

Strategic Human Resource Management: A Tale of Multi-National and State Oil Companies

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Abstract: This study examined whether SHRM is applied in Azerbaijan. To investigate this study qualitative method of data collection was used to generate the data required to achieve the objectives of the study. Interviews were conducted with Heads of resourcing, Training & Development, Employee Relations at two oil companies. The findings show that SHRM is applied at these companies. Foreign-based company, BP AGT is more experienced in SHRM. However, SOCAR considers the importance of SHRM and differentiates it from administrative HRM or Personnel Management. For this purpose, new policies and systems are being created for the application of more strategic HRM. HR is involved in strategic and business planning at both companies. The study also reveals that HR strategy is part of business planning and strategy and that these activities are always coordinated to make a contribution to the overall organizational goals.

Keywords: Strategic Human Resource Management; Multinational Companies; Organizational Strategy

I. Introduction

Human capital, skills and knowledge of individuals is considered essential elements for an effective organizational performance. Researchers indicate that Human Resource Management (HRM) is the most important determinant of organizational success (Schuler, 1992). The growing importance of human resources for organizational success has led to an increasing interest in making personnel management a more integral, strategy-driven activity in organizations. Thus, the most successful companies focus on strategic implementation of human resources practices linked with overall organizational strategy, goals and objectives. The strategic human resource management approach has a number of key dimensions. It requires that human resource management be integrated with corporate strategic issues. This integration has implications for the involvement of different parties in shaping the framework in which human resource management policies are developed. Researchers indicate that decisions made at the most senior levels of the organization shape the corporate and human resource management strategies and policies of lower levels of the organization (Kromar, 1992). Empirical studies have found that organizational performance depends on how human resources practices are linked with the strategy and give contributions to the overall organizational goal. Becker and Huselid (2010) indicate that a company gains success when it adopts recruiting and selection systems consistent with its competitive strategy, such as reward systems that reflect successful strategy implementation performance appraisals and employee compensation, and

training and development strategies guided by performance management systems and business objectives. In addition, High performance organizations value HRM because they view it as a strategic partner in contributing to desired results.

Rational for the study: The research topic of this study was chosen for several reasons. This topic has gained the attention of both academics and practitioners, because of its high importance. Strategic Human Resource Management (SHRM) is considered one of the important determinants for an effective organizational performance. In addition, there are a lot of empirical research studies about SHRM of different companies in other countries. However, there is a lack of studies about SHRM in Azerbaijan. This research is conducted to find out how SHRM is implemented by two significant oil companies operating in Azerbaijan

Aims and objectives: The aim of this study is to find out how SHRM is implemented in Azerbaijan. The aim is accompanied by specific objectives which are: To review and analyze literature about HRM and SHRM; To discover how different HRM practices, such as selection and recruitment, training, employee relations and other practices are linked with the HR strategies of the companies; To identify the similarities or differences in the implementation of HRM practices of the target companies; To find out whether there are differences in the implementation of HR practices at these companies; To draw conclusions and give recommendations. Specifically,

the paper seeks answer to the following questions: (1) To what extent is HR strategy understood and practiced in the target companies? (2) What are the HR strategies of the target companies, and how are they defined? (3) Are the HR practices linked to the HR strategies of the companies? (4) How are the selection/ recruitment, training and rewarding processes implemented in the target companies, and how are they linked strategically? (5) Do the companies implement practices that are unique to their own organisation or type of organisation, and if so, why?

II. Literature review

The aim of this study is to find out how SHRM is implemented in Azerbaijan, using two oil companies in the region as case studies. This chapter discusses relevant literature about SHRM, its models and the factors influencing SHRM. The chapter consists of different sections. These sections discuss general information about the importance of SHRM, its definitions and the differences between HRM and SHRM, the three main approaches to SHRM and the factors that can be influential upon SHRM. Human resource management practices are considered essential elements for an effective organizational performance. HRM practices are the most important determinants for the organizational success (Schuler, 1992). Empirical studies have found that most successful organizations link human resource practices to business strategy in order to contribute to improved overall organizational performance. Becker and Huselid (2010) indicate that to gain competitive advantage these organizations implement a number of practices: (a) The adoption of recruiting and selection systems consistent with its competitive strategy, (b) Reward systems that reflect successful strategy implementation, such as performance appraisals and employee compensation, and (c) Training and development strategies that are guided by performance management systems and business objectives.

The way of linking HRM practices with business strategy is called strategic human resources management in the academic literature. HRM and SHRM are accepted as two different concepts. HRM is considered as the traditional way of dealing with human resources that limits itself to the boundaries of HRM systems. SHRM is a contemporary look to the way of dealing with people within organizations that considers both HRM systems and the whole organization. SHRM takes other organizational factors into account and contributes more effectively to organizational performance. Thus, the strategic application of HRM practices is always recommended by academic and practical professionals.

Definition of HRM and SHRM: There are many definitions of Human Resources Management. Human Resources Management includes management of employment relationships in the organization (Dabic et al, 2011). Traditional HRM is focused only on the employment issues. The HR department was not always considered when formulating strategies and business plans. Current definitions of HRM emphasize integration of strategic business planning with HRM practices to enhance organizational performance. This concept is defined as Strategic Human Resources Management. For example, Storey (1995) defines human resources management as “management of employment which seeks to achieve competitive advantage through the strategic deployment of highly committed and capable workforce, using integrated array of cultural, structural and personnel techniques” This definition of HRM emphasizes the strategic alignment of HRM practices to achieve competitive advantage. Mabey *et al* (1999) define SHRM as “linking human resources practices with goals and objectives”. The aim of strategic human resources management is to ensure that human resources practices are considered when forming strategies and plans. Huselid *et al*, (1997) indicate that SHRM activities include team-based job designs, flexible work-forces, quality improvement practices, employee empowerment and the use of studies designed to diagnose strategic needs and compensation systems for the company. Both company managers and social scientists recognize that human resources are hard to imitated and copied. Becker and Gerhart (1996) indicate that SHRM is hard to copy because it is an invisible asset that creates value when it is deeply embedded in an organization.

