



Human resource management practices, business strategies, innovation and productivity: Evidences from Sri Lanka and China

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Abstract

Human resource management is presented as being context-specific and it is argued that with the growth of new markets world-wide, and increased levels of competition and globalization of business, there is a strong need for more cross-national human resource management studies. However, the literature shows the absence of an integrated framework, which can help to explain the different roles that context-specific facets of human resource management practices play. The aim of this study is to examine the existing human resource management practices in Sri Lanka and China to develop an integrative framework that may be used to evaluate cross-national comparative human resource management policies and practices by delineating the main distinctive facets associated with Human Resource Management and Business Strategies for innovation and productivity. Link between the human resource management practices and business strategies is taken as the conceptual framework of the comparative study. Senior managers following professional executive Master of Business Administration at recognized Universities in Sri Lanka and China were sampled, yielding valid questionnaire data and objective performance indexes from 58 executives. Data were analyzed using t-test and hierarchical regression. The result showed that various human resource management practices help boost innovation and productivity of the business firms. Moreover, a significant difference was found between the two countries on human resource practices. The managers were found to be praiseworthy existing human resource management policies and practices. The results of the study support the view that integrating human resource configuration with business strategies is conducive to the enhancement of innovation and productivity of business firms.

Keywords: *Business strategy, human resource management, innovation, organization characteristics, productivity.*

1. Introduction

Due to the dynamic nature of human being and human relations, Human Resource Management (HRM) practices in the context of modern work organizations are subjected to united change. HRM is considered as an umbrella' gathering several different approaches rather than a single theory. All these approaches have in common, the idea that HRM recognizes the vital role that human resource plays in organization (Schuler, 1987). Indeed, human resource management is a modern term for what has traditionally been referred as personnel administration or personnel management' (Byars & Rue, 1987). In order to understand the importance of HRM and to see how it is influenced by cultures and nations, this study attempted to compare situations in two significantly different countries, Sri Lanka and China. The cultural gap between those two countries is wide, and the way people are managed as a factor of production differs depending on the social culture of each of these countries. The context of post-communism, high economic growth and rapid development in China is viewed in parallel with a country where the people are well protected, economy is strong but the growth tends to slow down. Moreover, by choosing two countries which are located in two different continents, we will appreciate different approaches that are not directly linked but integrated to some extent.

The strategic human resource literature suggests that a firm will perform better through internal appropriate fit among HRM practices and through external appropriate fit between a firm's business strategy and HRM practices. The present study adopts a configuration approach to identify unique patterns of HR practices and business strategy which are posited to be maximally effective. Over a span of 30 years or so, the topic of HRM has become one of the most documented in the management literature (Schuler & Jackson, 1999). Moreover, the increased level of globalization and internationalization of business, the growth of new markets, growth of new international business blocs and an increased level of competition among firms at both national and international level has resulted in an increase in comparative HRM studies (Clark, Gospel & Montgomery, 1999). Managers and policymakers now need to know how human resources are managed in different regions of the world and how their counterparts in different parts of the globe perceive or react to similar concepts and pressures. It is also important to have an understanding about the main determinants of HRM policies and practices in different regional and national settings.

Academics have responded positively to meet the challenges raised by the globalization of business by investigating a number of issues and problems related to international business (Hendry, 1996). They have attempted to examine human resource management from a cross-national view point. This comparison of HRM policies and practices at a national level helps to test the convergence–divergence. Scholars have also developed and proposed different models of HRM both between and within nations (Boxall, 1995; Brewster, 1995; Guest, 1997). Interestingly, most models of HRM have an Anglo–Saxon base. As such, from a global perspective, principles of HRM have been developed from a restricted sample of human experience. During the infancy stage of HRM literature, such an ethnocentric approach was understandable and unavoidable. However, with the growth of a “global business village,” firms operating in different countries need appropriate information and guidance to develop their HRM policies and practices. Under such dynamic business conditions, the relevance of lessons learned from the Anglo–Saxon experience is questionable. It is therefore important to examine the extent to which Anglo–Saxon models of HRM are applicable in other parts of the world. It has now become clear that the study of HRM needs a cross-national comparative dimension and

an international perspective (Brewster et al., 1996; Clark et al., 1999; Kochan, Dyer & Batt, 1992). However, the existing literature does not make it clear how we should examine the applicability of HRM models in different settings. For further developments in the field of HRM, it is important to have a framework, which can enable us to conduct such an analysis.

