

# HUMAN RESOURCE RESEARCH METHODS

DIPAK KUMAR BHATTACHARYYA

*Professor (OB/HRM)  
Xavier Institute of Management  
Bhubaneswar*

OXFORD  
UNIVERSITY PRESS

# Table of Contents

---

<b>PREFACE</b> .....	<b>v</b>
----------------------	----------

## **CHAPTER 1**

<b>INTRODUCTION</b> .....	<b>1</b>
---------------------------	----------

1.1	Introduction to HRM .....	1
1.2	Theories of HRM .....	2
1.3	Perspectives of HRM .....	3
1.4	HRM and Performance .....	4
1.5	The Strategic Aspect of HR Research .....	7
1.6	HR Strategy Factors .....	10
1.7	Developing Research Skills Through Case Analysis .....	11
1.8	Summary .....	13
	Case Study .....	15

## **CHAPTER 2**

<b>THE PRINCIPLES OF HR RESEARCH</b> .....	<b>19</b>
--	-----------

2.1	Introduction .....	19
2.2	Defining HR Research .....	19
2.3	Different Approaches to HR Research .....	20
2.4	Concept-mapping for HR Research .....	21
2.5	Literature Review on HR Research .....	23
2.6	Model Building in HR Research .....	24
2.7	Significance of HR Research .....	25
2.8	Kinds of HR Research .....	26
2.9	HR Research–Selection of Areas of Interest .....	27
2.10	Sampling for HR Research .....	30
2.11	Questionnaire and Survey .....	34
2.12	Using Statistical Tests in HR Research .....	41
2.13	Computer-aided Research in HR .....	42
2.14	Presentation of HR Reports .....	46
2.15	HR Research Through Case Study Method .....	46
2.16	HR Research as a New Area in Management Research .....	48
2.17	Summary .....	48

Case Study 1 ..... 51  
Case Study 2 ..... 54

**CHAPTER 3**

**TOOLS AND TECHNIQUES OF HR RESEARCH ..... 60**

3.1 Introduction ..... 60  
3.2 Ethical Issues in HR Research ..... 61  
3.3 HR Research Tools and Techniques ..... 62  
3.4 Types of Quantitative Research ..... 63  
3.5 Ethical Considerations in  
Quantitative Research. .... 64  
3.6 Quantitative Research Plan ..... 64  
3.7 Data Types and Preparation for Analysis ..... 67  
3.8 Processing and Coding of Data ..... 75  
3.9 Making Use of Collected Data ..... 76  
3.10 Uncommon Data Collection Methods  
for HR Research ..... 77  
3.11 Data Analysis ..... 78  
3.12 Two Measures of Relationship ..... 81  
3.13 Four Measures of Relative Position ..... 81  
3.14 Inferential Statistics. .... 82  
3.15 Framing of Hypotheses. .... 83  
3.16 Parametric and Non-parametric Tests. .... 89  
3.17 Application of Multivariate Statistics  
in HR Research ..... 90  
3.18 Research Discussion ..... 93  
3.19 Meta-analysis ..... 94  
3.20 Qualitative Research Considerations. .... 96  
3.21 Evaluation Designs ..... 100  
3.22 Summary ..... 103  
Case Study ..... 105

**CHAPTER 4**

**NONPARAMETRIC STATISTICS FOR HR RESEARCH..... 107**

4.1 Introduction ..... 107  
4.2 Nonparametric Tests in HR Research ..... 108  
4.3 One Sample Tests in Nonparametric Tests ..... 109  
4.4 Nonparametric Tests for Two Related Samples ..... 115  
4.5 Nonparametric Tests for Two Independent Samples. .... 120  
4.6 Summary ..... 126

**CHAPTER 5**

**HUMAN RESOURCE PLANNING RESEARCH. . . . . 129**

5.1 Introduction . . . . . 129

5.2 Concepts of Strategic HRP. . . . . 130

5.3 Activities Required for HRP/Manpower Planning . . . . . 130

5.4 Manpower Demand Forecasting . . . . . 132

5.5 HRP at Macro-level . . . . . 134

5.6 Cause and Effect Model in HRP . . . . . 140

5.7 HRP at Micro-level . . . . . 141

5.8 Timescale of HRP Forecasts. . . . . 143

5.9 Quantitative Tools for Forecasting  
Manpower Requirements . . . . . 144

5.10 Analysis of Manpower Supply. . . . . 153

5.11 Manpower Planning Models . . . . . 156

5.12 Predictive Statistics in Micro-level HRP . . . . . 166

5.13 Summary . . . . . 170

    Case Study 1 . . . . . 173

    Case Study 2 . . . . . 176

**CHAPTER 6**

**COMPENSATION RESEARCH. . . . . 178**

6.1 Introduction . . . . . 178

6.2 Compensation Research. . . . . 179

6.3 Theoretical Discussions on Compensation . . . . . 181

6.4 Compensation Decisions . . . . . 187

6.5 Types of Executive Compensation. . . . . 193

6.6 Variable Pay Systems . . . . . 196

6.7 Quantitative Application in Compensation  
Management Research . . . . . 217

6.8 Mistakes in Compensation Designing . . . . . 222

6.9 Compensation and Behavioural Issues . . . . . 222

6.10 Summary . . . . . 223

    Case Study . . . . . 226

**CHAPTER 7**

**RESEARCH ON EMPLOYEE MOTIVATION. . . . . 229**

7.1 Introduction . . . . . 229

7.2 Motivational Theories. . . . . 230

**xii** *Table of Contents*

7.3	Other Miscellaneous Theories in Employee Motivation . . . . .	234
7.4	Indian Perspective. . . . .	235
7.5	Motivational Research in Organizations . . . . .	238
7.6	Employee Motivation Research Techniques . . . . .	240
7.7	Developing Questionnaires for Employee Motivation . . . . .	240
7.8	Employee Motivation Survey Design . . . . .	247
7.9	Summary . . . . .	249
	Case Study 1 . . . . .	251
	Case Study 2 . . . . .	254

