

**AN EXPLORATORY STUDY OF HUMAN RESOURCE MANAGEMENT  
AND BUSINESS STRATEGY IN MULTIUNIT RESTAURANT FIRMS**

by

Nor K. Ishak

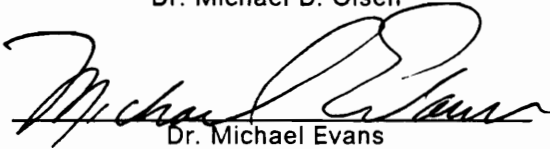
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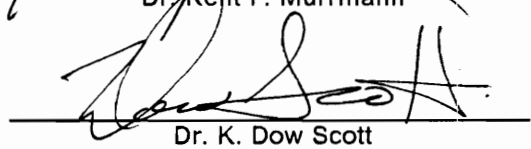
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(ABSTRACT)

The objectives of this study is two-fold: First, is to explore the nature of human resource management (HRM) functional activities in the multiunit restaurant firms, focusing at the unit restaurant managers level. The second objective is to investigate the relationship between the firm's business strategy and its HRM practices. This study addresses the critical need for empirical research that examines HRM practices in restaurant firms, and presents a possible solution to the acute management shortage problem in the industry.

Data are collected from 14 publicly-traded multiunit restaurant firms. A case study approach is taken to provide an indepth examination of each firm. Primary data are derived via interviews and structured mailed questionnaires. Information is also collected through published sources.

The results indicate that restaurant firms do have similar HRM functional activities' emphasis. Some of those activities were found to support the firm's business strategy. An analysis of the qualitative data indicate that although the HRM executives are involved in the firms' strategic planning process, the current acute labor shortage and high turnover problems demand them to focus on administrative issues instead.

The study provides exploratory evidence for the effectiveness of a positive link between HRM practices and business strategy. It has contributed to a deeper understanding of the issues and functions of the HRM divisions in the multiunit restaurant firms.

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# **CHAPTER I**

## **INTRODUCTION**

### **1.1 INTRODUCTION**

Traditionally, firms have considered human resources as the factor of production which demanded their least attention. The underlying reason behind this attitude, as observed by Botter (1981), has been that human resources have been considered as flexible, that personnel can be recruited and trained on short notice, and that they can be laid off when sales drop. Angle, Manz and Van de Ven (1985) stated that firms assume that "the right mix of the right kinds of people, in the appropriate numbers, will be available: furthermore, that they will have the requisite knowledge and the motivation to carry out the firm's intended strategy" once the strategy has been formulated. However, with the recent increase in competition, the changing composition of the modern corporation, and the critical problem with employee turnover, there is an increasing awareness that the success or failure of the firm is related to the capability of its people, and that the human resource function is the single most important factor in assuring successful implementation of strategy.

Human resource management is responsible for the determination of the human resource availability and capability, hiring and retaining the right people, the development and implementation of appropriate compensation and appraisal policies, and the design of proper

training and development programs (Meals and Rogers, 1980). Burack (1985) observed that in recent years, as strategic business planning becomes more important, human resource management, correspondingly, becomes an increasingly vital factor in affecting successful implementation of such plans. As Meals and Rogers (1980) note, "in the modern corporation it is accepted that an effective organization (in the human resource sense) is not only a precondition for the successful implementation of strategy, but should also be a reflection of strategy". Therefore, the firm's strategy should be reflected in its human resource management policies and practices.

## **1.2 PURPOSE OF THE STUDY**

The first purpose of the study is to explore the nature of human resource management practices in the multiunit restaurant industry. Human resource management practices are the set of those organizational processes which seek to establish and maintain the employment relationship (Murray and Dimick, 1978) and include the functional activities of human resource planning, staffing, appraisal, compensation, and training and development. The second purpose of the study will be to investigate the relationship between human resource management practices and business strategy, and the impact of that relationship on the overall performance of the firm.

## **1.3 IMPORTANCE OF THE STUDY**

The study will provide an understanding of the human resource management functions and of the importance placed upon those functions in the restaurant firms. It will likewise help the human resource specialists to formulate their policy in strategic terms and to integrate their different activities so as to provide the firm with the human resource competence

required for competitive advantage. Researchers have mainly focused on the study of human resource management within each specific area, for example, human resource accounting, human resource planning, responses of human resource management to environmental changes, and the matching of human resources to strategic changes (Lengnick-Hall and Lengnick-Hall, 1988). A review of literature has suggested that: (i) the emphasis a firm consciously places on the different human resource management functions (human resource planning, staffing, compensation, appraisal, and training and development) should be based on its competitive strategy (Schuler et al, 1987; Miles and Snow, 1984; Gitzendanner, Misa, and Stein, 1983; and Gerstein and Reisman, 1983), and (ii) the effectiveness of strategy implementation is based, in part, on the management skills of managers (Leontiades, 1982; Chrisman and Boulton, 1987; Gupta and Govindarajan, 1984; Herbert and Deresky, 1987; and Szilagyi and Schweiger, 1984; Business Week, 1980).

## **1.4 RESEARCH PROBLEMS**

The research problems arise from the need to manage the human resources of the firm more effectively. Restaurant firms have been forced to aggressively compete for unit managers, while at the same time these firms have to accurately assess the managers' capabilities and potential willingness to support the firms' strategies. This dilemma has arisen due to the rapid growth of the industry, the increase in environmental variability and degree of competition, the acute shortage of labor, and the corresponding increases in employee turnover rates and cost of employee replacement. These industry issues and problems demand that the firm continually assess its internal processes and capabilities if it is to remain competitive. It needs to devise ways of attracting and maintaining desirable restaurant managers so as to assure the effective implementation of the firm's business strategies.

Murray and Dimick (1978) noted that human resource management policies vary across organizations and that the basis used for certain policies remains unclear. Miles and Snow (1984) and Wils (1984) found that human resource management within one company that they each studied has similarities in their functional activities, while LaBelle (1983) and Ackermann (1984) observed that there were differences in the human resource management practices in several companies. Therefore, the first research question that is addressed in this study is:

- (i) Are there similarities in the human resource management functions within and across multiunit restaurant firms?

Studies have also indicated that that the human resource management practices have an impact on firm's performance (Nininger, 1982; and Peters and Waterman, 1982), and that firms that have similarities in their human resource management practices tend to have higher performance (Gitzendanner, Misa, and Stein, 1983). The second research question therefore is:

- (ii) Do restaurant firms with similarities in their human resource management functional activities perform better than firms that do not have similarities?

The concept of business level strategy linkage with human resource management practices has been the focus of the studies by Miles and Snow (1984), Herbert and Deresky (1987), Gupta (1984), Gupta and Govindarajan (1984), Schuler, Galante and Jackson (1987), Schuler and MacMillan (1984), Schuler (1987), and Schuler (1989). Those studies have used various typologies of strategies in their attempt to indicate the link between strategy and human resource management practices. The third research question is:

- (iii) Is business strategy being used as the basis for formulating human resource management functional activities in restaurant firms?

Measures of the effectiveness of human resource management practices effectiveness have used such criteria as unit labor cost, the cost per employee of personnel programs, employees' job satisfaction, and employees' satisfaction with specific activities. These measures, often, are used for finding out the effectiveness of specific programs. Seldom have

the human resource management practices been measured as a whole, except when attempts are made to determine if the overall objectives of the human resource department have been achieved. Schlesinger (1983) noted that this might be due to the limited knowledge available on the extent of impact the human resource management practices have on the firm's effectiveness, especially on assessing the optimal payoff in terms of bottom-line results. Studies by Nininger (1982) and Peters and Waterman (1982) did suggest that human resource management practices may, in some way, have an impact on the bottom-line performance of firms. The fourth research question is, therefore, to determine:

- (iv) What is the resulting impact of the relationship between business level strategy and human resource management functions on the firm's overall financial performance?

Based on the research questions, this study will use these following research propositions:

- Proposition 1:** Restaurant firms do have similarities in their human resource management functional activities emphasis.
- Proposition 2:** Restaurant firms with consistent patterns in their human resource management functional activities emphasis will perform better than firms that do not have consistent patterns.
- Proposition 3:** Restaurant firms' human resource management functional activities aligned in some consistent pattern based on their business strategies.
- Proposition 4:** Restaurant firms with aligned human resource management functional activities and business strategy will perform better than firms not exhibiting such alignment.

## **1.5 THEORETICAL UNDERPINNING**

The theoretical underpinning for this study is the Miles and Snow's (1984) model that links Human Resource Management and strategy.

The Miles and Snow's model uses the Miles and Snow's (1978) strategy typology to link strategy with the HRM functional activities of recruitment, selection, placement, manpower

planning, training and development, performance appraisal, and compensation. Strategy typologies are developed based upon assessing industry attractiveness and organizational capabilities relative to other competitors (White, 1986). The development of business capabilities and distinctive competences depend, to a large extent, on the alignment of the organization's functional activities with its strategy.

The Miles and Snow's model suggests that the differences in strategic orientations should be reflected in appropriate differences in human resources roles, planning, and practices. It further suggests that key similarities and differences across organizations are patterned and predictable, and that the HRM roles and practices in different types of organizations can be specified based on strategic types.

The Miles and Snow's model of HRM - Strategy linkage is selected as the model for this study since empirical studies have identified and confirmed the presence of the three strategy types (defenders, prospectors, and analyzers) in both the manufacturing and service firms. It further supports the applicable use of the typology for within industry studies and for studies that focus on business level strategy. It also indicates the clear implications for organizational design including the basic role of HRM functions.

## **1.6 CONCEPTUAL FRAMEWORK**

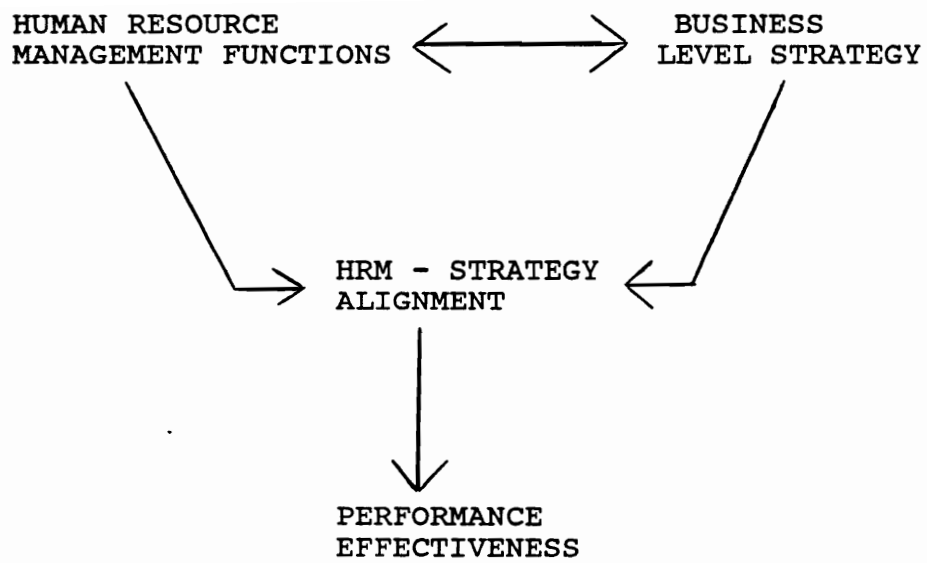
The conceptual framework that will be used in this study is illustrated in Figure 1. The framework is based on the premise that business level strategy should influence or direct the emphasis or choices made in the different HRM functional activities by human resource specialists. Examples of such influence might include the extent of formalization in each human resource management function, the degree of unit managers' involvement in the determination of policy and programs, and the length of the planning period. Likewise, factors in human resource management will also impact on the firm's choice of a competitive strategy. For example, human resource capabilities and availability should be considered

when formulating the firm's competitive strategy. Therefore, the match or alignment of human resource management functional activities with the business level strategy should be reflected in the firm's overall financial performance.

## **1.7 CONTINGENCY APPROACH**

Gupta and Govindarajan (1982) have proposed that the effectiveness, or likelihood, of realizing an intended strategy depends significantly upon the existence of a match between the strategy and the firm's processes. Their contingency perspective emerged from the study of Chandler (1962) which focused on the firm's need to restructure its internal activities in order to meet new environmental demands. Studies by Burns and Stalker (1961), Lawrence and Lorsch (1967), and Thompson (1967) also use such a contingency perspective, with emphasis remaining on the restructuring of the firm based on either environmental or technological factors in order to gain competitive advantage. Hambrick (1983) noted that a strategy not only guides the organizational alignment with its environment, but it also shapes the firm's internal features, such as its functional policies, structure, and process. Miles and Snow (1978) also found that successful firms will strive to adapt themselves to the environmental conditions, and attempt to achieve a fit among their internal structures and management process.

Key words in this literature, seen as interchangeable, that have been used to link two or more variables in the contingency model include "match", "fit", and "alignment". The contingency theory suggests that it should be possible to measure the extent of match, fit, or alignment of the variables in the model. In studying the concept of fit, Van de Ven and Drazin (1985) have suggested three approaches: the selective approach, the system approach, and the interactive approach. The first approach, selective approach, assumes a causal relationship between the variables under investigation. This has been the approach taken by Chandler (1962) and Burns and Stalker (1964). It proposes that organizations should adopt or



**Figure 1. A Conceptual Framework of HRM functions, Business Strategy and Performance**

select structures that fit their particular environment if they are to remain competitive. The selective approach focuses mainly on the impact of choices made at the macro organizational level on the micro organizational level. The implication of this approach is that there is one particular structure that fits a certain type of environment. The second approach, the systems approach, recognizes that multiple, equally effective alternatives may exist, and therefore, choices are possible within a certain range. Organizations can select among the choices of structural types within the specified range. The third approach is the interactive approach. This method for studying the concept of fit proposes that "fit" results from the interaction between pairs of variables which will affect the firm's performance. An example of such an interaction would be that of different technological processes and structural types, and their combined effect on firm's performance. Fit, in this approach, is defined in terms of the conformance of the relationship between the two variables to a specified model, and a lack of fit is the result of a deviation from that relationship. Deviations in any direction will result in lower performance. From a review of the three approaches, the appropriate approach for this study is the interactive study. This study assumes fit in terms of the conformance of the HRM functional activities to the firm's strategy type, and proposes that definite patterns exist in HRM functional activities emphasis that relate to a specific strategy type. Any deviation from that pattern will results in lower financial performance.

## **1.8 SUMMARY**

This section summerizes the main aspects in this first chapter, and briefly, explains the operationalization of the variables and the research design that will be utilized for this study.

### **1.8.1 Purpose and Importance of the Study**

The purposes of the study are: to explore the nature of the HRM functional activities in the multiunit restaurant industry, to study the linkage between HRM functional activities and business level strategy, and to investigate the impact of that linkage on the firm's financial performance.

The study should provide an understanding of the HRM functions in restaurant firms. The knowledge should enable human resource specialists to formulate policy in strategic terms and provide a basis for integrating the HRM functional activities. These are required to develop distinctive competences in the human resources and to gain competitive advantage.

### **1.8.2 Research Problems and Research Questions**

The rapid growth of the restaurant industry, the increases in competition, the acute shortage in labor and the corresponding high turnover rates at both the management and operational levels have forced restaurant firms to continually assess their human resource capabilities. Studies have indicated that if the firm's human resource management functional activities are aligned with its competitive strategy, then it should perform better. Therefore, the research questions that are addressed for this study are: are there similarities in HRM functional activities, is business strategy being used as the basis for formulating those activities, and if it is, is it reflected in the firm's performance level?

### **1.8.3 Variables Operationalization**

The three concepts under study are: business strategy, HRM functional activities, and organizational performance.

The study will operationalize strategy through the Miles and Snow's (1978) strategy typology of defenders, prospectors, and analyzers. The identification of each firm's strategy type will be derived through the use of two measuring instruments: self-typing method, and the delphi technique. The HRM functional activities will be operationalize through the nature of emphasis in each of the 5 functions: human resource planning, staffing, compensation, appraisal, and training and development. The Integrated Model of HRM (Figure 9) forms the basis for the development of the measuring instrument for HRM functional activities. The firm's overall financial performance is measured through the used of two ratios: return on assets, and return on investments.

#### **1.8.4 Overview of the Research Design**

The case study approach provides the framework for this exploratory and descriptive research. The overall objective is to gain insights into the nature of HRM functional activities in restaurant firms, and the HRM functional activities relationship with the firms' business strategy.

The study is conducted with 14 multiunit, publicly- traded, restaurant firms in the U.S. The sample comprises of at least 4 firms in each of the three strategy types. Data were collected through primary and secondary sources. Primary data were gathered through structured, mailed survey questionnaires and telephone interviews directed at the firms' chief executive officers, the head of the marketing/operations/finance divisions, and the head of the HRM divisions. Secondary data were collected from articles in the Restaurant and Institutional, and Restaurant Hospitality journals, and from the Dow Jones, and 10-K reports.

The data were analysed through the use of the Pattern Analysis method and the Generic Pairwise Approach to Fit Analysis. The analysis of results indicated the existence of similarities or patterns in the HRM functional activities, and the relationship of specific HRM

pattern to certain strategy type. They also provided some future research hypothesis that are testable.

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

This section focuses on the research efforts, both conceptually and empirically, that have been conducted within three areas: strategy, human resource management practices, and the firm's overall financial performance. The general direction of this chapter will be, first, the determination and definitions of the concepts, followed by a review of the current and past research efforts. From these, the definition of those concepts that will be used as the parameters for this study will be derived.

#### **2.2 STRATEGY**

A strategy guides the organization in its effort to achieve organizational objectives, thus, it should define how the internal features of the organization should be aligned and coordinated. Strategy has been defined in various ways. Thompson and Strickland (1987) defined it as a process and a blueprint, Mintzberg (1978) defined it as a pattern, and Hambrick (1980) defined it as a decision. For the purpose of this study, the definition that will

be used will be as stated by Galbraith and Schendel (1983) and Miles and Snow (1978): "Strategy is a consistent pattern in the decisions that guide a firm in competing in a given business." Snow and Hambrick (1980) further added that these decisions should be directed at (i) maintaining the organization's alignment with its environment and, (ii) managing the major internal interdependencies. These internal interdependencies refer to the alignment of the functional activities. The proper alignment of the firm's internal functional activities are required for positioning it for competitive advantage and for developing its distinctive competence. Distinctive competence refers to the aggregate of activities that an organization tends to perform better than other organizations within a similar environment and in a similar industry (Snow and Hrebiniak, 1980). The competitive advantage is derived from managers recognizing and creating organizational capabilities through an effective deployment of internal resources such as human resources and technical knowledge. Snow and Hambrick (1980) contended that in order to achieve high performance, each strategy must be supported with an appropriate distinctive competence. Galbraith and Schendel (1983) noted the fact that the internal and external circumstances are always changing, but strategies should remain relatively unchanged. This indicated that it is possible to align the internal processes with the strategy and, in fact, it is a requirement for securing distinctive competence and competitive advantage.

Stumpf (1988), and Thompson and Strickland (1987) considered strategy as a process which involves an analysis of both the organizational's environment and its internal capabilities, and the development of action plans to execute the chosen strategies. The different definitions of strategy result in different ways of operationalizing it. Theoretical literature has conceptualized strategy in many forms, and distinctions are made based on the objectives of the researchers. The following sections illustrate the differences.

### **2.2.1 Content and Process**

Venkatraman (1984) noted that the basic differences in the conceptualization of strategy is on the focus, that is, whether its focus is on the content of the strategy or on the process of strategy formulation and implementation. Lengenick-Hall and Lengenick-Hall (1988) stated that strategic content refers to specific choices in policies and practices, whereas strategic process focuses on the means by which these policies and practices are derived and implemented.

### **2.2.2 Formulation and Implementation**

Snow and Hambrick (1980) suggested that researchers have reached a general consensus on distinguishing the difference between strategy formulation and strategy implementation. Pitts and Snow (1986) stated that effective strategy formulation is based on the assessment of functional and technical capabilities, strength and weaknesses of the organizations, and the development of realistic goals. Gupta (1984), in his empirical study, suggested that the effectiveness of strategy implementation at the strategic business level can be expected to depend on (i) the characteristics of the Strategic Business Unit's (SBU) general manager, (ii) the SBU's internal organization, and (iii) the nature of corporate control over the SBU.

Andrew (1971) stated that one of the well-accepted theories in the strategy area is that strategy involves the matching or the art of reconciling the various components of the strategy mix. However, Venkatraman (1984) noted that strategy implementation is more than just the fit in the strategy mix. Further, as elaborated by Camillus (1982), careful attention needs to be focused on the fit between strategy and the other main organizational elements.

### **2.2.3 Corporate Level and Business Level Strategy**

Studies on strategy have mainly focused on it as a mediating variable between environmental variables and organizational size or structure or the internal process; and the level of analysis has been restricted to mainly the corporate level. The focus on the relationship between strategy and organization at the business level has been only a recent research area. Hofer (1975) noted that more research has been devoted at the corporate level specifically in the area of strategy formulation, then at the business level. Corporate level strategy, according to Beard and Dess (1981), concerns the questions about what businesses you compete in, and as elaborated by Gupta and Govindarajan (1984), it is a choice of where to compete, in which industries and in which geographic areas. These issues are critical at the strategy formulation phase at the corporate level. According to Caves and Porter (1977) and Hofer (1975), business level strategy, however, is dictated by industry conditions and competitors' actions. Each business unit should therefore have its own strategy. Hitt and Ireland (1986) contended that diversified firms segmented their business into distinct product market groups, and once formed, these are called strategic business units. These SBU will strive to form a distinctive competence by identifying how they can compete in their own environment with their own resources and constraints. Hofer and Schendel (1978) stated that distinctive competence and competitive advantage are usually the two most important components of strategy at the business level.

### **2.2.4 Strategy Typologies**

Another more recent approach to operationalizing business level strategy is by strategy typologies. Strategy typologies, according to White (1986), are developed based upon assessing the attractiveness of the industry or competitive environment, and the business's capabilities relative to other competitors. Therefore, each strategy type will have its own

distinct characteristics. Herbert and Deresky (1987) stated that such a classification system allows business units to be labelled and assigned to a particular category for comparison. These types of strategies are termed as "generic" strategies which represent categorizations that could be applied to any business unit.

Empirical studies by Tse (1988) and West (1988) revealed that restaurant firms do espouse a consistent pattern of competitive strategies. Studies by Hamrick (1983), Smith, Guthrie and Chen (1986), Galbraith and Schendel (1983), and Miles and Snow (1978) do support the existence of identifiable differences in strategy types for other industries. This study will approach strategy from the typology standpoint and will utilize the Miles and Snow's (1978) business level strategy typology.

### **2.2.5 The Miles and Snow (1978) Strategy Typology**

This typology is one of the most noted typologies of strategy. Miles and Snow contended that each of the strategy types could be observed in any industry. The four strategy types and their characteristics are as follows:

- Defenders:** Limited product line  
Single, capital-intensive technology  
Skills in production efficiency, process engineering, and cost control.
- Prospectors:** Diverse product line  
Multiple technologies  
Product or divisionalized structure  
Skills in product research and development, market research, and development engineering.
- Analyzers:** Limited basic product line  
Search for a number of related product and/or market opportunities  
Cost efficient technology for stable products  
Project technology for new products  
Mixed structure  
Skills in production efficiency, process engineering, and marketing.
- Reactors:** No consistent product/market orientation  
Not aggressive in maintaining established products and markets  
Not willing to take risks, and responds mainly when pressured.

The strengths of the Miles and Snow's typology are as follows:

- (i) It is the only one that characterizes an organization as a complete system (Snow and Miles, 1980),
- (ii) It is richly described and meets the requirement of being both comprehensive and parsimonious (Smith, Guthrie and Chen, 1986),
- (iii) It appears to account for significant variations across organizations (Hambrick, 1983), and
- (iv) It is not a one-dimensional classification scheme since it considers the coalignment of multiple variables with the key product-market change variables (Hambrick, 1980).

Galbraith and Schendel (1983) conducted an empirical study to identify business strategy types which can be associated with business performance. By using the Profit Impact of Market Strategies (PIMS) data base of the Strategic Planning Institute, which can pool and combine cross-sectional data and forms a time series for 1200 businesses, ten strategy types were identified. Six were for consumer products (harvest, builder, cashout, niche, climber, and continuity), and four for industrial products (low commitment, growth, maintenance, and niche). The study reaffirms the contention that distinct, consistent, and recurring patterns of strategic behavior exists. These strategic behaviors were found to be associated with business performance levels.

Hambrick (1983), using a four-year PIMS data base, attempted to test the effectiveness of the Miles and Snow's strategy typology in two directions: one, to examine the performance tendencies of the prospectors and the defenders in different environments and two, to explore the functional attributes of the prospectors and the defenders. The findings from the study indicated that the defenders and the prospectors differed in their performance tendencies depending on the nature of the environment and the performance measure used. The hypothesized entrepreneurial orientation of the prospectors and the hypothesized efficiency orientation of the defenders were also observed. The study provided added knowledge on the functional profiles of firms with the prospector or the defender strategy.

Smith, Guthrie and Chen (1986) conducted a field study to investigate the Miles and Snow's typology, and the relationship between the strategy typology, organizational size and performance. They used structured interviews and questionnaires to collect data from 44

electronic manufacturing firms. By using cluster analysis and principal component factor analysis, the firms were classified into strategic groups. The characteristics of these strategic groupings were then compared with the different strategies of the Miles and Snow's typology. The study revealed modest support for the analyzer and the prospector but, numerous inconsistencies for the defender category. Also, there were slight differences between the defender and the reactor. The study, however, confirmed the previous findings that the defender, prospector, and the analyzer tend to perform equally well and superior to the reactor.

### **2.3 HUMAN RESOURCE MANAGEMENT FUNCTIONS**

Theoretical literature has conceptualized the Human Resource Management (HRM) functions with different components and with different combinations of activities. The following sections discuss the different HRM functions and activities.

Fombrun (1983) and Tichy et al (1982) suggested that there are four generic functions performed by the HRM division of any firm. These functions are selection, appraisal, rewards, and development. Fombrun stressed the importance of integrating those functions into the strategic planning process of the firm for effective environmental adaptation. Each of the functions assumed different roles at the corporate, business, and functional strategic levels. Therefore, the HRM strategy will be different at the different strategic levels. Fombrun defined HRM strategy as the "thrust of the firm in terms of its approach to the acquisition, use, and disposal of its human resources."

At the corporate level, the HRM strategy can either be assumed complete integration of the HRM functions, that is, having a uniform HRM strategy for the whole firm; or it can be assumed to be a total differentiation where each of the HRM functions has complete independence in formulating and implementing its responsibilities. At the business level, the HRM strategy must support the competitive orientation of the business strategy. Therefore,

the critical concern is with the designing of an integrated HRM system so as to derive optimum performance levels. At the functional level, the HRM strategy must be designed to support the different departmental activities as well as the overall business strategy. This requires the cooperation of all the different divisions in the firm and the coordination of the functional activities within the HRM division itself.

Tichy et al (1982) developed a framework for analyzing HRM as part of their illustration that different strategies require different combinations and emphasis of the HRM functional activities. The fundamental basis for the variation, they contended, are management philosophies and management policies. These include whether to emphasize on centralization or decentralization, on productivity or quality of work life, on internal growth and development of employees or the external acquisition of talents, and on whether the group or the individual performance is used as the basis for evaluation. These philosophies and policies will have an impact on the four generic HRM functions. The following figure depicted the sequential or cyclical form of those functions as illustrated by Tichy et al (1982).

The rewards, development, and selection functions are depicted to have direct impact on or link to performance. The cycle begins with the selection function. This function includes all those activities related to the internal movement of employees across positions, and external hiring. Gould (1984), who termed the function as staffing, added that it includes the determination of skills and knowledge critical in executing the firm's strategy successfully. The essential process, according to Tichy et al, is the matching of available human resources to jobs in the firm. Other processes include devising activities that support the firm's business strategy, creating an internal flow of available talents, and matching of key executives to the strategy type. Tichy et al illustrated the attempt made by the three following firms; General Electric, Corning Glass Company, and Texas Instruments, to match their selection activities to their firms' strategic demands.

The reward function, which is the next function in the cycle, involves the payment of financial rewards in terms of increases in base salary, bonus, and incentives, and non-financial rewards such as awards and recognition. As depicted in the previous figure, the

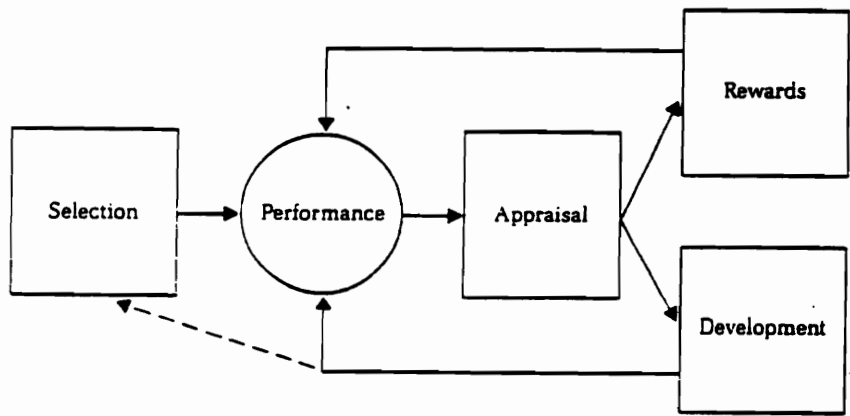


Figure 2. The Human Resource Cycle (Tichy et al, 1982)

firm's ability to dispense rewards accordingly depends on its appraisal function. Among the critical issues to be considered, according to Tichy et al, is the determination of a balance between short-term and long-term rewards.

The appraisal function involves the setting of performance standards, evaluating of performance, and assessing of potentials and deficiencies of employees. The basis for appraisal should be the employee performance level. According to Tichy et al, this function affects three other HRM functions: allocation of rewards, human resource planning, and development. Therefore, the appraisal function represents the central function in the HRM cycle. They added that the strategic concern is to develop an appraisal program that will be supportive of the business strategy.

The management development function includes the process of developing specific job skills and competences, and career and succession planning. The determination of developmental needs or requirement will also depend on the appraisal function. The developmental function should be designed to ensure that the firm will have an adequate supply of management talents.

Schuler and MacMillan (1984) termed the HRM functions as infrastructure requirements. The infrastructure requirements are defined as those activities necessary for the effective management of the firm's human resources. They stated that, traditionally, the major purpose of the HRM functions have been to attract, retain, and motivate employees. The effective management of those activities would result in higher profitability, low employee turnover, high product quality, lower production costs, and a more rapid acceptance and implementation of strategy.

Schuler and MacMillan added two functions to the generic HRM functions as suggested previously by Fombrun (1983) and Tichy et al (1982). The additional functions are human resource planning, and union-management relationships. Human resource planning, as defined by Hestwood (1984), are those activities that coordinate the identification of the firm's future human resource requirement, oversees the development of plans and programs to fulfill those needs, and evaluate the results. Therefore, this function includes the monitoring of

external and internal labor markets, and the assessing of the firm's and employees' needs. Union-management relationships refer to the functions of establishing favorable working relationships, and the setting and maintaining of proper grievance procedures.