Some researchers have emphasized a practical ‘best practice’ framework for diagnosing HRM practices. Hiltrop (1996) presents 11 dimensions of HRM, which can be used as a checklist for evaluating the effectiveness of HR practices. These dimensions can also be used to benchmark HR activities and the relative influence of the best practices on organizational outcomes. However, in discussing the need to understand HRM in the Asian context, Forster and Whipp (1995) reinforce the need for the adoption of a contingent approach, which can highlight cultural, sectoral, and regional differences in companies. They argue against the ‘one best approach,’ suggesting that it is not practical for the development of global or Asian HRM strategies. One rational way of highlighting the suggested differences among firms in different countries is by identifying the main national factors, which significantly influence their HRM practices. HRM policies and practices in a cross-national context are influenced by both “culture-bound” variables such as national and organizational culture, institutions, and industrial sector dynamics and “culture-free” variables such as age, size, nature, and life cycle stages of organization (Brewster, 1995; Hofstede, 1993; Jackson & Schuler, 1995). The degree and direction of influence of these factors is, however, context-specific, and varies from region to region (Jackson & Schuler, 1995; Locke & Thelen, 1995). For example, the response of unions to common competitive pressures such as the introduction of new production technologies, large scale restructuring and re-engineering of organizations, and pressure to increase work flexibility, varies across different countries. Union membership has declined in countries such as China, whereas in Sri Lanka, it has remained stable.

Similarly, since 1989, union membership is on a continuous decline in China due to changes in the Korean political–economic climate. Such a phenomenon shows that different institutional configurations mediate in different ways the effects of common international pressures (Locke & Thelen, 1995). However, in order to evaluate and highlight the context-specific nature of HRM in different national or regional settings, we need to delineate the main factors and variables that could determine HRM in such settings. The dilemma regarding what factors to include under broad concepts such as ‘national culture’ or ‘institutions’ needs to be resolved. The issue regarding the selection and choice for certain contingent variables and organizational and HR strategies and policies as possible determinants of HRM also needs serious attention. A rational way to tackle this mammoth task is to understand the complex interactions between HRM practices and their determining variables on the basis of empirical data. However, there is a scarcity of research in this area. This is partly due to the fact that the number of methodological issues involved in cross-national research is many and more complex in comparison to national research, and partly due to the absence of a comprehensive framework for conducting such studies (Cavusgil & Das, 1997).

This paper presents an integrated framework which is suitable for evaluating and comparing HRM policies and practices and business strategies for innovation and productivity by examining their main determinants in a cross-national context. The framework developed in this paper contributes to the literature by serving three purposes:

- To highlight the main determinants of HRM policies and practices in a cross-national context within China and Sri Lanka.
- To help examine the cross-national applicability of the main models of HRM and Business strategies for innovation and productivity
- To provide a mechanism to test the convergence–divergence literature in the field of HRM and Business strategies.

Cross-national comparisons can be conducted at various levels (Kochan et al., 1992; Locke, Kochan, & Piore, 1995). This can range from nation state which is the focus of political literature, level of the firm which focus of labour economics and HRM literature, to individual level which focus of social psychology literature. The study proposes the framework for investigation and comparison conducted at both the national and firm levels. One should be aware of the measurement difficulties in conducting studies including more than one level of analysis. Most importantly, the type of factors to be used will vary in the two levels of analysis. Moreover, in comparison to a firm level of analysis, in a cross-national analysis, a whole range of issues need to be resolved such as ensuring equivalence (e.g., functional, concept, category, and variable), uniformity in data collection methods, clear time frame of study, and sampling issues (e.g., Adler et al. 1986).

