A Research on Competitive Strategies, Environmental Factors and Human Resources Architecture Relations

Binali Doğan[1], Ata Özdemirci[1] & Neşe Güngör[2]

[1] Faculty of Business Administration, Marmara University, Turkey

[2] HR Professional, Turkey

Correspondence: Ata Özdemirci, Faculty of Business Administration, Marmara University, Ressam Namık İsmail Sokak, No. 1, Bahçelievler, 34180, İstanbul, Turkey. Tel: 90-212-507-9925. E-mail: ataozdemirci@gmail.com

Abstract

There is a widespread notion that organizational strategies are the dominant factors in the creation of human resources (HR) management policies in enterprises. This study examines the relation between an organization's strategies, corporate HR policies and operating performance. At the end of the research, it was observed that (1) The high rate of change of the environment orientates establishments towards a more participative management perception, towards empowerment and flexibility. (2) While innovative differentiation orientates establishments towards participative management, empowerment, and proactive selection and placement policies, competitive differentiation influences only the empowerment factor in a sense of a provision of initiative. The cost leadership strategy does not have any meaningful effect on HR policies. The only meaningful influence of the focus strategy on the HR policies is on the proactive selection and placement policies, and this influence is a negative one. (3) When the results related with the harmony between the competitive strategy and the HR architecture are examined, it turns out that the participative management, the long term training policies, the proactive HR policies, and partly the generous compensation policies are more successful even under different strategies in comparison with the dictating, short term, reactive and ungenerous HR policies. In terms of quantitative performance, to select a differentiation strategy and apply HR policies that are participative, proactive and generous is much more effective than to look for the perfect harmony between strategy and HR policies.

Keywords: competitive strategies, environmental factors, HR architecture, HR policies, strategy-HR congruence

1. Introduction

In this study, the relationship between the business strategies of medium and large sized organizations and the compliance of the environmental factors with the HR policies is examined. Generally, there is a widespread notion that HR policies are designed according to the organizational strategies (Porter, 1980; Schuler & Jackson, 1987; Purcell, 1989; Zhang, Gao, & Zhang, 2011). From another perspective, HR practices should be consistent and compliant with the organization's design and strategies. Inside the studies of this subject, organizational strategies are generally based on Porter's cost leadership, differentiation, and focus strategies (Porter, 1980) or Miles and Snow's prospector, analyzer, defender, and reactor strategy types (Miles & Snow, 1978). These studies mainly focus on the requirement of establishing HR policies based on organizational strategies. Studies conducted on the relationship between organizational strategies and HR policies usually focus on the impact of organizational strategies and HR practices on business performance (Katou & Budhwar, 2008; Weinstein & Obloj, 2002) and the impact of the congruence between corporate culture, business strategies and HR on business performance (Chow & Liu, 2010).

2. Literature Review and Hypotheses

Studies conducted on environmental factors and HR policies consider conditions such as social culture, economic conditions, and market competition as the independent variables (Yang, 1992). Environmental conditions consist of many different variables, and each can affect the realization of the activities differently. During the formation of the corporate HR policies, the environment is analyzed with ambiguity, dynamism, and munificence dimensions (Hart & Banbury, 1994; Ozdemirci, 2011), and the impact of these dimensions on HR policy is emphasized.

HR processes are social processes (Baum & Endrissat, 2009). The execution of the activities with the expected results is dependent upon the acceptance and validation of these activities by the employees. Therefore, these activities should be associated with principles or, in other words, the need of institutionalization. Institutionalization is defined as ''the emergence of orderly, stable, socially integrating patterns out of unstable, loosely organized, or narrowly technical activities'' (Meyer & Rowan, 1977). Environment comes first, forcing organizations into institutionalization. The main impact of the institutional environment is through institutional rules that organizations have to incorporate in order to gain legitimacy, access to resources, and stability, and thus enhance their survival prospects (Meyer & Rowan, 1977; Melin & Nordqvist, 2007). Corporate HR policies which are HR related activities accepted by the committee members—such as job analysis, job design and planning preferences, selection and placement preferences, performance evaluation preferences, training and development, compensation and fringe benefits are defined as standard principles. These long term standards and principles constitute the HR architecture (Becker & Gerhart, 1996; Lepak & Snell, 1999).

Achieving the defined strategic targets requires the efforts of all employees, from the bottom level to the executive level. In this framework, the definition of targets for each unit one by one and the gathering of the output of each business unit via a "big picture" perspective are correlated with the congruence level of strategy and HR principles (Porter, 1980; Mohrman & Lawler, 1999). The transmission of corporate targets to all levels can only be achieved by HR policies which are compliant with the corporate strategy (Edstrom & Lorange, 1984).

In this study, organizational strategies and environmental conditions are recognized as the dominant factors in the formation of HR policies in organizations. The basic argument of the study is;

H_1: *Environmental conditions and competitive strategies have a significant effect on the HR architecture.*

The dependent variable of the hypothesis is HR Architecture. The predictors are Competitive Strategy and Environment.