**CHAPTER 8**

**TRAINING AND DEVELOPMENT RESEARCH . . . . . 257**

8.1	Introduction . . . . .	257
8.2	Training and Development Research . . . . .	259
8.3	Training Evaluation Models . . . . .	264
8.4	Training Needs Analysis . . . . .	271
8.5	Designing Training Programmes. . . . .	278
8.6	Training Policy . . . . .	288
8.7	Training and Development and Strategic HRM. . . . .	291
8.8	Research on Training Methods Selection . . . . .	293
8.9	Summary . . . . .	294
	Case Study . . . . .	304

**CHAPTER 9**

**PERFORMANCE MANAGEMENT RESEARCH. . . . . 309**

9.1	Introduction . . . . .	309
9.2	Selection of Performance Objectives . . . . .	310
9.3	Developing Performance Standards . . . . .	311
9.4	Performance Metrics . . . . .	313
9.5	Effective Performance Modelling . . . . .	317
9.6	The Human side of Performance Metrics . . . . .	318
9.7	Building a Performance Management System . . . . .	320
9.8	Performance Management System (PMS) and Organizational Strategy . . . . .	322
9.9	Dimensions of Performance . . . . .	323
9.10	Types and Methods of Performance Appraisal . . . . .	324
9.11	Potential Appraisal . . . . .	330
9.12	Balanced Scorecard and Performance Management. . . . .	331
9.13	The HR Scorecard Approach. . . . .	334
9.14	Competency-mapping and Performance Management. . . . .	335

9.15	Research on Performance Counselling. . . . .	340
9.16	Research on Performance Measurement . . . . .	344
9.17	Statistical Methods of Performance Measures . . . . .	348
9.18	Performance Measurement using Ranking and Rating Systems. . . . .	351
9.19	Scales for Evaluation of Performance Management . . . . .	353
9.20	Summary . . . . .	354
	Case Study . . . . .	357

**CHAPTER 10**

**RESEARCH ON ORGANIZATIONAL CULTURE AND DEVELOPMENT. . . . . 368**

10.1	Introduction . . . . .	368
10.2	Organizational Culture. . . . .	368
10.3	Merger and Impact on Corporate Culture . . . . .	373
10.4	Hofstede’s Cultural Orientation Model . . . . .	374
10.5	Applications for the Culture in the Workplace . . . . .	375
10.6	Organization Structure. . . . .	376
10.7	Organizational Commitment. . . . .	376
10.8	Organizational Commitment Questionnaires . . . . .	376
10.9	Organizational Diagnostics . . . . .	378
10.10	Organizational Development. . . . .	380
10.11	Understanding Personality. . . . .	384
10.12	Individual Behaviour and Performance . . . . .	385
10.13	Thinking and Decision-making Process . . . . .	386
10.14	Measurement of Personality Traits . . . . .	386
10.15	Organization Health Survey. . . . .	388
10.16	Attitude and its Measurement . . . . .	393
10.17	Other Measures of Attitudes . . . . .	394
10.18	Attitude Survey . . . . .	395
10.19	HRD and Attitudinal Change . . . . .	396
10.20	Some of the Common Tools for OD Research. . . . .	397
10.21	Validity and Reliability of Test Instruments . . . . .	425
10.22	Summary . . . . .	428
	Case Study 1 . . . . .	432
	Case Study 2 . . . . .	434

**CHAPTER 11**

**HUMAN RESOURCE ACCOUNTING AND AUDIT RESEARCH . . . . . 437**

11.1	Introduction . . . . .	437
11.2	HR Valuation Methods. . . . .	438

**xiv** *Table of Contents*

11.3	HR Scorecard and Metrics . . . . .	440
11.4	Human Resource Information Systems. . . . .	447
11.5	HR Audit Research . . . . .	451
11.6	Summary . . . . .	459
	Case Study . . . . .	461

**CHAPTER 12**

**USING FACTOR ANALYSIS IN HR RESEARCH. . . . . 465**

12.1	Introduction . . . . .	465
12.2	Definition and Concepts . . . . .	465
12.3	Framing the Problem for Factor Analysis . . . . .	468
12.4	Common Factor Analysis Versus Principal Component Analysis . . . . .	469
12.5	Principal Factors Analysis. . . . .	473
12.6	Factor Analysis as a Classification Method . . . . .	474
12.7	Factor Analysis Decision Diagram . . . . .	481
12.8	Mathematical Approach. . . . .	481
12.9	Limitations of Factor Analysis . . . . .	482
12.10	Summary . . . . .	483

**CHAPTER 13**

**SIX-SIGMA PRACTICES IN HR RESEARCH. . . . . 486**

13.1	Introduction . . . . .	486
13.2	Six-sigma and Total Quality Management . . . . .	487
13.3	How to Calculate Sigma . . . . .	489
13.4	Relating Six-sigma to HR Strategy. . . . .	490
13.5	Summary . . . . .	493
	Case Study . . . . .	495

**APPENDIX . . . . . 501**

**INDEX . . . . . 515**

# 1

## Introduction

### OBJECTIVES

- to appreciate the changing concepts of HR
- to understand the different dimensions of HR research
- to understand the strategic relevance of HR
- to use the case-study approach in HR research

### 1.1 INTRODUCTION TO HRM

For the human resource (HR) researcher, it is not important to reiterate the concept of HRM. However, since many new developments are taking place almost everyday, it is pertinent to recapitulate the ideas about the concept. It is a common perception that human resource management (HRM) is about the management of an organization's human resources. This is more of a normative approach. Although various scholars have dealt with this normative aspect of HRM, we will review only some definitions here. According to Boselie (2002), 'Human resource management involves management decisions related to policies and practices which together shape the employment relationship and are aimed at achieving individual, organizational, and societal goals.' Schermerhorn (2001) has defined HRM as the 'process of attracting, developing, and maintaining a talented and energetic workforce to support organizational mission, objectives, and strategies'.

