

THE PENNSYLVANIA STATE UNIVERSITY  
SCHREYER HONORS COLLEGE

SCHOOL OF LABOR AND EMPLOYMENT RELATIONS

THE EFFECT OF ALIGNING BUSINESS STRATEGY AND HUMAN RESOURCE  
MANAGEMENT PRACTICES ON ORGANIZATIONAL OUTCOMES

SAMANTHA A. KRONE  
SPRING 2014

A thesis  
submitted in partial fulfillment  
of the requirements  
for baccalaureate degrees  
in Management and Spanish  
with honors in Labor Studies and Employment Relations

Reviewed and approved\* by the following:

Xiangmin Liu  
Assistant Professor of Human Resource Management  
Thesis Supervisor

Alan Derickson  
Professor of Labor Studies and History  
Honors Adviser

\* Signatures are on file in the Schreyer Honors College

## ABSTRACT

This research explores the relationship between business strategy, human resource management (HRM) practices, and organizational outcomes through two studies. The first study provides a practitioner's perspective into the relationship between the business strategy and HRM practices and the challenges and opportunities managers face when aligning the two. The practitioner's perspective was captured through short interviews with human resource (HR) managers and other business leaders. This portion of the research shows common patterns that help HR leaders in alignment, such as fostering good relationships with key business leaders, having an understanding of the business, and taking part in strategic planning. The second study tests the contingency theory of strategic human resource management to understand if the relationship between HRM practices and organizational outcomes is contingent on business strategy. Data were collected through an online questionnaire completed by call center general managers in China. The results indicate that price leadership strategy has a significant moderating effect on the relationship between job discretion and employee turnover.

## TABLE OF CONTENTS

List of Tables.....	iii
List of Figures.....	iv
Acknowledgments.....	v
Chapter 1 Introduction.....	1
Chapter 2 Literature Review and Hypotheses.....	6
Business Strategy .....	6
Strategic Human Resource Management .....	8
HRM Practices .....	12
Organizational Outcomes.....	16
Relationship between HRM Practices and Organizational Outcomes.....	19
Business Strategy as a Moderator.....	25
Chapter 3 Methodology.....	33
Participants and Procedures.....	33
Measures.....	37
Control Variables.....	39
Chapter 4 Results.....	40
Study 1.....	40
Study 2.....	46
Chapter 5 Discussion.....	55
Limitations.....	57
Implications for Future Research.....	58
Implications for Practice.....	59
References.....	61
Appendix A: Study 1 Interview Questions .....	70
Appendix B: Study 1 Interview Transcripts.....	72
Appendix C: Study 2 Abbreviated Survey on Regulatory Changes, Human Resource Practices and Performance in Call Centres.....	90

**LIST OF TABLES**

Table 1. Profile of Study 1 Interviewees and Their Organizations.....	35
Table 2. Profile of Study 2 Respondents' Organizations.....	36
Table 3. Descriptive Statistics.....	47
Table 4. Frequency of Business Strategies in Sample.....	47
Table 5. Simple Correlation Matrix.....	48
Table 6. Results of Multiple Regression Analyses Predicting Customer Satisfaction.....	50
Table 7. Results of Multiple Regression Analyses Predicting Employee Turnover.....	52

**LIST OF FIGURES**

Figure 1. Interaction Effect.....53

## ACKNOWLEDGMENTS

First and foremost I would like to thank my Thesis Adviser Dr. Xiangmin Liu. Without her constant support and guidance, this thesis would not be possible. Her positive attitude and passion for learning has inspired me to produce a piece of work of which I can be proud. I am so thankful to have had her as a mentor and adviser throughout this process.

I would also like to thank my Thesis Committee Members, Dr. Elaine Farndale and Dr. Tom Hogan. Both Dr. Farndale and Dr. Hogan have shared with me their knowledge and insights on this topic to help create the thesis that I have today. Their feedback throughout this process has been invaluable.

Additionally, I would like to acknowledge all of the professionals I interviewed for this thesis research. I truly appreciate these individuals taking time out of their busy schedules to share their insights with me. Each provided me with a valuable and interesting perspective into the relationships being studied.

I would also like to thank all of the faculty, staff, and students in the School of Labor and Employment Relations, so many of whom have helped me with this thesis research and have offered words of encouragement along the way. I specifically want to thank my Honors Adviser, Dr. Alan Derickson, for his feedback and guidance on this project.

Finally, I want to thank my friends and family for their constant support throughout this entire process. Their positive attitudes and encouraging words kept me going and helped me see this thesis to completion.

## Chapter 1

### Introduction

Organizations make decisions on how they want to compete and where they want to compete in the market relative to competitors. These decisions make up the organizational strategy, “the overall plan for deploying resources to establish a favorable position” (Grant, 2010). Human resource management (HRM) practices are the way in which organizations acquire, develop, and retain the employees who carry out the organization’s plan. In recent years, some companies have begun to escalate the role of human resources (HR) as a strategic function within the organization. If HR has truly become a strategic function, then HRM practices across organizations should be different based on the business strategy of the organization (Delery & Doty, 1996). This evokes the first question this study aims to analyze: *How does a company’s business strategy affect its human resource management practices?* Additionally, if HR is a strategic function, then there should be a positive organizational outcome if an organization shapes their HRM practices around their business strategy. This would create alignment, or vertical fit, “directing human resources toward the primary initiatives of the organization” (Wright & Snell, 1998, p. 756). The underlying concept is that organizations that have alignment are more efficient and/or effective than organizations that do not have alignment (Wright & Snell, 1998). The second research question this brings up is: *Does the alignment of the human resource strategy with the business strategy affect organizational outcomes?* To address these important questions, this research consists of a qualitative study exploring how HRM practices align to the business strategy and a quantitative study exploring if this alignment impacts organizational outcomes.

For top management to see HR strategy as being an integral part of the overall organizational strategy, the HR function must prove that it can add value to the organization. For the HR function this means, “doing work that has an impact on the organization’s ability to compete, which positively affects the organization’s ‘bottom-line’” (Lengnick-Hall & Lengnick-Hall, 1999, p. 201). An organization will not be willing to invest in HRM practices if it cannot see that these practices in fact aid in the implementation of the organizational strategy, and thereby lead to a positive return for the firm. Researchers argue for this to occur there must be an alignment of an organization’s business strategy and HR strategy. In reality, though, this alignment often does not exist (Rousseau & Wade-Benzoni, 1994).

To address this issue, I conducted interviews with human resource managers and other business leaders to understand their perspective on how the business strategy at their organizations affects their HRM practices. Specifically, the goal was to explore if there is an alignment between the business strategy and HRM practices and the challenges and/or opportunities practitioners face in aligning the two. This may give insight into the actual role HRM practices are playing right now in organizations and explain why an alignment with the business strategy may or may not exist. Interviews were used to collect qualitative data that allow for room to explore these relationships on an in-depth, practical level.

The viewpoint that the business strategy and HRM practices need to align is based on contingency theory. Contingency theory takes the perspective that the relationship between HRM practices and firm performance is contingent on the organizational strategy (Delery & Doty, 1996). This reasoning comes from the idea that different employee behaviors are needed to implement different organizational strategies; therefore, organizations will need to use different HRM practices to elicit the needed role behaviors (Schuler & Jackson, 1987). Further research



studying the relationship between context and human resource management is required to understand if contextual factors, such as business strategy, improve organizational outcomes (Jackson & Schuler, 1995). Past research studies support business strategy as a contextual factor that impacts human resource management (Jackson & Schuler, 1995). Contingency theory takes this perspective by proposing that organizations whose HRM practices are aligned to the organizational strategy will have higher firm performance. In opposition to this, the universalistic perspective takes the view that there are certain HRM practices that will always have a positive impact on firm performance and that organizations should adopt these universal best practices (Delery & Doty, 1996). Despite more evidence in support of the universalistic perspective (Arthur, 1994; Huselid, 1995; MacDuffie, 1995; Pfeffer, 1994), researchers are still not ruling out the contingency perspective (Bird & Beechler, 1995; Delery & Doty, 1996; Rodríguez & Ventura, 2003). The second part of this research will test the contingency theory by analyzing if organizational outcomes will be impacted when organizations use HRM practices that are matched to specific organizational strategies.

In order to systematically analyze the relationship between business strategy, HRM practices, and organizational outcomes, I drew up a sample of call center establishments. Employees in call centers generally are responsible for tasks surrounding customer service, sales, billing inquiries, and technical assistance. They are the front-line of service for organizations, interacting with customers directly over the phone. Call centers are often known for being “electronic sweatshops” hiring low-skilled workers for standardized, routinized work (Batt, 2000; Batt & Colvin, 2011, Paauwe & Farndale, 2014). In these settings, investment-oriented HRM practices of training and work design are relatively low (Batt, 2000; Garavan, Cross, Wilson, & Carberry, 2012; Holman, Frenkel, Sørensen, & Wood, 2009). Despite this common

perception, call centers have actually been found to have a wide variation in business and HR strategies (Batt & Colvin, 2011). According to Batt (2000), they can range from “highly routinized mass production enterprises” to “skilled and entrepreneurial environments” (p. 542). This variation makes it easy to study different organizational strategies and practices across a common operational setting. Additionally, with these different models comes the need to study the prevalence of investment-oriented HRM practices and the effect that these HRM practices have on organizational outcomes in these service settings. Previous studies exploring these relationships have focused heavily on the manufacturing setting. Findings from manufacturing settings cannot simply be transplanted to service settings as the results may not be generalizable. Based on previous research (Bowen & Schneider, 1988; Mills, Chase, & Marguiles, 1983; Zimmerman & Enell, 1988), Batt (2002) explains that there are differences in “demography, occupational groups, technologies, work processes, the level of technically required interdependence among workers, and the role of the customer in the production process” that may make the findings in manufacturing studies unable to be generalized to service settings (p. 587). Therefore, there is a practical need to focus on the service industry when testing these relationships. Call centers also provide the opportunity to analyze similar jobs across a range of industries because call centers operate in the banking, telecommunications, and other industries. The setting also allows for the use of establishment-level surveys, which are more reliable (Batt & Colvin, 2011). Finally, because employees are in direct contact with customers, it would seem that employee behavior would have a more direct impact on organizational outcomes.

The setting of China is also important due to the increased number of call centers in China and the cultural perceptions of HRM practices. Call centers are becoming more common in China’s emerging market economy. Batt, Holman, and Hotgrewe (2009) reported that in

2008, there were 285,600 people working in call centers in China. Many studies have not focused on these relationships in the Chinese setting in the past; therefore, it is important to test these relationships in this setting, especially due to the fact that it is an emerging market economy. China is also an interesting setting due to the fact that worker autonomy would not be perceived to be a common practice because China is a high power distance culture. In a high power distance culture people accept that power is distributed unequally among the hierarchy of the organization. This cultural value implies that employees would prefer taking orders from their managers than making decisions on their own (Hofstede, 1980; Hui, Au, & Fock, 2004). Therefore, while training is perceived to be universally good for companies looking to develop employees across cultural settings, the benefits of job discretion are much more controversial. From this arises the interest and need to study the existence of training and its effect on organizational outcomes compared to the existence of job discretion and its effect on organizational outcomes in China.

The following study will begin by looking at the existing literature on this topic. The relationship between business strategy, HRM practices, and organizational outcomes will then be analyzed from the qualitative perspective of Study 1 based on interviews with practitioners and from the quantitative perspective of Study 2 based on the data collected in call centers. The study will conclude by discussing the implications for practice and future research.

## Chapter 2

### Literature Review and Hypotheses

#### Business Strategy

Each firm develops a business strategy to determine how they will compete in the market. According to Liao (2005) “A strategy is an integrated and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage” (p. 295). Thus, a firm develops a plan that uses their essential resources and capabilities to achieve superior performance over competitors. The strategy is meant to help them compete in the present and grow in the future (Grant, 2010).

Because each firm develops its own unique strategy, it is useful in analyzing an industry to group the different strategies into generic strategies. Two widely used generic strategy frameworks are those developed by Miles and Snow (1984) and by Porter (1980, 1985). Miles and Snow (1984) classified firms as prospectors, defenders, analyzers, or reactors. Prospectors see the environment as dynamic and uncertain and therefore use flexibility and innovation to handle environmental change. Prospectors generally lead the industry and are first to market with products/services. Defenders view the environment as stable and certain. They aim to have stable and controlled operations in order to achieve efficiency. Analyzers focus on both stability and flexibility in order to achieve the optimal balance between the prospector and defender strategies. Finally, reactors do not follow a consistent strategy and therefore have poor performance (Parnell, 2014).

According to Porter’s (1980, 1985) framework, businesses can either compete through a cost leadership strategy or a differentiation strategy. In the cost leadership strategy, the organization minimizes costs in order to produce its products/services at a lower cost than

competitors. In the differentiation strategy, the organization has a competitive advantage by offering unique products/services compared to competitors. Either strategy can be applied to the entire market or can be focused on a niche market (Parnell, 2014).

The two frameworks do have some similarities. Miles and Snow's defender strategy and Porter's cost leadership strategy both emphasize efficiency while the prospector strategy and differentiation strategy both are likely to emphasize distinguishing their products/services (Parnell, 2014). However, the two frameworks should not be considered one in the same as the strategies do differ and therefore may have different implications for HRM practices.

From Porter's framework, Schuler and Jackson (1987) derived three strategies that firms can use to gain a competitive advantage: cost-reduction, quality-enhancement, and innovation. Firms employing the cost-reduction strategy aim to produce products or services at a lower cost than competitors. In order to be the lowest cost producer, firms must maximize output while minimizing costs. In the quality-enhancement strategy, firms focus on offering superior quality in their product or service. Finally, in the innovation strategy, firms sell products or services that are unique from their competitors (Schuler & Jackson, 1987).

The present study uses Schuler and Jackson's (1987) framework of organizational strategies. Schuler and Jackson identified employee role behaviors and HRM practices for each competitive strategy, which will be beneficial in this analysis. Many other researchers have used Schuler and Jackson's framework and therefore this study will as well. Additionally, Schuler and Jackson's framework was based off of Porter's competitive strategies. According to Hsieh and Chen (2011), Porter's framework is the most commonly supported and cited theory in key strategic management textbooks (David, 1999; Miller, 1998; Thompson & Strickland, 1998) and in the literature (Kim & Lim 1988; Miller & Dess, 1993). Finally, Schuler and Jackson's

competitive strategies aptly describe generic strategies of call centers. Many organizations initially viewed call centers as a way to lower costs and create economies of scale. However, as customers have complained about poor service quality, firms have had to modify their approaches (Batt et al., 2009). Call centers have had to decide whether to compete on low cost or quality of service. As such, this study will specifically focus on the cost-reduction strategy (labeled in this study as price leadership) and the quality-enhancement strategy (labeled in this study as service excellence).

There is debate over whether generic strategies are pure or if they can be combined. Porter (1980, 1985) felt that organizations must compete on one strategy in order to be successful. If the organization tried to combine strategies, it would be “stuck in the middle,” which would ultimately lead to low firm performance. There has been evidence, though, that combination strategies (such as differentiation and cost leadership) can be successful and will lead to higher firm performance (Parnell & Hershey, 2005). This study will look at organizational strategy from a pure perspective in order to clearly see the effect of the relationship between HRM practices and organizational outcomes based on organizational strategy. The study will do this by asking organizations to report the most important element in their strategy, price leadership or service excellence.

### **Strategic Human Resource Management**

Human resource management is concerned with the management of people in organizations through practices such as recruitment, selection, training, and performance management. Over the last few decades, organizations have begun to realize the need for these practices to be aligned with the overall organizational strategy and goals. The perspective has

shifted to a macro-level view of HRM in the organization and has aptly been renamed Strategic Human Resource Management (SHRM) (Wright & McMahan, 1992).

According to Wright and McMahan (1992), SHRM can be defined as “the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals” (p. 298). In this respect, HRM practices are vertically aligned to the organizational strategy and horizontally aligned to enable synergy among the different practices. This means that the HRM practices of an organization will vary based on the organizational strategy a firm employs because it is through the organization’s HRM practices that the strategy will be implemented (Rousseau & Wade-Benzoni, 1994).

From a theoretical perspective, this study will examine the relationship between business strategy and HR strategy in the context of the behavioral perspective and contingency theory. The behavioral perspective of SHRM assumes that the purpose of HRM practices is to “elicit and control employee attitudes and behaviors” (Wright & McMahan, 1992, p. 303). Based on organizational characteristics, such as organizational strategy, different organizations require different employee attitudes and behaviors in order to have superior organizational outcomes (Wright & McMahan, 1992). This perspective is based in contingency theory, which takes the viewpoint that the relationship between HRM practices and organizational outcomes is contingent on the organizational strategy. Organizational outcomes are the result of HRM practices encouraging employee behavior that align to the organizational strategy (Delery & Doty, 1996).

Empirical evidence in SHRM research has at least supported a weak relationship between HRM practices (either individually or bundled) and organizational outcomes (Paauwe, 2009; Wright & Gardner, 2003); however, the role of strategy in this relationship has not yielded

conclusive evidence. While the contingency perspective of SHRM is popular, few researchers have found strong empirical support that matching HRM practices to the business strategy has a significant effect on organizational outcomes (Becker & Huselid, 2006; Delery and Doty, 1996; Huselid, 1995; Paauwe, 2009; Purcell, 2004).

When examining this relationship, many researchers find more support for a positive relationship between HRM practices and firm performance irrespective of organizational strategy. They take the universalistic perspective that there are best HRM practices or best HRM systems (Arthur, 1994; Huselid, 1995; MacDuffie, 1995; Pfeffer, 1994). More recently, when examining this relationship, researchers have concluded that effective strategy implementation is most important (Becker & Hueslid, 2006; Paauwe, 2009; Purcell, 2004). According to Paauwe (2009), Becker and Huselid (2006) suggest aligning strategic business processes and the HR architecture rather than aligning the HR strategy to the business strategy.

Other researchers have found limited support for contingency theory. Specifically, Delery and Doty (1996) found some support for contingency theory when testing the relationship between seven HRM practices and financial performance based on Miles and Snow's framework of competitive strategy. They found that the relationship between firm performance and the HRM practices performance appraisal, participation, and internal career opportunities are based on the organizational strategy. Despite only finding partial support, they did not believe that contingency theory should be rejected but that future studies should continue to investigate these relationships. Bird and Beechler (1995) also used Miles and Snow's competitive strategy framework to examine the relationship between business strategy and HR strategy and its effect on firm performance in U.S.-based Japanese subsidiaries. They found support for contingency theory in that firms whose HR strategies and business strategies matched had higher HRM-



related outcomes, such as higher employee morale and lower employee turnover, than firms that did not have matched strategies. However, they found less support for matching strategies to have an impact on organizational-level performance outcomes and therefore concluded that this relationship needed to be investigated further. Rodríguez and Ventura (2003) also used Miles and Snow's framework when studying Spanish manufacturing companies and found support for organizational strategy as a quasi-moderator variable. The HRM practices impacted firm performance independent of organizational strategy, but the alignment of the HRM practices to the organizational strategy resulted in even higher firm performance. Finally, Youndt, Snell, Dean, and Lepak (1996) did find support for the contingency theory when looking at the relationship between a human capital enhancing HR system and a quality manufacturing strategy and the relationship between an administrative HR system and a cost manufacturing strategy.