Table 1. Dependent and predictor variables of hypothesis 1

Dependent
HR Architecture
•   Job analysis, job design and planning preferences
•   Selection and placement preferences
•   Performance appraisal preferences
•   Training and development
•   Compensation and benefits
Predictors
Competitive Strategy
•   Differentiation
•   Cost leadership
•   Focus
Environmental Conditions
•   Ambiguity
•   Dynamism
•   Munificence

There is nearly consensus in management literature that the congruence between strategy and HR policies has a positive effect on performance (Milliman, Glinow, & Nathan, 1991; Wright, Smart, & McMahan, 1995; Montemayor, 1996; Delerey & Doty, 1996; Wright & Snell, 1998). Indeed, HR policies have to be consistent with the competitive strategies preferred by the firm. For instance, a high level of bureaucracy and restriction of the initiative of employees in an establishment which pursues a differentiation strategy would not be any different than participating in a footrace in knight's armor. Various opinions could be put forward with regard to

which HR policies would be more harmonic, whether through cost leadership or through focusing strategies. The most common amongst these opinions is that mechanically structured HR policies would harmonize better with a cost leadership strategy. However, reliable results can only be provided after testing this suggestion under various conditions.

H$_2$: Competitive strategy and HR architecture congruence will positively affect corporate performance.

The congruence level of competitive strategy and HR architecture is evaluated by looking at the impact of all strategy—HR architecture combinations on quantitative and qualitative performance.

Table 2. Dependent and predictor variables of hypothesis 2

Dependent
Performance
• Quantitative Performance
• Qualitative Performance
Predictor

Strategy—HR Architecture Congruence

Differentiation Cost Leadership Focus	**X**	Job analysis, job design and planning preferences Selection and placement preferences Performance appraisal preferences Training and Development Compensation and benefits

3. Methodology

3.1 Sample and Data Collection

This research was applied on establishments which operate in Istanbul, are members of the Chamber of Industry of Istanbul, have more than 50 employees and apply HR functions. There was no restriction on the sector. The reason for including more than one sector is that this would provide us with information about the establishments which have their activities under different environmental conditions. An analysis of the data of the Chamber of Industry of Istanbul shows that in 2012 there are 2245 establishments which match these criteria.

The research was conducted on the middle and top level managers employed in HR departments of these establishments. Primarily, HR managers of large scale establishments were approached for this research, and the contact information of a considerable number of HR managers of various companies was requested from participants and HR consultancy companies. In total, 162 HR managers, who full fill the expected criteria, were contacted through this method.

Questionnaires were collected through face to face meetings, through e-mail and the internet. To avoid that any of the establishments would gain a dominant influence on the results, only one questionnaire per establishment was collected. In addition, the participants were asked to state their positions in order to ensure that the questionnaires of participants who were not in managerial positions would not be included in the evaluation.

3.2 Measures

The survey prepared for the research consists of 60 questions. As seen in Table 3, the measure of competitive strategy (Porter, 1980; Wan, 2004) had 16 items, the measure of environment (Hart & Banbury, 1994; Özdemirci, 2011) had 8 items, and the measure of HR architecture (Original Measure) had 17 items. The development of the HR architecture measure was based on the strategic HR literature. There were also 10 questions about the firm's perceived performance, one question about the firm size, and 8 questions about the demographics. Likert Scale-5 was used in all questions.

Table 3. Measures used in research

Measure	Developers	Item Number
Competitive Strategy	Porter (1980), Wan (2004)	16
Environmental Conditions	Hart & Banbury (1994); Özdemirci (2011)	8
HR Architecture	Original Measure	17
Perceived Organizational Performance	-	10

3.3 Analysis and Data Extraction Method

PASW Statistics 18 was used for the analysis of data obtained from the research. Data analysis was started with factor analysis. Then, a reliability analysis was performed for each factor. So, the reliability level of the factors was measured, and questions that diminish the reliability of the factors were disregarded in the assessment.

After the demographic characteristics of the attendees, the average value of the factors and the standard deviations were analyzed, the level of the relation of the factors with each other was subjected to a correlation test by controlling demographic variables and, finally, hypothesis tests by regression tests were performed and the results were interpreted.

The most important assumption of the research was that mid and upper level managers in the HR departments of the firms have sufficient information about the strategies of the firms, HR policies and environmental conditions, and are willing to share this information with us. The second assumption of the research was that Istanbul represents the whole cultural diversity of businesses in other cities. The limitation of the research is that organization culture was left out of the research scope.

3.4 Factor Analysis and Reliabilities

With the intent of determining the sub-dimensions of the scales of the strategy type (Porter, 1980; Wan, 2004), environmental conditions (Hart & Banbury, 1994; Özdemirci, 2010), and HR policies (Original Measure) that occurred in our research field, a factor analysis was performed.

