

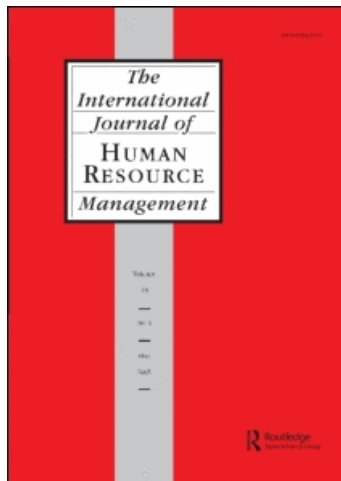
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Impact of the strategic human resource management on organizational performance: evidence from Turkey¹

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The strategic importance of human resources (HR) and their contribution to the organizational performance are receiving increasing recognition worldwide. In this study, we examined strategic human resource management (SHRM) and HR practices in Turkey to assess the impact of these practices on financial/market performance, operational performance, job satisfaction, and turnover. Empirical results from a sample of Turkey's Top 500 firms-2007 demonstrate that SHRM and selection/development practices have direct and positive effects on financial/market performance and operational performance. However, only selection/development practices are found to have a positive effect on turnover.

Keywords: human resources practices; job satisfaction; organizational performance; strategic human resource management; turnover

Introduction

A rapidly growing body of literature recognizes that the focus of researches on human resource management (HRM) has shifted from a micro-analytical approach to a macro-strategic perspective since the 1990s. With this transformation of HRM, employee champion, change agent, and strategic partner have been identified as the new roles for HRM (Ulrich 1997). The strategic human resource management (SHRM) involves designing and implementing a set of internally consistent policies and practices (Baird and Meshoulam 1988) that ensure source of sustainable competitive advantage and its impact on organizational performance, which has recently been the focus of considerable interest in the academic and business world. In the West, the conceptual link between SHRM and firm performance has been well established in the literature, and there are adequately published studies on the issue (Huselid 1995; Huselid, Jackson and Schuler 1997; Wright and Gardner 2003). It is suggested that the SHRM is positively related to financial and operational performance of the organization (Delaney and Huselid 1996; Becker and Huselid 1998; Khatri 2000). However, although the studies emphasize synergetic effect of the HR practices on organizational performance (Huselid 1995; MacDuffie 1995; Wright, Gardner, Moynihan and Allen 2005), the need to provide a source of sustained value creation for the organization (e.g. enhance firm performance) is still continuing; the implementation of the SHRM by firms, how line managers utilize the strategic role of HR, and the discussion on the contribution of HR to organizational outcomes remain the 'black box' of the SHRM agenda (Becker and Huselid 2006). On the other hand, there are limited empirical published studies (Von Glinow, Drost and Teagarden 2002; Bae, Chen,

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Wan, Lawler and Walumbwa 2003; Akhtar, Ding and Ge 2008) on the applicability of SHRM and its impact on organizational performance in different economic and cultural contexts compared to the West. It is, therefore, essential to explore the potential impacts of SHRM on organizational outcomes in different settings.

This study aims to extend the above line of research by examining the links between the SHRM and the organizational performance in the context of Turkey. It differs from prior empirical works in several ways. First, it tests the impact of alignment of HR with business strategy and high-performance practices on organizational performance in the context of Turkish firms using various organizational indicators such as financial and market performance, operational performance (company image and reputation in public, product, and service quality, efficiency of customer expectancy, and customer satisfaction), job satisfaction, and turnover. Second, Turkey has different cultural values (e.g. high-power distance and uncertainty avoidance cultural norms predominate according to Hofstede (1980); Gurbuz and Bingol (2007)) from the West, where the SHRM concept has been well established. Hence, this study can contribute to the growing literature by examining the validity of the SHRM-organizational performance linkage in the Turkish context in which published research on HRM is relatively limited. Third, in previous researches on SHRM, measures of the SHRM and firm performance are often collected from a single respondent. However, Gerhart, Wright, McMahan and Snell (2000) and Wright, Dunford and Snell (2001) raise the question that single respondent measures of HR practices may have led to large amounts of measurement error. In this study, we tried to minimize the common method bias to a certain extent by collecting information from multiple respondents.

Literature review

The relationship between SHRM and organizational performance has been a focus of attention since the early 1990s and continues to stimulate interest among researchers. Although there is no consensus on the definition of SHRM in the literature, there is a broad agreement that SHRM is 'the pattern of planned human resource (HR) deployments and activities intended to enable an organization to achieve its goals' (Wright and McMahan 1992, 298). This definition has focused on how firms develop and align HRM practices in a way that supports a firm's strategy. In general, leading theorists and researchers focus on three different approaches on theoretical explanation of HRM-organizational performance linkage. These include;

- (1) Universalistic or best-practices approach.
- (2) Fit or contingency approach.
- (3) Resource-based view approach.

