Performance Implication of the Relationship between Competitive Strategy and SHRM Practices on Employee Outcomes in Saudi Banks a Field Study

Reda Mesilhy Ahmed Ismail
Assistant Professor, Business Management
College of Business
King Khalid University
Saudi Arabia

Abstract

This search investigates the interaction effects of two competitive strategies (differentiation and low-cost) and strategy human resource management (SHRM) practices (recruitment & selection, training & development, compensation, performance management, employment security and work-life balance) on employee outcomes (organizational commitment, turnover intention, employee involvement and job satisfaction). These relationships are further analyzed on the extent of differences between Public and private banks in Saudi Arabia. Structural Equation Modeling (SEM) is used to examine the effect of the three variables and the invariance effect of the two types of banks. The results show that SHRM practices mediate the interaction of competitive strategy and employee outcomes. Furthermore, the effects of competitive strategy and SHRM practices on employee outcomes in Public banks are only slightly different from the ones implemented in Private Banks specifically, the moderation analysis shows invariant between differentiation strategy and variant in low-cost strategy.

Keywords: SHRM, HR Strategy, competitive strategy, Employee Outcomes, Competitive Advantage.

1.Introduction

Organizations are seeking to create much competition between them, taking more market, more customers, more sales, etc. Rapid changes stemming from globalization, advancement of information systems and other factors have caused higher competition. Many organizations are driven by the market to set their goals in their performance. Some of the goals are: cost reduction, achieving sales levels, increasing the number of customers, increasing the market percentage, improving productivity and quality, innovative products. The realization of these goals will be achieved through the human resources management in organizations. Workforce, as the key to success, will enable the achievement of superior performance. And is also believed to be main driver for sustainable competitive advantage (Delery & Shaw, 2001; Ulrich, 1997).

According to Armstrong and Baron (2004), people and their collective skills, abilities and experience, coupled with their ability to deploy these in the interests of the employing organization, are now recognized as making a significant contribution to organizational success and as constituting a major source of competitive advantage. The practices of SHRM such as resourcing, training and development, employee relations and reward management are concerned with how people are employed and managed in organizations so as to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce. Cole (2004) emphasize that the HR function brings in the strategic value of people in organization by making contribution to value added and contribution to competitive advantage. The organization relies on HR as its employees. Effective HRM strategy systematically organizes all individual HRM measures to directly influence employee attitude and behavior in a way that leads business to achieve its competitive strategy (Huang, 2001). In view of the fact that the goals and the necessities of each of the competitive strategy types are different, the management of HR of the organization should be aligned with the overall organization strategy. The firm can thus obtain a competitive advantage and thus achieve superior performance (Kelliher & Perret, 2001).

There are a number of studies (Appelbaum, 2000; Huselid, 2005; Wright, 2005: Schuler & Jackson, 2001) focusing on the main competitive factors of business organizations because of their contribution in the global economy. The quest for competitive advantage has long been a central tenet of the field of strategic management (Armstrong, 2009).

Within this field, the configurationally theory has emerged as a promising new framework for analyzing the sources and sustainability of competitive advantage. In SHRM, internal fit and external fit are the two main research streams. Scholars have long held that in addition to internal organization characteristics, environmental characteristics also significantly influence organization performance since the external environmental characteristics represent customer demands and nature of market competition which are important determinants of organization performance.

In an effort to address such theoretical developments in this area, researchers have proposed further studies to consider intermediate linkages between SHRM and organizational performance (Ferns et al., 2008). Accordingly, a better understanding of the role of SHRM in creating and sustaining organizational performance and competitive advantage should be achieved through further theoretical development and empirical evidence. Most studies examining the relationship between SHRM practices and organization's performance have been conducted mostly in developed countries like United States and United Kingdom,(Purcell,2003; Guest,2003; Marchington & Wilkinson,2007; Leung,2003;Grant,2008) and that only a few researchers have measured the mediators and addressed their importance. The majority of this work in SHRM adopts the resource-based view perspective which tends to ignore contextual variables, particularly competitive strategies, which influence organizational performance. The scarcities of such studies showing association between SHRM practices and organizational performance and also the mediating role of competitive strategies in the Kenyan context makes it important to further explore the critical role of SHRM.