Expletory factor analysis was performed for establishing the sub-dimensions of the measures. All factors have passed the KMO Measure of Sampling Adequacy and Bartlett test of Sphericity which means that our data set was appropriate for factor analyses (Table 4). Principal components and varimax method were applied in the analysis. For all measures, items which had a factor weight below 0.50, unique items in a factor, and items with close factor weights were left out of the evaluation. After these processes, factors which had initial eigenvalues over 1.00 and Cronbach's Alpha over 0.50 were approved.

Within the analysis of the environmental conditions scale, 3 factors whose eigenvalues were 1 or above were obtained. It was determined that all the tree factors were above the 0.50 reliability level. Total variance was %75.414. Factors were named as in the original scale as "Ambiguity", "Munificence" and "Dynamism". Cronbach's Alpha values were used for the calculation of internal consistency of the factors. These values were calculated as 0.900; 0.794; 0.748.

Table 4. The results of factor and reliability analysis-1: environmental conditions

Factor Name	Items	Factor Loadings	Factor Extraction (%)	Reliability Analysis (Cronbach's Alpha)
Ambiguity	Difficulty in foreseeing the following changes	.917	33.932	.900
	Difficulty in predicting the following threads	.914		
	Difficulty in guessing the competition level in the future	.871		
Munificence	Growth of the market	.883	25.693	.794
	Market's being open to the innovations	.822		
	Good outlook for the state of the market in the following 12 months	.801		

Dynamism	Change of the choices of customers	.892	15.789	.748
	Change of social values	.795		
	Change of business environment	.703		
	TOTAL		75.414	
	Kaizer Meyer Olkin Measure of Sampling Adequacy		.662	
	Bartlett Test of Sphericity	Chi-Square	718.248	
		df	36	
		Sig.	.000	

4 factors whose eigenvalues were above 1 were obtained from the analysis of the competitive strategy scale. After the reliability analysis of the factors it was determined that the reliability levels of the all the four factors were above 0.50. Total explained variance is %69.866. The factors were named "Cost Leadership", "Innovative Differentiation", "Competitive Differentiation", and "Focus". Cronbach's Alpha values of the factors were 0.833; 0.793; 0.744; 0.690.

At the end of the factor analysis, a small deviation from the original scale and the literature was observed. In this research, the differentiation strategy was divided into two dimensions: (1) innovative differentiation and (2) competitive differentiation. Although cost leadership and focus dimensions were the same as in the original scale, respondents gave different answers to the statements about the differentiation strategy: (1) "doing research to develop new products and services", "making an effort in order to improve customer loyalty", "using new marketing methods for sector", (2) "offering a better customer service than rivals", "putting new products and services on market before the rivals".

When considering the reason for this difference, it becomes obvious that the efforts of "doing research to develop new products and services", "making an effort in order to improve customer loyalty", "using new marketing methods for sector" are reflections of an innovative understanding which is an indicator for a resource based approach and a focus on more inward characteristics than the efforts to "offer a better customer service than rivals" and "put new products and services on the market before the rivals". It can be assumed that the second group has a rival oriented understanding.

Table 5. The results of factor and reliability analysis-2: competitive strategies

Factor Name	Items	Factor Loadings	Factor Extraction (%)	Reliability Analysis (Cronbach's Alpha)
Cost Leadership	Assurance of investment capital for a lower price than rivals	.816	32.309	.833
	Presentation of similar products and services for a lower price in accordance with the rivals	.794		
	Assurance of raw material/ services for lower prices than rivals	.732		
	Minimizing distribution system cost			
	Making investments to make the processes more efficient	.720		
		.675		
	Limiting the period between the order and delivery			
		.629		
Innovative Differentiation	Making research to develop new product and service	.837	17.313	.793
	Making an effort in order to improve customer loyalty	.755		
	Using new marketing methods for sector	.712		

Competitive Differentiation	Offering a better customer service than rivals	.821	12.414	.744
	Putting new products and services on market before the rivals	.791		
Focus	Targeting a special customer group	.878	7.831	.690
	Compete within the niche market	.841		
		TOTAL	69.866	
	Kaizer Meyer Olkin Measure of Sampling Adequacy		.707	
	Bartlett Test of Sphericity	Chi-Square	930.197	
		df	78	
		Sig.	0	

In the analysis of "HR architecture scale", 5 factors whose eigenvalues were 1 and above were obtained. According to the reliability analysis of the factors, it was determined that five factors were over the 0.50 reliability level. Total explained variance was %71.495. The factors were named "Participation", "Empowerment", "Proactive Selection and Placement", "Generous Compensation", and "Flexibility". Cronbach's Alpha values of the factors were 0.818; 0.710; 0.591; 0.595; 0.507.