Schuler and MacMillan added that firms often do not capitalize on their superior HRM to gain and retain competitive advantage. They illustrated the means by which the firm can systematically develop its competitive advantage through what they termed as the strategic target or strategic thrust of the HRM functions. Basically, there are four strategic targets that the firm can choose to focus upon: customers, distributors, suppliers, and the firm itself. The firm can build its strength by focusing on its major strategic target such as the offering of extensive training for franchise owners or store owners (the distributors as the strategic target). Strategic thrust, on the other hand, focuses on ways to beat the competitors. In this case, there are two options available: cost/efficiency thrust, or differentiation thrust. The cost/efficiency thrust focused the HRM functions towards reducing cost or to improve the efficiency of production. Differentiation thrust uses HRM functions in ways to differentiate the firm's product from those of its competitors. An example of differentiation thrust is the provision of exceptional service quality for the customers.

Ulrich (1987) stated that the HRM functional activities underlie organizational capability. Organizational capability, as defined by Ulrich, represents the firm's capability to change and adapt to financial, strategic, and technological transformation. Organizational capability is the source for competitive advantage that distinguishes successful from unsuccessful firms. According to Ulrich, there are six HRM functions: organizational planning, staffing, rewards, development, appraisal, and communication. Ulrich describes the staffing, rewards, development, and appraisal functions in the way as have been illustrated in the previous paragraphs. Organizational planning refers to the function that shapes and structures an organization. These include decisions such as the extent of centralization and the formalization of operating procedures, and the design of work-unit structures. The communication function represents choices as to the extent of information confidentiality,

information sharing, and the design of meeting and discussion sessions. Ulrich added that the six HRM functions become the means for creating and maintaining organizational capability.

Dimick and Murray (1978) examined the relationships among the firm's contextual variables (organization size, organizational slack, technological rate of change and technical complexity, organizational age, and environmental volatility) with some patterns in HRM policy (recruitment, selection, manpower planning, internal and external training opportunities, and the use of merit criterion in internal promotion and transfer decisions). The HRM policies were grouped into two types: logistics requirement, and motivation requirement. The logistics requirement is based on the firm's need to assure that it has qualified employees. The motivation requirement is based on the firm's need to ensure that those employees are able and willing to perform effectively. Data were gathered through survey questionnaires and structured interviews from twenty companies in Canada. The strength of relationships among the variables were measured through correlation analysis. The results indicated that organizational size and organizational slack do have consistent relationships with the HRM logistics policy. Contextual factors such as the percentage of workforce unionized and the size of management group were found to have significant relationships with the HRM logistics requirement.

In several empirical studies spearheaded by Schuler (Schuler and Jackson, 1987; Schuler, Galante and Jackson, 1987; Schuler and MacMillan, 1984; Schuler, 1987; and Schuler, 1989) that link strategy type with HRM functions, various activities within each HRM function were identified. Those activities, according to the studies, will have to be properly coordinated within and among the HRM functions. Each function (human resource planning, staffing, appraisal, compensation, and training and development) has traditionally developed independently. According to Miles and Snow (1984), the human resources department itself has been technique-oriented, and specialists and methods are added to the already existing functions whenever required. Specialists in each area also tend to be more outwardly focused, that is, they have a greater sense of awareness with the development in their

functional area in the industry rather than maintaining coordination with other HRM functions in the firm.

Schuler (1987) suggested that the activities within each HRM function can be properly coordinated by means of identifying the firm's strategy, followed by the identification of employees' characteristics that are needed for the successful execution of that strategy. The next step will be to determine the nature of emphasis in each activity within each function. Schuler developed what he termed as the Human Resource Management Practices Choice, as illustrated in Figure 3. The menu of HRM practices are the five HRM functions, and within each function choices can be made on the emphasis of each activity, based on the strategy type. Schuler contended that there is a right combination of emphasis for each strategy type, and the rationale for that rests upon the assumption that the different activity emphasis will stimulate and reinforce different employee's characteristics.

Each choice runs along a continuum where the emphasis of the activity can vary. For example, in the human resource planning function, the first choice is the extent or degree of formalization. This ranges between formal to informal. The following sections illustrated the choices available within each HRM function as suggested by Schuler (1987).

The first choice in the Human Resource Planning function, as has been stated above, is the extent or degree of formalization. The more formal the planning activity becomes, the more attention and concern is given to explicit planning procedures. The second choice is the tightness of the link between the planning activity with the overall corporate planning process. A tight or close link would facilitate formal planning activity. This is followed by a choice in the planning horizon: short-term or long-term planning. Long-term planning horizon is possible and preferred for firms with a slow changing environment. The next two choices relate to job analysis and job design. In job analysis, the choice ranges from explicit to implicit analysis, which includes the preciseness in statements regarding skills and behavioral requirements. The choice in job design refers to the breadth of the jobs. Narrow jobs limit the employees to specific task while broad jobs provide for more employees' autonomy and skills usage. The next choice refers to the organizational structure and structural integration



Figure 3. Human Resource Management Practice Menu. (Schuler, 1987)

of task. A firm can select to be relatively segmented or differentiated, or it can choose to have a fully integrated structure. A differentiated structure will provide for a higher degree of employees' involvement in the planning process.

In the staffing function, the first choice refers to the sources of employees recruitment. At one end of the continuum, a firm may choose to hire only from external sources such as college recruitment and employment agencies; while at the other extreme, it may recruit only through internal channels such as interdepartmental transfers. The second choice focuses on the breadth of career paths. The broader the career paths, the greater will be the opportunity for employees to acquire new skills. The next choice is in the establishment of the number of career ladders; a multiple ladder will provide for a greater opportunity for advancement within the firm. The criteria used for promotion can range from totally explicit to totally implicit. Explicit criteria will result in the lack of adaptability in the promotional system to the changing environmental conditions. The choice in the type of socialization process will affect the rate of employees' assimilation into the firm's culture. Maximum socialization is reflected in the strict adherence to standard operating procedures. The final choice in the staffing function is in the degree of openness of the staffing procedures. The more open the procedures are, the more likely there will be opportunity for self-nomination in promotion and there will be more job vacancies posting.

There are eight choices that can be selected in the compensation function. The first choice is in the determination of base pay level, that is, whether the firm offers a base pay higher or lower than other similar firms. In the choice of benefits, employees may be given a standard package or a mix and flexible package. Whether a standard or fixed package is offered, the firm will also have to decide if the employees will be given the chance to be involved in the determination of the package. The next choice is whether to provide incentives for performance. This ranges from no incentive to the provision of many incentives. If incentives are provided, the firm will have to determine the time focus of the incentive programs. A final choice in the compensation function is in the degree of employment security to be provided. This can range from the expectation that the employees will remain

in the organization almost their whole career (which would result in higher commitment level) or to one that regularly turnovers its employees.

The appraisal function provides choices in six activities area. The first choice is between a tight, complete integration of the activity to a loose, fragmented activity. A tight and complete integration will facilitate the establishment of policies and procedures, and explicitness of criteria. The second choice refers to the emphasis in evaluation, that is, whether the assessment is made based on behavioral or results criteria. A result- oriented criterion will focus on quantitative measures. The next choice represents the purpose of the appraisal programs. This can range between developmental on one end to maintenance at the other. A choice will need to be made also in the degree of employees' involvement in the appraisal process. The allowance of a high employee participation will require a flexibility in the appraisal process. An important choice also is on the time focus of the program. A short-term criteria should be accompanied with short-term rewards. The final choice is whether the employee as an individual or a group of employees is used as the unit of measure of performance effectiveness.

The first choice in the training and development function is the extent of focus of the programs: short- versus long-term. If the emphasis is on short-term needs then the focus will be on training rather than development. The next choice involves the breadth of the program, that is, whether it is narrow or broad. A broad program will provide the employees with more skills. The firm will also have to choose whether to emphasize on productivity or to enhance the quality of work life concept. This will affect the type of training and development programs that will be offered. Another choice in the training and development function involves the extent of formalization and integration of the function with other HRM functions. An important issue is to consider whether the program is tailored to individual employee's need or the need of groups of employees. A training and development program that is aimed at groups can facilitate the socialization process. The final choice in this function is the extent of employee participation in identifying the training and developmental needs. This will range from no participation to one where the determination of needs are done solely by the employees.

Schuler (1987) emphasized that the choices in HRM functional activities should be made based on the necessary employee characteristics to support the firm's strategy. This has been empirically supported in the case study conducted by Schuler, Galante and Jackson (1987).

### **2.3.1 Human Resource Management and Business Level Strategy**

Research in HRM and strategy has basically followed two paths: descriptive and normative. The descriptive research is concerned with explaining why human resource functional activities and policies exist as they do, and focuses on the systematic explanation of their development. According to Dimick and Murray (1978), historical trends in the external environment, for example, political and economic changes, have a major impact in influencing the direction of HRM activities and policies. Murray and Dimick (1978) also noted that there are wide differences in the HRM activities and policies across firms. Normative research, on the other hand, is concerned with the identification of techniques, activities, and policies that will facilitate the firm in achieving its objectives. Therefore, HRM functional activities and policies are considered in dynamic terms, and adjustments or changes are made according to variation in environmental conditions. Different priorities are assigned to different HRM functional activities. Kochan and Barroci (1985) noted that there is evidence that the emphasis on the different HRM functional activities depends on the nature of competitive strategy that the firm selects.

Butler (1988) pointed out that research on HRM and strategy has developed through three distinct stages. The first stage emphasized the importance of strategic HRM, it therefore prescribed the means of involving human resource managers in corporate strategy formulation. Studies by Miles and Snow (1984), Fossum (1983), Burack (1985), Tichy (1983), Sheridan and Monaghan (1982), and Rush and Barne (1983) indicated the process whereby human resource managers or planners can effect the link between HRM activities with the

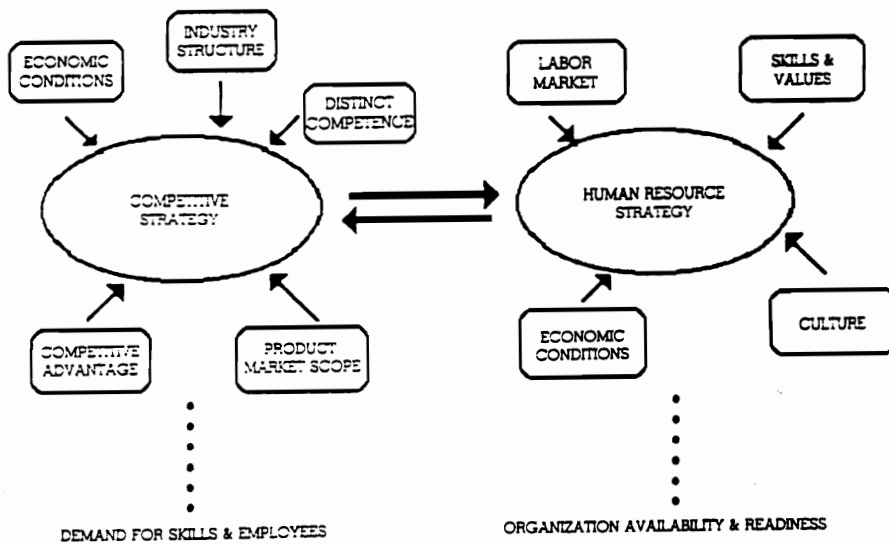
strategic planning process. The second stage focused on ways to link and combine HRM functions for strategy implementation. Studies by Dyer (1984), Wyatt (1985), Harvey (1986), Botter and Alpander (1981), and Baird and Meshoulam (1984) have suggested the means of affecting this linkage. The main thrust at the first and second stages is on describing techniques and procedures to affect the linkage between strategy and HRM. The third stage is considered as moving from descriptive towards normative research. According to Butler (1988), this stage emerged as a result of the attempt to relate organizational process with environmental factors. Therefore, the focus is on the development of framework for matching HRM functional activities to strategic choices. This has been the focus of the studies by Miles and Snow (1984), Herbert and Deresky (1987), Gupta and Govindarajan (1984), and Schuler et al (1987). This is the direction taken by this study since part of the objective is towards the identification of patterns in HRM functional activities that relate to the firm's strategy.

### **2.3.2 Human Resource Management and Strategy Interdependence**

Lengnick-Hall and Lengnick-Hall (1988) depicted the interdependence between business strategy and human resource strategy in Figure 4. It illustrated that the choices in HRM functional activities and the firm's competitive strategy will affect the firm's readiness to compete. They noted that the choice in competitive strategy should consider the economic conditions, industry structure, the firm's product/market scope, and its distinctive competences and competitive advantage. The choice in strategy will be the basis upon which the nature of employees' skills that the firm will need for the successful implementation of strategy. The choice in human resource strategy, on the other hand, will be dependent upon the labor market, the availability of skills, the firm's culture, and the economic conditions. The human resource strategic choice will affect the firm's readiness to compete. Therefore, competitive strategy and human resource strategy is interdependent on each other, each having a significant impact on the other's effectiveness. However, Lengnick-Hall and

Lengnick-Hall noted that there are some opportunity costs associated with integrating human resource strategy in the strategic management process. Some of these costs are: that the firm's outlook tends to become more inwardly focused which would result in its lack of ability to accurately assess environmental changes; and, the firm may tend to overemphasize human resource factors when formulating its competitive strategy.

Gitzendanner, Misa, and Stein (1983) conducted a study to compare HRM functional activities at highly productive large companies with those at less productive companies. The sample consists of 40 companies in 11 different industries, with revenue ranging from \$350 million to \$50 billion. Sixteen companies were identified as having above average performance based on their return on equity, sales growth, and total return on capital. The findings indicated that those high performance companies have five similar characteristics in their human resource management. These similar characteristics were: (i) they considered HRM to be a joint effort between human resource managers and line management, (ii) they have people-related programs that are consistent with their strategic business plans, (iii) their personnel problems are solved with the current available resources before seeking additional resources, (iv) they are proactive in initiating programs and in communicating the programs to their line management, and (v) their corporate and divisional human resource staff share responsibilities for policy development and program administration. These companies also use a five- step process to manage their human resources. These steps are (i) identification of the workforce composition and its effect on current and future opportunities, (ii) analysis of the internal and external environments which will affect their ability to achieve their objectives, (iii) identification of future needs for employees based on the viability of current skills and motivational levels, (iv) formulation of human resources short- and long-term goals and priorities, and (v) modification or adjustment of human resource programs to accommodate for changes in business plans. They further emphasized that it is vital that the human resource management functions support the business plans, and that a joint effort is required between human resource managers and the line management.



**Figure 4. A Perspective on Business Strategy and HRM Strategy Interdependence (Lengnick-Hall and Lengnick-Hall, 1988)**

Miles and Snow (1984) illustrated the link between strategy type and HRM in their case study of the Canadian Pacific Company, Lincoln Electric, Hewlett-Packard, and Texas Instruments. Their case of the Canadian Pacific Company illustrated an example of a diversified firm with subsidiaries pursuing the three different strategy types: defenders, analyzers, and prospectors; and their corresponding emphasis in the HRM functional activities. Miles and Snow noted that the company believes that the corporate human resource group should evaluate human resource management policies and programs to determine which they should centralize or decentralize, and to develop its ability to provide assistance to the operating divisions. These should be done so as to ensure that the divisional activities are aligned with the business strategy, that there is consistency so as to facilitate interdivisional transfer of employees, and to assure that the programs and policies are in compliance with the legal requirement. However, Miles and Snow noted that the Canadian Pacific Company's approach to the alignment of HRM functions with strategy types represents a relatively advanced approach. Figure 5 depicted the linkage between business strategies with HRM functions. In the figure, the HRM functions are Recruitment, selection and placement, Staff planning, Training and development, Performance appraisal, Compensation, and the overall HRM strategy. The strategy types that are represented are Defenders, Prospectors, and Analyzers.

The basic HRM strategy for the defender strategy is building human resources, that is, the focus is on training and maintaining its human resources. The prospector, on the other hand, focuses on the acquiring of human resources. Therefore, the hiring activity centers on bringing in the needed talent from outside the company. The analyzer strategy focuses on the allocation of human resources. Therefore, its activity consists of both the internal development and external acquisition of employees. In the recruitment, selection, and placement functions, the defender strategy emphasizes internal promotion, thus recruiting is focused mainly at the entry level. The prospector strategy relies on external recruitment with recruiting activity done at every organizational level. The analyzer has a mixture of both internal and external recruitment.

<i>Human Resources Management System</i>	<i>Type A (Defender)</i>	<i>Type B (Prospector)</i>	<i>Type AB (Analyzer)</i>
<i>Basic strategy</i>	Building human resources	Acquiring human resources	Allocating human resources
<i>Recruitment, selection, and placement</i>	Emphasis: "make" Little recruiting above entry level Selection based on weeding out undesirable employees	Emphasis: "buy" Sophisticated recruiting at all levels Selection may involve pre-employment psychological testing	Emphasis: "make" and "buy" Mixed recruiting and selection approaches
<i>Staff planning Training and development</i>	Formal, extensive Skill building Extensive training programs	Informal, limited Skill identification and acquisition Limited training programs	Formal, extensive Skill building and acquisition Extensive training programs Limited outside recruitment
<i>Performance appraisal</i>	Process-oriented procedure (for example, based on critical incidents or production targets) Identification of training needs Individual/group performance evaluations Time-series comparisons (for example, previous years' performance)	Results-oriented procedure (for example, management by objectives or profit targets) Identification of staffing needs Division/corporate performance evaluations Cross-sectional comparisons (for example, other companies during same period)	Mostly process-oriented procedure Identification of training and staffing needs Individual/group/division performance evaluations Mostly time-series, some cross-sectional comparisons
<i>Compensation</i>	Oriented toward position in organization hierarchy Internal consistency Total compensation heavily oriented toward cash and driven by superior/subordinate differentials	Oriented toward performance External competitiveness Total compensation heavily oriented toward incentives and driven by recruitment needs	Mostly oriented toward hierarchy, some performance considerations Internal consistency and external competitiveness Cash and incentive compensation

**Figure 5. Strategic Human Resource Management (Miles and Snow, 1984)**

Staff planning is often formal and extensive for the defender. The prospector, on the other hand, has a very limited, established staffing procedure. The training and development activity focus for the defender is towards skill building, therefore, the programs are often extensive. For the prospector, these functions focus on the identification of needed skills and the acquisition of those skills from outside the company. Therefore, there are very limited training and development programs offered. The appraisal function for the defender uses quantitative, production, or process criteria, and its purpose is for the identification of training needs. For the prospector, the appraisal function uses qualitative criteria, and the purpose of the function is for the identification of future staffing requirements. The defender's compensation function is hierarchical with emphasis on maintaining internal consistency. For the prospector, this function is oriented towards performance, and the focus is on the maintenance of external competitiveness. The analyzer strategy exhibits a combination of the prospector's and the defender's characteristics in the management of its HRM functional activities.

As an illustration of the entire company pursuing a single business strategy type, Miles and Snow (1984) cited Lincoln Electric Company as a classic defender, Hewlett-Packard as a classic prospector, and Texas Instruments as a typical analyzer. In Lincoln Electric Company, the emphasis is towards the improvement of their production process and maintenance of product quality. Therefore, the concern is with cost minimization, lower prices, and the provision of exceptional customer services. Growth is assumed to be highly predictable; thus it is possible to plan for the long-term requirement of human resources is considered as possible. Control is centralized with an hierarchical organizational structure and explicit job descriptions. Workflow design is tied to job enrichment practices, thus employees are given self-control and self-direction within their job assignment. Lincoln Electric also relies on employees' skill development, therefore, there are established techniques for selection, training, and appraisal. Jobs are almost guaranteed with opportunity for long-term personal development and assurance of promotional opportunities.

Hewlett-Packard was illustrated as a prospector with characteristics such as rapid growth and high returns through new product development. Therefore, the company can only plan on a short-term basis. Due to the rapid environmental changes, the company is also unable to have standardized procedures and policies and it is organized in small project groups. The human resource department is faced with the constant task of starting and forming new workgroups. The company tends to seek the needed human resource talents from outside, therefore, a crucial role of the human resource department is to identify the future human resources requirements before they are needed.

Texas Instruments, identified as an analyzer, focuses itself on product development. Therefore, emphasis is placed on being an efficient mass producer. It takes pride in its ability to adjust and shift its organizational structure and management processes to match the different phases of the product life cycle. In contrast to the prospector, Texas Instruments' development is more closely planned, and the allocation of resources can be more closely monitored. When the products are well-accepted, the structure and processes will assumed a more formalized and standardized system. Texas Instruments claimed its distinctive competence in its ability to plan for and allocate key human resource across products and across different production processes. The key characteristic of the analyzer is its flexibility in the organizational structure and management processes.

In a case study, Schuler, Galante and Jackson (1987) illustrated the link between three competitive strategies (cost reduction, quality improvement, and innovation) and HRM functions (planning, staffing, appraisal, compensating, training and development, and labor-management relations). They suggested a framework for assuring that strategy and HRM functions can be aligned. Illustrated in Figure 6 is the linkage among HRM functions, employee characteristics, and each strategy type. Twelve employee characteristics were identified and associated with each type of strategy. The employee characteristics required for the successful execution of a cost reduction strategy includes predictive and repetitive behavior, short-term focus, a relatively independent behavior, a modest concern for quality but a high concern for quantity and results, and a low preference for responsibilities. The

innovative strategy requires the employees to be innovative and creative, that they have a long-term focus, they are cooperative and that they prefer responsibilities. The quality improvement strategy, on the other hand, requires employees to have a mixture of the characteristics of both the innovative and the cost reduction strategies. After the process of identifying the employee characteristics associated with each different strategy, Schuler et al suggested that the HRM functional activities emphasis can be identified. The HRM functional activities emphasis for the cost reduction strategy includes low employee participation in the determination of procedures and policies, for example, in performance appraisal activities; explicit job criteria, emphasis on internal source of recruitment, and a narrow career path. For the innovative strategy, employees are expected to participate actively in the determination of procedures and policies, job criteria are implicit, sources of recruitment are mainly external, and there is the availability of a broad career path. Schuler et al noted that firms can improve their probability for success by making choices about those HRM functional activities emphasis so that they are consistent with and in support of their chosen strategy.

In another empirical study, Schuler and Jackson (1989) hypothesized that HRM priorities would differ across firms using different competitive strategies. The two strategy types that they used are differentiation strategy, and cost efficiency strategy. The differentiation strategy emphasizes the creation of conditions for encouraging employees' creativity and innovation. Therefore, HRM priorities should be focused on facilitating the creative spirits in employees. This includes the selection of highly skilled individuals and the designing of job structure that will provide employees with discretions. There should also be minimum control and that substantial resources are readily available for conducting experiments. The cost efficiency strategy is characterized by tight control and closed supervision, the minimization of overhead costs, and the emphasis on the economies of scale in the production process. Therefore, the HRM functions should place emphasis on limiting employee discretion, offering wages that are low and the provision of minimal fringe benefits, an increase in supervision, large scale operations with hierarchical structure, and a high specialization of tasks. Schuler and Jackson also noted that regardless of strategy types, as firms become more conscious of the need to

<b><i>Cost Reduction Strategy</i></b>	<b><i>Quality Improvement Strategy</i></b>	<b><i>Innovation Strategy</i></b>
<b><i>Employee Characteristics</i></b>	<b><i>Employee Characteristics</i></b>	<b><i>Employee Characteristics</i></b>
Predictable, repetitive behavior Short-term focus Relatively independent behavior Modest concern for quality High concern for quantity High concern for results Low preference for responsibility Low flexibility to change Low tolerance of ambiguity Narrow skill application Low job involvement	Predictable, repetitive behavior Intermediate-term focus Some cooperative behavior High concern for quality Modest concern for quantity High concern for process Preference for responsibility Modest flexibility to change Modest tolerance for ambiguity Modest skill application High job involvement	Creative, innovative behavior Long-term focus Cooperative inter-dependent behavior Modest concern for quality Modest concern for quantity Modest concern for process Preference for responsibility Flexibility to change High tolerance of ambiguity Broad skill application Modest job involvement
<b><i>HR Practices</i></b>	<b><i>HR Practices</i></b>	<b><i>HR Practices</i></b>
Low participation Explicit job criteria Mostly internal sources Narrow career paths Results criteria Short-term criteria Mostly individual criteria Little employment security Few incentives Hierarchical pay Little training Traditional labor/ management relations	High participation Explicit job criteria Some external sources Narrow career paths Mostly results criteria Mostly short-term criteria Some group criteria Some employment security Some incentives Egalitarian pay Extensive training Cooperative labor/ management relations	High participation Implicit job criteria External sources Broad career paths Process and results criteria Long-term criteria Some group criteria Some employment security Many incentives Egalitarian pay Extensive training Cooperative labor/ management relations

Figure 6. Matching HRM Practices and Employee Characteristics with Strategies (Schuler, Galante and Jackson, 1987)

strategize, they will find ways of becoming more effective and thus, they will emphasize planning. To test their hypothesis, data were collected through survey questionnaires from 300 human resource managers. Competitive strategy was measured using the Dess and Davis (1984) 21-item measurement. The HRM priorities were measured by using the HRM priorities measurement scale developed by Schuler (1987) as illustrated in the following figure. Using factor analysis, the HRM priorities were found to load on to three factors: human resource improvement, human resource planning, and human resource innovation. The results from the study revealed that HRM priorities do differ significantly with different strategy types. Human resource innovation and human resource improvement were found to be significantly associated with firms with differentiation strategy.

Gosselin (1986), in his investigation of the relationship among HRM, managerial capabilities, and financial performance, formulated the HRM functional activities in the five HRM functions (human resource planning, staffing, compensation, appraisal, and training and development). These HRM functional activities were derived after an extensive interview session that he conducted with seven HRM managers of banks. These HRM functional activities were further classified into two groups: strategic dimension, and administrative dimension. The results for the study, which were derived from data from 108 banks, revealed that the strategic dimension activities were positively associated with four strategic skills required for managerial capability. These skills are: futurity, proactiveness in decisions, knowledge about current industry conditions, and commitment to the planning efforts.

Strategies are formulated with the purpose of providing a guide for the optimum utilization of resources in order to achieve the organizational objectives. Human resource represents one of the vital resources in effecting the successful implementation of strategy. Thompson and Strickland (1987) and Herbert and Deresky (1987) noted that if the firm has a well-conceived and well-executed strategy, it will be a high performer, and that superior performance is the most trustworthy indicator of good management. Chrisman and Boulton (1987) added that the firm's ability to match its distinctive competences with its key success

1. Being able to attract people to work for the FIRM/DIVISION
2. Motivating current employees to develop and assume greater responsibilities
3. Responding to current employees' work needs so we are able to retain them
4. Minimizing employees' desires for long term affiliation with the FIRM/DIVISION
5. Being able to control employees' behaviors to conform to the needs of the FIRM/DIVISION
6. Protecting the company from lawsuits
7. Complying with union-negotiated contracts
8. Anticipating the HRM needs of the FIRM/DIVISION 2 years in the future
9. Being able to document the effects of HRM practices in dollars on the bottom line
10. Allowing employees to have influence over how they do their jobs
11. Allowing employees to participate in deciding how human resources are managed
12. Anticipating the HRM needs of the FIRM/DIVISION 5 years in the future
13. Implementing a policy of promotion from within
14. Having objective data available to use in making employment decisions
15. Minimizing the number of new hires we have each year
16. Being able to link monetary incentives to performance
17. Creating competition among employees in order to reveal who should be fast-tracked
18. Being an industry innovator in the use of HRM practices
19. Keeping abreast of competitors' uses of HRM practices
20. Minimizing labor costs
21. Having open communications with employees
22. Providing employees the opportunity to suggest improvements in the way things are done around here

**Figure 7. General Concerns in HRM (Schuler, 1987)**

factors, through its strategy, influences its performance. Business success depends upon the type and amount of skills the firm has and its choice of strategy.

## **2.4 COMPARISON OF MILES AND SNOW (1984), SCHULER (1987), AND GOSSELIN (1986) MODELS.**

The Miles and Snow (1984) study of the Canadian Pacific Company provides the basis for the formulation of the HRM-Strategy linkage model needed for this study. As has been illustrated in the previous section, the model is insufficient for the a comprehensive model that is needed since it has excluded some important aspects in the HRM functions and their functional activities. Schuler's (1987) framework for selecting choices in HRM functional activities will be incorporated with the Miles and Snow's model. Schuler's HRM-Strategy matching model has been extensively used in his later empirical studies which tested the strength of the match, and the identification of similarities in HRM functional activities within certain strategy types. Schuler, however, have not utilized the Miles and Snow's (1978) strategy types in his studies. The Miles and Snow's model is used as the primary basis for the comprehensive model since it does relate directly the Miles and Snow's (1978) strategy types with the HRM functional activities. A further review of Gosselin's (1986) study provided additional support for the development of the comprehensive model for this study. Gosselin suggested that each HRM functional activity can be considered as having either a strategic or an administrative dimension. The activities with strategic dimension should relate directly to the strategic demands of the firms. Using only the strategic dimension activities, Gosselin found the correlation between HRM functions and level of management capability to be significant.

In Figure 8, a comparison among the Miles and Snow (1984), Schuler (1987), and Gosselin (1986) models is illustrated. In column 1, the five HRM functions (human resource planning,

staffing, compensation, appraisal, and training and development) are listed with their corresponding functional activities focus provided below each functions. For example, within the HRM function of human resource planning, the functional activities focuses are the extent of formalization, the range of the planning horizon, the explicitness of its job analysis, the nature of job design, the structural arrangement of jobs, and the degree of employee involvement in the planning process. Each of those strategic dimensions have been elaborated upon in the previous review of Schuler's (1987) study. In column 2, the Miles and Snow's model is incorporated against each of the five HRM functions. The individual items listed in the column is derived from the Miles and Snow's study of the four firms: Canadian Pacific Company, Lincoln Electric, Hewlett-Packard, and Texas Instruments. In Column 3, the Schuler's model is incorporated within the framework of the model needed for this study. The basis for Schuler' model is the HRM practice menu choices formulated by Schuler as has been detailed in the previous section. The Gosselin's (1986) model, which ever is relevant, is incorporated into the figure in Column 4.

## **2.5 THE INTEGRATED MODEL OF HUMAN RESOURCE MANAGEMENT**

The integrated model of HRM is derived from the combination of the Miles and Snow (1984), Schuler (1987), and Gosselin (1986) models. This model will be the basis used for perceiving and operationalizing the HRM concept required in this study. The model is presented in Figure 9. Column 1 in this model is similar to the components of Column 1 of the previous figure, the source of which has been explained in the previous sections. In the second column, the components or choices in HRM functional activities emphasis have been selected among any one of the three previous models. A total of 13 items were taken from the Miles and Snow's model, 6 were derived from Schuler's, and the remaining 13 were from Gosselin's model.