Differences between HRM and SHRM: Researchers distinguish between Human Resource Management and Strategic Human Resource Management. The distinction is intended to differentiate between conceptions of human resource management as functionally or administratively-oriented activities as opposed to integrated or strategy-driven activities. This differentiation is expressed by some researchers in a different way. For example, Schuler (1992) assumes that SHRM is a style of HRM and links the organizational strategy with HR practices that are accepted and used by line managers and employees as a part of their work. Other differentiation is based on the traditional HR objectives, such as turnover or performance, which are superseded by organization-wide goals designed to complement a specific business strategy. However, some researchers argue that SHRM and HRM are synonymous (Maybe *et al*, 1998)

Three approaches to SHRM: There are three approaches suggested by different researchers: universalistic, contingency and configurational approaches. The supporters of universalistic approach tend to identify best practices in SHRM policies. They argue that some HR practices are better than others and that organizations need to

adopt them to achieve increased organizational performance (Kochan & Dyer, 1993). Some researchers argue that there are no best practices for every activity. Researchers who criticize this approach indicate that human resources systems must be a clear and specific, so the system has to be linked with the business processes of the particular firm. (Becker & Gerhart, 1996)

Supporters of the contingency approach argue that the success of HRM policies is contingent upon the achievement of a match between human resource policies and other aspects of the organization (Porter, 1985). For example, researchers adopting this perspective have demonstrated that different human resource policies may be required at different stages in the life cycle of a company (Huang, 1998; Bird and Beecher, 1995). If HR practices are linked with firm's strategy, they can contribute more competitive advantages. Huselid and Becker (2010) suggest these alignments yield more positive outcomes than best practices. However, they do not consider it as a perfect argument. Huselid and Becker (2010) indicate that the alignment argument is required to be further developed. According to contingency theory (Miles and Snow, 1984; Porter, 1985; Schuler and Jackson, 1987), HRM strategies must be combined with specific business competitive strategy. According to the contingency theory, HRM should therefore consider and match internal and external conditions (Huselid et al., 1997). External fit links HR systems to business strategy, while internal fit focuses on HRM practice configurations. This enables companies to perform better by integrating HRM practices and business strategy (Wright & Snell, 1991).

The configurational approach is derived from contingency theory (Meyer et al., 1993). This approach is considered to be more successful than the contingency approach, because the researchers argue that the latter model does not consider reality. In reality, everything is different and more complicated. Marchington and Wilkinson (2002) state that the configurational model poses a consistent set of HR practices that maximize horizontal integration and then link them to strategic configurations in order to maximize vertical integration. According to Meyer *et al* (1993), configurational approach is "any multidimensional constellation of conceptually distinct characteristics that commonly occur together". The configuration approach focuses on the realized patterns of multiple variables, highlighting how these variables interact over time and how the pattern is related to various organizational outcomes (Delery & Doty 1996; Ketchen, et al., 1997).

The supporters of the configurational approach argue that there is a certain and unique pattern of HRM practices that can maximize organizational performance when implemented together. They indicate that it is the pattern of HRM practices that makes contribution to the organizational performance (Delery & Doty, 1996). In order to be effective, configurational theorists propose that firms must develop an HR system that achieves both a horizontal and a vertical fit. Horizontal fit is achieved when there is internal consistency between the HR policies and practices of a company, and vertical fit depicts the level of congruence of the HR system with other company characteristics, particularly firm strategies. Configuration theorists assert that the HRM practices of a company should be internally aligned or bundled to create better organizational results (Ferris et al., 1999). Researchers who contribute to the SHRM literature often consider this approach because it functions as a unified system with the result of internally consistent bundles of HRM practices (Bae & Lawler, 2000).

Business strategy and SHRM: As it has been mentioned earlier, HR practices vary between organizations due to differences of strategy, size, industry and other important factors. Supporters of the contingency approach of SHRM state that there is a close link between strategic management and HRM practices. The contingency school of SHRM emphasize the vertical integration between business strategy and HR policies and practices. Vertical integration between business strategy or the objectives of the business and employee behaviour and organisational performance are highly significant in SHRM. Another suggestion is that horizontal integration is also important. Horizontal integration means the extent to which there is a link between HRM policies and practices. Tyson (1997) indicates that integrated HR systems can support the policies and processes in line with the business system. Jackson and Schuler (2007) proposed linking HR practices to business strategy. They define appropriate HR practices to fit different organizational strategies, such as cost reduction, innovation and quality enhancement. They indicate that if HR practices are integrated with business strategy positive outcomes and improved business performance can be achieved. Shculer and Jakson (2007) suggested that the mission and values of a company are very important in shaping certain employee behaviours. They suggest that the competitive strategy of a company is reflected in the mission and values that can be translated into different behaviours. Accordingly, this will yield desired employee behaviours aligned with corporate goals and demonstrate vertical integration.

According to O'Reilly et al (2000), employee attitudes and behaviours are created by considering personality, value and beliefs, rewards, roles, organizational culture and backgrounds. He argues that attitudes and behaviours can be managed only through selection, while the rest are managed by designing the context. The context is managed through vision and values, recruitment and selection, participation and involvement, team/job design, long term perspective, training and development, psychological ownership, symbolic management, measurement, information sharing and rewards, benefits and compensation.

HR practices have to contribute to overall organizational goals by cooperating with business strategy. How does the business strategy of the company impact on HR practices? Researchers indicate that companies with innovation strategies apply the following HR practice (Armstrong, 1992; Schuler & Jackson, 2007). Individual jobs need close interaction among people to enable employees to develop their skills, which can be applied in other positions. These companies provide broader career support and skills development.

In the planning and developing practice, the firm will recruit and maintain high quality employees with innovative skills and good track records in innovation. They will also develop strategic capability, support and facility to increase innovative skills of employees. These companies reward employees with financial incentives to maximise sustained effective innovation. The companies which follow the strategy of cost leadership will implement human resource management practice with some characteristics as follows: limited designed position and clear description of position; short term performance assessment, goal orientation, training, and tight monitoring towards employee activities. The training, being cost-effective and related to urgent business needs can improve productivity (Armstrong, 1992).

