Chapter II
Review of Literature
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REVIEW OF LITERATURE

2.1 THEORETICAL BACKGROUND AND LITERATURE REVIEW

This study integrates two different areas of research, the researcher feels it is important to provide an overview of the theoretical background for both SHRM and POS. This section discusses the theoretical background on SHRM and the resource based view of the firm, a review of the empirical studies linking business strategy to HR strategy, and research conducted on the relationship between HR practices and organizational outcomes. In addition, the theoretical background on POS is followed by a review of studies on the antecedents and consequences of POS and the distinctiveness of POS and job satisfaction and commitment.

2.2 STRATEGIC HUMAN RESOURCE MANAGEMENT

Resource based view of sustaining competitive advantage

One of the underlying theoretical basis for work conducted in the SHRM literature is the resource based view of the firm. In assumption of this view is that organizations can be successful if they gain and maintain competitive advantage. The resource based view suggests that human resource system contribute to sustained competitive advantage through facilitating development of competencies that are firm specific, produce complex social relationships are embedded in a firm's history, culture and generate tacit organizational knowledge (Barney, 1992; Reed & DeFillippi, 1990; Lado and Wilson, 1994; Wright & McMahan, 1992).

According to Barney (1991: 1999), the framework of resource based view of sustaining competitive advantage “suggest that firm’s obtain sustainable competitive advantages by implementing strategies with exploit their internal strengths through responding to environmental opportunities, while neutralizing external threat and avoiding internal weakness”.

For competitive advantage to be gained, resource available to competing firms must be variable among competitors, and these resources are not easily obtainable. Taken from economics and strategic management within the context of SHRM, the resource based view brings together strategy, HR practices and the firm’s human
capital (Wright & MacMahan, 1992). This view places emphasis on an organization's internal resources and investment in its human capital. It maintains that through progressive human resources practices, firm specific capabilities are developed by building knowledge and assets and thereby creating and sustaining a competitive advantage (Rindova & Fombrun, 1999; Wright MacMahan, 1992; Wright et al., 1995). By investing in and implementing programs that develop and motivate people, organizations create their competitive advantage through people (Pfeffer, 1994; Schuler & MacMillan, 1984; Ulrich, 1991; Wright and MacMahan, 1992).

Becker and Gerhart (2006) refer to the HR system as the “Invisible asset that creates value when it is so embedded in the operational systems of an organization that it enhances the firm’s capabilities” and that it is difficult to imitate because the precise mechanisms by which HR systems generate values are difficult to grasp. This investment in the human capital of the organization suggests that the employees in the organization are the intended targets and recipients of such investments.

2.3 LINKING HUMAN RESOURCE STRATEGY TO BUSINESS STRATEGY

Linking strategic human resource initiatives to business strategy is the focus of studies which specify the type of employee behavior and competencies required in order to achieve organizational goals. Schuler and Jackson (1987a;1987b) integrated Porter’s competitive strategies: innovation-developing new products and different products, quality enhancement, and cost reduction with employee behaviors required to achieve the strategies. They integrated both business strategies and employee behaviors to the specific HR practices which would develop the requisite competencies and skills necessary to accomplish the strategic business objectives. They identified six human resource practice “menus” from which organizations should choose when deciding what HR practices to link to competitive strategies. These six practices include planning, staffing, appraising, compensating and training and development.

Miles and Snow (2003) identified three types of business strategies and supporting organizational characteristics. They are 1) defender – having a stable product market domain, narrow focus and no need for major adjustments in technology; 2) prospectors – those searching for new products and market opportunities, a diverse
product line, and/or responding to emerging environmental trends and 3) analyzers – who operate in both worlds, stable and changing product-market domains. They called for human resources to enhance their ability to diagnose, design and implement HR systems to support the needs of the organization.

Studies on the importance of linking HR practices to business strategy found strong relationships between business strategy and industrial relations systems (Arthur, 1992), business strategies and acquisition of specific human resources skills (Wright et al., 1995), and maximized performance as a result of alignment of HR systems with manufacturing strategies (Youndt et al., 1996).

Schuler and Jackson (2007) examined organizational strategy as a determinant of HR practices, and found that there are predictable relationship between organization strategies (growth, profit, turnaround and human resource practices). They concluded that HR practices are used in differently by organizations with different strategies.