HRM PRACTICES	MILES & SNOW	SCHULER	GOSSELIN
<b>HR PLANNING:</b>			
Formalization	-	Formal/Informal	Formal & Sys/Informal & Nonsys
Planning Horizon	Current/Longterm	Short/Longterm	Present/Longterm
Job Analysis	-	Explicit/Implicit	-
Job Design	Limited Skill/Broad	Narrow/Broad	-
Job Structural Arr.	Group/Individual	Simplicity/Enrichment	-
Employee Participa.	Centralized/Decentr.	Low/High Involvement	-
<b>STAFFING:</b>			
Recruitment Source	Make/Buy	Internal/External	Internal/External
Promotional Opport.	Limited/Broad	Single/Multiple	-
Promotional Criteria	Explicit/Changing	Explicit/Implicit	Immediate/Longterm
Socialization	Limited/Extensive	Limited/Extensive	-
Procedures Formaliz.	Formal/Informal	Closed/Open	-
<b>COMPENSATION:</b>			
Base Pay Level	Hierarchy/Perform.	Low/High	Routine Adj./Incentives
Equity Focus	Internal/External	Internal/External	Below Market/Above Market
Compensation Choices	Fixed/Flexible	Few/Many	-
Empl. Participation	-	Low/High	-
Program Focus	Short/Long Range	Short/Longterm	-
Benefits Choices	Fixed/Flexible	Few/Many	-
Empl. Security	Limited/Guaranteed	No/High	-
<b>APPRAISALS:</b>			
Degree of Integration	-	Loose/Tight	-
Criteria Orientation	Process/Result	Behavioral/Result	Quantitative/Qualitative
Program Purposes	Training/Staffing	Development/Remedial	Evaluative/Developmental
Appraisal Regularity	-	-	One-time Annual/Continuous
Empl. Participation	None/Joint	Low/High	-
Program Focus	Series/Cross-sect.	Short/Longterm	ST Efficiency/LT Goals
Criteria Basis	Individual/Group	Individual/Group	-
<b>TRAINING &amp; DEVELOPMENT:</b>			
Program Focus	Limited/Extensive	Short/Longterm	Current/Future
Breadth of Program	Skill Building/ Skill Acquisition	Narrow/Broad	General/Specific
Program Concerned	-	Productivity/QWL	Current/Future
Planning of Activity	Planned/Unplanned	Planned/Unplanned	Individual/Overall
Need Focus	-	-	Open to All/Selective
Program Openness	-	Selective/Open	None Extensive
Empl. Participation	-	Low/High	-

Figure 8. Comparison of Miles and Snow (1984) Schuler (1987), and Gosselin (1986) Models.

HRM PRACTICES	INTEGRATED COMPONENTS
<b>HR PLANNING:</b>	
Extent of Formalization	Formal, /Informal, Systematic Nonsystematic
Planning Horizon	Current/Longterm
Job Analysis	Explicit/Implicit
Job Design	Limited Skill/Broad Based
Job Structural Arrangement	Simplicity/Enrichment
Extent of Employee Participat.	Centralized/Decentralized
<b>STAFFING:</b>	
Recruitment Sources	Internal/External
Promotional Opportunity	Limited/Broad
Promotional Criteria	Explicit/Changing
Extent of Socialization	Limited/Extensive
Procedures Formalization	Closed/Open
<b>COMPENSATION:</b>	
Level of Base Pay	Routine Adj./Incentives
Equity Focus	Internal/External
Compensation Choices	Fixed/Flexible
Employee Participation	Low/High
Program Focus	Short Range/Long Range
Fringe Benefit Choices	Fixed/Flexible
Employment Security	Limited/Guaranteed
<b>APPRAISALS:</b>	
Degree of Integration	Loose/Tight
Criteria Orientation	Quantitative/Qualitative
Program Purpose	Evaluative/Developmental
Regularity of Evaluative	Annual/Continuous
Employee Participation	None/Joint
Program Focus	Short-term Efficiency/LT
Criteria Basis	Individual/Group
<b>TRAINING AND DEVELOPMENT:</b>	
Program Focus	Current/Future
Breadth of Program	General/Specific
Program Concerned	Productivity/Quality of Work Life
Planning of Activity	Current/Future
Need Focus	Individual/Overall
Program Openness	Open to All/Selective
Employee Participation	None/Extensive

Figure 9. Integrated Model of Human Resource Management.

## **2.6 ORGANIZATIONAL PERFORMANCE EFFECTIVENESS**

### **2.6.1 An Overview of Organizational Performance Effectiveness**

Most research on organizational performance are found within three discipline areas: industrial organizational economics, business policy, and organizational behavior. The industrial organizational economics research emphasized that the market structure influences the effectiveness of the organizational performance. The business policy area may take either one of the two routes: strategy and structure, or strategy and the environment; and their effect on the varying levels of organizational performance effectiveness. Child (1972) stated that from that perspective, structural and other variables are usually treated as independent variables and some measure of effectiveness as the dependent variable and as an outcome. The organizational theory research emphasized the need for a degree of alignment between environmental and organizational variables, and among the internal organizational processes. The better the alignment the more effective will be the performance. Since this study focuses on the concept of alignment, specifically the alignment between human resource management practices with business strategy, the organizational theory perspective will be the approach of this study. Lenz (1980) defined organizational performance as: "The achievement of an enterprise with respect to some criteria"

In the study of organizational effectiveness, the literature review reveals three approaches towards the conceptualization of the construct. They are the goal approach, the systems resource approach, and the process approach. Etzioni (1964) stated that the goal approach assumes that the organization will pursue ultimate and identifiable goals. Performance is thus, defined in terms of the organization's ability in attaining its objectives. The systems resource approach, as put forth by Yuchtman and Seashore (1967) measures performance effectiveness on the organization's ability to secure an advantageous bargaining position in its environment. It emphasized on the relationship between the organization and

its environment. The process approach, as advocated by Steers (1977), defined performance effectiveness in behavioral terms. It focused on the major organizational processes which are related to performance effectiveness, and it recognized that management plays a key role in influencing how those processes should be managed so as to achieve performance effectiveness.

### **2.6.2 Measures of Performance Effectiveness**

Literature review on organizational performance generally indicates the lack of consensus on which performance indicators and criteria should be used. Also, there is a lack of understanding on what structural or other variables that have significant impact on performance. These problems are manifested by issues relating to the methodology used, for example, the use of cross-sectional or longitudinal designs (Child, 1977), and the level of analysis (Cameron, 1978). Ford and Schellenberg (1982) added that though those problems contribute to the inconsistencies in research findings, they are not the only contributing factors. They stated that contradictory findings will be obtained as long as researchers fail to address the contingency concept of organizational variables and their combined impact on performance.

Lenz (1980) suggested two factors that should be considered when defining a performance measure: the identification of a measure that is relevant, and the ability to build upon the findings of previous empirical research. Steers (1975) added that the measurement can be univariate or multivariate. A univariate measure basically uses one indicator such as productivity rate, profitability, growth rate, or job satisfaction. A multivariate measure uses a combination of indicators such as absenteeism and turnover rates, productivity and profit margins, or organizational adaptability and accidents rate.

Lenz (1980) contended that a single performance measure - Return on Average Assets - can be used since it is a relatively comprehensive measure. Also, it is the most widely used

indicator of profitability in empirical studies. Snow and Hrebiniak (1980) used the Ratio of Total Income to Total Assets as a surrogate measure of profitability. They contended that, while profitability might not fully account for all aspects of performance, it is reasonable to expect that a well-managed firm will show higher financial returns. They added that the ratio would also be sensitive to differences in strategy and distinctive competence while being relatively unaffected by differences in the accounting methods. McGuire and Schneeweis (1983) noted that the use of performance measures rooted in financial accounting, for example, Return on Investments and Cashflow, presented some problems due to accounting manipulation, the undervaluation of assets, and varying methods for inventory and depreciation. However, Hamrick (1983) stated that the use of four-year average data should help in minimizing those problems.

Woo and Willard (1983) concluded from their research that profitability measures such as Return on Investment, despite their limitations, were important measures of performance. They stated that when properly complemented by other measures, the Return on Investments is essential to the comprehensiveness representation of performance. Chakravarthy (1986) also expressed support for the continued use of the Return on Investment as a comprehensive performance measure.

Snow and Hrebiniak (1980) conducted a study on the relationships among strategy, distinctive competence, and organizational performance. They noted that several strategies are potentially feasible within a particular industry. However, in order to achieve high performance, each strategy must be supported with appropriate distinctive competences. The sample consists of firms in four industries - plastics, semiconductors, automobiles, and air transportation. The findings indicated that top managers in the four industries confirmed the contention that the four strategy types (defenders, prospectors, analyzers, and reactors) exist in the environment that are generally similar, and that the strategy type and industry characteristics were strongly related to the financial performance of the firms.

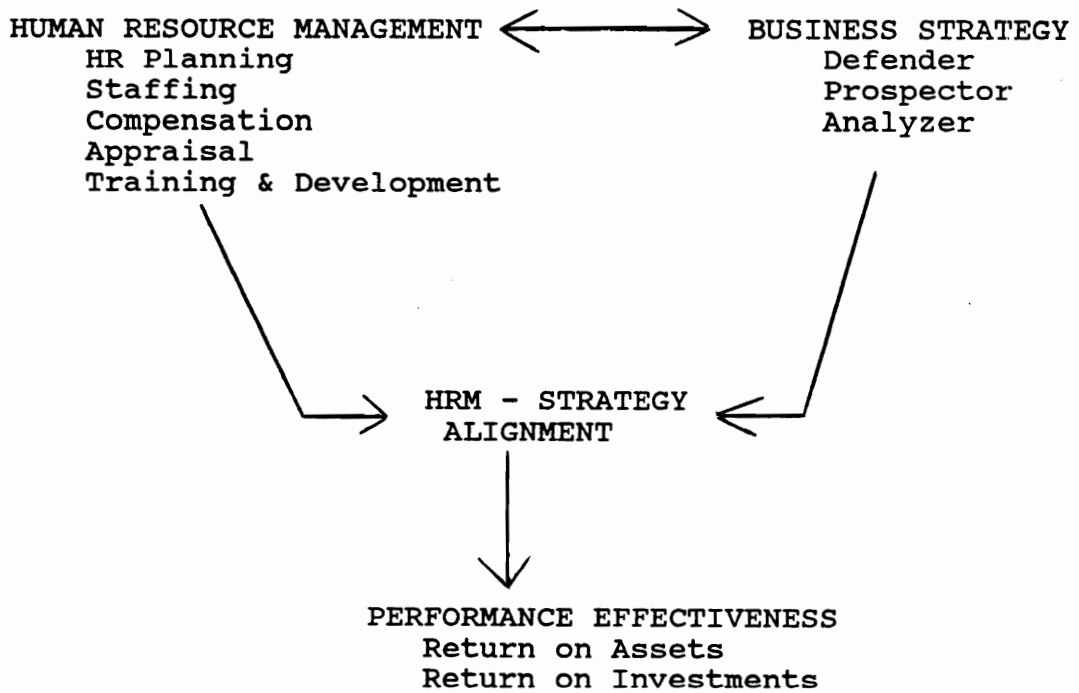
Rhyne (1986) investigated the relationship between financial performance and strategic planning. He sought to find out if firms that conformed to the strategic management theory

outperformed firms that do not. From his survey of 210 Fortune 1000 companies, he found that firms with strategic planning have statistically significant higher returns. A 10-year Total Return to Investors relative to the industry's average, and a 4-year Averages of Absolute Annual Return to Investors were used as the long-term performance measures.

From the literature review, the Return on Assets is the most widely used indicator of performance effectiveness. Since the approach of this study considers the use of multivariate measures, the Return on Investments will be used with the Return on Assets to measure the effectiveness of restaurant firms. Financial data covering a four year period (1985 to 1988) will be collected.

## **2.7 SUMMARY**

Building upon the literature review, the relationships among the three concepts under investigation in this study: human resource management, business strategy, and organizational performance, is illustrated in Figure 10. The HRM functions are human resource planning, staffing, compensation, appraisals, and training and development. The HRM functional activities within each of the five areas are those that have been illustrated in the Intergrated Model of Human Resource Management. The Miles and Snow (1984) theoretical model for linking HRM functional activities with the Miles and Snow' (1978) strategy types will be the basis for linkage. The Miles and Snow's strategy types are defenders, analyzers, prospectors, and reactors. Empirical studies by Hamrick (1981, 1983), Smith, Guthrie and Chen (1986), and Snow and Miles (1980) have validated the Miles and Snow's strategy typology. With the exception of the reactors, Miles and Snow's (1984) empirical study has indicated the significant link between strategy types and HRM functions. The strength of the alignment should be reflected in the level of organizational effectiveness. The organizational effectiveness will be measured using two financial ratios: Return on Investments, and Return on Assets.



**Figure 10. Relationships Among HRM Functions Business Strategy Types and Financial Performance Measures**

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

#### **3.1 INTRODUCTION**

The research inquiries and the nature of results to be derived from the study determine the research methods to be used. This study requires the combination of both the exploratory and indepth examination of the human resource management functions, and the determination of the linkage among the human resource management functions, business level strategy, and the firm's financial performance. This section provides the structure and guide needed for the systematic exploration and the examination into the association of the three concepts. It begins by reiterating the research questions and the propositions, followed by the research methods. In the research method section, the case study method, data gathering process, instrument development, and the analytical procedures will be presented.

#### **3.2 RESEARCH QUESTIONS**

The two fundamental issues upon which the research questions have been formulated were (i) the non-existence of empirical studies that have examined the human resource

management functions in restaurant firms, and (ii) the human resource management functional activities should be formulated based on the business strategy. These four research questions, therefore, are as follows:

- (i) Are there similarities in the human resource management functional activities emphasis within and across multiunit restaurant firms?
- (ii) Do restaurant firms with similarities in their human resource management functional activities emphasis perform better than firms that do not have similarities?
- (iii) Is business strategy being used as the basis for formulating human resource management functional activities in restaurant firms?
- (iv) What is the resulting impact of the relationship between business strategy and human resource management functions on the restaurant firms' overall financial performance?

### **3.3 RESEARCH PROPOSITIONS**

Braithwaite (1968) noted that a proposition states that every concept either has a certain property, or it stands in a certain relationship with other concepts. Zikmund (1984) also noted that propositions are statements concerning relationships among concepts, and that at the explanatory level, a proposition is the logical linkage among concepts. In this study, the human resource management is a concept. It will be examined in terms of the activities within each function, and the similarities of emphasis in the activities within and across firms. Business strategy represents another concept that will be investigated. Each firm will be associated with a strategy type based on specific criteria. The relationship between the two concepts: human resource management functions and business strategy, will be examined. In addition, the third concept - organizational effectiveness -will be explored, and the nature of the relationship of the two previous concepts will be considered in the light of their impact on organizational effectiveness.

The contentions upon which the propositions are based upon are that (i) high performance firms have similarities in their human resource management functional activities, and (ii) firms whose human resource management practices are closely aligned with their business strategy will have higher performance level. Building from the research questions, the propositions for this study are:

**Proposition 1:** Restaurant firms do have similarities in their human resource management functional activities.

The similarities in HRM functional activities refer to the emphasis of the activities. The similarities will be traced by using the Integrated Model of HRM as illustrated in Figure 9. This proposition addresses the research question of whether the restaurant firms do exhibit some consistent patterns in their HRM functional activities. Studies have indicated that there are similarities or patterns in HRM practices within a single firm (Miles and Snow, 1984); and Wils, 1984). It is expected, therefore, that restaurant firms will exhibit some consistency in their HRM functions. The pattern analysis method as suggested by Van de Ven and Drazin (1985) will be used to establish the level of consistency in the HRM functional activities within and across firms.

Similarities among firms will be determined using the following decision rules. A similarity exists within an HRM functional area if more than 50% of the participating firms exhibit an identical mode. Overall HRM similarity exists if at least 40% of the firms exhibit the same mode in each functional areas. The extent of similarities of HRM functional activities' emphasis within each firm is determined by the number of functional areas that are similar to the norms. Since previous studies involving actual measurement of functional area similarities were not found these decision rules were arrived at subjectively by the author based on knowledge of the industry and its HRM activities.

**Proposition 2:** Restaurant firms with consistent patterns in their human resource management functional activities emphasis will perform better than firms that do not have consistent patterns.

Studies have indicated that HRM functional activities have an impact on the firm's performance (Nininger, 1982; and Peters and Waterman, 1982), and that firms that have common characteristics in their HRM functional activities tend to have higher performance (Gitzendanner, Misa and Stein, 1983). The samples used in those studies have include both the manufacturing and service industries. Therefore, it is expected that restaurant firms that exhibit some consistency in their HRM functional activities emphasis will have higher performance. The firm's performance level will be classify into either low, average, or high based in comparison with each other (Gosselin, 1986).

The variability in the range of the participating firms' financial performance determines the basis for categorizing the firms into the High, Medium, or Low group.

**Proposition 3:** The restaurant firms' human resource management functional activities aligned in some consistent pattern based on their business strategies.

This proposition pertains to the research question regarding whether business strategy has been used as the basis for formulating HRM functional activities emphasis. Researchers have proposed that the effectiveness of strategy implementation depends upon the existence of a match between strategy and the firm's internal processess (Gupta and Govindarajan, 1982), and that strategy shapes the firm's internal features (Hambrick, 1983). Studies have also specifically indicated the existence of the link between HRM functional activities and strategy types (Schuler, 1987; Schuler, Galante and Jackson, 1987; and Miles and Snow, 1984).

The nature of the relationship between strategy type and HRM functional activities will be intepreted by the extent of alignment. This will be determined by using the Generic Pairwise approach to Fit Analysis as suggested by Van de Ven and Drazin (1985).

The assumption inbuilt into this proposition is that each strategy type has a corresponding pattern of emphasis in its HRM functional activities. For example, the firm with a defender strategy will exhibit patterns in its HRM functional activities emphasis that is distinct and distinguishable from the firm with a prospector strategy. Building upon the

Integrated Model of HRM (Figure 9), the following figure illustrate the relationship expected in each HRM functional activities emphasis and two strategy types: defender, and prospector.

The following represents subpropositions developed based on Miles and Snow's (1984) model of the linkage.

**Proposition 3a (i):** Defender Strategy and Human Resource Planning (HRP)

The defender strategy is fostered and facilitated to the extent that the HRP activities focus on formality and systematic procedures; with activities that are designed to address current needs; job descriptions that are explicit with job duties clearly specified; job responsibilities that are limited to current job requirement; and with low restaurant managers' involvement in the determination of human resource requirements.

**Proposition 3a (ii):** Defender Strategy and Staffing

The defender strategy is fostered and facilitated to the extent that the staffing activities focus on the internal development and growth of restaurant managers, the availability of regular promotional opportunity; with promotional criteria that are explicit; the strict adherence to operating procedures; and a close policy on promotional opportunity availability.

**Proposition 3a (iii):** Defender Strategy and Compensation

The defender strategy is fostered and facilitated to the extent that the compensation activities focus on a routine adjustment made on cost of living; a pay level that has internal equity; the provision of a standard and fixed compensation and fringe benefits packages which are determined solely by top management; the consideration of only the short-term impact of methods; and where employment security is almost guaranteed.

**Proposition 3a (iv):** Defender Strategy and Appraisal

HRM PRACTICES	DEFENDER	PROSPECTOR
<b>HR PLANNING:</b>		
Extent of Formalization	Formal, Systematic	Informal, Nonsystematic
Planning Horizon	Current needs	Longterm needs
Job Analysis	Explicit	Implicit
Job Design	Limited Skill	Broad based
Job Structural Arrangement	Simplicity	Enrichment
Extent of Employee Particip.	None	Joint
<b>STAFFING:</b>		
Recruitment Sources	Internal, make	External, buy
Promotional Opportunity	Extensive	Limited
Promotional Criteria	Explicit	Implicit
Extent of Socialization	Extensive	Limited
Procedures Formalization	Formal, closed	Informal, open
<b>COMPENSATION:</b>		
Level of Base Pay	Routine adjustment	Incentives
Equity Focus	Internal	External
Compensation Choices	Fix	Flexible
Employee Participation	None	Joint effort
Program Focus	Short range	Long range
Fringe Benefit Choices	Fix	Flexible
Employment Security	Almost guaranteed	Limited
<b>APPRAISALS:</b>		
Degree of Integration	Formal, tight	Informal, loose
Criteria Orientation	Quantitative	Qualitative
Program Purpose	Evaluative	Developmental
Regularity of Evaluation	One-time Annual	Continuous
Employee Participation	None	Joint
Program Focus	Short-term	Longterm
Criteria Basis	Individual	Group
<b>TRAINING AND DEVELOPMENT:</b>		
Program Focus	Current	Future
Breadth of Program	Skill dev.	Future skill
Program Concerned	Productivit	QWL
Planning of Activity	Planned, structured	Unplanned, flex.
Need Focus	Individual	Overall
Program Openness	Selective	Open to all
Employee Participation	None	Extensive

Figure 11. Proposed Linkage Between Strategy Types and HRM Functional Activities.

The defender strategy is fostered and facilitated to the extent that the performance appraisal activities focus on formal and tight integration of activities, where quantitative criteria are used with the short-term efficiency emphasis; the programs are for evaluative purposes; that restaurant managers are individually evaluated annually or biannually, and where only the top management is involved in the determination of the programs.

**Proposition 3a (v):** Defender Strategy and Training and Development

The defender strategy is fostered and facilitated to the extent that the training and development activities focus are designed around skills and knowledge for current job responsibilities; are geared towards developing specific job skills; emphasizes on the firm's productivity needs and on responding to current problems and opportunity; the programs are open to restaurant managers who show potential for advancement; and the activities are formulated by top management.

**Proposition 3b (i):** Prospector strategy and HRP

The prospector strategy is fostered and facilitated to the extent that the HRP activities are nonsystematic and informal with independently developed procedures; with activities that are designed to address long-term needs; job descriptions that are broad-based with job duties that are flexible and job responsibilities that will enable the restaurant managers to acquire skills useful for other positions; and they are responsible for determining human resource requirements for their unit.

**Proposition 3b (ii):** Prospector Strategy and Staffing

The prospector strategy is fostered and facilitated to the extent that the staffing activities focus on the external acquisition of restaurant managers; where promotional opportunity within the firm is limited with promotional criteria that are general and changes are made to adapt to environmental conditions; where policies and procedures are used mainly as a guide;

and where internal job vacancies are regularly posted with self-nomination opportunity available.

**Proposition 3b (iii):** Prospector Strategy and Compensation

The prospector strategy is fostered and facilitated to the extent that the compensation activities focus on incentive plan pay level and where pay level is based on external equity; where the compensation and fringe benefits are flexible with the restaurant managers actively participating in their determination; where the long-term impact of compensation are considered; and where there is limited guarantee for employment security.

**Proposition 3b (iv):** Prospector Strategy and Appraisal

The prospector strategy is fostered and facilitated to the extent that the appraisal activities focus upon a loosely defined and independently developed programs; where qualitative criteria and group performance are used; the purpose is mainly for developmental needs of restaurant managers; restaurant managers determine their own deficiencies; and the activities stress the managers' contributions to the firm's long-term goals.

**Proposition 3b (v):** Prospector Strategy and Training and Development

The prospector strategy is fostered and facilitated to the extent that the training and development activities are designed around skills and knowledge for future job responsibilities; are geared towards general and broad skills; they reflect the firm's concern for quality of work life; focus on the anticipation of future problems and opportunities and responding to firm's overall goals and needs; are available for all restaurant managers who are interested; and the managers are involved in the formulation of the programs and activities.

**Proposition 3c (i):** Analyzer Strategy and HRP

The analyzer strategy is fostered and facilitated to the extent that the HRP activities focus on a balance between formal and informal procedures; with activities that are designed to meet both current and long-term needs; with job descriptions that can be a mixture of implicit and explicit; with job duties and job responsibilities that can be flexible when required; and with a joint process for determining the human resource requirements.

**Proposition 3c (ii):** Analyzer Strategy and Staffing

The analyzer strategy is fostered and facilitated to the extent that the staffing activities focus on both the internal development and growth of restaurant managers and their external acquisition when necessary; promotions are often offered with implicit and broad based criteria; the requirement for strict adherence to operating procedures when available; and a promotional policy that can be opened or closed depending on circumstances.

**Proposition 3c (iii):** Analyzer Strategy and Compensation

The analyzer strategy is fostered and facilitated to the extent that the pay level is determined by a routine adjustment and the provision of incentive plan; the pay that is both internally and externally competitive; fringe benefits that have both a fixed and a flexible portion; the restaurant managers are involved in the determination of some of the compensation packages; both short-term and long-term impacts of the practice are considered; and employment security that are somewhat guaranteed.

**Proposition 3c (iv):** Analyzer Strategy and Appraisal

The analyzer strategy is fostered and facilitated to the extent that the appraisal are both formal and informal; that qualitative and quantitative criteria are used; both the short-term efficiency and long-term goals are considered; the programs are both for evaluative and developmental purposes; that the individual and the group performance are used as the basis for evaluation, and there is a joint determination of the programs.

**Proposition 3c (v):** Analyzer Strategy and Training and Development

The analyzer strategy is fostered and facilitated to the extent that the Training and Development activities are designed around current and future skills requirement; that are geared for specific and broad skills; that the programs reflect the concern for quality of work life and current productivity needs; that they focus on both current problems and future opportunities; they are available to those who are interested and those who show potentials for development; and there is a joint process for the formulation of programs and activities.

Based upon the subpropositions, the HRM-strategy types relationships can be perceived as extending along a continuum. The continuum is anchored at one end by the HRM-defender strategy, and at the other end by the HRM-prospector strategy. The HRM-analyzer strategy, therefore, lies within the center of the continuum.

**Proposition 4:** Restaurant firms with aligned HRM functional activities and business strategy will perform better than firms not exhibiting such alignment.

This proposition addresses the research question regarding the resulting impact of the relationship between the business strategy and HRM functional activities on the firm's overall financial performance. Studies by Miles and Snow (1980) has indicated that successful firms will strive to achieve a fit among their internal structures and management processes. It is, therefore, expected that the better the alignment, the higher will be the firm's financial performance.

## **3.4 RESEARCH METHODS**

### **3.4.1 Research Design**

Wallace (1983) stated that the level of knowledge existing on the phenomena that are to be investigated should determine the choice in research design. The types of research designs extend from exploratory study to causal research. The exploratory study is conducted when the nature of the phenomena is unclear, while causal research can be conducted when the concepts have been clearly defined and where there is causal relationships between and among the concepts (Zikmund, 1984). Zikmund further noted that an exploratory study is conducted for the purposes of clarifying the nature of the problem, for gaining a better understanding of the dimensions of the concepts, for helping to analyze a situation, and that it is conducted with the understanding that subsequent research will be carried out to provide conclusive evidence.

### **3.4.2 The Case Study Method**

As an exploratory research method, the case study provides a framework for the systematic investigation of the concepts in this study. Stone (1978) stated that the case study method has the following characteristics:

- the researcher intensely examines a single unit
- data are collected by multiple means
- no effort is made to exercise experimental or statistical control
- phenomena are studied in natural setting, and
- it is suited more to the generation of hypotheses than their testing.

Zikmund (1984) noted that there is no standard procedures to follow in the case study method because the objectives are to skim for information, and to gain insights into the concepts under study. Yin (1981) stated that the case study, as a research strategy, can be exploratory, descriptive, or explanatory; that the types of research questions should be explanations rather than incidence questions; and that because the context is part of the study, there will always be too many variables for the observations to be made.

One of the objectives of this study is to examine the alignment between HRM functional activities and business strategy. To examine that alignment, a prior exploration into the nature and concept of HRM functions in the restaurant firms needs to be carried out since there has been no previous empirical research conducted in the area.

### **3.4.3 Data Gathering Methods**

#### **3.4.3.1 Criteria for Firms Selection**

The number of firms included in this study is 14, with at least 4 in each of the three strategy types (defenders, analyzers, and prospectors). Past research have indicated that the response rate for the mail survey is approximately 30%, therefore, a total number of 45 firms were solicited for participation.

The basic requirement in order to investigate the propositions dealing with comparison among firms is that the firms should be homogenous. The two characteristics considered as having significant impact are: firm's size, and size of the firm's dominant concept segment.

The firm's size, which in this study is determined by the total number of restaurant units the firm has, will affect the availability of resources, and its need to have an organized human resource management division. The more restaurant units the firm has, the greater will be the need for a human resource division. The firm's size will also have an impact on its ability to gain a better market share. The more market share it is able to get, the better will be its

chances of securing higher financial performance. The restaurant firms included in this study have a minimum of 50 units.

Related to overall size is the number of restaurant units the firm has in its dominant concept segment. That is, the ratio of dominant concept segment to the total number of restaurant units. Usually, the higher the ratio, the more prominent and dominant will be its human resource management functions for that segment. For this study, the ratio of dominant concept segment was set at least 50%.

This study uses firms only in the restaurant industry. Therefore, all firms selected should have similar environmental constraints and opportunities. Restaurant firms which are a diversification of firms from other industries have been excluded.

### **3.4.3.2 Firms Selection Process**

The 45 firms needed were selected from the list of publicly traded restaurant firms as published in the Nations Restaurant News. These 45 firms were selected from the list which consists of about 70 restaurant firms. The basis for selecting the 45 firms was according to the amount of financial and other information available. In a case study approach, the amount of information available is critical since an indepth investigation on each case is required. The additional sources of information were derived from the following:

Restaurant and Institutions Journal

Journal of Restaurant Hospitality

Dow Jones Reports

10-K Reports

The information was derived from the journals issues and the reports for the periods extending from January 1987 to June 1989.

### **3.4.3.3 Data Gathering Process**

There are three concepts that were needed to be identified and operationalized: HRM functional activities, business strategy, and firm's financial performance. The data needed were generated through primary and secondary data sources. Primary data were collected via mail survey and telephone interviews. The data from the mail survey were furnished by each of the firm's chief executive officer (Appendix A), a member of the top management team (Appendix B), and the head of the HRM division (Appendix C). The telephone interviews were conducted with the head of the HRM divisions.

Secondary data were generated through the published information from the four sources: Restaurant and Institutions Journals, Journals of Restaurant Hospitality, and the Dow Jones and 10-K reports. The information collected included the number of units the firm has, its dominant concept segment, and its financial data.

### **3.4.3.4 Reliability and Validity Issues**

**RELIABILITY CHECK:** Reliability concerns the extent to which any measuring procedure yields the same results on repeated trials (Carmines and Zeller, 1981). It refers to the consistency and stability of the measuring device. Reliability is an important issue in any measuring instrument, and more so when new measurements are developed, as in the case of the HRM functional activities measurement used in this study. Estimates of reliability are derived based on the average correlation among items (internal consistency). The exploratory nature and the nonrandomed selection of samples in this study result in the inapplicability of using the average correlation as a measure of reliability.