According to Mayer (2008), these successful companies apply the following strategic HRM practices. They engage in selective hiring, selecting the best person for the job. They foster employment security, which is very important for employee performance. Researchers revealed that lack of employment security affects the performance of the employees (Pfeffer, 1999). They encourage empowered team working. Mayer (2008) however, states that the wide use of teams does not necessarily mean that the organization achieves high performance. He suggests that the most important thing is to create and empower teams which are capable of making innovative decisions. Providing extensive development and training is another characteristic of SHRM in successful organizations (Saul, 1987). They develop employee training and management development programmes to improve their competences. These organizations create supportive cultures that are sensitive to the social norms and practices. They link compensation to performance of the employees and they promote health and safety. Finally, they integrate HRM practices to support business strategy of the firm.

Schuler and Jackson (1987) also identified some employee behaviours and HR policies for innovation, quality enhancement and cost reduction strategy. The following table summarizes HR policies associated with different strategy suggested by them.

Strategy	Employee role Behaviour	HRM policies
Innovation	A high degree of creative behaviour Longer –term focus A relatively high level of cooperative interdependent behaviour A moderate degree of concern for quality A moderate degree concern for quantity; an equal degree of concern for process and results A greater degree of risk-taking; a higher tolerance of ambiguity and unpredictability	Job that require close interaction and coordination among groups of individuals Performance appraisals that are more likely to reflect long term and group based achievement Jobs that allow employees to develop skills that can be used in other positions in the firm Pay rates that tend to be low, but allow employees to be stakeholders and have more freedom to choose the mix of components that make up their pay package Broader career paths to reinforce the development of a broad range of skills
Quality enhancement	Relatively repetitive/ predictable behaviours A more long term or immediate focus A moderate amount of cooperative interdependent behaviour A high concern for quality A modest concern for quantity of output High concern for process, low risk taking activity; commitment to the goals of the organization	Relatively fixed and explicit job descriptions High levels of employee participation in decisions relevant to immediate work conditions and job itself A mix of individual and group criteria for performance appraisal that is mostly short term and results oriented Relatively egalitarian treatment of employees of job security Extensive and continuous training and development of employees

Cost reduction	Relatively repetitive/ predictable behaviours A short-term focus A primarily autonomous or individual activity Moderate concern for quality A high concern for quantity of output Primary concern for results; low-risk taking activity	Relatively fixed and explicit job descriptions that allow little room for ambiguity Narrowly designed jobs and narrowly defined career paths that encourage specialisation, expertise and efficiency Short term results-oriented performance appraisals Close monitoring of market pay levels for use in making compensation decisions Minimal levels of employee training and development
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Source: Schuler and Jackson (1987)

Dolory & Doty (1996) suggest that the HR systems of a company have to achieve both vertical and horizontal integration. Their categories of ‘defender’ and ‘prospector’ are derived from ‘internal systems’ or configurations of HR practices that maximize horizontal fit, and then link these to strategic configurations of, for example, ‘defender’ or ‘prospector’ to maximize vertical fit. The table below presents different HR practices suggested by Dolory & Doty (1996). Schuler and Jackson (2007) argue that this approach makes complex organizational context to be reduced to a few possible configurations for the sake of manageability.

HR P Practices	Internal career opportunities	T & D	Performance management	Role of HR
<u>Defenders</u> Low-risk strategies Secure markets Concentration on narrow segments Focus on efficiency of systems	Sophisticated recruitment and selection systems Built talents and skills Career development opportunities Retention of key skills valued	Focus longer term Development for the future and emphasis on learning	Appraisals development oriented Clear grading structure and transparency valued Employees share schemes	Potential for strategic role Well-established department, with established HR systems 1
<u>Prospectors</u> Innovative High-risk strategies Change and uncertainty Focus on entering new markets	Buy-in talent and skills Limited internal career paths	Focus short-term skill needs Onus on individual to take responsibility for personal learning and development	Appraisals results-oriented Reward short-term, and incentive-based Performance-related pay based on bottom line measures	Administrative role Supportive role

Source: Delery J and Doty H. (1996)

National culture and HRM

National culture is an important variable that can affect HRM practices of an organization. Broader socio-cultural differences influence organizational culture, which in turn leads to an impact on HRM practices of the organization. (Fischer *et.al*, 2005). Hofstede (2005) classifies culture as “collective programming of the mind that distinguishes the members of one group or category of people from other”. Hofstede’s definition of culture is used to explain some of the variances in HRM practices across cultures. (Newman & Nollen, 1996). Studies have found that national culture has an impact on HRM practices of the company. Many researchers pointed out that different HRM practices, such as recruiting, selection, training, rewarding and motivation are different or have to be adapted and adjusted to the broader culture. Stone –Romero & Stone (2007) indicate that HR recruitment and selection criteria have to differ as the characteristics of job applicants in each country is different within each cultural influence. During recruitment and selection process, companies have to consider the type of culture, because the attractiveness of a job heavily depends on it (Cable and Judge, 1996). A selection criterion is also different according to culture. For instance, objective selection methods and verification of applicant information are mostly used in universalistic cultures where everything is based on contracts (Trompenaars & Hampden-Turner, 1996).

In achievement oriented cultures different ability tests are mostly used as selection tools (Stone-Romero & Stone, 2007). The companies operating in the countries with such type of cultural characteristics ap-

precipitate this highly and emphasize the individual performance. In the countries such as China, Mexico and other countries with ascription oriented culture, selection criteria is based on the applicant's background, references, the university degree and in-group status (Aycan, 2007). Researchers have also found that culture influences the training methods to be used in different countries. As the learning behaviour is different across cultures, the standardization of training process may be unsuccessful. Thus, it is suggested to consider the culture and learning style and behaviour of people before the training. (Triandis, 1994).