2.4 HUMAN RESOURCE PRACTICES AND ORGANIZATIONAL OUTCOMES

Bonnie Bei Yu and Carolyn P. Egri (2005) conducted Employee satisfaction with HRM systems and affective organizational commitment in a Sino-German joint venture and a state-owned enterprise in China. Employees in the joint venture were found to be significantly more satisfied with their organization’s HRM practices than were employees in the state-owned enterprise. In turn, employee satisfaction with HRM practices was found to have a more significant influence on affective commitment in the joint venture than in the state-owned enterprise. The Chinese human-heartedness cultural value was found to be an antecedent of employee affective commitment but influenced satisfaction of employees in regards to only some of the HRM practices in a state-owned enterprise.

The aim of the human resources function (management and development) in the organizational context is to ensure the availability of competent, motivated and learning employees to the firm to facilitate the achievement of its business objectives. The HR function has been quite successful in performing its role in terms of developing capacity, knowledge, attitude and skills of employees. However, in the recent past a
shift has been taking place in the expected model role from both the HR function and
the HR manager. This new role is that of active partner along with other functionaries
like production, finance, marketing, etc., equal if not more important. Therefore, HR is
no longer a passive function. This has two implications for the HR managers and
practitioners. First, it will require the HR function and persons dealing with it to
provide more inputs related to human resources at the strategy formulation level.
Second, it will require HR to demonstrate that investment in human resources
contributes to business results. However, there is a paucity of empirical work to support
the assertion that investments in HR have an impact on firm performance.

Hang-Yue Ngo ; Daniel Turban ; Chung-Ming Lau ; Siu-Yu Lui (1998)
Drawing from a cultural values perspective, we investigate the effects of country
origins on HR (human resource) practices of firms from the United States, Great
Britain, Japan and Hong Kong operating in Hong Kong. In general, results supported
hypothesized differences in HR practices of firms from different countries. In addition,
results indicated that HR practices, specifically structural training and development and
retention-oriented compensation, were related to various measures of firm performance.
Of further interest was the finding that country origin moderated relationships of HR
practices with firm performance; in general, relationships of structural training and
development and retention-oriented compensation were stronger for Hong Kong firms.

Research exploring the relationship between human resource management
(HRM) and outcomes such as corporate performance encounters a range of significant
practical difficulties. Using two surveys as illustrative cases, this paper examines the
practical challenges of operationalizing and measuring HRM, measuring the various
outcomes and assessing the relationship between HRM and corporate performance.
Despite the problems, it is suggested that significant progress has been made. While
possible solutions to some of the problems are put forward, it is argued that a key
requirement remains more clearly specified theory, particularly theory about the nature
of HRM

In summary the results of empirical studies conducted in various industries
consistently found that HR practices are positively related to organization performance,
either directly or through variables such as turnover, productivity and quality.
2.5 PERCEIVED ORGANIZATIONAL SUPPORT (POS)

Organizational Support Theory

This section provides an overview of organizational support theory including social exchange theory, the norm of reciprocity, personification of the organization, and the discretionary component which implies investment, followed by a brief review of empirical findings on POS.

Eisenberger and colleagues defined POS (Eisenberger et al., 2002), as employees’ perceptions about the degree to which the organization cares about their well-being and values their contribution. POS represents an indispensable part of the social exchange relationship between employees and the employer, because it implies what the organization has done for them, at least in the employees’ belief. POS is a key concept of organizational support theory, which posits that “employees evidently believe that the organization has a general positive or negative orientation toward them that encompasses both recognition of their contributions and concern for their welfare.” (Eisenberger, Stinglhamber, Vandenbergh, Sucharski, & Rhoades, 2002, p. 565). Also key to organizational support theory is the norm of reciprocity (Gouldner, 1960), which, applied to the employee-employer relationship, suggests that employees who receive favorable treatment from the employee organization, such as higher levels of POS, would feel an obligation that they should care about the organization’s benefits and contribute to the achievement of organizational goals.

Heather R. Pierce and Todd J. Maurer (2009) examined ‘perceived beneficiary’ of employee development (self, organization) for relationships with employee development activity. Perceived organizational support served as a moderator. The authors conclude that employees may engage in development activities to partly benefit their organization to the extent that a positive exchange relationship exists. Correlational data also show that development behavior is related to organizational citizenship behavior, and this is particularly true for work-related development activity. This research links employee development with social exchange and organizational citizenship, providing implications for both research and practice.