**VALIDITY CHECK:** Validity is defined as the extent to which any measuring instrument measures what it is intended to measure (Carmines and Zeller, 1981). Cronbach (1971) noted

that “one validates not the instrument, but the interpretation of data arising from the specified procedure”. Therefore, the focus of validity should be to ensure that the measurement used is related to an indication of the responses expected, or the specific criterion which it is supposed to predict. The two aspects of validity which are seen as appropriate to be carried out for this study (due to the exploratory nature, and the small number of firms being studied) are content validity and face validity. Content validity refers to judgment made by individuals who are familiar with the concept, on whether the items in the measurement are a good representation of the concept. Face validity, on the other hand, is more closely related to the motivation of the responding individual. Huber and Power (1985) identified four primary reasons why the responding individuals might provide inaccurate or biased data: lack of motivation, perceptual and cognitive limitations, lack of crucial information, and inappropriate data elicitation procedures.

Therefore, the following measures were taken to enhance the validity and reliability of the measurement used in this study:

- i.* Selecting respondents who are considered as being the most knowledgeable for each of the concepts, and that they have been in their current position, with the firm, or in their specialized area for at least 5 years.
- ii.* Assurance of the confidentiality of the responses of the individual and the responding firm.
- iii.* Congruency of perceptions by using a cross-validation technique. The technique will be used in the identification of the firm’s strategy type.
- iv.* The use of secondary data for deriving information on the firm’s financial performance. Soliciting such information from the firm directly may result in either the firm’s refusal to respond, or the lack of reliability in the data.

#### **3.4.3.5 The Pilot Test**

A pilot test was conducted for the purposes of:

1. Checking for face and content validity, and
2. Assuring that the questions are understood and correctly interpreted.

The pilot test was carried out for the HRM measurement (Appendix D). Prior to the pilot test, the HRM measurement was checked by three faculty members of the department of Hotel, Restaurant and Institutional Management, and two from the Human Resource Management department at Virginia Tech. The instrument was checked for its comprehensiveness, for any syntax errors, and the general layout format. For the pilot test, the instrument was sent to the HRM division heads of five restaurant and foodservice firms nationwide (Appendix E). Besides responding to the questions in the instrument, the industry experts were requested to comment on the overall comprehension of the questions, to estimate the time required to complete responding, and the general understanding, flow and layout of the instrument. A number of major changes were made with regards to the clarity of instructions, the construction of sentences, and the negative connotations contained in certain items. These changes were implemented and rechecked before the final instrument was mailed.

### **3.4.4 Instrument Development**

There are five types of instruments required for this study. The instruments are needed for measuring business strategy, human resource management functional activities, performance effectiveness, and for investigating the industry issues and demographics of the respondents, the firms, and the restaurant unit managers. The following sections discussed the sources and the development of the instruments.

#### **3.4.4.1 Business Strategy**

There is presently no consensus on the means of operationalizing the Miles and Snow typology of business strategy. The two most regularly used methods are the 21-items instrument, and the self- typing method. The 21-items measurement was developed by Dess

and Davis (1984) to measure the firm's competitive strategy. Schaffer (1986) added 5 items from the Miles and Snow's (1978) strategic characteristics to derive the 26- items instrument which he tested for the lodging industry.

The scale that was used range from "extremely important" to "not at all important" in assessing the importance of each item as it relates to the overall strategy.

In the second method, the self-typing method, four descriptions of each of the four Miles and Snow's (1978) strategy types are listed. Top management is asked to assess the strategies of their own firm and choose the one description that best fits their own strategy type. As noted by Snow and Hambrick (1980) this typology has construct validity since it is built upon and extends the typologies of Chandler (1962) and Ansoff (1965) which have been empirically tested. Studies by Dess and Davis (1984), Robinson and Pearce (1985), West (1988), Tse (1988), and Dev (1988) have utilized the self-typing technique to identify strategy types.

This study operationalized business strategy through the used of the self-typing method for identifying the restaurant firms' strategy types. The Miles and Snow's (1978) strategy typology of defender, prospector, analyzer, and reactor was used in this technique. The self-typing measurement is presented in Figure 12. This instrument was directed to the chief executive officer, a member of the top management team, and the head of the human resource management division of each firm. Each of the respondents was asked to identify the descriptions that most closely fit their firm as it competes in its dominant concept segment, currently, and that of 5 years ago. Type 1 represents the reactor strategy, Type 2 typifies the analyzer strategy, Type 3 is an example of a prospector strategy, and Type 4 characterises the defender strategy.

Another method for identifying strategy type, the delphi techniques, was used. The delphi technique uses expert judgments in identifying the firm's strategy type. Two business strategy experts' judgement were solicited for this purpose. Each expert was provided with information on each of the 45 firms, and a list of key words that characterized the 4 strategy types

(Appendix F). Each firm was categorized with one of the Miles and Snow's strategy type based on the predominant characteristics found.

There were, therefore, five sources of information available on the identification of strategy type for each firm. Three respondents from the firm (CEO, head of operations/marketing/finance, and the head of HRM) identified their firm's strategy; and two industry experts also identified each firm's strategy through the use of secondary data. The CEO's response was equated to three points while the other four responses were assigned a point each. The firm was categorized with the strategy type that received the most points.

#### **3.4.4.2 Human Resource Management Functional Activities**

The exploratory nature of the study and the non-existence of previous studies that have considered HRM in the context that this study is using necessitated the development of a new measuring instrument. This HRM instrument used two data solicitation methods: telephone interviews, and a mailed survey questionnaire. This instrument was directed to the head of the HRM divisions of each firm.

The telephone interviews were conducted with 5 structured, open-ended questions (Appendix G). The questions for the interviews were complementary to the questions on the mailed questionnaire, and the interviews were conducted after an analysis of the data from the mail questionnaire were made. The aim of the interviews was to derive more in-depth information on the nature of HRM functional activities, and the extent to which business strategy was used in designing those activities.

The Integrated Model of HRM (Figure 9) forms the basis for the development of the HRM functional activities instrument. This instrument contained 32-item structured, force-choice questions. These questions were designed to tap the specific emphasis in each of the HRM functions (human resource planning, staffing, compensation, appraisal, and training and development). The Integrated Model of HRM together with the corresponding questions

The following descriptions represent 4 different ways a firm can compete. Please identify the descriptions that most closely fit your firm as it competes in its dominant segment. Two checks [ / ] are required:

- (1) check the statement that most aptly describes your firm currently, and
- (2) check the statement that most aptly describes your firm five years ago.

**TYPE 1**

- Currently This firm type does not appear to have a consistent customer/market orientation. It is usually not aggressive in maintaining established markets and services as some of its competitors, nor is it willing to take as many risks. Rather, the firm responds in those areas due to pressures by customers, suppliers, competitors or the government.
- 5 yrs. ago

**TYPE 2**

- Currently This firm type attempts to maintain a stable and limited line of products/services, while at the same time moving out quickly to follow a carefully selected set of the most promising new developments in the market. The firm is seldom 'first-in' with new concepts or services. However, by carefully monitoring the actions of competitors in areas compatible with its stable customer base, it can be 'second-in' with a more cost efficient facility or service.
- 5 yrs. ago

**TYPE 3**

- Currently This firm typically serves a broad customer/ market base that undergoes periodic redefinitions. It values being 'first-in' in offering new concepts, even if not all of these efforts prove to be profitable. It responds rapidly to early signals concerning areas of opportunity, and these responses often lead to new rounds of competitive actions. However, the firm may not maintain strength in all of the market segments it serves.
- 5 yrs. ago

**TYPE 4**

- Currently This firm attempts to maintain a secure niche in a relatively stable customer/market segment. It tends to offer a more limited range of services than its competitors, and it tries to protect its position by offering quality at lower prices. Often this firm is not at the forefront of developments in the market - it tends to ignore market changes that have no direct influence on its current areas of operations and it concentrates instead on doing the best job possible in a limited market segment.
- 5 yrs. ago

**Figure 12. The Self-Typing Method for Strategy Identification**

formulated is illustrated in the following figure. Ten of the 32 survey questions (as indicated by an asterik [\*]) were taken from Schuler (1987) questionnaire. Schuler developed his questionnaire for his case study which was aimed at finding out the variations in HRM practices among 4 different types of employees: top 3 management levels, other managers, non-exempt salaried employees, and hourly employees. This study, however, focuses on only one employee type (restaurant managers). Therefore, except for the 10 questions, most of Schuler's survey questions were irrelevant.

Fourteen of the 32 questions (as indicated by a plus {+}) were taken from Gosselin (1986) HRM policy measurement. Gosselin's measurement was formulated to investigate the impact of managerial capabilities on strategic planning. The instrument was developed after an extensive feedback for the HRM experts in banking firms. Gosselin's measurement was tailored to tap both corporate and managerial level HRM policy. He indicated that the validity of his scale, to some extent, was assured by the length of time the respondents have been in their current positions. He also reported that the Cronbach's alpha for the HRM practices range from .61 to .83, with a mean of .75, and that some of the items in his instrument are bias since it consisted of some negative-type and positive-type questions. The HRM instrument developed for this study was checked for the biasness by reformulating the questions so that they have a neutral implication and by reversing some items.

The balanced 8 items were formulated based on the nature of the choice in emphasis as noted in Column 1 of the Integrated Model. The structured questionnaire format and the scale is borrowed from Gosselin (1986) which was taken from DeBejar and Milkovich (1985). The respondent is asked to respond to a 5-point scale which is anchored at each end by opposite-end dimensions of the question.

The instrument used for operationalizing HRM functional activities with the scale used is presented in the following figure. The items are listed by the HRM functional areas.

HRM PRACTICES	INTEGRATED COMPONENTS	SURVEY ITEMS
<b>HR PLANNING:</b>		
Extent of Formalization	Formal, /Informal	Q. 1
	Systematic Nonsystem.	a +
Planning Horizon	Current/Longterm	b +
Job Analysis	Explicit/Implicit	c *
Job Design	Limited Skill/Broad Based	d *
Job Structural Arrangement	Simplicity/Enrichment	e
Extent of Employee Partic.	Centralized/Decentralized	f
<b>STAFFING:</b>		
Recruitment Sources	Internal/External	Q. 2
Promotional Opportunity	Limited/Broad	a +
Promotional Criteria	Explicit/Changing	b *
Extent of Socialization	Limited/Extensive	c
Procedures Formalization	Closed/Open	d
<b>COMPENSATION:</b>		
Level of Base Pay	Routine Adj./Incentives	Q. 3
Equity Focus	Internal/External	a +
Compensation Choices	Fix/Flexible	b *
Employee Participation	Low/High	c *
Program Focus	Short Range/Long Range	d *
Fringe Benefit Choices	Fix/Flexible	e
Employment Security	Limited/Guaranteed	f
<b>APPRAISALS:</b>		
Degree of Integration	Loose/Tight	Q. 4
Criteria Orientation	Quantitative/Qualitative	a *
Program Purpose	Evaluative/Developmental	b *
Regularity of Evaluation	Annual/Continuous	c +
Employee Participation	None/Joint	d +
Program Focus	Short-term Efficiency/Longterm	e +
Criteria Basis	Individual/Group	f +
<b>TRAINING AND DEVELOPMENT:</b>		
Program Focus	Current/Future	Q. 5
Breadth of Program	General/Specific	a +
Program Concerned	Productivity/QWL	b +
Planning of Activity	Current/Future	c
Need Focus	Individual/Overall	d +
Program Openness	All/Selective	e +
Employee Participation	None/Extensive	f +

**Figure 13. The Integrated Model of HRM with the Survey Items**

**HUMAN RESOURCE PEANNING:** The function that coordinates the identification of the firm's future human resource requirement, oversees the development of plans and programs to fulfill those needs and evaluates results. It also includes the process of monitoring the external and internal labor markets, succession and career planning, and the assessment of the firm's and employees' needs.

..... **Your Human Resource Planning activities pertaining to your Restaurant Managers** .....

	mixture					
a. are systematic and formalized with well developed procedures	1	2	3	4	5	are nonsystematic and informal with independently developed procedures
b. are designed to address long-term needs (<4 years)	1	2	3	4	5	are designed to address current needs
c. require that the job and skill requirements are explicitly described	1	2	3	4	5	include job descriptions that are broad-based
d. include job duties which are flexible	1	2	3	4	5	include job duties which are as specified in the job description
e. include job responsibilities which limit the individual to the current position	1	2	3	4	5	include responsibilities that enable the individual to acquire skills useful for other positions
f. involve only the top management in determining human resource requirements	1	2	3	4	5	where sole responsibility for determining human resource requirements rests with the unit managers

**STAFFING:** The activities of hiring, promoting, and outplacing of employees. It includes the determination of skills and knowledge and the matching of human resource capability to jobs.

..... **Your Staffing activities pertaining to your Restaurant Managers include** .....

	mixture					
a. emphasis on external aquisition	1	2	3	4	5	emphasis on internal development/growth
b. regular offering of promotional opportunities	1	2	3	4	5	promotional opportunities which are limited
c. criteria for promotion which are explicitly described and known	1	2	3	4	5	criteria for promotion that are general and changes are made to adapt to conditions
d. procedures and policies that are used mainly as a guide	1	2	3	4	5	the requirement for strict adherence to operating procedures and policies
e. promotional opportunities available that are not made known	1	2	3	4	5	internal job vacancies that are posted regularly with self-nomination opportunity available

**Figure 14. HRM Functional Activities Instrument.**

**COMPENSATION:** This includes the payment of financial rewards in terms of increases in base salary and incentives, and non-financial rewards such as awards and recognition.

..... **Your Compensation activities regarding your Restaurant Managers include** .....

	mixture					
a. routine adjustments in cost of living	1	2	3	4	5	amount earned that is determined primarily by incentive plan
b. base salary that is determined by market rates for similar jobs	1	2	3	4	5	pay which is determined primarily by comparing pay of other managers in the firm
c. a standard and fixed compensation package	1	2	3	4	5	a flexible compensation package
d. compensation package which is determined solely by top management	1	2	3	4	5	managers participate extensively in determining compensation package
e. the consideration of the long-term impact of compensation methods	1	2	3	4	5	the consideration of only the short-term impact of compensation methods
f. a fixed fringe benefit package	1	2	3	4	5	a flexible fringe benefit package
g. limited guarantee for employment security	1	2	3	4	5	employment security is almost guaranteed

**PERFORMANCE APPRAISAL:** This activity involves the setting of performance standards, the evaluating of performance, and the assessing of potentials and deficiencies of employees.

..... **Your Performance Appraisal activities regarding your Restaurant Managers** .....

	mixture					
a. are loosely defined with independently developed programs	1	2	3	4	5	are formal and the activities are linked with other human resource management programs
b. focus on quantitative criteria	1	2	3	4	5	focus on qualitative criteria
c. emphasize evaluative purposes (e.g., reward, remedial)	1	2	3	4	5	emphasize developmental purposes (e.g., training, career paths)
d. are a continuous effort	1	2	3	4	5	are a one-time annual/biannual activity
e. are accomplished by self-determination of deficiencies	1	2	3	4	5	include the determination of deficiencies solely by top management
f. stress the contributions of managers to short-term efficiency	1	2	3	4	5	stress the managers' contributions to long-term goals
g. use the individual manager as a unit of evaluation	1	2	3	4	5	recognize the group contributions in determining performance effectiveness

**TRAINING AND DEVELOPMENT:** These functions are associated with building employee competence, and are designed to ensure that each employee is properly equipped with the knowledge and skills to do the job. Also, they assure that the firm has an adequate supply of human resource talents.

..... **Your Training and Development activities regarding your Restaurant Managers include** .....

	mixture					
a. are designed around skills and knowledge for current job responsibilities	1	2	3	4	5	are designed around skills and knowledge for future job responsibilities
b. are geared towards general and broad skills	1	2	3	4	5	are geared towards developing specific job skills
c. reflect the firm's concern for quality of work life	1	2	3	4	5	emphasize the productivity needs of the firm
d. focus on responding to current problems and opportunities	1	2	3	4	5	focus on anticipating problems and opportunities
e. focus on responding to firm's overall goals and needs	1	2	3	4	5	focus on individual manager's needs
f. are open to all managers who are interested	1	2	3	4	5	are available to only those managers who show potential
g. include programs and activities that are formulated solely by top management	1	2	3	4	5	include the formulation of programs and activities by restaurant managers

### **3.4.4.3 Financial Performance**

The firm's overall financial performance was measured by:

1. Rate of Return on Assets (ROA)
2. Rate of Return on Investments (ROI)

As a measure of the firm's profitability, the ROA has proven to be a comprehensive measure, and as indicated by Snow and Hrebiniak (1980), though it might not fully account for all aspects of performance, it appears to be sensitive to differences in strategy. Woo and Willard (1983) and Chakravarthy (1986) noted that the rate of return on investments is essential to the comprehensive representation of performance. Therefore, this study will use both measures to determine the firm's financial performance.

The data for this study were gathered from the Dow Jones and 10-K reports. The data from the year 1985 to 1988 were collected to arrive at the average ratios. The ratios were calculated by:

$$\text{ROA} = \frac{\text{Net Income}}{\text{Total Assets}}$$

$$\text{ROI} = \frac{\text{Net Income}}{\text{Total Equity and Long-Term Liability}}$$

The participating firms will be divided into three groups based on their financial performance: High, Medium, and Low.

### **3.4.4.4 Industry Issues**

There are three issues related to HRM specific and general concerns that were needed to be identified for this study. The three issues are:

1. Human Resource issues related to Restaurant Managers,
2. Factors of Importance in HRM programs, and
3. HRM Integration with overall strategic planning activities.

The instrument for identifying human resource issues related to restaurant managers is developed because of the industry's current acute problem with high employee turnover and the shortage in restaurant managers. It is designed to find out if restaurant firms were placing emphasis on certain issues more than others. This 11-item instrument was developed after an extensive literature review on the reasons for restaurant managers' dissatisfaction with their jobs and with the firms (Restaurant Business, 1987; Restaurant and Institutions, 1988; Lodging, 1987; and Restaurant USA, 1989) and after the feedback from the pilot study. The items on the instrument is as shown in Figure 15.

The instrument for identifying the common HRM factors is designed to find out if there were factors which were consistently considered as important by restaurant firms. The instrument upon which this instrument was derived from, was developed by Schuler (1987). Schuler developed the 22-item instrument to investigate the priorities of HRM factors with different competitive strategies (refer to Figure 7). The instrument used for this study consisted of items from Schuler's measurement with items added after the pilot study. This instrument is illustrated in Figure 16.

The previous two instruments were directed for the head of the HRM divisions. They were asked to respond to a 5-point scale which range from "Not at all Important" to "Extremely Important".

The instrument for measuring the extent of integration of HRM functions with the firm's overall strategy is developed by Gosselin (1986). Gosselin developed the instrument to measure the extent of banking firms' HRM integration with their strategic planning activities, and it consisted of 7 items. The number of items in the instrument used in this study was reduced to 5. The respondents, the chief executive officers and the head of the HRM divisions, were asked to respond to a 5-point scale anchored at each end by opposite-end dimensions of the question. As noted earlier, Gosselin (1986) borrowed this scale from DeBejar and Milkovich (1985). Figure 17 illustrates this 6-item instrument.

The following factors represent issues that have an impact on Human Resource Management practices. Please circle the appropriate response for each of the factors below using the following scale:

1. Not At All Important: This issue is of no concern to us.
2. Of Minor Importance: This issue is a concern but is seldom taken into account when strategic business decisions are made.
3. Important: This is an issue of major concern and is sometimes taken into account when strategic business decisions are made.
4. Very Important: This is an issue of major concern and it often influences strategic business decisions.
5. Extremely Important: This issue has top priority. No major strategic business decisions are made without considering this issue.

HUMAN RESOURCE ISSUES RELATED TO RESTAURANT MANAGERS	IMPORTANCE				
	1	2	3	4	5
a. Recruitment of Restaurant Managers	1	2	3	4	5
b. Maintaining motivation/enthusiasm	1	2	3	4	5
c. Management ability	1	2	3	4	5
d. Opportunity for advancement within the firm	1	2	3	4	5
e. Health and insurance benefits	1	2	3	4	5
f. Retention of Restaurant Managers	1	2	3	4	5
g. Working conditions	1	2	3	4	5
h. Working hours / work schedule	1	2	3	4	5
i. Basic pay level	1	2	3	4	5
j. Feeling of being part of the firm	1	2	3	4	5
k. Communication - both ways	1	2	3	4	5

**Figure 15. HRM Issues related to Restaurant Managers.**

The following factors represent common elements of Human Resource Management programs. Each firm may value them differently. Please indicate how important each factor is by circling the answer using the following scale:

1. Not At All Important: This factor is of no concern to us.
2. Of Minor Importance: This factor is a concern but is seldom taken into account when strategic business decisions are made.
3. Important: This is a factor of major concern and is sometimes taken into account when strategic business decisions are made.
4. Very Important: This is a factor of major concern and it often influences strategic business decisions.
5. Extremely Important: This factor has top priority. No major strategic business decisions are made without considering this factor.

FACTORS IN HUMAN RESOURCE MANAGEMENT PROGRAMS	IMPORTANCE				
	1	2	3	4	5
a. Ability to attract people to work in your firm	1	2	3	4	5
b. Minimizing labor costs	1	2	3	4	5
c. Anticipating the firm's future labor requirements	1	2	3	4	5
d. Having objective data available to make employment decisions	1	2	3	4	5
e. Protecting the firm from employee lawsuits	1	2	3	4	5
f. Retention of present employees	1	2	3	4	5
g. Linking employee evaluation to objective performance criteria	1	2	3	4	5
h. Establishing career ladders	1	2	3	4	5
i. Monitoring external factors affecting labor availability	1	2	3	4	5
j. Having open communications with employees	1	2	3	4	5
k. Complying with union-negotiated contracts	1	2	3	4	5
l. Employee feedback is considered in making appraisal decisions	1	2	3	4	5
m. Employees' conformity to firm's established policy	1	2	3	4	5
n. Keeping abreast of competitors' Human Resource Management practices	1	2	3	4	5
o. Maintaining a positive image in the community	1	2	3	4	5
p. Compensation programs that are competitive	1	2	3	4	5
q. Developing management skills	1	2	3	4	5
r. Others. (Please add factors that you feel are also important)					

**Figure 16. Factors of Importance in HRM Programs.**

The following statements reflect the firm's overall Human Resource Management practices and its strategic planning activities.

. . . . . **To the best of your knowledge, the firm's**  
**Human Resource Management practices** . . . . .

	mixture					
a. are planned and intended	1	2	3	4	5	are reactive to opportunities and problems
b. are developed independent of the firm's planning process	1	2	3	4	5	are integrated with the firm's overall planning process
c. are a negligible input in the formulation of the firm's strategy	1	2	3	4	5	are a primary input in the formulation of the firm's strategy
d. are of minor concern in implementing the firm's strategy	1	2	3	4	5	are a major concern in the implementation of the firm's strategy
e. are constantly adapted to the changing environmental conditions	1	2	3	4	5	remain unchanged despite changes in the environmental conditions

**Figure 17. HRM Integration with Overall Strategic Planning Activities.**

### **3.4.4.5 Demographics**

Five groupings of demographic information were required in the study. Three groups represent demographic profiles needed on each of the three different respondents: chief executive officers, head of the operations/marketing/finance divisions, and head of the HRM divisions. These groups of questions were designed to find out each of the respondent's :

- organizational title
- how long the respondent has been with the firm
- how long the respondent has been in the current position
- how many years of experience the respondent has in the restaurant industry
- how many years of experience the respondent has in the current specialized area (exclude the CEO), and
- to whom does the respondent report to in the organization (except for the CEO).

These questions were designed partly to ensure that the respondent has the job knowledge to respond appropriately, and that the responses were reflective of the firm's actual activities.

The next demographic information group that was needed was the profile of each firm. The respondent to this instrument were the chief executive officers. There were three questions in this instrument. Question 1 was designed to find out each firm's size.

**Q.1** How many restaurant units does the firm have?

As noted earlier, the firm's size will affect the firm's need for an organized HRM division, and its ability to gain market share. This will, in turn, affect the firm's overall financial performance. The second question relates to the number of restaurant units the firm has in its dominant concept segment.

**Q.2** How many restaurant units are in the dominant concept segment that you are competing in?

Restaurant firms are often segmented based on the different concepts such as the service level provided, the menu pricing structure, the quality of the decor, and the variety of food offered. These concepts indicate the environment the firm is competing in. Therefore, it

should relate to the firm's choices in strategy types. Question 3 was designed to identify the type of dominant concept segment the firm competes in. Here, a choice of 4 different segments were provided: Full service (Upscale), Full service (Family), Fast Food, and Cafeteria. Space was also provided for other types in cases where the firm was not able to classify their dominant segment into any one of the 4 listed types.

Q.3 Which of the following would you classify the dominant concept segment you are competing in? (Please check only one).

- Full Service (Upscale)
- Full Service (Family)
- Fast Food
- Cafeteria
- Others.

Please specify: \_\_\_\_\_

The last group of demographic profiles that were required was on the restaurant managers. This group of questions were directed to the head of the HRM divisions. The instrument consisted of 4 questions. It is designed to tap general information on restaurant managers. The first question was to find out the number of restaurant managers that were employed with the firm.

Q.1 How many restaurant managers were employed in your firm in 1988?

The information derived was compared to the information supplied by the chief executive office regarding the total number of restaurant units the firm has. This determined the nature of shortage in restaurant managers.

The second question in this instrument was aimed at deriving the number of restaurant managers that were terminated in the firm.

Q.2 How many restaurant managers terminated employment with the firm in 1988?

The data was used to derive the restaurant managers turnover rate. Question 3 was aimed at determining the number of restaurant managers that were promoted.

**Q.3** How many restaurant managers were promoted to a higher organizational level within your firm in 1988?

The data was used to find out the promotional opportunity availability for restaurant managers. The last question was aimed at finding out the average length of employment of restaurant managers.

**Q.4** What is the average tenure of your restaurant managers (i.e., the number of years they remain with your firm)?

The data was used to support the contention on the high turnover rate and the short-term tenureship of restaurant managers. The data derived from this instrument and the data derived from instrument measuring human resources issues related to restaurant managers were compared and detect for similarities.

### **3.4.5 Data Analysis**

The two data analysis methods used in this study are:

1. Qualitative Analysis
2. Quantitative Analysis.

The following sections outlined the two methods.

#### **3.4.5.1 Qualitative Analysis.**

The purpose of qualitative analysis is to provide an indepth information, specifically on the nature of HRM functional activities on each firm. The information derived should provide a deeper understanding on the roles and functions of HRM in restaurant firms. The following format is used in presenting the information on each firm.

1. Profile of Firm:
  - a. Number of restaurant units
  - b. Dominant concept segment:

- Number of restaurant units
  - Restaurant type
  - c. Strategy type
  - d. Financial performance
2. Description of HRM
- a. Restaurant manager turnover rate
    - Two factors considered as major causes of turnover
    - Plan of actions to minimize the problems
  - b. Priorities of issues related to restaurant managers
  - c. Priorities of factors in overall HRM programs
    - Changes in the environment (or industry) that have affected the HRM functions
    - Role of HRM in the strategic planning process
  - d. HRM functional activities
    - Degree of similarity in emphasis within the firm
    - Evolution of the activities in each of the HRM functions over the last 5 years.

### **3.4.5.2 Quantitative Analysis**

The nature of results to be derived from this study are:

1. Identification of similarities in HRM functional activities across and within firms
2. Relationship of some consistent pattern with the firm's financial performance
3. Nature of alignment/nonalignment between HRM functional activities and business strategy
4. Relationship of the extent of alignment/nonalignment on the firm's overall financial performance.

Based on the results to be derived, the following data analytical methods were used:

1. Tabulation of firms' profiles by size, restaurant types, respondents, restaurant managers, and financial performance.
2. Ranking of HRM issues related to restaurant managers and factors in overall HRM programs.
3. Cross-tabulation of firms by:
  - Strategy type with Restaurant type, and
  - Strategy type with Financial performance.
4. Frequency tabulation of responses in each HRM functional activity for each firm by mode and by percentage occurrence of mode.
5. Ranking of firms by extent of similarities in HRM functional activities and by Financial performance.

6. Generic Pairwise Approach to Fit - extent of alignment/nonalignment in HRM and Strategy types.
7. Tabulation of firms by Strategy types, Composite scores, and extent of alignment/nonalignment.

The end purposes of the qualitative and quantitative analysis were for the identification of future research issues and for the development of future research hypothesis dealing with HRM functions in multiunit restaurant firms, and the relationship among HRM functions, business strategies, and financial performance.

### **3.5 SUMMARY**

This chapter has discussed the operationalization of the HRM, business strategy, and financial performance concepts, the development of instruments, statements of the research problems and research hypothesis, the case study research design approach, the data collection methods and the methods of data analysis. A summary of the research methodology follows.

<b>Research Propositions:</b>	<p>Restaurant firms do have similarities in their HRM functional activities</p> <p>Restaurant firms with consistent patterns will perform better than firms that do not have consistent pattern</p> <p>Restaurant firms' HRM functional activities aligned in some consistent pattern based on business strategy</p> <p>Restaurant firms with aligned HRM and business strategy will perform better than firms not exhibiting such alignment.</p>
<b>Research Design:</b>	Case studies
<b>Number of Cases:</b>	14 multiunit restaurant firms
<b>Data Gathering Method:</b>	<p><u>Primary data</u> - Structured questionnaires, telephone interviews and experts' judgment</p> <p><u>Secondary data</u> - published information in journals, Dow Jones and 10-K reports.</p>
<b>Data Analysis Methods:</b>	Qualitative analysis

**Nature of Results:**

**Quantitative analysis**

Identification of similarities in HRM

Relationship of pattern/nonpattern with financial performance

Nature of alignment/nonalignment of HRM and business strategy

Extent of alignment/nonalignment on financial performance

Identification of future research issues

Development of future hypothesis.

## **CHAPTER IV**

### **RESULTS**

#### **4.1 INTRODUCTION**

The results section addresses two main areas: the results of the analyses and the interpretation of the data. First, the results are presented in descriptive form, with a brief profile of each of the participating firms. This will be followed by the presentation of the data in tabular form and a brief discussion of each of the tables.

#### **4.2 QUALITATIVE RESULTS**

This section provides the profile of each of the participating firms and its HRM functional activities. The purpose is to gain an indepth understanding of the roles and functions of the HRM division in a multiunit restaurant firm. The information in the profile of each firm is gathered from the respondents, and the financial performance information is derived from the Dow Jones and 10-K reports. The descriptive information on each firm's HRM is derived from interviews with the HRM respondents, from the responses from the mailed questionnaires,

and from secondary published information in the Dow Jones reports. A summary of the descriptive results is presented at the end of this section.

#### **4.2.1 Firm No. 1**

##### **1. Profile of Firm:**

Number of restaurant units: 115  
Dominant concept segment: 101 units  
Full Service (Family)  
Strategy type: Defender (CEO and VP)  
Analyzer (VP HRM)  
Financial performance: ROA 4%, ROI 5%

##### **2. Description of HRM**

Restaurant Managers: 120

Turnover rate: 10%  
Average tenure: 9.6 years  
Promotion rate: 2.5%

Major causes of turnover:

Poor work schedules (especially weekend work).  
Big discrepancies among pay levels of managers since pay is based on seniority.