This study will build upon the previous studies and seek to understand if the relationship between HRM practices and firm performance is dependent on the organizational strategy. The present study will therefore contribute to the existing literature by providing empirical evidence to explore the contingency perspective of SHRM. This study is different from previous studies in that most used the Miles and Snow's competitive strategy framework. This study, however, will use Schuler and Jackson's framework that was derived from Porter's. While there are similarities between the frameworks of competitive strategies, they are not the same. It is possible that the different frameworks will yield different results. Finally, many of the previous studies analyzed firm performance in terms of HRM-related outcomes or financial outcomes, however, this study will look at firm performance, or organizational outcomes, in terms of customer satisfaction. Customer satisfaction is an especially telling indicator of firm performance

in a call center setting due to the more direct effect employees' behavior can have. Employee turnover will also be included as a more proximal measure of firm performance.

### **HRM Practices**

To understand how a company's business strategy affects their HRM practices, I interviewed HR leaders and other business leaders regarding their overall perspective on this relationship. Then I analyzed two specific HRM practices, training and work design, in the context of Chinese call centers. According to Rousseau and Wade-Benzoni (1994), HRM practices are "how it [the organization] implements its business strategy by acquiring, developing, monitoring, and utilizing the people who work for it" (p. 464). These practices are not strategic resources in and of themselves, but the human capital they create in an organization's employees is what creates a competitive advantage for the organization. In this regard, AMO theory says that performance is a function of employees' ability, motivation, and opportunity to participate (Boselie, Dietz, & Boon, 2005). Therefore, HRM practices of training and work design are at the core of HR strategies in creating an advantage for the firm through the organization's human capital. Citing considerable research (Appelbaum, Bailey, Berg, & Kalleberg, 2000; Batt, Colvin, & Keefe, 2002; Shaw, Delery, Jenkins, & Gupta, 1998; Shaw Dineen, Fang, & Vellella, 2009), Batt and Colvin (2011) suggest that HRM practices should be analyzed independently rather than as a bundle because they may have different effects.

#### *Training*

Training refers to "giving new or current employees the skills they need to perform their jobs" (Dessler, 2010, p. 266). Organizations make choices about the amount and type of training they will offer their employees. Organizations can provide varying amounts of formal training whether initially or continuously throughout employment. Organizations also have the choice to

either recruit and select talent with ready-made skills or to train talent on the skills needed for the job. Training can be focused on hard skills or soft skills (Delery & Doty, 1996).

Past research has shown that organizations will differ in these choices based on their strategic goals. Garavan et al. (2012) found that call centers make strategic choices surrounding HRM practices, as well as customer segmentation and technology, that cause variations in the role of training and development in organizations. They looked specifically at call centers and saw that training has an important role beyond typical orientation and skill development. Training allows organizations to strategically focus on their competitive advantage, customer relationship management, technology utilization, skill enhancement, employee morale, and retention.

Training is an important HR practice to look at because it affects the employee's ability to perform the task and it affects employee productivity. Axtell and Parker (2003) found that training positively affected employees' role-breadth self-efficacy, meaning training helped employees to feel more confident in their roles beyond the technical requirements and therefore increased their proactivity. Although Axtell and Parker looked at a range of training, they found the relationship to be even more significant for training on interpersonal skills and for training on proactive technical mastery. The researchers' takeaway was that organizations can "enhance employees' confidence to carry out a range of interpersonal and proactive tasks" through training (Axtell & Parker, 2003, p. 126). De Grip and Sauermann (2012) conducted a field experiment in a call center to understand the effect of training on employee productivity. The goal of the one-week training program was to decrease average call handling time but maintain call quality by training employees in conversation skills. The researchers found that employee performance increased approximately 10% after the training. The training also had positive effect on

customer ratings in regards to employees' knowledge and understanding of the customers' question. Therefore, the training can be shown to have a positive relationship to both efficiency and quality. Additionally, the study showed that even employees that did not participate in the training program also improved their performance. This could be due to either knowledge spillover or social pressure between trained and untrained employees.

Training can also give employees incentive to stay with the organization long-term and increase the likelihood that the organization will want to retain its employees (Batt & Colvin, 2011). First, it provides employees with the opportunity to develop their skills. Employees view this as a benefit given to them by the firm and as a result have higher affective commitment to the organization (Chambel & Sobral, 2011). While employees see training as a benefit because it allows them to develop skills that that can be used to help them move internally or find a job externally, research has found that developing employees generally decreases events that often lead to quits (Batt & Colvin, 2011). Additionally, employers that invest in their workers do not want to lose this human capital investment. These employers are also likely to try to keep employees at the organization (Batt & Colvin, 2011).

### *Work Design*

The second HRM practice this study analyzes is work design, or specifically the job discretion or employee empowerment given to employees either individually or in teams. Holman et al. (2009) define job discretion as “the freedom that employees have to choose their methods and timing of their work” (p. 511). According to Herrenkohl, Judson, and Heffner (1999), employee empowerment refers to “employees being more proactive and self-sufficient in assisting an organization to achieve its goals” (p. 373-374). These researchers found giving employees authority to determine how to complete their immediate work tasks and establishing a

fair reward and recognition system were two important dimensions in employee empowerment. Rafiq and Ahmed (1998) suggest that although empowerment can be defined in different ways “the core element of empowerment involves giving employees discretion (or latitude) over certain task related activities” (p. 380). They also found that when discretion is given to a team, the team may become a semi-autonomous workgroup or self-managing team. These types of groups can decide how work will be done amongst the members of the group.

The degree of job discretion an organization gives its employees has also been found to vary with organizational factors. Variation in work design is often based upon how the organization wants to compete in the market, or their business strategy. Work design can vary from “Taylorized” work methods in a mass production setting where there is little job discretion to environments that encourage employees to work together and have discretion over their tasks (Batt & Colvin, 2011). Rafiq and Ahmed (1998) determined that the amount of empowerment a firm gives its employees should be based upon a combination of two factors: the complexity (or variability) of customer needs and the complexity (or variability) of the task used to deliver customer needs. Task complexity is determined in part by the organizational strategy.

Job discretion is an important HRM practice to look at because it has been found to affect employee productivity and employee responsiveness to customer needs. Empowering employees can increase employee self-efficacy and adaptiveness helping them to complete tasks more effectively. Additionally, empowered employees can respond to customer needs and can adjust service failure quickly (Rafiq & Ahmed, 1998). Axtell and Parker (2003) found that increased task control, including control over work timing and work method, is related to increased role breadth self-efficacy. Increasing employees’ decision-making authority enhances employees’ self-efficacy; therefore, they are able to complete more proactive, interpersonal

tasks. Finally, employees with job discretion may find work more meaningful and have higher satisfaction and commitment (Batt & Colvin, 2011; Hackman & Oldham, 1980; Wood et al., 2006). Specifically in call center centers, job discretion has been found to decrease boredom, stress, and social isolation, which in turn decreases absenteeism and turnover and increase sales performance (Batt, 1999, 2002; Batt & Colvin, 2011; Deery, Iveron, & Walsh, 2002).

### **Organizational Outcomes**

Organizational outcomes can be defined in numerous ways, including productivity, employee absenteeism, and financial performance. Ultimately, each of the outcomes should affect the bottom-line. For the purposes of this study, organizational outcomes will be defined through customer satisfaction and employee turnover.

#### *Customer Satisfaction*

Customer satisfaction can be defined as the “overall evaluation of a firm’s products [or services]” (Henning-Thureau, 2004, p. 464). Woodruff (1997) defines customer satisfaction as, “the customer’s feelings in response to evaluations of one or more use experiences with a product” (p. 143). He argues that customer satisfaction can be derived from the value a customer feels that they have obtained based on the goals, consequences, and attributes associated with a product. Customer satisfaction is the appropriate organizational outcome when analyzing call centers due to the direct contact between employees and customer. Employees have the ability to influence the services a customer receives and their perceptions of that service directly.

Bettencourt and Brown (1997) cited past literature that identified employees as a competitive advantage in service settings due to their contact with customers. Employees have the ability to impact customer satisfaction, service quality, and customer decisions through their prosocial behaviors, or “the helpful behaviors of employees directed toward the organization or

other individuals” (p. 41). The authors found that organizations can use HRM practices that establish workplace fairness in order to help foster these prosocial behaviors.

Customer satisfaction is also an appropriate measure because it has an effect on the financial performance of an organization. Williams and Naumann (2011) found that per account in a firm they studied, higher customer satisfaction lead to higher customer retention, higher average total revenue, and higher average revenue growth rate. Additionally, looking at the firm overall, they found that customer satisfaction had a positive relationship with many financial and market performance metrics including: earning per share, revenue, net income, stock price, Tobin’s  $q$ , and price earning ratio. When firms do not achieve customer satisfaction, it hurts their financial performance. According to Bitner, Booms, and Mohr (1994), service quality is indicated by 100% flawless performance or “100% satisfying performance from the customer’s point of view” (p. 95). It costs firms that don’t achieve that 100% because they have to redo or fix the poor service, they may lose the customer, they may receive bad publicity, and employee morale can suffer.

### *Employee Turnover*

Employee turnover is also being used as a measure of organizational outcomes because it is a more proximal measure than customer satisfaction. While customer satisfaction is a good measure of firm performance, it is a more distal measure; therefore, there are many more factors that can influence it.

According to Hancock, Allen, Bosco, McDaniel, and Piecre (2011), “Turnover is defined as the departure of an employee from the formally defined organization” (p. 4). Turnover can either be voluntary or involuntary. Voluntary turnover is the departure of the employee by the employee’s initiation and choice (ex. quits and resignations), while involuntary turnover is the

departure of the employee by the organization's initiation and choice (ex. terminations, dismissals) (Hausknecht & Trevor, 2010). This study will measure turnover as voluntary turnover at the organizational level. Voluntary turnover usually occurs as a result of an employee's rational decision to leave the organization given their current job versus alternatives (Batt & Colvin, 2011).

Employee turnover is an appropriate measure because it has an effect on the various factors of firm performance of an organization. Empirical evidence shows a significant negative relationship between turnover and firm performance (Batt & Colvin, 2011; Hancock et al., 2011; Hausknecht & Trevor, 2010). In their review on the existing literature, Hausknecht and Trevor (2010) concluded, "Collective turnover can lead to undesirable outcomes because it entails the loss of firm specific human and social capital, disrupts operations and collective function, saddles remaining members with newcomer socialization and training, and increases recruitment and selection costs" (p. 360). The authors also summarized based on empirical research that turnover rates have been associated with "reduced profits, lower sales, lower revenue growth, higher accident rates, longer customer wait times, inferior service quality, greater counterproductivity, and reduced manufacturing efficiency" (p. 360). The authors do include, however, that these negative relationships are not always supported, may be dependent on moderators, can sometimes be positive, and are not always linear (Hausknecht & Trevor, 2010). Hancock et al. (2011) determined that the sometimes positive effects of turnover are outweighed by the costs and the loss of human capital and social capital of turnover, which leads to more empirical support for a negative relationship between turnover and performance.

Particularly in call centers, turnover can lead to high costs and low service quality. This is partially due to the costs of recruiting and selecting new employees. Additionally, turnover



has a negative effect sales growth. Due to the nature of the work, employees who have gained firm-specific knowledge and skills and have developed relationships with repeat customers over time can better attend to customers' needs, thereby increasing sales growth. With high turnover, these knowledge, skills, and relationships are lost, and sales growth suffers (Batt, 2002; Batt & Colvin, 2011).

## **Relationship between HRM Practices and Organizational Outcomes**

### *HRM Practices and Customer Satisfaction*

Previous research has shown that in many situations in order to achieve customer satisfaction employees need to have certain skills and need to be given latitude in handling customers. Bitner et al. (1994) analyzed 774 critical service encounters reported by employees in the hotel, restaurant, and airline industries. They found that 22% of dissatisfactory customer incidents were the result of problem customers—in other words, customers that displayed drunkenness, verbal and physical abuse, illegal activity, and uncooperative behavior. The researchers concluded that employees need to know how to handle customers and their own reactions in case a problem does arise. Additionally, they need to know how to identify problem characteristics of customers and anticipate their needs in order to avoid or diffuse incidents. Organizations must provide employees with the appropriate skills and training to handle these types of situations. On the opposite side, employees cited that almost half of the satisfactory incidents were a result of their ability to adjust the system to respond to customer needs and requests. Employees must have had the authority and skills to accommodate these customers and create these satisfactory results.

According to Schneider and Bowen (1999), in order to achieve customer loyalty, organizations must go beyond satisfying customers and actually delight them. Delighted

customers are far less likely to take their business elsewhere than satisfied customers. In order to achieve customer delight, organizations must focus on customer needs of security, justice, and self-esteem. Through HRM practices of hiring, training programs, and performance management, organizations can help their employees to meet these customer needs.

Organizations must also emphasize to employees the importance of treating customers as individuals, having flexibility in dealing with customers, and building relationships with these customers. These factors combined will help to create delighted customers who will be loyal to the organization. Schneider, White, and Paul (1998) support these findings through an empirical study of the employees and customers in 134 branches of a large northeastern bank. They found that in creating a service climate, a foundation of work facilitation in the form of HR and managerial policies and practices that support the service climate is necessary. They also found that these policies and practices can affect the way customers view the organization and that the way customers view the organization can affect these policies and practices. They suggest that in order to create a positive service climate, organizations should listen to their customers and create conditions that will fit customers' needs.

Henning-Thurau (2004) points out that in past literature, customer satisfaction has been found to be a precursor to customer retention. Additionally, he states that in service firms it is often the employees' interactions with customers that decide the level of customer satisfaction and therefore the firm's profitability. As such, he examined if the customer orientation of service employees (COSE) had an impact on customer satisfaction, commitment, and retention through 989 consumers' perspectives for services in travel agencies and media products retailers. He found that three of the dimensions of COSE—technical skills, social skills, and motivation to service customers—significantly impacted customer satisfaction and customer retention. The

fourth dimension of COSE, self-perceived decision-making authority, did not have as strong an impact on customer satisfaction and did not have a significant impact on customer retention. Employees' social skills and motivation to serve customers most strongly impacted the customers' emotional commitment to the organization. The author argues that organizations should focus on COSE in order to achieve higher customer satisfaction, commitment, and retention. Through the study, the author found that employees' knowledge in particular affected these service dimensions. He therefore concluded that training employees and ensuring that they have the skills needed to interact with customers is important in building customer satisfaction, commitment, and retention. While COSE was found to significantly impact these factors, Henning-Thurau did note that it is important to analyze the organization's strategy to see if customer satisfaction will have an impact in the long-run on customer commitment and retention. For example, there may be a greater impact in organizations where employees interact with customers over highly customized products/services than in organizations where the product/service is less personalized. Therefore, when deciding how to proceed with COSE, organizational strategy must be kept in mind.

Homburg and Fürst (2005) looked at customer satisfaction and loyalty from the perspective of an organization's effectiveness at complaint handling by interviewing a manager and five customer complainants from 110 companies over a variety of services and manufacturing industries. They found that both a mechanistic approach to complaint handling and an organic approach to complaint handling can be effective. In a mechanistic approach, the organization sets guidelines for employee behavior in handling complaints, and in an organic approach, the organization provides a supportive internal environment in which employees can handle complaints. In both settings, the authors found that employees effectively being able to

handle complaints had a positive impact on customer complaint satisfaction and overall customer satisfaction and loyalty. They did not find a statistically significant relationship between overall customer satisfaction and loyalty. From these findings they deduced that following a complaint, a customer's satisfaction with how the complaint was handled is actually more important than their accumulated satisfaction over time for determining customer loyalty. Therefore, it can be suggested that it is important for employees to have the proper tools and skills to handle customer complaints effectively.

Previous research has suggested that the cultural dimension of power distance will affect employees' willingness to accept and use job discretion. Hui, Au, and Fock (2004) analyzed empowerment effects, specifically regarding discretionary power or "the management practice of providing employees with discretion and autonomy" (p. 48), across the high power distance culture of Canada and the low power distance culture of China in hotel employees. They found that power distance and customer orientation or the "willingness to accept and exercise discretionary power and desire to satisfy customer needs and wants" are two employee factors needed to successfully implement empowerment in employees (Hui et al., 2004, p. 53). They concluded that empowerment may not be compatible with the cultural value of high power distance countries such as China as "service employees may feel uneasy and exhibit significant reluctance to accept and exercise discretionary power in performing their job duties" (Hui et al., 2004, p. 58). However, in analyzing employee-customer interactions in Chinese multinational retail stores Gamble (2006) found, "The variety and unpredictability of customers' questions made it difficult to reduce responses to a script. And, in a highly competitive market, the firm's success depended upon staff being 'experts' and skilful in the 'drama of persuasion'" (p. 1483). Gamble conducted over 200 employee interviews at twelve multinational retail stores in five

Chinese cites and surveyed about 800 employees on their perceptions on their training and skills development. Gamble found that the Chinese customers demanded high customer service and customization. In order to be able to meet these demands, employees needed “to possess product knowledge, to provide emotional labour and to utilize appropriate social skills” (Gamble, 2006, p. 1471). In this regard, Gamble concluded, “The social skills, characteristics and competencies distinguished as important in front- line service sector work in Western contexts (Callaghan and Thompson, 2002; Frenkel et al., 1999) were equally vital in China” (p. 1485).

Based on the preceding research, I developed the following hypotheses:

- *Hypothesis 1: Training is positively related to customer satisfaction*
- *Hypothesis 2: Job discretion is positively related to customer satisfaction*

#### *HRM Practices and Employee Turnover*

Prior research has identified HRM practices as antecedents to employee turnover. Generally, training and job discretion are negatively related to employee turnover, but there are ambiguities (Hausknecht & Trevor, 2010).

With regard to job discretion, Hausknecht and Trevor’s (2010) review of collective turnover showed that null effects were reported in multiple studies. Additionally, Haines, Jalette, and Larose (2010) found a positive relationship between employer-provided training and voluntary turnover rates. They concluded that greater investments in employees led to a greater ability of movement for employees. Bambacas and Kulik (2013) found similar results when analyzing data from 308 managerial employees in a steel-manufacturing organization in China. They found that employee development was related to employees’ perceptions of sacrifice in leaving the organization. These perceptions increased employees’ turnover intentions because

they enhanced employees' marketability and mobility, making the sacrifice of leaving the organization smaller than the new external opportunities the employees had.

