



ORGANIZATIONAL AND HRM STRATEGIES IN KOREA: IMPACT ON FIRM PERFORMANCE IN AN EMERGING ECONOMY

JOHNGSEOK BAE
Hanyang University

JOHN J. LAWLER
University of Illinois at Urbana-Champaign

To examine the effects of organizational strategic variables, such as management values regarding human resource management (HRM) and the sources of competitive advantage, we developed a model and tested it with data from 138 firms in Korea. The workers studied were nonmanagers. Firms with high scores on valuing HRM and people as a source of competitive advantage were more likely to have high-involvement HRM strategies. These variables also had positive effects on firm performance. In addition, firms with high-involvement HRM strategies had better performance.

Gaining competitive advantage through strategic action has become an important focus of research and analysis in the human resource management (HRM) field (Cappelli & Singh, 1992; Pfeffer, 1994; Ulrich, 1991; Wright & McMahan, 1992). Work in this area has gained more impetus as the management strategy literature focuses increasingly on internal resources and competencies (Barney, 1991; Collis & Montgomery, 1995; Teece, Pisano, & Shuen, 1997; Wernerfelt, 1984). Drawing on an extensive body of past research on strategic human resource management (SHRM), we examine the links between various aspects of organizational strategy, HRM strategy, and firm performance. Our research emphasizes two different aspects. First, in contrast to most SHRM research, which has occurred largely within the context of industrialized Western economies, the present study focuses on these issues in one of the leading economies of East Asia—Korea. Hence, we consider the impact of non-Western cultural influences on the conventional SHRM framework and provide empirical evidence for the model we construct. The second feature of the present research is in line with international HRM studies. Studying both multinational corporation (MNC) subsidiaries and local firms operating in Korea, we were in a position to examine

between-firm variations in HRM strategies that went beyond the cross-cultural variations that have been the focus of many previous studies.

THEORETICAL BACKGROUND AND HYPOTHESES

The approach we take here is to consider how the implications of the conventional SHRM framework might play out in the Korean setting. A significant issue in Korea, as well as elsewhere in East Asia, is the extent to which American-style high-involvement work systems might transfer to the Asian context. The driving force behind this concern is the impact of globalization on the efficacy of the low-cost, mass production-oriented business strategies that drove the first round of Asia's rapid, export-oriented economic development. Thus, it seems reasonable to build a model based on the established SHRM framework and empirically test it within Korean organizations. In doing this, we will consider how Asian cultural circumstances might impact the workability of such a system.

Market Forces, HRM Strategy, and Asian Culture

Authors contributing to the SHRM literature often take a configurational perspective, with strategies envisioned as "internally consistent bundles of human resource practices" (Dyer & Reeves, 1995: 656) that function as a unified system (MacDuffie, 1995). Many studies have provided typologies of HRM systems and strategies (Arthur, 1992, 1994; Begin, 1991; Dyer & Holder, 1988; Kochan & Katz, 1988; Miles & Snow, 1984;

We wish to acknowledge the valuable comments of Joseph Martocchio and Chris Robert. We would also like to thank Dr. Jaebum Hong for his help in collecting financial performance data. Partial support for this project was provided by the Campus Research Board of the University of Illinois at Urbana-Champaign and the Center for East Asian and Pacific Studies, University of Illinois at Urbana-Champaign.

Osterman, 1987; Walton, 1985; Womack, Jones, & Roos, 1990; Wright & Snell, 1991). However, as Dyer and Reeves (1995) pointed out, these typologies tend to array strategies and systems in reasonably comparable continua, from those characterized by high employee participation, extensive training programs, and broad job designs to those characterized by low participation, limited training, and highly specialized jobs. We use the term "high-involvement HRM strategy" to denote the former approach and "traditional HRM strategy" to denote the latter.

Lepak and Snell (1999) proposed a framework that depicts various HR "architectures," with considerable discussion centering on internal development versus acquisition architectures (two of four basic architectures they identified). Internal development and acquisition correspond, respectively, to the high-involvement and traditional HRM strategies, though Lepak and Snell argued the relationships are more complex than suggested in relatively simple make-versus-buy arguments. As these authors observed, internal development has been linked to a number of desirable organizational effects, including greater stability and predictability of a firm's stock of human resources, higher commitment to an organization, and better coordination and control. Despite these advantages, certain organizations may choose an acquisition strategy. Internalization may have significant costs, and buying or externalization may have significant advantages, including cost reduction and numerical flexibility enhancement regarding employment (Pfeffer & Baron, 1988).

Of course, firms can utilize multiple HRM strategies, and Lepak and Snell (1999) specifically noted that make and buy strategies are not necessarily mutually exclusive. However, Sonnenfeld and Peiperl maintained in their work that "each firm . . . should exhibit one modal type of system, which we would expect to be most closely connected with the base, or primary, business strategy" (1988: 597), a position the empirical literature in the strategic HRM field generally supports. Also, this particular study focused on frontline, nonsupervisory employees. Although the firms in question employed many types of workers in this category, it seems likely that HRM strategy will be rather more homogeneous for such workers than for say, managers or professionals.

The choice between traditional and high-involvement HRM strategies is a critical issue in contemporary Korea. In the initial stages of the country's export-oriented development strategy, and until quite recently, most Korean firms pursued fairly bureaucratic organizational strategies

that supported low-cost production. But it was recognized even before the 1997 financial crisis that Korean *chaebols* required restructuring and that competitiveness needed to be encouraged among Korea's small and medium-sized firms, if the country's businesses were to deal with the increasing pressures of globalization (Ungson, Steers, & Park, 1997). In fact, the Korean term *seggyewha*, which means "globalization," has also come to be used as the byword for Korea's efforts at economic restructuring. Such restructuring has led to the introduction of what has been termed the "new human resource management" (NHRM) system in Korea (Bae, 1997). NHRM techniques correspond very much to American-style high-involvement HRM strategies. NHRM approaches involve greater reliance on teams, employee empowerment, and performance-based evaluation, pay, and staffing. Despite strong union opposition, Korean firms now have the right to terminate workers for economic reasons, thus enhancing flexibility. These changes are driven by the need for Korean firms to respond to the competitiveness and uncertainty created by global competition, particularly now that Korea does not enjoy the cost advantage it once did in world markets. Ungson and colleagues (1997) also pointed out that many Korean companies have been moving in the direction of implementing high-involvement HRM strategies, as well as reformulating organizational strategies and structures, to promote rapid responsiveness and organizational learning in competitive global markets.

Important cultural traits that may undermine the efficacy of high-involvement work systems, however, distinguish Korea (and most of East Asia) from the United States and other Western countries. In particular, Asian cultures tend to be more collectivist and hierarchical than Western cultures (Hofstede, 1991). Kirkman and Shapiro (1997) provided a theoretical analysis of the connections between these cultural traits and the effectiveness of autonomous work teams (a cornerstone of high-involvement HRM strategies). The more collectivist a culture, the more likely workers are to accept such team-based work arrangements. But in hierarchical cultures, the empowerment aspects of high-involvement HRM strategies are generally not so readily accepted either by managers or their subordinates. Workers also tend to be more fatalistic in collectivist cultures and thus less prone to have the sense of self-efficacy requisite for independent action.

In Hofstede's (1991) study, Korea ranked as one of the most collectivist countries, with a value of 18 (in contrast to Japan's 46) on an individualism scale ranging between 0 and 100). Hence, group harmony

based on social contracts, company loyalty, and commitment are highly valued. At the same time, Korea's relatively high value on Hofstede's power distance scale, which measures the extent to which members of a society legitimize hierarchical relationships, reflects the fact that authoritarian and paternalistic leadership, hierarchical structure, and a bureaucratic managerial style are traditional features of Korean organizational culture (Cho & Park, 1998; Chung, Lee, & Jung, 1997; Steers, Shin, & Ungson, 1989; Yoo & Lee, 1987).

On the surface, then, the ability to implement high-involvement work systems in Korea is seemingly limited by certain cultural traits. However, there are at least three reasons why high-involvement work systems could be implemented well in Korea. First, the country's traditional collectivism is well suited for high-involvement systems. Lee and Johnson argued this: "Managerial values of loyalty, cooperation, and harmony underlie most Korean firms' labor policy. These values mesh well with high-involvement work systems" (1998: 73). They also pointed out that several factors within the Korean context facilitate the adoption of high-involvement management, noting that Korean workers value education and are very open to obtaining the additional training required for effective high-involvement work systems.