Both the definitions espouse the normative aspects of HRM; the only difference is that the former also focuses on the importance of achieving societal goals through HRM, even to the extent of emphasizing the importance of other stakeholders, whereas the latter focuses on achieving organizational goals. Due to such contextual differences under the normative approach, HRM research areas extend from recruitment and selection, compensation management, training and development, and performance management to motivation. Even other management research areas extend to areas such as organizational change and development, team development, and work-life balance. Whatever may be the HR research issues, certain common aspects need to be considered for any such research.

- At which organizational level—operational, business, tactical, or strategic—does research need to be conducted?



The research dimensions and measurement criteria change according to the levels.

- To what extent do we need to relate the research issue with the HRM policies to understand the impact of HR research outcome at the aggregate level?
- What should be the source of the information—the organization's employees only or from HR professionals as well?

## 1.2 THEORIES OF HRM

Human resource management can be descriptive, conceptual, or normative. The descriptive aspect is concerned with getting facts right; the conceptual aspect deals with how these facts relate to each other; and the normative aspect is concerned with what we should do to obtain a specified goal. Descriptive HR research can be done without any theoretical base, while conceptual and normative studies require a sound theoretical foundation (Storey 1992; Guest 1997). Two of the main theoretical approaches to HRM research emerged from the Stephen M. Ross School of Business at the University of Michigan and from the Harvard Business School.

*The Michigan approach* was developed by Fombrun et al. (1984). It stems from the strategic orientation of traditional personnel management functions such as recruitment and selection; performance appraisals; rewards and compensation; and development. This approach argues that an organization's policies in these areas will affect the individual performance of its employees. Human resource research following the Michigan Approach emphasizes organizing and performing all these functions in a way that improves organizational performance. This can be achieved by developing HR practices in line with the organizational strategy.

The Michigan approach is based on principles that stem from strategic management. This approach focuses on the basic functions of personnel management—selection, appraisal, rewards, and development. It also discusses how instruments and policies, along with these basic functions can affect the performance of the organization and the individual employees. The ultimate objective of HRM is to organize and utilize the functions to maximize organizational performance, by achieving horizontal and vertical fit, keeping in view the organization's strategy (De Nijs 1999). Horizontal fit integrates HR practices, while vertical fit matches HR policy with the organizational strategy.

*The Harvard approach* was developed and presented by Beer et al. (1984). It assumes that the interests of employees and other stakeholders, together with situational factors, affect HRM policy choices directly (Boselie 2002). This model recognizes that employees are not resources for the production process only, but are also individuals in themselves. The Harvard model, therefore, stresses the *human factor* in human resource management and emphasizes that the central objective of HRM should be to align employees with the organization and the management.

This requires a strategic vision of HR functions. The degree to which the employees of an organization nurture a strategic vision can be assessed by understanding the extent of integration of HRM practices with the organizational policy. De Nijs identified four fields of HRM policy—employees' influence, work systems, human resource flow, and reward systems. Organizations have to make choices on this policy aspect. The best choices will obviously lead to positive human resource outcomes, which not only have an impact on increasing organizational effectiveness but in the long run will also have a cascading effect on social well-being (Boselie 2002).

The main distinction between the two approaches is that while the Michigan approach limits focus to the shareholders, the Harvard approach includes social stakeholders too. According to Legge (1995), the distinction between these two approaches is, mostly, a symbolic one. Another possible distinction is while the Harvard approach stresses the importance of the motivation of employees, the Michigan approach focuses on the ability of employees. Boxall and Purcell (2003), however, have argued that both motivation and ability are important determinants of organizational performance. In an organization, employees must have the requisite ability, i.e., knowledge, skills, experience, and adequate motivation, to do their jobs.

## 1.3 PERSPECTIVES OF HRM

The basic influencers of organizational performance are the abilities and motivation of employees and the opportunities given to them if they are reinforced by adopting suitable HRM policies and practices. To understand how the process works, we can adopt either the resource-based view or a behavioural perspective.

### 1.3.1 Resource-based View

The resource-based view assumes that the differences in the physical, organizational, and human resources of companies lead to differences in their potential of productivity. Such differences in resources ultimately provide the long-term competitiveness to an organization and differentiate one organization from another.

The ultimate competitive advantages of an organization depend upon not only the differentiating resources but also on resources that are sustainable and difficult to imitate (Prahalad and Hamel 1990; Rangone 1999). From this perspective, an organization's human resources constitute the only factor of its sustainable competitive advantage. Every organization, therefore, tries to stay competitive by developing the competencies of its human resources, and renewing them, continuously. Due to, therefore, the increasing importance of human resources, organizations have to adopt strategies suited to their human resources, and, simultaneously, suited to their objectives.

### **1.3.2 Behavioural Perspective**

The behavioural perspective on HRM focuses on the use of those HR practices as tools, which best shape the employees' behaviour to achieve desired goals and objectives of an organization (Naylor et al. 1980). The underlying assumptions of this perspective are that different goals and objectives require different strategies and behaviours, and therefore, different HRM practices (Snell 1992). This obviously requires focusing on the external fit, i.e., the contingency variables such as size, technology, ownership, location, etc. (Huselid 1995; Legge 1995; Delery and Doty 1996). Based on this perspective, Schuler and Jackson (1987) tested the alignment of different HRM practices with Porter's (1985) three generic strategies. Their study suggested that if an organization selects HR policy and practices appropriate to particular generic strategies, it could experience higher work performance. Thus this approach recommends a strategic fit with HRM practices.

## **1.4 HRM AND PERFORMANCE**

According to Koch and McGrath (1996), certain HRM strategies may universally exert positive influence on performance. It is true that universally, certain HRM strategies are associated with improved employee performance.