Table 6. The results of factor and reliability analysis-3: HR architecture

Factor Name	Items	Factor Loadings	Factor Extraction (%)	Reliability Analysis (Cronbach's Alpha)
Participation	High level of authority and responsibility for the employee	.838	31.983	.818
	Participation of the department managers in strategic decisions	.813		
	Decision stream for consulting and informing in communication with subordinates	.762		
Empowerment	Preference of initiative taking employees in the selection and placement process	.705	12.616	.710
	Continuous training and development	.631		
	Determining the goals with the personnel	.605		
Proactive Selection And Placement	Proactive selection and placement process	.836	10.468	.591
	Given importance of the creativeness and competence in the selection and placement process	.826		
Generous Compensation	Broad fringe benefits	.774	9.214	.595
	High price in comparison with sector	.699		
Flexibility	Flexible rules and procedures	.805	7.214	.507
	Job descriptions promoting the creativeness	.660		
		TOTAL	71.495	
	Kaizer Meyer Olkin Measure of Sampling Adequacy		.606	
	Bartlett Test of Sphericity	Chi-Square	974.337	
		df	91	
		Sig.	0	

In the analysis of "perceived performance scale", 2 factors whose eigenvalues were 1 and above were obtained. When the reliability analysis of the factors was made, it was determined that the two factors were above the 0.50 reliability level. Total explained variance was %71.625. Factors were named "Quantitative Performance" and "Qualitative Performance". Cronbach's Alpha values of the factors are 0.929 and 0.798.

Table 7. The results of factor and reliability analysis-4: perceived performance

Factor Name	Items	Factor Loadings	Factor Extraction (%)	Reliability Analysis (Cronbach's Alpha)
Quantitative Performance	Financial performance	.825	61.105	.929
	Market share	.824		
	Rate of achieving targets	.793		
	Realizing financial targets	.768		
	Sales	.765		
	Position in comparison with the rivals	.750		
Qualitative Performance	Achieving demanded performance	.859	10.520	.798
	Attracting qualified personnel	.791		
	Corporate image	.741		
	Coping with difficulties	.714		
		TOTAL	71.625	
	Kaizer Meyer Olkin Measure of Sampling Adequacy		.856	
	Bartlett Test of Sphericity	Chi-Square	1211.114	
		df	45	
		Sig	0	

3.5 Correlations

The correlations between the factors are shown in the Table 8. When we look at the environment-strategy relations, positive correlations between the two differentiation types and munificence, cost leadership and ambiguity, cost leadership and dynamism, focus and ambiguity are obvious. These values are consistent with the strategic management literature.

Regarding the relations between strategy and HR architecture, positive correlations between innovative differentiation and participation, empowerment, proactive selection-placement and generous compensation are observed. As expected, there are also positive correlations between competitive differentiation and participation as well as empowerment. A negative correlation is observed between focus and proactive selection and placement.

However, the positive correlations between cost leadership and participation, empowerment, and generous compensation are unexpected. These unexpected results are caused by environmental factors which are analyzed by multi-regression tests.

While inspecting the environmental factors and HR architecture, positive correlations between the environment's ambiguity and participation; munificence and empowerment; dynamism and participation, empowerment, generous compensation and flexibility become obvious.

Furthermore, there are positive correlations between quantitative performance and munificence, innovative differentiation, competitive differentiation, proactive selection and placement, generous compensation, and negative correlations between quantitative performance and ambiguity, quantitative performance and focus strategy. There are also positive correlations between quantitative performance and munificence, cost leadership, competitive differentiation, innovative differentiation, participation, empowerment, proactive selection and placement, generous compensation and flexibility. The correlations are presented in detail within the regression analyses.

Table 8. Correlation tests for the factors

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Ambiguity	1													
2. Munificence	-0.053	1												
3. Dynamism	.293**	.172*	1											
4. Cost Leadership	.237**	0.061	.243**	1										
5. Innovative Differentiation	-0.121	.245**	0.035	.260**	1									
6. Competitive Differentiation	-0.043	.403**	0.111	.294**	.578**	1								
7. Focus	.156*	0.14	0.133	-0.065	0.007	-0.093	1							
8. Participation	.174*	0.016	.283**	.303**	.270**	.240**	-0.03	1						
9. Empowerment	0.056	.180*	.284**	.332**	.463**	.483**	-0.046	.508**	1					
10. Proactive Sel. and Placem.	0.051	0.057	0.096	0.094	.367**	0.153	-.169*	0.053	.235**	1				
11. Generous Compensation	0.098	-0.009	.170*	.210**	.202**	0.143	-0.003	.352**	.273**	0.151	1			
12. Flexibility	0.06	-0.133	.336**	0.051	-0.015	0	-0.098	.271**	.205**	.188*	.250**	1		
13. Quantitative Performance	-.160*	.288**	-0.056	0.129	.504**	.602**	-.172*	0.103	.277**	.311**	0.105	0.098	1	
14. Qualitative Performance	-0.119	.196*	-0.035	.265**	.544**	.550**	0.004	.401**	.338**	.157*	.284**	.166*	.654**	1

Sample Size=162 *p<0.05, **p<0.01.

