The marriage between strategic human resource management and firm performance, the journey to everlasting love
Leap-Han Loo¹, Loo-See Beh²
1- Faculty of Economics and Administration, University of Malaya, 50603 Kuala Lumpur, Malaysia
2- Faculty of Economics and Administration, University of Malaya, 50603 Kuala Lumpur, Malaysia
michaelloo@siswa.um.edu.my

ABSTRACT

Human resource management (HRM) practices have been viewed as an essential tool for organisational survival. Embracing the resource-based view and configurational perspective, it is argued that to pursue competitive advantage, HRM practices have to be unique, valuable and inimitable. The quest to determine what and how these HRM practices shape and impact firm performance is still limited. This paper examines the evidence for such link. Data were collected from 312 employees from seven insurance firms in Klang Valley using self-administered questionnaire technique. The results confirm that the configuration of recruitment and selection, internal communication, and performance appraisal practice is positively associated with the overall firm performance. This demonstrates that aligned HRM practices serve as an internal firm strategy for firms to achieve superior performance. Finally, after emphasising that strategic HRM practices as a source of competitive advantage, implications are discussed for HRM practitioners in the insurance industry.

Key words, Strategic human resource management; firm performance; resource-based view of the firm; configurational perspective; insurance firm.

1. Introduction

The insurance industry in Malaysia is expected to remain a strong contributor to the sustained growth of the Malaysian economy. Moreover, the insurance industry remains the largest source of employment opportunities and as a result, strategic HRM practices play a significant role in generating, reinforcing and sustaining employees to achieve competitive advantage globally and locally. Employees play a crucial role in insurance industry to develop customer focus, attending customer needs, supplying accurate information and providing better service quality will have great impact on firm performance. Schneider and Bowen’s (1993) study concurred that HR practices and procedures that are in place will facilitate the employees’ delivery of excellent service, thus increase firm revenue and performance.

There is a growing body of research studies on HRM practices and its effects on firm performance (Dobre, 2012; Loo & Beh, 2013). It is increasingly acknowledged that human capital is a valuable resource for business success, generating revenues and profits (Liu et al., 2007), and a source of competitive advantage (Barney, 1991). Firms employing HRM practices that are internally consistent, strategically aligned and compatible with firm strategy are believed to be superior performance. Thus, to properly evaluate strategic HRM practices
The marriage between strategic human resource management and firm performance, the journey to everlasting love

Leap-Han Loo, Loo-See Beh

effect on firm performance, it is vital to capture these interactive effects by treating organisation’s strategic HRM practices as a holistic systems.

As a result of these trends, the role of HRM in maximising its performance is becoming increasingly important, challenging and more strategic. Organisations constantly transform their employees into high level of skilled and competent workforce embedded with the organisation’s structure and culture in achieving superior performance (Liu et al., 2007). Cravens and Oliver (2006) reiterate that to accomplish such mission, a synergistic strategic HRM system is the pathway to optimise human capital as a source of competitive advantage. Strategic HRM focuses on strategy, integration, and coherence of practices and procedures that mobilise the ability and actions of organisational members toward the firm’s goals (Phan et al., 2005).

However, strategic HRM is a complicated phenomenon area of study. A large body of research has documented that the way in which a firm’s human resources are managed for its competitiveness on performance measurements (Jackson & Schuler, 1995; Gooderham et al., 2008) but the nature of this relationship remains unclear. Building on the arguments of MacDuffie (1995), Dyer and Reeves (1995), Delery and Doty (1996), there is little consensus as to what constitutes specific components in HRM systems. Indeed, it is argued that there are no two studies that measure HRM practices in the same way. Paauwe (2009) states that this uncertainty is due to the fact that strategic HRM studies differ widely with respect to theoretical foundation, levels of data analysis, classification of HRM practices, industry group, and measure of performance. This premise provides the backdrop for establishing the key variables for strategic HRM research that are theoretically concerned in the relationship between HRM practices and firm performance, which greatly interest the academicians and business leaders.

In summary, there is a need for growing body of empirical research on the relationship between strategic HRM and firm performance relationship (Ngo & Loi, 2008). Although the relationship between the strategic HRM and firm performance has been investigated in the general business literature, not much work is available in the wide spectrum in the service sector. Therefore, this study attempts to fill the gap by integrating single into multiple HRM practices that most likely to have great impact on firm performance specifically in the insurance industry Malaysia.