### **1.4.1 Best Practice**

The resource-based view emphasizes the importance of internally consistent HRM strategy, so that the organizations can adopt the HRM practices which achieve the best 'internal fit'. Internal fit is associated with the best HRM practices view (Huselid 1995; Legge 1995). However, only some set of best practices can be identified by emulating the examples from high performing organizations. The important features of high performing organizations, which have the best practices, are listed here (Huselid 1995; Delery and Doty 1996; Pfeffer 1998):

- distributed responsibility of employees within flatter organizations;
- increased emphasis on line managers as human resource managers;
- instilling learning as a priority in all organizational systems;
- decentralized decision making to autonomous units and employees;
- linking financial performance indicators for all employees as performance measures at the organizational level; and
- increasing emphasis on the customer-focused nature of employees' work.

These features of high performance work systems emphasize on teamwork, training and development, flexibility of employees, and a trusting management.

### 1.4.2 Best Fit

It is difficult to identify a universal set of best practices (Becker and Gerhart 1996). It is true that the best practice approach ignores the relevance of external and internal fit of HRM practices. Although external fit suggests that the effect of HRM practices are contingent upon organizations' size, technology, ownership, sector and location; internal fit suggests that synergy effects may exist between individual HRM practices. Thus combinations of HRM practices, i.e., 'HRM bundles' or HRM systems, have much stronger effect on performance than the combined effect of individual HRM practices (MacDuffie 1995; Armstrong 2001). This synergetic effect is due to the 'overlapping and mutually reinforcing effect of multiple practices' (Armstrong 2001).

Many studies on the impact of HRM on organizational performance assume that such synergies and contingencies exist. These studies often represent HRM by a limited number of HRM bundles, which are operationalized as scales or indices that represent different aspects of HRM (Delery 1998). These scales of indices are then used in (regression) analysis to determine their impact on organizational performance. The presence of contingencies can be established by examining whether the impact of HRM bundles on performance is contingent on organizational characteristics and/or other HRM bundles (Huselid 1995; MacDuffie 1995; Koch and McGrath 1996; Delery and Doty 1996). Within this bundles approach, an organization's HRM is still represented by several indicators. While this approach accounts for synergies between HRM practices that are part of the same HRM bundle, synergies between HRM bundles are not automatically incorporated. Furthermore, for each separate bundle it is assumed that more is better with respect to the impact on performance (Armstrong 2001).

Some researchers view these characteristics as disadvantages of the bundles approach. Instead of identifying a limited set of HRM bundles that are applied (to some extent) by all enterprises, they identify a limited number of HRM configurations. Each organization can be assigned to a single configuration (Kalleberg and Moody 1994; MacDuffie 1995; Ichniowski et al. 1997; Delery and Doty 1996). These configurational theories are concerned with 'how the pattern of multiple independent variables is related to the dependent variable rather than with how individual independent variables are related to the dependent variable' (Delery and Doty 1996).

The best practice view posits the existence of clusters or bundles of 'high performing work practices', which can enhance the performance of all firms, which adopt them (Arthur 1994; Pfeffer 1994; Huselid 1995; MacDuffie 1995). Pfeffer recommends fourteen best HR practices for adoption by all firms, including selectivity in recruitment, high wages, incentive pay, employee ownership and promotion from within. The 'best fit' or configuration theory approach proposes that 'firm strategy' is the critical factor which should be considered in deciding which

system of HR practices a firm should adopt (Miles and Snow 1978; Mintzberg 1978). Miles and Snow (1984) identified three unique clusters of HR practices, which they proposed fit best with the prospector, defender, or analyser strategies respectively. Finally, contingency theorists argue that a variety of internal and external environmental influences combine to determine the optimal mix of HR practices for any particular firm. Huselid and Rau (1997) reviewed a large number of the contingencies which have attracted research attention, including strategy, size of the firm, age of the firm, and local labour markets. An organization's internal aspects such as union coverage and its external aspects such as industry complexity and munificence have also been researched upon.

The universalistic model (the best practices approach) is considered to be more effective than the best fit model. We can, however, view this from different perspectives, as evident from numerous studies. The best practices view is for general HR issues, i.e., generic HR processes, while best fit model is more contingent as organizations adopt this approach to derive the benefit of synergy. To illustrate, continuous competency development is a best practice approach, while process of achieving it may differ from organization to organization, depending on the nature of best fit. This is due to the difference in the approaches of organizations. While some organizations may consider training and development initiatives others may consider on-the-job learning.

### 1.4.3 Psychological Contract as a Mediating Variable in HRM

How can HRM have a positive effect on organizational performance? It is a common perception that the effect of HRM on performance is mediated by other variables. Such variables may be in the form of opportunities and motivation for employees. For example, the most widely accepted model suggests that HRM policies and practices influence the abilities, motivation, and opportunities of employees. In turn, these mediating variables affect employee performance (such as sick leave, willingness to cooperate with others, workforce turnover, and productivity) and organizational performance measures (such as the firm's productivity, value-added products and services, and profits). Various empirical studies on HRM and employee performance have examined the relationship between HRM and indicators of employee behaviour and organizational performance. However, according to Guest (1999) the first part of this causal HRM chain has been ignored in empirical studies. This may often be due to a lack of proper data regarding the abilities, motivation, and/or opportunities of individual employees in HRM studies.

An exception is provided by Guest, who used a data-set that contained information about the psychological contract of employees. A *psychological contract* is

closely related to the motivation and (perceived) opportunities of employees. The psychological contract can be defined as ‘an individual’s belief regarding the terms and conditions of a reciprocal exchange agreement between the focal person and another party’ (Rousseau 1989).

The psychological contracts differ from the more general concept of expectations since contracts are promissory and reciprocal. It offers a commitment to a particular behaviour on the part of the employee in return for some action on the part of the employer. The psychological contract is often measured by a scale that included various items regarding perceived employer and employee obligations. A higher level of the psychological contract implies that employees expect more from their employer with regard to issues such as training, opportunities for promotion, a good working climate, and competitive salaries. At the same time, employees may feel more obliged to deliver good performance for their employer by providing good service, by performing non-obliged tasks voluntarily, working extra hours, and delivering good work in terms of quality and quantity (Sonnenberg 2004).