2. Literature review

In the present context there is a need to study the similarities and differences among nations and management systems of different countries (Brewster et al., 1996). The major thrust of the comparative management literature can broadly be classified into four categories. Economic development approach developed by Harbison and Meyers (1959) and based on the premise that managerial input plays a significant role in achieving rapid industrial and economic development. Environmental approach proposed by Farmer and Richman (1965) and based on the assumption that managerial effectiveness is a function of external environmental factors such as sociocultural, legal–political, economic and educational. A number of researchers (Murray, Jain & Adams, 1976; Negandhi, 1975, 1983) adopted this approach in part or in full to develop frameworks for cross-cultural comparative management research. The behavioral approach developed from the work of scholars working in the field of organizational behavior (Barrett & Bass, 1970; Davis, 1971). It is based on the assumption that management practices, as well as managerial effectiveness, depend on cultural variables such as attitudes, beliefs, value systems, behavioral patterns, management philosophies, and so forth. Open systems approach used to conceptualize organizations and their interaction with the environment. Negandhi (1975, 1983) describes three kinds of environments in this regard; organizational (which deals with variables such as size, technology), task (which includes distributors, suppliers, employees, government, stockholders, and community), and societal (the macro environment explained in the environmental approach). Negandhi’s categorization seems ambiguous and not logical. All four approaches to comparative management present a broad list of variables and factors which form the core basis for cross-national management comparisons. The choice for their selection depends on the nature and aims of the research. However, since they represent some of the most fundamental principles of analyzing management, it is sensible to consider the impact of these variables and factors on HRM policies and practices in a cross-national context. Several frameworks have been developed to evaluate HRM at separate levels of analysis (such as international,

MNCs, comparative). Most of these frameworks adopt a contingency approach and are of developed origin.

Different scholars in the field of HRM have put forth a number of frameworks for conducting international HRM research. However, most of these are either normative in nature, or they present a very complex set of variables that cannot be tested empirically. This forms the basis of their general criticism. Three contingency frameworks are briefly analyzed to highlight the different aspects covered. Largely on theoretical and grounded theory arguments, the contributions made by these models are that they have built up a sophisticated awareness of important factors to be considered in international HRM comparisons. Murray et al. (1976) provide a framework for cross-cultural analysis of personnel policies at the level of analysis of comparative management. These functions are assumed to be present in all organization level HRM systems, regardless of national factors, segments highlight the characteristics of culture. A work of Welch (1994) is typical of cross-national analysis at the level of multinational organizations. She has developed a contingency model based on four in-depth comparative case studies in Australian companies. She suggests a framework for determining international HRM approaches and activities relevant for expatriate management. Welch (1994) specifies three sets of variables, which determine the generic functions of selection, training and development, compensation and repatriation of overseas employees.

Negandhi (1975, 1983) suggests that one way of incorporating the wide range of contingent factors and highlighting the interdisciplinary nature of the international management discipline is to ensure that cross-cultural management studies become part of organization theory. He asserts that a number of developments in organization theory are relevant for cross-cultural management research. Still reflecting the contingency theory perspective, he argues that frameworks should include those contextual variables, environmental factors, and sociocultural variables that both impact and provide a comprehensive cross-cultural understanding of the factors affecting the structuring and functioning of organizations, and accordingly the management policies and practices. We need to include all three sets of variables into one model. Negandhi conceptualizes these three sets of variables by visualizing three successive environments and boundaries. These are the organizational environment, the task environment and the societal environment. Different facets of these environments were explained under the open systems approach. While contingency theories have demonstrated the range of variables that shape HRM policies and the different type of influence they may have on the HRM process, comparative theories have helped to classify these variables into different system effects.