2. Evidence of research gaps from previous research

The early research on the strategic HRM-organisational performance linkage was dominated by the “best practice” perspective that strongly emphasised stability in strategic HRM practices across organisation (Delery & Doty, 1996). This approach suggests that some HRM practices are better than the other and organisation should identify and implement these practices for continuous organisational success (Hughes, 2002). Although there is a consensus that a wide range of HRM practices have a positive impact on organisational performance, there appears to be no agreement among the scholars on the standard universal HRM practices (Paauwe & Boselie, 2005). Boselie et al. (2005) argued that there is no single agreement list of HRM practices that are used to define and measure its effectiveness on firm performance.

Further to that, Colbert (2004) states that “best practice” approach gives little or no importance to the interaction between HRM and organisational variables. Moreover, Colbert
The marriage between strategic human resource management and firm performance, the journey to everlasting love

Leap-Han Loo, Loo-See Beh

(2004) criticised that “best practice” will become institutionalised and easily imitated, making it difficult for an organisation to create value and sustainable competitive advantage. Since the emergence of “best practice” debate which are discouraging and ambiguous in nature, there is a need for additional studies to support and emphasise the advancement of strategic HRM-performance link. MacDuffie (1995) reviewed that the impact of configuration of HRM practices on performance are the more appropriate level of analysis to examine the impact of organisational-level performances. Buller and McEvoy (2012) also conclude that a configurational of HR practices should generate greater effects, in contrast to single HRM practices which in isolation can produce only a limited amount of competitive advantage.

Similarly, there has also been a call for more focused empirical research looking at the link between strategic HRM and the number of potentially inter-related business outcomes e.g. service quality, profitability, productivity, product quality, and sales. Boselie et al. (2005) commented that financial measure is the main focus of measurement by most researchers in the study of strategic HRM-performance link. In the same way, Paauwe (2009) concludes that focusing on financial measure is problematic as financial indicators can be influenced by a whole range of factors which may have nothing to do with strategic HRM practices. Way and Johnson (2005) in their review on firm performance, suggested that the use of more multidimensional measures of firm performance would strengthen future empirical studies. Such approach provides a more holistic view of strategic HRM-performance relationship instead of just financial performance. However, Bamberger and Meshoulam (2000) note that the measurement of firm performance should be treated with caution as organization is a complex system and is influenced by multitude factors that enhance or detract performance.

Another methodological issue that continues to be debated concerns to the sources of information gathered from a single group of informants (Delery & Doty, 1996). Liao et al. (2009) recommended that in order to minimize the common method bias, it is suggested that data is collected from multiple informants on their understanding of the strategic HRM practices implementation in their organisation.

3. The relationship between strategic HRM and firm performance

Prior to discussing the theoretical links between strategic HRM and firm performance, it is important to note the key ways high performance work systems (HPWS) phenomenon in established firms. Strategic HRM scholars have established a burgeoning literature linking indices of HPWS to firm performance. These systems are deemed “high performance” because they are designed to motivate superior performance that positively affects firm performance. HPWS is conceived as a complementary or a set of practices that serve to increase the involvement and transforming the employees into partners to achieving organisation’s goals (Gardner & Wright, 2009). Strategic HRM theorists opine that HPWS is a key factor and contributor for better firm performance (Becker & Huselid, 2006). Shih et al. (2006) pointed out that firm implements HPWS can have an economically and significant impact on productivity and corporate financial outcomes.

The link between HPWS and firm performance relies on the developing organisation’s ability to configure value-adding resource that differentiate the firm from their competition. The strategic HRM literature has argued that HR practices meet these criteria and is therefore a useful avenue in which to be invested to enhance firm performance (Wright et al., 2001). In other word, strategic HRM research has generally theorised that HPWS motivate superior firm performance by increasing the levels of HR practices within the firm that is congruent
with firm strategy. This study adapts the concept of HPWS to emphasise how a particular configuration of strategic HRM practices seeking competitive advantage and enhance firm performance.