The results of Guest’s research confirm that the psychological contract mediates in the relationship between HRM and performance. Human resource management is positively related to the psychological contract, and a higher level of the psychological contract is associated with improved employee performance. The main hypothesis that Guest examines is whether the adoption of more different HRM practices increases employee performance. This hypothesis is accepted, because the number of applied HRM practices is positively related to the level of the psychological contract. In addition, he also identified other determinants of the psychological contract. A positive psychological contract is likely to be associated with the following eight factors:

1. A high involvement organizational climate
2. Adoption of a great number of HR practices
3. Lower expectations of being made redundant in the next couple of years
4. Working shorter rather than long hours
5. Working in smaller organizations
6. Having a high salary
7. Not being a member of a trade union
8. Working in a sector other than traditional industry/manufacturing

## 1.5 THE STRATEGIC ASPECT OF HR RESEARCH

Human resource strategy is the pattern of decisions concerning policies and practices associated with the HR system. Each organizational system encompasses all functional area of an organization and thereby helps in the formulation of

organization-wide strategies. Strategic human resource management (SHRM) is a competency-based approach for management of HR. It focuses on developing HR for sustainable competitive advantage.

There is a considerable debate about what SHRM actually means. There are many definitions, including:

- A human resource system that is tailored to the demands of the business strategy (Miles and Snow 1984).
- The pattern of planned human resource activities intended to enable an organisation to achieve its goals (Wright and McMahan 1992).

Such definitions range from a portrayal of SHRM as a ‘reactive’ management field where human resource management is a tool with which to implement strategy, to a more proactive function in which HR activities can actually create and shape the business strategy (Sanz-Valle et al. 1998).

The range of activities and themes encompassed by SHRM can be seen, in the work of Mabey et al. (1998), which looks at the subject from four perspectives:

1. The social and economic context of SHRM including the internal (corporate) and external environments that influence the development and implementation of HR strategies
2. The relationship between SHRM and business performance, emphasizing the measurement of performance
3. The management style and the development of new forms of organization
4. The relationship between SHRM and the development of organizational capability, including knowledge management

Strategic HRM has been studied from three perspectives: universalistic, contingency, and configurational (Delery and Doty 1996). The universalistic (or best practices) studies look for particular policies or practices that are more effective than others and result in gains for all firms. Empirical studies from the universal perspective (Arthur 1994; Huselid 1995) have focused on sets of ‘high performance work practices’ that result in high levels of organizational outcomes but not necessarily outcomes directed at any particular strategy.

Both the contingency and configurational perspectives hold the idea that given a corporate strategy, certain HRM practices will support that strategy by shaping behaviours and outcomes. The contingency perspective links choices of practices within HRM systems to firm-level strategic positions (Schuler and Jackson 1987). The empirical studies in this group have focused on linking particular systems (e.g., compensation systems) to the strategic model (Gomez-Mejia and Balkin 1992; Begin 1993).

Configuration theorists take a more holistic approach by looking for ideal types and explicitly adopting a system assumption of equifinality (Doty, Glick, and Huber 1993). They examine how a pattern of several independent variables relate

to a dependent variable. Wright and McMahan argued that to be effective, a firm's HRM systems must be aligned with the firm's strategy and with each other. Becker and Gerhart (1996) suggested that the architecture might be more important than specific practices. As an empirical example, Schuler and Harris (1991) demonstrated a specific configuration of HRM practices as highly aligned with an organization pursuing Deming-style quality as a corporate strategy.

There are a number of theories which define the role of HR Strategy. *Behavioural role theory*, pioneered by Katz and Khan (1978) considers employee behaviours as key to successful strategy implementation. By aligning HR policies and practices with organization-wide strategy, employees can fulfil their role expectations within the organization. *The resource-based theory* of Barney (1991), and Prahalad and Hamel (1990) suggests that HR is the sustainable competitive advantage for the organization. This is because HR is a characteristically rare, inimitable, and non-substitutable source for achieving competitive advantage. Other resources do not have such characteristic features. *The human capital theory* of Becker (1964) suggests strategic importance to HR like other economic assets such as knowledge, and employee skills and abilities. This concept later developed the human resource accounting by Flamholtz (1981) and others. *The transaction cost theory* of Williamson (1981) suggests that strategic HR approach can ensure cost minimization as this will enhance periodic monitoring and governance. *The agency theory* of Eisenhardt (1989) suggests that a strategic approach to HR aligns the interests of agents (employees) and principals (employers) and thereby ensures streamlining of employment relations and systems within the organization. All the above theories justify alignment of HR with organization-wide strategy and therefore, they are grouped under rational choice theories of HR.

The *institutional theories* (Meyer and Rowen 1977; Powell and DiMaggio 1991) and *dependency theories* (Pfeffer and Salancik 1977) on HR strategy, however, focus on constituency-based interest. This is because strategic approach to HR is not empirically proved, as contributor to organizational performance while institutional theory argues strategic and acceptance from stakeholders; dependency theory argues, this will unduly enhance the level of influence over the organizations (from HR) and thereby will defeat the purpose.

Prima facie, environmental, organizational, institutional, and technological factors are potential influencers in strategy. Relative importance of each such factor will depend on organizational characteristics. However, for HR, we need to give cognizance to each such factor, or else this will not be a strategic decision for sustaining organizational growth and profitability. Any redundancy decision without considering the possible reaction of unions may transpire as defeating. Similarly in an FMCG organization, with product life-cycle being short, employees with multiple skill-sets would always be better than those who have specialized skill-sets.

Strategic human resource management, therefore, requires formulation of HR objectives, strategies, and policies. These enable the provision of the skills and



abilities needed to meet the requirements of an organization's overall objectives. In other words, they provide the framework, which ensures that an organization's HR needs are met. In modern organizations, HR strategy is supported by information technology in the form of human resource information systems and workforce management systems.