Culture has a significant impact on other practices of HRM. The motivation and rewarding are culturally related. According to Hofstede (2005), the only motivation factor for masculinity cultures can be material-rewarding, however feminine cultures give less importance to material rewarding. Job security, friendly work atmosphere are highly appreciated compared with the masculine cultures. A rewarding system applied in individualistic cultures may not be successful in collectivist culture. Equity-based rewarding systems are more suitable for individualistic cultures where individualistic values, such as self-achievement, independence and individual needs dominate (Erez, 1994). People from collectivist cultures prefer equality or need based rewarding system. (Stone-Romero & Stone, 2007). Sparrow & Wu (1998) indicate that not all of the HR practices are culturally-bound. They found that planning, staffing and training are more culture-bound than career development, performance appraisal, pay and reward systems.

Tayeb (1987) also indicates that culture influences some aspects of organizational practices more than others. He indicates that institutional variables such as size, structure and technology influence formal characteristics of organizations in terms of centralization, specialization. However, cultural variables also influence the interpersonal aspects, such as communication patterns. Weber *et al* (1998) state that training and development, pay/benefits are best explained by organizational factors, such as sector, size and corporate strategy, while selection and recruitment are strongly affected by cultural factors.

Organizational size, structure and HRM

As it is mentioned above, not only culture and business strategy influence on HRM practices; size and structure of the company also have an impact on HRM practices. Studies have found that small sized companies have less complicated HRM practices comparing with large sized companies (Kok and Uhlaner, 2001). Small sized companies have greater flexibility and less rigidity in decision-making, which make them more informal. This in turn leads HRM practices to be flexible and based on informal rules. (Chanler & Mcevoy, 2000). As flexibility is an important determinant for the small sized companies, HRM practices have to be flexible to follow the dynamic atmosphere of the company. Michael-Muller (2008) indicates that small sized companies use informal channels in recruiting process. As HRM practices are not sophisticated in small sized companies, less complicated HRM practices are used to save time and cost. For example, studies have found that the selection process is based on CV and interviews in most small sized companies. Also, the lack of HRM policies and planning is noticed in small sized companies.

Unlike small sized organizations, processes are more sophisticated and formal in large organizations (Heneman, 2000). This also influences HRM practices of the company. Because of the characteristic of large organizations, HRM practices are more formal and standardized. The rules are standardized to manage the employment relationship in the organization. As the size is very large, it makes the management of processes more difficult. Thus, unlike small sized organization, HMR policies and planning is very essential for this type of organization. HRM practices are more widespread within larger organizations, with SMEs being less likely in larger organizations, which have adopted sophisticated practices for recruitment to conduct performance appraisals develop policies on discipline and equal opportunities (Bacon & Hoque, 2005).

Whether the company is bureaucratic or organic, this also influences on HRM practices of the company. The terms 'organic' and 'bureaucratic' are related to the behaviour management of employees (Bae *et al*, 2010), and are familiar concepts to organizational theorists. 'Bureaucratic' organizations achieve control and coordination via rules and procedures, while the internal culture and employee commitment to the organization are central to 'organic' organizations. The table below describes HRM practices in these companies.

Broad HRM areas	HRM practices	Bureaucratic organization	Organic organization
HR Flow	Recruitment & Selection Training & development Employment security	Low selectivity; short term needs; external hiring Limited training efforts Little security	High selectivity; long term potential; promotion from within Expensive specific training High security
Work systems	Task & Assignment Teams & Job redesign Control	Clearly/ narrowly defined jobs; same tasks for long time Little autonomy Rules and regulations	Broadly defined jobs; cross utilization High autonomy Values & mission

Reward systems	Performance-&-ability based pay Performance appraisal	Seniority bases pay; unfair pay practices Limited efforts; administrative purposes	Performance based pay, fair pay practices Extensive efforts; Development purposes
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III. Methodology

Introduction: Given that this research is exploratory, qualitative method was used to investigate this topic. Exploratory research is conducted for deeper understanding of current situations in companies. This method is suitable when there is lack of existing research and theories. Qualitative method is the most preferred technique for such exploratory research. This method enables the use of many open-ended questions in interviews, which is helpful to gain detailed data. As a research instrument, face-to-face interview was conducted. The interview questions are open-ended questions. This enables interviewees to describe the situation in their own way, and also creates an opportunity for mutual discussion about events. The data collection is based on primary and secondary sources from two oil companies (SOCAR and BP). Primary data includes the answers to the interview questions obtained from members of the subject companies. Secondary data includes reports, policy statements, formal written documents and company regulations. The data sampling process depended on the level of access to the organizations to enable research to be conducted. As the access to the organization is very important in qualitative methodology the target companies were selected based upon accessibility. One of the authors for this study was awarded a scholarship by SOCAR (a national Oil company) to study HRM. This relationship has enabled access to the company to obtain relevant data. Also access to BP AGT was made possible because the same researcher worked as an internee at the HR department.

SOCAR and BP AGT are large, multinational companies operating in Azerbaijan, dealing with the exploration and production of oil in Azerbaijan. As aim of this study is to investigate SHRM in these two target companies, interviews were conducted with the heads of HR departments, the heads of training and development, the heads of recruitment and selection, and the head of employee relations. Data analysis is based on synthesizing, which begins with an analytical task. In analytical section of this study, the data is broken down and the details are examined. After analysing the details, the synthetic task is presented. Here the data is put together based upon what was discovered through analysis. The process goes from analysis to synthesis and from description to interpretation. All the interviews were analysed by qualitative research methods (Taylor and Bogdan, 1984). The results of the interviews are reviewed against the relevant literature.