Among them, the 'best practices' and 'contingency' approach places emphasis on how HR can be a sustainable advantage for firms. On the other hand, the 'resource-based view' (RBV) approach provides the conceptual and theoretical rationale for SHRM. The early research on the SHRM-organizational performance linkage was dominated by the best-practice perspective that emphasized stability in HRM practices across organizations. This approach suggests that some HRM activities are better than the others and, therefore, organizations should identify and adopt these activities (Kochan and Osterman 1994; Pfeffer 1994, 1998). In other words, when organizations adopt the best-practices, their organizational performance will be enhanced. These practices include internal career opportunities (hiring primarily from within), formal training systems (extensive training opportunities for their employees obtain required skills), result-oriented appraisals

(outcome-based performance ratings), employment security (feeling secure about continued employment), participation (involvement of problem solving and decision making), and profit sharing (the concern for overall organizational performance on a sustainable basis) (Colbert 2004). On the other hand, there is some criticism on the best-practices approach. First, after the best-practices become institutionalized and imitated by other organizations, in the long term, it can be difficult for a firm to create value and sustainable competitive advantages. Second, the best-practices process might restrict organizational creativity and the ability to develop new practices appropriate for the organizational culture (Porter 1996, 64). Third, best-practices approaches give little or no importance to interaction between HRM and organizational variables (Colbert 2004). In addition, attempts to apply the universalistic approach in different countries outside the US and the UK have not been clearly proven according to the results of some studies (Fey, Bjorkman and Pavlovskaya 2000; Khatri 2000; Boselie and Dietz 2003).

These critiques and applicability problems across countries of the best practices cause researchers to turn to the concept of fit or contingency as a potential explanation for HRM-firm performance (Delery and Doty 1996). This approach is based on the synergistic impact of particular HRM practices on organizational performance (MacDuffie 1995; Becker and Gerhart 1996). The particular HRM practices, also known as the high-performance work system, are used in bundles rather than as isolated practices that have synergistic impact on the organizational performance. The contingency approach recognizes that particular HRM practices may enhance organizational performance when HRM practices are consistent with each other and with the firm's strategic goals. The consistency among HRM practices represents a horizontal fit while the alignment between these practices and firm's larger strategic objectives represents a vertical fit (Baird and Meshoulam 1988; Wright and McMahan 1992; Huselid 1995). Effectiveness of HR practices is contingent on how well it is vertically and horizontally integrated (e.g. what discrete HR policies would be most appropriate if an organization were to encourage new product innovation) (Colbert 2004). Considerable research evidence supports the contingency approach by pointing out the relationship between internally consistent HR practices and organizational effectiveness (Huselid 1995; Delery and Doty 1996; Youndt, Snell, Dean and Lepak 1996; Becker and Huselid 1998; Bowen and Ostroff 2004).

The RBV approach is the theoretical underpinning to the notion of SHRM that has gained much attention recently (Barney 2001; Wright et al. 2001). RBV focuses on organizational competencies and the roles of HRM on the development of these competencies. According to the RBV, rare, valuable, inimitable, and non-substitutable resources can provide sustainable competitive advantages for the organizations (Barney 1991). HRM practices or policies that meet these criteria can provide sustainable competitive advantages and enhance organizational performance (Lado and Wilson 1994; Wright, McMahan and McWilliams 1994). For instance, when a firm selects highly qualified employees and trains them in a way different from its counterparts, it ensures its HR is unique. These kinds of activities, consistent with the firm strategy, can ensure the inimitability of the firm's HR. However, to provide sustainable competitive advantages, these sources must be valuable and support competencies that add value to the organization (Wright et al. 2001; Collins and Clark 2003). In other words, HR practices can create value when the individual practices are aligned to develop critical resources or competencies for a firm (Wright et al. 2001). It is important to note that the HR practices will support the sustainability of the competitive advantage because these practices are difficult to be imitated by other firms due to the fact that those policies may be firm-specific and socially complex (Lado and Wilson 1994; Wright et al. 2001). As a result, the notion of RBV

clarifies that when the HR practices are integrated with the appropriate strategy and HR resources meet four requirements (valuable, rare, inimitable, and non-substitutable), it can generate a sustained competitive advantage for the firm.

Human resource management in Turkey

Turkey, as a founding member of the OECD and the G-20 major economies, a developing country, and a regional power, began a series of economic transformations starting from 1983. With these reforms, more private sector and market-based economics were designed to enhance its economic growth. Most of the current firms were established after 1983. It has been observed that there has been an increasing rate of international trade and foreign investment in Turkey during the last decade (Kaminski and Ng 2006; Yilmaz, Cooke and Dellios 2008). Also, Turkey's entrance into the Customs Union agreement with the EU in 1995 and beginning full membership negotiations with the European Union in 2005 provided the impetus to further develop economic cooperation with foreign countries. All these improvements and changes contributed to HRM in Turkey. Through interactions with its foreign Western counterparts, Turkish business organizations had the opportunity to import know-how on management and HRM systems. Also, in its efforts to be a full member of the EU, Turkey has begun to pay more attention to effective utilization of its human capital (Aycan 2001).