Building on this environmental approach to comparative management, and an analysis provided by Farmer and Richman (1965) and Gronhaug and Nordhaug (1992) propose such a perspective for international HRM. They argue that two sets of factors can be used to discuss the nature of international or cross-national management of HR. Gronhaug and Nordhaug (1992) did their analysis on macro and micro environmental factors to show how they influence different HRM elements such as acquisition, development, compensation, work system and labour relations. Comparative theories tend to emphasize only a few factors, with aggregated lists of things that influence national culture. The role of organizational and HR strategy is underplayed, as is changed over time. Similarly, different sets of contingent variables and organizational policies and strategies determine HRM practices in different countries. Empirical studies of HRM in comparative settings

tend to reveal the context specific nature of HRM. An investigation into the influence of different factors (such as national culture and different national institutions), variables (such as age, size, life cycle stage, or type of organization) and organizational/HR policies and strategies (such as defender, analyzer, cost reduction, talent acquisition, or talent improvement) on HRM policies and practices can help to reveal national similarities and differences and the possible reasons for them.

One of the main criticisms of both the contingency and comparative frameworks is that they do not present a comprehensive list of factors and variables which determine HRM in a cross-national context. Moreover, most of the contingency models are proposed for expatriate management or management in MNEs, not general cross-national HRM comparisons. Budhwar and Khatri (2001) operationalized and examined the impact of these HR strategies on recruitment, compensation, training and development, and employee communication practices in matched Indian and British firms. The impact of these four HR strategies are varied significantly in the two samples, confirming the context-specific nature of HRM. On the same pattern, there is a need to identify and examine the impact of other HR strategies such as high commitment, paternalism, etc.

Apart from the above mentioned four HR strategies, recent research shows that organizational policies related to recruitment, training and development, and communication determine HR practices and policies in a cross-national setting and can be used to distinguish national groupings of organizations (e.g Brewster & Hegewisch, 1994; Budhwar & Sparrow, 1997; Dany & Torchy, 1994). A research by Budhwar and Sparrow (1997) reveals how internal organizational policies and strategies relate to recruitment, training and development and employees communication act as significant determinants of the levels of integration of HRM into the corporate strategy and devolvement of HRM to line managers practiced in Indian firms. These organizational policy variables represent the internal logic within the HR strategy. Importantly, they were more predictive of the presence of specific HR practices than traditional contingency variables such as age, size, and nature of the firm. Organizations also have different HR strategies for different levels and groupings of employees, and this varies across countries. The same study showed that in comparison to British organizations, Indian organizations shared less financial and strategic information with lower level employees. This was based on the rationale that management had less faith in the capability of lower level employees in India and less willing and saw less added-value in sharing such information with this level of employees (Budhwar & Sparrow, 1997). There is then a paucity of empirically grounded studies which detail the differential reflection of generic HR strategies such as empowerment, up-skilling or resourcing in the actual set of specific HR practices. The same strategic ends can be achieved through very different means (HR practices) across countries. The majority of the studies which have examined the impact of organizational and HR strategies and policies on HRM practices have been conducted in the Anglo-Saxon nations.

Increased integration between HRM and business strategy is one of the most important demands that are placed upon modern strategic human resource management. In both the management and the academic literature, it is generally acknowledged that the strategic deployment and management of personnel can contribute to the success and continuity of the firm. The human resources are the most important assets of an organization, in terms of firm's competitive advantage. At the same time, in addition to the importance of the human resources as such, it is believed to be important that the management of the human resources should be in perfect fit with the management of the organization as a whole and its strategic plans.

The literature often refers to a relatively small number of success stories. In general, most literature is mainly concerned with 'what' strategic human resource management is and much less with 'how' to implement it (Truss & Gratton, 1994). We would like to distinguish three aspects of the integration between business strategy and HRM. The first is concerned with the relational aspects between business strategy and human HRM: what is the position of personnel and human resource management in relation to other internal factors such as economic, technological and financial? The second issue reflects the content of both strategy and HRM and is concerned with the connection between a certain business strategy on the one hand and a certain HRM on the other. Third and finally, the process aspects refer to the ways in which the integration between business strategy and HRM is realized and continued. It will provide insight into the ways in which the integration between business strategy and human resource management is actually realized.