Qualitative research: Qualitative research is based on the use and collection of a variety of empirical materials, such as case study, life story, interview and personal experience to describe the situation (Denzin & Lincoln, 1994). It is an investigation that produces information not only by means of statistical procedures but also via other means of quantification. The qualitative method helps to study the events in their natural settings. This is one reason why this method is used for this study. The other reason is that this approach avoids using large volumes of population and samples as in quantitative research. This study will investigate two specific companies. Finally, qualitative research gives opportunity for the interpretation of the data. This includes developing a description of an individual or setting, analyzing the data and finally making an interpretation or drawing conclusions to be able to offer recommendation and to propose further questions to be asked of future research (Cresswell, 2003). One of the characteristics of qualitative method is face-to-face interactions with the interviewees who provide information for the study. Straus and Corbin (1990) claim that any phenomenon with limited information can still be better understood by using qualitative research methods. Such methods may also be useful in unearthing new insights or perspectives on topics about which much is already known. It is possible to obtain a greater depth of knowledge about the phenomenon.

Interview: As a research instrument, the study used interviews at the target companies. An interview is a research method that involves the researcher asking a set of questions to which they expect appropriate responses. Interviews serve the purpose of enabling participants to discuss their interpretations of a concept, as well as giving participants the opportunity to express their own point of view with regard to certain situations. (Cohen et al, 2000). The interview method involves questioning or a discussion of issues with one or more people. The interviews in this study was conducted face-to-face. The interview consists of 21 questions, which are addressed to all company members. Interview questions are linked with research questions and objectives. As the main purpose of the study is to find out to what extent SHRM is applied in target companies, the questions address this issue. Semi-structured interviews are used. Semi-structured interviews consist of a list of open-ended questions, based on the topic areas the researcher intends to study. The open-ended nature of the questions provides opportunities for both the interviewer and interviewee to discuss certain topics in more detail. Face-to-face or personal interviews are labour intensive, but can be the best way of collecting high quality data, especially when the

subject matter is very sensitive and if the questions are very complex, or if the interview is likely to be lengthy (Mathers et al, 2002). The questions used in the study are provided in the figure 1 below.

- Figure 1. Interview **QUESTIONS**
- 1) What is the business strategy of the company?
 - 2) To what extent HR strategy is understood and practiced in the organizations?
 - 3) What is the companies HR strategy and how it is defined?
 - 4) How the employees are aware of the company's business and HR strategy?
 - 5) How are the company's values and mission expressed? Are they expressed through the strategy?
 - 6) How well do organization's mission and strategy match its environment, markets, regulatory constraints, and so on?
 - 7) How closely HR planning linked to business planning?
 - 8) How do you link employee behaviours with the strategy?
 - 9) How is the HR function involved in major strategic decisions made in the company?
 - 10) How are the HR practices integrated with Business strategy?
 - 11) How are the HR practices integrated with each other?
 - 12) How is the recruitment/ selection process linked with the business strategy?
 - 13) How is training process linked with business strategy?
 - 14) How is the performance appraisal process linked with the business strategy?
 - 15) How do you describe the structure of the company?
 - 16) What do you think, does the structure of the company has impact on the HR practices?
 - 17) How HR practices are different in this company and why? What do you think, is it because of the sector, industry or any other factors?
 - 18) How do you think, does national culture has impact on the HR practices of the company? How is it affected to the recruitment/ selection, training and performance system
Is your company small-sized, medium sized or large company?
 - 19) How does the size of the company affect HR practices ?
 - 20) What are other factors that affect HR practices which are not mentioned in the questionnaires?
 - 21) Does the company implements HR practices in its own way that is specific only for the company or type of this company? and How are they implemented?

Sampling: In quantitative research, sampling is the selection of a group of persons from a population, with each person having an equal chance of being selected. The objective is to draw a representative sample, so that the results obtained can be generalized to the wider population. However, it is different in qualitative research. Researchers indicate that in qualitative research the concern is with the issue of access (Silverman, 2005). When the researcher intends to interview an individual or a groups of persons, he or she must gain access, which means getting permission to be physically present to gather the data. The companies in this study have been selected on the basis of access. Potter (1996) indicates that in qualitative research,

there are two main reasons for selection of the sample. First, the researcher might select a person or persons to investigate because of efficiency or convenience. Evidence is collected from people who are easily available to support the researcher's arguments. Second, the researcher might want to select a sample based on representativeness or a critical case or a typical case. Lincoln and Guba (1985) emphasise that the guiding principle of sampling in qualitative research is one of convenience. An important consideration in sampling is whether there are people available who will allow the researcher to collect data about them. Thus, convenience sampling was chosen to undertake the research.

Therefore, because of the characteristic of the focus of the topic, two large, multinational companies, SOCAR and BP AGT were selected as subjects for this research. SOCAR is State Oil company of Azerbaijan Republic which has 80,000 employees. The company is state owned. However, unlike the other governmental organizations, such as ministries, the company does not get any money from the state. SOCAR gets annual income from the oil production and sale and has its budget. BP is a multinational oil company operating in UK, USA, Angola, Alaska, Azerbaijan and other countries. BP AGT is the name of the region where BP is dealing with oil exploration and production. AGT is related to three countries in this region: Azerbaijan, Turkey and Georgia. BP explores oil in Azerbaijan and transports oil to the Black Sea through Georgia and Turkey. BP offices in Turkey and Georgia are very small with small number of employees who reports to the office in Azerbaijan. All operations are conducted in Azerbaijan. SOCAR and BP are partners and explore the offshore oil reserves with Product Shared Agreement (PSA).

Data Collection: Both primary and secondary data will be used. Primary data was collected through using in-depth interviews. Company websites, documents, reports and policies will also be studied to supplement and

confirm information gathered from the semi structured interviews. This is to ensure that all relevant information is provided to create a broad picture to understand the context of the company. Researchers indicate that successful data analysis depends on how the interpreted data is related to the basic questions posed in their study (Scandura, 2000). Thus, the data analysis here will be based on the interpretation of data obtained under the headings of research questions. Tables will be used to create a good understanding about the case. As it is indicated that qualitative data is multifaceted and complex, therefore tables are used effectively to express this complexity. Data analysis was based on synthesizing, which begins with the analytical task. In the analytical section of this study, the data is broken down and the details are examined. After analyzing the details, the synthetic task is presented. Here the data is put together based upon what was discovered through analysis. The process goes from analysis to synthesis and from description to interpretation. All the interviews were analyzed by qualitative research methods (Taylor and Bogdan, 1984). The results of the interviews are compared with relevant literature.