As for cultural context, Turkey has some peculiar characteristics, which are different from Western norms. In Turkey, most of the business life consists of private holding companies that are run by family members and state economic enterprises. In general, family members hold top positions in companies and are still responsible for the relationship with state officials. Relationships with the government are important because companies are largely dependent on the government for financial fringe/incentives and the government often puts into practice unpredictable policy changes (Kabasakal and Bodur 1998). The other salient cultural characteristics are centralized decision making, powerful leadership, and limited delegation according to Ronen (1986). Trompenaars and Hampden-Turner (1998) observed that, among 39 nations, Turkey has the steepest hierarchy in its organization that indicates obedience of employees to its leaders. Turkish organizations are distinguished by more paternalistic values that have been described as family-type, whereby people in authority assume the role of a parent and think it is an obligation to show parental consideration toward their subordinates (Aycan and Kanungo 1998).

Turkish societal culture has been described as being high on power distance, uncertainty avoiding, and collectivism (Hofstede 1980; Gurbuz and Bingol 2007). It has been known that all these salient cultural characteristics affect leadership behavior, organizational culture, and particularly HRM practices. According to another study, some Turkish firms follow the newest trends and popular HRM practices, although they have difficulties due to some of the 'emic' characteristics of the societal and organizational cultures (Aycan et al. 2000).

The effectiveness of HRM practices and the quality of HR activities are predominantly dependent on top management support and dedication. Being represented on the board of directors, the HR department has begun to work with top management. Recently, HR managers are also ever increasingly included in the strategic decision making in some Turkish organizations. It can be said that the roles of HRM departments and the existence of HR strategy have begun to head for strategic approach, but it is still not widespread in Turkish companies in light of the findings of relatively limited researches on the issue (Aycan 2001; Caspi et al. 2004; Ozelik and Aydinli 2006).

Study objectives

The prior empirical works (e.g. MacDuffie 1995; Delery and Doty 1996; Huselid and Becker 1997; Guthrie 2001; Wright et al. 2005; Akhtar et al. 2008) explained above reveal that SHRM and HR practices, when properly implemented and vertically/horizontally integrated, should enhance organizational performance. There are many empirical researches concerning the link between SHRM and firm performance in the West where the concept of the SHRM was developed. However Turkey, as a developing and a European Union candidate country, has relatively limited research on HRM. To summarize, the objectives of this paper are therefore threefold:

- (1) To extend the above line of research by examining the HR-firm performance relationship in Turkey, which has different economic and cultural contexts.
- (2) To find out the extent of the links between the SHRM and the organizational performance.
- (3) To arrive at an understanding of the impact of the HR practices on organizational performance.

Methods

Sample and data collection

To investigate the impact of SHRM and HR practices on organizational performance, the survey was conducted in Turkey's Top 500 firms (2007), which was published on the Istanbul Chamber of Industry website as of November 2008. We chose these firms for three reasons. First, firms in the Turkey's Top 500 Firms list represent nearly all of the main sectors in Turkey, including automotive, iron and steel, electronics, oil and gas, food and drinks, textile, chemical and pharmaceuticals, and construction products. Second, the strategic role of HR in larger firms may be more widespread than small- and medium-sized firms. Third, this sample might contribute to the generalizability of link between SHRM and organizational performance. Because of financial restrictions and time constraints, the research sample size was found to be 165 by using the formula $(n = Nt^2pq/d^2(N - 1) + t^2pq)$. Systematic sampling method was used for random distribution of samples. To select surveyed firms at equal intervals along the list, the 'k' element was determined as '3' by dividing 500–165. We listed the 500 firms alphabetically and then picked one firm out of each triplet.

We prepared two types of questionnaires: 'A' for HR managers and 'B' for employees (blue collars). Questionnaire-A comprised the SHRM measure and some demographics aside from questionnaire-B. We utilized two different forms for two reasons. First, the HR managers had the greatest opportunity to assess the extent to which HR policies are integrated vertically and horizontally with the firm's strategy (SHRM measure); on the other hand, it was assumed that blue-collar employees were likely the best source of information about HR practices since HR practices became effective only if they were inherited by line workers and their immediate beneficiaries. Also, we accepted that blue-collar employees could provide information on the dependent variables. Second, according to Starbuck and Mezias (1996), perceptual error tended to be lower if the respondent's functional area related to the perceived variable. However, we tried to minimize the possible measurement errors to a certain extent by collecting information from both HR directors and employees on the HR practices, the perceived organizational and financial performance, organizational performance, and job satisfaction. The HR managers of the selected firms were telephoned and informed of the basic purpose of the research. HR

managers of 40 selected firms returned that they did not want to be involved. Then, five questionnaires (two of them were questionnaire-A, the rest were questionnaire-B) were mailed to each of the senior HR managers of 115 firms accompanied by a cover letter and pre-paid envelope. The blue-collar employees filled in the questionnaire from the surveyed firms and were selected randomly by the senior HR managers.

Of the 115 firms that received the questionnaire, 98 were returned, with a response rate of 85%. We excluded some returned questionnaires due to incompleteness and inconvenience. As a result, a total of 412 questionnaires were determined as usable and entered into statistical analysis. Among the participants, 41.7% (172) were HR managers while 58.3% (240) were employees. Most of the participants were male (74.8%), and the average tenure was 8.3 years. It is important to note that no significant correlation was found between the personal demographics and the dependent variables of the study.