Opposing these views, Batt (2002) shows the negative relationship between both training and quit rates and job discretion and quit rates in a study of call centers. She found that the use of high involvement work practices, including training and job discretion, lead to lower quit rates. Wood, Holman, and Stride (2006) also found a negative relationship between task direction and employee turnover, and Avgar, Pandey, and Kwon (2012) found a negative relationship between employee discretion and turnover intentions. Turning to the Chinese context, Humborstad and Perry (2011) surveyed employees at hotels in China to understand the relationship between empowerment and turnover intentions. They found that job attitudes, which are a combination of job satisfaction and organizational commitment, mediate the relationship between empowerment and turnover intentions such that positive job attitudes helped decrease turnover intentions.

Similarly, the argument that training leads to lower employee turnover is based on the concept that giving employees training will lead to higher employee attachment and commitment (Batt, 2002). According to social exchange theory, when organizations provide employees with benefits, such as training and development, employees feel that they have obligations to the organization and stay with the organization to fulfill these obligations (Bambacas & Kulik, 2013; Blau, 1964; Cropanzano & Mitchell, 2005). For job discretion, based on previous research, Holman et al., (2009) say, "In standard psychological theories of work design, job discretion enables employees to better cope with demand, so improving their well-being. This is likely to be expressed in lower absence and quit rates" (p. 516). Employees also may not leave because

job discretion allows them the opportunity to continuously learn and develop (Hausknecht & Trevor, 2010).

Based on these arguments and the preceding research, the following hypotheses have been developed:

- *Hypothesis 3: Training is negatively related to employee turnover*
- *Hypothesis 4: Job discretion is negatively related to employee turnover*

### **Business Strategy as a Moderator**

To test the contingency theory, the relationship between HRM practices and organizational outcomes will be tested with organizational strategy as a moderator variable. The tests of moderation are based on how important human capital is to the organizational strategy and therefore organizational outcomes (Hausknecht & Trevor, 2010).

According to Jackson and Schuler (1987), before creating the link between the organization's business strategy and HRM practices, we must establish the rationale for the link. The rationale comes from the different employee behaviors that are needed to implement different organizational strategies. In the cost-reduction (price leadership) strategy, Schuler and Jackson (1987) describe the needed employee role behaviors as:

(1) relatively repetitive and predictable behaviors, (2) a rather short-term focus, (3) primarily autonomous or individual activity, (4) modest concern for quality, (5) high concern for quantity of output (goods or services), (6) primary concern for results, (7) low risk-taking activity, and (8) a relatively high degree of comfort with stability.

(p. 211)

Because these role behaviors are needed to successfully implement the cost-reduction (price leadership) strategy, the HRM practices that will elicit these behaviors will call for control and surveillance of employees. The HRM practices include:

(1) relatively fixed (stable) and explicit job descriptions that allow little room for ambiguity, (2) narrowly designed jobs and narrowly defined career paths that encourage specialization, expertise, and efficiency, (3) short-term, results-oriented performance appraisals, (4) close monitoring of market pay levels for use in making compensation decision, and (5) minimal levels of employee training and development. (Jackson & Schuler, 1987, p. 213)

These HRM practices help the organization to be efficient in their operations thereby reducing costs. Organizations whose competitive advantage is based on offering low cost, high volume, standardized service offerings, require employees with low skills and low job discretion.

In the quality-enhancement (service excellence) strategy, workers must be committed to quality and improvement of product/services in order to ensure success. According to Schuler and Jackson (1987), the employee role behaviors of this strategy include:

(1) relatively repetitive and predictable behaviors, (2) a more long-term or intermediate focus, (3) a modest amount of cooperative, interdependent behavior, (4) a high concern for quality, (5) a modest concern for quantity of output, (6) high concern for process (*how* the goods or services are made or delivered), (7) low risk-taking activity, and (8) commitment to the goals of the organization. (p. 210)

Firms can create these role behaviors in employees by allowing them flexibility, feedback, teamwork, and decision-making in their jobs. This first helps employees become more committed to the organization and therefore more committed to producing a higher quality product/service.



Additionally, it allows employees to be more adaptable when a process is changed to produce a higher quality, and it allows employees themselves to examine a process or service and change it in order to give the highest quality (Schuler & Jackson, 1987). The specific HRM practices needed in the quality-enhancement (service excellence) strategy are:

(1) relatively fixed and explicit job descriptions, (2) high levels of employee participation in decisions relevant to immediate work conditions and the job itself, (3) a mix of individual and group criteria for performance appraisal that is mostly short-term and results-oriented, (4) relatively egalitarian treatment of employees and some guarantees of employment security, and (5) extensive and continuous training and development of employees. (Schuler & Jackson, 1987, p. 213)

These practices help a firm implement the quality-enhancement (service excellence) strategy by encouraging reliable behavior from employees, as well as allowing flexibility in their roles. Batt (2000) reinforces this idea explaining that organizations whose competitive advantage is based on service quality require skilled employees given high levels of job discretion. These employees are trained and given the freedom in their daily tasks to meet customer needs, therefore providing high quality service.

According to Batt (2000), employees need to “have the opportunity and incentives to manage the customer interface in a way that ‘fits’ the business strategy” (p. 547). If they have the ability and opportunity to do so, then there should be an impact on organizational outcomes. In testing the moderation of business strategy, there should be a difference in the relationship between HRM practices and customer satisfaction and HRM practices and employee turnover for each of the business strategies compared to the relationship independent of business strategy.

Again, these differences occur based on the importance of human capital to the organizational strategy and ultimately organizational outcomes.

According to Batt (2002), HRM practices, such as training and job discretion, can act as “a strategy for quasi-professionalizing nonmanagers—enhancing skills, opportunity for independent judgment, and motivation” (p. 590). These HRM practices can essentially increase the capability of employees to meet certain customer demands. Enhancing employee capability is only deemed necessary and valuable if the customer demands require high skill and discretion.

Looking first at customer satisfaction as an organizational outcome, organizations using price leadership strategy versus service excellence strategy are targeting different customers. Organizations competing on price leadership are producing services at low costs (Schuler & Jackson, 1987), thereby attracting customers who want to purchase their services at a low price. Organizations competing on service excellence are competing on the high quality of their service (Schuler & Jackson, 1987), therefore attracting customers who want to receive customized, quality service. Different factors are important in satisfying these different customer groups.

In the price leadership strategy, I predict that human capital is not as important to organizational success because in desiring low prices, the employees’ knowledge and quality of service are less important in satisfying the customers than the price of the service is. Therefore, firms will give less emphasis to HRM practices that develop employees and allow for discretion in their work because these practices can be seen as having high costs and as being less valuable (Batt, 2002). These types of firms will instead have standardized, scripted processes for employees. While I predict that this will lead to lower customer satisfaction, Levitt (1972) argues that it will lead to higher efficiency and profitability (Batt & Colvin, 2011). For a firm competing on price and attracting customers that desire low prices, customer satisfaction may not

be an important indicator of firm performance. These firms become profitable by operating efficiently and managing costs to in turn pass this onto the customer in the form of low prices. Human capital is not as important in achieving this strategy and outcome, so employees are given less training and job discretion.

In the service excellence strategy, I predict that human capital is important to organizational success because customers desire high service quality, so employees' knowledge and quality of service are more important in achieving this high quality and therefore satisfying customers. To compete on superior quality, employees must be trained and knowledgeable, able to respond to customer needs, and able to build relationships with customers (Henning-Thurau, 2004; Schneider & Bowen, 1999). In order for employees to be able to do these things, firms will have to place a greater emphasis on their HRM practices that develop employees and allow for job discretion. These types of firms need to enhance employee capability to meet customer demand of quality and customization (Batt, 2002). I predict that this will lead to higher customer satisfaction. For a firm competing on quality, customer satisfaction is an important indicator of firm performance. These firms become profitable by delivering a high quality service to customers. Human capital is important in achieving this strategy and outcome, so employees are given more training and job discretion.

Specifically, the following hypotheses related to the moderation of strategy on the relationship between HRM practices and customer satisfaction are:

- *Hypothesis 5: Strategy moderates the relationship between training and customer satisfaction such that when a firm adopts the price leadership strategy, there will be a smaller positive relationship between training and customer satisfaction*

- *Hypothesis 6: Strategy moderates the relationship between job discretion and customer satisfaction such that when a firm adopts the price leadership strategy, there will be a smaller positive relationship between job discretion and customer satisfaction*
- *Hypothesis 7: Strategy moderates the relationship between training and customer satisfaction such that when a firm adopts the service excellence strategy, there will be a larger positive relationship between training and customer satisfaction*
- *Hypothesis 8: Strategy moderates the relationship between job discretion and customer satisfaction such that when a firm adopts the service excellence strategy, there will be a larger positive relationship between job discretion and customer satisfaction*

The prediction is that the type of strategy will affect the strength of the relationship between HRM practices and customer satisfaction.

When looking at turnover as an organizational outcome, I predict that organizations will place a different level of importance on having a stable workforce based on their business strategy. Call centers employing the price leadership strategy will use low-skilled, replaceable employees (Batt, 2000). Due to the nature of these employees, there will be a low emphasis on HRM practices (Schuler & Jackson, 1987). As a result, I predict that the financial costs and human and social capital losses of turnover will be low, and therefore, turnover is not as important to the firm. Batt and Colvin (2011) suggest that “a high turnover model may be acceptable or even desirable for cost-focused firms if lower operational costs outweigh higher turnover costs” (p. 696). I predict that firms that want to compete on cost would not try to keep turnover low (Batt & Colvin, 2011) and therefore would not need to focus on developing employees and providing them with job discretion. The lack of training and job discretion in these firms will have a smaller negative effect or even a positive effect on turnover because these

practices are used less, therefore, employees come into the organization with the expectation that they will receive low levels of training and job discretion.

In the service excellence strategy, human capital is critical to the organizational success. In order to deliver high service quality a skilled, stable workforce is needed, which in turn requires an emphasis on HRM practices (Batt, 2000; Schuler & Jackson, 1987). Based on previous research, Batt and Colvin (2011) suggest, “Firms that choose to compete on service quality or customer loyalty may seek to keep turnover low, as research suggests that quality is higher where turnover is lower as a consequence of employee motivation (Schlesinger & Heskett, 1991) or of the firm-specific skills and knowledge of customers that experienced workers have (Batt, 2002)” (p. 696). I predict then that firms that want to compete on quality would try to keep turnover low (Batt & Colvin, 2011) and would need to focus on developing employees and providing them with job discretion. Therefore, the relationship between these HRM practices and turnover is larger because these practices are used more and employees come into the organization with the expectation that they will receive high levels of training and job discretion.

Specifically the following hypotheses related to the moderation of strategy on the relationship between HRM practices and turnover are:

- *Hypothesis 9: Strategy moderates the relationship between training and employee turnover such that when a firm adopts the price leadership strategy, there will be a smaller negative relationship between training and employee turnover*
- *Hypothesis 10: Strategy moderates the relationship between job discretion and employee turnover such that when a firm adopts the price leadership strategy, there will be a positive relationship between job discretion and employee turnover*

- *Hypothesis 11: Strategy moderates the relationship between training and employee turnover such that when a firm adopts the service excellence strategy, there will be a larger negative relationship between job discretion and employee turnover*
- *Hypothesis 12: Strategy moderates the relationship between job discretion and employee turnover such that when a firm adopts the service excellence strategy, there will be a larger negative relationship between job discretion and employee turnover*

The prediction is that the type of strategy will affect the strength and direction of the relationship between HRM practices and turnover.

## **Chapter 3**

### **Methodology**

#### **Participants and Procedures**

This research consisted of two separate studies labeled Study 1 and Study 2. Study 1 is intended to be a descriptive and supplemental analysis to the quantitative analysis conducted in Study 2. Data for Study 1 were collected on an individual level through interviews with human resource managers and other business leaders. Participants were recruited using convenience sampling. Potential participants were identified through connections to a local professional organization, university alumni contacts, and personal connections. Email messages were sent to these individuals asking them to participate in a 20-30 minute interview. Interviews were conducted over the phone or face-to-face. Other data analyzed for Study 1 came from the Economist Intelligence Unit [EIU] reports “CEO Perspectives: How HR Can Take on a Bigger Role in Driving Growth” (EIU, 2012a) and “CFO Perspectives: How HR Can Take on a Bigger Role in Driving Growth” (EIU, 2012b). The aim of the first study was to understand how HR managers and other business leaders view the relationship between HRM practices and business strategy. The interviews explored the challenges and opportunities managers face when implementing the organization’s strategic focus in actual HRM practices. The results may provide insight into why the business strategy and HR strategy do not commonly align in organizations and how this can be remedied in the future. Based on the effect that the integration of the business strategy and HRM practices has on organizational outcomes established in Study 2, understanding managers’ viewpoints on integration challenges may help lead to practical implications for the future.

Sixteen individuals were invited to participate in the brief interview. Ten individuals responded to the invitation and completed the interview. Of the remaining six individuals, three did not respond to initial emails and three declined to participate or were unable to participate during the study's time frame. Characteristics of interviewees and their organizations can be found in Table 1. Of these individuals, five were in the HR function of the organization and served as either the HR manager, director, or vice president. The five other individuals were either presidents or held other leadership positions in the organization outside of the HR function. The individuals worked in a variety of industries, such as manufacturing, higher education, and healthcare. Their organizations ranged in size from 75 employees to 25,000 employees. They have served in their current positions anywhere from two months to 8 years. Finally, four of the HR leaders said they participated in forming their organizational strategy. Of the five non-HR leaders, two said their HR leaders participated in forming the organizational strategy, one did not have a strictly HR leader, one did not have the HR leader participate in this process, and one was unsure. The data from the EIU reports come from a May 2012 global survey in which 235 C-level executives participated, 57% of whom are CEOs and 43% of whom are CFOs. The respondents are based in a total of 38 different countries and a range of industries. EIU also interviewed 10 individuals who are senior executives and experts on this topic to gain a more in-depth understanding into these issues (EIU, 2012a; EIU 2012b).



**Table 1. Profile of Study 1 Interviewees and Their Organizations**

<b>Title of Interviewee</b>	<b>Tenure in Position</b>	<b>Company Industry</b>	<b>Number of Employees</b>
Division President	6 years	Manufacturing	220
Chief Sales Officer	1 year	Commercial Real Estate	75
Director of Human Resources	1.5 years	Long-term Care	235
Division President	3.5 years	Water Utility	7,000
MBA Admissions Director	3 years	Higher Education	1,000
Executive VP of Global HR	8 years	Consumer Packaged Goods	4,100
Global Head of HR Operations	2 years	Transportation and Supply Logistics	25,000
VP of Human Resources	6 years	Healthcare	7,000
Assistant Vice President of Academic Computing	2 months	Higher Education	5,400
HR Manager	4.5 years	Contract Furniture	200

The data for Study 2 were originally collected for research concerning the regulatory changes, employment practices, and organizational performance of technology-mediated service work in China. The data from that research are also relevant to this study and were therefore used to analyze the relationship between business strategy, HRM practices, and organizational outcomes. In this study, organizational level data were collected from call centers in China. Participants were identified with the assistance of the Call Center Association in China. The Association shared their member directory, which included approximately 500 call center managers, and encouraged members to participate in the study via webpage announcements,

emails, and monthly meetings. Participants consisted of general managers at these call centers. General managers were chosen as the target respondents because they are knowledgeable on the overall operations and employment practices of the call centers. Participants were asked to complete an online survey concerning their general management and human resource management practices, firm performance, and employee well-being.

In total, data were used from 128 respondents. Characteristics of respondents' organizations can be found in Table 2. Approximately 86% of the organizations were in-house operations and 77% were part of a larger organization. Nearly half of the organizations cited high value mass market customers as the segment where they have the largest volume of customers. The largest sectors represented in the sample were the finance sector and the telecommunications sector.

**Table 2. Profile of Study 2 Respondents' Organizations**

<b>Characteristic</b>	<b>Total</b>
In-house Operations	86%
Outsourced Operations	14%
Part of a Larger Organization	77%
Not Part of a Larger Organization	23%
Serves Finance Sector	24%
Serves Telecommunications Sector	20%
Serves Manufacturing Sectors	7%

## Measures

For Study 1, results concerning the business strategy, HR strategy, and relationship between the two are presented in terms of the interviewees' perspectives. Results are presented in an anonymous form to protect participants' identity and maintain the confidentiality of their answers. Results for the EIU reports are also based on the senior executives' viewpoints. For Study 2, the measures used are outlined below. All variables are operationalized in terms of general managers' reports.

### *Business Strategy*

Business strategy is measured by the general manager's report of the most important element in the call center's strategy between "Price Leadership," "Service Excellence," and "Other." In the price leadership strategy, the general manager rated on scale of 1 to 6, where 1 is least important to the call center's strategy and 6 is most important, how important it is to the call center strategy to: (a) minimize cost through improvement on work procedures, (b) achieve better cost control than the competitors, and (c) become a cost leader in the market. The mean of these scores created the price leadership measure ( $\alpha=0.70$ ). In the service excellence strategy, the general manager rated on scale of 1 to 6, where 1 is least important to the call center's strategy and 6 is most important, how important it is to the call center strategy to: (a) improve service channels, (b) provide the customers with high-quality experience, and (c) satisfy the customer needs. These mean of these scores created the service excellence measure ( $\alpha=0.78$ ).

### *Training*

To capture the amount of training, a training index was created based on the mean of two variables: (1) the number of days of initial training employees receive in their first year and (2)

the number of days of formal training per year the typical employee receives. The variables were standardized and added together.

### *Job Discretion*

Job discretion is measured on a scale of 1 to 5, where 1 is no discretion and 5 is a great deal of discretion, the average of the extent to which the typical core employee has discretion over: (a) what daily tasks or work assignments they do, (b) what methods or procedures they use, (c) the pace or speed at which they work, (d) what they say to a customer, (e) the design and use of new technology, (f) setting their daily lunch & break schedule, (g) sequencing their daily activities, jobs, or orders, (h) handling additional requests or problems that may arise unexpectedly, and (i) settling customer complaints without referral to a supervisor ( $\alpha=0.87$ ).

Job discretion is also measured on a scale of 1 to 5, where 1 is not at all and 5 is a great deal, how much core employees rely on scripted text to handle customer calls. These scores were standardized and the final measure of job discretion is the standardized score of how much employees rely on scripted text subtracted from the standardized score of how much discretion the typical core employee has over tasks.