3.6 Hypothesis Testing

In order to analyze Hypothesis 1 for each of the HR policies, five different hierarchical regression tests have been applied. After environmental conditions are added in the first step, competitive strategies are added to the model in the second step. The aim of using this method is to evaluate the effect of competitive strategies on HR architecture by controlling the environmental conditions.

H₁: Environmental conditions and competitive strategies have significant effects on the HR architecture.

Regression analyses were applied to investigate how environment and strategy affect whether the HR policies would be dictating or democratic, whether they would be procedure based or empowered, whether the selection and placement policies would be reactive or proactive, whether the compensation policies would be sparing or generous and whether there would be low or high flexibility.

When taking a closer look at Table 9, it becomes evident that the dynamism of the environment leads the companies to the understanding of participative management, empowerment and flexibility. As it has been set forth in the contingency approach, the companies need to maximize their adaptation skills within dynamic environments. Participative management, giving initiative to the employees and understanding of flexibility does not only create an organic structure for the companies, but also increases their adaptation skills to dynamic environments.

A negative effect of the environment's munificence on flexibility is also apparent. Especially in monopolistic markets that have quite limited competition or markets where the generosity of the environment -in other words number of clients, sales and growth- increases, it is observable that the mechanisms of companies tend to get rigid. That is to say, generous markets make companies remain distant from the structural changes.

Table 9. Hierarchic regression tests for hypothesis 1

Dependent:	Participation		Empowerment		Proactive		Generous		Flexibility	
	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2
Step 1: Environmental Conditions										
Ambiguity	0.097	0.104	-0.015	0.011	0.03	0.123	0.049	0.05	-0.066	-0.038
Munificence	-0.023	-0.11	0.133	-0.038	0.045	0.022	-0.034	-0.091	-.204**	-.201*
Dynamism	.258**	.224**	.266**	.223**	0.079	0.099	0.162	0.135	.391**	.405**
Step 2: Competitive Strategies										
Cost Leadership		0.144		0.122		-0.058		0.116		-0.046
Innovative Differentiation		.209*		.275**		.468**		0.18		0.01
Competitive Differentiation		0.097		.275**		-0.136		0.028		0.03
Focus		-0.044		-0.041		-.224**		-0.007		-0.118
Model R^2	0.072	0.168	0.082	0.331	-0.007	0.164	0.014	0.052	0.155	0.17
R^2 Change		0.096		0.249		0.171		0.038		0.015
Model F	5.178**	5.648**	5.763**	12.382**	0.625	5.522**	1.775	2.267*	9.632**	4.496**

Standardized regression values are reported. (* $p < 0.05$; ** $p < 0.01$).

In dynamic environments, HR policies are designed in a more organic manner. Applying a more participative and empowering management style and more flexible HR policies ensures the adaptation of companies to environments with high rates of change and enhances the defense mechanisms. Generosity (munificence) of the environment affects the flexibility in the opposite manner. This result is in line with the literature. It is clearly stated in the contingency theory that in monopolistic markets and as well as in markets without sales shortages, a mechanical structure is preferable and works very well. Flexible rules and procedures, and creativity-focused job descriptions are preferable in environments with high rates of change and uncertainty while they are not preferable in generous environments.

Looking at the competitive strategies, a notable effect of a cost leadership strategy on HR policies is identified. In addition, innovative differentiation affects HR policies highly in comparison to competitive differentiation. Innovative differentiation leads the companies to participative management, giving initiative to the employees and proactive selection and placement policies while the competitive differentiation strategy solely gives initiative to the employees. It is because of this fact that innovative differentiation is a more proactive strategy, including activities such as developing new products and services, making efforts to improve the clients' loyalty, applying new marketing strategies for the sector. However, competitive differentiation takes only its competitors as the basis for action such as 'providing better services as compared to its competitors' and 'launching new products and services before its competitors'.

The only considerable effect of the focus strategy on HR policies is proactive selection and placement policies, and this is a negative effect indeed. Generally, focus strategies are used in order to target a special group and compete in niche markets. It is recommendable especially for companies which lack a sophisticated financial infrastructure enough as well as the charm to attract very successful professionals. The main point becomes very clear by considering how difficult it is for a middle-scale soccer team to transfer a famous player.