Measures

Independent variables

SHRM

The SHRM was measured by a 9-item scale modified from Devanna, Fombrun, Tichy and Warren (1982) and Huselid and Becker (1997) which has been used in many researches on SHRM. The HR managers were asked to assess the extent to which HR policies integrated vertically and horizontally with the firm's strategy on a five-point Likert-type scale ranging from 1 (strongly disagree) to 5 (strongly agree). A sample item is, 'HR strategies are effectively integrated with this organization's strategy.'

HR practices

A 10-item HR practices measure was adapted from Becker and Huselid (1998) and Wright et al. (2005). Both HR manager and employees were asked to describe the extent to which these practices were used in their organizations on a five-point Likert scale with 1 (strongly disagree) to 5 (strongly agree) anchors. A sample item is 'Pay raises for employees in this firm are based on job performance.'

Dependent variables

Organizational performance

Of the financial performance indicators in extant studies, financial and market performance, productivity, and turnover were the most commonly used (Kaplan and Norton 1992; Huselid 1995). Four indicators of organizational performance were used in this study. These included the following: financial and market performance, operational performance, job satisfaction, and turnover. At the beginning, we preferred to collect some of the dependent variables objectively using archival data of the surveyed firms. However, most of the surveyed firms did not want to share their data with us. For that reason, perceptual measurements were used for the dependent variables except turnover.

Perceived financial and market performance

We used a subjective measurement for financial and market performance. The 4-item financial and market performance scale was adapted from Green, Medlin and Medlin (2001). Both the HR manager and the employees were asked to evaluate the firm's

performance compared to the following industry averages over the past three years: sales volume growth, net profit, market share growth, and return on investment. The scale is a five-point Likert scale with 1 (very low) and 5 (very high) anchors. As an example: 'Average sales volume growth over the past three years.'

Perceived operational performance

Items of the perceived operational performance scale were developed by researchers based on the related literature. We tried to measure the operational performance by asking the HR manager and employees to assess the operational performance of their organizations over the past three years as compared to the industry average: company image and reputation in public, product and service quality, efficiency of customer expectancy, and customer satisfaction. The four items of the scale range from 1 (very low) to 5 (very high). A sample item is 'Degree of product and service quality of the firm.'

Job satisfaction

The job satisfaction scale was measured by a 12-item scale modified from Hackman and Oldham (1975) by taking into consideration the Turkish work and business culture. The HR manager and employees were asked to respond to a five-point Likert-type scale with 1 (strongly disagree) and 5 (strongly agree). As an example: 'I have no anxiety about my job security.'

Turnover

Turnover rate was also measured as an HRM aspect of organizational performance. We collected annual turnover from the HR executives' response to a question about the annual percentage rate of employee turnover for the last three years. The level of turnover within each surveyed firm was computed by dividing the number of employees who quit (includes both voluntary and involuntary) with the total number of employees.

Control variables

The studies on SHRM show that some internal and external factors can also influence organizational performance (Huselid 1995; Delery and Doty 1996). For that purpose, we included the firm size and sector as the control variables that could potentially affect firm performance in the Turkish context. Firm size was measured as the sum of the number of full-time employees and part-time employees.

Validity and reliability

Content validity

Most of the items of the SHRM and HR practice measures used in the study have been adapted and developed from a careful review of the literature (Devanna et al. 1982; Huselid and Becker 1997; Becker and Huselid 1998; Green et al. 2001; Wright et al. 2005). During the adaptation of the item to Turkish, the method of Brislin, Lonner and Thorndike (1973) was used, which consisted of five steps: (1) forward translation, (2) assessment of forward translation, (3) backward translation, (4) assessment of backward translation and (5) local meeting with professionals. Content validity of the SHRM and HR practices results from developing scale items based upon expert opinions

of knowledgeable researchers and practitioners. This group determined that the SHRM scale should be shortened from 11 to 9 items and the HR practices scale should be shortened from 13 to 10 items in view of the Turkish business context. Job satisfaction (mostly adapted from Hackman and Oldham (1975)) and organizational performance (items related with perceived market and financial performance adapted from Green et al. 2001) scales were adapted and modified by the current researchers in light of the Turkish work culture and reviewed by a group of practicing HR researchers and practitioners in an effort to ensure content validity.

Construct validity

Exploratory factor analysis using principal component analysis with varimax rotation was applied to all the five-point Likert-type questions to check the unidimensionality of all the measures separately. Factors with eigenvalues greater than 1.0 were identified. First, nine-item of the SHRM measure was assessed. In the final varimax rotation, one item was dropped because it was not logically appropriate for inclusion despite passing 0.50 criterion of Hair, Anderson, Tatham and Black (1998). The analysis is presented in Appendix-A, which shows that all nine items are satisfactorily summed in one factor. Internal consistency reliability of the measure was excellent, with a Cronbach's alpha coefficient of 0.91 according to Nunnally's (1978) 0.7 criterion.