### *Customer Satisfaction*

Customer satisfaction is measured by the average level of customer satisfaction at the call center on a scale of 1 to 100, where 1 is very dissatisfied and 100 is very satisfied.

### *Turnover*

Turnover is measured by the percentage of core employees that have voluntarily quit in the last year.

## **Control Variables**

Control variables that may affect either the customer satisfaction or turnover outcomes must also be included. All control variables are operationalized in terms of general managers' reports. Organizational characteristics can affect these dependent variables. Controls for organizational characteristics could include firm size, industry sector, levels of unionization, and firm ownership (Batt, 2002; Huselid, 1995; Rodríguez & Ventura, 2003). Firm size is measured by the total number of employees that work in the call center; industry sector is measured by categories of industry sector that the call center serves; levels of unionization are measured by the percentage of core employees that belong to a Trade Union; firm ownership is measured by categories of ownership type. Except for industry sector, these variables were not found to have an effect in preliminary analyses and therefore were not included in the final analysis.

When looking at turnover, demographic and human capital factors must be controlled for that may influence employees' mobility. Controls for demographic and human capital factors include percent of women in the workforce, education level, and tenure (Batt & Colvin, 2011). Women in the workforce is measured by the percent of core employees who are women; education level is measured by categories of typical education level of core employees; tenure is measured by the years of tenure the typical core employee has with the company, the percentage of core employees who have one year or less of tenure with the company, and the percentage of core employees who have five years or more of tenure with the company. Except for the percent of women in the workforce, these variables were not found to vary much between firms and therefore were not found to have an effect in preliminary analyses. As a result, these variables were not included in the final analysis.

## Chapter 4

### Results

#### Study 1

To understand the relationship between business strategy and HRM practices from the practitioner's perspective, I analyzed the ten interviews and secondary data sources to identify patterns. I began by gathering background information on each interviewee that might impact their answer. I then asked each interviewee to describe his/her organization's business strategy and human resource strategy and how each was implemented in the organization. Next, I had each interviewee explain the relationship between the organization's business strategy and HRM practices. I dug deeper into this relationship by questioning how each makes the relationship work and the challenges and opportunities each faced. Finally, I asked about the HR manager's role in strategic planning. After I finished conducting the interviews, I transcribed the interviewees' responses. I then went through each interview once to cut the transcripts into the most important elements of their answers. I looked at these to understand the range of interviewees' backgrounds and the number of organizations whose HR manager participated in strategic planning. From these abbreviated transcripts, I pulled out the key takeaways. This helped me to first identify the similarities in their responses on the relationships between organizations' business strategies and HRM practices. It then helped me identify common themes that make the relationship work and common opportunities and challenges in the relationship. I compared these themes to the EIU report to understand if the global survey yielded similar results.

First, looking to how the business strategy affects organizations' HRM practices, many of the interviewees felt that their business strategy does impact the HRM practices. One respondent

who felt that their business strategy affects what they do in HR said, “You should never practice HR just for HR. Whatever you do in HR should not be because it’s convenient for HR; it has to be because it’s the right thing for the business.” Another respondent also agreed that the business strategy affects the organization’s HRM practices and what HR does as a team. This individual felt that if HR does anything that the organization would later look to and say we would have met our objective if HR had not done this, then HR would have failed.

In these instances, the HR strategy and practices are developed specifically based on the business strategy. One respondent explained that their HR strategy is the same as the business strategy. This individual expresses to the HR team that they need to understand the business strategy and language. It is then their job to ensure that everything they do supports the organization’s attainment of these goals and tactics or at least doesn’t get in the way of them—“Anything we do we say from a HR strategy is to provide the resources, practices, the insight, and communications to support the business strategy.” This was exemplified in examining the explanation of interviewees’ business strategies and HRM practices. One of the interviewee’s organizational strategies focuses on being gross competitive and nimble. As such, one role HR has is to ensure that organization structures do not get too top-heavy and that there is compliance with laws to avoid surprises. Another interviewee’s organizational strategy focuses on eliminating volatility common in the business. The organization strives to mitigate as much volatility as possible in order to be profitable no matter what the market does. HR’s role then in minimizing this volatility is to eliminate costs. One way they are doing this is through change management in the way people think about the business in order to keep costs down and think about working together most effectively and efficiently. Finally, another interviewee’s

organization focused on growth. HR's role in supporting growth places a lot of emphasis on workforce planning, succession planning, training, and overall being market competitive.

A few interviewees felt, though, that the HRM practices are not always affected by the business strategy. In some organizations, HRM practices are both developed based on the business strategy and developed independently of the business strategy. One interviewee explained that the HR strategy comes from the business and comes from its internal needs of providing HR services better in a 90/10 mix respectively. While the HR function's role in the organization is to be operationally focused and its primary responsibility is to provide all of the support in its various definitions to the operations so it can be successful, there are things that the HR team needs to do regardless of what the corporate business strategy would be that are necessary in and of themselves. An example of this would be implementing a new automated talent acquisition and talent development set of software tools. Implementing this new set of software tools is the right thing to do from an HR perspective, regardless of what the organization would like to accomplish. Another respondent explained that they felt a mix in that HRM practices are impacted by what the strategies are because strategies are driving the accountability for each of the employees, however, regardless of what the strategies are, the consistency of the policies need to remain in place—"It doesn't matter what the strategic objectives are, there has to be a code of ethics and a moral compass that guides people." Another interviewee took the perspective that there are aspects of the business strategy to which HR cannot add value. In that regard, these parts of the business strategy do not affect the HRM practices. For them, it is talent management that integrates with the business strategy.

In understanding how different organizations make the alignment between the business strategy and HRM practices work, a few common themes emerged. First, many interviewees felt



that there are certain key relationships in the organization that help. They said that close collaboration and communication with the HR leader and other key business leaders is important in ensuring alignment. To enable this, many said that the HR leader and other business leaders meet regularly. Also necessary is an open and transparent environment in which both sides feel they can speak without ramifications. HR needs to feel valued and supported. Two particularly important relationships in that regard are those with the CEO and CFO. One interviewee said that the CEO in the organization regards the HR leader as a trusted adviser or confidante. The EIU report agrees that this is a common relationship between the head of HR and the CEO. On this topic, the report quotes Professor Paul Sparrow, director of the Centre for Performance-Led HR at Lancaster University, “The relationship works best when the head of HR becomes an informal sounding board, offering practical feedback on the CEO’s thoughts. CEOs tend to be creative and full of ideas, but they sometimes need a reality check” (EIU, 2012a, p. 8).

According to the EIU survey 37% of CEOs surveyed described their relationship with head of HR as being close and trustful and 28% said they highly valued their relationship with the head of HR. The report concludes that heads of HR can increase their influence by becoming the CEO’s confidante and coach (EIU, 2012a). Additionally, the CFO has to be open to listening, working, and partnering with HR, otherwise that person will be a challenge to HR. The EIU report found that the CFOs surveyed were more critical of HR than CEOs surveyed. Reasons for this include differing personalities and opposing needs in their work (i.e., needing money to implement a program vs. cutting labor costs) (EIU, 2012b). In order to improve this relationship, the EIU report suggests “offering them [the CFOs] practical, day-to-day assistance in the pursuit of consistent excellence within the finance department itself” (EIU, 2012b, p. 10). In one

interviewee's opinion, this relationship needs to be fostered with the entire finance function in the business.

Another important component in ensuring alignment comes from HR's participation in strategic planning from the outset. The alignment is more productive when HR is in the room from the beginning adding their perspective to the conversation. One interviewee said, "There are many decisions that get made about what is going to be done and how it's going to be done that really are improved if HR can have their say from the beginning." When HR is in the room, things may go a completely different way because the proposed way would be impossible from a people perspective. HR can also be more effective in their role when they are in the strategic planning phases. By participating in these conversations, HR knows how to plan accordingly and provide the necessary information to the other business leaders. According to the EIU survey, only 55% of CEOs believe that the head of HR is a key player in strategic planning, however, 70% want them to be a key player. The survey implies then that the head of HR should not assume that they are being excluded from strategic planning purposely. If the head of HR is not involved, then they need to speak up and push to be included (EIU, 2012a). One interviewee experienced just this and since speaking up, has been included in strategy meetings and has received positive feedback as a result.

The HR function's knowledge and frame of reference was the final important element in alignment and in ensuring a place in strategic planning. Interviewees said that when HR is analytical and understands the business, alignment is better. One interviewee's organization is driven by its results; therefore all programs need to have a clear line of sight to some return on the investment. Accordingly, those in the HR function need to have an understanding of this that comes through an MBA education or past work experiences. Another interviewee said that the

HR leader needs to add value and be strategically minded. Finally, another said that it is imperative that HR is operationally focused and data focused. Alignment works well when HR can present a business case and is able to analyze things critically. According to the EIU survey, 41% of CEOs think that the heads of HR are “too focused on processes and rules” and 37% believe that the heads of HR do not “understand the business well enough” (EIU, 2012a, p. 7). This makes it harder for them to take a greater role in strategic planning, according to the CEOs surveyed. Professor Sparrow explains, “Being too focused on minutiae, too negative, or warning about the timescale being too tight, will make them unpopular. They need to retain a balance between the detail of their HR knowledge and a broader, commercial approach” (EIU, 2012a, p. 7).

Although these organizations try to make the alignment work, it does not always happen. One of the biggest challenges occurs when an organization’s high-level leadership does not value HR. Because HR is a cost center, that is, HR doesn’t make a product to sell but rather costs the company money, some leaders do not understand the importance of HR in the organization. One interviewee said that when leaders are “short-sighted” and only see HR as a “necessary evil,” they do not understand the value of HR and therefore HR will not get very far. Another interviewee said that when new leadership comes into the organization that has not worked with a strong HR department before, they do not understand and push back against HR being in the room. It is important to show these types of leaders that every decision has a people implication. HR leaders then must earn their respect and acceptance of the HR function. One interviewee said that HR leaders have to help these individuals see HR as a business partner and see the value of HR by showing them that if things are done differently, there is a cost benefit to it. When HR is not valued and is not in the initial planning phases, HR will be less effective in their role. One

interviewee said that when HR is not in these initial conversations, the organization may develop business strategies and then give HR assignments to accomplish the strategies where it may be very difficult or nearly impossible to do from HR perspective because “the operations people didn’t consider the realities of people and processes and what it is that can be done or can’t be done out there.”

In overcoming these challenges and in looking to other opportunities to improve the alignment, interviewees suggest more exposure to the HR function by other leaders. Individuals say that changing the mindset of leaders on what they think HR does and bringing other leaders into the HR community to understand what HR has to face could be beneficial. One interviewee already does this at his organization. His organization has formed an HR committee that meets on an alternating monthly basis with senior executives and the operational group. The meeting is intended to be conversational to talk about the current HR facts in the organization, new opportunities available, and moving in a certain direction knowing all of this. These meetings have helped these groups to understand what the reality of HR is versus what they thought it to be. It also creates a bond and respect because each group knows the other from a content expert standpoint. The HR leader also presents to the Board for the same reason. In order to make “the ultimate establishment of the relationship between business strategy and HR strategy” through “communication at the top level of the organization.”

## **Study 2**

To test the hypotheses, descriptive statistics, correlations, and regressions are analyzed. Table 3 presents descriptive statistics of the dependent, independent, and control variables. Mean and standard deviation are reported to show the central tendency and the variability of each variable.

**Table 3. Descriptive Statistics**

<b>Variable</b>	<b>Mean</b>	<b>Std. Dev.</b>
Customer Satisfaction	86.12	20.33
Employee Turnover	13.35	16.15
Price Leadership Strategy	4.00	0.75
Service Excellence Strategy	4.53	0.48
Training	0.15	1.46
Job Discretion	0.03	0.94
Finance Sector	0.24	0.42
Telecommunications Sector	0.20	0.40
Manufacturing Sector	0.07	0.26
Percent Female Employees	75.24	19.38

A typical organization in this sample reported a customer satisfaction rate of 86% and a turnover rate of 13%. Looking at the different business strategies, 95% of organizations that identified price leadership as the most important element in the call center's strategy rated its importance from 2.5 to 5.5, and 95% of organizations that identified service excellence as the most important element rated its importance from 3.57 to 5.49. Table 4 shows the frequency of respondents' reports of the most important element in the call center's strategy between price leadership and service excellence on a scale of 1 to 6.

**Table 4. Frequency of Business Strategies in Sample**

<b>Rating of Strategy's Importance</b>	<b>Price Leadership Strategy (%)</b>	<b>Service Excellence Strategy (%)</b>
0 to 1	0	0
1 to 2	0	0
2 to 3	6.25	0.78
3 to 4	35.93	6.25
4 to 5	36.72	57.81
5 to 6	21.09	35.15

On average, employees received about 23 days of initial training in the first year and 14.72 hours of formal training per year. A typical organization reported the amount of discretion the typical employee has as 2.85 and their reliance on scripted texts as 2.49. Compared to all other sectors, 24% of organizations reported that they serve the finance sector, 20% reported that they serve the telecommunications sector, and 7% reported that they serve the manufacturing sector. Finally, a typical organization in this sample reported that 75% of their workforce are female employees.

A simple correlation analysis was conducted to understand the relationship between these variables. Table 5 presents a simple correlation matrix of the dependent, independent, and control variables. The starred items show statistically significant bivariate relationships between variables. As can be seen in the table, there are no statistically significant bivariate relationships between the main variables in the study.

**Table 5. Simple Correlation Matrix**

	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
1. Customer Satisfaction	1									
2. Employee Turnover	-0.15	1								
3. Price Leadership Strategy	-0.14	0.01	1							
4. Service Excellence Strategy	-0.07	-0.12	0.26	1						
5. Training	0.12	-0.07	0.14	0.10	1					
6. Job Discretion	0.01	-0.19	0.04	-0.05	-0.01	1				
7. Finance Sector	0.19	-0.10	0.11	-0.01	-0.01	0.25	1			
8. Telecomm. Sector	-0.03	0.09	0.03	-0.01	-0.11	0.16	-0.28 <sup>+</sup>	1		
9. Manufacturing Sector	-0.14	0.01	-0.07	0.04	-0.05	-0.01	-0.15	-0.14	1	
10. Percent Female Employees	0.22	0.01	-0.10	-0.10	0.06	-0.07	-0.06	-0.04	-0.44**	1

Significance levels: \*\*  $\leq 0.01$ , \*  $\leq 0.05$ , <sup>+</sup>  $\leq 0.10$

Looking at the relationships between the HRM practices and organizational outcomes, the correlations are weakly in the direction of the hypothesized relationships. It was hypothesized that there would be a positive relationship between HRM practices and customer satisfaction and a negative relationship between HRM practices and employee turnover. There is a weak positive relationship between training and customer satisfaction (0.12); however, this relationship is not statistically significant. There is a very weak, positive relationship between job discretion and customer satisfaction (0.01), but this relationship is also not statistically significant. There is a weak negative relationship between training and employee turnover (-0.07) and a weak negative relationship between job discretion and employee turnover (-0.19), however, neither of these relationships are statistically significant. Although the relationships are not statistically significant, the simple correlations weakly suggest that the use of training and job discretion relates to increased customer satisfaction and decreased employee turnover.

Looking at the control variables, there are very weak to no relationships between the control variables and employee turnover. There are some stronger, but still weak relationships between the control variables and customer satisfaction. The strongest relationship is the positive relationship between the percent of females employed in the organization and customer satisfaction (0.22).

Finally, multiple regression analyses were conducted to explore the relationships further, while accounting for potential effects due to control variables. Sectors were coded as a set of dummy variables, including finance, telecommunications, manufacturing, and other sectors (the omitted category). Also controlled for was the percent of females in the organization. Table 6 presents the regression results from the multiple regression analyses with the dependent variable customer satisfaction and Table 7 presents the regression results from the multiple regression

analyses with the dependent variable employee turnover. In particular, a series of stepwise regressions was run in order to predict each dependent variable. Model 1 includes only control variables and business strategies. Model 2 reports the main effects of HRM practices when the control variables are accounted for. Finally, Model 3 presents overall regression results, which include the effects of training, job discretion, and their interactions with business strategies on customer satisfaction and employee turnover.

**Table 6. Results of Multiple Regression Analyses  
Predicting Customer Satisfaction**

<b>Variables</b>	<b>Model 1</b>	<b>Model 2</b>	<b>Model 3</b>
<i>Control variables</i>			
Finance Sector	10.15*	9.31*	8.72 <sup>+</sup>
Telecomm. Sector	3.13	0.71	1.21
Manufacturing Sector	-2.08	-2.02	-1.34
% Female Employees	0.23*	0.22*	0.25*
<i>Strategy</i>			
Price Leadership	-3.08	-4.22 <sup>+</sup>	-4.63 <sup>+</sup>
Service Excellence	0.01	-0.42	1.08
<i>HRM practices</i>			
Training		1.42	1.32
Job Discretion		0.05	0.49
<i>Interactions</i>			
Training X Cost			1.44
Training X Service			-0.35
Job Discretion X Cost			1.86
Job Discretion X Service			-2.80
Constant	87.40	86.22	85.80
N	145	128	128
R <sup>2</sup>	0.11	0.12	0.14
Adj: R <sup>2</sup>	0.07	0.06	0.05

Significance levels: \*\*  $\leq 0.01$ , \*  $\leq 0.05$ , <sup>+</sup>  $\leq 0.10$



First examined are the effects of the control variables and the direct effects of business strategy on customer satisfaction. Controls for sector and percent of female employees have a significant effect on customer satisfaction. Compared to other sectors (the omitted category), organizations that serve the finance sector are associated with a 10.15% increase in customer satisfaction in Model 1 ( $p \leq 0.05$ ), and this effect becomes 8.72% in Model 3 ( $p \leq 0.10$ ). An additional one-percent of females employed by the organization is associated with a 0.23% increase in customer satisfaction in Model 1 ( $p \leq 0.05$ ) and a 0.25% increase in Model 3 ( $p \leq 0.05$ ). Although the relationships between strategy and organizational outcomes were not hypothesized, the findings are noted in the table. One unit increase in cost leadership strategy is associated with a 4.63% decrease in customer satisfaction in Model 3 ( $p \leq 0.10$ ). Service excellence strategy is not significantly associated with customer satisfaction. As expected, in Model 2 training is associated with a 1.42% increase in customer satisfaction and job discretion is associated with a 0.05% increase in customer satisfaction. However, these relationships are not statistically significant. Therefore, Hypotheses 1 and 2 are not supported. Model 3 tests whether strategies moderate the relationship between training, job discretion, and customer satisfaction (Hypotheses 5-8). The moderating effects of strategies on training and customer satisfaction are not found. Therefore, Hypotheses 5 and 7 are not supported. The moderating effects of strategies on job discretion and customer satisfaction are not found. Therefore, Hypotheses 6 and 8 are not supported.