The model version of five different hierarchical regression tests applied for the hypothesis is demonstrated in Figure 1.
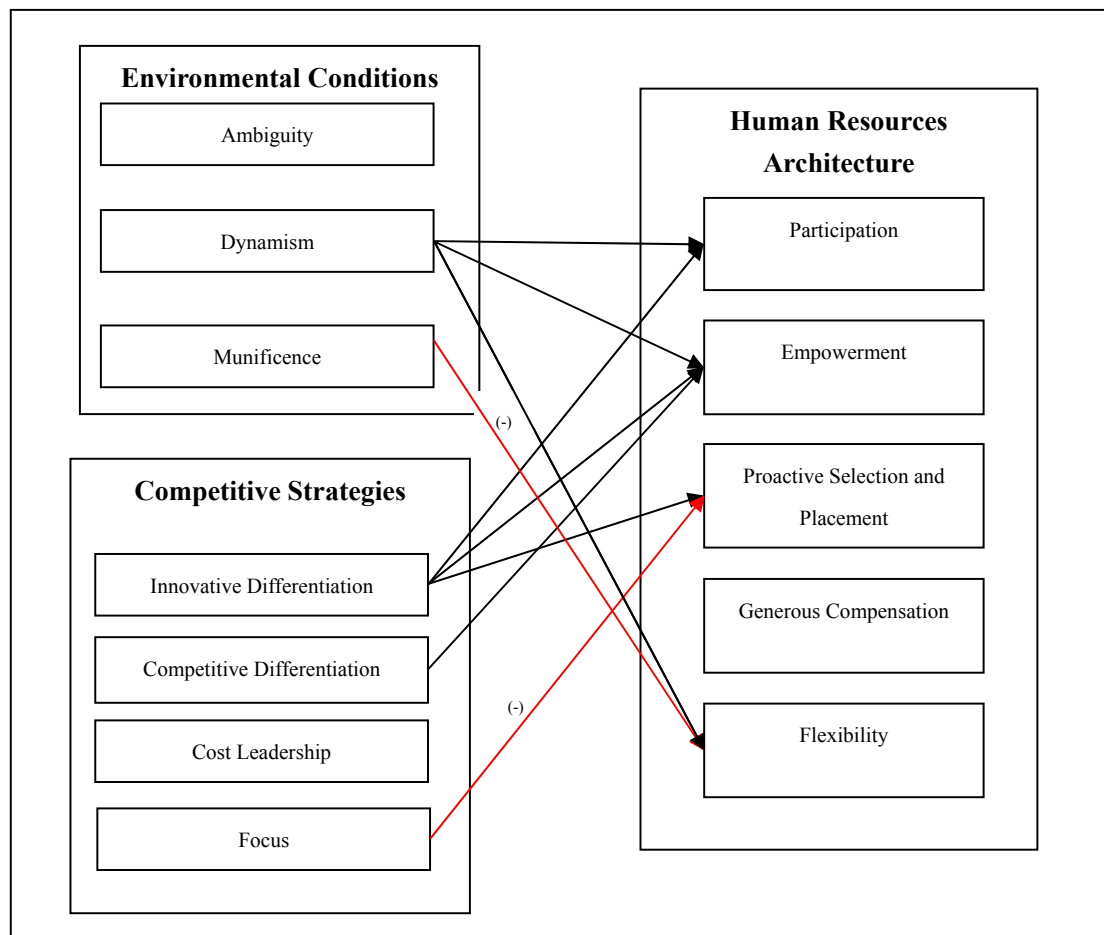
Figure 1. Results of the research model (only approved hypotheses are shown)

One of the most striking results of this research is that the generosity rate of the environment or, in other words, growth rate of the market, does not have any effect on the compensation policies. Especially, even the cost leadership strategy, which at the first glance is expected to affect generous compensation policies negatively, does not have any positive or negative effect on compensation levels. Furthermore, differentiation strategies do not affect the compensation policies, either. In other words, neither the environmental conditions nor the competition strategies have a notable effect on the compensation policies. It explains itself that even in very successful companies in the market the compensation level is not high enough to reflect the success of the company.

These results stem from the imbalance of work force demand and work force supply in Turkey. That is to say, the determining elements in compensation are solely the work force markets and other firms performing in the same sector. Companies take advantage of a high supply rate of work force, and that is why the real wages do not increase at the same rate as the performance of companies.

H₂: Competitive strategy and HR architecture congruence will positively affect corporate performance.

For the analysis of Hypothesis 2 the success levels of all combinations of the competitive strategy types and HR architecture dimensions were measured separately. It was tried to reveal which strategy policy combination results in the most successful performance. Regarding the statistics, the best method for measuring these combinations is 'multiplication'. The multiplication of moderator and predictor variables is applied principally to measure how the moderator variables change the correlations between the predictor and dependent variables. In fact, the main point is not too different from this: Measuring the effect of a combination of two different phenomena on the dependent variable is an effort to identify to what extent these variables increases each other's effect on the dependent variable. If the harmony between two variables is measured with a regression test, the low value of a variable will decrease the other's value as well while the high value of a variable will increase the other's value, too.