Second, traditional East Asian cultures certainly have not, in general, been well situated to implement high-involvement work systems, primarily since such systems involve extensive worker empowerment. High-involvement work systems require some individualistic features, which seemingly contradict Korean collectivism. However, contemporary Korean culture is more complex than the traditional culture and can be characterized as a composite of Asian and Western values (Bae, 1997; Cho & Park, 1998; Koch, Nam, & Steers, 1995; Ungson et al., 1997). Ungson and his coauthors (1997) wrote that individualism and group spirit are both equally strong in Korea. Cho and Park also recognized that Korean corporate culture is multidimensional and paradoxical: "A mixture of harmony and change, face-saving and aggressiveness, and emotional community and impersonal achievement" (1998: 27). They labeled this hybrid of conflicting cultural traits "dynamic collectivism" (Chang & Chang, 1998: 27). These authors further observed that harmony-seeking collectivism and future-oriented optimism coexist in today's Korean business culture. Chang and Chang (1994: 47) also argued that the "I" feeling and the "we" feeling coexist in Korean behavioral patterns. This line of arguments is the second reason that high-involvement

work systems may be applicable to Korean firms.

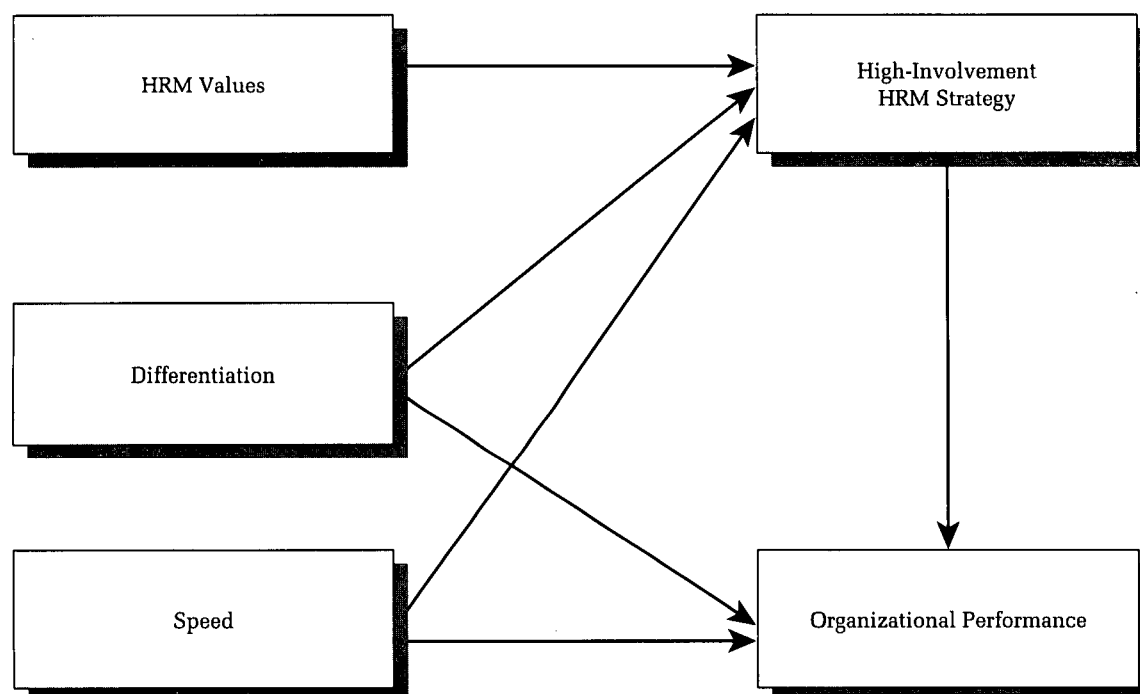
Finally, the pressures of globalization, necessitating considerable flexibility on the part of firms, are making the effective implementation of such systems increasingly necessary (Chung et al., 1997; Ungson et al., 1997). In Korea in particular, we see this pressure manifested in the use of NHRM techniques and other organizational transformation efforts. As a result, cultural changes seem to be occurring in Korea that make workers and employers more open to high-involvement work systems. Thus, we need to generate empirical evidence as to whether this convergence of forces will translate the use of high-involvement work systems in Korea into greater levels of organizational effectiveness, as theory suggests. Ungson and his colleagues made this argument: "On the surface, the major organizational changes taking place in Korea look like the 'Westernization' of the management process. At the heart of many of these efforts is a sincere attempt to remold the organization in a way that capitalizes on the company's human resources and prepares it for global competition" (1987: 82). We sought to address this question. We also believe that our findings have relevance beyond Korea specifically, as we discuss in our conclusions.

The elements of the model we tested are summarized in Figure 1. This model depicts firm performance as affected by organizational strategy (responsiveness to external customers and markets), speed (internal efficiency through reengineering), and HRM strategy (mobilization of human assets), with HRM strategy mediating the relationships between key organizational variables and performance. The theoretical constructs and the rationale for each hypothesized relationship are developed below.

HRM Values and HRM Strategy

High-involvement HRM strategy starts with management philosophies and core values that emphasize the significance of employees as a source of competitive advantage. Works by Ulrich (1997), Noe, Hollenbeck, Gerhart, and Wright (1997), Butler, Ferris, and Napier (1991), and Lado and Wilson (1994) examine different types of links between HR managers and the firms' top executives. It follows that when top management considers human capital as a source of competitive advantage, it will tend to establish links to the HRM function characterized in this stream of work as integrative, fully integrated, or reciprocal, so that HR managers will have a greater voice in top-level organizational strategy formulation. If we further assume that HR

FIGURE 1
Organizational Strategic Variables, HRM Strategy, and Performance



managers, through professional training and socialization, will most often advocate people-centered, high-involvement HRM strategies, then we should expect:

Hypothesis 1. An organization with a management that strongly values HRM and people as a source of competitive advantage is more likely to use high-involvement HRM strategies.

Empirical work supports this hypothesis in the U.S. context (Bennett, Ketchen, & Schultz, 1998; Lewin & Yang, 1992). But is such a scenario likely in Korea or elsewhere in Asia? Traditionally, Korean firms have emphasized the importance of *in-jae* (talented human assets). However, this value often ended in mere gesture without action. In addition, the HRM function is not so extensively developed and linked to business as it is in Western countries. Bae (1997), however, pointed out that the pressures of globalization and international competition considered above are making high-level executives much more aware of the potentially beneficial role of people-centered HRM. And these policies are seemingly bringing HRM to the forefront of Korean industry (Ungson et al., 1997).

Organizational Strategy and Firm Performance

Extensive analysis has dealt with the presumed contingent relationships between organizational

and HRM strategy (Bird & Beechler, 1994; Miles & Snow, 1984; Olian & Rynes, 1984; Schuler, 1988, 1989; Wright & Snell, 1991). But the organizational strategy literature has more recently shifted toward the resource-based theory of competitive advantage (Youndt, Snell, Dean, & Lepak, 1996), which directly emphasizes the significance of a firm's internal resources, including its human resources, as sources of value. Since many other sources of competitive advantage are more accessible to all producers, sustaining competitive advantage through people is becoming more important (Cappelli & Singh, 1992; MacDuffie, 1995; Pfeffer, 1994; Snell, Youndt, & Wright, 1996). Perhaps the most critical factors for effective organizations in turbulent environments are quality and service rather than cost. That is, firms seek organizational strategies that differentiate their products from those of competitors on the basis of the products' intrinsic characteristics, rather than purely on the basis of price (Porter, 1980). Product differentiation, in turn, is linked to a flexible work system, extensive training, and high employee involvement. As discussed above, such processes are clearly relevant to the Korean situation:

Hypothesis 2. Organizations with differentiation strategies are more likely to have high-involvement HRM strategies.