IV. Data Analysis

This research is aimed at discovering how SHRM is implemented in Azerbaijan. This section discusses the analysis of the results of interviews conducted with the HR department of two target companies, SOCAR and BP AGT Region. First, information about the business strategy and HR strategy, process and policies are presented based on reports, web sites and Code of Conducts of the companies. This data is presented to give the context of each company. Secondly, the interview answers are presented and analyzed separately for each company under the headings of the research questions. The results of the interviews conducted at HR departments of SOCAR are presented first, followed by the responses of HR departments of BP AGT Region.

At SOCAR, three people were interviewed. These people were the Head of Recruitment Department, the Head of Training and Development department and the Head of Employee Relations Department. At BP AGT, three people were interviewed. These people were the Head of Resourcing team, the Head of Training and Development team and the Head of Employee relations team. The number of questions addressed

to the Head of department or Team leaders were twenty three. These questions are related to research objectives and linked to the research questions. Each research question was addressed by five or four questions. Thus, the questions addressed by the target companies are categorized under research questions. State Oil Company of Azerbaijan Republic (SOCAR) is one of the largest oil companies in the world. The company utilizes oil reserves based on the indivisible state policy, to improve the management structure of the oil industry, to provide development of the petroleum energy complex for this purpose under the order of the president of Azerbaijan Republic on the basis of the public concerns and interests of SOCAR (<http://socar.az/about-en.html>).

Ministry of Oil Industry was founded in 1954-1959. Its name was changed to “Azerneft”. The Company was dealing with the management of the oil industry in Azerbaijan, increasing oil production and oil-related products. Now, the formal name is State Oil Company of Azerbaijan. (<http://socar.az/about-en.html>). The managerial structure of the company was confirmed in compliance with the point 4 of the Charter. The management of the company includes the President, the vice-president, the first vice-president on development of geological, geophysical works, as well as the apparatus of the company. The vice presidents include: the first vice-president on geology, geophysics and field development, Vice-president on economic issues, Vice-president on refining, Vice-president on human resources, regime and information technologies, Vice-president on oil-gas production and transportation, Vice-president on social issues, Vice-president on strategic development, Vice president on ecology. SOCAR has 80,000 employees (<http://socar.az/struc-en.html>).

Business strategy of the company: The business strategy of the company is to develop the oil and gas industry as a unique structure and meet the internal demand for oil and gas products. This is confirmed by the decree issued by the President of Azerbaijan Republic in 2003. The company follows the Constitution, the laws of Azerbaijan Republic, the decrees and orders issued by the President of Azerbaijan Republic, the decisions and orders of the Ministers Council of Azerbaijan Republic, the other normative acts, the international agreements joined by the Republic of Azerbaijan, the agreements concluded in the filed of oil and gas exploration and development confirmed according to the effective laws of Azerbaijan Republic and this Charter.

The main purpose of the company includes the development, exploring and processing of oil and gas fields, including both the shore and offshore areas, the transportation of oil, gas and condensate and the products received of them, processing and sale, the reliable meeting the needs of consumers in the corresponding energy carriers, carrying out of other kinds of activity. In order to achieve the purposes contained in the point 2.1 of this Charter, the Company provides:

- The production of oil, gas and condensate, the reliable activity of the transportation and processing systems;
- The sale of crude oil, natural gas and the goods received as a result of processing of them in the internal and foreign markets;

- Meeting of the country economy and the population in oil, gas and condensates, as well as the other products received as a result of their processing and meeting the modern consumption requirements, as well as the other corresponding works and services;
- Drawing up and fulfillment of the arrangements directed towards the protection of environment;
- The using of technologies and equipment saving on energy, as well as the ecological pure technologies. (<http://socar.az/regulation-en.html>)

HR policy of the SOCAR: The HR policy of SOCAR includes effective management of people to make the company: (1) to give contributions to the improvement of the economy of Azerbaijan; to meet the expectations of stakeholders and partners; to value its employees and their families; to utilize its resources effectively as a global company; to be sensitive to the environment, safety and health of employees; to meet the quality standards; to apply modern technology in the company; to provide employees commitment and engagement.

For the effective implementation of HR policy, the aims of the company are: to create effective HR regulations; to define of qualitative and quantitative indicators of HR; to achieve effective recruitment, selection, placement, training and development of the employees; to achieve effective evaluation of performance of employees; to provide career development planning and implementation; to support talent management; to ensure safety management; to support development of employee relations; to increase employee motivation; to consider the concerns of employees and Azerbaijani citizens; to standardize of HR management practices and processes.

Mission: The Mission of the company is the centralized planning, implementation and evaluation of the process of HR Management processes in every structural unit of SOCAR.

Main values: the values of the company are based on the following: transparency and professionalism; objectivity and justice; punctuality; moral integrity and sincerity; patriotism; legislation and principality; development and innovation; engagement and commitment.

Analysis of interview questions answered by SOCAR The questions were addressed to, Head of Training and Development, Head of Recruitment and Head of Employee Relations. Their responses are presented under the headings of the research questions.

To what extent is the HR strategy understood and practiced in the organizations?

The HR strategy is understood at SOCAR on a satisfactory level. Although the HR department and the concept of HR are new to the company, the head of departments tried to explain HR strategy and the contribution of the different practices to the HR strategy and business clearly. According to the head of Training and Development, *the HR strategy of the company is to attract new employees from the young generation. He stated that the majority of the company employees consist of old aged people. These people are not appropriate to compete in the market and in a flexible environment.* Thus, company now tries to employ young and energetic people. The head of Recruitment department, stated that the HR strategy of the company is to provide a system that is based on transparency, dignity and integrity in order to provide training opportunities and work and life balance in the company.