Integrating is to bring the people to organization for fitting with business strategy to achieve organization goals and to gain competitive advantage. To attempt for analyzing the integrating HRM and business strategy, the model was developed as external environment includes legal, technology, economics, social, culture, industrial structure, shareholders, consumer behavior, labor law, labor force and trade union whereas internal environment covers company's mission, policies, corporate, culture and management style. HRM function of company has been identified and its functions were analyzed as recruitment and selection, training and development, performance appraisal and compensation. The purpose of the analysis through the above model is to examine how HRM fits to the business strategy of the organization.

Both processes have forced organisations to undertake changes involving reduced work forces and the introduction of new technologies aimed at improving labour productivity (Hodgkinson, 2001). Within this process, employee management regimes have also had to change. Some organisations have adopted a sophisticated, coherent set of employment policies and practices, while others use a more ad hoc approach, responding to pressures as they arise but without any consistent employment policy framework.

There has been an increasing interest in the employee relations literature on the strategic role which HRM plays within organisational change. HRM is defined as differing from other personnel management approaches because it emphasises "the link between managing human resources and business strategy" and therefore has an "emphasis on the integration of employment policies and practices with each other as well as with business strategy" or the development of competitive advantage. A second feature of HRM strategies is that line managers play a key role in the management of human resources and thus the attitudes of senior management towards employee relations is a key variable in determining which regimes will be found in different organisations (Sisson, 1994).

Given the link between HRM and business strategy, it is expected that effective regimes will have a direct impact on an organisation's 'bottom line', particularly through improved productivity, improved quality of work life and by ensuring legal compliance (Kramar, et al. 1997). More recently, HRM regimes have been discussed in terms of soft' versus 'hard' strategies. The dividing line between the two approaches is inexact.

Soft HRM strategies are taken to be more collectivist in philosophy and thus include a role for union representatives in consultation and participation processes. They are also seen to be more 'people centred' and hence attempt to achieve the organisation's goals

through increasing the commitment and competence of its workers. Soft HRM organisations would be expected to simultaneously pursue the objectives of improved productivity and improved quality of work life (Sisson, 1994). This approach involves a greater use of teams, total quality management techniques, direct involvement of workers in decision-making and investments in human capital to improve skills and multi-skilling in workers (Gollan & Davis, 2001).

Hard HRM strategies are more individualistic and hence have less tolerance of union participation. Employees are viewed more as a factor of production than a competitive asset so that employment policies and practices tend to focus on cost reductions, flexible or more insecure employment and the use of individualized payment systems to improve organizational performance (Sisson, 1994; Hamberger, 1995; Deery & Walsh, 1999). Some analysts, however, anticipate that the 'hard' or individual approach would result in higher absenteeism and labour turnover but lower levels of strikes and stop-works and lower investments in human capital (Sisson, 1993; Deery & Walsh, 1999) than the 'soft' approach. It is also suggested that the use of individual mechanisms will be significantly higher when management is opposed to the unionization of their workplace (Gilson & Wager, 1996).

During the last thirty years, innovation has evolved as the synonym for the development of nations, technological progress and driver of business success. Innovation nowadays is not simply the "creation of something new" but also a panacea for the solution of board range of problems. The link between vision, strategy and innovation is important to effective innovation management. Strategy determines the configuration of resources, products, processes and systems that firms adopt to deal with the uncertainty existing in their environment. It requires that firms make decisions about what businesses and functions they should be performing and in what markets. Successful innovation requires a clear articulation of a common vision and the firm expression of the strategic direction. This is a critical step in institutionalizing innovation. Without a strategy for innovation, interest and attention become too dispersed.