Business strategy might also exert a direct influence on firm performance. In his original work, Porter (1980, 1985) posited that a firm needs to choose between generic strategies and avoid becoming stuck in the middle between the cost leadership and differentiation strategies. Kim and Lim (1988) applied this approach to the Korean electronics industry, indicating that the performance implications of strategies were comparable with those of developed countries. But early empirical findings using the generic strategy concept were inconsistent on this point (Dess & Davis, 1984; Hall, 1980; Hambrick, 1983; Miller & Friesen, 1986; White, 1986), and later theoreticians have argued that cost leadership and differentiation are not mutually exclusive in certain situations (Hill, 1988; Jones & Butler, 1988; Murray, 1988). Customers now demand low cost and high quality (Hammer & Champy, 1993), and experience with total quality management (TQM) and related systems suggests that high quality at low cost is an achievable goal (Crosby, 1979; Gunn, 1987; Womack et al., 1990). Thus, product differentiation may be relevant to a firm's performance and HRM system regardless of economies of scale:

Hypothesis 3. The extent to which a firm pursues a differentiation strategy is positively related to firm performance.

Response Speed

Analyses of organizational and workplace transformation often stress the importance of time-based competitive advantage (Hamel & Prahalad, 1994; Stalk, 1988; Stalk & Hout, 1990). Production systems that pursue quality, variety, and speed demand "workers with considerable intellectual preparations" (Taira, 1996: 101). This means that workers should be trained and empowered (Hammer & Champy, 1993; Pfeffer, 1994). Since Confucian-influenced culture emphasizes education, employee competence building would be readily achieved in this cultural context. In addition, environmental changes and emerging values like individualism and a performance orientation provide an adequate cultural context for empowerment. Finally, pursuing efficiency through reengineering and empowering matches well with Korean's *palli palli* (quickly quickly) culture (Rowley & Bae, 1998). Bae (1997) again pointed to enhanced response speed as a significant aspect of evolving Korean business strategies, suggesting the following processes might be at work in the country:

Hypothesis 4. Organizations emphasizing higher speed in firm activities and services

for internal and external customers are more likely to have high-involvement HRM strategies.

Hypothesis 5. The speed of firm activities and services for internal and external customers is positively related to firm performance.

HRM Strategy and Firm Performance

Most of the empirical work in industrialized Western countries (mostly conducted in the United States) has shown reasonably strong, positive relationships between the extent of a firm's adoption of high-involvement HRM strategies and organizational performance (Arthur, 1994; Delaney & Huselid, 1996; Huselid, 1995; Huselid, Jackson, & Schuler, 1997; Lawler, Anderson, & Buckles, 1995). As Huselid (1995) argued, contemporary organizational environments are such that firms must increasingly rely on the discretionary contributions of employees, even those at relatively low levels. According to Thompson (1967), this increased reliance might be anticipated to lead to greater reciprocal interdependencies within organizations, reducing their ability to achieve coordination and control via traditional bureaucratic methods. High-involvement work systems promote attachment and commitment on the part of employees to their organizations, thus providing incentives to go beyond minimum performance expectations. In addition, high-involvement HRM strategies that enhance the acquisition, development, and retention of high-quality employees further promote organizational effectiveness. Finally, citing work by Bailey (1993), Huselid maintained that high-involvement HRM strategies give workers the autonomy and discretion required to react to changing circumstances without first obtaining permission from higher management.

Theoretical work by other authors supports Huselid's point of view. High-involvement HRM strategies may enhance, reinforce, and sustain both the competence and commitment of employees, essential for competitive advantage in today's turbulent business environments (Lado & Wilson, 1994; Ulrich, 1998; Ulrich & Lake, 1990). In addition, a high-involvement HRM strategy is more likely to provide HRM systems having higher social complexity and causal ambiguity, which would generate sustained competitive advantage through establishing imitation barriers (Lado & Wilson, 1994; Snell et al., 1996). High-involvement HRM strategies also put firms in a position to create knowledge and opportunities, which makes organizations more dynamic, flexible, and agile, and thus better

able to adapt to turbulent environments (Nonaka, 1988; Teece, Pisano, & Shuen, 1997).

Huselid (1995) developed and validated indexes of high-involvement HRM strategies, finding two distinct aspects of such systems (skills/organizational structures and employee motivation) through factor analysis. His work thus supports a configurational view of HRM strategy, where techniques tend to work synchronously. He found high-involvement HRM strategies to be strongly and positively linked to various measures of organizational performance, including work attachment, firm financial performance, and productivity. In another study, Delaney and Huselid (1996) found that practices consistent with a high-involvement HRM strategy, such as highly selective staffing, incentive compensation, and training, were positively linked to organizational performance. However, Delaney and Huselid's efforts to establish the impact of internal consistency among such practices by considering the interaction of effects of pairs of strategies were not particularly successful. Numerous other studies have similarly shown positive relationships between measures of firm performance and high-involvement HRM strategies (e.g., Arthur, 1994; Chadwick & Cappelli, 1998; Delery & Doty, 1996; Ichniowski, Shaw, & Prennushi, 1993; MacDuffie, 1995; Youndt et al., 1996).

Those arguing from the resource-based perspective often maintain there are universal "best" HRM practices (e.g., Arthur, 1994; MacDuffie, 1995; Pfeffer, 1994) that promote high firm performance regardless of organizational strategy. According to an alternative perspective, the relationship between HRM strategy and firm performance is contingent upon the fit between HRM strategy and a broader organizational strategy. For example, Bird and Beechler (1994) maintained that cost leadership organizational strategies work best with traditional, high-control HRM strategies and that differentiation strategies work best with high-involvement HRM strategies. This approach implies an interaction effect involving organizational and HRM strategy, but to date the evidence in favor of such a contingency perspective has been mixed at best (Becker & Gerhart, 1996; Delery & Doty, 1996; Huselid, 1995).

Though rather limited, there is some empirical work evaluating the links between high-involvement HRM strategies and organizational performance in Asian countries. For example, Morishima (1998) found support for the contingency perspective in a sample of Japanese companies. Firms with well-integrated high-involvement work practices and firms with well-integrated practices consistent with more traditional Japanese employment strategies *both* did better than firms with poorly inte-

grated practices. A study by Ngo, Turban, Lau, and Lui (1998) investigated certain work practices (training and compensation techniques) with high-involvement characteristics and found they tended to increase organizational performance in Hong Kong companies. Ngo and colleagues also provided some evidence in support of the contingency perspective, as a firm's country of origin significantly moderated the relationship between some HRM practices and firm performance. Although country of origin is taken as culture proxy, it might also represent different organizational strategies rooted in national culture. Studies in India (Sivasubramaniam & Venkata Ratnam, 1998) and Taiwan (Uen, 1997) have also suggested that high-involvement HRM strategies can work well in Asia.

Thus, many researchers have argued that high-involvement work systems support enhanced organizational performance. The processes seen as at work here are also active in Korea. A traditional Korean motto, *insa-mansa* (personnel is all in all), is now put into practice. Therefore, we posit:

Hypothesis 6. The presence of a high-involvement HRM strategy is positively related to firm performance.

Although we focused on the relationship suggested by the best practices perspective in this study, we also did some exploratory work assessing the viability of a contingency approach.

METHODS

Sample and Procedures

Units of observation for this study were randomly sampled subsidiaries of MNCs and local firms operating in Korea. Each firm included in the sample had to be organized as a single business unit with at least 50 full-time employees. The sample was cross-sectional. In the case of subsidiaries, both wholly owned MNC subsidiaries and joint ventures were included. In the case of the Korean-owned firms, we roughly matched industry and size with those of the foreign firms. Our target number of local firms was about 40. We first called each company's head human resource manager to ask for the firm's participation. About 70 percent of those contacted agreed to participate. Among those that agreed to participate, 68 wanted the researcher to visit their offices, and the others wanted to handle the questionnaire by mail. In either case, we thoroughly explained how to fill the questionnaire out and assured that their responses would be confidential. The surveys were completed by the head of human resource management for each firm. In

the end, we obtained a total of 142 questionnaires, all but 4 of which were usable.

The questionnaire was originally developed in English, then translated into Korean. Back-translation was employed as a procedure to ensure comparability of the original and translated versions of the questionnaire. The questionnaire included items for a number of different scales. These items were intermingled with one another in such a way that items from the same scale were always separated from one another by items from different and unrelated scales. This intermingling created natural "distracter" items that reduced the likelihood of common source bias. A number of items were also reverse-scored. Finally, items related to the principal dependent variable in the study—firm performance—were asked later in the questionnaire to limit the possibility of respondents rationalizing answers to those items through their answers to items used to construct independent variable scales.