There is little agreement as to which HRM practices can be considered as strategic in an organisation. However, there is a broad consensus that there is a link between strategic HRM and firm performance (Huselid & Becker, 1996). Maxwell and Farquharson (2007) groundbreaking study established that a set of HRM practices, were found to be strongly related to turnover, accounting profits, business strategic planning process and firm market value. Since then, many studies have shown similar positive relationship between HR practices and various measures of firm performance such as productivity and quality in the auto assembly plants (MacDuffie, 1995), employee productivity, machine efficiency, and customer alignment and its link with quality manufacturing strategy and profitability (Delery & Doty, 1996).

Review of the literature indicate that essential HRM practices such as workforce planning, job analysis, training and development, recruitment and selection, compensation and reward, performance appraisal, career planning, employee participation, safety and health, internal communication, job design (Khan, 2010; Osman et al., 2011), have positive association with firm performance. These practices capitalised on the strength of the human capital for sustained competitive advantage. Furthermore, these studies also provide an insight to the management and HR practitioner to exercise these practices as strategic tool for superior performance (Khan, 2010).

Researchers have used financial and non-financial metrics to measure the effect of strategic HRM on firm performance. Dyer and Reeves (1995) proposed four possible types of measurement for organisational performance, 1) Human resource outcomes (turnover, absenteeism, and job satisfaction), 2) organisational outcomes (productivity, quality, and service), 3) financial accounting outcomes (Return Of Asset, profitability), and 4) capital market outcomes (stock price, growth, returns). They concluded that HR strategies were most likely to directly impact HR outcomes, followed by organisational outcomes, financial, and capital market outcomes.

In summary, this study focuses on eight HRM practices namely strategic HRM alignment in the organisation, recruitment and selection, training and development, compensation and benefits, performance appraisal, internal communication, career planning, and job design (Delery & Doty, 1996; Gooderham et al., 2008) that are generally used in the earlier empirical studies and appear to affect firm performance under all circumstances. The above reviews have unified a list of HRM practices needed for strategic HRM research and argued that it is the synergistic effect of multiple strategic HRM practices that contributes to firm’s competitive advantage. However, there is no consensus or consistency of any evidences illustrating what constitutes these configurations of HRM practices that associated with high firm performance. Therefore, the study proposes the following hypothesis.

Hypothesis 1, Configurations of HRM practices that are unique, rare, inimitable and non-substitutable will enhance firm performance.
4. Research Methodology

4.1 Population and Sample

A stratified random sampling technique was used to select a total of 350 full time employees that constituted the sample size. Permission was granted with only 50 respondents of each seven participating insurance firms in Klang Valley, Malaysia. Respondents were divided into three strata namely Management staff (10 respondents), Executive staff (20 respondents) and Non-Executive staff (20 respondents).

4.2 Data Distribution and Collection

The questionnaires were distributed by hand to the HR manager. The researcher communicated with the HR manager via telephone, email and visits throughout the process of distribution and collection of data. In order to ensure high response rate, a cover letter indicating the objectives and importance of the study was included in the questionnaire. Then a follow-up mailings on the status of the participation was carried out on a weekly basis. The self-administered questionnaire took approximately 30 minutes on average to complete it. Participation in this study was voluntary and confidentiality was guaranteed. Moreover, respondents can complete the questionnaire at their convenience during or after working hours. Collection of the completed questionnaires was done by hand after three weeks from the date the questionnaires were distributed. A total of 312 usable returned questionnaires were used for final analysis in this study. This shows a response rate of 89%, which is a good response rate.

4.3 Questionnaire Design

The major construction of the instrument employed in this study were developed based on the Western literatures. The items of the questionnaire were developed on the basis of literature review and after reviewing some previous questionnaires. Experts were consulted to look at the questionnaire items in relation to its ability to achieve the stated objectives of the research, level of coverage, comprehensibility, logicality, minimising the measurement error and suitability for prospective respondents. Validity and reliability test were conducted to validate the consistency of the instrument used in this study. Finally, the questionnaire was pre-tested in a pilot study, and then modified and further reduced/modified in the final usage to capture data of the respondents. The questionnaire used in this study is divided into three parts. The first part contains a range of demographic questions. The second section aimed to establish whether the organisation has a particular set of HRM best practice in place. The final section measure the perceived firm performance in the last five years including current performance. A detail description of the construction of questionnaire is presented in the instrumentation section below.