Innovation strategy is critical in directing organizational attention. In general, organizations that adopt an offensive strategy of trying to create the future (as opposed to protecting the past) are more innovative. The success of companies who broke the rules of their industry through innovation — with or without technology—and went on to become a dominant player has been well-documented (Hamel, 1998; Kim & Mauborgne, 1999). Several firm-level variables that can potentially affect the innovation and productivity are size of firm, age of firm, reward winner, and union present. Numerous organizational factors beyond intellectual capital may influence innovative capabilities. For example, large organizations may be more likely to develop innovative capabilities owing to their extensive resource bases (Cockburn & Henderson, 1998), however, smaller organizations may be more innovative owing to their flexibility (Cohen & Levinthal, 1990). The nature of the organizations and employee contribution are competing in environment control which is known to influence their innovative capabilities. It is important to note that these factors are broadly competitive in nature, and barring country/region characteristics, operate at the organizational level. Schuler et al.'s theoretical framework is more complicated than the framework of Murray et al. (1976) and Welch (1994) as they link these factors to both strategic MNE components (such as inter-unit linkages, i.e., how MNEs manage their various operations and internal linkages) and the different strategic international HRM issues faced (i.e., how MNEs effectively operate within the confines of local laws, politics, culture and economy). They differentiate three strategic international HRM functions (orientation, resources and

location), four strategic international HRM policies and practices (staffing, appraising, compensation, and developing) and five MNE concerns and goals (competitiveness, efficiency, local responsiveness, flexibility, and learning and transfer). Based on these complicated connections, following conceptual framework and hypotheses are proposed for the present study.

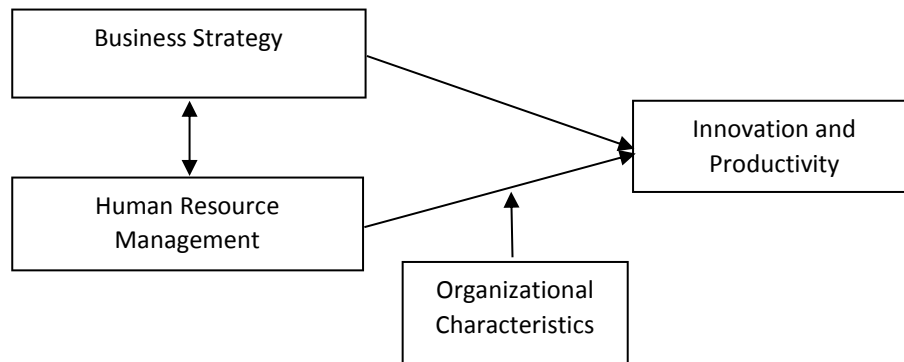


Figure 1 Conceptual Framework of the Study

Hypothesis I (H₁) The distribution of business Strategy towards innovation and productivity is different across country of Sri Lanka and China

Hypothesis II (H₂) The distribution of human resources management towards innovation and productivity is different across countries of Sri Lanka and China

Hypothesis III (H₃) The distribution of business strategy and human resources management towards innovation and productivity moderated by organizational characteristics is different across country of Sri Lanka and China

3. Methodology

Data were collected from senior managers those who follow professional executive Master of Business Administration (MBA) in recognized Universities in Sri Lanka and China. 30 executives participated in the survey making the total sample size 60. The questionnaire designed for this study was pre-tested and finalized before it was utilized for survey. Items of the survey questionnaire were developed after an extensive review of the relevant literature on human resource management, business strategy and innovation and productivity. The questionnaire consists of 42 items. Where applicable, items used in previous studies were adapted to the purpose of this study to ensure validity of survey measures. Likert type five scale was used to measure independent and dependent variables of the study. Reliability of all constructs was tested with Cronbach Alpha coefficients that were range from 0.55 to 0.83 and those are reasonably accepted. In data analysis, hierarchical regression analysis is used for testing the hypotheses of the study. In addition, descriptive statistics were used to analyze and interpret the statistical attributes of the sample. SPSS 21.0 statistical analysis software was used for data analysis.