Plans to minimize turnover problem:

More aggressive recruiting: increase in budget allocation for hiring and selection.  
Better compensation: a 50% increase in basic pay over the last five years.

Priorities of issues related to restaurant managers:

No issue was stated as a major concern nor as having top priority when strategic decisions are made.

Priorities of factors in overall HRM programs:

Minimizing labor costs.  
Having objective data available to make employment decisions.  
Protecting the firm from employee lawsuits.  
Retention of present employees.  
Compensation programs that are competitive.

Extent of HRM link with the Strategic Planning process:

HRM division plays a limited role in the overall strategic planning of the firm. The extent of its involvement is in the determination of the availability of people to execute the plans. Therefore, HRM practices represent a major concern in implementing the firm's strategy.

HRM functional activities:

Similarities with other firms: Human Resource Planning and Training and Development.

Over the last five years, major improvements were made in the area of Training and Development programs especially with the inclusion of leadership and motivation training. Performance appraisals were conducted twice annually with the aim of improving interpersonal skills.

#### **4.2.2 Firm No. 2**

##### 1. Profile of Firm:

Number of restaurant units: 119  
Dominant concept segment: 119 units  
Full Service (Family)  
Strategy type: Defender (CEO)  
Analyzer (VP & HRM)  
Financial performance: ROA 3%, ROI 1%

##### 2. Description of HRM

Restaurant Managers: 336

Turnover rate: 45%  
Average tenure: 4 years  
Promotion rate: 8.9%

Major causes of turnover:

Poor compensation and slow promotion: lack of promotable positions available.  
Long working hours: hours have to be rescheduled very often.

Plans to minimize turnover problem:

Better techniques in selection of people: implementation of proper procedures.  
Higher compensation: a substantial increase based on length of stay.

Priorities of issues related to restaurant managers:

Recruitment of restaurant managers.  
Management ability.  
Retention of restaurant managers.

Priorities of factors in overall HRM programs:

Ability to attract people to work in the firm.  
Anticipating the firm's future labor requirements.  
Having objective data available to make employment decisions.  
Retention of present employees.  
Development of management skills.

Extent of HRM link with the Strategic Planning process:

HRM division plays a limited role in the overall strategic planning of the firm. Its major role is providing data on the availability of skills for future expansion plan of the firm.

**HRM functional activities:**

Similarities with other firms: Human Resource Planning and Training and Development.

Over the last 5 years, methods of selecting managers have been greatly enhanced through the emphasis on college recruitment and on communication skills.

**4.2.3 Firm No. 3**

**1. Profile of Firm:**

Number of restaurant units: 55  
Dominant concept segment: 53 units  
Full Service (Family)  
Strategy type: Analyzer (CEO, VP, and HRM)  
Financial performance: ROA -12%, ROI -28%

**2. Description of HRM:**

Restaurant Managers: 40

Turnover rate: 37.5%  
Average tenure: 4 years  
Promotion rate: 5%

**Major causes of turnover:**

Poor work schedule: often work up to 60 hours per week.  
Low pay: compare to other jobs.

**Plans to minimize turnover problem:**

Increase compensation benefits, especially insurance.  
Restore regional supervisory positions: to increase the number of possible promotional positions.

**Priorities of issues related to restaurant managers:**

Retention of restaurant managers.  
Management ability.  
Working hours/work schedule.  
Basic pay level.  
Feeling of being a part of the firm.

**Priorities of factors in overall HRM programs:**

Minimizing labor costs.  
Anticipating the firm's future labor requirement.  
Protecting the firm from employee lawsuits.  
Retention of present employees.  
Employees' conformity to established policy.

**Extent of HRM link with the Strategic Planning process:**

HRM division plays an extensive role in the formulation of the firm's overall strategy. The VP is included in the executive planning committee. HRM practices are integrated with the firm's overall planning process through its Human

Resources Planning activities, but the HRM division is considered reactive to problems.

HRM functional activities:

Similarities with other firms: Human Resource Planning, Training and Development, and Performance Appraisals.

Over the last five years, major changes have been made in the areas of Compensation and health insurance. Compensation rates have increased over 20%.

#### **4.2.4 Firm No. 4**

##### **1. Profile of Firm:**

Number of restaurant units: 50  
Dominant concept segment: 50 units  
Full Service (Family)  
Strategy type: Analyzer (CEO, VP, and HRM)  
Financial performance: ROA 4%, ROI 4%

##### **2. Description of HRM**

Restaurant Managers: 50

Turnover rate: 30%  
Average tenure: 3 years  
Promotion rate: 0

Major causes of turnover:

Poor work schedule: very long hours (averaged of over 50 hours per week plus weekends).  
Joining other restaurants which provide better work schedule, although with almost the same pay Level.

Plans to minimize turnover problem:

Better recruitment methods especially in certain parts of the country where labor supply is very tight. Examples of such methods are more aggressive advertising, focusing on benefits.  
Improvement of training methods: the inclusion of management and supervisory skills.

Priorities of issues related to restaurant managers:

Recruitment of restaurant managers.  
Maintaining motivation/enthusiasm.  
Retention of restaurant managers.  
Basic pay level.  
Communication - both ways.

Priorities of factors in overall HRM programs:

Anticipating the firm's future labor requirements.  
Protecting the firm from employee lawsuits.  
Ability to attract people to work in the firm.  
Minimizing labor costs.

Extent of HRM link with the Strategic Planning process:

HRM corporate staff is involved in determining the potential staffing requirements and seeing that human resource needs are tied in closely with the strategy concept requirements. Therefore, HRM resource practices are considered in the implementation of the firm's strategy.

HRM functional activities:

Similarities with other firms: Human Resource Planning, Staffing, Appraisals, and Training and Development.

Over the last five years, each of the functional areas has undergone major changes due to the change in the ownership of the company. All activities have become more formal and sophisticated.

#### **4.2.5 Firm No. 5**

##### **1. Profile of Firm:**

Number of restaurant units: 25  
Dominant concept segment: 215 units  
Fast Food  
Strategy type: Prospector (CEO, VP, and HRM)  
Financial performance: ROA - 4%, ROI - 5%.

##### **2. Description of HRM**

Restaurant Managers: 185

Turnover rate: 35%  
Average tenure: 3 years  
Promotion rate: 5%

Major causes of turnover:

Long working hours (over 50 hours per week) with corresponding low pay.  
Lack of promotion availability.

Plans to minimize turnover problem:

More aggressive recruitment: changes in the profile requirements of applicants.  
To date 90% of candidates has been successful in their job, if only they will stay!

Priorities of issues related to restaurant managers:

Management ability.  
Maintaining motivation/enthusiasm.

Priorities of factors in overall HRM programs:

Minimizing labor costs.  
Anticipating the firm's future labor requirements.

Extent of HRM link with the Strategic Planning process:

HRM division head is part of the planning team. Top management seems to be more open to suggestions. Division is consulted especially in terms of labor availability. HRM division derives information on external environment through

the marketing department. However, the HRM division closely monitors the labor market.

HRM practices are mainly considered at the implementation stage of the firm's strategy. The Human Resource Planning activities do provide integration with some other HRM functional activities, for example, hiring and training programs.

HRM functional activities:

Similarities with other firms: Human Resource Planning, Staffing, and Training and Development.

Over the last five years, the staffing and recruitment procedures have become more formalized, especially after the formation of the HRM division 1.5 years ago.

#### **4.2.6 Firm No. 6**

##### **1. Profile of the Firm:**

Number of restaurant units: 141  
Dominant concept segment: 141 units  
Cafeteria  
Strategy type: Prospector (CEO, VP and HRM)  
Financial performance: ROA 18%, ROI 18%.

##### **2. Description of HRM:**

Restaurant managers: 375

Turnover rate: 31%  
Average tenure: 3-4 years  
Promotion rate: NA

Major causes of turnover:

Long working hours: averaged 60 to 70 hours per week.

Plans to minimize turnover problem:

Extending the training period from two to six weeks Increase the total number of restaurant managers in each unit from three to four, therefore, each manager works 5 days a week.

Priorities of issues related to restaurant managers:

Recruitment of restaurant managers.  
Retention of restaurant managers.  
Feeling of being a part of the firm.

Priorities of factors in overall HRM programs:

Ability to attract people to work in the firm.  
Retention of present employees.  
Maintaining a positive image in the community.  
Compensation programs that are competitive.

Extent of HRM link with the Strategic Planning process:

HRM practices are a primary input in the formulation of the firm's strategy, and they represent a major concern in the implementation of the strategy.

HRM division is heavily involved in the strategic planning of the firm. It provides input on the availability of employees.

HRM functional activities:

Similarities with other firms: Human Resource Planning, Staffing, Appraisal, and Training and Development.

Over the last five years, the HRM division has become increasingly proactive with the involvement in the development and testing of new procedures and the monitoring of external development in the area of HRM. The two areas that have seen major development are Training and Development and Compensation. The Training and Development programs include audio-visual methods and an evaluation of or follow-up on the effectiveness of the programs. Managers are promoted to area supervisor within two years, and their compensation range is between \$33,000 to \$40,000.

#### **4.2.7 Firm No. 7**

1. Profile of Firm:

Number of restaurant units: 85  
Dominant concept segment: 50 units  
Full Service (Family)  
Strategy type: Prospector (CEO)  
Analyzer (VP and HRM)  
Financial performance: ROA 6%, ROI 10%.

2. Description of HRM

Restaurant Managers: 105  
Turnover rate: 23% \*  
Average tenure: 8 years  
Promotion rate: 1.9%  
\* Turnover rate used to average about 70%

Major causes of turnover:

Industry stigma: leaving for better jobs in other industries.  
Downsizing - decreasing the number of units.

Plans to minimize turnover problem:

Focusing on internal equity of compensation.  
Training programs: focus on administrative and interpersonal skills and the inclusion of post training evaluation.

Priorities of issues related to restaurant managers:

Maintaining motivation/enthusiasm.  
Retention of restaurant managers.  
Basic pay level.  
Communication - both ways.

Priorities of factors in overall HRM programs:

- Retention of present employees.
- Establishment of career ladders.
- Development of management skills.
- Compensation programs that are competitive.

Extent of HRM link with the Strategic Planning process:

HRM division is very proactive. Agenda includes the forecasting of HR impact and needs. Therefore, HRM activities are considered at the formulation stage of strategy. However, much time is still used on monitoring government legislation.

HRM functional activities:

Similarities with other firms: Human Resource Planning, Staffing, and Appraisal.

Over the last five years, major changes have been made in the areas of training, specifically in the development of interpersonal skills. More time has been taken to create awareness, the training on new procedures, and the ability to deal with change. The setting up of a data bank for Human Resource Information System is 50% complete. Extensive use of personal computers.

#### **4.2.8 Firm No. 8**

##### 1. Profile of Firm:

Number of restaurant units: 163  
Dominant concept segment: 163  
Full Service (Upscale)  
Strategy type: Analyzer (CEO)  
Prospector (VP and HRM)  
Financial Performance: ROA 4%, ROI 5%.

##### 2. Description of HRM:

Restaurant Managers: 198  
Turnover rate: 28%  
Average tenure: 5 years  
Promotion rate: 1%

Major causes of turnover:

No problems with turnover of managers: generally satisfied. However, major problem in turnover of operating employees.

Plans to minimize turnover problem:

More 'professionalism' in recruiting procedures: instead of stealing managers from other firms, implementing more ethical methods. Also includes a more aggressive on-campus recruitment. Firm seems to be able to attract the right candidates for managerial positions. Training procedures have been upgraded and expanded to include personal development.

Priorities of issues related to restaurant managers:

Recruitment of restaurant managers.  
Health and Insurance benefits.  
Retention of restaurant managers.  
Working conditions.  
Feeling of being a part of the firm.  
Communication - both ways.

Priorities of factors in overall HRM programs:

Ability to attract people to work in the firm.  
Anticipating the firm's future labor requirement.  
Retention of present employees.  
Monitoring of external factors affecting labor availability.

Extent of HRM link with the Strategic Planning process:

HRM practices are somewhat reactive to opportunities and problems, but changes are made to adapt to the changing environmental conditions. They represent a primary input in the formulation of the strategy.

HRM division at the corporate level is involved in the strategic planning process at a moderate level. Information requested is mainly on labor availability, especially on operational employees. "HRM could play a greater role, but contented with the present involvement level".

HRM functional activities:

Similarities with other firms: Training and Development.

Over the last five years, major improvements have been made in the recruitment procedures with the emphasis on formalized methods.

#### **4.2.9 Firm No. 9**

##### 1. Profile of Firm:

Number of restaurant units: 115  
Dominant concept segment: 115 units  
Fast Food  
Strategy type: Prospector (CEO and VP)  
Analyzer (HRM).  
Financial performance: ROA 19%, ROI 22%.

##### 2. Description of HRM:

Restaurant Managers: 402

Turnover rate: 31%  
Average tenure: 6 months  
Promotion rate: 21%

Major causes of turnover:

Leaving for a better job in the industry and in other industries.  
Looking for additional job responsibilities.

Plans to minimize turnover problem:

Additional training programs which include video presentation and individualized training programs.  
Provide greater compensation.

Priorities of issues related to restaurant managers:

Working conditions.  
Management ability.  
Feeling of being a part of the firm.

Priorities of factors in overall HRM programs:

Promoting positive customer relations.  
Ability to attract people to work in the firm.  
Employees' conformity to established policy.

Extent of HRM link with the Strategic Planning process:

HRM division has limited involvement in the firm's strategic planning process due to time limitations. Majority of time is spent on administrative and record-keeping duties.

HRM functional activities:

Similarities with other firm: Human Resource Planning, Appraisal, and Training and Development.

Over the last five years, major improvements have been made in the training area with greater emphasis on administrative skill and interpersonal development.

#### **4.2.10 Firm No. 10**

##### 1. Profile of Firm:

Number of restaurant units: 305  
Dominant concept segment: 150 units  
Full Service (Family)  
Strategy type: Prospector (CEO and VP)  
Defender (HRM)  
Financial performance: ROA 10%, ROI 14%.

##### 2. Description of HRM:

Restaurant Managers: 1400

Turnover rate: 30%  
Average tenure: 3 years  
Promotion rate: 36%

Major causes of turnover:

Dissatisfaction with work schedules.  
Low compensation compared to other jobs as demanding in terms of working hours and work schedule.

Plans to minimize turnover problem:

Better training to instill proper work procedures and interpersonal skills.

Increased compensation level, focusing especially on external equity.

Priorities of issues related to restaurant managers:

- Recruitment of restaurant managers.
- Retention of restaurant managers.
- Maintaining motivation/enthusiasm.
- Opportunity for advancement within the firm.
- Working conditions.
- Work schedule/working hours.

Priorities of factors in overall HRM programs:

- Ability to attract people to work in the firm.
- Retention of present employees.
- Developing management skills.

Extent of HRM link with the Strategic Planning process:

HRM division plays a very limited role in the overall strategic planning process. The extent of its connection is limited to the provision of data on needed employees in terms of skill and demographic information.

HRM functional activities:

Similarities with other firms: Human Resource Planning, and Training and Development.

Over the last five years, the HRM division has been more organized procedurally, and the challenge now is to develop an information pool on employees. Training programs focus more on the development of interpersonal ability.

#### **4.2.11 Firm No. 11**

1. Profile of Firm:

Number of restaurant units: 62  
Dominant concept segment: 62  
Full Service (Family)  
Strategy type: Analyzer (CEO)  
Prospector (VP and HRM)  
Financial performance: ROA 1%, ROI -3%

2. Description of HRM:

Restaurant Managers: 60

Turnover rate: 43%  
Average tenure: 2.25 years  
Promotion rate: 5%

Major causes of turnover:

Poor advancement opportunity within the firm due to the small size of the firm.  
Inadequate compensation and benefits: amount of pay raise is very minimal.  
"Small firms cannot compete the compensation paid by large firms."

Plans to minimize turnover problem:

Better training: instilling motivation and enthusiasm about the job.  
Select applicants who know what the firm has to offer especially focusing on the smallness and the feeling of being a part of the family.

Priorities of issues related to restaurant managers:

Maintaining motivation/enthusiasm.  
Recruitment of restaurant managers.  
Retention of restaurant managers.  
Working conditions.  
Work scheduling/ working hours

Priorities of factors in overall HRM programs:

Retention of present employees.  
Maintenance of a positive image in the community.  
Compensation programs that are competitive.

Extent of HRM link with the Strategic Planning process:

HRM practices are independently developed and they are not at all considered in the formulation or the implementation of the firm's strategy.  
The HRM division is occupied more with the administrative responsibilities and the clerical duties; as such it is not involved in the firm's strategic planning process.

HRM functional activities:

Similarities with other firms: Human Resource Planning, Staffing, and Training and Development.

Over the last five years, there have been hardly any changes in the HRM functional activities.

#### **4.2.12 Firm No. 12**

##### **1. Profile of Firm:**

Number of restaurant units: 57  
Dominant concept segment: 57 units  
Cafeteria  
Strategy type: Defender (CEO, VP and HRM)  
Financial performance: ROA 9%, ROI 13%.

##### **2. Description of HRM:**

Restaurant Managers: 57  
Turnover rate: 17.5 %  
Average tenure: 8 years  
Promotion rate: 12 %

Major causes of turnover:

Better jobs and better pay offered by competing firms.  
Dissatisfaction with compensation rates.

Plans to minimize turnover problem:

Search for applicants with higher qualifications, both academic and job experience.

Training program will include classroom instructions.

Priorities of issues related to restaurant managers:

Retention of restaurant managers.

Working conditions.

Feeling of being a part of the firm.

Communication - both ways.

Extent of HRM link with the Strategic Planning process:

The HRM division provides informational input on human resources availability. The HRM division has been given a bigger role in the process compared to previous years, and it has indeed gained visibility in the firm. The division's credibility is earned merely through hardwork. However, the majority of time is still spent on keeping updated on legal requirements.

HRM functional activities:

Similarities with other firms: Human Resource Planning, Staffing, Appraisals and Training and Development.

Over the last five years, the HRM functional activities in all areas have been more formalized and systematic. Record-keeping is more organized.

#### **4.2.13 Firm No. 13**

##### 1. Profile of Firm:

Number of restaurant units: 321

Dominant concept segment: 242

Full Service (Family)

Strategy type: Defender (CEO, VP, and HRM)

Financial performance: ROA 10%, ROI 12%.

##### 2. Description of HRM:

Restaurant Managers: 352

Turnover rate: 19.6%

Average tenure: 2.5 years

Promotion rate: 7.4%

Major causes of turnover:

Long work hours.

High expectations of managers - expect to be promoted more quickly. Lack of positions available compared to capabilities of managers.

Plans to minimize turnover problem:

Establishing career ladders and providing financial incentives such as cash bonuses.

Stress on internal promotion.

Attracting talented applicants.

Considering customers as potential employees, therefore, providing visible cues for attracting them.

Priorities of issues related to restaurant managers:

Maintaining motivation/enthusiasm.  
Management ability.  
Communication - both ways.

Priorities of factors in overall HRM programs:

Ability to attract people to work in the firm.  
Minimizing labor costs.  
Protecting the firm from employee lawsuits.  
Linking employee evaluation to objective performance data.  
Having open communications with employees.

Extent of HRM link with the Strategic Planning process:

HRM division plays a limited but significant role in determining the skills and talents availability and human resources requirements. The division has gained considerable recognition in terms of providing innovative ideas on motivating managers.

HRM functional activities:

Similarities with other firms: Staffing, Appraisal, and Training and Development.

Over the last five years, major and indepth improvement has been made in the training programs. The focus is on increasing communication ability and on interpersonal skill development. Another major emphasis has been the provision of incentives and rewards program.

#### **4.2.14 Firm No. 14**

##### 1. Profile of Firm:

Number of restaurant units: 105  
Dominant concept segment: 105 units  
Fast Food  
Strategy type: Analyzer (CEO, VP, and HRM)  
Financial performance: ROA -3%, ROI -4%.

##### 2. Description of HRM:

Restaurant Managers: 135

Turnover rate: 50%  
Average tenure: 3 years  
Promotion rate: 7.4%

Major causes of turnover:

Downsizing of firms: 25% was laid off.  
Poor work schedule and long hours.  
Lack of promotional availability.

Plans to minimize turnover problem:

Recruit more managers since more are leaving. More aggressive recruitment in terms of time spent and thoroughness.

Priorities of issues related to restaurant managers:

Maintaining motivation/enthusiasm.  
Management ability.  
Retention of restaurant managers.

Priorities of factors in overall HRM programs:

Minimizing labor costs.  
Protecting the firm from employee lawsuits.  
Retention of present employees.  
Having open communication.  
Employee conformity to firm's established policy.

Extent of HRM link with the Strategic Planning process:

HRM division head reports to the Chief Financial Officer. There is no direct involvement of the HRM division in the strategy planning team of the firm. However, the division is consulted on the availability of manpower to implement strategy.

HRM functional activities:

Similarities with other firms: Human Resource Planning, Staffing, Appraisals, and Training and Development.

Over the last five years, there have been no major changes in any of the HRM functional activities.

### **4.3 QUALITATIVE RESULTS SUMMARIZED**

#### **4.3.1 Strategy Typing Mismatched Between CEO and HRM Respondents**

In seven firms where the HRM respondents identify the firm's strategy differently from their CEO, the following appears to be the reasons:

1. The HRM divisions either play a limited role in the strategic planning process (mainly as a provider of information on the availability of skills), or
2. The HRM division heads are not a part of the strategic planning team.

In six of the seven firms where the HRM respondents identify their firm's strategy as similar to that of the CEO, the HRM heads are extensively or moderately involved in the firm's overall strategic planning process. In the remaining seven firms where the HRM heads identify the strategy type differently than their CEOs, five have very limited involvement in the strategic process. Therefore, altogether, in 11 of the 14 firms (79%), support the contention that if the HRM division is involved in the strategic planning process, the HRM respondent will identify the firm's strategy as similar to that identified by the CEO. If it is not, then there will likely be a mismatch in the identification of the firm's strategy.

### **4.3.2 Major Causes of Restaurant Managers' Turnover**

The following represents the major causes of restaurant managers' terminating employment with the firms:

1. Dissatisfaction with working hours and work schedule. These include having to work long hours, with average weekly hours worked ranging between 50 and 70 hours; with working on weekends; and with the regular need to reschedule working hours.
2. Low compensation and the lack of internal and external equity of compensation for restaurant managers.
3. Lack of promotional opportunity due mainly to the lack of promotable positions as compared to the number of restaurant managers that should be promoted.
4. Industry's negative image. The restaurant managers are leaving the industry for job opportunities in other industries.
5. Downsizing. The reduction in the number of units, resulting in the need to lay off restaurant managers.

### **4.3.3 Plans to Minimize Turnover Problem**

Listed below are the major plans noted by the HRM respondents as the means for lowering the turnover rates for restaurant managers:

1. Improve training methods. These include including management and supervisory skills, extending the training period, stressing interpersonal and administrative capabilities, using video presentation and classroom instructions, individualizing the training program, evaluating post training effectiveness , and instituting personal development and motivational programs.
2. Improve compensation. Increase base pay, and the inclusion of health benefits.
3. More aggressive recruiting and better selection techniques. Developing more systematic, formalized and ethical recruitment procedures. Change the qualifications and experience required. Focus on the benefits the firm can offer.
4. Create more promotionable positions for restaurant managers. This includes the restoration of regional supervisory positions and a policy of internal promotion.
5. Increase the number of restaurant managers in each unit as a means to reduce the long working hours and the need to work on every weekends.

#### **4.3.4 HRM Involvement in the Overall Strategic Planning Process**

In 8 of the 14 firms (57%), the HRM divisions participate in formulating the firm's business strategy. Among those eight firms, five firms have their HRM practices fully linked with the strategic planning process, which means the division provides major input in the formulation and implementation of the firm's strategy. In most instances, the major input provided by the division is information on the availability of skills to implement the firm's plans.

#### **4.3.5 Development of HRM Functional Activities in the Last Five Years**

The major development is in the area of training, specifically in interpersonal, supervisory, and management skills. The second area which has seen major changes is the staffing, recruitment, and selection functions. Another area which has undergone some change is the Human Resource Information System function, which includes the development of a more organized record-keeping procedure and the methods for monitoring the external environment.

## **4.4 QUANTITATIVE RESULTS**

The quantitative results are presented in the form of tables of frequency distributions, percentage distributions, and cross-tabulation of data. The purpose of the presentation is to provide the basis for the systematic analysis of data. A brief explanation and summation of results follow each presentation of tables.

### **4.4.1 Profile of the Participating Firms**

#### **4.4.1.1 Strategy Types**

As specified in the previous chapter under criteria for firms' selection, the study should consist of at least four firms in each strategy type (Defender, Analyzer, and Prospector). Table 1 lists the identification of each firm's strategy type by three respondents from each firm, Chief Executive Officer (CEO), head of Operations/Marketing/Finance, and head of Human Resource Management, and two by industry experts. Each firm is identified by the strategy type that represents the mode, with the CEO's choice counted as three and the others as a point each. For example, in Firm No. 1, the CEO, head of Operations, and Expert 1 identify the firm as a Defender strategy firm. The total score for the Defender strategy is five, and two points (the HRM respondent and Expert 2) for the Analyzer strategy. Therefore, the firm was identified as a Defender since the majority of the points were for that strategy.

As such, Table 1 illustrates the breakdown of firms in the study by their strategy types. Four firms were identified as being Defenders, five as Analyzers, and five as Prospectors.

Table 2 indicates the participating firms by restaurant type. The restaurant type of the participating firm is determined by the restaurant type of the dominant concept segment. The Defender strategy category is comprised of three Full Service-Family restaurants and one

Cafeteria; the Analyzer strategy category consists of one Full Service-Upscale restaurant, three Full Service - Family restaurants, and one Fast Food chain; and the Prospector strategy category is represented by two Full Service-Family restaurants, two Fast Food restaurants, and one Cafeteria.

Table 3 indicates the percentage distributions of the restaurant types of the participating firms. Fifty-seven percent represents firms of the Full-service-Family restaurant type, 22% Fast Food restaurants, 14% Cafeteria, and 7% Full Service-Upscale.

#### **4.4.1.2 Size**

Table 4 illustrates the size of each participating firm. As noted in Chapter 3, each participating firm should have at least 50 units. As indicated in the table, the overall size of the firms in this study ranges from 50 to 321 units. Table 4 also lists the size of each participating firm's dominant concept segment. It was specified that the size of the dominant concept segment should at least be 50% of the total number of units the restaurant has. The table indicates that the size of the dominant concept segment of the firms in this study ranges from 51% to 100%.

#### **4.4.1.3 Respondents (CEO and Head of HRM)**

To enhance the reliability and validity of the measurements used, it was previously determined that the respondents should have at least five years of experience in either one of the following areas: tenureship with the firm or tenureship in the current position, the restaurant industry, or in the area of specialization. Table 5 illustrates the profile of each of the participating firm's HRM respondents on each of those terms and the executive the respondent reports to. Table 6 indicates the profile of the CEOs.

**Table 1. Firm's Strategy Type Identification by Respondents from the Firm and by Industry Experts**

Firm No.	CEO	Head O/M/F	Head HRM	Expert 1	Expert 2	Strategy Type
1	D	D	A	D	A	D
2	D	A	A	D	D	D
3	A	A	A	D	D	A
4	A	A	A	D	A	A
5	P	P	P	D	D	P
6	P	P	P	A	A	P
7	P	A	A	P	P	P
8	A	P	P	A	D	A
9	P	P	A	P	P	P
10	P	P	D	P	P	P
11	A	A	P	D	D	A
12	D	D	D	D	A	D
13	D	A	D	P	P	D
14	A	A	A	D	D	A

Note: A: Analyzer  
P: Prospector  
D: Defender

**Table 2. Cross-Tabulation of Restaurant Type by Business Strategy Type**

Restaurant Type	Defender	Analyzer	Prospector	Total
Full Service - Upscale	0	1	0	1
Full Service - Family	3	3	2	8
Fast Food	0	1	2	3
Cafeteria	1	0	1	2
<b>Total</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>14</b>

**Table 3. Percentage Distribution of Firms by Restaurant Types and Strategy Types**

Restaurant Type	Defender	Analyzer	Prospector	Total %
Full Service - Upscale	0	7	0	7
Full Service - Family	21	21	15	57
Fast Food	0	7	15	22
Cafeteria	7	0	7	14
<b>Total %</b>	<b>28</b>	<b>35</b>	<b>37</b>	<b>100</b>

#### **4.4.1.4 Financial Characteristics**

Table 7 lists each of the participating firms by its Return on Assets and Return on Investments. The firms are ranked according to those two financial performance ratios. The firms are categorized into three divisions based on the rankings. The top two firms are classified in the high category, the next seven firms are grouped in the medium performance category, while the last five firms are categorized in the low group.

Table 8 partitions the firms by their financial performance and by strategy types. The defender strategy firms are represented by one in the low category and three in the medium category. The analyzer strategy has two firms in the medium group and three firms in the low category. The prospector strategy is represented by two firms each in the high and medium groups, one in the low category.

#### **4.4.1.5 Restaurant Managers**

The focus in this study is on the HRM functional activities as they relate to restaurant managers. Table 9 provides the profile of each participating firm's restaurant manager by total number, numbers and percentages terminated and promoted and their average tenureship. As indicated, the average tenureship ranges from a low of one to ten years; the turnover rate ranges between 10% to 50%. The promotion rates range between 1% and 36%, with the average at 8%.

A cross-tabulation of restaurant types by average tenureship and turnover rate of restaurant managers, in Table 10, indicates that average tenureships range from 2.8 to 5.8 years, while the turnover rates range from 24.3% to 38.7%.