4.4 Measurement

4.4.1 Demographics Characteristics of Respondent and Organisation

The demographics measured in this study cover seven demographic characteristics. The demographic characteristics were then represented by control variables namely gender with “1” as male and “2” as female, age with “1” as 30 and below and “2” as above 30, education with “1” as Diploma and below and “2” as Degree and above, year of service with “1” as less
The marriage between strategic human resource management and firm performance, the journey to everlasting love
Leap-Han Loo, Loo-See Beh

than 5 years and “2” as 5 years and above, designation with “1” as executive and below and “2” as manager and above, and total employee with “1” as 200 and below and “2” as above 200. Name of the organisation was omitted as this item function is to indicate the participating firm’s name.

4.4.2 Independent Variables

Though there are many HRM practices discovered in the literatures, not all of them may affect firm performance. The theoretical and empirical work reviewed indicates that there are certain HR practices which have a bearing on firm performance. However, for the purpose of this study, eight HRM practices were identified and selected, which have greatest support across diverse literatures considered to be related to firm performance. The HRM practices used in this study include, SHRM alignment in the organisation (7 items), recruitment and selection (7 items; one item deleted after reliability test), training and development (9 items), compensation and benefits (9 items), performance appraisal (8 items), internal communication (6 items; two items deleted after reliability test), career planning (7 items), and job design (8 items). Respondent rated each HRM practice in the form of 5-Likert point scale of 1 for ‘strongly disagree’ to 5 for ‘strongly agree’.

4.4.3 Dependent Variables

Literature reviews demonstrate that the adoption of a unidimensional measurement of firm performance is problematic (Delery & Doty, 1996). This study used a subjective measurement on firm performance because the insurance firms in Malaysia were very reluctant to disclose their financial performance. Firm performance is measured by the following variable namely, 1) rate of productivity of your company, 2) customer service, 3) quality of products, and 4) sales growth developed by Dyer and Reeves (1995). These indicators are rated anonymously by the respondents on a 5-point Likert scale of 1 for “very poor” to 5 for “very good” and each rating is done in relation to the perceived firm performance in the industry.

4.4.4. Data Analysis Method

The collected data was then analysed using the Statistical Package for Social Science (SPSS) Version 19.0. The analysis of data began with the reliability test for the scales using Cronbach’s Alpha. This is followed by descriptive statistics and correlation analysis among the variables. Since the purpose of this study is to examine the relationship between several independent variables and dependent variables, multiple regression analysis was used in this study.

5. Data Analysis and Results

5.1 Profile of Respondents

The results of the demographic characteristics of the respondents show that 57.4% of the respondents are female while 42.6% of the respondents are male. This implies that insurance industry in this country gives female preference in the recruitment and selection process. The finding also indicates that 80.4% of the respondents are aged 31 years and above, implying that age is an important factor in appointment of executives, manager and top management.
These are responsible positions with high accountability and required a great deal of experience in carrying out their duties efficiently and effectively. A total of 64.7% of respondents obtained Degree and it is presumed that overwhelming majority of the respondents were well educated in their area of expertise. 60.3% of the respondents have been in the industry for at least 5 years of working experience.

5.2 Configuration of HRM Practices

Two fundamental parameters were distinguished in this study namely the direction in which HRM practices are configured and the degree to which HRM practices are configured. This study has been directed at the question whether specific configuration of HRM practices have positive effect on high performance. On the degree of HRM configuration, this research has acknowledged that HRM practices may have additive, substitutable, positive and/or negative synergistic relationship, where the latter two are also known as “powerful connections” and/or “deadly combinations” (Becker et al., 1997).

A total of thirty four pairs of two-pair HRM practices were identified in this study. This study follows the Cohen (1988) correlation guidelines to select the best combination of HRM practices. Cohen (1988) guidelines indicate that r=0.50 and above signifies strong relationship. Of the thirty four pairs, seventeen pairs were discarded due to duplications of correlations. The Pearson’s product moment correlation coefficient values reveal strong correlations within the HRM best practice variables as follows, a) compensation & benefits and career planning (r =0.728, p < 0.01), b) training & development and recruitment & selection (r =0.715, p < 0.01), and c) training & development and performance appraisal (r =0.712, p < 0.01). The other remaining HRM practices combination were highly significant in magnitude (r = 0.503 to 0.683, p < 0.01). These correlations are consistent with the HRM configurations empirical study done by MacDuffie (1995) and Delaney and Doty (1996). The next focal of HRM configuration process is to identify multiple three-pair HRM practices by employing the seventeen usable two-pair HRM practices into a single composite score. The correlation of training & development and compensation & benefits (r = 0.622), compensation & benefits and career planning (r = 0.728) and training & development and career planning (r = 0.678) form a single composite three-pair HRM practices score consisting of training & development, compensation & benefits and career planning. This process yielded eleven core multiple three-pair HRM practices.