## 1.6 HR STRATEGY FACTORS

HR strategy factors encompass those areas, which are instrumental for success of an organization. We can classify such factors as under recruitment and selection, career development, performance appraisal, training and development, compensation designing, and human resource planning (HRP).

**Recruitment and selection** Some of the issues considered at this level relate to outsourcing or direct recruitment, contractual or on permanent payroll, multi-skill attributes or specialization. We have already discussed these issues in detail in Chapter 11 on HR audit.

**Career development** Career mapping, succession planning and management development, integrating career development with organizational development (OD) initiatives are the factors considered in this area of human resource strategy.

**Performance appraisal** Designing appropriate tools and aligning appraisals with training needs, promotion, and transfer and relocation are the issues which deserve attention at this stage.

**Training and development** Developing in-house training, return on investment (ROI) models for evaluating training, training budgets, etc. are the issues considered at this level.

**Designing compensation** Designing compensation and incentive schemes, suitable to attract talent and retain them, NWLC aspects, etc. are the crucial factors.

**Human resource planning (HRP)** Developing a human resource information system, aligning HRP with corporate strategies, skill and competence mapping are important aspects of strategic HRP.

The discussions in this section thus refurbish our HR knowledge and consolidate focus on HR research primarily on three different theoretical perspectives: the best practice view, the best fit or configuration-based view, and contingency approaches. Without further building the arguments for HR research areas, it is now important for us to list the areas from organizational perspectives, keeping focus on cluster or bundles of HR practices.

## 1.7 DEVELOPING RESEARCH SKILLS THROUGH CASE ANALYSIS

Human resource management research also requires analysing and interpreting the case to emulate the best practice of organizations worldwide. Periodic case analysis prepares managers to face similar eventualities in future and successfully tackle those issues. Students of human resource management can also learn through case analysis, as it helps in developing their analytic decision-making powers. Keeping in view this requirement, we have included one or more case studies at the end of each chapter, to develop the HR research acumen of students and professionals. To start with, in this chapter we have very briefly discussed some theoretical issues on case study and then presented a case with its tentative solution. In subsequent chapters, however, case studies need to be practised by the students for better comprehension of HR decision-making mechanism.

### 1.7.1 Definition of a Case

A case is a short description, in words and numbers of an actual management situation. A typical case consists of number of pages of prose description with some quantitative data (figures), exhibits, organization charts, and graphs or tables. The use of cases for advanced management education started at the Harvard Business School at the start of the twentieth century.

### 1.7.2 Definition of a Case Study

Case study is a systematic way of helping students to learn from experiences. Such studies are intended to serve as the basis for class discussion and not as illustrations of either good or bad management practices. They are not intended to be a comprehensive collection of teaching material. Case studies provide a useful backbone to a programme of study. Using the case study approach, HR professionals can develop their analytic skill-sets and learn through practice.

### 1.7.3 Steps of a Case Study

1. Read the case carefully and note down all the material facts and identify the problem(s).
2. Mention the area of management to which the main problem relates. It is possible that the problem may overlap the other areas as well, which may demand simultaneous solution. Total view of the situation should not be lost.
3. Place yourself in the position of the management and view the problem mentioned in the case.
4. The analysis should be from managerial angle—unbiased and objective.

5. List out various possible alternatives and then prioritize on the basis of comparative superiority and feasibility.
6. Select the best alternatives and state the same as your decision.
7. Indicate an estimate of outcome including the possible side effects, if any.

#### **1.7.4 Case Study Techniques**

Case study method is basically a qualitative analysis pertaining to an organization. In some cases, however, where the quantitative details about the organization are available, case study may also provide certain scientific insights to operational details of case problems. Usually the case study method focuses on an organization or at best two or three homogeneous or competing organizations for the purpose of benchmarking. In some instances, a case study may be a cross-organizational study to authenticate any management practices. A case study may be used to approve or disapprove any assumptions in order to establish certain theories. A case study requires in-depth analysis of some situations and examines their inter-relationship in an organization. The important characteristics of the case study method are explained in this section.

In the case study method, an individual can choose to study a single organization or social unit. A researcher may confine his/her focus only on certain areas or situations of the sample organization. To illustrate, if the purpose is to review an organization's strategy, a researcher may critically examine, the vision, mission, goals, objectives, strategies, action plan, and policies. The researcher will document his/her observations. The researcher analyses questions such as 'why Reliance can retain manpower while GE Capital and TCS cannot, despite the fact that both GE and TCS have pro-active HR policies.' The differences in the employee retention rate of these companies can be explained by analysing their strategies. The reason why Hindustan Lever Ltd (HLL) is successful in repositioning its Lifebouy brand and why Colgate cannot reposition its Palmolive brand is again embedded in marketing strategy of these companies.

Case analysis is done very intensively focusing on some limited identified areas. Such a study may be longitudinal in nature for drawing correct inferences. Even though perennially the case study method is considered a qualitative analysis, we can also do quantitative analysis and interpret the organizational issues, as and when details are available. For example, we can analyse the resource allocation strategy of an organization in terms of cost-benefit analysis. Similarly efficacy of a compensation strategy can be studied comparing outsourcing vis-à-vis employment on permanent payroll.

In case analysis we always attempt to establish a causal relationship between various factors couching qualitative and quantitative information. To illustrate, effective customer relationship management (CRM) may be co-related with increased market share. Employee motivation may be related to productivity.

Case analysis is a direct approach and, therefore, requires analytic rigour and experience. A case study unleashes the best management practices and therefore significantly contributes in enriching the theories. For example, the strategy of ‘direct participation’ became popular because of the practices of Chevron, the petroleum giant. This strategy uses collective wisdom of the employees to develop a response capability towards some targeted goals of the organization.

Despite its advantages, case study analysis may often suffer from the problem of generalization. The purpose of learning may get vitiated if the case is not properly structured.