David G. Allen, Lynn M. Shore and Rodger W. Griffeth (2003) A model investigating antecedents of perceived organizational support (POS) and the role of
POS in predicting voluntary turnover was developed and tested in two samples via structural equation modeling. Both samples of employees (N = 215 department store salespeople; N = 197 insurance agents) completed attitude surveys that were related to turnover data collected approximately 1 year later. Results suggest that perceptions of supportive human resources practices (participation in decision making, fairness of rewards, and growth opportunities) contribute to the development of POS, and POS mediates their relationships with organizational commitment and job satisfaction. Further, POS is negatively related to withdrawal, but the relationships are also mediated.

**Ellen M. Whitener (2001)** Relying on a cross-level paradigm and on social exchange theory (i.e., perceived organizational support) the author explore the relationships among human resource practices, trust-in-management, and organizational commitment. Individual-level analyses from a sample of 1689 employees from 180 credit unions indicate that trust-in-management partially mediates the relationship between perceived organizational support and organizational commitment. Cross-level analyses using hierarchical linear modeling indicate that human resource practices affect the relationship between perceived organizational support and organizational commitment or trust-in-management

**Rhoades, Linda; Eisenberger, Robert; Armeli, Stephen (2007)** Three studies examined the interrelationships among work experiences, perceived organizational support (POS), affective commitment (AC), and employee turnover. Using a diverse sample of 367 employees drawn from a variety of organizations, Study found that POS mediated positive associations of organizational rewards, procedural justice, and supervisor support with AC. Study 2 examined changes of POS and AC in retail employees over a 2-year span (N = 333) and a 3-year span (N = 226). POS was positively related to temporal changes in AC, suggesting that POS leads to AC. Study 3 found a negative relationship between POS and subsequent voluntary employee turnover that was mediated by AC in retail employees (N = 1,124) and in poultry- and feed-processing workers (N = 262). These results suggest that favorable work conditions operate via POS to increase AC, which, in turn, decreases employee withdrawal behavior.
Eisenberger, Robert; Armeli, Stephen; Rexwinkel, Barbara; Lynch, Patrick D.; Rhoades, Linda (2001) Four hundred thirteen postal employees were surveyed to investigate reciprocation's role in the relationships of perceived organizational support (POS) with employees' affective organizational commitment and job performance. The authors found that (a) POS was positively related to employees' felt obligation to care about the organization's welfare and to help the organization reach its objectives; (b) felt obligation mediated the associations of POS with affective commitment, organizational spontaneity, and in-role performance; and (c) the relationship between POS and felt obligation increased with employees' acceptance of the reciprocity norm as applied to work organizations. Positive mood also mediated the relationships of POS with affective commitment and organizational spontaneity. The pattern of findings is consistent with organizational support theory's assumption that POS strengthens affective commitment and performance by a reciprocation process.

The psychological link between a person and his or her occupation that is based on an affective reaction to that occupation, namely, the commitment to one’s occupation or profession (Lee, Carswell, & Allen, 2000), is likely to affect one’s attitudes and behaviors in the employing organization (Meyer, Allen, & Smith, 1993). As Lee et al. (2000) argued, because of the meaningful position of occupations or professions in the lives of many people and the potential link of occupational commitment to important work outcomes such as retention and performance, it is important to understand the role of professional commitment.

Uhl-Bien et al. (2000) pointed out, although HR and OB are highly interrelated, research in these areas are often not integrated and more integration is necessary. For example, despite the fact that implementation of different HR practices often communicate the degree to which the organization cares about its employees and values their contribution, POS is often treated as an OB topic and little research has examined its antecedents from the HR perspective. On the other hand, although the behavioral perspective of HR holds that the purpose of various HR practices is to elicit and influence employee attitudes and behaviors, and assumes that employee motivation and behavior is the mediator between HR practices and firm performance (Jackson, Schuler, & Rivero, 1989; Schuler & Jackson, 1987; Wright & McMahan, 1992), HR literature has focused only on the relationship between HR practices and firm
performance (e.g., Arthur, 1992, 1994; Becker & Huselid, 1998; Delery & Doty, 1996; Huselid, 1995), and has rarely examined the effects of the implementation of HR practices on employee attitudes and behaviors.

Sandy J. Wayne; Lynn M. Shore; and Robert C. Liden (2003) discussed employees develop exchange relationships both with organizations and immediate supervisors, as evidenced by research on perceived organizational support (POS) and leader-member exchange (LMX), respectively. Despite conceptual similarities between these two constructs, theoretical development and research has proceeded independently. In an attempt to integrate these literatures, we developed and tested a model of the antecedents and consequences of POS and LMX, based on social exchange theory. Results indicated that POS and LMX have unique antecedents and are differentially related to outcome variables, providing support for the importance of both types of exchanges.