We collected data from 40 Korean-owned firms, 41 subsidiaries and joint ventures of American firms, 42 European subsidiaries and joint ventures, and 15 Japanese subsidiaries and joint ventures. Among the 98 foreign companies in the sample, 64 (65.3%) were wholly owned foreign subsidiaries, and 34 (34.7%) were joint ventures. The sample represented many industries covering 20 different two-digit Standard Industrial Code categories. In the case of company size, 85 percent of the Korean local firms had over 300 employees, and 38 percent of the foreign subsidiaries had less than 100 employees. As a whole, 75 (54.3%) out of 138 firms were unionized, with 48 (49%) of the foreign invested firms having unions.

Measures

We measured different components of a firm's HRM strategy as applied to its nonsupervisory production workers: the degree to which the firm relied upon extensive training, empowerment, highly selective staffing, performance-based pay, and broad job design. High values from all these areas are consistent with a high-involvement strategy, and low values are consistent with a control strategy. *Highly selective staffing* and *extensive training* were assessed on six-category Likert scales using items adapted from Snell and Dean (1992). *Empowerment* was measured by a seven-item, six-category Likert scale. *Performance-based pay* was assessed by a three-item scale with a six-point Likert scale. This variable reflects the degree of the linkage of performance and pay level. Finally, *broad job design* was measured by a three-item scale to reflect the extent to which jobs involved multiple

skills and competencies. These last three scales were developed specifically for this study. The items contained in each scale are summarized in Table 1.

Management HRM values were assessed with items adapted from Lewin and Yang (1992). This variable reflects the beliefs of management regarding the importance of human resources and people as a source of competitive advantage (Butler et al., 1991). *Differentiation* was measured with a Likert scale adapted from studies by various authors (Arthur, 1992; Dess & Davis, 1984; Hambrick, 1983; Snell, 1992; Snow & Hrebiniak, 1980). The items reflect such aspects of organizational strategy as the variety of products or services and the level of product or service quality. Low values on this scale represent narrow and stable strategic positions, and high values represent a broad range of products, varied customer tastes, and high-quality postures. *Speed* was measured with a Likert scale developed specifically for this study but based on the work of Taira (1994) and Hammer and Champy (1993). Low values represent a traditional bureaucratic structure with slow service and many handoffs, and high values reflect flexibility, rapid decision making, and a strong customer orientation.

Items adapted from Khandwalla (1977) were used to measure *organizational performance*. The original Khandwalla scale consisted of subscales that measured both market-oriented performance and organizational system performance. The latter consisted of items measuring variables such as employee job satisfaction and employee commitment, which seem quite closely related conceptually to some of the hypothesized precursors of performance (such as HRM values and HRM strategy). Thus, we only used the externally oriented and largely market-focused indicators in forming our performance scale; these included public image and goodwill, growth rate of sales or revenues, product (or service) quality, long-run profitability, financial strength, and employee productivity.

Many studies have employed market-based or accounting measures of performance (e.g., Huselid, 1995). Such hard measures have obviously desirable properties; however, we chose to use perceptual measures, as have the authors of several other studies (e.g., Delaney & Huselid, 1996; Youndt et al., 1996). It would have been difficult, if not impossible, to find comparable objective measures for both types of firms sampled (multinational and indigenous). Also, it is often difficult to get Asian firms to make accurate disclosures of financial performance. Finally, Delaney and Huselid (1996) observed that various studies have shown strong relationships between perceptual and hard measures

TABLE 1
High-Involvement HRM Strategy Items

Item ^a	Mean	α	Range
1. Extensive training		.90	1-6
Amount of money spent on training	3.85		
Opportunity for training	4.01		
Availability of different kinds of training	.39		
Systematically structured training process	3.58		
High priority on training	3.83		
Extensive training for general skills	2.97		
2. Empowerment		.73	1-6
Minimum status differentials for egalitarianism	3.41		
Engagement in problem-solving and decisions	3.44		
Extensive transference of tasks & responsibilities	3.66		
Providing chances to use personal initiative	1.98		
Permitting enough discretion in doing work	4.34		
Participation in very wide range of issues	3.89		
Very cooperative and trustful climate	3.94		
3. Highly selective staffing		.74	1-6
Very extensive selection efforts	3.45		
Great amount of money spent selection	3.21		
Hire people with general rather than specific skills	2.91		
Great effort to select right person	5.00		
High selection criteria in firm	3.68		
Great importance is placed on staffing process	4.35		
Provides job security	4.52		
Focus on long-run employee potential	4.15		
4. Performance-based pay		.64	1-6
Seniority-based rewards practices (R)	3.42		
Wide range in pay within same job grade	4.82		
Close tie of pay to individual/group performance	3.45		
5. Broad job design		.54	1-6
Mostly simple and repetitive job designs (R)	3.78		
Clearly defined jobs and duties for long time (R)	3.18		
Broadly designed jobs requiring a variety of skills	3.76		

^a "R" after an item number stands for a reversed scale.

of organizational performance. We were able to collect some supplementary objective financial data on a limited subset of the cases in our sample and used these data to help validate our perceptual measures (see below).

In the interest of a more parsimonious analysis, we used a single, global measure of organizational performance. We recognize that many of the U.S. studies have used multiple criteria for performance, though we are not sure how well those would transfer to the Asian context. That we did not use multiple performance measures may create a limitation in our study. However, we present evidence as to the overall relationship between key independent variables and this general concept of performance.

Control variables included union status, industry, and country of origin. All were coded as dummies. For union status, the code was 1 if unionized, 0 if not. For industry, the code was 1 for a manufacturing firm, 0 if not. A firm's national origin (United States, Japan, or Europe) was coded as 1 if

the parent company was from that country or region, 0 if otherwise. In addition to these control variables, we used certain other instrumental variables to aid in parameter estimation with two-stage least squares regression analysis. These are discussed below.

RESULTS

Scale Reliability and Validity

When both independent and dependent variables are derived from a single subject, response bias may appear (Podsakoff & Organ, 1986; Salancik & Pfeffer, 1997). To address such possible common method variance, we first calculated reliability coefficients for each of the scales described above (Table 2), including the five subscales used to measure aspects of HRM strategy (Table 1). With the exception of broad job design, the subscales had alpha coefficients over .60, with three having coefficients greater than .70. Having established scale

TABLE 2
Descriptive Statistics and Correlations^a

Variable	Mean	s.d.	α	1	2	3	4	5	6	7	8	9	10	11	12	13
1. Firm performance	4.47	0.62	.73													
2. High-involvement HRM strategy	3.68	0.71	.91	.32												
3. Speed	4.31	0.62	.87	.36	.57											
4. Differentiation	4.81	0.89	.81	.55	.28	.37										
5. Management HRM values	4.22	0.93	.87	.31	.73	.54	.25									
6. U.S. firm	0.29	0.45		.18	.14	.08	.06	.16								
7. Japanese firm	0.11	0.31		-.15	-.29	-.23	-.19	-.15	-.23							
8. European firm	0.30	0.46		.00	-.19	-.06	.12	-.16	-.43	-.23						
9. Manufacturing firm	0.57	0.49		-.10	.04	.11	.03	-.08	.05	-.03	.06					
10. Unionized firm	0.54	0.49		-.23	-.05	-.07	-.18	-.08	-.14	-.10	.04	-.06				
11. Independent HRM unit	0.70	0.46		-.06	-.24	-.21	-.07	-.12	-.15	.44	.02	.05	-.17			
12. Company age	19.71	16.11		-.17	.15	.06	-.11	-.02	-.29	-.06	-.24	-.06	.34	-.16		
13. Number of employees	2.51	0.68		-.01	.29	.12	.00	.09	-.21	-.22	-.35	.01	.39	-.32	.62	
14. Joint venture	0.24	0.43		-.07	-.12	-.02	.07	-.09	.14	.34	-.01	.26	-.15	.36	-.20	-.19

^a $N = 138$. Correlations with absolute values greater than .19 are significant at the .01 level; those greater than .17 are significant at the .05 level; and those greater than .13 are significant at the .10 level (all two-tailed tests).

reliability, we next considered scale validity. If common method and single-source difficulties were present, correlations among all or most items would be high. Under those conditions, in the extreme, we might expect a single underlying or dominant factor that could be used to explain most of the variation in the questionnaire items. We used confirmatory factor analysis in an effort to rule out the possibility of a single general factor and to establish the validity of the multiple scales posited above. Space limitations preclude full discussion of this approach, but we were able to reject a single-general-factor measurement model in favor of a model that generally reflected theoretical expectations regarding the number of factors and the structural relationships between the factors and observed measures. However, common method variance problems might generate multiple factors, rather than just a single factor. So the rejection of the single-factor model, while supporting the conclusion that common method variance problems were not at work in this study, is not conclusive, and our results, like the results of any study using data collected in this manner, must be interpreted with this proviso in mind.