### 1.7.5 Important Guidelines

There is no single correct solution even for a specific management problem. Logical thinking in line with the accepted basic principles and practices (processes) of management is judged and assessed through the case analysis method. Questions, given at the end of each case study, suggest the line of enquiry, hence these questions should be studied carefully. A case with questions at the end is known as close-ended case study. However, there are also cases which may not have questions at the end. These are open-ended cases. Such cases require the HR researcher to identify the problems or issues independently and answer those identified problems. A mere restating of the facts of a case report without any meaning should be avoided.

## 1.8 SUMMARY

To appreciate human resource research, it is important to first understand different approaches. Even today we emphasize only on normative aspects of HR, despite the fact that descriptive and conceptual aspects too are important. The descriptive approach of HR emphasizes on getting facts right, the conceptual aspect show how these facts relate to each other, while normative aspect is concerned with what we should do to obtain a specified goal. Descriptive HR research can be conducted without any theoretical foundation, while the conceptual and normative studies require a sound theoretical foundation. Both the Harvard Business School and the Michigan Business School model of HR are important for doing HR research. While the Michigan model focuses on strategy, the Harvard model emphasizes more on human factor in HRM. A similar demarcation of HR into resource-based and behavioural perspectives is also important for the HR researcher. The resource-based view attributes differences in productive potentiality between organizations to differences in physical, organizational, and human resources. Behavioural view, on the other hand, focuses on the use of HR tools and practices, which best shape employees’ behaviour to achieve desired goals. Another area of interest for the HR researcher is the strategic dimension of HR.

This concept includes the universalistic, contingency, and configurational perspectives on HR strategy. It views HR from the best fit and holistic perspectives by shaping behaviour and outcomes. The researcher needs to develop a general understanding of HRM concepts before going for HR research. Finally, this chapter provides some inputs on the use of case analysis for HR research with an example of a case study and its solution.

## KEY TERMS

---

**Normative HR** is concerned with what the HR researcher should do to obtain a specified goal.

**Conceptual HR** deals with how facts relate to each other.

**Configurational approach** opposes the bundles approach and is concerned with 'how the pattern of multiple independent variables is related to the dependent variable rather than with how individual independent variables are related to the dependent variable'

**Descriptive HR** is concerned with getting facts right

**Harvard model** assumes that the interests of employees and other stakeholders, together with situational factors, have a direct influence on HRM policy choices. The model recognizes that employees are not only resources for the production process, but also individuals in themselves.

**Michigan model** was developed by Fombrun et al. (1984). It stems from the strategic orientation of traditional personnel management functions.

**Universalistic approach to HR strategy** looks at particular policies or practices that are more effective than others and result in gains for all firms.

**Contingency approach to HR strategy** argues that a variety of internal and external environmental influences combine to determine the optimal mix of HR practices for any particular firm.

**Resource-based view** assumes that physical, organizational, and human resource differences between companies lead to differences in their productive potential.

**Behavioural role theory** was pioneered by Katz and Khan (1978). The theory considers employee behaviours as key to successful strategy implementation.

## CONCEPT REVIEW QUESTIONS

---

- Briefly explain different approaches to HRM. Which approach, do you recommend for adoption to perform research on HR policy? Justify your answer.
- Which is the right model for an HR researcher to consider while doing a research on success and failure of strategic interventions to transform the work culture of a recently acquired manufacturing unit in India? Will there be any difference if this research is carried out in the USA?

## CRITICAL REVIEW QUESTIONS

---

1. 'A configurational approach to HR research helps in truly understanding the implications of HR decisions in organizations.' Critically examine the statement and substantiate your answer with practical examples.
2. 'Doing a research on employee motivation, just require a researcher to consider behavioural dimensions'. Do you agree with this statement? Justify your answer.

## CASE STUDY

---

### Leadership and Motivation

Vinod was the Works Manager of Lakshmi Engineering. Rahul was with the company as its Finance Manager and was heading the Accounts and Finance division. Rahul was reporting to the works manager directly.

Rahul's general attitude was to be tightfisted in matters of finance. He was always conscious of the need to conform to company policies and procedures. He firmly opposed any deviation from policy, but was often willing to explain the reasons for his view. He prided himself as a man of principles. Vinod was a person who wanted to take action regardless of past practice or policy. He considered himself a 'result-oriented' manager.

The differing attitudes of the works manager and the finance manager had led to conflicts on past occasions. Vinod had even warned Rahul on two occasions that if Rahul could not carry out his instructions he was free to search for a job elsewhere. Rahul argued his case with a measure of success stating that his approach was proper and that in financial matters the policy guidelines had to be observed.

One afternoon, Vinod approached Rahul and said, 'Here is an incentive plan for the maintenance group. I am notifying it today and introducing it from tomorrow. Have a look at it.' Rahul appeared to be surprised. He had not known that an incentive plan was being contemplated for maintenance workers, as the

company's policy till then was to pay incentives only to direct production workers. Nevertheless, he took the plan with him and returned to Vinod a couple of hours later. 'You can't introduce this plan straightaway', Rahul said to Vinod and added, 'we have to give this some more thought. Our maintenance costs are too high mainly due to lack of adherence to norms on the consumption of spare parts. This incentive plan gives no weightage to consumption of spare parts. Further, it will only add to the maintenance costs without any real benefits to the company.'

Vinod's reaction was one of anger. 'You understand nothing of incentive plans', he retorted and added, 'spare parts consumption is high due to poor quality of spares bought by the materials department. Anyway, I don't intend to waste time on this with you. I am notifying this incentive plan today.'

An altercation followed and the arguments of both Rahul and Vinod became so loud that it attracted the attention of others in the hall, outside Vinod's office. 'I am the boss here,' screamed Vinod adding, 'if you can't work with me and obey my instructions, you are free to leave your job and go elsewhere.'

A few moments later Rahul was back in his office, tired and sullen. He called in his secretary and said, 'No, I have no option, please write down.' He dictated his letter of resignation.