5.3 Correlation relationship between configuration of HRM practices and firm performance

The correlation results provide general support for hypotheses 1 concerning the relationships between configurations of HRM practices and firm performance. Configuration of performance appraisal, career planning and recruitment & selection was significantly associated with firm performance (r = 0.641, p < 0.01). Configuration of career planning, recruitment & selection and internal communication was also significantly associated to firm performance (r = 0.633, p < 0.01). This is followed by configuration of performance appraisal and recruitment & selection (r = 0.625, p < 0.01), compensation & benefits, career planning and recruitment & selection (r = 0.625, p < 0.01), career planning and recruitment & selection (r = 0.623, p < 0.01), training & development, career planning and recruitment & selection (r = 0.623, p < 0.01). Overall, HRM configurations were identified to have strong correlation relationship with firm performance except for strategic HRM alignment and compensation & benefits (r = 0.499, p < 0.01). Table 1 presents the comparison of correlations between single
The marriage between strategic human resource management and firm performance, the journey to everlasting love

Leap-Han Loo, Loo-See Beh

HRM best practice and configurational of HRM practices and firm performance. Again, the findings show that configurations of strategic HRM practices illustrate stronger positive correlation relationship on each dependent component and firm performance as compare to single HRM practice. These findings are consistent with results reported in international studies (MacDuffie, 1995; Delery & Doty, 1996; Osman et al., 2011).

Table 1, Comparison of the correlations between single and configurational strategic HRM practices and firm performance indicators

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Single HRM Best Practice</th>
<th>Configuration of HRM Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate of Productivity</td>
<td>Recruitment &amp; Selection (r = .512**)</td>
<td>Performance Appraisal, Recruitment &amp; Selection and Internal Communication (r = .582**)</td>
</tr>
<tr>
<td>Customer Service</td>
<td>Career Planning (r = .526**)</td>
<td>Strategic HRM alignment, Compensation &amp; Benefits and Career Planning (r = .604**)</td>
</tr>
<tr>
<td>Quality of Products</td>
<td>Training &amp; Development (r = .412**)</td>
<td>Training &amp; Development, Compensation &amp; Benefits and Career Planning (r = .476**)</td>
</tr>
<tr>
<td>Sales Growth</td>
<td>Performance Appraisal (r = .482**)</td>
<td>Training &amp; Development and Compensation &amp; Benefits (r = .607**)</td>
</tr>
<tr>
<td>Overall Firm Performance</td>
<td>Recruitment &amp; Selection (r = .600**)</td>
<td>Performance Appraisal, Career Planning and Recruitment &amp; Selection (r = .641**)</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed)

5.4 Multiple Regression Analysis

Overall, the results of the multiple regression analysis for two-pair HRM practices shows that the configuration between recruitment & selection [F (6,305) = 36.938, p < .05] contributes 40.9% variance (Adjusted R² = .409, β = .454, p < .05) and internal communication [F (7,304) = 34.106, p < .05] contributes 42.7% variance (Adjusted R² = .427, β = .186, p < .05) increased 1.8% in the criterion variable. Further to that, the configuration between recruitment & selection (Adjusted R² = .409, β = .463, p < .05) and performance appraisal (Adjusted R² = .423, β = .171, p < .05) increased 1.4% of variability in the criterion variable [F (7,304) = 33.605, p < .05]. Again, the analysis also found that the configuration between recruitment & selection (Adjusted R² = .409, β = .484, p < .05) and career planning (Adjusted R² = .418, β = .141, p < .05) increased 0.9% of variability in the criterion variable [F (7,304) = 32.940, p < .05]. Next, the study conducted a multiple regression analysis for three-pair HRM practices. Model 1 revealed that neither of the control variables had a strong significant impact on firm performance. The configuration of recruitment & selection, internal communication, and performance appraisal contribute the greatest variance in firm performance (Adjusted R² = .433, F (8,303) = 30.677, p < .05) The configuration of recruitment & selection (β = .393, p < .05), internal communication (β = .149, p < .05) and performance appraisal (β = .126, p < .05) increased 2.4% of variability in firm performance.
Table 2 shows the comparison of variance contribution between single, two-pair, and three-pair HRM practices in firm performance.