The 10-item of the HR practices loaded satisfactorily on two factors according to the 0.5 criterion. The first factor, which we named 'the participation and communication' ($\alpha = 0.86$), represents those practices of HR system which include employee participation in decision making and problem solving, information sharing program, empowerment, and the reasonable complaint program. The second factor includes varied HR practices such as selection, appraisal, compensation, teamwork, and training. It was named as 'the selection and development' ($\alpha = 0.78$) due to the heterogeneous construct of the items. The 12-item of the job satisfaction measure was loaded on three factors unexpectedly presented in Appendix-A. Internal consistency reliabilities of the sub-factors of the job satisfaction measure were greater than the alpha coefficient of 0.80. Considering the breakdowns, the first factor represents promotion/co-workers satisfaction, the second consists of items related to the work itself, and the third factor refers to pay satisfaction. It is important to note that in order to not expand the scope of the study; we took means of these subscales (overall job satisfaction) and used them as the job satisfaction variables in the analyses. The last measure, the 'perceived organizational performance' measure, consisted of 8 items factor analyzed; all items of the measure loaded satisfactorily on two factors. The first factor was named 'the perceived financial and market performance' ($\alpha = 0.74$) because the item was related to financial and market performance. The other was labeled as the 'the operational performance' ($\alpha = 0.86$), which represented customer satisfaction, quality of product, and company image.

Inter-rater reliability

As it is known, inter-rater reliability is one of the most appropriate reliability assessments for constructing firm-level scores of the variables, proving the degree of agreement among raters (see Gwet 2001). Kappa statistic was performed to determine inter-rater reliability of the HR practices, and the perceived organizational performance variables. The inter-rater reliability for the raters (HR manager and employees) was found to be Kappa = 0.88 ($p < 0.001$) for the selection and development, 23 ($p < 0.001$) for the participation and

communication, 0.74 ($p < 0.001$) for the perceived financial and market performance, and 0.81 ($p < 0.001$) for the operational performance. There is a strong agreement among raters for the selection and development, the perceived financial and market performance, and the operational performance according to the criterion of Sim and Wright (2005). However, there was little or no consensus among the raters for the participation and communication. When constructing firm-level scores, averages of raters for the variables were used, except the participation and communication variable. In order to lessen the self-report problem, the participation and communication variable information reported by the employees were used in the analyses.

One of the reviewers correctly recommended that inter-rater reliability test would be essential and using dependent variable information reported by HR managers, and HR practices information reported by the workers should address the self-report problem. However, at the end of the Kappa statistic tests, we concluded that there was a strong agreement among the raters for the variables except participation and communication. For that reason, only the participation and communication variable information reported by employees would lessen the self-report problem and then we re-run the analyses. After performing the analyses again, it was observed that there were no major variations in relations among variables but slightly.

Results

Table 1 provides the means, standard deviations, and intercorrelations of the study variables. As can be seen from the data in Table 1, SHRM correlated highly with the job satisfaction ($r = 0.63$; $p < 0.01$) and moderately with the operational performance ($r = 0.45$; $p < 0.01$). The SHRM had positive correlations with the perceived financial and market performance ($r = 0.28$; $p < 0.01$). However, there was no relationship between the SHRM and the turnover.

As for the HR practices, the participation and communication (including employee participation in decision making and problem solving, information sharing program, empowerment, and reasonable complaint program) had positive correlations with the job satisfaction ($r = 0.48$; $p < 0.01$), the operational performance ($r = 0.22$; $p < 0.01$), and negatively with the turnover ($r = -0.31$; $p < 0.01$), yet it had non-significant correlations with the perceived financial and market performance. The second subscale of HR practices is the selection and development practices (including effective selection, appraisal, compensation, training, and team-based work), which had the strongest correlation with the job satisfaction ($r = 0.71$; $p < 0.01$). The selection and development also correlated moderately with the operational performance ($r = 0.43$; $p < 0.01$) and negatively with the turnover ($r = -0.46$; $p < 0.01$). However, the relationships between the selection and development variable and the perceived financial and market performance variable were found at a low level ($r = 0.10$; $p < 0.05$).

The data in Tables 2 and 3 report the results of regression analysis on the perceived financial and market performance, the operational performance, the job satisfaction, and the turnover rate, respectively. According to the data in Table 2, the perceived financial and market performance is the dependent variable for the first three models. Model 1 showed the effects of control variables, which were the sector and firm size. Only the firm size had significant impact on the perceived financial and market performance. In Model 2, the HR practice (selection and development, participation and communication) variables were added to the equation. The model improved significantly and the beta coefficient was positive for the selection and development (0.183, $p < 0.05$), but not for the participation and communication. Turning to the effects of the SHRM as shown in Model 3, the variable had significant and positive impacts on the perceived financial and market performance

Table 1. Means, standard deviations, and intercorrelations among the study variables.^a

Variables	<i>M</i>	<i>SD</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
1. SHRM	3.81	0.68						
2. Participation and communication	2.69	0.68	0.63**					
3. Selection-development	3.83	0.87	0.58**	0.65**				
4. Job satisfaction	3.71	0.64	0.63**	0.48**	0.71**			
5. Financial and market performance	3.78	0.58	0.28**	0.03	0.10*	0.17		
6. Operational performance	4.14	0.66	0.45**	0.22**	0.43**	0.43**	0.36**	
7. Turnover	1.9	1.01	-0.092	-0.31**	-0.46**	-0.032	-0.08	-0.05

Notes: ** $p < 0.01$, * $p < 0.05$.
^a $N = 412$, except for SHRM, where $N = 172$ (HR managers) and for participation and communication, where $N = 240$ (employees).