Table 10. The effect of competitive strategy—HR architecture harmony on performance

Dependent:	Quantitative Performance	Qualitative Performance
ID*PAR	-0.09	0.327**
ID*EMP	0.211	0.031
ID*PRO	0.245**	-0.016
ID*GC	0.098	0.213*
ID*FL	0.123	0.146
	R^2=.231; S.E. =.565; F=10.687; p=0	R^2=.342; S.E. =.496; F=17.731; p=0
CD*PAR	-0.046	0.372**
CD*EMP	0.065	-0.087
CD*PRO	0.306**	0.048
CD*GC	0.197	0.239*
CD*FL	0.177*	0.15
	R^2=.347; S.E. =.520; F=18.125; p=0	R^2=.381; S.E. =.482; F=20.819; p=0
CL*PAR	-0.192	0.283*
CL*EMP	0.328**	0.137
CL*PRO	0.281*	0.02
CL*GC	-0.047	0.111
CL*FL	-0.099	-0.112
	R^2=.084; S.E. =.617; F=3.963; p=0.002	R^2=.156; S.E. =.562; F=6.957; p=0
FOC*PAR	-0.359	0.248
FOC*EMP	0.342	0.038
FOC*PRO	0.201	-0.117
FOC*GC	-0.144	0.127
FOC*FL	-0.14	-0.192
	R^2=.033; S.E. =.633; F=2.097, p=0.069	R^2=.011; S.E. =.609; F=1.369, p=0.239

Standardized regression values were reported. (* p < 0.05; ** p <0.01).

ID: Innovative Differentiation, CD: Competitive Differentiation, CL: Cost Leadership, FOC: Focusing;

PAR: Participation, EMP: Empowerment , PRO: Proactive Selection and Placement, GC: Generous Compensation, FL: Flexibility.

The results of the tests should be considered as follows: To be successful in terms of quantitative performance such as financial performance, market share, level of achievement of objectives and sales, it becomes essential to apply (1) proactive selection and placement policies if innovative differentiation was selected, (2) proactive selection and placement policies and flexibility if competitive differentiation was selected, and (3) empowerment and proactive selection and placement policies if cost leadership was selected. No HR policy which operates together with the focus strategy had any general significant success.

In order for establishments to have success within the frame of their capabilities to meet the requirements of qualitative performance—that is for concrete and long term performance criteria such as attracting the qualified personnel, achieving positive corporate image and to cope with the difficulties—it becomes essential to apply (1) participation and generous compensation policies if innovative differentiation or competitive differentiation was selected, and (2) participation policy if cost leadership was selected.

4. Conclusion

As a conclusion, it was observed that the high rate of change of environment orientates the companies towards a participative management perception, towards empowerment and flexibility. Dynamic environments orientate companies to keep their adaptation capabilities at the top level and construct an organic structure. It becomes evident that the generosity of the environment has a negative effect on flexibility. It shows that companies have the tendency to be rigid on their mechanisms when performing well in the market.

When the competitive strategies are examined, it becomes clear that cost leadership does not have any significant effect on the HR policies. Besides, innovative differentiation has more influence on the HR policies than competitive differentiation. While innovative differentiation orientates companies towards participative management, empowerment, proactive selection and placement policies, competitive differentiation influences only the empowerment (provision of initiative). The reason behind this is that innovative differentiation is a proactive competition strategy, and that competitive differentiation only focuses on the competitors.

When the results concerning the harmony of the competitive strategy with the HR architecture are examined in more detail, it becomes obvious that participative management, long term training policies, proactive HR policies and generous compensation policies are more successful under different strategies compared to dictating, short term, reactive, and ungenerous HR policies.

When considered in terms of quantitative performance, to select a differentiation strategy and to prefer participative, proactive and generous HR policies is much more important than to look for the perfect harmony between strategy and HR policies. That is because a company which applies a differentiation strategy and a participative, proactive, generous HR architecture, would have a positive influence on the employees within the sector and on the consumers. This, in turn, is important for the image of the corporation, for being able to attract qualified work force, and for capabilities like the ability to cope with difficult situations.

When considered in terms of qualitative performance, the principal factor that leads the company to success for innovative differentiation, competitive differentiation and for the cost leadership strategies are the proactive selection and placement policies. This, in turn, shows that the effort made and the proactive behaviour put forward during the process of attracting the best employees brings about long term success. In addition, companies that apply a cost leadership strategy are successful when they provide initiative for their employees.

Nevertheless, if we were to answer the question about the most successful "Strategy-HR policy" relationship, the answer with regard to the qualitative performance would be: (1) proactive selection and placement policies if innovative differentiation was selected, (2) proactive selection and placement policies and flexibility if competitive differentiation strategy was selected, and (3) empowerment and proactive selection and placement policies if cost leadership was selected. For the quantitative performance, on the other hand, the answer would be: (1) participative management and generous compensation if innovative differentiation or the competitive differentiation strategy was selected and (2) participative management policies if cost leadership was selected.

Additionally, it is would be beneficial for future researches to take into consideration the cultural dimensions of the companies, together with their environmental factors, and to include interviews with managers with regard to the way focus strategies are perceived in companies and the factors that influence an organization's compensation principles.

References

Baum, S. K., & Endrissat, N. (2009). Practicing Human Resource Strategy: Understanding the Relational Dynamics in Strategic HR Work by Means of a Narrative Approach. *German Journal of Human Resource Research, 23*(2), 125–146.