4. Results and discussion

The respondents for the study come from a variety of different organizations including 35 percent male and 65 percent female. Their ages ranged from 20 to 49 years, around more than 50 percent of them were in age between 25-40 years. Most of them (62.1%) were married and more than 72 percent have bachelor and professional degree, around 12 percent have master degree in their discipline. Most of them have at least 5 year experience in present organization. Key functions they performed in the professions are accounting, advisory, engineering, finance, human resources, and marketing, operations, research, and technology services. The majority of firms was private limited companies (58.2 %) and 27.7 percent firms was public limited companies. The size of firm was measured in terms of number of employee. The number of small, medium, and large firms included in the sample was 13.2 percent, 38.5 percent, and 48.3 percent respectively. This grouping was based on a widely used criterion of defining manufacturing firms with 1-100 employees as a small-scale industry, 101-500 employees as a medium-scale industry, and those with more than 501 employees as a large-scale industry.

With respect to the industries, 33 percent of firms were in textiles, wearing apparel and leather products industries whilst 15 percent were in chemical, petroleum, coal, rubber and plastic products firms and 14 percent firms were specialized in food, beverages and tobacco products. Remaining firms were in various sectors including wood and wood products (8%), paper products, publishing and printing (7%), fabricated metal products, machinery and transport equipment (7%), non-metallic mineral products (6%), and 10percent of the firms surveyed operate in non-specified manufactured products (Not Elsewhere Specified).

The sample composition with respect to the firm age described that the majority of firms (59.4%) were established before 20 years and 17.7 percent of firms are less than 10 years old, 22.9 percent are between 11-20 years old, and 27.3 percent were established 21-30 years ago. Only 2.2percent have been established for more than 40 years. In this study, the firms were divided into two groups: older and young. The firms established before 1995 were named as older firms, and the firms established since 1995 were named as young. This division allowed the sample to be split into two groups including 59.4 percent of old and 40.6 percent of young firms.

Table 1
Results of Independent Samples Test

| Variables | Levene's Test for Equality of Variances | | t-test for Equality of Means | | | | | | |
|-----------|---|------|------------------------------|----|-----------------|-----------------|-----------------------|---|---------|
| | F | Sig. | t | df | Sig. (2-tailed) | Mean Difference | Std. Error Difference | 95% Confidence Interval of the Difference | |
| | | | | | | | | Lower | Upper |
| BS | 5.336 | .024 | -.640 | 58 | .525 | -.17619 | .27544 | -.72754 | .37516 |
| HRM | 1.847 | .179 | -2.452 | 58 | .017 | -.4368 | .1781 | -.7933 | -.0802 |
| IP | 3.298 | .075 | -2.282 | 58 | .026 | -.48667 | .21328 | -.91359 | -.05974 |
| OCH | .356 | .55 | .053 | 58 | .958 | .1111 | .2085 | -.4063 | .4285 |

BS Business Strategies, HRM - Human Resource Management Practices, IP – Innovation and productivity, OCH – Organizational characteristics

Independent samples t-test was conducted to compare HRM practices and business strategies in the two countries. The result reveals (see Table 1) that there was a significant difference in the two countries on HRM practices ($t = -2.452, p < 0.05$). Accordingly, HRM practices in Chinese firms are better than that in Sri Lankan firms. The result also indicates that Chinese firms are in a better position with respect to innovation and productivity when compared with Sri Lankan firms ($t = -2.282, p < 0.05$). However, no significance differences were found between the two countries on business strategies and organizational characteristics.

It was noted that HRM practices differ from one organization to another due to both internal as well as external factors. External drivers could be globalization, market oriented economy, re-structuring, Govt. policies etc. Globalization has made market very competitive and mergers, acquisition, take over etc. are the order of the day. The existing literature on industry specific HRM practices and policies is fragmented. Still there are chances that HRM practices would vary sector wise. In IT, Fashion industry etc., the patterns of HRM practices would be very different from the traditional manufacturing organizations.