**Table 4. DISTRIBUTION OF PARTICIPATING FIRMS BY OVERALL SIZE AND BY SIZE OF THE DOMINANT CONCEPT SEGMENT**

Firm No.	Total Units	Dominant Concept Segment - Units	Dominant Concept Segment - Percent
1	115	101	88
2	119	119	100
3	55	53	96
4	50	50	100
5	215	215	100
6	141	141	100
7	85	50	59
8	163	163	100
9	115	115	100
10	305	156	51
11	62	62	100
12	57	57	100
13	321	242	75
14	105	105	100

**Table 5. PROFILE OF HRM RESPONDENTS**

Firm No.	Avg. Tenureship (Firm)	Tenureship (Position)	Yrs. of Experience (Industry)	Experience (Position)	Report To:
1	13	5	13	7	CEO
2	1	1	13	21	President
3	4	4	15	10	President
4	1	1	20	35	CEO
5	1	1	23	18	President
6	11	6	16	6	CEO
7	11	6	25	7	President
8	7	1	10	5	VP HRM
9	6	5	6	5	VP Amin.
10	1	1	19	9	Exe. VP
11	3	1	8	5	President
12	10	10	23	17	CEO
13	4	2	5	5	Exe. VP
14	5	5	15	15	Fin. Chf

**Table 6. PROFILE OF CHIEF EXECUTIVE OFFICERS (CEO)**

Firm No.	Average Tenureship (Yrs) (Firm)	(Position)
1	13	6
2	19	19
3	6	5
4	5	2
5	6	2
6	10	6
7	6	6
8	5	2
9	7	3
10	42	8
11	7	3
12	10	10
13	30	3
14	20	8

**Table 7. FINANCIAL CHARACTERISTICS OF PARTICIPATING FIRMS**

Firm No.	Return on Assets (%)	Return on Investments (%)	Ranking	Category
1	4	5	7	Medium
2	3	1	9	Low
3	- 12	- 28	13	Low
4	4	4	8	Medium
5	- 4	- 5	12	Low
6	18	18	2	High
7	6	10	6	Medium
8	4	5	7	Medium
9	19	22	1	High
10	10	14	3	Medium
11	1	- 3	10	Low
12	9	13	5	Medium
13	10	12	4	Medium
14	- 3	- 4	11	Low

**Table 8. Partitioning of Firms by Strategy Types and Financial Performance**

Financial Performance	Strategy Type		
	Defender	Analyzer	Prospector
High	0	0	2
Medium	3	2	2
Low	1	3	1

**Table 9. Profile of Restaurant Managers**

Firm No.	Total Units	Rest. Mgrs.	Termnt. Total	Promote Tlt.	%	Tenure Avg. Yrs.	Turnover Rate %
1	115	120	23	3	3	10	10
2	119	336	150	30	9	4	45
3	55	40	15	2	5	4	38
4	50	50	15	0	0	3	30
5	215	185	65	10	6	3	35
6	141	375	115	0	0	4	31
7	85	105	25	2	2	8	23
8	163	198	53	2	1	5	28
9	115	402	125	85	21	1	31
10	305	1400	420	500	36	3	36
11	62	60	26	3	5	2	43
12	57	57	10	7	12	8	18
13	321	352	69	12	4	3	20
14	105	135	67	10	7	5	50

**Table 10. Cross-Tabulation of Firms by Restaurant Types and by Restaurant Manager's Average Tenureship and Average Turnover rate %**

Restaurant Type	Firm No.	Tenure Yrs.	Average Tenure	Turnover Rate	Average Turn. %
Full Serv. - Upscale	8	5	5	28	28
	1	10		10	
	2	4		45	
	3	4		38	
Full Serv. - Family	4	3	4.5	30	30
	7	8		23	
	10	3		30	
	11	2		43	
	13	3		20	
Fast Food	5	3		35	
	9	1	2.8	31	39
	14	5		50	
Cafeteria	6	4		31	
	12	8	5.8	18	24

#### **4.4.2 HRM Issues Related To Restaurant Managers**

Table 11 lists the 11 HRM issues related to restaurant managers and the composite score on each of the issues. The composite score is derived by multiplying the number of checks noted by respondents by the degree of rated importance.

Table 12 ranks the issues by the composite scores. The issues that represent the major concerns are retention of restaurant managers, recruitment of restaurant managers, maintaining the restaurant managers' motivation and enthusiasm, and communication between restaurant managers and upper level management.

#### **4.4.3 Factors of Importance in Overall HRM Programs**

Table 13 lists the factors of concern in the overall HRM programs of the participating firms. The composite score is calculated for each factor by multiplying the number of checks received for that factor by the degree of importance rated by the respondents.

Table 14 ranks the factors according to the composite scores. The factors of major concern are retention of present employees, the firm's ability to attract people to work for the firm, and protecting the firm from employee lawsuits.

#### **4.4.4 Propositions Tested**

##### **4.4.4.1 Identification of Patterns in HRM Functional Activities**

The following tables, Tables 15, 16, and 17, are aimed at putting together the information required for testing Proposition 1. Proposition 1 contended that there are similar patterns in HRM functional activities in the restaurant firms. Table 15, specifically, provides a tabulation

**Table 11. HRM Issues Related to Restaurant Managers-Composite Scores**

Issues Related to Restaurant Managers	Degree of Importance					Composite Score
	1	2	3	4	5	
Recruitment of R.M	0	1	4	5	4	54
Maintaining motivation	0	0	4	8	2	54
Management ability	0	0	5	9	0	51
Advancement opportunity	0	3	5	6	0	45
Health & Ins. benefits	0	5	5	3	1	42
Retention of R.M	0	0	4	3	7	59
Working conditions	0	2	4	5	3	51
Work hrs/schedule	0	2	4	8	0	48
Basic pay level	0	0	8	5	1	49
Feeling part of firm	0	1	4	6	3	53
Communication	0	0	5	6	3	54

**Table 12. Ranking of HRM Issues Related to Restaurant Managers**

Ranking	Issues Related to Restaurant Managers
1	Retention of Restaurant Managers
2	Recruitment of Restaurant Managers Maintaining motivation/enthusiasm Communication - both ways
3	Feeling of being part of the company
4	Management ability Working conditions
5	Basic pay level
6	Working hours/Work schedule
7	Opportunity for advancement
8	Health and Insurance benefits

Table 13. Factors of Concern in Overall HRM Programs

Factors in HRM Program	Degree of Imp.					Comp. Score
	1	2	3	4	5	
Ability to attract people	0	0	4	4	6	58
Minimizing labor costs	0	1	1	11	1	54
Anticipating labor requirements	0	2	4	6	2	50
Having objective data	0	1	7	6	0	47
Protection from emp. lawsuits	0	1	2	8	3	55
Retention of present employees	0	0	2	6	6	60
Linking eva. to obj. criteria	0	0	6	8	0	50
Establishing career ladders	0	5	5	3	1	42
Monitoring external factors	0	3	8	2	1	43
Having open communications	0	0	9	3	2	49
Complying with union contracts	-----NA-----					
Empl. feedback in appraisals	0	6	5	3	0	39
Empl. conformity to policy	0	1	7	5	1	48
Keeping abreast of HRM pract.	0	1	8	5	0	46
Maintaining positive image	0	4	1	5	4	51
Competitive compensation progm	0	0	5	6	3	54
Developing management skills	0	1	3	7	3	54

Table 14. Ranking of Factors in HRM Programs

Ranking	Factors in HRM programs
1	Retention of present employees
2	Ability to attract people to work for firm
3	Protecting the firm from employee lawsuits
4	Minimizing labor costs Compensation programs that are competitive Developing management skills
5	Maintaining a positive image in the community
6	Anticipating the firm's future labor req. Linking emp. evaluation to objective criteria
7	Having open communications with employees
8	Employees' conformity to established policy
9	Having obj. data to make empl. decisions
10	Keeping abreast of competitors' HRM practices
11	Monitoring ext. factors affecting labor avail.
12	Establishing career ladders
13	Empl. feedback considered in appraisal dec.

of the individual HRM functional activities by their modes and by the mode frequency percentage.

The mode for each item in each of the HRM functional areas is the response that has the most checks (by respondents). For example, the respondent for Firm No. 1 checked response number 3 in four of the six items in the area of Human Resource Planning; therefore, 3 is considered the mode. The mode frequency percentage is derived by dividing the mode count in each area by the number of items in that HRM functional area. For example, in the instance cited above, the mode frequency percentage will be  $4/6$  or 67%. The purpose is to identify the pattern norm of HRM functional activities.

The determination as to whether a pattern norm exists within a particular functional activity is by the two following decision rules:

1. Greater than 50% of firms exhibit the same mode, and
2. Mode frequency percentage in each of the firms is equal to or greater than 40%.

By these rules, it was determined that for the Human Resource Planning activity, the norm is 3 since 86% of the firms exhibit that mode and 92% of those firms have the mode frequency of at least 40%. The Staffing function has a mode of 3 with 57% of the firms exhibiting that mode and 100% of those firms having the mode frequency of at least 40%. The Compensation function also has a mode of 3, but only 43% of the firms have that mode. Therefore, the mode cannot be accepted as the norm. The Appraisal function has the mode of 3 with 57% of the firms exhibiting that mode and all 100% of the firms having a mode frequency percentage of at least 40%. The Training and Development function has two modes, 2 and 3. Fifty percent of the firms exhibit mode 2 and fifty percent exhibit mode 3. Of the 50% of the firms that exhibit mode 2, 86% have at least 40% as mode frequency percentage. Of the 50% of the firms that exhibit mode 3, all the firms have 40% or higher mode frequency percentage.

Therefore, the pattern norm for each of the HRM functional areas is as follows:

HRM Functions	Norm
Human Resource Planning	3
Staffing	3
Compensation	No
Appraisal	3
Training and Development	2,3

Table 16 illustrates the number of fits/misfits of each HRM functional activity to the pattern norm that each firm has. Since it was determined that there was no norm for the Compensation function, the most number of fits possible for each firm is 4. The last column of the table indicates the number of fits/misfits for each firm. This ranges between 1 to 4. The last row of the table indicates the number of fits that each HRM functional area has. The Human Resource Planning area has the most number of fits, with 12 out of the 14 firms fitting the norm. The Staffing and Appraisal functions each have 8 fits, while the Training and Development function has 6.5 fitting mode 3, and 6.5 fitting the norm of 2.

Table 17 provides a ranking of the firms by the number of fits. Four firms were classified into the High Fit category since they each have 4 HRM functional areas fitting the norm. Six firms have 3 fits and were, therefore, grouped into the Medium Fit category. The balanced 4 firms which have 2 or less fits were classified as the Low Fit group. The table also lists the HRM functional areas for each firm that fit the norm.

**Results Interpretation:** Proposition 1 is supported in 4 of the 5 HRM functional areas. Those four HRM functional activity areas that exhibit consistent patterns or the norm patterns are Human Resource Planning, Staffing, Appraisals, and Training and Development. The one area that does not exhibit a consistent pattern is Compensation. The following represents a brief description of each of the HRM functional activities that exhibits a pattern.

In the Human Resource Planning practices, the restaurant firms have some activities which are formal and some which are informal; the emphasis is on meeting both the current and long-term human resource requirements; job and skill requirements are described both in general and in specific terms; on job duties that can be flexible at times; on job

responsibilities that may include some opportunities to learn new skills; and on the unit managers having some input in the determination of human resource requirements.

In the Staffing practices, the restaurant firms use of both internal and external sources of recruitment; promotional opportunities are offered semi-regularly with some promotional criteria remaining unchanged while some are regularly changed to adapt to changes in the labor supply.

The Performance Appraisal practices are a mixture of a loosely defined program and some that are integrated with other HRM functional activities; both qualitative and quantitative criteria are used for evaluation. The purposes can be determining rewards, deficiencies, and establishing career paths. The process includes the self-determination and supervisory evaluation; they stress both the contribution of managers to short-term efficiency and long-term goals of firms, and they use both the group and the individual as the unit of assessment.

The Training and Development practices are designed to build skills for current and intermediate job requirements. They are geared towards developing specific job skills but have programs that allow the development of broader skills; they often reflect the productivity needs of the firm with a few programs aimed at improving the quality of work life. They focus on responding more to current human resource needs of the firm and especially on overcoming the manager's current skill deficiencies; the development programs are often opened only to those managers who show potential for improvement, and the formulation of programs are often by top management.

#### **4.4.4.2 HRM Functional Activities and Financial Performance**

The following two tables, Tables 18 and 19, test Proposition 2. As stated before, this proposition contends that if the firm has more of its HRM functional activities that are

**Table 15. Tabulation of Firms by Mode Type and Mode Frequency Percentage**

Firm No.	HRP		Staffing		Compen.		Appraisal		T & Dev.	
	Mode	%	Mode	%	Mode	%	Mode	%	Mode	%
1	3	67	4	40	4	43	2	71	3	86
2	3	50	4	60	4	57	2	43	2,3	43
3	3	67	2	60	1	43	3	43	2	57
4	3	50	3	40	4	43	3	57	2	43
5	3	50	3	80	3	43	2	57	2	57
6	3	50	3	40	1,2	29	3	43	3	86
7	2,3	50	2,3	40	3	57	2,3	43	5	71
8	4	50	2	40	2,3	29	4	57	3	86
9	2,3,4	33	2	60	2,3,4	28	3	57	2	57
10	3	50	5	60	5	43	4	57	1,2,4	29
11	3	83	2,3	40	4	57	4	43	3	71
12	3	100	3	80	3	86	3	100	3	100
13	2	50	3	60	1	43	3	43	2	43
14	3	50	3	40	3,5	43	3	43	3	71

**Table 16. Tabulation of Firms by Number of Fits of HRM Functional Activities to Norms**

Firm No.	HRP Norm: 3	Staff. 3	Comp. -	Apprai. 3	T & Dev. 2 3	No. Fit
1	+	-		-	+	2
2	+	-		-	+ *	2
3	+	-		+	+	3
4	+	+		+	+	4
5	+	+		-	+	3
6	+	+		+	+	4
7	+	+		+	-	3
8	-	-		-	+	1
9	+	-		+	+	3
10	+	-		-	+	2
11	+	+		-	+	3
12	+	+		+	+	4
13	-	+		+	+	3
14	+	+		+	+	4
<b>No. Fit</b>	<b>12</b>	<b>8</b>		<b>8</b>	<b>6.5, 6.5</b>	

Note:

- (+) Fit
- (-) Misfit
- \* Half a point for each mode.

**Table 17. Ranking of Firms by Number of Fits in HRM Functional Activities to Norms**

Firm No.	Rank No.	Fit Category	HRM functional activities that fit norms
4	1	High	HRP, Staffing, Appraisal, T&D
6	1	High	HRP, Staffing, Appraisal, T&D
12	1	High	HRP, Staffing, Appraisal, T&D
14	1	High	HRP, Staffing, Appraisal, T&D
3	2	Medium	HRP, Appraisal, T&D
5	2	Medium	HRP, Staffing, T&D
7	2	Medium	HRP, Staffing, Appraisal
9	2	Medium	HRP, Appraisal, T&D
11	2	Medium	HRP, Staffing, T&D
13	2	Medium	Staffing, Appraisal, T&D
1	3	Low	HRP, T&D
2	3	Low	HRP, T&D
10	3	Low	HRP, T&D
8	4	Low	T&D

consistent with the norms, then it will perform better than those firms that have a fewer number of fits.

Table 18 ranks the firms by their number of fits category and by their corresponding financial performance category (see Table 7). Table 19 partitions the firms by their number of fits and by their financial performance categories. Of the four firms classified in the High Fit category, only one firm was classified into the High financial performance category - or a 25% support of the proposition. In the Medium Fit group, two of the six firms are classified in the Medium financial performance group, representing a 33% support of the proposition. For the Low Fit category, one out of four of the firms in that category falls in the Low financial performance category, therefore representing a 25% support of the proposition. Overall, there was only a 27.7% support of the proposition.

**Results Interpretation:** In the participating restaurant firms, there appears to be a partial support for Proposition 2. Although in four of the five HRM functional areas there exist consistent patterns, but the existence of pattern is related to better performance in only about 27.7% or slightly over one-fourth of the firms.

#### **4.4.4.3 HRM Functional Activities Alignment with Business Strategy**

Proposition 3 states that the firms' HRM functional activities are aligned in some consistent pattern based on their business strategies. Tables 20 and 21 are for the purpose of testing that proposition. The extent of alignment between the HRM functional activities and the business strategy is determined by the following:

1. Mean score in each HRM functional area, and
2. Mean composite score for all the HRM functional areas.

The mean score in each of the HRM functional activities areas is used to determine the central tendency of the respondent's scores in each of those areas. The mean composite

**Table 18. Tabulation of Firms by Number of Fits and by Financial Performance Categories**

Firm No.	Fit Category	Fin. Perf. Category
4	High	Medium
6	High	High
12	High	Medium
14	High	Low
3	Medium	Low
5	Medium	Low
7	Medium	Medium
9	Medium	High
11	Medium	Low
13	Medium	Medium
1	Low	Medium
2	Low	Low
10	Low	Medium
8	Low	Medium

**Table 19. Partitioning of Firms by Fit and Financial Performance Categories**

Fit Category	Financial Performance Category			% Support Proposition
	HIGH	MEDIUM	LOW	
HIGH	1	2	1	25%
MEDIUM	1	2	3	33%
LOW	0	3	1	25%

score is the central tendency of the respondent's scores for all the HRM functional activities areas combined.

Table 20 illustrates the mean score in each HRM functional area and the mean composite score for all the areas combined. The mean scores are derived by the summation of the scores in each HRM functional activity and by dividing the total by the number of items in that HRM functional area. For example, in the HRP functional area there are six measuring items. The respondent from Firm No. 1 checked the items, and the total score for the six items was 15. That total was then divided by the number of items, and the result is the mean score, which is 2.5. The mean composite score is derived by adding all the mean scores in the HRM functional areas and dividing the sum by 5 (the number of HRM functional areas).

The determination of High, Medium, or Low alignment between the HRM functional activities and the business strategy is by the two following decision rules:

1. The mean composite score must fall within the range set for that business strategy type.

Defender Strategy: 1.00 - 2.33

Analyzer Strategy: 2.34 - 3.66

Prospector Strategy: 3.67 - 5.00

These point ranges are derived by dividing the five- point measuring scale into three parts. As illustrated in Chapter 3 in the section under the subpropositions of Proposition 3, the Defender strategy is fostered and facilitated to the extent that the HRM functional activities are as specified under number 1 on the measuring scale, therefore the Defender strategy firm's specified range is from 1 to 2.33. The Analyzer strategy, on the other hand, is fostered and facilitated to the extent that the HRM activities are as specified under number 3 on the scale. Therefore, the range for the Analyzer strategy is from 2.34 to 3.66. The Prospector strategy is under number 5 on the scale, therefore the range assigned is from 3.67 to 5.00.

2. The number of fits/alignments of HRM functional activity must at least be two. The High, Medium, or Low fit is determined by ranking the number of fits a firm has and comparing it with other firms with the same strategy type.

Table 21 tabulates the firms by their strategy types and by the number of fits. The results revealed that the HRM functional activities are strongly aligned with the business strategy for the firms with the Analyzer strategy. No support was found for the Defender and the Prospector strategies.

**Results Interpretation:** Proposition 3 is supported in the case of the Analyzer strategy. Restaurant firms that have the Analyzer strategy have HRM functional activities that support their firm's strategy. The restaurant firms with either the Defender or the Prospector strategies do not have HRM functional activities that support their strategies.

As stated in the subpropositions of Proposition 3 in the previous chapter, the Analyzer strategy is fostered and facilitated by HRM functional activities that have a combination, a balance, or a mixture of both the Defender's and the Prospector's strategies. Briefly, the following are the HRM functional activities emphases of the restaurant firms with the Analyzer strategy.

The Human Resource Planning activities of the restaurant firms with the Analyzer strategy are fostered and facilitated to the extent that the activities focus on a balance between formal and informal procedures; with activities that are designed to meet both current and long-term needs; with job descriptions that can be a mixture of implicit and explicit; with job duties and job responsibilities that can be flexible when required; and with the restaurant managers and top management jointly involved in the determination of human resource requirements.

The Analyzer strategy restaurant firms are fostered and facilitated by the Staffing activities that focused on both the internal development and growth of restaurant managers as well as the external acquisition when necessary: promotions are often offered with criteria that can be implicit or broad based; the requirement for strict adherence to operating procedures when available; and a promotional policy that can be opened or closed depending on the circumstances.

The Compensation practice for an Analyzer strategy restaurant firm is fostered and facilitated by the pay level that is determined by a routine adjustment as well as the provision of incentive plan; the pay that is both internally and externally competitive; the fringe benefits that have both a fixed and a flexible portion; the restaurant managers involved in the determination of some of the package; both the short-term and the long-term impacts of the practice are considered; and employment security somewhat guaranteed.

The restaurant firms with the Analyzer strategy are facilitated and fostered to the extent that their Appraisal activities are both formal and informal: qualitative as well as quantitative criteria are used; the emphasis is on both short-term efficiency and the firms' long-term goals; the purposes of the programs are for evaluation and development of restaurant managers; evaluation is on an individual basis and on the performance of the restaurant; and the restaurant managers are involved in the determination of the programs.

The Analyzer strategy restaurant firms are fostered and facilitated by the Training and Development programs designed around current and future skills required; geared towards both specific and broad skills; reflecting the firm's concern for quality of work life as well as current productivity needs; focusing on current problems and also future opportunities; available, in some instances, only to those managers who show potential; and restaurant managers with top management are jointly involved in the formulation of programs.

A further analysis of the data in Table 21 indicates that the mean composite scores for all the 14 firms fall within the range set for the Analyzer strategy and that the majority of the mean score in each of the HRM functional activity areas falls within that of the Analyzer strategy range.

**Table 20. Tabulation of Firms by Strategy Type and By HRM Functional Activities Mean Scores**

Firm No.	HRP	Staff.	Comp.	Apprai.	T&D	Mean Comp. Score
1	2.50	2.80	3.00	2.57	2.71	2.72
2	2.67	3.60	3.14	2.43	2.71	2.91
3	3.33	2.60	2.29	2.71	2.57	2.70
4	3.17	2.60	3.00	2.57	2.57	2.78
5	2.33	2.80	2.57	2.43	2.14	2.45
6	3.17	3.40	2.71	3.14	2.86	3.06
7	2.50	2.80	2.57	2.71	3.14	2.74
8	3.17	3.20	2.86	3.29	2.86	3.08
9	3.00	2.80	2.70	3.43	2.57	2.90
10	3.17	4.20	4.00	3.29	2.71	3.47
11	2.83	2.80	3.43	3.14	3.00	3.04
12	3.00	2.80	3.29	3.00	3.00	3.02
13	2.33	2.60	2.71	2.57	2.86	2.61
14	3.33	2.80	4.00	3.29	2.71	3.23

**Table 21. Tabulation of Firms by HRM Functional Activities Number of Fits and by Strategy Types**

Firm No.	HRP	Staff.	Comp.	Apprai.	T&D	Com. Score	No. Fit
DEFENDER STRATEGY							
1	-	-	-	-	-	2.72	0
2	-	-	-	-	-	2.91	0
12	-	-	-	-	-	3.02	0
13	+	-	-	-	-	2.61	1
ANALYZER STRATEGY							
3	+	+	-	+	+	2.70	4
4	+	+	+	+	+	2.78	5
8	+	+	+	+	+	3.08	5
11	+	+	+	+	+	3.04	5
14	+	+	-	+	+	3.23	4
PROSPECTOR STRATEGY							
5	-	-	-	-	-	2.45	0
6	-	-	-	-	-	3.06	0
7	-	-	-	-	-	2.74	0
9	-	-	-	-	-	2.90	0
10	-	+	+	-	-	3.47	2

Note:

(+) Fit  
 (-) Misfit

#### **4.4.4.4 Relationship Between Extent of HRM-Strategy Alignment and Financial Performance**

Proposition 4 states that if the firm's HRM functional activities are better aligned with its business strategy, then it will perform better than those firms that have a lesser extent of alignment.

Table 22 illustrates the relationships among HRM functional activities, strategy types, and financial performance. Table 23 partitions the firms by their extent of alignments and their corresponding financial performance categories. It also indicates the extent of support of the proposition. A low support, 22%, was found in the case of the Low Alignment and Low Financial Performance category. No support was found in the other categories.

**Results Interpretation:** Proposition 4 was minimally supported; therefore, it was concluded that the restaurant firms with an aligned HRM-Business Strategy do not necessarily perform better than those firms that do not exhibit such alignment. Of the 5 Analyzer strategy restaurant firms that have their HRM functional activities aligned with their strategy type, none was found to have a matching performance category.

### **4.5 SUMMARY**

This chapter has presented the data of the study in both the qualitative and quantitative forms. In the qualitative form, each participating firm was described in terms of its profile: size of the overall firm and their dominant concept segment size, the restaurant type of their dominant concept segment, their strategy types as reported by the respondents, and their financial performance ratios. The firms are also described in terms of their HRM functional

**Table 22. Tabulation of Firm by Extent of HRM-Strategy Alignment and by Financial Performance**

Firm No.	HRM Functional Act.			Financial Performance		
	HIGH	MEDIUM	LOW	HIGH	MEDIUM	LOW
-----						
DEFENDER STRATEGY						
1			/		/	
2			/			/
12			/		/	
13			/		/	
-----						
ANALYZER STRATEGY						
3		/				/
4	/				/	
8	/				/	
11	/					/
14		/				/
-----						
PROSPECTOR STRATEGY						
5			/			/
6			/	/		
7			/		/	
9			/	/		
10			/		/	
-----						

**Table 23. Partitioning of Firms by Extent of HRM-Strategy Alignment and by Financial Performance**

HRM - Strategy Alignment category	Financial Performance			% Support Proposition
	HIGH	MEDIUM	LOW	
HIGH	0	2	1	0%
MEDIUM	0	0	2	0%
LOW	2	5	2	22%

activities. A summary of the qualitative findings is presented following the description of each participating firms.

The quantitative results are presented in the form of tables so as to provide a basis among and within firms for comparison and the means for testing the propositions of this study.

## **CHAPTER V**

### **DISCUSSION**

#### **5.1 INTRODUCTION**

This chapter discusses the interpretation of the results and how they relate to the research questions and the conceptual and empirical literature that have been reviewed. The discussions of the quantitative results will include the substantiation of the propositions. A brief note on the limitations of the study in terms of its methodology and on the theoretical and conceptual aspects will be included. Appropriate conclusions will be drawn from the findings from both the quantitative and qualitative results, to generate insights into the HRM functional activities, to identify future research issues, and, when possible, to develop future research hypotheses.

#### **5.2 DISCUSSION**

The discussion section begins by reiterating the research questions, the level of substantiation for each of the propositions and the review of literature that supports and contradicts the results of this study. This will be followed by a discussion of the qualitative

results where the quantitative results will be drawn and combined with the qualitative results to provide comprehensive overall conclusions.

## **5.2.1 Quantitative Results Discussed and Proposition Substantiation**

### **5.2.1.1 Proposition 1**

The first research question that was addressed was as follows:

*Are there similarities in the HRM functional activities within and across multi-unit restaurant firms?*

Results indicated that there are similarities or consistent patterns in four of the five HRM functional areas for across- firms comparison. In those four areas with similar patterns, the mode represents the middle of the continuum scale. It was concluded that restaurant firms in this study do exhibit their preference for a mixture of emphasis in the HRM functional activities.

The empirical research that has been done to investigate the existence of patterns across firms has produced mixed results. Studies by Miles and Snow (1984), Wils (1984) and Schuler, Galante and Jackson (1987) have indicated the existence of similarities. Schuler et al., for example, indicated that there are similarities in some firms in terms of their preference for a balance of emphasis between a short- and a long-term focus, a balance of concern for quantitative and qualitative results, a mixture of explicit and implicit job criteria, and recruitment sources that are both internal and external. Studies by La Belle (1983) and Ackerman (1984), however, have revealed the non-existence of patterns in the HRM functions. Therefore, the results derived from this study, although it indicated a strong support for the existence of pattern, must be taken within the context of the study's methodological limitations. An explanation for those mixed results may be related to differences in the type of samples or cases used, differences in the concepts' definitions and operationalizations, and differences in the measuring instruments used. As such, further qualitative and quantitative

research replicating previous studies needs to be done in order to derive conclusive results. The following represents an observation as to why patterns exist in the four functions (Human Resource Planning, Staffing, Appraisal, and Training and Development) and why no pattern was found in the Compensation function.

It was expected that if there are consistent patterns in a majority of the HRM functional areas within a firm and if there is a similarity of mode in the patterns, the Human Resource Planning (HRP) function will exhibit a consistent pattern. This is due to the integrating properties of the HRP function (Milkovich, Dyer, and Mahoney, 1983). HRP provides integration of human resource decisions among specific human resource programs such as staffing, compensation, and training. Rynes and Milkovich (1986) also noted that economic conditions have a profound effect on HRP practices. The need to minimize labor costs and to improve productivity have resulted in the corresponding need to become more systematic about human resource decisions. Therefore, the significant number of similarities in the HRP functional activities, due to its direct link with the other HRM functions, would lead to expect that the other functions will exhibit similar patterns. However, there was no pattern revealed in the Compensation function. There may be a wide variation in the Compensation activities' emphasis because the emphasis depends greatly on the cost structure of each firm and its geographical location.

#### **5.2.1.2 Proposition 2**

The second research question addressed was as follows:

*Do restaurant firms with similarities in their HRM functional activities perform better than firms that do not have similarities?*

There was partial support for the contention that firms with more consistent patterns will perform better than firms with less consistent patterns. Studies by Gitzendanner, Misa, and Stein (1983) indicated that high performance firms have similar characteristics in their HRM. Studies by Nininger (1982) showed that HRM practices have an impact on the firm's

performance. The differences in the level of support for the proposition may be attributed to the factors as discussed in the following sections.

An important issue concerns the role of financial performance as an indicator of the extent of similarities. Financial performance can be considered the cause or the result of having consistent patterns. Financial performance is affected by the size of the firm, and the size determines, to a large extent, the need and the ability of the firm to have the resources to support an HRM division (to coordinate the HRM functions). Therefore, financial performance in this case should be considered the independent variable. This means that a firm with more financial resources will be in a better position to have a more organized HRM division. A more organized HRM division should produce a greater uniformity in its functional activities. Financial performance, on the other hand, in a vast majority of empirical research, has been considered a dependent variable and a measure of effectiveness. But, the lack of consensus on the measurement of the concept may have attributed to the mixed results (Child, 1977; Cameron, 1978; and Ford and Schellenberg, 1982).

The method of classifying firms into the three groups (high, medium and low) based on the financial performance of only the participating firms may have contributed to the partial support for the proposition. It may have been that all or the majority of the participating firms' financial performance fall within the same category if more cases are used. A wide variation in the financial performance level among the three categories may be required in order to find significant differences. In this study, the highest financial ratio was 22 percent and the lowest was -28 percent. A quantitative study might have indicated that 22 percent might fall in either the Medium or even the Low category.

Another possible explanation for the lack of support may be attributable to the fact that the mere existence of similarities may not be associated directly with financial performance. There might be too many mediating or intervening variables in the association between the two concepts that need to be accounted for.

### **5.2.1.3 Proposition 3**

The third research question addressed was the following:

*Is business strategy being used as the basis for formulating HRM functional activities in the restaurant firms?*

Results indicated strong support for the case of only the Analyzer strategy. Restaurant firms with an Analyzer strategy do have their HRM functional activities aligned with their business strategy. Restaurant firms with either the Defender or the Prospector strategy do not have their HRM functional activities match their business strategy.

The Defender strategy firm was expected to exhibit a preference for a formal and systematic procedure, to focus on current and short-term problems and goals, with explicit promotional and evaluation criteria, and an emphasis on the internal equity in staffing and compensation, a strict adherence to standard operating procedures, and all decisions on training, compensation, staffing, and appraisal made solely by top management. The Prospector strategy firm was expected to indicate a preference for an informal structure with independently developed programs, to focus on policies' impact on long-term goals. Promotional criteria are general, with choices in compensation package, and the managers are responsible for designing programs and activities. The Analyzer strategy firm, on the other hand, is expected to indicate its preference for a mixture or balance of emphasis in their HRM functional activities as indicated in Chapter 4. A few observations regarding this findings are presented in the following sections.