Becker, B., & Gerhart, B. (1996). The Impact of Human Resource Management on Organizational Performance: Progress and Prospects. *The Academy of Management Journal, 39*(4), 779–801. http://dx.doi.org/10.2307/256712

Chow, I. H. S., & Liu, S. S. (2010). The Effect of Aligning Organizational Culture and Business Strategy with HR Systems on firm performance in Chinese Enterprise. *The International Journal of Human Resource Management, 20*(11), 2292–2310. http://dx.doi.org/10.1080/09585190903239666

Delerey, J., & Doty, D. H. (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. http://dx.doi.org/10.2307/256713

Edstrom, A., & Lorange, P. (1984). Matching Strategy and Human Resources in Multinational Corporations.

Journal of International Business Studies, 15(2), Special Issue on Strategic Planning, Autonomy and Control Processes in Multinational Corporations, 125–137. http://dx.doi.org/10.1057/palgrave.jibs.8490486

Hart, S., & Banbury, C. (1994). How strategy-making processes can make a difference. *Strategic Management Journal*, *May*, 251–269. http://dx.doi.org/ 10.1002/smj.4250150402

Katou, A., & Budhwar, P. S. (2008). The Effect of Business Strategies and HRM Human Policies on Organizational Performance: Greek Experience. *Global Business and Organizational Excellence, 10*, 40–57. http://dx.doi.org/10.1002/joe.20235

Lepak, D., & Snell, S. (1999). The human resource architecture: Toward a theory of human capital allocation and development. *Academy of Management Review, 24*(1), 31–48. http://dx.doi.org/10.5465/AMR.1999.1580439

Melin, L., & Nordqvist, M. (2007). The Reflexive Dynamics of Institutionalization: The Case of the Family Business. *Strategic Organization, 5*(3), 321–333. http://dx.doi.org/10.1177/1476127007079959

Meyer, J. W., & Rowan, B. (1977). Institutionalized organizations: Formal structure as myth and ceremony. *American Journal of Sociology, 83*, 340–363. http://dx.doi.org/10.2307/2778293

Miles, R. E., & Snow, C. (1978). *Organizational Strategy, Structure and Processes*. New-York: McGraw-Hill.

Milliman, J., Glinow, M. A., & Nathan, M. (1991). Organizational Life Cycles and Strategic International Human Resource Management in Multinational Companies: Implications for Congruence Theory. *Academy of Management Review, 16*(2), 318–339. http://dx.doi.org/10.5465/AMR.1991.4278949

Mohrman, S. A., & Lawler, E. E. (1999). In R. S. Schuler & S. E. Jackson (Eds.), *Strategic Human Resource Management*. Oxford: Blackwell.

Montemayor, E. (1996). Congruence Between Pay Policy and Competitive Strategy in High-Performing Firms. *Journal of Management December, 22*(6), 889–908. http://dx.doi.org/10.1177/014920639602200605

Özdemirci, A. (2011). *Corporate Entrepreneurship and Strategy Process: A Performance Based Research on Istanbul Market*. 7th International Strategic Management Conference, Paris, France, 2011. http://dx.doi.org/10.1016/j.sbspro.2011.09.068

Porter, M. E. (1980). *Competitive Strategy*. New York: The Free Press.

Purcell, J. (1989). The impact of corporate strategy on human resource management. In Storey (Ed.), *New Perspective on Human Resource Management.* London: Routledge. http://dx.doi.org/10.1177/103841119102900117

Schuler, R. S., & Jackson, S. E. (1987). Linking Competitive Strategies with Human Resource Management Practices. *Academy of Management Executive, 1*(3), 207–219.

Wan, Z. (2004). *Competitive Strategy, Competitive Forces and Business Level Performance in the U.S. Upholstered, Wood Household Furniture Industry*. Unpublished PhD Dissertation, Missisippi State University, U.S.A.

Weinstein, M., & Obloj, K. (2002). Strategic and Environmental Determinants of HRM Innovations in Post-Socialist Poland. *International Journal of Human Resource Management, 13*(4), 642–659. http://dx.doi.org/10.1080/09585190210125831

Wright, P. M., Smart, D. L., & McMahan, G. C. (1995). Matches Between Human Resources and Strategy Among Ncaa Basketball Teams. *Academy of Management Journal, 38*(4), 1052–1074. http://dx.doi.org/10.2307/256620

Wright, P., & Snell, S. (1998). Toward a Unifying Framework for Exploring Fit and Flexibility in Strategic Human Resource Management. *Academy of Management Review, 23*(4), 756–772. http://dx.doi.org/10.5465/AMR.1998.1255637

Yang, J. Z. (1992). Organizational and Environmental Impact on the Use of Japanese-Style HRM Policies in Japanese Firms in U.S. *The International Executive, 34*(4), 321–343. http://dx.doi.org/10.1002/tie.5060340404

Zhang, Y., Gao, S., & Zhang, J. (2011). *Competitive Strategy, Strategic Human Capital and Sustained Competitive Advantage.* 2011 International Conference on Management Science & Engineering (18th), September 13–15, Rome, Italy. http://dx.doi.org/10.1109/ICMSE.2011.6070012

Copyrights