Shore and Shore (2005) identified two types of HR practices that are key to the development of higher POS: (1) discretionary practices that imply organizational caring but are not mandated by company policy or union contract, and (2) HR practices that symbolize organizational recognition of the employee’s contribution. This proposition suggests that those HR practices that represent different ways in which the organization shows concern for the employees and values their contributions may be particularly critical for the development of high POS.

Shore, Lynn M; Wayne, Sandy J. (2003) The social exchange view of commitment suggests that employees' perceptions of the organization's commitment to them. Perceived organizational support (POS) creates feelings of obligation to the employer, which enhances employees' work behavior. The authors addressed the question of whether POS or the more traditional commitment concepts of affective commitment (AC) and continuance commitment (CC) were better predictors of employee behavior (organizational citizenship and impression management). Participants were 383 employees and their managers. Although results showed that both AC and POS were positively related to organizational citizenship and that CC was negatively related to organizational citizenship, POS was the best predictor. These
findings support the social exchange view that POS creates feelings of obligation that contribute to citizenship behaviors. In addition, CC was unrelated, whereas AC and POS were positively correlated, with some impression management behaviors.

**Shore, Lynn M; Tetrick, Lois E. (1991)** recently conducted a study focused on a measure of perceived employer commitment that they called the Survey of Perceived Organizational Support (SPOS). In the present study, confirmatory factor analysis was used to examine the dimensionality of the SPOS and to determine the distinctiveness of this construct from other similar constructs. Participants were 330 employees (mean age 47 yrs) in a large corporation headquartered in the southeastern United States. The results support the SPOS as a unidimensional scale that is distinguishable from affective and continuance commitment. However, the data raise some question as to the empirical distinction between the SPOS and satisfaction.

**Eisenberger et al., (1986)** found that employees form global beliefs regarding the extent to which the organization values their contributions and cares about their well being. Employee behavior is influenced by this perception and they view this as the organization’s commitment to them (Wayne et al., 1997). This perceived organizational support (POS) focuses on the exchange relationship between the individual employee and the organization. Employee’s beliefs are expected to effect how individuals make attributions and influence whether an employee develops a bond with the organization.

Perceived organizational support is based on social exchange theory. According to Blau (1994), there is a distinction between what is considered to be social exchange versus economic exchange. While economic exchange is strictly transactional and specifically identifies what it will take to fulfill an obligation, in a social exchange relationship, the obligations are unspecified, engendering feelings of personal obligation, gratitude, and trust.

In addition, based on the norm of reciprocity (Gouldner, 1996), if the employee perceives that the organization cares about his/her well-being and values his/her contributions, the employee will feel a sense of obligation to return favorable treatment. This suggests that employees feel the organization cares about their well being when it
invests in what they perceive to be highly valued resources, such as those provided by the investments in discretionary HR practices. They would therefore, fall obligated to help the organization reach its objectives by, for example increasing their in-role and extra-role behaviors including job performance and helping others.

According to social exchange theorists, the resources received from the organization are more highly valued if they are based on discretionary choice versus being mandated. Discretionary choice implies an investment, whereas, legislated or required actions are tied to costs rather than investments. HR practices which are intended to enhance the organization’s human capital (such as training and development) are an optional investment and discretionary, and therefore, should contribute to POS. Wayne and colleagues (2001) argue that human resource practices which make available resources and material rewards should therefore influence employee perceptions of POS. In their study, they found that developmental experiences have a positive impact on POS.

2.6 ANTECEDENTS OF POS

In their recent meta-analysis of 70 studies conducted on POS, Rhoades and Eisenberger (2002) identified three major categories of beneficial treatment which were related to and led to the development of POS: organizational rewards (Rhoades et al., 2001) and working conditions (Eisenberger, Rhoades, & Cameron, 1999; Wayne et al., 1997), support received from supervisors (Eisenberger et al., 2002; Settoon et al., 1996; Rhoades et al., 2001; Yoon & Lin, 1999) and justice (Cropanzano et al., 1997; Masterson, Lewis, Goldman & Taylor, 2000; Moorman, Blakely, & Niehoff, 1998; Wayne et al., 2002). With respect to specific HR practices, certain aspects of HR practices including participation in decision making, growth opportunities and developmental experiences, goal setting and feedback, inclusion and recognition have been found to influence the development of POS (Allen et al., 2003; Hutchinson & Gartska, 1986, Wayne et al., 1997; 2002).