We were also able to provide evidence as to the validity of our perceptual organizational performance measure using actual financial data from a subsample of 68 of the 138 firms in the study. The financial indicator used was *return on invested capital (ROIC)*, which was computed for both 1996 (the year of the survey) and 1997. The correlation between average ROIC for 1996 and 1997 and our perceptual performance scale is .25 ($p < .05$). That the correlation is statistically significant supports

the general validity of the organizational performance measure, although the magnitude of the correlation is low. We also did tests to compare the subsamples of cases with and without hard performance data; the profiles of these firms along various organizational dimensions (for instance, size) did not differ significantly between these two subsamples.

Regression Analysis

Our model might have best been estimated with a structural equations approach in a package such as LISREL. However, the relatively small sample size and number of parameters to be estimated were apt to lead to unstable estimates. Ordinary least squares regression analysis was not an appropriate approach to estimation either, as we had a multiequation system. The inclusion of endogenous variables as predictors of other endogenous variables meant that the OLS assumption that predictor variables are uncorrelated with a dependent variable's error term was not tenable. Therefore, we estimated the parameters of the model using two-stage least squares (2SLS) regression analysis. The control and exogenous variables discussed above served as instrumental variables in this approach. Some additional instrumental variables were also required to render the system identifiable. Those that we selected, all objective measures of organizational structural characteristics, include the number of years a company had been in operation in Korea, the logarithm of the number of employees, and whether or not the firm was a joint venture.

The descriptive statistics for all variables used in the two-stage least squares analysis are shown in

Table 2, along with the correlation matrix. Table 3 gives both OLS and 2SLS parameter estimates for the system of equations. All of the 2SLS equations are overidentified, indicating that the estimation method we chose was appropriate.

High-involvement HRM strategy. The first set of two-stage least squares results include all three variables specifically hypothesized to impact firm use of high-involvement work systems. The parameter estimate for management HRM values is positive and significant, thus supporting Hypothesis 1, although the parameter estimates for the differentiation and speed variables are not significant. Note that the OLS estimates are somewhat different, particularly with respect to the speed variable. This suggests the prudence of using 2SLS to estimate the model, as OLS estimates seem to generate upwardly biased estimates for both the speed and HRM values. Since there were some difficulties in establishing the construct validity of speed in our confirmatory factor analysis, and since speed and HRM values are highly correlated, we also report results with that variable deleted. Again, Hypothesis 1 is strongly supported. There is some marginal support for Hypothesis 2, as the differentiation variable is positive and significant, but only at the .10 level.

There are also some interesting control variable effects. Note that the Japanese and European firms were much less likely to use high-involvement

HRM strategies than the Korean firms (the reference category). This makes sense in that the Korean firms confronted some of the most significant pressures linked to globalization (at least within Korea), pressures that existed prior to the 1997 economic crisis (and thus were being experienced when our data were collected). The American firms were somewhat less likely to use such an approach than the Korean firms, but the relationship is significant only at the .10 level. Thus, American firms seem prone to export evolving high-involvement HRM strategies, and these methods are being implemented by indigenous Korean firms.

Organizational performance. When speed is included in the equation, neither that variable nor HRM strategy appears to impact organizational performance. Given that our confirmatory factor analysis work suggested problems with the speed scale, it was dropped from the analysis. With these modifications in the model, the HRM strategy variable is positive and significant at the .01 level (for both OLS and 2SLS estimates), thus supporting Hypothesis 6. The differentiation scale is positively and significantly related to firm performance in all specifications, which supports Hypothesis 3. There were no variations in firm performance by country of origin. However, the unionized firms seemed to have significantly lower levels of perceived firm performance than the nonunion firms.

An important concern is with the validity of the

153.185
TABLE 3
Results of Regression Analysis for Perceptual Firm Performance Measure^a

Variable	High-Involvement HRM Strategy			Organizational Performance			
	OLS	2SLS	2SLS ^b	OLS	OLS ^b	2SLS	2SLS ^b
Management HRM values	.58 (8.29)**	.49 (2.76)**	.66 (11.31)**				
High-involvement HRM strategy				.11 (1.20)	.17 (2.21)*	.15 (1.12)	.26 (2.45)*
Speed	.17 (2.40)*	.34 (0.98)		.14 (1.58)		.11 (1.14)	
Differentiation	.06 (1.00)	.02 (1.00)	.10 (1.69) ⁺	.44 (5.72)**	.47 (6.29)**	.43 (5.62)**	.44 (5.08)**
U.S.	-.11 (-1.60)	-.08 (-1.14)	-.12 (-1.80) ⁺	.13 (1.58)	.12 (1.52)	.14 (1.62)	.13 (1.62)
Japanese	-.21 (3.45) ⁺	-.18 (2.21)*	-.24 (3.85)**	.01 (0.16)	.01 (0.05)	.02 (0.29)	.03 (0.39)
European	-.18 (2.82)**	-.17 (2.21)*	-.20 (3.04)**	.05 (0.53)	.04 (0.48)	.05 (0.64)	.07 (0.78)
Manufacturing	.08 (1.43)	.08 (0.05)	.10 (1.88) ⁺	-.14 (-2.06)*	-.13 (-1.88) ⁺	-.14 (-2.06)*	-.14 (1.94) ⁺
Unionized	.01 (0.06)	.00 (0.06)	.00 (-0.08)	-.13 (-1.75) ⁺	-.13 (-1.76) ⁺	-.12 (1.73) ⁺	-.12 (-1.73) ⁺
Adjusted R ²	.60	.58	.59	.35	.34	.35	.35
F	26.89**	25.01**	28.90**	10.36**	11.25**	10.32**	11.38**
df	8, 129	8, 129	7, 130	8, 129	7, 130	8, 129	7, 130

^a Parallel results are shown for OLS and two-stage least squares (2SLS) estimates. The first parameter associated with each independent variable is the standardized regression coefficient and the second is the *t*-statistic. *N* = 138.

^b Model was estimated without the speed variable.

⁺ *p* < .10

* *p* < .05

** *p* < .01

performance measure, particularly given that perceptual measures from a single source were used to construct this scale. The existence, for a subsample of cases, of an objective, external measure of firm performance (ROIC) allowed us to address the common method variance problem in our study. In addition, alternative data available for a period subsequent to the time of the survey help address causal order concerns. OLS estimates using ROIC in 1996 (the year of the study) and 1997 as the dependent variable are reported in Table 4. The regression equation includes all of the predictor variables. OLS analysis was used, as the estimation properties of 2SLS regression with very small samples are questionable.

Despite the small sample, both equations are statistically significant. Given that both contemporaneous (1996) and subsequent (1997) financial data were used, the model demonstrates its robustness. First, these results establish the validity of the model with alternative performance measures. Note that the relationship between firm performance and a high-involvement HRM strategy is quite strong and positive, supporting Hypothesis 6. Second, the relationship in the case of the 1997 ROIC measure supports our assertion as to causal order. That is, the hypothesized impact of HRM strategy on firm performance was found using alternative performance data and in a period substantially later than the time of the survey. Finally, we should note that the 1997 financial data would reflect conditions after Korea's economic crisis in

International Monetary Fund (IMF) loans, which might explain the relatively low multiple squared correlation coefficient (R^2) for the 1997 analysis. Yet we still see a fairly strong relationship between a high-involvement HRM strategy and ROIC.

The resource-based perspective we have taken here led to the formulation of a hypothesis anticipating a monotonic relationship between HRM strategy and firm performance. We have reviewed the issues related to this problem above. A widely used approach to testing the contingency argument is to include appropriate interaction terms. Here, we interacted the differentiation organizational strategy scale with the high-involvement HRM strategy scale, including that term in an OLS estimation of the organizational performance measure (as two-stage least squares could not be used with an interaction term involving an endogenous variable). Expecting optimal fit between differentiation and high-involvement strategies, we expected a positive relationship between the interaction term and firm performance.