**Table 7. Results of Multiple Regression Analyses  
Predicting Employee Turnover**

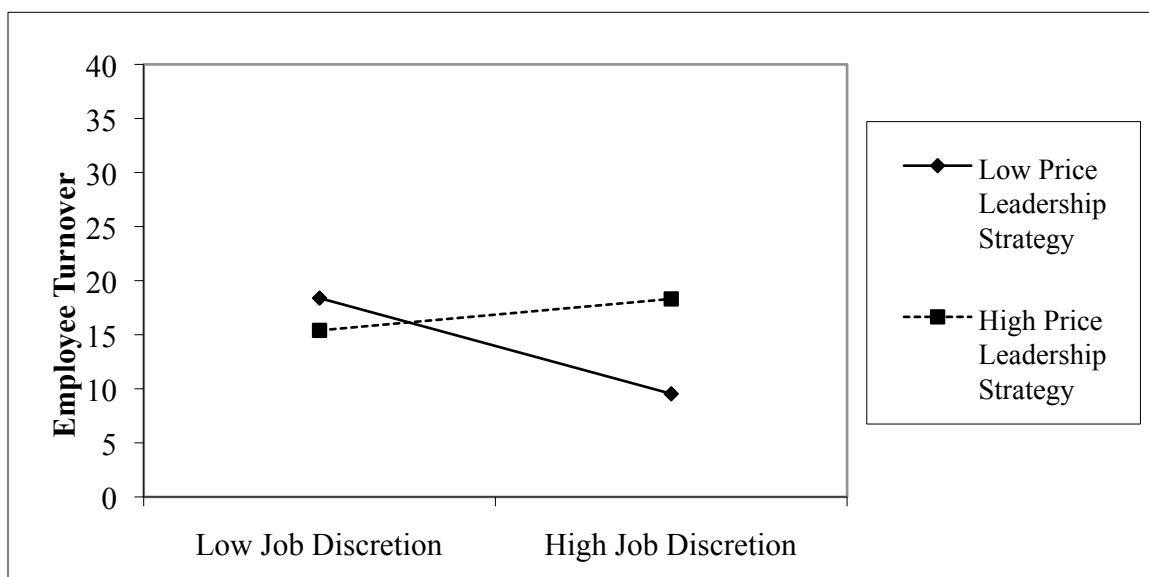
<b>Variables</b>	<b>Model 1</b>	<b>Model 2</b>	<b>Model 3</b>
<i>Control variables</i>			
Finance Sector	-5.27	-2.14	-2.33
Telecomm. Sector	4.66	6.92 <sup>+</sup>	6.83 <sup>+</sup>
Manufacturing Sector	-1.87	3.08	3.16
% Female Employees	0.00	0.07	0.08
<i>Strategy</i>			
Price Leadership	1.22	1.97	1.92
Service Excellence	-1.12	-2.99	-3.82
<i>HRM practices</i>			
Training		-1.47	-1.13
Job Discretion		-0.57	-1.58
<i>Interactions</i>			
Training X Cost			-1.76
Training X Service			-0.81
Job Discretion X Cost			4.17*
Job Discretion X Service			-1.34
Constant	15.11	15.18	15.41
N	179	163	163
R <sup>2</sup>	0.03	0.06	0.09
Adj: R <sup>2</sup>	0.00	0.01	0.02

Significance levels: \*\*  $\leq 0.01$ , \*  $\leq 0.05$ , +  $\leq 0.10$

Looking at the effects of the control variables and the direct effects of business strategy on employee turnover, significant results were not found. Only organizations that serve the telecommunications sector are associated with a 6.83% increase in employee turnover in Model 3 ( $p \leq 0.10$ ) compared to other sectors (the omitted category). The other control variables are not significant predictors of employee turnover. Neither cost leadership strategy nor service excellence strategy are significantly associated with employee turnover in all models. Model 2

tests whether training and job discretion are negatively associated with employee turnover (Hypotheses 3 and 4). As expected, total training is associated with a 1.47% decrease in employee turnover and total job discretion is associated with a 0.57% decrease in employee turnover (Model 2). However, these relationships are not statistically significant. Therefore, Hypotheses 3 and 4 are not supported. Model 3 tests whether strategies moderate the relationship between training, job discretion, and employee turnover (Hypotheses 9-12). The results indicate that price leadership has a positive and significant moderating effect on the relationship between job discretion and employee turnover. In particular, job discretion has a positive effect on employee turnover when price leadership is one unit above the mean ( $2.59$ , or  $-1.58 + 4.17$ ,  $p \leq 0.05$ ), while this effect is negative when price leadership is one unit below the mean ( $-5.75$ , or  $-1.58 - 4.17$ ,  $p \leq 0.05$ ). This result shows support for Hypothesis 10, which predicts that strategy moderates the relationship between job discretion and employee turnover such that when a firm adopts the price leadership strategy, there will be a positive relationship between job discretion and employee turnover. Figure 1 plots this interaction effect.

**Figure 1. Interaction Effect**



Organizations that place a high emphasis on price leadership strategy and use low job discretion have lower employee turnover, but as these organizations use more job discretion, their employee turnover levels increase. Organizations that place a low emphasis on price leadership strategy and use low job discretion have higher employee turnover. As these organizations use more job discretion, their employee turnover levels decrease. Looking at all four plotted points, organizations that place a low emphasis on price leadership strategy and use high levels of job discretion have the lowest levels of employee turnover. Nevertheless, the moderating effect of the service excellence strategy on job discretion and employee turnover is not significant, and therefore, Hypothesis 12 is not supported. Finally, the moderating effects of strategies on training and employee turnover are not significant. Therefore, Hypotheses 9 and 11 are not supported.

## **Chapter 5**

### **Discussion**

This research began with the need to study how organizations' business strategies affect their HRM practices and how this relationship in turn affects organizational outcomes. While there is this idea that alignment of the HR strategy with the business strategy leads to higher firm performance, the existing evidence was not conclusive. Additionally, many times this alignment was not occurring in practice despite attempts to make it occur. While this study did not provide much statistical evidence to support the contingency perspective of SHRM, it did provide the qualitative practitioner's perspective on the relationship between business strategy and HRM practices and some evidence for the moderating effect of strategies on HRM practices and organizational outcomes.

In understanding how business strategy affects HRM practices, prior research done by Jackson and Schuler (1987) identified the needed employee role behaviors and the HRM practices that will elicit these behaviors for different businesses strategies. Schuler and Jackson's research was taken into account in hypothesis development for this study. These relationships were explored further, though, through interviews with HR leaders and other business leaders. The interviews suggest that most of the time the HRM practices are directly impacted by the organization's business strategy. The results do suggest some organizations having differing views on the degree of impact. In some organizations HR will only do things that are driven by the business strategy, while in other organizations there are times when HR will do things that are not driven by the business strategy simply because it is the appropriate thing to do from an HR standpoint. These findings on the whole seem to be consistent with

Jackson and Schuler's rationale that different HRM practices are needed to elicit the needed employee role behaviors in order to implement different organizational strategies.

Examining the relationship between business strategy and HRM practices further, most interviewees reported alignment between the two and where there was not alignment, attempts to fix this. Prior literature on the contingency perspective of SHRM suggests that this alignment of the HR strategy to the business strategy will lead to a greater effect on firm performance. The hypotheses first tested for the relationship between HRM practices and organizational outcomes independent of business strategy. The hypotheses were not supported because the results were not statistically significant. However, the findings do suggest that the use of training and job discretion is associated with increased customer satisfaction and decreased employee turnover. The hypotheses then tested for the relationships between HRM practices and organizational outcomes with strategy as a moderator variable to understand if the relationship between HRM practices and organizational outcomes is contingent on organizational strategy. Only the price leadership strategy had a significant moderating effect on the relationship between job discretion and employee turnover. These results indicate that the price leadership strategy had a positive moderating effect on this relationship. This suggests that when firms that have a price leadership strategy provide employees with job discretion, employee turnover may increase. One possible explanation for this may be because price leadership firms do not typically provide job discretion to employees, and as such, employees enter the organization with the expectation that there will be little job discretion. When employees then receive discretion in these firms, reality does not align to their expectations, causing employees to leave the firm. Increased turnover may also be more prevalent in price leadership organizations because, as Batt and Colvin (2011) suggested, a high turnover model may be desirable for these firms if the operational costs are lower than the

turnover costs. Nevertheless, the moderating effect of the service excellence strategy on the relationship between job discretion and employee turnover, did not have statistically significant results. Additionally, the moderating effects of strategies on the relationship between training and employee turnover were also not significant.

Looking at the moderating effects of strategies on the relationship between HRM practices and customer satisfaction, however, did not yield any of the hypothesized outcomes. The moderating effect of strategies on the relationship between training and customer satisfaction was not supported and the moderating effect of strategies on the relationship between job discretion and customer satisfaction was not supported. One reason for the differences when looking at customer satisfaction versus employee turnover as the dependent variable may be due to the fact that customer satisfaction is a more distal measure of firm performance than employee turnover. That is customer satisfaction levels are not completely in the employee's control, so there are many factors that may affect the level of customer satisfaction reported. Although certain elements were controlled for in the study, it is not possible to control for all factors that can affect customer satisfaction. While other factors may also affect employee turnover rates, this measure is a more proximal measure of firm performance, and therefore, the effects of the HRM practices and strategy on this measure are easier to see.

### **Limitations**

There are a few limitations to this study. First is the limitation of time lag. In this study, HRM practices and organizational outcomes were reported at the same time-point. However, the impact of an HRM practice on organizational outcomes may not be realized immediately (Boselie et al., 2005; Huselid & Becker, 1996; Kato & Morishima, 2002). The cross-sectional research design does not allow for definite causality to be determined as a longitudinal study

would. Another limitation is the fact that the job discretion measure included the overall evaluation of job discretion, rather than just the customer-oriented measures. This scale may affect the results and be one reason for lack of statistical evidence. Other limitations include the small sample size and the generalizability of the study. Interviews were conducted with only 10 participants and participants were selected based on convenience sampling. While their perspectives are intended to provide the qualitative input of HR leaders and other business leaders in the relationship between business strategy and HRM practices, their opinions may not represent a greater, diverse population. Additionally, only data from 128 respondents were used in the analysis of the quantitative data collected in Chinese call centers. The small sample size may be another reason for the lack of statistical evidence. This data was also reported from the perspective of the general manager. As such, it is not possible to check for interrater reliability (Batt & Colvin, 2011). However, general managers were specifically chosen as the target respondent due to their knowledge of the overall operations and employment practices of the organization. Finally, while the study specifically saw the value in testing these relationships in Chinese call centers, it cannot be assumed that this data can be generalized to other settings in other countries.

### **Implications for Future Research**

Although previous research had explored these relationships, this study intended to provide empirical evidence to support the contingency perspective of SHRM due to the inconclusive evidence of past studies. Although this study did also not yield substantially conclusive evidence, the results are still important from a theoretical and practical perspective. Based on the literature and the interviews conducted, more and more organizations are attempting to align their business strategies and their HR strategies. As such, it is important to



continue to test the effect on firm performance. Future research should look at these relationships from the standpoint of combined organizational strategies. Organizations today often do not compete solely on cost or quality but have combination strategies. Although Porter (1908, 1985) felt that combination strategies would not yield positive firm performance, results of recent studies have suggested otherwise (Parnell & Hershey, 2005). Future research needs to take combination strategies into account when analyzing the effect that strategy has on the relationship between HRM practices and organizational outcomes.

### **Implications for Practice**

Although a significant moderating effect was only found for price leadership on the relationship between job discretion and employee turnover, it indicates that there is some evidence for the contingency perspective of SHRM. This has important implications for practice as it suggests that the relationship between HRM practices and organizational outcomes may be affected by the business strategy. Therefore, aligning the business strategy and the HRM practices may affect firm performance.

Interviews with practitioners revealed common trends in how HR leaders and other business leaders make the alignment work in their organizations. Three key elements can be taken away from these discussions for use in other organizations. First, a good relationship between the HR leader and other business leaders, particularly the CEO and CFO, is essential. Leaders looking to align the business strategy and HR strategy must ensure that there is close collaboration, communication, and support between HR and these other executives. Business leaders must understand the value that HR can add to strategy conversations. Second, the HR leader needs to be involved in strategic planning from the beginning. HR cannot be as effective in its role if they are not in these initial planning phases, and they cannot provide their

perspective on the people implication of the organization's decisions. Finally, the HR leader needs to understand the business. It is important that HR can understand and speak the business language beyond their own HR sphere. This not only gains the respect of other top executives but allows HR to have a more informed voice in decision-making. As one interviewee stated, "This is the future of organizations. To the extent that they move in these general directions, it's better for the entire organization."

## REFERENCES

- Appelbaum, E., Bailey, T., Berg, P., & Kalleberg, A. (2000). *Manufacturing advantage*. Ithaca, NY: ILR Press.
- Arthur, J. B. (1994). Effects of human resource systems on manufacturing performance and turnover. *Academy of Management Journal*, *37*(3), 670-687.
- Avgar, A. C., Pandey, N., & Kwon, K. (2012). Discretion in context: A moderated mediation model of the relationship between discretion and turnover intentions. *Industrial Relations: A Journal of Economy and Society*, *51*(1), 106–128.
- Axtell, C., & Parker, S. (2003). Promoting role breadth self-efficacy through involvement, work redesign and training. *Human Relations*, *56*(1), 113–131.
- Bambacas, M., & Kulik, T. C. (2013). Job embeddedness in China: How HR practices impact turnover intentions. *The International Journal of Human Resource Management*, *24*(10), 1933–1952.
- Batt, R. (1999). Work organization, technology, and performance in customer service and sales. *Industrial and Labor Relations Review*, *52*(4), 539–564.
- Batt, R. (2000). Strategic segmentation in front-line services: Matching customers, employees and human resource systems. *International Journal of Human Resource Management*, *11*(3), 540–561.
- Batt, R. (2002). Managing customer services: Human resource practices, quit rates, and sales growth. *Academy of Management Journal*, *45*(3), 587–597.
- Batt, R., & Colvin, A. (2011). An employment systems approach to turnover: HRM practices, quits, dismissals, and performance. *Academy of Management Journal*, *54*(4), 695–717.

- Batt, R., Colvin, A. J. S., & Keefe, J. (2002). Employee voice, human resource practices, and quit rates: Evidence from the telecommunications industry. *Industrial and Labor Relations Review*, 55(4), 573–594.
- Batt, R., Holman, D., & Holtgrewe, U. (2009). The Globalization of Service Work: Comparative Institutional Perspectives on Call Centers: Introduction to a Special Issue of the “Industrial & Labor Relations Review.” *Industrial and Labor Relations Review*, 62(4), 453–488.
- Becker, B. & Huselid, M. A. (2006). Strategic human resource management: Where do we go from here? *Journal of Management*, 32(6), 898-925.
- Bettencourt, L. A., & Brown, S. W. (1997). Contact employees: Relationships among workplace fairness, job satisfaction and prosocial service behaviors. *Journal of Retailing*, 73(1), 39–61.
- Bird, A., & Beechler, S. (1995). Links between business and transnational human resource management strategy in US based Japanese subsidiaries: An empirical investigation. *Journal of International Business Studies*, 26(1), 23–46.
- Bitner, M. J., Booms, B. H., & Mohr, L. A. (1994). Critical service encounters: The employee’s viewpoint. *Journal of Marketing*, 58(4), 95.
- Blau, P. M. (1964). *Exchange and power in social life*. New York: JohnWiley.
- Boselie, P., Dietz, G., & Boon, C. (2005). Commonalities and contradictions in HRM and performance research. *Human Resource Management Journal*, 15(3), 67–94.
- Bowen, D. E., & Schneider, B. (1988). Services marketing and management: Implications for organizational behavior. In Staw, B. M., & Cummings, L. L. (Eds.), *Research in organizational behavior* (vol. 10) (pp. 43-80). Greenwich, CT: JAI Press.

- Callaghan, G. & Thompson, P. (2002). "We recruit attitude": The selection and shaping of routine call centre labour. *Journal of Management Studies*, 39(2), 233–54.
- Chambel, M. J., & Sobral, F. (2011). Training is an investment with return in temporary workers. *Career Development International*, 16(2), 161-177.
- Cropanzano, R., & Mitchell, M. S. (2005). Social exchange theory: An interdisciplinary review. *Journal of Management*, 31(6), 874–900.
- David, F. (1999). *Strategic Management Concepts and Cases*. New Jersey: Prentice-Hall.
- Deery, S., Iverson, R. D., & Walsh, J. (2002). Work relationships in telephone call centers: Understanding emotional exhaustion and employee withdrawal. *Journal of Management Studies*, 39(4), 471–497.
- De Grip, A., & Sauermann, J. (2012). The effects of training on own and co-worker productivity: Evidence from a field experiment\*. *The Economic Journal*, 122(560), 376-399.
- Delery, J., & Doty, D. (1996). Modes of theorizing in strategic human resource management: Tests of universalistic, contingency, and configurational performance predictions. *Academy of Management Journal*, 39(4), 802–835.
- Dessler, G. (2010). Training and Developing Employees. In *Human Resource Management* (12th ed., pp. 262–303). New Jersey: Prentice Hall.
- Economist Intelligence Unit. (2012a). *CEO perspectives: How HR can take on a bigger role in driving growth*. Retrieved from Economist Intelligence Unit database.
- Economist Intelligence Unit. (2012b). *CFO perspectives: How HR can take on a bigger role in driving growth*. Retrieved from Economist Intelligence Unit database.
- Frenkel, S. J., Korczynski, M., Shire, K. A. & Tam, M. (1999). *On the Front Line: Organization of Work in the Information Economy*. Ithaca, NY: Cornell University Press.

- Gamble, J. (2006). Multinational retailers in China: Proliferating “McJobs” or developing skills? *Journal of Management Studies*, 43(7), 1463–1490.
- Garavan, T. N., Cross, C., Wilson, J., & Carbery, R. (2012). Training and development roles and structures in European call centers: The influence of strategic choice, institutional and coevolutionary processes. *Thunderbird International Business Review*, 54(6), 875–890.
- Grant, R. M. (2010). *Contemporary Strategy Analysis* (7<sup>th</sup> ed.). New Jersey: Wiley.
- Hackman, J. R., & Oldham, G. R. (1980). *Work redesign*. Reading, MA: Addison-Wesley.
- Haines, V. Y., III, Jalette, P., & Larose, K. (2010). The influence of human resource management practices on employee voluntary turnover rates in the Canadian non-governmental sector. *Industrial and Labor Relations Review*, 63(2), 228-246
- Hancock, J. I., Allen, D. G., Bosco, F. A., McDaniel, K. R., & Pierce, C. A. (2011). Meta-analytic review of employee turnover as a predictor of firm performance. *Journal of Management*, 39(3), 573–603.
- Hausknecht, J. P., & Trevor, C. O. (2010). Collective turnover at the group, unit, and organizational levels: Evidence, issues, and implications. *Journal of Management*, 37(1), 352–388.
- Hennig-Thurau, T. (2004). Customer orientation of service employees: Its impact on customer satisfaction, commitment, and retention. *International Journal of Service Industry Management*, 15(5), 460–478.
- Herrenkohl, R. C., Judson, G. T., & Heffner, J. A. (1999). Defining and measuring employee empowerment. *The Journal of Applied Behavioral Sciences*, 35(3), 373–389.
- Heskett, J. L., & Schlesinger, L. A. (1994). Putting the service-profit chain to work. *Harvard Business Review*, 72(2), 164–174.