Finally, as noted earlier, the analysis reveals that single HRM practices accounted less of the variability in firm performance outcomes and configuration of strategic HRM practices explained more of the variation for firm performance outcomes. This findings help to continue to build knowledge in transforming HRM practices into larger strategic HRM system in an organisation. The RBV proves the underlying assumption that the configuration process of HRM practices are socially complex and intricately linked, thus making it an integral part of strategic HRM system that is unique, non-substitutable, and very difficult to imitate will have better firm performance. Hence, the hypothesis 1 is accepted.

**Table 2. Multiple Regression Analysis for single, two-pair, and three-pair HRM practices and firm performance indicators**

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Single HRM Best Practices</th>
<th>Two-Pair HRM Practices</th>
<th>Three-Pair HRM Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate of Productivity</td>
<td>Recruitment &amp; Selection (Adjusted R² = .291)</td>
<td>Recruitment &amp; Selection and Performance Appraisal (Adjusted R² = .324)</td>
<td>-</td>
</tr>
<tr>
<td>Quality of Products</td>
<td>Training &amp; Development (Adjusted R² = .175)</td>
<td>Training &amp; Development and Career Planning (Adjusted R² = .203)</td>
<td>-</td>
</tr>
<tr>
<td>Sales Growth</td>
<td>Training &amp; Development (Adjusted R² = .375)</td>
<td>Recruitment &amp; Selection and Career Planning (Adjusted R² = .403)</td>
<td>Recruitment &amp; Selection, Career Planning and Performance Appraisal (Adjusted R² = .432)</td>
</tr>
<tr>
<td>Overall Firm Performance</td>
<td>Training &amp; Development (Adjusted R² = .409)</td>
<td>Recruitment &amp; Selection and Internal Communication (Adjusted R² = .427)</td>
<td>Recruitment &amp; Selection, Internal Communication and Performance Appraisal (Adjusted R² = .433)</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.05 level (2-tailed)**

**5.5. Discussion and Conclusion**

The present study has generated information which contributes to our understanding of strategic HRM practices in the insurance industry in Malaysia. This study tested the
relationship between strategic HRM practices and firm performance by applying the RBV theory and configuration perspective. This study replicated prior studies on strategic HRM-performance relationship that were mostly conducted in western firms. This replication of study was able to generalise the conclusion drawn from western context into Malaysian context.

The findings clearly indicated that HRM practice cannot be studied in isolation but ought to be combined (interdependencies with each other) to obtained superior firm performance. This study also examined in-depth the nature of these configuration and explored in details of their synergetic and non-synergetic dynamics. The discussion is restricted only on successful strategic HRM configuration on firm performance outcomes. In addition, this study also expanded the current work on strategic HRM-firm performance relationship by examining a broader performance dimension namely rate of productivity, customer service, quality of products, and sales growth.

The challenge most of the scholars faced is to determine and identifying the most effective combination set of strategic HRM practices that will lead to higher firm performance. Becker and Huselid (2006) stressed that the composition of the sets of strategic HRM practices and the substitution effects between the HRM practices, contribute to the existence of configurational effects on firm performance. As a result, Delery and Doty (1996) highlighted that there can be countless combinations of strategic HRM practices that support and/or improve one another, may result in identical firm performance outcomes. This contributes to the concept of ‘equifinality’, in which identical results can be achieved by a number of different configurations of HRM practices. A superior configuration combines all elements in such a way that their interdependencies are strategically aligned towards achieving superior performance. Takeuchi et al. (2003) concluded that if the consistency within the configuration of HRM practices is achieved, then the configuration will achieve better performance outcomes.

The hypothesis of this study was to identify the combination of HRM practices that can improve firm performance. The results of the multiple regression analysis provide support for the configurational approach of HRM practices in explaining the firm performance outcomes in the insurance industry. The study found that the combination of recruitment & selection and performance appraisal is strongly significant and positively related to the subjective evaluation of rate of productivity. Combination of career planning and strategic HRM alignment in the organisation was associated with customer service performance, training & development and career planning with quality of products, and recruitment & selection, career planning and performance appraisal with sales growth. These findings imply that configuration of HRM practices contributes to firm performance in terms of the improvement of productivity internally, commitment to provide excellent customer service, delivery of quality of products, and promotion of sales growth in the insurance industry. Finally, the results confirm that the configuration of recruitment & selection, internal communication, and performance appraisal practice is significantly associated with the overall firm performance.