First, of particular interest to this study is the finding that all the participating firms, regardless of their strategy type, exhibit HRM functional activities which are aligned with that of the analyzer strategy. With further research using quantitative statistical methods, this in fact might be the case. A possible explanation of this fact is that HRM functions traditionally have been technically oriented (as suggested by Miles and Snow, 1984) and that human resource specialists are added as they are needed. Therefore, the restaurant firms' HRM executives might have based their HRM functional activities preference on the "common body

of knowledge" that they have been exposed to. These preferences may not be related to business strategy. Studies by Murray and Dimick (1978), however, have noted that HRM policies vary across firms, and they added that the basis used for certain policies remains unclear. This study, however, found clear patterns, but apparently, business strategy may not have been the basis for the HRM functional activities emphasis.

A possible explanation for the lack of relationship between the strategy type and HRM functional activities may have to do with the HRM executives' lack of expertise on how to affect the linkage. As noted by Gosselin (1986), the notion of strategy is relatively new to the domain of HRM, and the construct and methods of affecting the linkage remain unexplored. A majority of studies that focus on the linkage issue have mainly focused on the linkage between the HRP function and strategy.

Another possible reason might be the inappropriateness of operationalizing the strategy concept. The Miles and Snow's strategy typology has validity for the manufacturing and the service industries alike. However, questions have been posed as to the appropriateness of using that typology for the service industry, as in the case of the firms used in this study. The use of a strategy typology which is more appropriate for the service industry might indicate the existence of a stronger relationship between strategy types and HRM functional activities.

In this study, HRM functional activities have been operationalized as a process while strategy has been measured on the basis of a typology. Perhaps a more positive result may be revealed if both the operationalization and conceptualization of the two concepts matched. That means, either strategy is defined as a process, for example, as a measure of the firm's ability to implement its strategy (Venkatraman, 1984) or HRM is considered in strategic terms such as defined and elaborated upon by Fombrun (1983).

#### **5.2.1.4 Proposition 4**

The fourth research question that was addressed in this study was as follows:

*What is the resulting impact of the relationship between business level strategy and human resource management functions on the firm's overall financial performance?*

Results indicated a minimal support for the proposition, and it was concluded that restaurant firms with an aligned HRM- Business Strategy do not necessarily perform better than those firms that do not exhibit such alignment. An issue that needs to be addressed has to do with the complex network of interdependence between business strategy and HRM functional activities. As illustrated by Lengnick-Hall and Lengnick-Hall (1988), the HRM strategy is affected by variables such as the labor market, the firm's culture, and the general economic conditions besides the firm's business strategy. Business strategies, likewise, have other important factors to consider besides human resources. These include the firm's product and market scope and its industry structure. Therefore, those intervening variables need to be accounted for in considering the impact of their relationship on the firm's performance. Studies on the impact of HRM functional activities on the bottom-line will continue to produce minimal support if mediating variables are not accounted for.

#### **5.2.2 Qualitative Results Discussed**

The qualitative data derived should provide additional support for the quantitative results. The data are used to further explain, substantiate and give an understanding of the relationships among the three concepts. This is important in an exploratory study since those processes enhance internal validity. One of the major purposes of the study was to explore the HRM functional activities in the multi-unit restaurant firms. It is to this end that this section will be directed.

As has been stated in Chapter 1, research problems arise from the need to manage the human resources of restaurant firms more effectively. The lack of effectiveness may have

been attributed to the industry's current acute labor shortage and the corresponding high turnover rates. As evident from this study, the restaurant managers' turnover rates approximate 31 percent. The industry has reported the rates to be much higher. An industry-wide survey will need to be done to determine the actual turnover rates and the differences in the rates based on restaurant types.

The HRM executives in this study noted that the two top HRM issues related to restaurant managers that represent their major concerns are the retention and the recruitment of restaurant managers. These are administrative issues that require a major portion of the HRM executives' time to deal with. Selection and recruitment activities are closely related to the other HRM functional activity areas. As stated by Rynes and Milkovich (1986), the selection function is closely intertwined with the activity that preceded it (Human Resource Planning) and the activity that follows (Training and Development); the recruitment function is impacted by the compensation function. This implies that the turnover problem has a direct impact on virtually all the HRM functional activities.

Among the major causes of turnover among restaurant managers is their dissatisfaction with working hours and the work schedules. These two factors have also been cited by the National Restaurant Association (March 1989) as the major causes of job discontent among restaurant managers. The NRA classifies these causes under the "Quality-of-life" issues. It stated that in the 1960s these were not an issue since 80 percent to 90 percent of restaurant managers were single; however, currently 80 percent to 90 percent of them have a family. Therefore, nonwork activities require more of their time. Other causes of job discontent that were cited were similar to the findings of this study. They are inadequate compensation and benefits, poor advancement opportunity, and poor communication.

The methods of minimizing turnover include the implementation of a more aggressive recruitment procedure, the provision of a competitive compensation package, and the institution of more indepth training programs. Such training programs focus on the development of interpersonal and communication skills, administrative ability, and motivation. The turnover problem also requires the HRM executives to be alert to the changes

in labor regulations and employee/workplace relationships. This preoccupation in dealing with turnover forces executives to be involved in the technical and administrative aspects of their job, leaving limited time (if any) to deal with strategic issues (such as segments of labor market to target future recruitment activities).

Minimizing labor costs represents another factor of concern in the overall HRM programs. Davis (1987) cited that the cost of recruitment for a managerial job equals one-third of the new manager's first year salary, training costs equal one-tenth, while the learning curve can approximate one-half year's salary. Therefore, taking \$24,000 as the average restaurant manager's salary (as reported in the Survey of Wages conducted by the Nation's Restaurant News), the replacement cost per restaurant manager will approximate \$22,400. Assuming the turnover rate to be 30 percent, the replacement cost for a firm with 150 restaurant managers will be \$1,008,000 per year. On an industry basis, the cost will be enormous.

The success of business strategy implementation in multi-unit restaurant firms depends substantially on the restaurant manager. The high turnover will affect the effective implementation of business strategy due to the lack of continuity, lack of commitment, lack of knowledge on the firm, and the lack of technical skills. Brockner (1988) also noted that a high turnover will also have a negative impact on the employees who stayed. So, although the HRM functional activities are aligned with business strategy, the regular change in restaurant managers will affect the effective implementation of the business strategy. This should be reflected in the drop in the financial performance of the operating units, which would then be reflected in the overall rates of return on assets and investments.

The HRM division's focus seems to be at a cross-road, between being technically oriented (as the current situation demands) and being proactively involved in the overall strategic planning process of the firms. HRM divisions are beginning to gain credibility and recognition with top-level executives. This is contributed by the top executives' realization of the impact that HRM function can have on the effectiveness of business strategy

implementation; ironically, the top executives' realization has mainly been brought about by the acute labor shortage problem.

### **5.3 LIMITATIONS OF THE STUDY**

The limitations that need to be addressed are the inadequacies in the cases studied, the response bias, and the subjectivity of researcher.

The selection of firms was based on the strategy types, the size of the firms, and the size of their dominant concept segment. The firm's financial performance should also be included as a selection criteria so as to derive sufficiently extreme cases. Since financial performance was used as an indicator of the extent of relationship, the study may have indicated a stronger support of the propositions if the criteria for selection of firms have included the firms' financial performance.

The design of the questionnaires may have contributed to the nature of responses derived. The 5-point scale in the HRM functional activities may provide an inclination for the respondents to checked the mid-point on the scale, thus contributing to the central tendency error.

The results derived from a case study approach in research depend on the quality of analysis. The quality of analysis depends on the data derived and the researcher's interpretation of the data. Consequently, there may have been conclusions drawn that may reflect the subjective judgment of the researcher.

## **5.4 IMPLICATIONS OF THE STUDY**

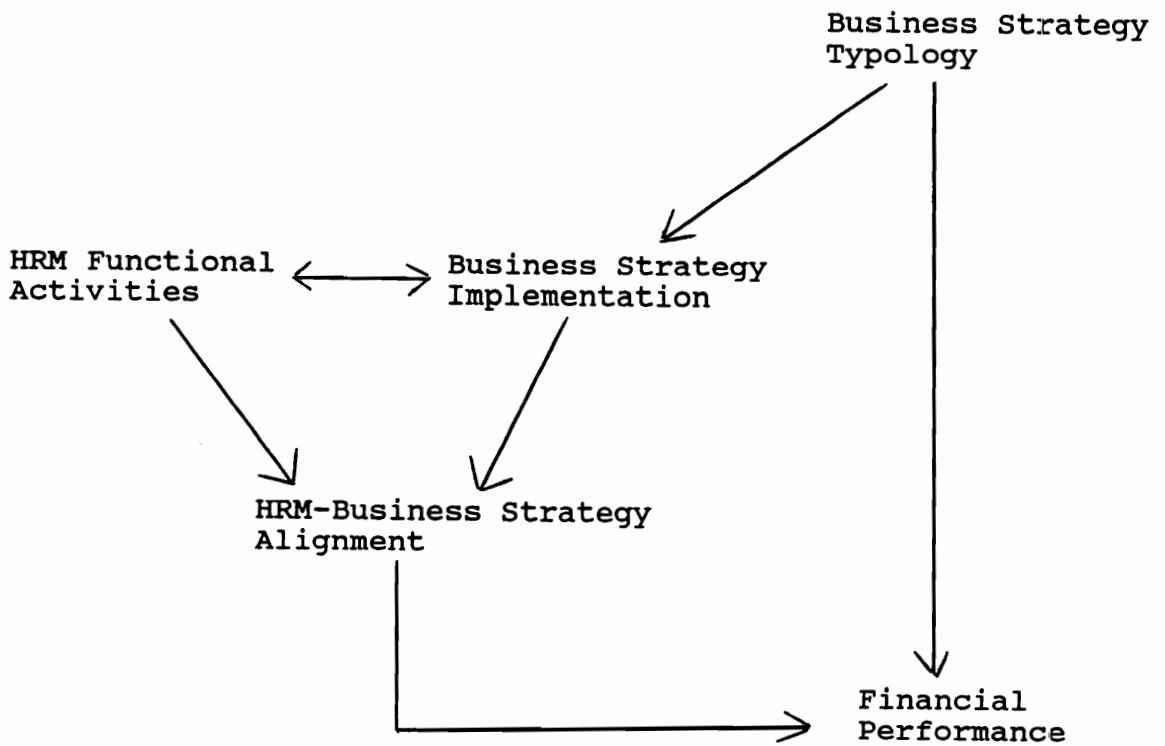
### **5.4.1 For Theory**

This study has explored the HRM functional activities, their relationships to business strategy and financial performance. It has presented similar and conflicting findings from previous research and has attempted to explain why the difference occurred. The findings are sufficiently interesting to warrant further investigation. This is a relatively new research area, and further research is needed for theory building.

A revised conceptual framework is presented in the following figure. The framework suggested has indicated the existence of an indirect link between HRM functional activities with the type of business strategy. Its link is provided through business strategy implementation. This has been the major emphasis of studies by Schuler (1987) and Schuler et al. (1987), suggesting that the linkage between strategy and HRM functions is through the identification of employees' characteristics. As has been indicated before, the characteristics of a particular strategy type encompass other properties which are not related to HRM functions. The business strategy implementation is interpreted in terms of the restaurant managers' characteristics required for the successful implementation of the business strategy. Based on this framework, future research may need to consider the impact of the relationship of HRM and business strategy on the financial performance, using firms that are considered successful in strategy implementation and those that have not been successful.

### **5.4.2 For Practice**

The findings of this study confirmed a number of beliefs and provided insights for the HRM executives and CEOs. It confirms the belief that HRM executives are functions-oriented.



**Figure 18. Revised Conceptual Framework of HRM-Business Strategy- Financial Performance**

Credibility of the division should be demonstrated by the ability to think strategically and to be proactively involved in the strategic planning of the firm. Eventhough the division is involved in the strategic planning team, its role on that team is mainly as the provider of information on the availability of people. Factors in HRM programs that implied and needed a long- term focus were ranked low in importance. Such factors include keeping abreast of competitor's HRM practices and monitoring of external factors affecting labor availability.

McLaughlin (1986) provided some useful insights into how the HRM executives can developed their strategic focus. Among the points he suggested were to acquire a greater financial orientation and analytical skills and to work with top management in reexamining traditional beliefs about hierarchy, power distribution, and the real sources of employee satisfaction. He also noted that leading firms' HRM executives place highest priority on developing databases and methodological tools for having them will permit them to participate actively in the strategic planning of the firm.

### **5.4.3 For Future Research**

The study raises several issues and implications for future research investigating the linkages among HRM, business strategy, and overall financial performance for restaurant firms.

The Miles and Snow's (1978) strategy typology, though it has been validated for the service industry, has raised questions regarding the appropriateness of its operationalization. Questions have been posed regarding the implications of the descriptions and the categorization of each strategy type. Regarding the typology's descriptions, it appears that the Defender and the Prospector strategies contain more negative implications than the Analyzer strategy. Therefore, this could lead to a tendency to claim the firm's strategy as an Analyzer. Future research in the service field will also need to consider the appropriateness

of the descriptions which, as it stands, emphasize the product/market characteristics of the manufacturing sector.

The Miles and Snow's strategy typology also assumes that each of the strategy types is separate and distinct from one another. There exist the possibility of a wider variation and overlapping in the three types. For example, it is possible to have a combination of the characteristics identified with the Defender and the Analyzer, or the Analyzer and the Prospector. Therefore, a more appropriate strategy typology may allow a continuous selection of possible combinations, with the selection ranging from the defender, the defender-analyzer, the analyzer, the analyzer- prospector, and the prospector.

An issue that will need to be addressed for future research is the use of the present decision rules that were set for testing the propositions of this study. These decision rules were based on judgement limited by a dearth of research in the area. Future research will need to consider the appropriateness of using similar decision rules in view of the findings of the present study.

This study partitioned the firms into three financial performance categories based on the variability of the financial data of the participating firms and on subjective judgment. Given the availability of and accessibility to industry average ratios, future research should categorized the firms by using the industry average ratios as the mean. The variability or range in the ratios of the sample firms should indicate the appropriate partitioning.

The study has raised several possible future research propositions and issues that should be investigated in an effort to build theory on the relationship among the three concepts. To this end a number of potential research propositions and research questions follow.

#### **5.4.3.1 Research Propositions**

1. Higher financial performance will occur in firms where there is similarity in strategy identification between the CEO and Head of HRM as compared to firms with a mismatched in strategy identification.

2. Alignment between HRM activities and business strategy is contingent on the agreement between the CEO and the Head of HRM firm strategy.
3. Firms demonstrating aligned HRM and business strategy will have a lower turnover rate when compared with those firms that do not exhibit such alignment.

#### **5.4.3.2 Future Research questions:**

1. Do restaurant firms' HRM executives assess the impact of their functional activities on the success of strategy implementation?
2. Is there a relationship between certain strategy types with turnover rates of restaurant managers?
3. Is there an association between performance effectiveness and strategy types?

### **5.5 OVERALL CONCLUSIONS**

This study was undertaken to explore the HRM functional activities, to investigate the relationship between HRM functional activities and business strategy, and to determine the impact of their relationship on the financial performance of multi-unit restaurant firms. A comprehensive review of literature revealed very few empirical research and theory on the topic.

As always in social science research where results are often mixed, the same is evident in this study. The propositions received varying levels of support. The relationships proposed in the theoretical framework were minimally confirmed. Although the unsupported findings are interesting, the overall results have to be considered tentative, pending confirmation by a more rigorous quantitative statistical method.

Additional research, both exploratory and quantitative, will be needed to build and strengthen the theory on the HRM and the relationship among HRM, business strategy, and

financial performance. However, this exploratory investigation has contributed to a deeper understanding of the role and issues of HRM divisions in the multi-unit restaurant firms.

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**Appendix A**  
**MAILED SURVEY QUESTIONNAIRE FOR CEO**



COLLEGE OF HUMAN RESOURCES

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

Blacksburg, Virginia 24061-0429

DEPARTMENT OF HOTEL, RESTAURANT & INSTITUTIONAL MANAGEMENT  
(703) 231-5515 - Facsimile - 703) 231-7826 - Telex 9103331861

December 8, 1989

John B. Lahourcade  
CEO, Luby's Cafeterias Inc.  
2211 Northeast Loop 410  
P.O. Box 33069  
San Antonio, TX 78265

Dear Sir,

The labor shortage problem, whether its managers or hourly employees, will require a variety of solutions - there is no quick fix. One possible solution to the management shortage problem suggests that there must be a match between the strategy of the firm and its strategy for managing human resources. We would like to know whether this is a viable solution but we must gather additional information before we can confirm it. We need your help in answering this question.

Your firm has been selected as one of the 16 firms nationwide to help us in this research effort. The value of this study depends on industry experts such as yourself, and since our sample is limited, your response will make a difference. Your response will be used for research purposes only and they will be kept absolutely confidential.

For your help, we will be sending you a special report on:

Current Human Resource Management practices of restaurant firms,  
Comparison of the firm's strategy with its Human Resource Management strategy, and  
Human Resource Management practices of high-versus-low performing firms.

Enclosed are three sets of questionnaires. Please complete the attached set yourself. We would appreciate it if you can forward one set to your executive (VP, Director, or Manager) in-charge of Operations, Marketing or Finance. The additional survey is for your executive in-charge of Human Resource Management. Each questionnaire set has been self-addressed and stamped. Please mail your set directly to us before December 22, 1989. If you have any questions, please call either one of us at (703) 231-8421.

Thank you.

Yours sincerely,

---

DR. SUE MÜRRMANN  
PROJECT ADVISOR

---

NOR K. ISHAK  
DOCTORAL CANDIDATE

## INSTRUCTION

This questionnaire is part of a set of three questionnaires that is sent to each of the 16 firms selected to participate in this study. Each questionnaire is different and serves a different purpose. This is aimed at identifying the strategy and the firm's demographic profiles. We will need all the three questionnaires in order to do our analysis. Therefore, we hope you will help us by completing your set.

1. This questionnaire is to be completed by the Chief Executive Officer.
2. Instructions on how to respond is provided at the beginning of each part. This questionnaire is in 4 parts.
3. Most of the questions can be answered by checking [ / ] or by circling, for example 3 , the appropriate response on the rating scale.
4. Some of the questions may not coincide exactly with the characteristics of your firm. Please translate them to your situation and try to answer all the questions.
5. The dominant segment refers to the main restaurant concept that you are competing in and the restaurant concept that accounts for the majority of the restaurant units the firm has.
6. It should take you approximately 10 minutes to complete the questionnaire.

TO BE COMPLETED BY THE CHIEF EXECUTIVE OFFICER

PART I

Please provide us with some information on your firm.

Q.1 How many restaurant units does the firm has?

\_\_\_\_\_

Q.2 How many restaurant units are in the dominant concept segment that you are competing in?

\_\_\_\_\_

Q.3 Which of the following would you classify the dominant concept segment you are competing in?  
(Please check only one).

Full Service (Upscale)

Full Service (Family)

Fast Food

Cafeteria

Others.

Please specify: \_\_\_\_\_

PART II

Please complete the following demographic profile on yourself.

Q.1 Your organizational title is

\_\_\_\_\_

Q.2 How long have you been with the firm?

\_\_\_\_\_ years

Q.3 How long have you been in your current position?

\_\_\_\_\_ years

### PART III

The following descriptions represent 4 different ways a firm can compete. Please identify the descriptions that most closely fit your firm as it competes in its dominant segment. Two checks [ / ] are required:

- (1) check the statement that most aptly describes your firm currently, and
- (2) check the statement that most aptly describes your firm five years ago.

#### TYPE 1

- Currently This firm type does not appear to have a consistent customer/market orientation. It is usually not aggressive in maintaining established markets and services as some of its competitors, nor is it willing to take as many risks. Rather, the firm responds in those areas due to pressures by customers, suppliers, competitors or the government.
- 5 yrs. ago

#### TYPE 2

- Currently This firm type attempts to maintain a stable and limited line of products/services, while at the same time moving out quickly to follow a carefully selected set of the most promising new developments in the market. The firm is seldom 'first-in' with new concepts or services. However, by carefully monitoring the actions of competitors in areas compatible with its stable customer base, it can be 'second-in' with a more cost efficient facility or service.
- 5 yrs. ago

#### TYPE 3

- Currently This firm typically serves a broad customer/ market base that undergoes periodic redefinitions. It values being 'first-in' in offering new concepts, even if not all of these efforts prove to be profitable. It responds rapidly to early signals concerning areas of opportunity, and these responses often lead to new rounds of competitive actions. However, the firm may not maintain strength in all of the market segments it serves.
- 5 yrs. ago

#### TYPE 4

- Currently This firm attempts to maintain a secure niche in a relatively stable customer/market segment. It tends to offer a more limited range of services than its competitors, and it tries to protect its position by offering quality at lower prices. Often this firm is not at the forefront of developments in the market - it tends to ignore market changes that have no direct influence on its current areas of operations and it concentrates instead on doing the best job possible in a limited market segment.
- 5 yrs. ago

**PART IV**

The following statements reflect the firm's overall Human Resource Management practices and its strategic planning activities.

..... **To the best of your knowledge, the firm's  
Human Resource Management practices** .....

	mixture					
a. are planned and intended	1	2	3	4	5	are reactive to opportunities and problems
b. are developed independent of the firm's planning process	1	2	3	4	5	are integrated with the firm's overall planning process
c. are a negligible input in the formulation of the firm's strategy	1	2	3	4	5	are a primary input in the formulation of the firm's strategy
d. are of minor concern in implementing the firm's strategy	1	2	3	4	5	are a major concern in the implementation of the firm's strategy
e. are constantly adapted to the changing environmental conditions	1	2	3	4	5	remain unchanged despite changes in the environmental conditions

**Appendix B**  
**MAILED SURVEY QUESTIONNAIRE FOR HEAD OF**  
**OPERATIONS/MARKETING/FINANCE**



COLLEGE OF HUMAN RESOURCES

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

Blacksburg, Virginia 24061-0429

DEPARTMENT OF HOTEL, RESTAURANT & INSTITUTIONAL MANAGEMENT  
(703) 231-5215 - Facsimile - 703) 231-7826 - Telex 9103331861

December 8, 1989

VP/DIRECTOR/MANAGER  
OPERATIONS/MARKETING/FINANCE

Dear Sir,

This study is part of a research project conducted by the Department of Hotel, Restaurant, and Institutional Management at Virginia Tech. The objective of the project is to find a possible solution to the management shortage problem for the restaurant industry. One solution suggests that there must be a match between the strategy of the firm and its strategy for managing human resources. We need more information to confirm this and we need your help.

Your response will be used for research purposes only. The value of this study depends upon the cooperation of industry experts such as yourself in completing this questionnaire. We would greatly appreciate your participation.

Please return the completed questionnaire in the enclosed, addressed envelope before December 22, 1989. If you have any questions please feel free to call either one of us at (703) 231-8421.

Thank you.

Yours sincerely,

---

DR. SUE MURRMANN  
PROJECT ADVISOR

---

NOR K. ISHAK  
DOCTORAL CANDIDATE

### INSTRUCTION

This questionnaire is part of a set of three questionnaires that is sent to each of the 16 firms selected to participate in this study. Each questionnaire is different and has a different purpose. This is aimed at identifying the strategy of the firm. We shall need all the three questionnaires from each firm in order to do our analysis. Therefore, we hope you will help us completing this set.

1. This questionnaire is to be completed by the VP/Director/Manager of Operations/Marketing/Finance.
2. This questionnaire has two parts. Instructions on how to respond is provided at the beginning of each part.
3. The questions in Part II may not coincide exactly with the characteristics of your firm. Please translate them to your situation.
4. The dominant segment refers to the main restaurant concept that you are competing in and the restaurant concept that accounts for the majority of the restaurant units the firm has.
5. It should take you approximately 10 minutes to complete this questionnaire.

TO BE COMPLETED BY THE VP/DIRECTOR/MANAGER  
OPERATIONS/MARKETING/FINANCE

**PART I**

Please provide us with the following demographic profile of yourself.

Q.1 Your organizational title is

\_\_\_\_\_

Q.2 How long have you been with the firm?

\_\_\_\_\_ years

Q.3 How long have you been in your current position?

\_\_\_\_\_ years

Q.4 How many years of experience do you have in the restaurant industry?

\_\_\_\_\_ years

Q.5 How many years of experience do you have in the current specialized area  
(operations/marketing/finance)?

\_\_\_\_\_ years

## PART II

The following descriptions represent 4 different ways a firm can compete. Please identify the descriptions that most closely fit your firm as it competes in its dominant segment. Two checks [ / ] are required:

- (1) check the statement that most aptly describes your firm currently, and
- (2) check the statement that most aptly describes your firm five years ago.

### TYPE 1

- Currently This firm type does not appear to have a consistent customer/market orientation. It is usually not aggressive in maintaining established markets and services as some of its competitors, nor is it willing to take as many risks. Rather, the firm responds in those areas due to pressures by customers, suppliers, competitors or the government.
- 5 yrs. ago

### TYPE 2

- Currently This firm type attempts to maintain a stable and limited line of products/services, while at the same time moving out quickly to follow a carefully selected set of the most promising new developments in the market. The firm is seldom 'first-in' with new concepts or services. However, by carefully monitoring the actions of competitors in areas compatible with its stable customer base, it can be 'second-in' with a more cost efficient facility or service.
- 5 yrs. ago

### TYPE 3

- Currently This firm typically serves a broad customer/ market base that undergoes periodic redefinitions. It values being 'first-in' in offering new concepts, even if not all of these efforts prove to be profitable. It responds rapidly to early signals concerning areas of opportunity, and these responses often lead to new rounds of competitive actions. However, the firm may not maintain strength in all of the market segments it serves.
- 5 yrs. ago

### TYPE 4

- Currently This firm attempts to maintain a secure niche in a relatively stable customer/market segment. It tends to offer a more limited range of services than its competitors, and it tries to protect its position by offering quality at lower prices. Often this firm is not at the forefront of developments in the market - it tends to ignore market changes that have no direct influence on its current areas of operations and it concentrates instead on doing the best job possible in a limited market segment.
- 5 yrs. ago

**Appendix C**  
**MAILED SURVEY QUESTIONNAIRE FOR HEAD OF HUMAN RESOURCE  
MANAGEMENT DIVISION**



COLLEGE OF HUMAN RESOURCES

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

Blacksburg, Virginia 24061-0429

DEPARTMENT OF HOTEL, RESTAURANT & INSTITUTIONAL MANAGEMENT  
(703) 231-5515 - Facsimile (703) 231-7826 - Telex 9103331861

December 8, 1989

VP/DIRECTOR/MANAGER  
HUMAN RESOURCE MANAGEMENT

Dear Sir,

This study is part of a research project conducted by the Department of Hotel, Restaurant, and Institutional Management at Virginia Tech. It is aimed at finding a possible solution to the management shortage problem.

The labor shortage problem will require a variety of solutions. One possible solution suggests that there must be a match between the strategy of the firm and its strategy for managing human resources. We would like to know whether this is a viable solution but we must gather additional information before we can confirm it. We need your help in answering this question.

The value of this study depends upon the cooperation of industry experts such as yourself. Your responses will be used for research purposes only and will be kept confidential.

In return for your participation, we will send you a special report on:

Current Human Resource Management practices of restaurant firms,  
Comparison of the firm's strategy with its Human Resource strategy, and  
Human Resource Management practices of high-versus-low  
performing firms.

If you have any questions, please call us at (703) 231-8421. We will also need to have a 30-minute interview with you after we received your response. Please return your completed questionnaire in the enclosed addressed envelope before December 22, 1989.

Thank you.

Yours sincerely,

---

DR. SUE MURRMANN  
PROJECT ADVISOR

---

NOR K. ISHAK  
DOCTORAL CANDIDATE

### INSTRUCTION

This questionnaire is part of a set of three questionnaires that is sent to each of the 16 firms selected to participate in this study. Each questionnaire is different and serves a different purpose. This is aimed at identifying the Human Resource Management practices of the firm. We will need all the three questionnaires from each firm in order to do our analysis. Therefore, we hope that you will help us by completing your set.

1. This questionnaire is to be completed by the VP/Director/Manager of Human Resource Management.
2. There are 6 parts in this questionnaire set. Instructions on how to respond is provided at the beginning of each part.
3. Most of the questions can be answered by checking (✓) or by circling, for example (3), the appropriate response on a given rating scale.
4. Some of the questions may not coincide exactly with the characteristics of your firm. Please translate them to your situation and try to answer all questions.
5. It should take you approximately 35 minutes to complete this questionnaire.

**TO BE COMPLETED BY THE VP/DIRECTOR/MANAGER**  
**HUMAN RESOURCE MANAGEMENT**

**PART I**

Please provide us with some information on your restaurant managers. (A restaurant manager would be the individual responsible for a restaurant operating unit.) Please respond by filling in the blanks.

Q.1 How many restaurant managers were employed in your firm in 1988?

\_\_\_\_\_

Q.2 How many restaurant managers terminated employment with the firm in 1988?

\_\_\_\_\_

Q.3 How many restaurant managers were promoted to a higher organizational level within your firm in 1988?

\_\_\_\_\_

Q.4 What is the average length of employment of your restaurant managers (i.e., the number of years they remain with your firm)?

\_\_\_\_\_ years

**PART II**

**Q.1** The following factors represent issues that have an impact on Human Resource Management practices. Please circle the appropriate response for each of the factors below using the following scale:

1. Not At All Important: This issue is of no concern to us.
2. Of Minor Importance: This issue is a concern but is seldom taken into account when strategic business decisions are made.
3. Important: This is an issue of major concern and is sometimes taken into account when strategic business decisions are made.
4. Very Important: This is an issue of major concern and it often influences strategic business decisions.
5. Extremely Important: This issue has top priority. No major strategic business decisions are made without considering this issue.

HUMAN RESOURCE ISSUES RELATED TO RESTAURANT MANAGERS	IMPORTANCE				
a. Recruitment of Restaurant Managers	1	2	3	4	5
b. Maintaining motivation/enthusiasm	1	2	3	4	5
c. Management ability	1	2	3	4	5
d. Opportunity for advancement within the firm	1	2	3	4	5
e. Health and insurance benefits	1	2	3	4	5
f. Retention of Restaurant Managers	1	2	3	4	5
g. Working conditions	1	2	3	4	5
h. Working hours / work schedule	1	2	3	4	5
i. Basic pay level	1	2	3	4	5
j. Feeling of being part of the firm	1	2	3	4	5
k. Communication - both ways	1	2	3	4	5

**Q.2** The following factors represent common elements of Human Resource Management programs. Each firm may value them differently. Please indicate how important each factor is by circling the answer using the following scale:

1. Not At All Important: This factor is of no concern to us.
2. Of Minor Importance: This factor is a concern but is seldom taken into account when strategic business decisions are made.
3. Important: This is a factor of major concern and is sometimes taken into account when strategic business decisions are made.
4. Very Important: This is a factor of major concern and it often influences strategic business decisions.
5. Extremely Important: This factor has top priority. No major strategic business decisions are made without considering this factor.