2.7 CONSEQUENCES OF POS

Outcomes of POS include withdrawal behavior and work attendance (Eisenberger et al., 1986; 1990; 2001; Rhoades & Eisenberger, 2002; Wayne et al., 1997), turnover and intentions to quit (Eisenberger et al., 2002; Rhoades et al., 2001;
Wayne et al., 1997), performance (Eisenberger et al., 1990; 2001; Rhoades & Eisenberger, 2002; Wayne et al., 1997), organizational citizenship behavior (Shore & Wayne, 1993; Wayne et al., 1997; 2002), and job satisfaction (Allen et al., 2003; Eisenberger, Cummings, Armeli & Lynch, 1997).

2.8 MODEL DEVELOPMENT

Human Resource Practices

The impact of HR practices has been studied both with respect to the improvement of individual employee outcomes such as individual performance, in-role and extra-role behavior, productivity, absenteeism, and the relationship with organizational outcomes such as quality, productivity, and turnover. The SHRM research studies the benefits of HR activities from a more macro perspective, and suggests that employee outcomes are related to the improvement in corporate performance (Arthur, 1994; Bartel, 1994; Huselid, 1995; Huselid et al., 1997; MacDuffie, 1995; Ichinowski et al., 1997; Younert et al., 1996).

Wright P.M.; Gardner T.M.; Moynihan L.M (2003) examines the impact of HR practices and organizational commitment on the operating performance and profitability of business units. Using a predictive design with a sample of 50 autonomous business units within the same corporation, the article reveals that both organizational commitment and HR practices are significantly related to operational measures of performance, as well as operating expenses and pre-tax profits.

SHRM researchers define strategic human resource management as the types of activities that affect behavior of individuals in their efforts to formulate and implement the strategic needs of the business (Huselid et al., 1997; Schuler & Jackson, 1987a) and refer to HR practices as “planned human resource deployments” which are intended to enable an organization to achieve its goals (Wright & McMahan, 1992).

John T.Delaney and Mark A.Huselid (2006) examined among 590 for-profit and nonprofit firms from the National Organizations Survey, found positive associations between human resources management (HRM) practices, such as training, and staffing selectivity, and perceptual firm performance measures. Results also
suggest methodological issues for consideration in examinations of the relationship between HRM systems and firm performance.

Arthur, 1994; Huselid, 1995 suggest that HR practices affect outcomes by shaping behaviors and attitudes. Yet in the SHRM literature the employees, who are the recipients and intended targets of these HR initiatives, have largely been ignored. Organizational support theory suggests that when employees feel that the organization cares about their well being, exemplified by what they perceive to be highly valued resources they would feel obligated to help the organization reach its objectives.

The research conducted in the SHRM and the POS fields of study with regard to HR practices is somewhat analogous. There are three common themes which support the integration of the two disciplines in the search of mediating behaviors and processes between HR practices and organizational performance. There are parallels between these two disciplines, the first is the focus on the mechanism through which HR practices impact outcomes. While research on SHRM has determined that HR practices have an impact on organizational performance, the question of how this occurs remains unanswered; at the micro level, POS has been found to mediate the relationship between certain HR practices and employee outcomes. The second is the focus on work-related behaviors that support organizational goal.

SHRM characterizes strategic and commitment HR practices as those that encourage employees to identify with goals and objectives of the organization (Arthur, 1992;1994; Schuler & Jackson;1987a; Whitener, 2001; Wood & de Menezes, 1998); in studying POS, Eisenberger et al., (1986) argues that based on the norm of reciprocity POS creates feelings of employee obligation to repay the organization through work-related behaviors that support organizational goals. The third parallel between these two areas is the discretionary component. SHRM literature has determined that strategic HR practices (versus transactional and administrative) impact organizational performance and in the POS literature discretionary practices (those considered an investment and not regulated) have been found to influence POS.

After reviewing the SHRM literature, the authors identified four contemporary typologies of HR practices. These are 1) high performance work practices (HPWP),
2) high involvement work practices (HIWP), 3) commitment HR practices and 4) strategic HR practices. These typologies are essentially different approaches researchers have taken in categorizing HR practices.