## Questions

1. Discuss the leadership style used by Vinod. How effective is his style? What changes would you advise?
2. To what extent were Rahul's needs being considered? What kind of organizational climate was created?

---

## TENTATIVE SOLUTION OF THE CASE

---

### Introduction

This is basically a case of restraining leadership but to some extent it also brings out issues relating to the motivation of subordinates.

The facts of the case reveal:

1. Difference in the basic approach to leadership between Vinod and Rahul. Rahul is conservative in outlook, opposed to deviations from policy, and a man of principles, whereas Vinod tends to ignore company policy and practices in an effort to be 'result-oriented'.
2. Rahul expects a role whereby he can state his differences with his superior. He is also capable of convincing his superior by expressing his point of view successfully.
3. Vinod is autocratic in his approach. He appears to be a person who does not want to share his authority and decision-making powers. He views leadership as a matter of issuing orders and believes that subordinates must obey them unquestioningly.
4. The situation as revealed by the facts of the case is one of conflict between the subordinate and superior mainly due to the leadership style adapted by the superior.
5. Vinod does not consider it necessary to involve his subordinate in decision making or explain the rationale or the reasons for the deviation in the company policy with respect to the incentive scheme.

6. There is no effort on the part of Vinod to answer the doubts raised by Rahul on the demerits of the proposed incentive scheme clearly and cogently.
7. The conflict leads to a decision by the subordinate to quit the organization.

#### *The Leadership Style Used by Vinod*

Vinod's leadership style is autocratic and authoritarian. Authoritarian leaders concentrate all authority and decision-making powers within themselves. There is no participation by his subordinates in the decision-making process; they simply do what they are told to do.

As an autocratic leader, Vinod believes that his leadership is based on the authority conferred on him by his position and that his subordinates should follow instructions unquestioningly.

Autocratic leadership leads to insecurity and lack of confidence in the subordinate. Such a leader is capable of stifling the creativity and innovate ability of his/her subordinates. The autocratic leader stifles subordinate development and organizational effectiveness.

#### *How Effective is Vinod's Style?*

Vinod's style is not effective, keeping in mind the kind of leadership that a works manager should provide. In fact, it is Vinod's style of working that has led to major conflicting

situations between him and the finance manager. This has also attracted the attention of other employees in the organization. Such incidents are bound to lead to a sense of fear among all the employees in the organization and also to frustration.

Vinod's style of leadership will lead to resentment and over a period of time, it may also lead to resistance to his orders. Further, the style adopted by Vinod will lead to his subordinates' showing no active interest in their job, becoming hesitant in taking initiative, and being constantly depending upon the boss's instructions. All these factors can defeat the purpose for which Vinod is attempting to modify the incentive scheme.

#### *What Changes Would You Advise?*

The facts of the case reveal that Rahul was always cognizant of company's policies and procedures. He had the ability to argue his viewpoint with a measure of success and whenever he had a difference in opinion, he was willing to state the reasons about his differences. In this situation Vinod should have adopted a participative style of leadership with trust and confidence in Rahul. This would have led to better communication and team building.

To be an effective leader, Vinod should have a greater measure of confidence and trust in his subordinates, help them in the development of methods to achieve organizational objectives, and encourage participation.

The facts of the case show that Rahul is willing to explain to his superior his viewpoints on

the matters where he differs from his superior. He seeks the freedom to discuss matters. His objective is to interact with his superior without fear, bearing in mind the organizational goals.

The lack of communication that underlines the leadership style of Vinod and the sense of insecurity that stems from it had an adverse impact on Rahul's feelings of pride. Pride is a powerful and valuable motivator and when this is stifled, the subordinate feels frustrated.

Rahul expects a measure of involvement in decision making. Involvement in decision making satisfies an employee's ego and self-esteem. However, in the present situation, Rahul is denied the opportunity for involvement in decision making.

Rahul's needs for motivation are not satisfied to any extent. This is the reason why he decides to leave the organization.

The leadership style of Vinod will lead to a climate where his subordinates will refuse to participate in the decision-making process. Subordinates will in this situation become 'yes men' and refuse to confidently accept authority delegated to them. In this environment, group effectiveness will be low. In the final analysis, this adverse climate will not provide a conducive atmosphere for Vinod to become an effective leader who can function comfortably and achieve results competently. Vinod's claim of being a 'result-oriented' manager will be self-defeating if he does not direct the organization to a participative style of leadership.

## Select References

Beer, M., B. Spector, P. Lawrence, D. Quinn Mills, and R. Walton 1984, *Managing Human Assets*, Free Press, New York.

Bhattacharyya, D.K. 2006, *Human Resource Management*, 2nd edn, Excel Books, New Delhi.

Boselie, P. 2002, *Human Resource Management, Work Systems and Performance: A Theoretical-Empirical Approach*, Tinbergen Institute Research Series 274, Thela Thesis, Amsterdam.



Fombrun, C.J., N.M. Tichy, and M.A. Devanna 1984, *Strategic Human Resource Management*, Wiley, New York.

Guest, D.E. 1997, 'Human Resource Management and Performance – A Review and Research Agenda', *The Internal Journal of Human Resource Management*, vol. 8, no. 3.

Legge, K. 1995, *Human Resource Management – Rhetoric and Realities*, Macmillan Business, London.

Miles, R.H. and C.C. Snow 1984, 'Designing Strategic Human Resource

Systems', *Organizational Dynamics*, vol. 13, no. 1, pp. 36–52.

Mintzberg, H. 1978, 'Patterns in Strategy Formulation', *Management Science*, vol. 24, pp. 934–48.

Schermerhorn, J.R. 2001, *Management Update 2001*, 6th edn, John Wiley and Sons, New York.

Schuler, R.S. and S.E. Jackson 1987, *Linking Competitive Strategies with Human Resource Management Practices*, *Academy of Management Executive*, vol. 1, no. 3, pp. 209–13.