<b>FACTORS IN HUMAN RESOURCE MANAGEMENT PROGRAMS</b>	<b>IMPORTANCE</b>				
a. Ability to attract people to work in your firm	1	2	3	4	5
b. Minimizing labor costs	1	2	3	4	5
c. Anticipating the firm's future labor requirements	1	2	3	4	5
d. Having objective data available to make employment decisions	1	2	3	4	5
e. Protecting the firm from employee lawsuits	1	2	3	4	5
f. Retention of present employees	1	2	3	4	5
g. Linking employee evaluation to objective performance criteria	1	2	3	4	5
h. Establishing career ladders	1	2	3	4	5
i. Monitoring external factors affecting labor availability	1	2	3	4	5
j. Having open communications with employees	1	2	3	4	5
k. Complying with union-negotiated contracts	1	2	3	4	5
l. Employee feedback is considered in making appraisal decisions	1	2	3	4	5
m. Employees' conformity to firm's established policy	1	2	3	4	5
n. Keeping abreast of competitors' Human Resource Management practices	1	2	3	4	5

o. Maintaining a positive image in in the community	1	2	3	4	5
p. Compensation programs that are competitive	1	2	3	4	5
q. Developing management skills	1	2	3	4	5
r. Others. (Please add factors that you feel are also important)					
_____	1	2	3	4	5
_____	1	2	3	4	5
_____	1	2	3	4	5

**PART III**

The following descriptions represent 4 different ways a firm can compete. Please identify the descriptions that most closely fit your firm as it competes in its dominant segment. Two checks [ / ] are required:

- (1) check the statement that most aptly describes your firm currently, and
- (2) check the statement that most aptly describes your firm five years ago.

**TYPE 1**

- [ ] Currently This firm type does not appear to have a consistent customer/market orientation. It is usually not aggressive in maintaining established markets and services as some of its competitors, nor is it willing to take as many risks. Rather, the firm responds in those areas due to pressures by customers, suppliers, competitors or the government.
- [ ] 5 yrs. ago

**TYPE 2**

- [ ] Currently This firm type attempts to maintain a stable and limited line of products/services, while at the same time moving out quickly to follow a carefully selected set of the most promising new developments in the market. The firm is seldom 'first-in' with new concepts or services. However, by carefully monitoring the actions of competitors in areas compatible with its stable customer base, it can be 'second-in' with a more cost efficient facility or service.
- [ ] 5 yrs. ago

**TYPE 3**

- [ ] Currently This firm typically serves a broad customer/ market base that undergoes periodic redefinitions. It values being 'first-in' in offering new concepts, even if not all of these efforts prove to be profitable. It responds rapidly to early signals concerning areas of opportunity, and these responses often lead to new rounds of competitive actions. However, the firm may not maintain strength in all of the market segments it serves.
- [ ] 5 yrs. ago

**TYPE 4**

- [ ] Currently This firm attempts to maintain a secure niche in a relatively stable customer/market segment. It tends to offer a more limited range of services than its competitors, and it tries to protect its position by offering quality at lower prices. Often this firm is not at the forefront of developments in the market - it tends to ignore market changes that have no direct influence on its current areas of operations and it concentrates instead on doing the best job possible in a limited market segment.
- [ ] 5 yrs. ago

**PART IV**

The following statements represent activities within specific Human Resource Management practices pertaining to Restaurant Managers. Please respond by circling the number next to the statement which best describes your activity.

For example, if the Human Resource Planning activity is formal and systematic, then circle 5.

Informal and nonsystematic    1    2    3    4    **5**    Formal and systematic

If planning, as carried on in your firm, has a balance or mixture of both systematic and informal activities, then circle 3.

However, if the activity is not strictly formalized and systematic, and does have some very limited informal procedures, then circle 4.

**Q.1**

**HUMAN RESOURCE PLANNING:** The function that coordinates the identification of the firm's future human resource requirement, oversees the development of plans and programs to fulfill those needs and evaluates results. It also includes the process of monitoring the external and internal labor markets, succession and career planning, and the assessment of the firm's and employees' needs.

..... **Your Human Resource Planning activities pertaining to your Restaurant Managers** .....

- |  | mixture |   |   |   |   |  |
|--|---------|---|---|---|---|--|
| a. are systematic and formalized with well developed procedures                    | 1       | 2 | 3 | 4 | 5 | are nonsystematic and informal with independently developed procedures                             |
| b. are designed to address long-term needs (<4 years)                              | 1       | 2 | 3 | 4 | 5 | are designed to address current needs  |
| c. require that the job and skill requirements are explicitly described            | 1       | 2 | 3 | 4 | 5 | include job descriptions that are broad-based  |
| d. include job duties which are flexible   | 1       | 2 | 3 | 4 | 5 | include job duties which are as specified in the job description                                   |
| e. include job responsibilities which limit the individual to the current position | 1       | 2 | 3 | 4 | 5 | include responsibilities that enable the individual to acquire skills useful for other positions   |
| f. involve only the top management in determining human resource requirements      | 1       | 2 | 3 | 4 | 5 | where sole responsibility for determining human resource requirements rests with the unit managers |

**Q.2**

**STAFFING:** The activities of hiring, promoting, and outplacing of employees. It includes the determination of skills and knowledge and the matching of human resource capability to jobs.

..... **Your Staffing activities pertaining to your Restaurant Managers include** .....

	mixture					
a. emphasis on external acquisition	1	2	3	4	5	emphasis on internal development/growth
b. regular offering of promotional opportunities	1	2	3	4	5	promotional opportunities which are limited
c. criteria for promotion which are explicitly described and known	1	2	3	4	5	criteria for promotion that are general and changes are made to adapt to conditions
d. procedures and policies that are used mainly as a guide	1	2	3	4	5	the requirement for strict adherence to operating procedures and policies
e. promotional opportunities available that are not made known	1	2	3	4	5	internal job vacancies that are posted regularly with self-nomination opportunity available

**Q.3**

**COMPENSATION:** This includes the payment of financial rewards in terms of increases in base salary and incentives, and non-financial rewards such as awards and recognition.

..... **Your Compensation activities regarding your Restaurant Managers include** .....

	mixture					
a. routine adjustments in cost of living	1	2	3	4	5	amount earned that is determined primarily by incentive plan
b. base salary that is determined by market rates for similar jobs	1	2	3	4	5	pay which is determined primarily by comparing pay of other managers in the firm
c. a standard and fixed compensation package	1	2	3	4	5	a flexible compensation package
d. compensation package which is determined solely by top management	1	2	3	4	5	managers participate extensively in determining compensation package

- |    |   |   |   |   |   |   |   |
|----|---|---|---|---|---|---|---|
| e. | the consideration of the long-term impact of compensation methods | 1 | 2 | 3 | 4 | 5 | the consideration of only the short-term impact of compensation methods |
| f. | a fixed fringe benefit package                                    | 1 | 2 | 3 | 4 | 5 | a flexible fringe benefit package                                       |
| g. | limited guarantee for employment security                         | 1 | 2 | 3 | 4 | 5 | employment security is almost guaranteed                                |

**Q.4**

**PERFORMANCE APPRAISAL:** This activity involves the setting of performance standards, the evaluating of performance, and the assessing of potentials and deficiencies of employees.

..... **Your Performance Appraisal activities regarding your Restaurant Managers** .....

- |    |   |   |   |         |   |   |  |
|----|---|---|---|---------|---|---|--|
|    |   |   |   | mixture |   |   |  |
| a. | are loosely defined with independently developed programs     | 1 | 2 | 3       | 4 | 5 | are formal and the activities are linked with other human resource management programs |
| b. | focus on quantitative criteria                                | 1 | 2 | 3       | 4 | 5 | focus on qualitative criteria  |
| c. | emphasize evaluative purposes (e.g., reward, remedial)        | 1 | 2 | 3       | 4 | 5 | emphasize developmental purposes (e.g., training, career paths)                        |
| d. | are a continuous effort                                       | 1 | 2 | 3       | 4 | 5 | are a one-time annual/biannual activity  |
| e. | are accomplished by self-determination of deficiencies        | 1 | 2 | 3       | 4 | 5 | include the determination of deficiencies solely by top management                     |
| f. | stress the contributions of managers to short-term efficiency | 1 | 2 | 3       | 4 | 5 | stress the managers' contributions to long-term goals                                  |
| g. | use the individual manager as a unit of evaluation            | 1 | 2 | 3       | 4 | 5 | recognize the group contributions in determining performance effectiveness             |

**Q.5**

**TRAINING AND DEVELOPMENT:** These functions are associated with building employee competence, and are designed to ensure that each employee is properly equipped with the knowledge and skills to do the job. Also, they assure that the firm has an adequate supply of human resource talents.

..... **Your Training and Development activities regarding your Restaurant Managers include** .....

	mixture					
a. are designed around skills and knowledge for current job responsibilities	1	2	3	4	5	are designed around skills and knowledge for future job responsibilities
b. are geared towards general and broad skills	1	2	3	4	5	are geared towards developing specific job skills
c. reflect the firm's concern for quality of work life	1	2	3	4	5	emphasize the productivity needs of the firm
d. focus on responding to current problems and opportunities	1	2	3	4	5	focus on anticipating problems and opportunities
e. focus on responding to firm's overall goals and needs	1	2	3	4	5	focus on individual manager's needs
f. are open to all managers who are interested	1	2	3	4	5	are available to only those managers who show potential
g. include programs and activities that are formulated solely by top management	1	2	3	4	5	include the formulation of programs and activities by restaurant managers

**PART V**

The following statements reflect the firm's overall Human Resource Management practices and its strategic planning activities.

..... **To the best of your knowledge, the firm's  
Human Resource Management practices** .....

	mixture					
a. are planned and intended	1	2	3	4	5	are reactive to opportunities and problems
b. are developed independent of the firm's planning process	1	2	3	4	5	are integrated with the firm's overall planning process
c. are a negligible input in the formulation of the firm's strategy	1	2	3	4	5	are a primary input in the formulation of the firm's strategy
d. are of minor concern in implementing the firm's strategy	1	2	3	4	5	are a major concern in the implementation of the firm's strategy
e. are constantly adapted to the changing environmental conditions	1	2	3	4	5	remain unchanged despite changes in the environmental conditions

**PART VI**

Please complete the following demographic profile on yourself.

Q.1 Your organizational title is

\_\_\_\_\_

Q.2 To whom do you report?  
(Please specify organizational title)

\_\_\_\_\_

Q.3 How long have you been with the firm?

\_\_\_\_\_ years

Q.4 How long have you been in your current position?

\_\_\_\_\_ years

Q.5 How many years of experience do you have in the restaurant industry?

\_\_\_\_\_ years

Q.6 How many years of experience do you have in the area of Human Resource Management?

\_\_\_\_\_ years

---

**WE THANK YOU FOR YOUR TIME AND COOPERATION IN THIS RESEARCH EFFORT.**

However, we may need to call on you for further clarification or information. Please indicate the date, time, and your phone number if this is possible.

Date: \_\_\_\_\_

Time: \_\_\_\_\_

Tel. #: \_\_\_\_\_

**Appendix D**  
**QUESTIONNAIRE AND INSTRUCTION FOR PILOT STUDY**

November 11, 1989

James Maynard  
Chairman of the Board & Chief Executive Officer  
Golden Corral Corporation  
P.O. Box 29502  
Raleigh, NC 27626

Dear Mr. Maynard,

The labor shortage problem, whether its managers or hourly employees, will require a variety of solutions - there is no quick fix. One possible solution to the management shortage problem suggests that there must be a match between the strategy of the firm and its strategy for managing human resources. We would like to know whether this is a viable solution but we must gather additional information before we can confirm it. We need your help in answering this question.

In this initial phase of the project, will you help us in developing our survey instrument? You have been selected as one of a panel of six industry experts nationwide to help us at this critical stage. On the following page, you will find brief instructions for helping us refine our survey. Your knowledge and judgement is invaluable in helping us derive this questionnaire.

For your help, we will be sending you a special report on:

Current Human Resource Management practices of restaurant firms,  
Comparison of the firm's strategy type with its Human Resource Management strategy, and  
Human Resource Management practices of high-versus-low performing firms.

If you have any questions, please call us at (703) 231-8421. Please return your completed response, suggestions, comments, and any additional information you wish to include, in the enclosed addressed envelope before November 22, 1989.

Thank you.

Yours sincerely,

---

Dr. Sue Murrmann  
Project Advisor

---

Nor K. Ishak  
Doctoral Candidate

### INSTRUCTION

Your major role is to give the attached questionnaire a "reality test". That is, look it over carefully to see if it will make sense to practitioners like yourself. Feel free to comment in the margins or elsewhere on the document. This is the most critical stage in the design of a research instrument so please give it a demanding and critical look.

1. Please feel free to make any comments, suggestions, or changes anywhere on the questionnaire or on a separate sheet of paper.
2. Our aim is to develop clear and precise questions and instructions. Therefore, as you respond to each instruction and question, please check that each is clear and easily understood. We would appreciate any suggestions on improving them.
3. Indicate if the rating scales are clear and comprehensive. Please make any comments and suggestions on them which you think would be helpful.
4. You might have thought of some issues, factors, and components important to your firm that we have overlooked. Please add them wherever appropriate.
5. Please estimate the time required for someone to complete the questionnaire.

**TO BE COMPLETED BY THE VP/DIRECTOR/MANAGER**  
**HUMAN RESOURCE MANAGEMENT**

**PART I**

Please provide us with some information on your restaurant managers. (A restaurant manager would be the individual responsible for a restaurant operating unit.) Please respond by filling in the blanks.

Q.1 How many restaurant managers are employed in your firm in 1988?

\_\_\_\_\_

Q.2 How many restaurant managers terminated employment with the firm in 1988?

\_\_\_\_\_

Q.3 How many restaurant managers were promoted to a higher organizational level within your firm in 1988?

\_\_\_\_\_

Q.4 What is the average tenure of your restaurant managers (i.e., the number of years they remain with your firm) ?

\_\_\_\_\_ years

**PART II**

**Q.1** The following factors represent issues that have an impact on Human Resource Management practices. Please circle the appropriate response for each of the factors below using the following scale:

1. Not At All Important: This issue is of no concern to us.
2. Of Minor Importance: This issue is a concern but has low priority when compared to others.
3. Important: This is an issue of major concern and is sometimes taken into account when strategic business decisions are made.
4. Very Important: This is an issue of major concern and it often influences strategic business decisions.
5. Extremely Important: This issue has top priority. No major strategic business decisions are made without considering this issue.

<b>HUMAN RESOURCE ISSUES RELATED TO RESTAURANT MANAGERS</b>	<b>IMPORTANCE</b>				
a. Shortage of restaurant managers	1	2	3	4	5
b. Lack of motivation/enthusiasm	1	2	3	4	5
c. Lack of capability/ability	1	2	3	4	5
d. Lack of opportunity for their advancement within the firm	1	2	3	4	5
e. Poor health and insurance benefits	1	2	3	4	5
f. High turnover	1	2	3	4	5
g. Adverse working environment	1	2	3	4	5
h. Long working hours	1	2	3	4	5
i. Low pay	1	2	3	4	5
j. Others (please list other issues which are also important to your firm)					
_____	1	2	3	4	5
_____	1	2	3	4	5
_____	1	2	3	4	5

**Q.2** The following factors represent common elements of Human Resource Management programs. Each firm may value them differently. Please indicate how important each factor is by circling the answer using the following scale:

1. Not At All Important: This factor is of no concern to us.
2. Of Minor Importance: This factor is a concern but has low priority when compared to others.
3. Important: This is a factor of major concern and is sometimes taken into account when strategic business decisions are made.
4. Very Important: This is a factor of major concern and it often influences strategic business decisions.
5. Extremely Important: This factor has top priority. No major strategic business decisions are made without considering this factor.

FACTORS IN HUMAN RESOURCE MANAGEMENT PROGRAMS	IMPORTANCE				
a. Ability to attract people to work in your firm	1	2	3	4	5
b. Minimizing labor costs	1	2	3	4	5
c. Anticipating the firm's future labor requirements	1	2	3	4	5
d. Having objective data available to make employment decisions	1	2	3	4	5
e. Protecting the firm from employee lawsuits	1	2	3	4	5
f. Retention of present employees	1	2	3	4	5
g. Linking employee evaluation to objective performance criteria	1	2	3	4	5
h. Establishing career ladders	1	2	3	4	5
i. Monitoring external factors affecting labor availability	1	2	3	4	5
j. Having open communications with employees	1	2	3	4	5
k. Complying with union-negotiated contracts	1	2	3	4	5
l. Employee feedback is considered in making appraisal decisions	1	2	3	4	5
m. Employees' conformity to firm's established policy	1	2	3	4	5
n. Keeping abreast of competitors' Human Resource Management practices	1	2	3	4	5
o. Maintaining a positive image in in the community	1	2	3	4	5

p. Others. (Please add factors that you feel are also important)

_____	1	2	3	4	5
_____	1	2	3	4	5
_____	1	2	3	4	5
_____	1	2	3	4	5
_____	1	2	3	4	5

**PART III**

Please note that this section ask you to identify the descriptions that most closely fits your firm as it competes in its dominant segment. Two checks [✓] are required:

- (1) check the statement that most aptly describes your firm currently, and
- (2) check the statement that most aptly describes your firm five years ago.

**TYPE 1**

- [ ] Currently This firm type does not appear to have a consistent customer/market orientation. It is usually not aggressive in maintaining established markets and services as some of its competitors, nor is it willing to take as many risks. Rather, the firm responds in those areas due to pressures by customers, suppliers, competitors or the government.
- [ ] 5 yrs. ago

**TYPE 2**

- [ ] Currently This firm type attempts to maintain a stable and limited line of products/services, while at the same time moving out quickly to follow a carefully selected set of the most promising new developments in the market. The firm is seldom 'first-in' with new concepts or services. However, by carefully monitoring the actions of competitors in areas compatible with its stable customer base, it can be 'second-in' with a more cost efficient facility or service.
- [ ] 5 yrs. ago

**TYPE 3**

- [ ] Currently This firm typically serves a broad customer/ market base that undergoes periodic redefinitions. It values being 'first-in' in offering new concepts, even if not all of these efforts prove to be profitable. It responds rapidly to early signals concerning areas of opportunity, and these responses often lead to new rounds of competitive actions. However, the firm may not maintain strength in all of the market segments it serves.
- [ ] 5 yrs. ago

**TYPE 4**

- [ ] Currently This firm attempts to maintain a secure niche in a relatively stable customer/market segment. It tends to offer a more limited range of services than its competitors, and it tries to protect its position by offering quality at lower prices. Often this firm is not at the forefront of developments in the market - it tends to ignore market changes that have no direct influence on its current areas of operations and it concentrates instead on doing the best job possible in a limited market segment.
- [ ] 5 yrs. ago

**PART IV**

The following statements represent activities within specific Human Resource Management practices pertaining to Restaurant Managers. Please respond by circling the number next to the statement which best describes your activity.

For example, if the Human Resource Planning activity is formal and systematic, then circle 5.

Informal and nonsystematic    1    2    3    4    5    Formal and systematic

If planning, as carried on in your firm, has a balance or mixture of both systematic and informal activities, then circle 3.

However, if the activity is not strictly formalized and systematic, and does have some very limited informal procedures, then circle 4.

**Q.1**

**HUMAN RESOURCE PLANNING:** The function that coordinates the identification of the firm's future human resource requirement, oversees the development of plans and programs to fulfill those needs and evaluates results. It also includes the process of monitoring the external and internal labor markets, succession and career planning, and the assessment of the firm's and employees' needs.

..... **Your Human Resource Planning activities** .....  
 pertaining to your Restaurant Managers .....

	mixture					
	1	2	3	4	5	
a. are systematic and formalized with well developed procedures						are nonsystematic and informal with independently developed procedures
b. are designed to address long-term needs (<4 years)						are designed to address current needs
c. require that the job and skill requirements are explicitly described						include job descriptions that are broad-based
d. include job duties which are flexible						include job duties which are as specified in the job description
e. include job responsibilities which limit the individual to the current position						include responsibilities that enable the individual to acquire skills useful for other positions
f. involve only the top management in determining human resource						where sole responsibility for determining human resource requirements rests with the unit managers

**Q.2**

**STAFFING:** The activities of hiring, promoting, and outplacing of employees. It includes the determination of skills and knowledge and the matching of human resource capability to jobs.

..... **Your Staffing activities pertaining to your Restaurant Managers include** .....

	mixture					
a. emphasis on external acquisition	1	2	3	4	5	emphasis on internal development/growth
b. regular offering of promotional opportunities	1	2	3	4	5	promotional opportunities which are limited
c. criteria for promotion which are explicitly described and known	1	2	3	4	5	criteria for promotion that are general and changes are made to adapt to conditions
d. procedures and policies that are used mainly as a guide	1	2	3	4	5	the requirement for strict adherence to operating procedures and policies
e. promotional opportunities available that are not made known	1	2	3	4	5	internal job vacancies that are posted regularly with self-nomination opportunity available

**Q.3**

**COMPENSATION:** This includes the payment of financial rewards in terms of increases in base salary and incentives, and non-financial rewards such as awards and recognition.

..... **Your Compensation activities regarding your Restaurant Managers include** .....

	mixture					
a. routine adjustments in cost of living	1	2	3	4	5	amount earned that is determined primarily by incentive plan
b. base salary that is determined by market rates for similar jobs	1	2	3	4	5	pay which is determined primarily by comparing pay of other managers in the firm
c. a standard and fixed compensation package	1	2	3	4	5	a flexible compensation package
d. compensation package which is determined solely by top management	1	2	3	4	5	managers participate extensively in determining compensation package

- |    |   |   |   |   |   |   |   |
|----|---|---|---|---|---|---|---|
| e. | the consideration of the long-term impact of compensation methods | 1 | 2 | 3 | 4 | 5 | the consideration of only the short-term impact of compensation methods |
| f. | a fixed fringe benefit package                                    | 1 | 2 | 3 | 4 | 5 | a flexible fringe benefit package                                       |
| g. | limited guarantee for employment security                         | 1 | 2 | 3 | 4 | 5 | employment security is almost guaranteed                                |

**Q.4**

**PERFORMANCE APPRAISAL:** This activity involves the setting of performance standards, the evaluating of performance, and the assessing of potentials and deficiencies of employees.

..... **Your Performance Appraisal activities regarding your Restaurant Managers** .....

- |    |   |         |   |   |   |   |  |
|----|---|---------|---|---|---|---|--|
|    |   | mixture |   |   |   |   |  |
| a. | are loosely defined with independently developed programs     | 1       | 2 | 3 | 4 | 5 | are formal and the activities are linked with other human resource management programs |
| b. | focus on quantitative criteria                                | 1       | 2 | 3 | 4 | 5 | focus on qualitative criteria  |
| c. | emphasize evaluative purposes (e.g., reward, remedial)        | 1       | 2 | 3 | 4 | 5 | emphasize developmental purposes (e.g., training, career paths)                        |
| d. | are a continuous effort                                       | 1       | 2 | 3 | 4 | 5 | are a one-time annual/biannual activity  |
| e. | are accomplished by self-determination of deficiencies        | 1       | 2 | 3 | 4 | 5 | include the determination of deficiencies solely by top management                     |
| f. | stress the contributions of managers to short-term efficiency | 1       | 2 | 3 | 4 | 5 | stress the managers' contributions to long-term goals                                  |
| g. | use the individual manager as a unit of evaluation            | 1       | 2 | 3 | 4 | 5 | recognize the group contributions in determining performance effectiveness             |

Q.5

**TRAINING AND DEVELOPMENT:** These functions are associated with building employee competence, and are designed to ensure that each employee is properly equipped with the knowledge and skills to do the job. Also, they assure that the firm has an adequate supply of human resource talents.

..... **Your Compensation activities regarding your Restaurant Managers include** .....

	mixture					
a. are designed around skills and knowledge for current job responsibilities	1	2	3	4	5	are designed around skills and knowledge for future job responsibilities
b. are geared towards general and broad skills	1	2	3	4	5	are geared towards developing specific job skills
c. reflect the firm's concern for quality of work life	1	2	3	4	5	emphasize the productivity needs of the firm
d. focus on responding to current problems and opportunities	1	2	3	4	5	focus on anticipating problems and opportunities
e. focus on responding to firm's overall goals and needs	1	2	3	4	5	focus on individual manager's needs
f. are open to all managers who are interested	1	2	3	4	5	are available to only those managers who show potential
g. include programs and activities that are formulated solely by top management	1	2	3	4	5	include the formulation of programs and activities by restaurant managers

**PART V**

The following statements reflect the firm's overall Human Resource Management practices and its strategic planning activities.

..... **To the best of your knowledge, the firm's  
Human Resource Management practices** .....

	mixture					
a. are planned and intended	1	2	3	4	5	are reactive to opportunities and problems
b. are developed independent of the firm's planning process	1	2	3	4	5	are integrated with the firm's overall planning process
c. are a negligible input in the formulation of the firm's strategy	1	2	3	4	5	are a primary input in the formulation of the firm's strategy
d. are of minor concern in implementing the firm's strategy	1	2	3	4	5	are a major concern in the implementation of the firm's strategy
e. are constantly adapted to the changing environmental conditions	1	2	3	4	5	remain unchanged despite changes in the environmental conditions

**PART VI**

Please complete the following demographic profile on yourself.

Q.1 Your organizational title is

\_\_\_\_\_

Q.2 To whom do you report?  
(Please specify organizational title)

\_\_\_\_\_

Q.3 How long have you been with the firm?

\_\_\_\_\_ years

Q.4 How long have you been in your current position?

\_\_\_ \_\_\_ years

Q.5 How many years of experience do you have in the restaurant industry?

\_\_\_\_\_ years

Q.6 How many years of experience do you have in the area of Human Resource Management?

\_\_\_\_\_ years

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**ADDITIONAL COMMENTS (IF ANY):**

**ESTIMATED TIME TO COMPLETE THE QUESTIONNAIRE: \_\_\_\_\_(minutes)**

**THANK YOU**

**Appendix E**  
**LIST OF FIRMS FOR PILOT STUDY**

Karl M. Snepp  
Sr. V.P., Human Resources  
ARA Services, Inc.  
1101 Market St.  
Philadelphia, PA 19197

Victor Argobright  
V.P., Director of Field Operations  
Restaurant Division  
Bob Evans Farms  
3776 S. High St., P.O. Box 07863  
Columbus, OH 43207-9947

John G. Dankos  
President  
Dankos Enterprises, Inc.  
P.O. Box 9504  
Richmond, VA 23228

M. Van Lewis, Jr.  
Lewis Restaurant Corporation  
P.O. Box 10729  
Lynchburg, VA 24506

James Maynard  
Chairman of the Board & Chief Executive Officer  
Golden Corral Corporation  
P.O. Box 29502  
Raleigh, NC 27626

Becky Wedemeyer  
Recruiter  
Chesapeake Bay Seafood Assoc. Inc.  
8027 Leesburg Pike, Suite 506  
Vienna, VA 22180

**Appendix F**  
**KEY CHARACTERISTICS FOR IDENTIFYING MILES AND SNOW'S**  
**STRATEGY TYPES**

Key Words for Miles and Snow (1978)  
Strategy Type Identification

PROSPECTORS	ANALYZERS	DEFENDERS	REACTORS
- pioneer	- slower and	- little/no new	- no consistent
- product dev.	fewer market	product or	customer/mkt.
- market dev.	and product	market changes	base
- changing	- less committed	- control secure	- not aggressive
product	to stability	niches	in maintain-
- stimulate new	and efficiency	- compete on price	ing estab.
market	- maintain	and quality	mkt/service
- decentralized	stable and	- strong influence	- not willing
structure	limited prod.	of production &	to take risk
- strong influen.	and service	finance exec.	- respond only
of marketing	- quick to	- simple coordinat.	due to
& product dev.	follow carefully	mechanism	pressure
executives	selected new	- rely on centralized	
- entrepreneur	product dev.	decision-making	
task focus	- careful	- engineering task	
- monitor trends	monitoring	focus	
- heavy mktg.	actions of	- very effective use	
expenditure	competitors	of resources	
- high % R&D		- work continuously	
to Sales		to improve greater	
- devote resources		efficiency	
for motivating		- greater fixed assets	
sales force and		intensity	
customers'		- emphasis on product-	
education		tivity	
- broad market &		- lower overall direct	
base		costs	
- periodic redef-		- lower prices	
inition of mkt/		- gain quality through	
customer		refining existing	
- 'first' in new		product & service	
concept		delivery system	
- response to		- limited product range	
early signals		- protect market share	
of new oppor.		by offering quality	
- may not maintain		at lower price	
strength in all		- tend to ignore mkt.	
market segments		changes	
		- limited market segments	

**Appendix G**  
**QUESTIONS FOR TELEPHONE INTERVIEWS**

QUESTIONS FOR INTERVIEW SESSIONS

1. Key HRM decisions in reducing restaurant managers turnover:
  - What 2 factors considered as major causes of restaurant managers terminating employment with the firm?
  - What plan of actions to minimize the two problems?
  
2. Evolution of the activities in each of the HRM functions over the last 5 years:
  - Has there been any changes made in any of the activity area?  
No [ ]  
Yes [ ] Which area?
  - Why are those changes necessary?
  - Are any of the changes made as a result of the changes in business strategy?
  
3. The role of HRM in the Strategic management of the firm:
  - Are you satisfied with the current role of HRM in the strategic planning process?  
  
Yes [ ]  
No [ ]  
Somewhat [ ]  
  
If No or Somewhat, Why?
  - Is Business Strategy considered when formulating HRM policies or activities?  
  
No [ ]  
Somewhat [ ]  
Yes [ ]  
  
If Yes or Somewhat, examples?
  
4. Major changes in the environment (political, economic, demographic, social) or industry that have affected or change HRM functions:
  - Major changes?
  - Impacting on which HRM functions?
  - Any predictions on the future role of HRM?

## Vita

Nor Khomar, born on February 27, 1951, is the daughter of Hjh. Aishah Abu Taif and the late Hj. Ishak Marzuki of Kuala Kangsar, Malaysia. She completed her diploma program in Hotel and Catering Management from the MARA Institute of Technology in the early 70s, upon which she joined the School of Hotel Administration at Cornell University. She transferred to and graduated from the University of Denver with a Bachelor of Science degree in Business Administration majoring in Hotel and Restaurant Management in 1977. She graduated with a Masters of Science in Business Administration from the University of Northern Colorado in 1978.

Nor began her teaching career in 1973 at the MARA Institute of Technology as an Assistant Lecturer, where she currently is employed as a Senior Lecturer. Her research focuses are service technology, human resource management, and business strategy of the hospitality industry.

  
Nor Khomar