The theoretical basis and explanatory framework for linking HPWPs, HIWPs, commitment and strategic HR practices, human capital and firm performance is the resource based view of the firm and sustaining a competitive advantage through investment in people. According to Barney (1986; 1991), firms develop sustained competitive advantage by creating value in a way that is rare and difficult to imitate. In order for a firm’s resources to provide a sustained competitive advantage, four criteria must exist in that it must: a) add value to the firm, b) be rare, c) be imperfectly imitable, and d) cannot be substituted. SHRM theorists propose a resource-based argument that is centered on how HR practices form a sustainable competitive advantage for organizations. They suggest that human resources, more than physical, technical or financial resources can provide a firm with sustained competitive advantage because they are difficult to initiate (Huselid, 1995; Lado & Wilson, 1994; Pfeffer, 1994; Schuler & MacMillan, 1984; Ulrich, 1991; Wright & McMahan, 1992). They also argue that a HR system is an “invisible asset” that creates value as it is so embedded in the organization that it enhances the firm’s capabilities.

According to these theorists, HR system is path dependent in that policies and programs are developed over time and cannot be purchased over the “counter” by the competition, thus making it difficult to imitate (Becker & Gerhart, 2006). This view places emphasis on an organization’s internal resources (Barney, 1991; 1986) and investment in its human capital. It maintains that through progressive human resources practices, firm specific capabilities are developed by building knowledge and assets, and thereby, creating and sustaining a competitive advantage (Rindova & Fombrun, 1999; Wright & McMahan, 1992; Wright et al., 1995). By investing in and implementing programs that develop and motivate people, organizations create their competitive advantage through people (Pfeffer, 1994; Schuler & MacMillian, ’984; Ulrich, 1991; Wright & McMahan, ’992).

The following provides a description of the four typologies of HR practices from the SHRM literature.
High performance Work Practices

W. Randy Evans and Walter D. Davis (2005) This study provides a theoretical framework illustrating how the internal social structure of the organization can mediate the relationship between high-performance work systems (HPWS) and organizational performance. HPWS positively influence the internal social structure by facilitating bridging network ties, generalized norms of reciprocity, shared mental models, role making, and organizational citizenship behavior. Although HPWS are conceptualized as a system of human resource (HR) practices, each category of HR practices has a differential relationship with the mediating variables. HPWS lead to (a) financial performance via administrative efficiency and (b) sustainable performance via flexibility arising from the coordination and exploitation of knowledge resources.

Deepak K. Datta.; James P. Guthrie.; Patrick M. Wright (2005) determined that there has been growing interest in the degree to which human resource systems contribute to organizational effectiveness, yet limited research attention has been paid to the contextual conditions that moderate the efficacy of these practices. In this study, we examined how industry characteristics affect the relative importance and value of high-performance working systems. Findings indicate that the impact of these human resources systems on productivity is influenced by industry capital intensity, growth, and differentiation.

James P. Guthrie (2000) stated that there exists a positive association between use of high-involvement work practices and employee retention and firm productivity. A disordinal interaction was indicated; employee turnover was associated with decreased productivity when use of high-involvement work practices was high and with increased productivity when use of these practices was low.

In 1993, the US Department of Labor issued a report identifying a list of practices as having the characteristics required in a high performance work system. These practices often referred to as “best practices” include: systems for recruitment, selection, training, information sharing, job design, participation programs, attitude assessment, performance appraisals, grievance procedures, promotions, and compensation and rewards.
Pfeffer’s (1994) often cited work, based on the resource based view and sustaining a competitive advantage, further identifies sixteen practices for managing people. Pfeffer (1994) and Huselid (1995) argued that the greater use and management of HR practices such as participation and empowerment, incentive pay, employment security, promotion, and training would result in higher productivity and profit in organizations. Based on this approach, high performance work practices are considered to be universalistic best practices that will have positive effects across organizations.

Delery and Doty (1996) identified seven HR practices and found universal positive effects on financial performance. Their practices include internal career opportunities, formal training, appraisal measures, profit sharing, employment security, voice mechanisms, and job definition. In this study on HPWP, Huselid (1995) found that investments in HR activities including incentive compensation, selective staffing techniques, and employee participation resulted in lower turnover, greater productivity, and increased organizational performance. Younct and colleagues (1996) found that best HR practices were related to operational performance.

David P. Lepak, Kathryn M. Bartol and Niclas L. Erhardt (2005) suggest that Human Resource (HR) departments should deliver in-house the HR practices that are core to their competitiveness and outsource those HR practices that are peripheral to their primary objectives. While intuitively appealing, researchers and practitioners have been slow to define exactly which HR practices are core and/or peripheral. In this paper we explore factors that influence this distinction. Specifically, we discuss how a firm's strategic orientation and the HR function's primary orientation influence the relative importance of HR practices to a firm's competitiveness. We then discuss operational factors that influence the feasibility as well as likelihood that different delivery options (e.g., in-house versus external) will be utilized by HR departments. We focus on factors pertaining to the availability of different options, HR activity related factors, the role of integrated access to information technology, and the external environment in this analysis.