Table 2. Regression analysis with perceived financial-market performance and operational performance as dependent variable.

<i>Variables</i>	<i>Perceived financial and market performance</i>			<i>Operational performance</i>		
	<i>Model 1</i>	<i>Model 2</i>	<i>Model 3</i>	<i>Model 4</i>	<i>Model 5</i>	<i>Model 6</i>
Sector	0.012 (0.022)	0.004 (0.023)	0.002 (0.021)	0.010 (0.023)	− 0.040 (0.022)	0.011 (0.021)
Firm size	0.107* (0.049)	0.114* (0.049)	0.089 (0.042)	0.084 (0.054)	0.079 (0.048)	0.083 (0.051)
Participation and communication		− 0.092 (0.079)			0.084 (0.076)	
Selection and development		0.183* (0.084)			0.394*** (0.074)	
SHRM			0.228*** (0.062)			0.428*** (0.062)
Adjusted <i>R</i> -square	0.016	0.034	0.083	0.005	0.222	0.219
<i>F</i> value	2.401	2.551*	6.127**	1.442	13.117***	16.959***

Notes: ****p* < 0.001, ***p* < 0.01, **p* < 0.05 (Standard errors are given in parentheses).

Table 3. Regression analysis with job satisfaction and turnover as dependent variable.

<i>Variables</i>	<i>Job satisfaction</i>			<i>Turnover</i>		
	<i>Model 1</i>	<i>Model 2</i>	<i>Model 3</i>	<i>Model 4</i>	<i>Model 5</i>	<i>Model 6</i>
Sector	0.093 (0.098)	0.033 (0.077)	0.036 (0.054)	0.012 (0.38)	0.003 (0.039)	0.026 (0.076)
Firm size	0.003 (0.051)	-0.015 (0.040)	0.024 (0.030)	0.003 (0.078)	0.015 (0.080)	0.008 (0.037)
Participation and communication		0.301*** (0.042)			0.043 (0.81)	
Selection and development		0.460*** (0.045)			-0.690*** (0.92)	
SHRM			0.573*** (0.048)			-0.119 (0.093)
Adjusted <i>R</i> -square	0.006	0.69	0.47	0.004	0.230	0.011
<i>F</i> value	487	88.891***	49.667***	0.050	11.227***	433

Notes: *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$ (Standard errors are given in parentheses).

as expected (0.228, $p < 0.001$). In the second set of models in Table 2, the dependent variable was the perceived operational performance. As seen in Model 4, the controls did not have any impact on the operational performance. In Model 5, when the HR practices were included, we found that only the selection and development had significant and positive effects on this outcome variable (0.394, $p < 0.001$). The participation and communication had no significant impact on the operational performance. Model 6 incorporated the effect of the SHRM variable on the perceived operational performance. It had a statistically significant positive effect on the perceived operational performance (0.428, $p < 0.001$).

In Table 3, the job satisfaction and the turnover rate are the subject of the analysis. Model 1 revealed the effects of control variables. Neither of these variables had a significant impact on the job satisfaction and the Model R -square was insignificant. Model 2 showed that both the subscales of the HR practices (selection and development, participation and communication) had a significant positive effect on the job satisfaction (0.301, 0.460, respectively; $p < 0.001$). In Model 3, the SHRM variable had significant and positive impacts on the job satisfaction (0.573, $p < 0.001$). A closer look into the second set of models presented in Table 3 revealed that only Model 5 improved significantly. The controls (Model 4) and the SHRM (Model 6) variables had no significant effect on the turnover, which was the dependent variable. As seen in Model 5, the selection and development variable had a significant negative effect on the turnover, and the coefficient was statistically high (-0.69 , $p < 0.001$). However, the participation and communication had no significant impact on the turnover as seen in the table.

Discussion and implications

This study examined the relationship between SHRM and HR practices and firm performance in Turkey to extend emerging empirical literature on firm level outcomes of the SHRM and HR practices. It has been widely accepted that people are key to achieving organizational performance. Using high-performance HR practices and aligning the HR system vertically and horizontally would be reflected in better organizational performance. This belief has been the black box of the SHRM for decades. The findings of this study contributed to the growing empirical evidence that the notion of HR as a competitive advantage for organization is not a myth, but credible.

As revealed in our analysis, the SHRM was found to have a positive effect on the organizational performance indicators, which were the perceived financial and market performance, the organizational performance (consisting of customer satisfaction, quality of product, and company image), and the job satisfaction. Thus, our evidence suggested that the effective implementation of the SHRM should be able to bring in higher levels of organizational performance. In other words, when a firm HR practices are consistent with each other (internal fit) and with the firm strategy (external fit), organizational performance will be enhanced as suggested by Wright and McMahan (1992) and Huselid (1995). However, it was found that SHRM had no impact on turnover in surveyed Turkish firms. In other words, the SHRM did not appear to contribute significantly to turnover directly. A possible reason for this lack of any connection might be related to erratic layoffs due to the World Financial Crisis that affected all industries across the world. We collected the data between December 2008 and January 2009. Hence, the data collection and the crisis overlap.

Although previous studies have used different indicators as the measure of organizational performance (Huselid 1995; Guthrie 2001), the findings of our study were consistent with the general consensus on a positive linkage between the SHRM and the firm performance.