We generated estimates of various specifications of the performance function. Regardless of the specification, the interaction term did not significantly improve the fit of the model, although it was positive. The results, then, are consistent with many of the previously cited studies that have provided faint evidence in support of the contingency perspective. However, our sample was small, and estimation of models with interaction terms under such circumstances is problematic because of multicollinearity. Thus, although we cannot fully rule out contingency processes, we have no evidence to support them.

Evaluation of hypotheses. In conclusion, our empirical analysis strongly supports our main hypothesis: high-involvement HRM strategies increase firm performance (Hypothesis 6). This result is robust in that it occurs in both the OLS and 2SLS estimates (at least when speed is excluded as an independent variable) and in the analysis of the financial data we were able to obtain. Also strongly supported is Hypothesis 1. There is at best only weak support for Hypothesis 2, although Hypothesis 3 is strongly supported (differentiation increases firm performance). Hypotheses involving the speed variable (Hypothesis 4 and Hypothesis 5) were rejected, although a good test of these propositions was limited by concerns regarding the construct validity of our speed scale.

DISCUSSION

This study examines the relationships between organizational and HRM strategy in what is assur-

TABLE 4

Results of OLS Regression Analysis for Objective Firm Performance Measure^a

Variable	ROIC for 1996	ROIC for 1997
High-involvement HRM strategy	.45 (3.04)**	.36 (2.21)*
Speed	-.48 (3.05)**	-.35 (2.01)*
Differentiation	.36 (3.04)**	.12 (0.87)
U.S.	.30 (2.46)*	.19 (1.38)
Japanese	-.07 (0.62)	-.04 (-0.27)
European	.40 (3.98)**	.23 (1.83)*
Manufacturing	.08 (0.67)	.23 (1.07)
Unionized	-.20 (-1.78) ⁺	-.38 (-3.03)**
Adjusted R ²	.30	.15
F	4.20**	2.36*
df	9, 58	9, 58

^a The first parameter associated with each independent variable is the standardized regression coefficient and the second is the *t*-statistic. *N* = 68.

⁺ *p* < .10

* *p* < .05

** *p* < .01

edly one of the world's most significant emerging markets. A model, rooted in conventional SHRM arguments, was supported, despite the fact that Korea has a very different cultural and institutional environment from that of the United States. One proviso is that the data analyzed here were collected prior to the 1997 Asian economic crisis; the relationships we observed may have been altered by this crisis. Yet it should be borne in mind that the problems Korea faced at that time are likely to be ones that can be resolved through enhanced organizational flexibility and competitiveness, processes apt to be promoted by high-involvement work systems, so these results are highly relevant.

The study has certain limitations. Our principal firm performance variable was measured at the same point in time as the causal variables, and we used a single informant in each organization. Although we undertook some steps to discount the possibility of our results being attributable to common method variance, future work on HRM strategy in Asian countries (or other emerging economies) would certainly benefit from the methodological standards often encountered in research of this type in the United States. However, gaining cooperation from multiple organizational participants is likely to be much more difficult in many Asian countries than it is in the United States. And if researchers limit cases to only those firms that will allow application of the most rigorous methodological standards, the sample of firms considered may be skewed and quite unrepresentative of the general population.

Another limitation is the size of the sample. Many American studies of strategic HRM and its impact on firm performance draw on very large databases that allow use of sophisticated analytical tools. Our study would have benefited from greater use of structural equations modeling techniques like LISREL, but we were limited by sample size. Collecting a large enough sample in a given country may be difficult; the costs of greatly extending our sample, given the need to make on-site visits to 50 percent or more of the companies, would have been prohibitive.

This study contributes to the general theme of this issue of the *Academy of Management Journal* by examining links between organizational and functional (HRM) strategy within an emerging market. We studied these links in the Korean context, but since we used both indigenous firms and subsidiaries of several foreign companies, we dealt with distinct cultural influences. Despite these variations, the resource-based view of HRM strategy seems quite valid in the present study. But many find the best practices view of HRM strategy

unsatisfactory at an intuitive level and believe that issues really matter. Here, we find no evidence supporting the fit argument, but ample evidence supporting the best practices point of view.

One explanation may be that the firms studied here, most of which are highly active in international commerce, are all in an environment that is primarily supportive of the innovative, adaptive nature of high-involvement work systems. In other words, there may be some restriction in range with regard to organizational environments that somehow undercuts our ability to provide a full test of the contingency perspective. But it is unlikely that any of the industrial sectors involved in international trade confront anything but turbulent environments. The same applies to most of the other major and emerging economies in this region. So it is not that we are rejecting contingency theory outright, which, after all, has been shown to be credible in some circumstances; rather, this work, along with, for example, the work of Lee and Johnson (1998), suggests that the high-growth sectors of economies in this region are best suited to high-involvement HRM strategies. As Becker and Gerhart observed: "The best practice and contingency hypotheses are not necessarily in conflict—they simply operate at different levels of an HR system" (1996: 786).

After the Asian financial crisis of the late 1990s, some have raised questions about the sustainability of the Asian model of development in general and the Korean model in particular (e.g., Cathie, 1998). This line of argument is also related to the so-called factor accumulation versus technological progress debate. Although the World Bank (1993) identified several key factors in East Asia's economic success, Krugman (1994) argued that there had not really been a "miracle" and raised questions about Asian innovation and productivity (see Rowley & Bae, 1998). We partly agree with Krugman's argument, but we also maintain that there are some important intrinsic management values in Korean firms. Shim and Steers (in press) posited that Krugman's crony capitalism hypothesis went too far. They asserted that the Korean economic miracle was, in fact, founded on the basis of competitive advantage that was unique to Korea. They also emphasized that one important factor bringing about economic success was an enterprising spirit, presumably one that would be facilitated by high-involvement work systems that would bolster creativity and innovation.

In addition, as some have observed (e.g., Ogawa, Jones, & Williamson, 1993), the economic dynamism in the Asian region is mainly due to a successful development of human resources. Given scarce natural resources but abundant human re-

sources, the strategy taken by firms in this region has involved the accumulation and utilization of human capital. It is also believed that a commitment to human capital accumulation has further facilitated the rapid adoption of transferred technologies and has helped firms to learn rapidly (Hobday, 1998; Kim, 1997). Our results explain some aspects of this argument. Top management's human resource values and fully accumulating and utilizing human capital have helped firm performance.

The findings have some practical implications. A firm's management usually focuses on firm performance and profits. The results of this research imply that the goals of organizations and those of HRM and individuals can be achieved together. In addition, the sources of competitive advantage have both direct and indirect effects on firm performance through HRM systems. Although its HRM system is not the only determinant of a firm's performance, we have shown that it is an important determinant. As many HRM bundles studies have indicated, an HRM system as a whole affects firm performance. Therefore, workers are not just a cost to be consumed; rather, as is maintained in the resource-based perspective, people and HRM are emerging as critical sources of competitive advantage for firms (Barney, 1991; Pfeffer, 1994; Ulrich, 1991).

Another practical implication is that, consistent with the strategic choice perspective, understanding business strategy is critical in understanding HRM strategy. Given business strategy, HRM also can be strategically chosen by emphasizing either the competence side or the behavioral aspect. There are also some implications for international HRM. HRM strategy is not solely determined by national cultural differences. There is some latitude for management to make choices. And processes that work in Western cultures seem to function quite well in this emerging market setting.

An extension of the HRM strategy literature to other related organizational issues is needed. Studies on learning organizations (Dixon, 1992; Fiol & Lyles, 1985; Garvin, 1993; Senge, 1990) have raised many implications for HRM strategies. Snell and colleagues (1996) delineated the conceptual relationships between resource-based theory and organizational learning well, and researchers need to investigate those relationships empirically in the context of HRM strategy. Since this study showed that human resources can serve as a source of competitive advantage, maintaining sustained competitive advantage through institutionalizing core human resource competencies is a critical issue. Therefore, further investigation within the Asian

context, as well as in other cultural and institutional settings, would clearly be very useful.