- Hofstede, G. (1980). *Culture's Consequences: International Differences in Work-Related Values*. Thousand Oaks, CA: Sage Publications.
- Holman, D., Frenkel, S., Sørensen, O., & Wood, S. (2009). Work design variation and outcomes in call centers: Strategic choice and institutional explanations. *Industrial and Labor Relations Review*, 62(4), 510–532.
- Homburg, C., & Fürst, A. (2005). How organizational complaint handling drives customer loyalty: An analysis of the mechanistic and the organic approach. *Journal of Marketing*, 69(3), 95–114.
- Hsieh, Y. H., & Chen, H. M. (2011). Strategic fit among business competitive strategy, human resource strategy, and reward system. *Academy of Strategic Management Journal*, 10(2), 11-32.
- Hui, M. K., Au, K., & Fock, H. (2004). Empowerment effects across cultures. *Journal of International Business Studies*, 35(1), 46–60.
- Humborstad, S. I. W., & Perry, C. (2011). Employee empowerment, job satisfaction and organizational commitment: An in-depth empirical investigation. *Chinese Management Studies*, 5(3), 325–344.
- Huselid, M. A. (1995). The impact of human resource management practices on turnover, productivity, and corporate financial performance. *Academy of Management Journal*, 38(3), 635–672.
- Huselid, M.A. & Becker, B.E. (1996). Methodological issues in cross-sectional and panel estimates of the human resource-firm performance link. *Industrial Relations*, 35(3), 400-422.

- Jackson, S. E., & Schuler, R. S. (1995). Understanding human resource management in the context of organization and their environments. *Annual Review of Psychology*, 46(1), 237-264.
- Kato, T. & Morishima, M. (2002). The productivity effects of participatory employment practices: Evidence from new Japanese panel data. *Industrial Relations*, 41(4), 487-520.
- Kim, L., & Lim, Y. (1988). Environment generic strategies and performance in a rapidly developing country: A taxonomic approach. *Academy of Management Journal*, 31(4), 802-827.
- Lengnick-Hall, M. L., & Lengnick-Hall, C. A. (1999). Expanding customer orientation in the HR function. *Human Resource Management*, 38(3), 201–214.
- Levitt, T. (1972). Production line approach to services. *Harvard Business Review*, 50(5), 41-50.
- Liao, Y. (2005). Business strategy and performance: The role of human resource management control. *Personnel Review*, 34(3), 294–309.
- MacDuffie, J. P. (1995). Human resource bundles and manufacturing performance: organizational logic and flexible production systems in the world auto industry. *Industrial and Labor Relations Review*, 48(2), 197-221.
- Miles, R. E., & Snow, C. C. (1984). Designing strategic human resource systems. *Organizational Dynamics*, 13 (1), 36-52.
- Miller, A. (1998). *Strategic Management* (3<sup>rd</sup> ed.). New York: Irwin McGraw-Hill.
- Miller, A., & Dess, G. (1993). Assessing Porter's model in terms of its generalizability, accuracy, and simplicity. *Journal of Management Studies*, 30(4), 553-585.
- Mills, P. K., Chase, R. B., & Marguiles, N. (1983). Motivating the client/employee system as a service production strategy. *Academy of Management Review*, 8(2), 301-310.



- Paauwe, J. (2009). HRM and performance: Achievements, methodological issues and prospects. *Journal of Management Studies*, 46(1), 129-142.
- Paauwe, J. & Farndale, E. (2014). *HRM and Performance*, 2<sup>nd</sup> Edition. Draft Chapter.
- Parnell, J. A. (2014). *Strategic management: Theory and practice* (4<sup>th</sup> ed.). Thousand Oaks, CA: Sage Publications, Inc.
- Parnell, J. A., & Hershey, L. (2005). The strategy-performance relationship revisited: The blessing and curse of the combination strategy. *International Journal of Commerce & Management*, 15(1), 17-33.
- Pfeffer, J. (1994). *Competitive Advantage through People*. Boston: Harvard Business School Press.
- Porter, M.E. (1980). *Competitive Strategy*. New York, NY: Free Press.
- Porter, M.E. (1985). *Competitive Advantage*. New York, NY: Free Press.
- Purcell, J. (2004). *Business Strategies and Human Resource Management: Uneasy Bedfellow or Strategic Partners?* Working paper presented at the international seminar on HRM: What's Next? Organized by Erasmus University Rotterdam, June 2004.
- Rafiq, M., & Ahmed, P. (1998). A customer-oriented framework for empowering service employees. *Journal of Services Marketing*, 12(5), 379–396.
- Rodríguez, J. M., & Ventura, J. (2003). Human resource management systems and organizational performance: An analysis of the Spanish manufacturing industry. *International Journal of Human Resource Management*, 14(7), 1206–1226.
- Rousseau, D. M., & Wade-Benzoni, K. A. (1994). Linking strategy and human resource practices: How employee and customer contracts are created. *Human Resource Management*, 33(3), 463–489.

- Schlesinger, L., & Heskett, J. (1991). Breaking the cycle of failure in services. *Sloan Management Review*, 32(3), 17-28.
- Schneider, B., & Bowen, D. E. (1999). Understanding customer delight and outrage. *Sloan Management Review*, 41(1), 35–45.
- Schneider, B., White, S., & Paul, M. (1998). Linking service climate and customer perceptions of service quality: Tests of a causal model. *Journal of applied Psychology*, 83(2), 150–163.
- Schuler, R. S., & Jackson, S. E. (1987). Linking competitive strategies with human resource management practices. *The Academy of Management Executive*, 1(3), 207–219.
- Shaw, J., Delery, J., Jenkins, G. D., Jr., & Gupta, N. 1998. An organization-level analysis of voluntary and involuntary turnover. *Academy of Management Journal*, 41(5), 511-525.
- Shaw, J. D., Dineen, B. R., Fang, R., & Vellella, R. 2009. Employee-organization exchange relationships, HRM practices, and quit rates of good and poor performers. *Academy of Management Journal*, 52(5), 1016–1033.
- Thompson, A., & Strickland, A. (1998). *Crafting and Implementing Strategy*. New York: Irwin McGraw-Hill.
- Williams, P., & Naumann, E. (2011). Customer satisfaction and business performance: A firm-level analysis. *Journal of Services Marketing*, 25(1), 20–32.
- Wood, S., Holman, D., & Stride, C. (2006). Human resource management and performance in UK call centres. *British Journal of Industrial Relations*, 44(1), 99-124.
- Woodruff, R. B. (1997). Customer value: The next source for competitive advantage. *Journal of the Academy of Marketing Science*, 25(2), 139–153.

- Wright, P., & McMahan, G. (1992). Theoretical perspectives for strategic human resource management. *Journal of Management*, 18(2), 295–320.
- Wright, P. M., & Gardner, T. M. (2003). The human resource-firm performance relationship: methodological and theoretical challenges. In Holman, D., Wall, T. D., Clegg, P., Sparrow, P., & Howard, A. (Eds.), *The New Workplace: A Guide to the Human Impact of Modern Working Practices*. London: John Wiley and Sons, 311-330.
- Wright, P. M., & Snell, S. A. (1998). Toward a unifying framework for exploring fit and flexibility in strategic human resource management. *Academy of Management Review*, 23(4), 756-772.
- Youndt, M. A., Snell, S. A., Dean, J. W., Jr, & Lepak, D. P. (1996). Human resource management, manufacturing strategy, and firm performance. *Academy of Management Journal*, 39(4), 836-866.
- Zimmerman, C., & Enell, J. (1988). Service industries. In Juran, J. M., & Gryna, F. (Eds), *Juran's quality control handbook* (4th ed.) (pp. 33.1-33.72). New York: McGraw Hill.

## Appendix A

### Study 1 Interview Questions

#### A. Interviewee Background

1. What is the industry of your organization?
2. What is the size of your organization?
3. What is your current position within the organization?
4. How long have you been ...  
\_\_\_\_\_ in your present position?  
\_\_\_\_\_ at this organization?
5. In your current position do you manage people?
6. In your current position do you help implement the organizational strategy? Explain.

#### B. Business Strategy and HRM Practices

1. What is your business strategy? How does your company implement this strategy?
2. What is your human resource strategy? How do you implement your HR strategy? What type of HRM practices do you use?
3. Does your business strategy affect your HRM practices?
  - a. If yes...  
How does your business strategy affect your HRM practices?
  - b. If no...  
Why do you feel this is the case? How do you develop your HRM practices?
4. Do you feel that your human resource practices and business strategy align?
  - a. If yes...  
How have you made this alignment work? What challenges have you faced in aligning them? What other opportunities do you believe would help the alignment?

b. If no...

Why do you feel this alignment is not occurring? Are there specific challenges you have faced in aligning them? What opportunities do you feel would help the alignment?

5. a. If you are the human resource manager, do you take part in strategic planning? Why or why not?

b. If you are not the human resource manager, do you feel that the HR manager takes part in strategic planning? Why or why not?

**C. Post Interview Comments and/or Observations:**

## Appendix B

### Study 1 Interview Transcripts

#### Interview A

##### **I. Business Strategy**

- a. Here our global strategy essentially is to grow the business and reach a certain financial target. Essentially what we're trying to do is remove the volatility that we have seen in the business for many years.
- b. This is a very complex and complicated business because it's global. The other thing you have to know about this industry that makes it really hard is that it's not exactly market driven. Many other companies in the industry are not publicly traded.

##### **II. HR Strategy**

- a. How do you that in a very volatile market like this? Well you do that by eliminating costs. The less cost you have the more nimble you can be in the market. This kind of company unlike my last, for example, is very asset rich.
- b. You do change management. Get people to think differently about the business. We're changing our thinking—sometimes we have to disappoint the customer in order to keep the costs down. The other thing we do in terms of change management is how do we work together most effectively and most efficiently to make sure that we are getting the best people, the best minds and that they are focused on doing things more efficiently and more effectively. Part of this is recruiting and making sure we have the top people in the business or we are growing the top people in the business.
- c. Looking at performance management, we have traditionally essentially made up our objectives, and if you met them that was great, but objectives were not necessarily tied to the health of the company, which is the profits. We're changing the way we manage people to make sure that people are aligned, that their objectives are aligned to the overall organization, and we're managing the performance in that direction
- d. We are also realizing that we're truly a global company. We operate in many countries around the world and yet most our senior executives are male from the home country. We're finding that our customers are telling us that they want to talk to people that look and think like they do. Building talent locally that can function globally is a huge part of our business strategy.
- e. Our customers told us that we don't talk to one another as a company internally, that we're too hard to do business with, and that we do too many things. We boiled that down to teamwork focus and simplicity—that if we work together internally more effectively, if we're only focused on a few things and doing those really well, and if we make it easier for our customers to do business with us, we'll save ourselves money and we'll make them happier and repeat customers. HR is, and I was the driver of this particular initiative, of driving our culture such that we work together more collaboratively and more efficiently. Last year as a result of working more collaboratively, we saved a lot of money because different organizations were working together as opposed to against each other as in the past.

### III. Business Strategy and HR Practices

- a. The business strategy affects what we do in HR
- b. You should never practice HR just for HR. Whatever you do in HR should not be because it's convenient for HR it has to be because it's the right thing for the business.

### IV. Alignment between Business strategy and HR strategy

- a. HR is a cost center. That is we cost the company money. HR doesn't make money for the customer, we don't make product and sell it. What you find is there are some leaders who understand the value of people and the value of HR and there are some leaders who just see us as a necessary evil. If you have leaders who are short-sighted and they don't see the need to change, if you have leaders who don't understand the value of building succession planning and pipelines and onboarding people and values and culture, if you have don't have leaders that understand the importance of humans in the workplace, then you're not going to get very far anyway.
- b. There are still a lot of leaders here who see HR as the people who say no and we have people who prevent them from doing what it is they need to do and we make them follow a process when they very much would like to just pick up the phone and do something.
- c. I think that in some ways we've been really successful in putting some structure into people's thinking. We're putting some rigor and some structure into processes that are being very well accepted and are helping us to drive a culture of differentiation.
- d. Where we've not been so successful sometimes is old-fashioned thinking about how a company should run. Sometimes we're not very successful, they don't see HR as a business partner and they see us as a personnel office, and we still struggle with that here.
- e. I came in as a business partner and I'm kind of teaching them what a business partner is. Again this is a cultural thing
- f. How we show our value in terms of HR is by showing that if you do things in a different way, there is a cost benefit to it. If we implement change management processes and work on this new culture about teamwork focus and simplicity, guess how much money we can save or here's how much more our employees are engaged or here's the regretted turnover. If you do that and you do that effectively and can show a financial reward at the end, people are more receptive to it here.

### V. Strategic Planning

- a. I do when it comes to my area and when it comes to the HR function
- b. In the beginning of this year, the leader I support directly and I determined that given our business strategy over the next few years, there were a few things that we needed to do and do better. He and I and a few others sat in a room and essentially redesigned the organization, so what do we need to accomplish, what kind of organization do we need, and what kind of humans do we need in order to drive that. I was in the room and I helped lead that.
- c. Understanding what the overall strategy is, then what kind of organizational structure and design do we need, and then what do the people need is part of that. Yes, I drive that.

- d. It's interesting because I have a new business leader, that leader that I worked with last fall and that I did all of this great work for in terms of the organizational change and all that, he was a big fan of HR, he supported the work that I did. He saw it as a value add. He saw me as a subject matter expert who understood things in a different way than they did. I have new leader who feels very differently, and he very much sees me as a personnel department as someone who certainly has an understanding of the business and can help support him, but he sees HR as something that should be measurable, and if it's not measurable, then it doesn't make sense to him

## **VI. Example from Previous Employment**

- a. They formulated what the business strategy was and I was in those meetings. Essentially they set financial targets for what they wanted to accomplish and what they wanted to do to grow the business and things like that. My role in those meetings was to say okay look, you want to do this in this amount of time, here's what kind of people you're going to need, here's what kind of leadership they're going to need, here's the kind of skills they're going to have to have, and we have no market brand, we have no employee brand in this new area.
- b. I brought in all of this to the table that if we're going to meet these goals, here's the investment we're going to have to make in terms of humans in order to make that happen. My part in driving the strategy was to come up first of all with a recruiting strategy but also a training strategy and essentially build our talent base over the next 2-3 years in order to take that market.
- c. In this industry, 90% of the costs are labor costs are people costs and so if you don't do that right, the rest doesn't matter, they product doesn't sell as they say. It was integral for HR to be at the table and have that structure and process and be involved in that decision-making and we were very successful.
- d. Yes, I think you're right, being accepted in a company like that has a lot to do with the fact that it's so labor intensive. I also think that part of it is also that the industry I'm currently in is very much relationship based. HR is not quite as valued here because people know each other.

## **Interview B**

### **I. Business Strategy**

- a. We have an overall corporate strategy and that starts with corporate vision, mission, and values. Those are the overarching drivers of our organizational strategy. The outcome of that is more of a business focus strategy to support that overall longer term corporate vision. The overall business strategy is reevaluated on an annual basis through a very formal process. Everything cascades from the corporate strategy
- b. It's truly the culmination and collaboration of all the facets of the organization. One of the tools we use that is very common is the SWOT (strengths, weaknesses, opportunities, and threats to the organization). We do that over six focus areas in our company, one of which is the employee focus and that's where most of the HR group's work is. We do SWOTs for each of the focus areas and we do SWOTs in each of the divisions and groups across the company. The process is that the businesses go through the strategic business planning process first and then they present them out to all of the



leaders in the organization from all of the functional areas (HR, legal, IT, finance). The functions then go back and they develop their SWOTs and their strategic plans because their plans have to be based on the plans of the business. It's a very aligned process that cascades first from this vision of the company to all of the divisions that do their own business plans and strategies to the functions who support those businesses that their strategic plans.

- c. Our company's vision and HR vision are very aligned. That gives you a flavor for how we think about aligning things across the company.
- d. Our division is the growth engine. As a result of that, HR is very key to that most important strategy because we're growing dramatically as an organization. If we're growing the bottom line, HR has to support that growth.

## **II. HR Strategy**

- a. From the growth perspective, there is a lot of emphasis around workforce planning, succession planning (as we grow we continue to need new, strong leaders), training (as we grow we're moving into new different product and service arenas), we need to expand the expertise of our workforce (so a lot of training), we need to have a very competitive total rewards package (that's what we call our compensation plan). We have to have a lot of emphasis around being market competitive and at the same time managing costs effectively.

## **III. Alignment between Business strategy and HR strategy**

- a. Within my organization, the reason I think it's effective is because I have two teams in a sense that I work with. I have my executive management team, which is the president of the four businesses and then the directors of the four functions. We have a pretty close collaboration there and we meet every two weeks. More importantly, every week I meet with the functions in addition to that and that's my management team. That's our director of HR, legal, finance, and IT. We meet weekly because at the end of the day that collaboration is really what's driving the overall support so that the businesses can deliver what they need to deliver. There's a lot of collaboration and communication. It's a very open and transparent environment. People are very willing to challenge and speak openly and be direct about issues and problems. It's not perfect, but as a result of that very intense collaboration and communication, that is why I think we have an effective alignment between strategy of the business and execution and strategy of the functions.
- b. Where it's been a challenge is that this is a matrixed organization. There's pros and cons to that philosophy. If you're running one of those four businesses, having a function in a matrix where they reported to corporate (they do not report into the business) is often challenging because they're wearing different hats, they may have different priorities. When you're a business leader, sometimes that's difficult and the alignment gets a little clunky. In the end, philosophically, I do think it's a very good business model because it really does allow the functions to have an open mind and really be able to have confidence that they can challenge the business. You want your lawyer and your HR person to be able to say, I know you really want to do that as a business, but I really don't recommend you do this for these reasons. Sometimes when you work for the business leader you might not be willing to be that open about the concerns you have about a certain direction the business might be taking. I think it's important to have that separation of church and state and I think that's one of the real benefits of having the

functions in a matrixed organization. None of the functional leaders report in to me they all report into the senior VPs on their respective areas in corporate.