The important of HRM policies, practices on firm performance is an important topic in fields of HRM, industrial relations, and industrial and organization psychology (Boudreau, 1991; Jones & Wright, 1992; Kleiner, 1990). An increasing body of works
contains the argument that the use of High performance work practices, including comprehensive employee recruitment and selection procedure, incentive compensation and performance management systems and extensive involvement and training can improve the knowledge, skills and abilities of a firm’s current and potential employees, increase their motivation, reduce shrinking and enhance quality employees while encouraging non-performers to leave the firm (Jones and Wright, 1992; US Department of Labour, 1993).

2.9 COMMITMENT HR PRACTICES

HR practices and work design efforts to increase employee motivation satisfaction and commitment. High involvement or commitment management practices are processes commonly used within organizations today. Theorists such as Lawler, (1999) and Patterson, (1998) argue that the purposes of these practices and other similar practices such as high performance work systems are to motivate employees. They do this with various different methods for example giving them a greater degree of control over their job roles and flexible working hours, they also have increased autonomy and there are employee involvement programmes along with increased training and development, a greater degree of team and group work and in some cases high wage reward systems.

David E. Guest (2002) studied two main approaches to human resource management (HRM) are identified: one focusing on the organisational concern for the relationship between HRM and performance, the other mounting a critique of HRM. It is argued that both pay lip service to, but largely neglect worker reactions to HRM. The case is made for building the worker into the analysis of HRM, on the one hand, by incorporating worker attitudes and behaviour in the study of the HRM-performance relationship, and on the other, by paying serious attention to the association between HRM and worker-related outcomes. Evidence is presented to suggest that worker attitudes and behaviour mediate the HRM-performance relationship and that certain HR Practices are associated with higher work and life satisfaction. These practices include job design, direct participation and information provision that are associated with higher performance; but work satisfaction is also associated with equal opportunities, family-friendly and anti-harassment practices.
Arthur (1992; 1994) described commitment HR practices as having high levels of involvement, participation, general training, competitive wages, and benefits. He further proposed that these practices are those that attract, motivate, and retain qualified employees and further encourage these employees to identify with (be committed to) the goals and objectives of the organization (Arthur, 1992; 1994; Whitener, 2001; Wood & DeMenezes, 1998).

Studies of commitment HR practices have included selective staffing, performance appraisal, competitive and equitable compensation, and training and development (Ichniowski et al., 1997; MacDuffie, 1995; Snell & Dean, 1992; Youndt et al., 1996). Commitment HR practices are different from control HR practices which are aimed specifically at increasing efficiency and reducing costs, particularly labor costs. Control practices rely on strict policy adherence and base rewards on output and productivity (Arthur, 1994).

Empirical studies on commitment HR practices found that HR practices focused on enhancing decentralized decision making, comprehensive training, salaried compensation, and employee participation were related to higher organizational performance (Arthur, 1992; 1994).

Eunmi Chang (2005) human resources (HR) practices, have been extensively examined, the effects of employees’ overall perception of HR effectiveness have rarely been studied. The current research examines whether a company’s commitment HR bundle measured at the company level is associated with an employee’s overall perception measured at the individual level, and whether the overall perception influences his/her perceived procedural justice and organizational commitment.

High Involvement Work Practices

Sylvie Guerrero; Valerie Barraud-Didier (2004) Deals with the relationship between human resource practices (HRPs) and firm performances in France. It focuses on four specific HRPs that are able to involve employees: empowerment, compensation, communication and training. Each HRP taken in isolation is supposed to be positively related to performances because it is a source of motivation and commitment for employees. But there also exists a synergy between these practices:
when they are combined into a bundle and are implemented all together, they should lead to better firm performances. A survey carried out among 180 human resource managers of large French companies leads to validation of most of the hypotheses. Contrary to previous research, the other HRPs are all indirectly related to financial performances, with social performance playing a mediating role. When they are combined into a bundle, HRPs have a stronger impact on performance than when they are studied individually.

