pilot study) to test its validity and reliability.  
Beforehand, I would like to seek your professional comment on the construction of my research questionnaire (adapted from few academicians).  
Your advise is very much appreciated.

Cheers  
Michael Loo  
Malaysia

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From: [dulrich@rbl.net](mailto:dulrich@rbl.net)

## Re: Validation of OCAI Instrument

From: **Kim Cameron** (cameronk@umich.edu) This sender is in your safe list.

Sent: Sunday, 3 Nov, 2013 3: 23 AM

To: Leap Han Loo (michael.loo@hotmail.com)

Dear Leap Han:

Thank you very much for your kind note and explanation of the way in which you are recording the ipsative scores with the OCAI. I think your process is very acceptable, and I certainly hope that your results produce some interesting and useful findings for your research. I agree with you that the use of a Likert response scale does not produce as valid a profile as does the ipsative response scale.

Best wishes in your work!

Kim

Kim Cameron  
Associate Dean  
William Russell Professor of Management & Organizations  
Ross School of Business  
and  
Professor of Higher Education  
School of Education  
University of Michigan  
734-615-5247  
[kim\\_cameron@umich.edu](mailto:kim_cameron@umich.edu)

On Sat, Nov 2, 2013 at 10:26 AM, Leap Han Loo <[michael.loo@hotmail.com](mailto:michael.loo@hotmail.com)> wrote:

Dear Prof Cameron,

Hi Prof, I'm Loo from Malaysia. The reason I'm writing is to seek your advise on the validation of OCAI instrument. In my Phd study, I'm adapting OCAI instrument to investigate the dominate culture in Insurance Industry in Malaysia. Following is OCAI measurement design:-

- 1) I'm using the original OCAI instrument of 24 items (ipsative) to measure the characteristics of culture of each respondent.
  - 2) Then, calculate the average score of each type of cultures.
  - 3) The score of each type of culture to be recoded (likert) as 1 = Low, 2 = Moderate, and 3 = High.
- For example, from the 4 type of cultures, one culture that indicates the highest score will be ranked as 3 = High, and the lowest score will be ranked as 1 = Low, and the rest will be ranked as 2 = Moderate. If two types of culture ranked the highest with the same score, then these two type of cultures will be ranked as 3 = Highest each, etc. The purpose of recoding is to test the correlation between type of cultures with firm performance.

I have read many literature review whereby academicians measure OCAI using 5 to 7 Likert Scale. I do prefer the original ipsative score as it able the respondents to indicate score based on their observation and interpretation of culture in their workplace. However, it is difficult to test the correlation between ipsative score and Likert score. Therefore, I'm recoding the score into Likert as stated above. In Malaysia, OCAI is getting popular and I hope my study using the OCAI instrument (ipsative and likert scale) able to contribute in the literature.

Your advise is very much appreciated whether the OCAI instrument recoding I'm applying here is acceptable.

Cheers  
Michael Loo



## Re: OCAI Reliability Test Using SPSS : Ipsative Score

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From: **Kim Cameron** (cameronk@umich.edu) This sender is in your safe list.  
Sent: Thursday, 25 Apr, 2013 9: 42 AM  
To: Leap Han Loo (michael.loo@hotmail.com)

Thank you for your note, Loo. Traditional cronbach alpha reliability assessments are usually not relevant with the OCAI because some organizations are incongruent in their cultures (i.e., different scores across the six dimensions) whereas others are congruent. Congruence on the six dimensions predicts higher performance. The OCAI helps uncover this level of congruence.

Best wishes in your work.

Kim

Kim Cameron  
Associate Dean  
William Russell Professor of Management & Organizations  
Ross School of Business  
and  
Professor of Higher Education  
School of Education  
University of Michigan  
734-615-5247  
[kim\\_cameron@umich.edu](mailto:kim_cameron@umich.edu)

On Sun, Apr 21, 2013 at 2:50 AM, Leap Han Loo <[michael.loo@hotmail.com](mailto:michael.loo@hotmail.com)> wrote:

Dear Prof Cameron,

Hi, I'm Loo from Malaysia.