#### **IV. Strategic Planning**

- a. HR is very involved in strategic planning and has a seat at the table with respect to that. They're probably not going to be speaking out much about our technology and our operations and things like that but they have to be actively engaged because if one of our businesses is coming in to talk about acquisition or something that they want to plan for, the HR person's ears are going to go up because they're going to start thinking through all of the things you need to think about when you do an acquisition from an HR standpoint that the business leader might not be thinking about.
- b. Sometimes the business is thinking about the acquisition strictly from the alignment to the business and the business goals. They're not thinking about all the other pieces that have to fall into place when you do an acquisition. The HR person has to be in the room so that has to be part of their plan so they can assign resources to manage that.
- c. By them being in the room, they're hearing things that the business is planning to do so they know will it either be a heavy lift or are they going to have to find contractors or resources to support some initiatives on the business side. The opposite can happen too. We've had businesses that we have decided to dramatically reduce the size of the business. There's a real strategic purpose to that sometimes, but again, that's a heavy lift for an HR person to know that's coming and to plan for it accordingly and also to provide us with all the information we need anything that would be involved with that.

### **Interview C**

#### **I. Business Strategy**

- a. Head of HR reports directly to the Chairman and CEO of the company and sits on a leadership team that is composed of seven other functional leaders.
- b. We as a leadership team are responsible for creating both short-term objectives and goals, as well as long term strategies in the company and that includes what kind of acquisitions to make, what kind of growth platforms we'd be interested in pursuing, the pace over our growth, where we manage the company's resources, where we locate people, where we locate production. I'm part of that team that makes those decisions through a collaborative style of investigating alternatives and those kind of things.
- c. We say that we have an evergreen set of targets and those evergreen targets really are in essence our strategy. Those statements are statements that most every employee in the company could repeat. Then what we say is because those are evergreen targets, they sort of are our strategy, and every year we put in place objectives and tactics that would result in that performance. That's a simple way of coming at it.

#### **II. HR Strategy**

- a. When talking about the HR strategy, I go through that same set of statements. I go through the business strategy and I believe that our HR strategy is the same.
- b. I express to our HR leaders that we need to understand that language that I just discussed, that business language. Then our job is to ensure that everything we do

supports the organization's attainment of those goals and tactics, or at least doesn't get in the way of them. For instance we would never think to put together any kind of compensation plan that did not have an alignment feature in it.

- c. If we're going to stay gross competitive and nimble, our job is to ensure that organization structures don't get top heavy and that we put policies and checks and balances in place to allow that to occur organically so we don't have to be policemen in the company.
- d. The strategy would suggest that we run tight company in terms of our expenses, so one of the things is we would not want to have any surprises in terms of lawsuits, or any class efforts. Part of what we do as an HR team is to ensure that we're compliant, whether they be state laws, federal laws, international country laws and we're very aggressive in making sure our policies are current and implemented consistently and fairly. We don't have a lot of handbooks because handbooks tend to slow you down, so we provide guidance to the clients but we don't want to get too rule bound. Anything we do we say from a HR strategy is to provide the resources, practices, the insight and communications to support the business strategy.

### **III. Business Strategy and HR Practices**

- a. Yes, the business strategy does affect HR practices and what HR does as a team.
- b. I say if we're doing anything that the organization a year from now would say we would have met that objective except that HR made us doing this, this, and this, we would have failed and we probably won't be here

### **IV. Alignment between Business strategy and HR strategy**

- a. It's very aligned
- b. In my experience, because I've worked at other companies, it's a very hard approach to HR, it's not a soft approach. I have an MBA, many members of my HR team are MBA educated now and their undergraduates are often in HR or some other liberal arts possibly course of study. We have a lot of folks that get business because the company is so driven by its results that the alignment of all of our programs really need to have clear line of sight to some return on the investment. That doesn't mean you have to have an MBA to have that but what you have to have is some way of connecting those dots, so that either comes through an MBA program or it might come through experiences that you're provided. We align ourselves and we align our programs.
- c. Our performance management system is weighted 70% to goal attainment 30% to behaviors.
- d. I do think the alignment with the CFO's office is pretty important. Clearly you have to speak the language of the finance office because we're a cost center. I think that's helpful, and I don't think it's just the CFO and me. I think it's through the HR organization and their development of good practice relationships with others in the finance organization whether it's the controller, the treasurer, all the different aspects where we would normally touch that function and have overlap.
- e. I think I can't take for granted that the culture of the company demands this from the HR organization. We're not unique in our appreciation and understanding of costs I think it permeates the organization, so our job in HR is to protect that culture in a sense. We're not the only ones that feel it and own it; we protect it. Because all of the functions have to have a similar mindset around leanness, around cost containment, around all those other features that provide this kind of alignment, we champion initiatives on behalf of

- the organization and we're very good at communicating and connecting it always back to a business objective.
- f. We also use employee surveys very often to validate the connection and communication that people understand what's happening in the company. Understanding can lead to engagement.
  - g. We hire mid career for most of our jobs because we're so lean they really have to be contributing sort of immediately. That gives us the ability to be lean.
  - h. We use the generalist function very strongly here. The generalists are all aligned with these various functional leaders. I carry the message to the leader but then they hear it from their generalist and that gives them that confidence that it's always going to be aligned.
  - i. If somebody hasn't been affiliated with a really strong HR department, so maybe they come from a company where the HR department might be a little more administrative or maybe spends more time not so much on the cost side but on the development side, they don't always understand why I sit in every capital approval meeting and I sit in every due diligence consideration for a business acquisition, they don't always understand why I am there. Well very decision has a people implication I tell them. Everything. You may think it doesn't have any people implications but it does. It's going to either change somebody's job, it's going to add people, it's going to subtract people. I've never seen anything that happens that doesn't change something that affects people. If I don't know it early enough, I can't weigh in with what may be an issue or also prepare the organization for that effort. What I've encountered is if you hire someone at a very high position and they haven't seen that model, and sometimes I get some blow back, you have to kind of earn their respect and acceptance that the function is a strong function.
  - j. Finding like-minded HR people, finding the talent for this climate is not always easy. We've been training more of our HR folks. We're the exception to hiring mid career. We'll take a chance on some early career people because to really get them used to this model sometimes you are not able to buy that talent externally.
  - k. I've always thought that exposure to what the HR function has to face by other individuals in an organization can always be an opportunity. I want to be open to the idea where could we utilize other thought leaders in the company and bring them into the HR community so they can understand.
  - l. I'm also thinking different kinds of surveying tools could help us with alignment that might get us alignment in more quickly.

## **Interview D**

### **I. Business Strategy**

- a. Strategy formulation starts at corporate and there is a cascading down. The corporate strategies are formulated with our division's influence and input. After the corporate strategy is formulated, each of the divisions craft their strategies against the corporate strategy. In developing our strategy, we determine how we are going to have strategies that are relevant to our division that are keyed off of the larger corporate objectives. The strategy is broken down so that the people in the different functions in headquarters

(marketing, finance, etc.) have their strategies and tactics that are based against what the division's strategies are. Then each of the regional VPs will craft and tailor their strategies and tactics to the cascading down of what the overarching strategies are.

## **II. HR Strategy**

- a. The HR function's strategy is to support the organization in holding people accountable against what they sign up to do.
- b. HR has a seat at the table at our meetings and they are intimately involved in conversations we have pertaining to performance and accountability.
- c. When there are issues, it is the HR team involved ensuring that we are treating people with dignity and respect.
- d. HR plays an intimate role but it's a support role, a support role that's very critical.
- e. In my opinion the HR strategy is the need to be transparent, treat people with dignity and respect, promote from within, motivate the employees we have to have them be happy and fulfill so they in turn can do right by the company and increase our revenue and profit.
  - i. The ethical piece helps drive a profitable and productive organization
  - ii. If you don't have the people side buttoned down as best as you can, then you really have nothing.

## **III. Business Strategy and HR Practices**

- a. In some ways the business strategy impacts the HR practices, and in some ways it doesn't.
- b. It impacts them in every way through the measurables that are put in place by the employees and the leadership team collectively. The HR team is holding people accountable and helping to establish the measurables.
- c. HR is also in this saying whether we're being consistent, the policies we have relate to consistency.
- d. HR practices are impacted by what the strategies are because strategies are driving the accountability for each of the employees. However, regardless of what the strategies are, the consistency of the policies need to remain in place

## **IV. Alignment between Business Strategy and HR Strategy**

- a. When talking holistically about the HR function and the leadership function in an organization, if there's not alignment there, it's really awful.
- b. That alignment with HR is huge because you want to have a good reputation in the market, you want to be able to attract and retain people to come and work for you
- c. It's a significant mistake when organizations don't let HR have input and a seat at the table; when they treat HR as an afterthought. I've always been a big proponent of that. You need that kind of support to be able to get to things done.
- d. The alignment works well because the head of HR can present a business case and is able to analyze things critically. Frame of reference is important.
- e. It takes two to tango, the person that's leading the organization needs to value that HR component and the person in HR needs to feel valued in that if they offer something they need to feel valued enough to come forward.
- f. That person has to feel like they add value and that their input is welcome, but they also can't be afraid that there are ramifications to voicing an alternate opinion to that leader in the room because that leader generally speaking is usually at a higher level and can pull rank and can make it more cumbersome or scary for the HR person to disagree.

- i. I need the person to say, if you do that, the ramification is this. I don't need them to say whatever you want.
  - ii. That all plays into that critical relationship, and there has to be some trust in there.
- g. Sometimes HR is part of strategic planning. It partially depends on if the head of HR is capable. This HR manager is extremely capable and when we were hashing out strategy for the first few times it was more of a team effort. Now we've really stayed the course on the strategy and we've morphed it to our business conditions, so it's a little bit more of an autopilot where we just do a gut check. Sometimes they're involved in that and sometimes they're not or I'll just go to the finance, the distribution, the different VPs and say do you agree we stayed the course on these, then let's just get at the tactics that fall underneath the strategies for the fiscal year.

## **Interview E**

### **I. Business Strategy**

- a. The organization is currently in the middle of a five-year strategic plan, so we as a unit work to form that strategy and then send it up the chain. Because the organization is so big, it's not really top down or bottom up it's kind of a combination and it's not terribly organized at times.
- b. Our unit as a whole, knowing the values of the business, does its own strategy and then takes it up to the next level for evaluation. Part of that strategy is resource management, allocation, and identifying where we need different/more/less human resources.
- c. In doing those I need to keep in mind the values and business needs of my team in the greater context of the values of the business. When we're looking for things like fit with the organization and values that is consistent with what the business and larger organization are looking for that we're also looking for in members of our team.
- d. There is a focus on human resources due to nature of the business. In our particular business, one of the differentiators organizations have are the human resources that are available to provide service to our customers. Therefore we need people who are qualified to deliver specific services to that constituent, so when it comes down to structuring, hiring, and identifying gaps, having people with specific skill sets are very important.

### **II. HR Strategy**

- a. One thing we are at the mercy of is the overall organization's rules, regulations, practices, and procedures as far as job postings, classifications, and salary requirements
- b. In my unit, my direct team or our larger 15-20 person unit team as a whole still has to be approved by the business's HR and head and the overall organization's human resources. There is very close to 100% control in who we choose but very little control over how a position is classified and viewed by the greater organization.

### **III. Business Strategy and HR Practices**

- a. In general I think overall an organization this large has bucketed their job classifications and descriptions into too few categories and in probably many units it is going to affect the quantity and quality of applicants for people filling positions.
- b. The overall business strategy and values and even the sheer size and type of organization it is, really does affect the HR practices.

#### **IV. Alignment between Business strategy and HR strategy**

- a. It's not nearly as well aligned as it could be.
- b. More autonomy from the overarching organization's HR group would be beneficial to us. I think if each business, and it doesn't have to go down to each unit because there has to be some standardization, but I think that if each business had some autonomy or more autonomy to align their own HR strategy in accordance with their specific mission, it would be more effective.
- c. We are many little businesses within a greater organization, and some line up with that organization's philosophy and practices more than others.

#### **V. Strategic Planning**

- a. The business's HR has input and they certainly help us advocate for what we need. I think our HR office here is very good, our director is quite good, very involved, she is a good representative of the HR profession, I'm glad we have her we're really lucky.
- b. I know she only has control within a limited scope. They can take it up to a higher level and advocate. They can make recommendations of how to do things, so we communicate clearly what we need and it translates over to higher-level HR lingo and it's communicated correctly. I would say they are a counselor, consultant, and advocate.
- c. We have great support from our head as well, so I would say our unit has been really fortunate in being well supported from both our team and having success with that advocating at a higher level. I think that's reflective of the skill of the HR team here and the supportiveness of our head. I think it's key that the HR team know how to speak both languages—so they know how to operate within the higher level system but they understand business so they can help us best position ourselves in a place where we don't have a ton of control.
- d. As far as getting a seat at the table in strategy planning, the business's HR team has really shown value to people that might not have bought into that and former people in that position. I definitely see a difference in her as an HR professional in this role bringing value to the table and really being a good resource. I have dealt with HR in other organizations that have been very transactional and I think we're lucky in that she is strategically minded and that there is a resource and understands relationship building. I've not always seen that in other organizations.

### **Interview F**

#### **I. Business Strategy**

- a. Overall, the high points of the business strategy are determined by a smaller group of executives (head HR is in this group). It is an establishment of an action plan that addresses the current issues that exist in the industry's world. The strategy development for an organization that is involved in the industry is to deal with what they think they know and most of the decisions that are made from a strategic standpoint are really derived from an analysis of the data that is available. It is to project where the industry is going to be going in the next five years. There's a five year strategy and then there is an operational next fiscal year strategy.

## II. HR Strategy

- a. Our HR strategy from a very generalized overview is to attract, recruit, and retain the highest quality of employee.
- b. In keeping that kind of mission strategy of HR it gets broken down into its various components and they are the standard components such as organizational development, we have seven labor organizations representing our employees so there is the union strategy, employee relations strategy, compensation strategy, and talent acquisition strategy. Those would be the primary components of an HR strategy.

## III. Business Strategy and HR Practices

- a. It actually is both ways [developed based on business strategy and developed independently of business strategy].
- b. Well when you look at our HR strategies, I can define those strategies that were created directly in response and correlate perfectly with a specific business strategy.
- c. HR strategy comes from business and it comes from its internal needs of providing HR services better, it is a 90/10 mix. Our role in the organization is to be operationally focused and our primary responsibility is to provide all of the support in its various definitions to the operations so it can be successful. I'll give an example of the 10%. That would be implementing a new automated talent acquisition and talent development set of software tools. Regardless of what the corporate business strategy would be that was something that I felt was necessary in and of itself. It's the right thing to do from an HR perspective regardless of what the organization would like to accomplish.

## IV. Alignment between Business strategy and HR strategy

- a. On the whole, the HR practices and business strategy align
- b. Our alignment primarily comes from having a "seat at the big table." To the extent that you do have a seat at the big table and are involved in as I described the initial conversations, the bouncing things around the room, brainstorming strategy, if HR's not involved at that point, the alignment is simply going to be far less productive than it would be if you are in the room.
- c. It is interesting how many go in a slightly or completely different direction with HR input from the beginning because without that HR input from the beginning, you end up with business strategies that are developed and HR is given assignments to accomplish the strategy when in fact it may be significantly more difficult moving towards impossible to do that from a HR perspective because the operations people didn't consider the realities of people and processes and what it is that can be done or can't be done out there. I've been in organizations where HR has been at the initial meetings and they've worked and the outcome is much different.
- d. I believe that it's absolutely critical [to have a seat at the table in these initial meetings to drive alignment]. There are many other decisions that get made about what is going to be done and how it's going to be done that really are improved if HR can have their say from the beginning.
- e. As it relates specifically to the labor relations contract negotiations strategies that the organization would like to implement, or the goals that get developed from the strategies that would like to be achieved, it is not unusual for the organization not ever really being at the bargaining table or not really being involved in the 9 months of preparation before you go to the table. It's not unusual that they believe simply if they want it, we should be able to achieve it. There is a challenge coming up with that comfortable middle



where it will be difficult to accomplish their strategy goal but we eliminate the impossible because there is no sense that they develop a strategy that I simply know will not happen or will not happen without a job action which pretty much wipes that off the table.

- f. Any attempt to move labor costs and either an increase or a decrease in direction are topics that are debated long and hard in the operations arena because through your experience you know that every manager of operations believes that they can run HR and they all have some opinions about it never having been involved in the whole piece. It is one of the most interesting conversations that occur in those are the HR issues.
- g. One of the approaches that I have taken to align the strategies easier and better and have an outcome of trying to achieve the business goals be more successful is just that [change mindsets of those in operations]. We have formed a human resource committee that meets once a month. We meet on an alternating basis with the senior executives and the operational group. It is a conversational meeting, but it starts off with a presentation of kind of the facts that are current in the organization regarding whatever group we're talking about (for example compensation), and we will tell you what percentile each of the important groups of employees are at. We talk about supply and demand, we talk about the future, we talk about the latest theories that are out there, so it's educational for them. Then there is a conversation about the reality about the newest opportunities that are there and then the last piece is the conversation that helps us move in a certain direction knowing the current, knowing the future, and deciding what it is that we ought to do. That has been exceptionally helpful on a day-to-day basis. The silly questions or requests that used to occur from operations occur much less because they know the answer that they're going to get before they ask the question and that makes all of the HR team members' jobs easier and that makes their job easier because they're more grounded in reality.
- h. Absolutely, and many of them have admitted it that after the first couple they come and tell me that they really didn't have the slightest idea how much they didn't know and it's good for them and it gives them a new sense of again the reality of what HR is versus what it is that they felt it might be. The second for us is that it really does create a bond in the HR function and the operations function because now we know each other personally but now we know each other from a content expert standpoint as well. There are many things that they know that I don't have a clue about, so it really is an information exchange that I think ultimately benefits the organization.
- i. I also do an orientation program for any of the new board members. One I did last year was with an individual that had his own company with about 20 employees. We had about 4 hours to talk and I put a binder together and so forth so he could follow along and about 15 minutes into the conversation, he said I've been running my own business for the last 20 years and I thought I knew everything that I needed to know about HR because I managed people everyday. I didn't have the slightest idea about all of these things A. that you need to know about and B. are competent to give managers advice about. He said I'm simply amazed. That's the kind of feedback you get when you make these presentations.
- j. One of the takeaways for me my whole career has always been a very operationally focused and a very data focused HR person. It is becoming not only the norm but the

expectation that HR people are that way. It is critical that HR knows the operations and the operations knows HR

- k. I do give little presentations to the Board on HR in general and it is for me and I believe for them it's a very informative and interesting and conversation-laden presentation because we talk about things that they thought they know and now know a bit better. I think that's the ultimate establishment of the relationship between business strategy and HR strategy is communication at the top level of the organization. If you think about it, if you're looking at business strategy development, the conversations about what they think it ought to be and then ultimately the conversations about what it is they've decided they'd like it to be and are presenting it to the board to get their approval, to the extent that the board that has more of a HR perspective, knowledge on how these strategies could be accomplished, it's just better from the top line down that they come into that conversation with the CEO of the organization having a better sense of the importance of HR.
- l. What we just talked about I believe is the future of organizations to the extent that they move in these general directions it's better for the entire organization including the employees from the top to the bottom.
- m. Looking at the issue of metrics, we do regular dashboard reports on all sorts of HR metrics. It is important for them to understand, it validates from a quantitative standpoint, what HR can do and achieve, relative to peers. It is important in development of strategy and in assessment of HR's productivity

## **Interview G**

### **I. Business Strategy**

- a. In our business it is all about people. They are the most important resource. There is information and technology and different things, but it ultimately comes down to the people that work here and the relationships that they have.
- b. The strategy is a growth strategy. The way we grow almost exclusively is through headcount and the quality of headcount.
  - i. We do this by adding more of the right people, training them, and managing them effectively.
  - ii. The strategy is inextricably linked with HR.