They mentioned that the company decided to implement new and modern HR system. As Azerbaijan was part of USSR, the company and people was managed and controlled as it was in the Soviet period. This system is not effective for a country in a transaction period. The company has to be flexible to the changes and apply globally effective standards to keep a competitive advantage. Thus, an HR system like the ones at BP and Total is planning to be applied in SOCAR. The Head of Employee relations stated that the strategic HRM is not on the desired level now, but the company is working towards the creation and application of a new strategic HR system. The creation of new HR departments will serve to improve the

effective application of new HR policies and practices and provide effective implementation of strategic HRM. The implementation of a new system is difficult because of the size and structure of the company. Thus, the company is planning to do it stage by stage. *“By the way, I would like to mention that the creation of new HR department and policies doesn’t mean that HR has not existed in SOCAR before. We changed the name from Personnel Management to Human Resources Management and work on new policies and practices to create an effective HR system.”*

However, The HR Heads are not aware of the company’s business strategy to a satisfactory degree. For example, the head of training stated that he is not the right person to talk about the company’s business strategy. He stated that he doesn’t have information about the values and mission of the company. He said, *“Probably, the mission of the company is to get more oil from the wells and the company doesn’t have values. The mission of the company is likely to be going beyond Azerbaijan, to be open to the global market and to be an international company. Thus, we made some investments in Georgia and with the help of BTC pipeline we*

export our oil to western and Eastern Europe". The head of Recruitment and Selection department stated that the mission of the company is under construction. He stated that HR values are expressed through the business strategy.

Regarding the question of how employees are aware of the company's business and HR strategy, The head of Recruitment and Selection stated that the employees are aware of the company's strategy through its websites. As a new HR system is going to be applied, the employees will be aware of the system through the intranet and the Code of Conduct, which is planning to be prepared in October 2011. One part of Code of Conduct will be about HR. This part will cover the role of HR at SOCAR, the privileges and benefits of employees, compensation packages and different information about the human resources aspect of the company. He also mentioned that once a month or in two months, they are planning to make presentations in each department. The presentation is likely to be about the resourcing activity, policy, rules and guidelines. This will help the people to be aware of the company's general strategy, HR strategy and make them understand their contribution to the company. Also, this idea doesn't cover the HR department, but all other departments. "And we also make presentations in some universities about SOCAR to make the people aware of our business and attract the best employees to the company by giving information about the company and creating a good image about the company." The Head of Training and Development department gave a contradictory answer. He stated that the people are not aware of the company's business strategy, mission, and vision. "They deal with their own daily routine jobs and don't care about the business strategy, as this is not useful information for them. Employees do not have a vision either. Only top managers are aware of the business strategy, mission and vision".

What is the HR strategy of the company and how it is defined?

According to the Head of Training and Development Department, the HR strategy of the company is to attract the best employees to the company and to develop their competences. Head of Recruitment and Selection Department stated that HR strategy of the company is to create an HR system based on transparency, dignity, integrity, to provide training opportunities for the employees and work/life balance in the company. According to his words, the HR strategy is defined by the Strategic planning division. The planning is defined for 5 -10 years. The HR department is working with this division together to deal with the Human Resources issue. He explained that, "For example, there is a project for building a new oil refinery plant in Azerbaijan, which is a costly and huge project. We have money, we have material resources and everything. However, we don't have enough professional technicians, or other employees to work at this plant. Thus, we are working with this division together to decide how many employees we need for this project and which techniques we use to recruit and develop". According to the Head of employee Relations, *HR strategy of the company is effective implementation of HR planning and provision of effective HR system. Here the quantity and quality of the work is highly considered. These quality and quantity indicators are identified for all parts of business, also for HRM.*

Are the HR practices linked with the HR Strategy of the company?

The interviewees answered that HR practices are linked to HR strategy and Business strategies. First, the business Strategy is defined, and then the role of HR is identified. Different HR techniques and methods are worked on to serve the HR strategy overall and give contributions to the business strategy. The HR strategy of the company is to attract best employees, to develop and to retain them, according to one of our respondent. He mentioned that the company is working on new methods to attract the best employees. The problem is not only with attraction, but how to retain them. The main problem that the company faces is that many employees leave the company to work in BP and Total. These are the professional employees, who have received experience at SOCAR. After gaining some experience and development they leave the company to work at the other companies. Thus, in order to overcome these problems SOCAR is applying different practices and policies regarding recruitment, training and retaining of the employees. One of the respondent stated that this process consists of two stages. First stage is to attract the best candidates. This is done by providing scholarships, bursaries and summer intern programmes to attract newly graduated technicians or non-technicians. "With the help of these method we hire 100 newly graduates every year. Second stage consists of providing training to these people to acquire relevant knowledge and skills for the job."

Our investigation revealed that the company thinks about attracting required human resources to the company according to HR planning. This includes how they will recruit people externally or internally, how they select and place them and provide adaptation of the new employees to the new company. This includes the recruitment and selection of the people. However, there is another department that deals with the training and development of the employees. He states "[w]e are planning to create a centralized Training and Development system. As you know, SOCAR is a very huge company with different production, refining plants, hospitals, museums and so on. We want to create a training system that is controlled from one centre- the Training and Development Department. It will reduce the cases where the above mentioned subsidiaries of SOCAR had implemented their training planning individually. We are planning to create a centralized Training and Development

system because we want to identify training needs by applying the same processes and procedures in all facilities of SOCAR. We want to link the evaluation of work performance of the employees with training systems. After the performance appraisal of the employees, the results related to the training and development are analysed by the Training Department. These results have to be analysed and linked with Career development. If there is a link between career development and training needs then the training of the certain employees has to be realized. At the same time, we are planning to conduct training surveys periodically based on the supporting budget of the company. The Training and Development system is planning to be implemented based on the performance appraisal and conducted surveys and career development". The head of recruitment and training further added that: "Besides that, we are planning to achieve an effective performance appraisal management system of employees. This is a very important thing in HR management. Performance appraisal will enable us to know whether the job requirements are performed effectively and efficiently by the employees. We cannot apply a 360 degree system in SOCAR. We are talking about the performance evaluation of 30,000 employees where this method is not effective to be applied. It is required that the employee provides a report for the next year. The pension system and other systems are planned based on this report. We cannot do it in the middle of the year. We are planning to implement performance evaluation once a year and then try to reduce the weaknesses. But we think about the method where the employee's participation also exists in performance appraising. Employee's performance will be measured according two dimensions: personal and professional."