Table 2
Coefficients model on Innovation and Productivity of Sri Lanka and China

| Variables | Sri Lanka | | China | | Overall | |
|----------------|-----------|--------|--------|---------|---------|--------|
| | Model1 | Model2 | Model1 | Model2 | Model1 | Model2 |
| BS | -.104 | -2.630 | 0.194 | -0.751 | -.029 | -0.886 |
| HRM | 0.819 | 1.921 | 0.646* | 1.162* | 0.793 | 1.324* |
| OCH | | -0.085 | | 0.809 | | 0.334 |
| BS x OCH | | 3.623 | | 0.316 | | 1.107 |
| HRM x OCH | | -1.717 | | -2.730* | | -0.962 |
| BS x HRM x OCH | | -0.590 | | 2.382* | | -0.010 |
| β | -.092 | -0.057 | 0.583 | 1.054 | 0.211 | -0.668 |
| R^2 | 0.570 | 0.607 | 0.632 | 0.963 | 0.601 | 0.680 |
| Adjusted R^2 | 0.538 | 0.504 | 0.605 | 0.953 | 0.587 | 0.643 |
| SE | 0.683 | 0.707 | 0.375 | 0.129 | 0.549 | 0.510 |
| F – Value | 17.864 | 5.916 | 23.221 | 98.673 | 42.902 | 18.744 |
| Sig. | 0.000 | 0.001 | 0.000 | 0.000 | 0.000 | 0.000 |

BS – Business Strategies, HRM - Human Resource Management Practices, IP – Innovation and productivity, OCH – Organizational characteristics

Table 2 shows the results of hierarchical regression used to examine the impact of business strategies and HRM practices on innovation and productivity as well as moderating influence of the organizational characteristics. Adjusted R-square values ranging from 0.504 to 0.953 imply that variance in innovation and productivity in each model is significantly explained by the predictor variables. F-values in each model are significant at 0.01 and indicate that all models are well fitted. The result reveals that HRM practices are significant predictor of innovation and productivity only in Chinese firms. Thus, this result supports the belief that HRM practices can contribute significantly to innovation and productivity initiative of the organizations. The results further indicate that organizational characteristics moderate the relationship between HRM practices and innovation and productivity in Chinese firms ($\beta = -2.73, p < 0.05$).

5. Conclusion

This study found that the alignment between the business and firm strategy is a key factor of success in innovation and productivity. When the HRM practices and business strategies are aligned, the innovation and productivity would be better than that of such alignments are not exist. The results confirmed the significance of HRM practices and strategy fit in creating competitive advantage. HRM refers to the overall philosophy about the organization and how people should be managed and is not merely limited to certain specific functions. HRM focuses on congruence and commitment instead of compliance and control. In the present day turbulent reality, there is a need to develop industry specific HRM policies and practices to remain in competitive and to develop committed workforce.

We have argued for the need of a framework that integrates our understanding from both international HRM and comparative management disciplines. The approaches, models and theories which we identified in order to develop our framework each deal with pieces of a larger phenomenon, but one which lacks a comprehensive framework to tie them together. We have presented the range of main national factors that create a metalogic for HRM and their various components. We have also delineated the important contingent variables and outlined the organizational and HR policies and strategies, which determine HRM policies and practices in a cross-national context. In so doing, it is important to note that the influence of all the different facets of the four main national factors (i.e., national culture, national institutions, dynamic business environment and industrial sector), contingent variables (such as size, age, nature, life cycle stage of organization, presence of unions, and HR strategies) and the HR strategy with its different organizational strategies and policies of HRM is context-specific. Different configurations of cultural, institutional, industry sector, or business dynamic metalogics alter the specific impact that the individual contingency factors. Understanding the complex interactions and causes-and-effect relationships between these different sets of metalogic factors, contingent variables and organizational strategies and policies now plays a crucial role in highlighting the cross-national but context-specific nature of HRM in different settings.

Further research is needed to test which HR and organizational strategies and policies become significant predictors of HRM in different regional settings. More facets of each national factor will undoubtedly be identified as our research understanding broadens and deepens. The issue of 'policy versus practice' needs serious consideration.

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