HIWPs are characterized as having the following attributes: 1) power to make decisions; 2) information about processes and business results; 3) rewards tied to business results; and 4) knowledge of the work system (Lawler, 1986; 1992; 1996; Lawler, Mohrman, & Ledford, 1995; Vandenburg et al., 1999). This translates to generally three dimensions of high involvement work systems which include: high skill requirement, discretion and participation, and an incentive structure.

Lawler (2001) argues that this participatory approach results in better decision making and better problem solving, and ultimately impacts organizational effectiveness. Empirical research on HIWPs found that high involvement work practices were related to lower quit rates and employee retention (Batt, 2002; Guthrie, 2001; Vandenberg et al., 1999), higher sales growth (Batt, 2002), firm productivity (Guthrie, 2001), and return on equity (Vandenberg et al., 1999).

2.10 STRATEGIC HR PRACTICES

Schuler and Jackson (1997a; 1997b) integrated strategies with the employee behaviors required to achieve the strategies. They integrated both business strategies and employee behaviors to the specific HR practices which would develop the requisite competencies and skills necessary to accomplish the strategic business objectives. They prescribe a menu of HR practices from which to choose in determining which practices to link to competitive strategies in order to gain a competitive advantage. In his study on the impact of strategic HR practices, Huselid et al., (1997) found that strategic HR practices were associated with firm performance.
2.11 MEASUREMENT OF HR PRACTICES

In the SHRM empirical studies, the measurement of HR practices has ranged from simply acknowledging that the practice is in place, to report how many employees participate in the programs (Arthur, 1994; Delaney & Huselid, 1996; Delery & Doty, 1996; Huselid, 1995; Jackson, Schuler, & Rivero, 1989; Snell & Dean, 1992).

**Huselid and colleagues (1997)** attempted to assess the quality of the programs by asking HR managers for their input. The investment in the human capital of the organization suggests that the employees in the organization are the intended targets and recipients of such investments. What has not been studied in the macro approach to studying HR practices is the perspective from the employees who are the intended targets and recipients of the HR practices. The source of input has typically been senior HR management, who are likely responsible for implementation of these programs. By solely asking senior management about programs which they are responsible for, we are only getting a sense for what they intended to implement. In her study on HR as a subunit, Tsui (1990) found that compared to executives and managers, the employees gave the lowest rating to HR effectiveness.

**Huselid and Becker (1996)** suggest that there is a difference between an espoused policy and the actual practice that employees experience, and Becker and Gerhart (1996) argue that there is a difference between what the research says that firms should do and what firms actually do. It is, therefore, important to acknowledge that there is a difference between what is intended to be implemented and what actually takes place. Employee perceptions of practices may be different than what the organization intends (Whitener, 2001). Employee’s perceptions of HR practices may also be significantly different than that of senior management and the HR professionals in the organization. Therefore, in order to fully understand the impact of HR practices can have on both employee outcomes and organizational performance, it is important to study the employee constituency as they are the targeted recipients of the HR activities.

The POS research does that, as it measures employee perceptions of organizational support. This study further examines the quality of HR practices from the employee’s perspective. While the work which links HR practices to employee outcomes through POS is still somewhat limited, there are few studies that have linked
HR practices to POS (Allen et al., 2003; Hutchinson & Gartska, 1996; Wayne et al., 1997;2002). The aspects of HR practices studied include growth opportunities (Allen et al., 2003), developmental opportunities (Wayne et al.,1997), inclusion in decision making (Wayne et al., 2002; Allen et al., 2003), and feedback and goal setting (Hutchinson & Gartska, 1996). These studies represent a limited and somewhat narrow perspective as they examine only one aspect of an HR practice in each study.

In contrast to prior research that has focused solely on one particular aspect of an HR practice, the researcher utilize a more comprehensive view of HR practices, consistent with the emphasis in SHRM to better understand the impact of HR practices on POS and the outcomes of interest. The SHRM research has recently focused on HRM systems versus looking at just one single practice. Based on the resource-based view, the underlying argument for a systems approach versus single practice is that logical combinations of HRM practices are more difficult to imitate and thus, are more valuable than a single practice in isolation (Arthur, 1992; Delery & Doty, 1996; Huselid, 1995). The idea behind a system of HR practices is that a system of HR practices may be more than the sum of its parts (Becker & Gerhart, 1996) and that firm performance is influenced by the set of HR practices in place (Huselid, 1997).

From a POS perspective, optional investment in these core practices is indicative of the organization’s commitment to its employees, from an SHRM perspective, the organization has chosen to invest in its human capital in order to sustain competitive advantage through its people. These core HR practices are considered discretionary as the organization is not obligated to offer these programs.