REFERENCES

- Arthur, J. 1992. The link between business strategy and industrial relations systems in American steel mini-mills. *Industrial and Labor Relations Review*, 45: 488–506.
- Arthur, J. 1994. Effects of human resource systems on manufacturing performance and turnover. *Academy of Management Journal*, 37: 670–687.
- Bae, J. 1997. Beyond seniority-based systems: A paradigm shift in Korean HRM? *Asia Pacific Business Review*, 3(4): 82–110.
- Bailey, T. 1993. *Discretionary effort and the organization of work: Employee participation and work reform since Hawthorne*. Working paper, Columbia University, New York.
- Barney, J. 1991. Firm resources and sustained competitive advantage. *Journal of Management*, 17: 99–120.
- Becker, B., & Gerhart, B. 1996. The impact of human resource management on organizational performance: Progress and prospects. *Academy of Management Journal*, 39: 779–801.
- Begin, J. P. 1991. *Strategic employment policy: An organizational systems perspectives*. Englewood Cliffs, NJ: Prentice-Hall.
- Bennett, N., Ketchen, D. J., Jr., & Schultz, E. 1998. An examination of factors associated with the integration of human resource management and strategic decision making. *Human Resource Management*, 37: 3–16.
- Bird, A., & Beechler, S. 1994. Links between business strategy and human resource management strategy in U.S.-based Japanese subsidiaries: An empirical investigation. *Journal of International Business Studies*, 26: 23–46.
- Butler, J. E., Ferris, G. R., & Napier, N. K. 1991. Strategic human resources management. Cincinnati: South-Western.
- Cappelli, P., & Singh, H. 1992. Integrating strategic human resources and strategic management. In D. Lewin, O. S. Mitchell, & P. D. Sherer (Eds.), *Research frontiers in industrial relations and human resources*: 165–192. Madison, WI: Industrial Relations Research Association.
- Cathie, J. 1998. Financial contagion in East Asia and the origins of the economic and financial crisis in Korea. *Asia Pacific Business Review*, 4(2/3): 18–28.
- Chadwick, C., & Cappelli, P. 1998. *Investments or contracts? The performance effects of human resource systems under contingencies*. Working paper, Wharton School, University of Pennsylvania, Philadelphia.

- Chang, C. S., & Chang, N. J. 1994. *The Korean management system: Cultural, political, economic foundations*. Westport, CT: Quorum.
- Cho, Y., & Park, H. 1998. Conflict management in Korea: The wisdom of dynamic collectivism. In K. Leung & D. Tjosvold (Eds.), *Conflict management in the Asia Pacific: Assumptions and approaches in diverse cultures*: 15-48. Singapore & New York: Wiley.
- Chung, K. H., Lee, H. C., & Jung, K. H. 1997. *Korean management: Global strategy and cultural transformation*. Berlin & New York: de Gruyter.
- Collis, D. J., & Montgomery, C. A. 1995. Competing on resources: Strategy in the 1990s. *Harvard Business Review*, 73(4): 118-128.
- Crosby, P. B. 1979. *Quality is free: The art of making quality certain*. New York: McGraw-Hill.
- Delaney, J. T., & Huselid, M. A. 1996. The impact of human resource management practices on perceptions of organizational performance. *Academy of Management Journal*, 39: 949-969.
- Delery, J. E., & 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: 802-835.
- Dess, G. G., & Davis, P. S. 1984. Porter's (1980) generic strategies as determinants of strategic group membership and organizational performance. *Academy of Management Journal*, 27: 467-488.
- Dixon, N. M. 1992. Organizational learning: A review of the literature with implications for HRD professionals. *Human Resource Development Quarterly*, 3(1): 29-49.
- Dyer, L., & Holder, G. 1988. A strategic perspective of human resource management. In L. Dyer (Ed.), *Human resource management: Evolving roles and responsibilities*: 1-46. Washington DC: Bureau of National Affairs.
- Dyer, L., & Reeves, T. 1995. Human resource strategies and firm performance: What do we know and where do we need to go? *International Journal of Human Resource Management*, 6: 656-670.
- Fiol, C. M., & Lyles, M. A. 1985. Organizational learning. *Academy of Management Review*, 10: 803-813.
- Garvin, D. A. 1993. Building a learning organization. *Harvard Business Review*, 74(4): 78-91.
- Gunn, T. G. 1987. *Manufacturing for competitive advantage: Becoming a world-class manufacturer*. Cambridge, MA: Ballinger.
- Hall, W. K. 1980. *Survival strategies in a hostile environment*. Harvard Business Review, 58(5): 75-85.
- Hambrick, D. C. 1983. High profit strategies in mature capital goods industries: A contingency approach. *Academy of Management Journal*, 26: 687-707.
- Hamel, G., & Prahalad, C. K. 1994. *Competing for the future*. Boston: Harvard Business School Press.
- Hammer, M., & Champy, J. 1993. *Reengineering the corporation: A manifesto for business revolution*. New York: HarperCollins.
- Hill, C. W. 1988. Differentiation versus low cost or differentiation and low cost: A contingency framework. *Academy of Management Review*, 13: 401-412.
- Hobday, M. 1998. Latecomer catch-up strategies in electronics: Samsung of Korea and ACER of Taiwan. *Asia Pacific Business Review*, 4(2/3): 48-83.
- Hofstede, G. 1991. *Cultures and organizations: Software of the mind*. New York: McGraw-Hill.
- Huselid, M. A. 1995. The impact of human resource management practices on turnover, productivity, and corporate financial performance. *Academy of Management Journal*, 38: 635-670.
- Huselid, M. A., Jackson, S. E., & Schuler, R. S. 1997. Technical and strategic human resource management effectiveness as determinants of firm performance. *Academy of Management Journal*, 40: 171-188.
- Ichniowski, C., Shaw, K., & Prennushi, G. 1993. *The effects of human resource management practices on productivity*. Unpublished paper, School of Industrial and Labor Relations, Cornell University, Ithaca, NY.
- Jones, G. R., & Butler, J. E. 1988. Costs, revenue, and business-level strategy. *Academy of Management Review*, 13(2): 202-213.
- Khandwalla, P. 1977. *The design of organizations*. New York: Harcourt Brace Jovanovich.
- Kim, L. 1997. *Imitation to innovation: The dynamics of Korea's technological learning*. Boston: Harvard Business School Press.
- Kim, L., & Lim, Y. 1988. Environment, generic strategies, and performance in a rapidly developing country: A taxonomic approach. *Academy of Management Journal*, 31: 802-827.
- Kirkman, B., & Shapiro, D. 1997. Resistance to teams: Toward a model of globalized self-managing work team effectiveness. *Academy of Management Review*, 22: 730-757.
- Koch, M., Nam, S. H., & Steers, R. M. 1995. Human resource management in South Korea. In L. F. Moore & D. Jennings (Eds.), *Human resource management on the Pacific Rim: Institutions, practices, and attitudes*: 217-242. Berlin & New York: de Gruyter.
- Kochan, T. A., & Katz, H. C. 1988. *Collective bargaining and industrial relations* (2nd ed.). Homewood, IL: Irwin.
- Krugman, P. 1994. The myth of asia's miracle. *Foreign Affairs*, 73(6): 62-78.
- Lado, A. A., & Wilson, M. C. 1994. Human resource systems and sustained competitive advantage: A