Our results suggest that the selection and development have a positive impact on the perceived financial and market performance, the organizational performance, and the job satisfaction. It has a negative effect on the turnover. On the other hand, the second HR variable, the participation and communication only has a positive effect on the job satisfaction. Both the SHRM and the HR practices have a significant impact on the job satisfaction. This finding is consistent with the findings of the recent studies on relations between the HR and the job satisfaction (Wan, Ong and Kok 2002; Green, Wu, Whitten and Medlin 2006; Petrescu and Simmons 2008). The participation and communication has no impact on the other organizational outcomes, the perceived financial/market performance, the organizational performance, and the turnover. This indicates that the selection and development (including effective selection, appraisal, compensation, training and team-based work) were related with organizational performance. This provides support to the universalistic perspective of HR practices (Kochan and Osterman 1994; Huselid 1995). According to the result of this study, however, Turkish firms are still not convinced of the fact that investment in participation and communication practices might bring higher organizational performance. Mean of this variable ($M = 2.69$) is relatively low as compared to the selection and development. This may be considered due to cultural norms in Turkey. As known, cultural nuances might affect some workplace practices and management styles by inhibiting or facilitating attitudes and behaviors of employees. According to other studies (e.g. Hofstede 1980; Gurbuz and Bingol 2007), Turkey is on high-power distance. Hence, centralization of decision making and paternalism in business practices may have affected the relations between the participation and communication and the organizational outcomes.

The findings of the study support the mounting body of evidence pointing to the idea that HRM is an increasingly developing field in Turkey. Since the mean of SHRM variable is moderately high (Mean = 3.81), HR managers in the surveyed firms perceive the HR practices to have implications for performance. As outlined above, Turkey has undergone a series of major changes concerning its economy since the 1980s. International trade and foreign investment increased in Turkey, a developing country on the way of accession to the European Union. Such changes also contributed to the development of HRM in Turkey. Through interactions with foreign counterparts, Turkish business organizations had the opportunity to import know-how on HRM systems, and it has begun to pay more attention to HRM topics (Aycan 2001). A survey conducted by Andersen (2000) reported that HRM is a developing and promising field in Turkey. Later, relatively limited published studies on HRM suggested that the role of HR departments in Turkish companies is not completely far from strategic approach (Caspi et al. 2004; Ozelik and Aydinli 2006). Our study reveals that like Western firms, in general, firms in Turkey are able to reap the benefits of the SHRM and HR practices (particularly selection and development) in terms of higher financial/market and operational performance, and job satisfaction. It can be said that HR has begun to be equally critical to organizational performance in Turkey, which has social, economic, political as well as cultural characteristics that are somewhat distinct from those in Western industrialized societies.

Limitations and future research directions

Several limitations suggest that this research be viewed cautiously. *First*, common method bias is always an issue in survey research due to gathering data from a single respondent. Gerhart et al. (2000) and Wright et al. (2001) raised a question that single respondent measures of HR practices may have led to large amounts of measurement error. In this

study, we tried to minimize this bias (partially) by collecting information from different respondents (HR director and professionals, employees (blue-collar workers) on the research variables (the HR practices, the perceived organizational and financial performance, the organizational performance, and the job satisfaction) except the SHRM scale. In the future, to lessen the potential for bias, data concerning both SHRM and other organizational variables should be collected from even more different sources (i.e. CEOs, Finance director).

The second limitation of this study is that it is a cross-sectional one. This study was conducted in Turkey's Top 500 firms-2007, which was published on the website of the Istanbul Chamber of Industry. Almost all of Turkey's Top 500 firms are larger organizations with more than 250 employees. High-performing firms may give more importance to HRM and introduce more new HR practices than other Turkish firms. Hence, the result of this research may not be considered as representative of all Turkish firms. In Turkey, small- and medium-sized enterprises (which are known in Turkish as KOBİ) count for 99% of all firms and constitute approximately 80% of the total employment (KOSGEB 2008). Conducting future research using a longitudinal design and including small- and medium-sized enterprises might contribute to the generalizability of link between SHRM and organizational performance and bring about more reliable results.

Third, the data regarding organizational performance measures were collected using the subjective reporting of the respondent based on their evaluation of company's performance in comparison with other firms for a period of three years. In other words, perceptual measure of organizational performance was used instead of objective measures such as the ratio of profit to sales, return on assets, and return on equity. However, our findings are generally consistent with the findings of the researches using financial indicators (e.g. Huselid 1995; Huselid et al. 1997). It would still be worthwhile for future studies to investigate the impact of SHRM and HR practices on financial measures of firms.

Last but not the least, the HR practices measures used in this study consisted of 10 items. Despite the items concerning all the HR practices, at the end of the final varimax rotation only a two-factor structure emerged. The first is labeled as the participation and communication, and the second as the selection and development. We did not have the opportunity to test the impact of each of the HR practices on organizational outcomes separately. It may be helpful for future studies to test the relative effect of HR practices on performance outcomes by using the scale that has more items.