Our study revealed that, another thing that the company wants to achieve is intrinsic motivation of the employees. Based on the performance evaluation of the employees, different categories are planning to be formed. These categories are formed based on the personal and professional outcomes of the employees. Motivation of employees will be implemented based on these categories. As one of the respondent imdi

states: "We want to achieve integration between HR practices itself and HR practices and business processes. We want to create an effective standardised HR system based on the above mentioned methods and practices". With regards to the question about how employee behaviours are linked with HR strategy, one of the respondents stated that "we are working on that. Certain competences are going to be identified. Based on these competences, the company's mission will be defined. Through this mission the employees will know what is required from them to do. Also, the company's recruitment strategy will be based on this mission"

one of the respondents stated that each employee has to know that he has to be effective and performs the work very well. He has to know that in order to be effective he has to do it in that way. Thus, "we are working to identify certain skills and behaviours for our employees to deliver effective performance. We created the HR strategy, and the HR strategy is reflected in the charter of the company, the provisions of the charter are described in the job descriptions and person specifications, business processes and technical documents. There is left one document which is Code of Conduct. This code of Conduct identifies certain employee behaviours in order to deliver effective outcomes. The required skills and behaviours are different regarding with job positions. For example, there are certain behaviours that are obligatory for HR person; however it is not necessary for an accountant. These behaviours and skills are reflected on the job descriptions and Code Conduct. We try to avoid the duplication and repetition in both documents".

V. Conclusion and Recommendations

This study examined whether SHRM is applied in Azerbaijan. To investigate this study qualitative method of data collection were used to generate the data required to achieve the objectives of the study. Interviews were conducted with Heads of resourcing, Training & Development, Employee Relations at both companies with the aim to investigate research objectives. The findings show that SHRM is applied at these companies, which are the most popular and two of the largest companies in Azerbaijan. Foreign-based company, BP AGT is more experienced in SHRM. However, SOCAR considers the importance of SHRM and differentiates it from administrative HRM or Personnel Management. For this purpose, new policies and systems are being created for the application of more strategic HRM. HR is involved in strategic and business planning at both companies. The study also reveals that HR strategy is part of business planning and strategy and that these activities are always coordinated to make a contribution to the overall organizational goals. Not only horizontal integration, but also vertical integration of HRM practices is applied at these companies to implement SHRM more effectively. Furthermore, it is discovered that culture, industry, size and structure of the company have an impact on HR practices. These factors influence on recruitment and selection processes, training, motivation, rewarding of employees.

Theoretical implications: The study confirmed that SHRM is different from traditionally applied HRM. Strategic HRM is more aligned with business strategy and different from administrative HRM. The study also confirmed that integration of HRM practices with business strategy is a more effective approach to SHRM. Further, the findings in the study strongly support the impact of culture, size and structure, industry on HRM practices. Thus, the findings of the study contradict the universalistic approach in SHRM.

Practical Implications and recommendations: The study reveals that some of Head of HR are not aware of the business strategy. HR people have to be familiar with the business strategy, policies and procedures. They have to get broad information about organization and how it operates. Employee awareness of business strategy is more important. This integrates employee behaviours with the strategy. In BP, it is not the case, but in SOCAR this is strongly recommended to achieve organizational goals. Employee behaviours have to be integrated with business values and strategy. From the recruitment and selection

process, this has to be coordinated. Taking the business strategy into account, certain employees with required skills and competences have to be recruited. Person-fit-job and person-fit-organization approach has to be applied. After selection, this behaviour-shaping process has to be ongoing with training, rewarding processes and organizational culture. Companies have to ensure that senior managers develop strategic management skills. Managers must understand how to analyze their environment and to monitor the important aspects of it. They must know how to implement a strategic planning process within their organization. They must understand the role of corporate culture in shaping employee behaviour and have the skills necessary to manage changes in culture. Furthermore, team-working has to be encouraged. Employees have to be given power and authority to make decisions. This is achieved by empowering employees. Empowerment is considered one of the effective processes to motivate employees. Management and employee development programmes can be also effective. This is the important case in SOCAR. SOCAR is implementing a new recruitment strategy, which is designed to attract new graduates and to create a younger organization. On the other hand, older people in the management positions have to be developed with relevant leadership programmes. This can help them to avoid of application of former USSR management attitudes.

Employee safety and health has to be major priorities for these oil companies. They have to promote it within the organization. As in BP, SOCAR has to adjust its recruitment and selection, training and other practices to make a contribution to promote health and safety in the organization. The use of research questions about safety reveals employee attitudes toward safety. These behavioral questions are very important and have to be one of the priority questions among the interview research questions. The employees have to get ongoing information about safety policies and procedures, and rigid punishments for breaking safety rules have to be identified. Punishments discourage people from undesired actions. This is resulting in shaping certain employee behaviours that can yield positive outcomes.

Limitations of the Study: There are some limitations of this study. The limitations are size of sample and lack of access to some key people. In terms of sample, it would be better to involve some more public or private companies to conduct this study. However, there is limited or no access to these companies. To improve this research, it would be better to interview some of the lower-level employees (technicians) as well as heads of HR departments and managers. However, these people were busy and there was lack of time to realize it. A lack of academic articles about the HR management in Azerbaijan also created difficulty in terms of literature about existing HR system in Azerbaijan. In conclusion, this study reveals that SHRM is implemented at the target companies in Azerbaijan. The importance of SHRM is highly understood and practiced. The study found interesting findings about the awareness of employees about business strategy and HR strategy at the companies. It also confirmed the existing literature about the impact of culture, size and structure of the company on HRM practices.

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