- competency-based perspective. *Academy of Management Review*, 19: 699-727.
- Lawler, J. J., Anderson, R. W., & Buckles, R. J. 1995. Human resource management and organizational effectiveness. In G. R. Ferris, S. D. Rosen, & D. T. Barnum (Eds.), *Handbook of human resource management*: 630-649. Cambridge, MA: Blackwell.
- Lee, M. B., & Johnson, N. B. 1998. Business environment, high-involvement management, and firm performance in Korea. *Advances in Industrial and Labor Relations*, 8: 67-87.
- Lepak, David P., & Snell, Scott A. 1999. The human resource architecture: Toward a theory of human capital allocation and development. *Academy of Management Review*, 13: 31-48.
- Lewin, D., & Yang, J. Z. 1992. HRM policies and practices of U.S. and Japanese firms operating in the U.S. In J. F. Burton, Jr. (Ed.), *Proceedings of the 44 Annual Meeting of the Industrial Relations Research Association*: 344-351. New Orleans: IRRA.
- 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: 197-221.
- Miles, R. E., & Snow, C. C. 1984. Designing strategic human resources systems. *Organizational Dynamics*, 13(1): 36-52.
- Miller, D., & Friesen, P. H. 1986. Porter's (1980) generic strategies and performance: An empirical examination with American data. Part I: Testing Porter. *Organizational Studies*, 7: 37-55.
- Morishima, M. 1998. *Changes in Japanese human resource management: Implications for firm performance*. Paper presented at the conference "Workplace Conflict and Cooperation: Prospects for Employee Representation," University of Illinois at Urbana-Champaign, May 1-2.
- Murray, A. I. 1988. A contingency view of Porter's "generic strategies." *Academy of Management Review*, 13: 390-400.
- Ngo, H., Turban, D., Lau, C., & Lui, S. 1998. Human resource management practices and firm performance of multinational corporations: Influences of country of origin. *International Journal of Human Resource Management*, 9: 632-653.
- Noe, R. A., Hollenbeck, J. R., Gerhart, B., & Wright, P. M. 1997. *Human resource management: Gaining a competitive advantage* (2nd ed.). Chicago: Irwin.
- Nonaka, I. 1988. Self-renewal of the Japanese firm and the human resource strategy. *Human Resource Management*, 27: 45-62.
- Ogawa, N., Jones, G. W., & Williamson, J. G. 1993. Introduction. In N. Ogawa, G. W. Jones, & J. G. Williamson (Eds.), *Human resources in development along the Asian-Pacific Rim*: 1-17. New York: Oxford University Press.
- Olian, J. D., & Rynes, S. L. 1984. Organizational staffing: Integrating practice with strategy. *Industrial Relations*, 23: 170-183.
- Osterman, P. 1987. Choice of employment systems in internal labor markets. *Industrial Relations*, 26: 46-67.
- Pfeffer, J. 1994. *Competitive advantage through people*. Boston: Harvard Business School Press.
- Pfeffer, J., & Baron, J. N. 1988. Taking the workers back out: Recent trends in the structuring of employment. In B. M. Staw & L. L. Cummings (Eds.), *Research in organizational behavior*, vol. 10: 257-303. Greenwich, CT: JAI Press.
- Podsakoff, P. M., & Organ, D. W. 1986. Self-reports in organizational research: Problems and prospects. *Journal of Management*, 12: 531-544.
- Porter, M. E. 1980. *Competitive strategy: Techniques for analyzing industries and competitors*. New York: Free Press.
- Porter, M. E. 1985. *Competitive advantage: Creating and sustaining superior performance*. New York: Free Press.
- Rowley, C., & Bae, J. 1998. Introduction: The Icarus paradox in Korean business and management. In C. Rowley & J. Bae (Eds.), *Korean businesses: Internal and external industrialization*: 1-17. London & Portland: Frank Cass.
- Salancik, G. R., & Pfeffer, J. 1977. An examination of need-satisfaction models of job attitudes. *Administrative Science Quarterly*, 22: 427-456.
- Schuler, R. S. 1988. Human resource management choices and organizational strategy. In R. S. Schuler, S. A. Youngblood, & V. L. Huber (Eds.), *Readings in personnel and human resource management* (3rd ed.): 24-39. St. Paul: West.
- Schuler, R. S. 1989. Strategic human resource management and industrial relations. *Human Relations*, 42: 157-184.
- Senge, P. M. 1990. *The fifth discipline: The art and practice of the learning organization*. New York: Doubleday Currency.
- Shim, W., & Steers, R. M. In press. The entrepreneurial basis of Korean enterprise: Past accomplishments and future challenges. *Asia Pacific Business Review*.
- Sivasubramaniam, N., & Venkata Ratnam, C. 1998. *Human resource management and firm performance: The Indian experience*. Paper presented at the annual meeting of the Academy of Management, San Diego.
- Snell, S. A. 1992. Control theory in strategic human resource management: The mediating effect of ad-

- ministrative information. *Academy of Management Journal*, 35: 292-327.
- Snell, S. A., & Dean, J. A., Jr. 1992. Integrated manufacturing and human resource management: A human capital perspective. *Academy of Management Journal*, 35: 467-504.
- Snell, S. A., Youndt, M. A., & Wright, P. M. 1996. Establishing a framework for research in strategic human resource management: Merging resource theory and organizational learning. In G. R. Ferris (Ed.), *Research in personnel and human resources management*, vol. 14: 61-90. Greenwich, CT, & London: JAI Press.
- Snow, C. C., Hrebiniak, L. G. 1980. Strategy, distinctive competence, and organizational performance. *Administrative Science Quarterly*, 25: 317-335.
- Sonnenfeld, J. A., & Peiperl, M. A. 1988. Staffing policy as a strategic response: A typology of career systems. *Academy of Management Review*, 13: 588-600.
- Stalk, G., Jr. 1988. Time: The next source of competitive advantage. *Harvard Business Review*, 66(4): 41-51.
- Stalk, G., Jr., & Hout, T. M. 1990. *Competing against time: How time-based competition is reshaping global markets*. New York: Free Press.
- Steers, R. M., Shin, Y. K., & Ungson, G. R. 1989. *The chaebol: Korea's new industrial might*. New York: Harper & Row.
- Taira, K. 1994. Capitalism and modes of production: Craftsmanship, mass and lean production, and beyond. In A. R. Negandhi & M. G. Serapio (Eds.), *Research in international business and international relations*, vol. 6: 103-121. Greenwich, CT: JAI Press.
- Taira, K. 1996. Compatibility of human resource management, industrial relations, and engineering under mass production and lean production: An exploration. *Applied Psychology: An International Review*, 45: 97-117.
- Teece, D. J., Pisano, G., & Shuen, A. 1997. Dynamic capabilities and strategic management. *Strategic Management Journal*, 18: 509-533.
- Thompson, J. D. 1967. *Organizations in action: Social science bases of administrative theory*. New York: McGraw-Hill.
- Uen, J. 1997. *The configurations of human resource systems and their implications for organizational performance in high-tech companies in Taiwan*. Working paper, National Sun Yat-sen University, Kaohsiung, Taiwan.
- Ulrich, D. 1991. Using human resources for competitive advantage. In R. H. Kilmann, I. Kilmann, & Associates (Eds.), *Making organizations competitive: Enhancing networks and relationships across traditional boundaries*: 129-155. San Francisco: Jossey-Bass.
- Ulrich, D. 1997. *Human resource champions: The next agenda for adding value and delivering results*. Boston: Harvard Business School Press.
- Ulrich, D. 1998. Intellectual capital = competence \times commitment. *Sloan Management Review*, 39(2): 15-26.
- Ulrich, D., & Lake, D. 1990. *Organizational capability: Competing from the inside out*. New York: Wiley.
- Ungson, G., Steers, R., & Park, S. 1997. *Korean enterprise: The quest for globalization*. Boston: Harvard Business School Press.
- Walton, R. 1985. From control to commitment in the workplace. *Harvard Business Review*, 63(2): 77-84.
- Wernerfelt, B. 1984. A resource-based view of the firm. *Strategic Management Journal*, 5: 171-180.
- White, R. E. 1986. Generic business strategies, organizational context and performance: An empirical investigation. *Strategic Management Journal*, 7: 217-231.
- Womack, K., Jones, D., & Roos, D. 1990. *The machine that changed the world*. New York: Rawson-MacMillan.
- World Bank. 1993. *The East Asian miracle: Economic growth and public policy*. Oxford: Oxford University Press.
- Wright, P. M., & McMahan, G. C. 1992. Theoretical perspectives for strategic human resource management. *Journal of Management*, 18: 295-320.
- Wright, P. M., & Snell, S. A. 1991. Toward an integrative view of strategic human resource management. *Human Resource Management Review*, 1(3): 203-225.
- Yoo, S., & Lee, S. M. 1987. Management style and practice of Korean chaebols. *California Management Review*, 29(4): 95-110.
- 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: 949-969.

Johnseok Bae is an assistant professor of management in the College of Business & Economics at Hanyang University in Seoul. He received his Ph.D. in labor and industrial relations from the University of Illinois at Urbana-Champaign. His current research interests include the strategic management of human resources, international and comparative human resource management, organizational learning, and organizational and workplace transformation.

John J. Lawler is a professor in the Institute of Labor and Industrial Relations at the University of Illinois at Urbana-Champaign. He received his Ph.D. in business administration from the University of California, Berkeley. His research work focuses on comparative human resource management and international human resource management, with a particular interest in East and Southeast Asia.

Copyright of *Academy of Management Journal* is the property of Academy of Management and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.