As the role of banks in Saudi Arabia continue to increase in importance, they continue facing the challenges of improving quality and improving people skills, managing workforce diversity, responding to greater globalization and stimulating innovation and change. Where the kingdom has 24 commercial banks, including 12 branches of foreign banks. The total number of employees stood at 57,479 by the end of 2016. The total reserve assets of the Saudi Arabian Monetary Agency stood at SR1 billion at the end of 2016. A decline of 2.8% over the year 2015. Combined profits from 12 Saudi banks raised from $ 9.3 billion in 2012 to $ 11.7 billion in 2015, representing an annual growth rate of just under 8 percent, a huge profit that should provide a significant contribution to society. Based on the Kingdom of Saudi Arabia National Transformation Program 2020 and 2030 Vision. So The Banks located in KSA are required to provide high performance in multiple aspects to face the challenges and the huge changed coming up gradually due to the decisions that have been made previously. Which will make the country welcomed the world wider and making the country suitable for attracting the foreign investments because the country is preparing to moving away its economy from depending on the oil production. Also, the banks sector needs to assist its employees highly to be ready for the transformation(http://www.maaal .com/ archives /20170323/88825)

Therefore, this search aims to gain an insight into the interaction effect of competitive strategy and SHRM practices that might have the impact on employee outcomes. It also seeks to delineate whether types of banks could moderate these relationships. Where Saudi banks must increase their accesses to markets and knowledge by reading correctly changes in external market. This search may, therefore, be valuable to researchers and academicians in providing more knowledge on contributions of competitive strategies to organization's performance. The corporate organizations have a great potential for improvement of quality, profits, innovation and competitiveness.

The structure of this search is as follows: First, background and hypotheses is outlined. Then, methodology and data analysis is introduced. Next, findings of this study are presented and follow by discussion. Finally, contribution and implications as well as the conclusion of this study are addressed.

1.1 Background and Hypotheses

According to Ferris, Hochwarter, Buckley, Harrel-Cook & Frink, (1999), SHRM divided into universalistic, contingency and configurations perspectives. Universalistic perspective claimed that the availability of a set of HRM practices that are combined to perform effectively better than others that do not, hence, suggested to all organizations to adopt these practices (e.g. Geringer, Frayne & Milliman, 2002; Truss, 2001). The contingency approach is attempted to link variations of SHRM practices to specific organizational strategies (e.g. Hoque, 2000; Khatri, 2000).

The configuration's perspective is referring with how patterns of multiple, planned human-resource deployment and activities achieve the organization's goal and argued that HRM practices should look as a system than individually (Doty, Glick & Huber, 1993; Meyer, Tsui & Hinings, 1993).

Performance Implication of the Relationship between competitive Strategy and SHRM Practices on Employee Outcomes

The previous SHRM research suggested that SHRM practices have an impact on organizational performance through employee motivation. Employee motivation provides better employee outcomes and found to have a significant impact on productivity and performance (e.g., Gelade & Ivery, 2003; Huselid, 1995). SHRM practices were seen as "signals" of the organization's intentions toward its employees and were interpreted as such by individual employees (reviewed by Rousseau & Greller, 1994). Greater training hours linked to higher performance (e.g., Gowen & Talion, 2003; Huang, 2001; Huselid, 1995; MacDuffie, 1995). Performance management, for example, one of the SHRM practices found to have strong positive relationship with organizational performance (e.g., Chang & Chen, 2002; Delery & Doty, 1996; Huselid, 1995). The effective recruiting and selection practices with appropriate compensation elements found to have the relationship with performance.

Ichniowski & Shaw, 1999; Huselid, 1995). However, Guest (1999) noted that very little research focuses on employees' reactions to HRM. Hence, the hypothesis about the influence of HRM practices is provided as follows: **Hypothesis 1:** There is the positive relationship between HRM practices and employee outcomes, thus playing the mediation role between business strategy and employee outcomes in Saudi Banks.

Comparing Public and Private Limited Companies

Majority of the existing research concentrated on SHRM practices and performance in large organizations and not so much on the small organizations. Large organizations have been recognized human resources as an essential part of the mix for greater performance and national economic growth (Price, 2004). The deficiency of information concerning SHRM in small organizations is challenging for theory, research, and practice (reviewed by Heneman R. L., Tansky & Camp, 2000). Managers of small businesses have ranked HRM as the second most important management pursuit behind general management activities (reviewed by Hornsby & Kuratko, 1990). Previous research findings concluded that smaller organization has informal HRM practices (reviewed by De Kok J. M. P. & Uhlaner, 2001) and adopted traditional HRM paradigms or practices (e.g., Barron, Black & Loewenstein, 1987, Heneman H. G. & Berkley, 1999; Hornsby & Kuratko, 1990; Katz, Aldrich, Welbourne & Williams, 2000; De Kok J. M. P. & Uhlaner, 2001; De Kok J. M. P., Uhlaner & Thurik, 2003). However, Deshpande and Golhar (1994) illustrated that HRM practices in small organizations were as sophisticated as in large organizations.

Hence, the hypothesis about the influence of types of companies is provided as follows: **Hypothesis 2:** Types of organizations moderate the interaction effect of business strategy and SHRM practices on employee outcomes in Saudi Banks.