Conclusions

This study examined the HR-organizational performance relationships in Turkey to understand the relative impact of SHRM and HR practices in different economic and cultural contexts. The past few decades have witnessed dramatic developments in HRM practices and an emerging emphasis on the strategic role of HR. Our results support the recent assumption that the strategic role of HR and its impact on organizational performance are not only widespread, but also valued by Turkish firms. We extended the current line of research in the SHRM area by incorporating Turkish context where there are limited published studies on HRM. Given our current results, managers in Turkey should be aware of the fact that vertical alignment and horizontal integration of the HR function and effective implementation of some HR practices may bring in higher organizational performance and more satisfied workforce.

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Appendix

Questionnaire items and factor structure of the SHRM measure.^a

<i>Questionnaire items</i>	<i>Factor 1</i>	<i>Factor 2</i>	<i>Alpha</i>
HR strategies are effectively integrated with this organization's strategy	0.786	-0.151	0.911
HR practices are integrated to be consistent with each other	0.799	-0.082	
HR strategy will become a more important influence in this organization's strategy in the future	0.734	0.438	
This organization matches the characteristics of managers to the strategic plan of the organization	0.875	-0.173	
This organization modifies the compensation systems to encourage managers to achieve long-term strategic objectives	0.671	-0.423	
This organization changes staffing patterns to help implement business or corporate strategies	0.791	-0.182	
This organization evaluates key personnel based on their potential for carrying out strategic goals	0.836	0.256	
Job analyses are based on what the job might entail in the future	0.784	-0.155	
HR seen by the senior management as a cost to be minimized or source of value creation ^b	0.436	0.599	Dropped
Eigenvalue	4.984		
Proportion of variance accounted for	62.297		

Notes: ^a*N* = 172 HR managers. Bold numbers indicate the items loaded unanimously at 0.5 or greater on a single factor.

^bThis item was dropped despite passing 0.50 criterion for inclusion.

Questionnaire items and factor structure of the HR practices measure.^a

<i>Questionnaire items</i>	<i>Factor 1</i>	<i>Factor 2</i>	<i>Alpha</i>
<i>Participation and empowerment</i>			0.862
Employees are involved in quality improvement and problem solving	0.889	0.090	
Employees in the firm have a reasonable and fair complaint process	0.888	0.172	
This firm has a formal information sharing program	0.797	0.137	
Managers empower their subordinates to develop their skills	0.700	0.276	
Employees in the firm are involved in decision-making process	0.691	0.230	
<i>Selection and development</i>			0.781
Pay raises for employees in this firm are based on job performance	-0.104	0.879	
This firm effectively hires qualified employees	0.242	0.795	
Much importance is given to teamwork and cooperation	0.304	0.650	
Employee training program effectively enhances business performance	0.346	0.565	
Employees in this job regularly (at least once a year) receive a formal evaluation of their performance	0.349	0.539	
Eigenvalue	5.163	1.527	
Proportion of variance accounted for	38.405	28.498	

Notes: ^a*N* = 412 HR managers and employees. Bold indicate the item loaded unanimously at 0.5 or greater on a single factor.

Questionnaire items and factor structure of the job satisfaction measure.^a

<i>Questionnaire items</i>	<i>Factor 1</i>	<i>Factor 2</i>	<i>Factor 3</i>	<i>Alpha</i>
I get support and guidance from my supervisor	0.763	0.332	-0.125	0.820
Fringe benefits are distributed fairly in the firm	0.724	0.125	0.403	
I have no anxiety about my job security	0.717	0.066	0.153	
I have a chance for promotion	0.634	0.157	0.191	
Person who performs highly has more chance to be promoted	0.623	0.174	0.388	0.843
I feel close to the people at work	0.557	0.108	0.215	
Personal growth and development I get in doing my job	0.101	0.859	0.105	
I am satisfied with my job for the time being	0.244	0.845	0.169	
My job is a hobby to me	0.201	0.813	-0.082	0.802
I am fairly paid for what I contribute to this firm	0.185	-0.010	0.906	
My pay is enough for me	0.287	-0.021	0.827	
My workload is quite fair	0.149	0.265	0.635	
Eigenvalue	4.848	1.928	1.196	
Proportion of variance accounted for	24.747	21.052	20.632	

Notes: ^a*N* = 412 HR managers and employees. Bold numbers indicate the items loaded unanimously at 0.5 or greater on a single factor.

Questionnaire items and factor structure of the perceived organizational performance measure.^a

<i>Questionnaire items</i>	<i>Factor 1</i>	<i>Factor 2</i>	<i>Alpha</i>
<i>Perceived operational performance</i>			0.86
Company image and reputation in public	0.851	0.123	0.74
Degree of product and service quality	0.850	-0.010	
Degree of efficiency of customer expectancy	0.814	0.136	
Degree of customer satisfaction	0.811	0.123	
<i>Perceived financial and market performance</i>			0.74
Average sales volume growth over the past three years	-0.038	0.903	0.74
Average profit over the past three years	0.010	0.903	
Average market share growth over the past three years	0.325	0.674	
Average return on investment over the past three years	0.329	0.517	
Eigenvalue	3.439	1.910	
Proportion of variance accounted for	38.014	28.849	

Notes: ^a*N* = 412 HR managers and employees. Bold numbers indicate the items loaded unanimously at 0.5 or greater on a single factor.