### **II. HR Strategy**

- a. Strategy: Identifying, hiring, and training, the right people.
- b. Practices: We have a methodology to find candidates, which is campus and networking-based. We also have a structured one year training program that was just installed—tied into the training program is the sales management piece.

### **III. Business Strategy and HR Practices**

- a. Business strategy and HR practices are almost one in the same, almost identical and necessarily it has to be because it's all about people.
- b. It's a unique business, the only challenge we have and need is more space—we run out of space for people.
- c. Because it's so closely linked it's effectively one in the same.
- d. This is unique to the type of business that we do; we are effectively a sales force.

## **Interview H**

### **I. HR Strategy and Business Strategy**

- a. Starting with the broad strategy behind the HR department, it's to sustain and advance the organization's goals through attracting and retaining a workforce within all departments. HR also makes an attempt to work with all of the departments to provide services that are integrated and strategically aligned for our goals and to accomplish the service missions of the university.
- b. There is one HR unit/department for the whole organization. They are responsible for hiring, benefits, compensation, employment, HR competencies, training, labor and employee relations, learning, and development, payroll and data management. They have eight areas within one department. They operate as a strategic partner and an internal consultant to the entire organization supporting the organization's focuses.

### **II. Alignment between Business Strategy and HR Strategy**

- a. Yes, I think there is alignment.
- b. HR works very collaboratively with my department. There is an interrelationship among both of our departments. In terms of their practices we really depend upon each other. We're definitely aligned that way. In terms of we need them and they need us so there is this strong partnership there. Also, a lot of what they provide sets the standards for our department and the rest of the organization in terms of how we measure performance development.
- c. Yes, we're so large and we're all dependent on one department. I think it's gotten much better, but if we wanted to get information, sometimes about compensation, for example, just knowing how to get to the right person or get that information in the past has been a challenge. I think they have done a 360-degree turn and have gotten so much better. Now we have an assigned recruiter to our department for the hiring process.
- d. That has created downsizing, and we can't afford to add more staffing resources. Sometimes it's a struggle there just trying to get things accomplished because everybody has so much on their plate. That's pretty much the way of the workforce today everywhere.
- e. All areas have an assigned recruiter, which is extremely helpful because then you can build this relationship with that person and you learn the process through this person. This really helps the hiring process move that much quicker.
- f. HR is constantly improving the process.
- g. They're pushing more things down to the people that are doing the hiring. I think they've now allowed each individual department whose hiring people the autonomy to be responsible for what they should be.
- h. This organization is as bureaucratic as an industrial institution if not more. There are so many levels of hierarchy to go through for everything. There's a process for everything. Part of it has been that I've felt those close relationships with key people so that I can get things done that much quicker. The other piece of it is they totally have done a 360-degree turn in terms of improving their process and surveying the organization to make improvements. I think based on feedback in the past, they're constantly working to improve.
- i. So much of what they do is contingent upon our department. As a result we definitely have established a stronger partnership.

### **III. Strategic Planning**

- a. If you want to know if they take place in strategic planning, absolutely.
- b. The organization is really big on strategic planning.
- c. HR is definitely always involved with strategic planning even in terms to have more effective business strategies at the organization or things like that. I do feel that the HR managers definitely take place in strategic planning. HR is in those conversations and having an input.

## **Interview I**

### **I. Business Strategy**

- a. We have a business strategy that comes from our corporate headquarters. There's a senior executive level team there that typically defines what our business strategy is. Then it comes down to our organization and within our division we have a senior management team that is responsible for implementing the strategy and sending it out to the different groups. I don't really participate in strategy formulation. I have no input.

### **II. HR Strategy**

- a. We don't have a written down HR strategy, but would say our HR strategy is talent management. Our employees are out there growing our business. We need to be making sure we're getting the right people into our organization. Once we get people in here, are we keeping them trained and current and getting the most out of them. I'm responsible for a whole lot more, but I would say that's what integrates most with our business strategy.

### **III. Business Strategy and HR Practices**

- a. Talent management integrates with business strategy
- b. There are pieces of the business that I have nothing to do with. From that perspective there is really nothing that I add. I'm really more about our employees our resources—making people happy, providing the benefit plan, etc.
- c. We might get to a point where we're creating new positions we've never had before and so figuring out what that's going to be and working with the team on how do we integrate them into our company when it's something completely new. That's where I would be involved. Also, keeping people internally challenged, keeping their skills up so they can be effective, that would be where I come in.

### **IV. Alignment between Business strategy and HR strategy**

- a. There is some alignment.
- b. I'm aligned with a portion of their goals. I don't have much impact on some of the strategic goals. On the part that I can influence, I feel like we're aligned. I don't know if I should have influence over anything else because I looked at it and I thought how can HR support these priorities and I really haven't been able to figure it out. I don't know that we can.
- c. We're relatively a smaller group down here, so we all kind of work together. Even though I'm not the same level as the VPs, I have constant interaction with them. I'm a resource to them, and they're a resource to me. We have regular meetings and we sit near each other. There's a lot of correspondence among us to make sure we're all aligned and on the same page. If I see things where we're not aligned, it's up to me to

bring it to their attention and vice versa. They are very receptive to me bringing up these things.

- d. There were years where we had to get creative or we just weren't investing in our people the way that we probably needed to. That was a challenge and that's when I was faced with a no. Those were times when I needed money but I also understood the reasoning behind. I think that was a challenge.
- e. Sometimes I feel like there could be a lack of communication. That's sometimes where HR wasn't included because the others either thought they had included HR or they felt they didn't need to. Then HR gets brought in later, so I'm less effective.

## **V. Strategic Planning**

- a. I personally would like to be more involved in it.
- b. There are some strategy meetings that take place in the our division and previously maybe I wasn't included and I was kind of like why not? Why wouldn't I be included? That's when there talking about their employees and who's effective and what are their issues. I actually raised my hand and said can I participate, and they were like well of course you can. It was great that I could be in there because I can add a different perspective—maybe things I hear that they don't know about. Even just hearing some of the issues makes me more valuable for when I'm talking to employees or when I'm recruiting.
- c. I am more effective as an HR manager because I'm in the room. You have to be able to speak to it. I have to know and I have to participate so I can hear what other people are saying. I think it's important and it's important to me for growth. That's how I learn about the business and different things other than HR, so I think it helps me as well. I think they are starting to see the value of me in these conversations. I did get positive feedback.

## **Interview J**

### **I. Strategic Planning**

- a. HR helps formulate/implement the organizational strategy. Participates as a member of the leadership team (about 8 of them) we meet and all agree on organizational strategies and make decisions as a leadership team.
- b. The CEO has formed a committee of people made up of board members and a couple of employees to take a fresh look at the mission, vision, values. I'm trying to get HR in on it because I think it is very important to get HR involved in forming those. The mission and the values encompasses everything we do in HR from the handbook to recruiting and hiring to discipline.
- c. Part of our strategy here as the business is that we've been doing a lot of restructuring and organizational design. I've been doing a lot of that and I'm still involved with that.
- d. I'm also involved with compensation as part of the strategy. . That was the first thing I put in place because you have to have a compensation structure for lots of reasons—legal reasons, objective reasons, for the fairness to the employees, and to have something to go by.
- e. The unique thing about here is that it seems like we're doing a lot of clean-up work that has not been done over the years. That's compliance stuff. It's immediate and urgent.

Then we'll be moving on to the more fun things to do like working on the culture and training and all of that.

## **II. Business Strategy and HR Practices**

- a. It depends on the Executive Director's business strategy. We're trying to get the foundation of the mission and vision and especially the core values in place. That will drive the strategic plan. There is a retreat planned for in the spring where we come together as leadership and Board of Trustees to really formulate that and really agree on what is our strategic plan.
- b. We want to make sure we're competitive and that we're able to recruit and I feel like we are as I look at surveys. I'm looking at certain employee rates now and I don't know that we are where we need to be, so I am going to recommend an increase, which will affect our budget.

## **III. Alignment between Business strategy and HR strategy**

- a. There is alignment with our business strategy. For example with growth in the future, looking at certain employee position and realizing we may not have a competitive enough salary. Then I have discussions with the CEO and leadership team. We want to remain competitive.
- b. We need to look at our staffing and the CFO is very heavily involved with the staffing. He looks at the hours and what hours we need and looks at the standard ratios that are out there locally and nationally and compare that to us and are we where we need to be. He and I have those staffing discussions.
- c. What allows this to work is the relationships I have. The CFO and I have an unusual relationship. The CFO is very open to listening, working, and partnering with HR. I think that relationship is key, very important. Otherwise a lot of time those finance positions are looked at as the roadblocks. If we have good reasons and we have a good conversation, then we can work together. That's a really important relationship
- d. The CEO's relationship with HR is extremely important. He regards me as a trusted adviser. He's a good leader and he likes to have one-on-one meetings with his direct reports. I'm helping him with relationships that he's having with some of the other staff.
- e. That's how I've been with my other CEO type people. It's the same relationship as the trusted advisor or confidante, that person that they feel like they can come to. I've always heard that the CEO position and the head HR position are lonely positions because they feel like they really can't go to anyone else. I can see how that relationship between the two of them would be so important because the CEO doesn't really have anyone to go to and the director of HR same thing.
- f. As Director of HR, really any HR position, it is really hard in that you're in the middle. You're supposed to represent both management and employees and sometimes that's a difficult position to be in and I've run into that several times. I have to be that confidante for both for management and for the employees. Both sides have to trust me. I have to be careful with my communication or I run into trouble because with how my communication goes back to either side. I help to mediate and bring them together.
- g. The challenge has been the sheer amount of work that needs to be done and getting us aligned to where we need to be. It's just taking time and it's hard to do when you have so many things that crop up on a daily basis. This is a daily job where people just come in to talk and vent about issues. I want to be available, but there are some major projects that I need to focus on.

- h. I feel fortunate though here because of the openness that I have with the CEO and CFO particularly those important positions and I have felt supported. I feel fortunate that way, but I know that's not the case in other organizations. I would say at my former organization I felt the same way. I had that open relationship with the head. I did not have that with the finance person and that will often be a challenge in this type of position. Where I feel like I need a budget for certain things, but I'm told no.
- i. I think it's something [speaking about a program HR is implementing] that doesn't need to cost a lot, I haven't spent a lot of money on that, but I don't know that, for example, a finance person would recognize that. Here the CFO does, but elsewhere maybe not. He's better at looking at the bigger picture. I understand at his level where he's looking at numbers and we need to be careful, but he understands it more.
- j. Sometimes it's a little difficult to get those ideas to jive together. It just takes some conversations.

## Appendix C

### Study 2 Abbreviated Survey on Regulatory Changes, Human Resource Practices and Performance in Call Centres

#### Business Strategy

1. Which of the following is the most important element in your call centre's strategy?

*(Check one only)*

- <1> Price Leadership (e.g. being a low cost provider)
- <2> Service Excellence (providing a superb service)
- <6> other, *please specify*
- <d> Do not know
- <r> Refused

#### Training

2. Now I have some questions about training you give to your core employees. In answering these questions please include all types of training, including basic, technical, and social interaction skills.

*(If the answer is zero to any of the 3 questions please put zero.)*

- a. How many days of initial training do core employees receive in their first year (including orientation/induction and job-related training)?  
<0-300> days            <d> Do not know            <r> Refused
  
- b. After the first year, how many days of formal training per year does the typical core employee receive? Please include on-line, vendor, classroom or other formal training. <0-60> days            <d> Do not know            <r> Refused

#### Job Discretion

Now, I would like to understand how much discretion core employees have at work.

3. On a scale of 1 to 5, where 1 is no discretion and 5 is a great deal of discretion, how much discretion does the typical core employee have over:

- a. What daily tasks or work assignments they do
- b. What methods or procedures they use
- c. The pace or speed at which they work
- d. What they say to a customer
- e. The design and use of new technology
- f. Setting their daily lunch & break schedule
- g. Sequencing their daily activities, jobs, or orders
- h. Handling additional requests or problems that may arise unexpectedly:



- i. Settling customer complaints without referral to a supervisor:
  - <1> Not at all
  - <2> A little
  - <3> A moderate level
  - <4> A lot
  - <5> A great deal

- 4. On a scale of 1 to 5, where 1 is not at all and 5 is a great deal, how much do core employees rely on scripted texts to handle customer calls?
  - <1> Not at all
  - <2> A little
  - <3> A moderate level
  - <4> A lot
  - <5> A great deal

### **Customer Satisfaction**

In this section I ask about how your centre monitors customer satisfaction and deals with customer complaints.

- 5. Does your call center have a formal mechanism for gathering customer feedback on call center performance?
  - <1> Yes [go to Q 2.2]
  - <0> No [go to Q2.3]
  - <d> do not know      <r> refused
  
- 6. Based on the best information you have, what is the average level of customer satisfaction at this call center? Please use a scale of 1 to 5, where 1 is very dissatisfied and 5 is very satisfied.
  - <1> Very dissatisfied
  - <2> Dissatisfied
  - <3> Neither satisfied nor dissatisfied
  - <4> Satisfied
  - <5> Very satisfied

### **Turnover**

- 7. Next we want to ask you about the turnover of permanent core employees. In the last year, what percentage of your permanent core employees:
  - <0-100> percent    <d>do not know    <r>refused
    - a. Quit
    - b. Were promoted to other jobs in your call centre
    - c. Were promoted outside the call centre or transferred to other parts of the business
    - d. Were dismissed
    - e. Retired or took voluntary buy-out

### Organizational Characteristics

8. How many total employees work at this center now?  
 \_\_\_\_\_ number, <d> do not know <r> refused

9. From the following list, which industry sector or sectors do you serve?  
 (For each option, you must check yes or no)

*Response categories for each sector*

<1> Yes <0> No <d> do not know <r> refused

- |                                 |                            |
|---------------------------------|----------------------------|
| a. Insurance                    | l. Local Government        |
| b. Banking (Financial Services) | m. Central Government      |
| c. Charity/Voluntary            | n. Health Care             |
| d. Manufacturing                | o. Distribution            |
| e. Utilities                    | p. Pharmaceuticals         |
| f. Retail                       | q. Construction            |
| g. Telecommunications           | r. Housing                 |
| h. Hotels, Lodging              | s. Food and Drink          |
| i. Airlines                     | t. Recreation and Leisure  |
| j. Media                        | u. Publishing and Printing |
| k. Public Sector Services       | v. Other (please specify)  |

10. What percentage of core employees of your call centre are members of a Trade Union?  
 <0-100> Percent <d> Do not know <r> Refused

11. What is the ownership type of your company?

<1> State-owned

<2> Domestic private

<3> Joint venture

<4> Solely foreign owned

<5> Other, *please specify* \_\_\_\_\_

<d> Do not know <r> Refused

### Demographic and Human Capital Factors

12. What percentage of your core employees are women?

<0-100> percent <d> Do not know <r> Refused

13. What is the typical educational level of core employees?

*[programmer note each country provides it's own comparable categories]*

<1> No qualifications

<2> Junior high school (9 years)

- <3> General high school diploma (12 years)
- <4> Associate degree (14-15 years)
- <5> Bachelor degree (16 years)
- <6> Masters degree or above (18 years or more)
- <d> Do not know <r> Refused

15. Now I have some questions about the tenure of core employees.

a. How many years of tenure does the typical core employee have with this company?

*(By 'typical' we mean that about half the employees have less tenure and about half have more)*

<0-100> years <d> do not know <r> refused

b. About what percentage core employees have 1 year or less of tenure with this company?

<0-100> percent <d>do not know <r>refused

c. About what percentage of core employees have 5 years or more of tenure with this company?

<0-100> percent <d>do not know <r>refused

## ACADEMIC VITA

Samantha A. Krone  
sak284@gmail.com

### EDUCATION

---

**The Pennsylvania State University | Schreyer Honors College** University Park, PA  
College of the Liberal Arts  
*M.S. Human Resources and Employment Relations*  
Smeal College of Business, College of the Liberal Arts  
*B.S. Management, B.S. Spanish—Applied Option*  
*Minor in Labor Studies and Employment Relations*

#### Study Abroad—Alicante, Spain

- Immersed in Spanish culture for a full semester living with a host family
- Strengthened communication, grammar, and composition skills in Spanish while living and taking classes in Spain

### HONORS AND AWARDS

---

Phi Beta Kappa Honor Society  
Beta Gamma Sigma Business Honor Society  
Dean's List: All Semesters  
President's Freshman, President Sparks, and Evan Pugh Scholar Awards

### ACTIVITIES

---

**Society for Human Resource Management** University Park, PA  
• *President* May 2013-Present  
• *Business Roundtable Liaison* August 2011-December 2011, August 2012-May 2013  
**Society of Labor Studies and Employment Relations** University Park, PA  
• *Networking Liaison* August 2012-May 2013  
• *Treasurer* August 2011-December 2011

### WORK EXPERIENCE

---

**The Pennsylvania State University** University Park, PA  
• *Graduate Teaching Assistant* August 2013-Present  
**Deloitte Consulting LLP** Chicago, IL  
• *Human Capital Summer Scholar* June 2013-August 2013  
**Deloitte Consulting LLP** Harrisburg, PA  
• *Human Capital Summer Scholar* June 2012-August 2012  
**Collegian Inc. – Business Division** State College, PA  
• *Manager, Layout Department* January 2011-December 2011  
• *Layout Specialist* August 2010-December 2010  
**Kohl's** Doylestown, PA  
• *Store Management Intern* June 2011-August 2011