I would like to seek your kind advise.

How to code the ipsative score (OCAI) into SPSS application to test its reliability test (cronbach alpha)? I'm using the original version of your instrument which is the 100 points.

Your guidance is very much needed.

Cheers

Loo

Ph.D Candidate

Malaysia

## RE: Permission for using the Organizational Culture Assessment Instrument (Country of Malaysia)

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From: **Cameron, Kim** (cameronk@umich.edu)  
 Sent: Wednesday, 2 May, 2012 8: 23 AM  
 To: Leap Han Loo (michael.loo@hotmail.com)

Thank you for your note, and questions, Michael. You can certainly use a Likert response scale using the OCAI if your major concern is using SPSS parametric statistical analyses. If you use an ipsative response scale, you can still use parametric statistics, but note that the assumption of independent ratings is violated and so your variance may be reduced. Nevertheless, most statistical tests are robust enough to account for this non-independence problem.

Best wishes in your study!

Kim

Kim Cameron  
 William Russell Kelly Professor of  
 Management and Organizations  
 Ross School of Business  
 and  
 Professor of Higher Education  
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 kim\_cameron@umich.edu

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**From:** Leap Han Loo [michael.loo@hotmail.com]  
**Sent:** Sunday, April 29, 2012 10:17 PM  
**To:** Cameron, Kim  
**Subject:** RE: Permission for using the Organizational Culture Assessment Instrument (Country of Malaysia)

Dear Prof Dr. Cameron,

Hi, I'm Michael from Malaysia.

The construction of my questionnaire has been finalized. Append herewith for your view and comment.

I would like to seek you kind advise on quantifying the OCAI instrument.

All of my questionnaire items are using Likert scale execept for OCAI (parametric data).

May I know what best method to quantitiy the OCAI in order to collerate the OCAI data with other variables?

I have this thought that each respondent who completed the OCAI and after summing up the results, the most dominant type of culture will be indicated in a Likert Scale.

for example 1 = Clan, 2=Adhocracy, 3= Market, 4 = Hierarchy.

**Example (Organisation A):**

Total sum for Respondent A in each type 20(Clan), 30(Market), 10(Hierarchy), and

40(Adhocracy). Therefore, Respondent A type of Culture in Likert Scale is 2.

The rational is to able the researcher to proceed data analysis (regression) using the SPSS software.

However, the challenges I will encounter is what happen if the respondent has same total value in two type of cultures? How to decide?

I hope Prof can guide me on this matter.

Thanks and have a nice day.

Cheers  
Michael Loo  
Ph.d Candidate  
Malaysia

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From: cameronk@umich.edu  
To: michael.loo@hotmail.com  
Subject: RE: Permission for using the Organizational Culture Assessment Instrument (Country of Malaysia)  
Date: Mon, 9 Jan 2012 13:49:36 +0000

Dear Michael,

Thank you for your inquiry about using the Organizational Culture Assessment Instrument (OCAI). The OCAI instrument (Organizational Culture Assessment Instrument) was copyrighted by Professor Kim Cameron in the 1980s, but because it is published in the Diagnosing and Changing Organizational Culture book, it is also copyrighted by Jossey Bass.

The instrument may be used free of charge for research or student purposes, but a licensing fee is charged when the instrument is used by a company or by consulting firms to generate revenues. Because you fall into the first category, Dr. Cameron grants you permission to use the OCAI free of charge. He would appreciate it if you would share your results with him when you finish your study.

Best regards,  
Meredith Mecham Smith  
Assistant to Kim Cameron

Kim Cameron  
William Russell Kelly Professor  
Ross School of Business  
and Professor of Higher Education  
School of Education  
University of Michigan  
Ann Arbor, Michigan 48109  
734-615-5247  
Kim\_Cameron@umich.edu

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**From:** Leap Han Loo [mailto:michael.loo@hotmail.com]  
**Sent:** Wednesday, December 28, 2011 8:55 PM  
**To:** kim\_cameron@umich.edu  
**Subject:** Permission for using the Organizational Culture Assessment Instrument (Country of