However, not all configuration of strategic HRM practices are equally effective, though some two-pair HRM practices are clearly better than three-pair HRM practices. For an example, the configuration of career planning and strategic HRM alignment in the organisation is greater than configuration of career planning, recruitment & selection and training & development in relation to customer service performance. This analysis allows HR managers to construct
multiple and/or equally effective HRM practices that are unique and inimitable to gain competitive advantage in the insurance industry, locally and globally.

5.5.1 Contribution to the body of knowledge

Overall, the findings of this study contribute to the current study of the relationship among configuration of strategic HRM practices and firm performance. Firstly, this study confirmed that configuration of strategic HRM practices is the antecedent to firm performance. The findings from this study support the initial proposition that synergistic configuration of strategic HRM practices are likely to be positively correlated with specific firm performance indicators. Most prior studies examined HRM practices at universalistic perspective (Paul & Anantharaman, 2003; Shih et al., 2006) this study focuses on the effect of synergistic of configuration of strategic HRM practices on firm performance at macro level.

These findings also confirm that firms can benefit from the configurational of HRM practices by making a comprehensive set of HRM practices that could derive positive returns by enhancing the synergy among the practices. Furthermore, this study argues that instead of ensuring configuration of HRM practices be simultaneously present, firms might benefit from enforcing a smaller number of configuration of HRM practices and then build synergies among them. It is also evident that the implementation of two-pair and three-pair strategic HRM practices are likely to be more cost-effective than several HRM practices. This is consistent with Subramony’s (2009) study on synergistic of HRM bundles.

The results of the study also provide new insights to the RBV theory and configurational perspective application in the study of HRM. The process of configuration of HRM practices enable a firm to acquire resources and integrate them quickly, complement the value of a resources, and disposal of the less strategic resources. Given the increased importance and attention of configurations of HRM practices and its effects on firm performance is worthy of investigation.

5.5.2 Limitation and future research

This research has several limitations. The research design in this study was dictated by resource constraints. First, the research was based on a relatively small sample from seven major insurance firms in Klang Valley and was conducted in a single industry. This will result in the question of generalisability and applicability to other industries in the study of strategic HRM-performance linkage. Therefore, it would be better for future study to obtain a cross-industry sample investigation. This survey covered only seven insurance firms and the findings may not be strongly established being indicative of the larger population in the insurance industry in Malaysia. A longitudinal research design will be more accurate to test the causality of this relationship. The construction of the research questionnaire was based on the most popular strategic HRM practices quoted and validated from previous studies. Only eight out of a wide range of possible HRM practices were selected for this study. There are other possible variables that were not examined such as employee relations, work systems, employment security, and others that may have exogenous effects on the relationships studied. Although multiple performance measures were employed in this study, these measures concern on organisational and financial outcomes of the firm only. Multiple criteria of performance measurement should be considered and covered in the future studies on the strategic HRM-performance relationship.
5.5.3 Managerial Implication of the Study

The employment of configuration of HRM practices is helpful and useful for improving the firm performance. The appropriate practice of people management is widely known and can contribute to achieving superior firm performance. The contribution of strategic HRM to the firm’s bottom line is established through this study, thus implementing effective configuration of strategic HRM practices could strengthen the competitive advantage among the insurance firms. It is crucial that HR manager remains committed to the development of effective strategic HRM systems by focusing upon implementation of configuration of strategic HRM practices within the firm’s resources. Thus, this study’s discussion highlights the importance not only to integrate a HRM system but determining the components of strategic HRM practices embedded in the configuration design that affect firm performance. Senior management need to assume responsibility of the ever-increasing array of available HRM practices that are essential to make better HR decisions. In conclusion, the journey to achieve the desired blend of a happy marriage between strategic HRM and firm performance, the relationship has to be sincere, unique, personal, and romantic for the couple to achieve everlasting love.

6. References


The marriage between strategic human resource management and firm performance, the journey to everlasting love
Leap-Han Loo, Loo-See Beh