2.Literature Review

The achievements of organizational objectives can be different in different organizations. Studies emphasize the impact of human resources management on organizational performance. In essence, and other studies in this area, we point out that it is necessary to achieve organizational goals and human resource management must be a strategy. SHRM strategies should be integrated with the overall organizational strategy in the context of achieving the required performance. There has been a lot of research on strategic HR management that affects organizational performance. The discussions and definitions will be divided into two parts: strategic management of human resources and the achievement of the organization's competitive strategy

2.1 Strategic HRM concept:

Strategic HRM is a process that involves the use of overarching approaches to the development of HR strategies, which are integrated vertically with the business strategy and horizontally with one another. These strategies define intentions and plans related to the overall organizational considerations, such as organizational effectiveness, and to more specific aspects of people management, such as; resourcing, learning and development, reward and employee relations. Strategic HRM focuses on actions that differentiate the firm from its competitors (Purcell, 1999). It is suggested by Hendry and Pettigrew (1986) that it has seven meanings:

• The use of planning;
• A coherent approach to the design and management of personnel;
• Systems based on an employment policy and workforce strategy;

- Often underpinned by a "philosophy";
- Matching HRM activities and policies to some explicit business strategy;
- Seeing the people of the organization as a strategic resource;
- Achievement of competitive advantage (Armstrong, 2006);

Strategic HRM has a clear focus on implementing strategic change and growing the skill base of the organization to ensure that the organization can compete effectively in the future (Holbeche, 2004). SHRM facilitates the development of a human capital that meets the requirements of business competitive strategy, so that organizational goals and mission will be achieved (Guest, 1987). Strategy of human resource management is an integral part of business strategy. The main focus of this strategy is to achieve organizational objectives. So, strategy, then, is a set of strategic choices, some of which may be formally planned. It is inevitable that much, if not most, of a firm's strategy emerges in a stream of action over time (Boxall and Purcell, 2003).

2.2 Competitive Strategies

Crucial to a firm's growth and prosperity is the ability to gain and retain competitive advantage. One way to do this is through strategic initiative. MacMillan defines "strategic initiative" as the ability to capture control of strategic behavior in the industries in which a firm competes (MacMillan,2001). To the extent one company gains the initiative, competitors are obliged to respond and thereby play a reactive rather than proactive role. MacMillan argues that firms that gain a strategic advantage control their own destinies. To the extent a firm gains an advantage difficult for competitors to remove, it stays in control longer and therefore should be more effective. The concept of competitive advantage is described by Porter (Porter's, 1985) as the essence of competitive strategy."' Emerging from his discussion are three competitive strategies that organizations can use to gain competitive advantage: innovation, quality enhancement, and cost reduction. The innovation strategy is used to develop products or services different from those of competitors; the primary focus here is on offering something new and different. Enhancing product and/or service quality is the primary focus of the quality enhancement strategy. In the cost reduction strategy, firms typically attempt to gain competitive advantage by being the lowest cost producer. Although we shall describe these three competitive strategies as pure types applied to single business units or even single plants or functional areas, some overlap can occur. That is, it is plausible to find business units, plants, or functional areas pursuing two or more competitive strategies simultaneously. This and how to manage it.

Competitive advantage model argues that employers have three basic strategic options in order to gain competitive advantages: cost reduction, quality enhancement, innovation (Schuler & Jackson, 1987). Among the key business issues that may impact on HR strategies include proposals on increasing competitive advantage through innovation leading to product/service differentiation, productivity gains, improved quality and cost reduction (Armstrong, 2009). Business strategies may be influenced by HR strategies which are concerned with making business strategies work. Wright and Snell (2005) suggest that seeking fit requires knowledge of the HRM practices necessary to elicit those skills and behavior, and the ability to quickly implement the desired system of HRM practices. The competitive strategies tend to apply Porter's (1985) ideas on strategic choice. Porter identified three key basis of competitive advantage: cost leadership, differentiation through quality and service and focus on 'niche' markets. Schuler and Jackson (1987) used this as their model of SHRM where they defined the appropriate HR practices and policies to fit the generic strategies of cost reduction, quality enhancement and innovation. They argued that business performance will improve when HR practices mutually reinforce the organization's choice of competitive strategy. Thus, in Schuler and Jackson's model, the organization's mission and values are expressed through their desired competitive strategy. This in turn leads to a set of required employee behaviors, which would be reinforced by an appropriate set of HR practices. The outcome of this would be desired employee behavior that is aligned with the corporate goals, thus demonstrating the achievement of vertical integration.

2.3 Linkage between competitive strategy and HRM practices

The emergence of SHRM is a result of organizations' strategic management tendencies. In today's management practices, all business functions try to link their work methods and practices with organization strategy to achieve higher organizational performance. So, as it is stated by Miles and Snow (1984), SHRM emerges when HR departments try to harmonize their strategies, processes and practices with firm strategies. If you do not observe such a link between HRM and firm strategies, HRM stay as a functional process in the organization.

For organization, strategic human resource management practices can be thought as a tool to achieve competitive advantage. Because strategic human resource management practices are aligned with organization strategy to achieve higher organizational performance (Wright and McMahan, 1992; Jackson and Schuler, 1995). According to Schuler (1992), SHRM is related to effective use of human resources of companies to achieve strategic needs of organizations. According to Wright and McMahan (1992:298), SHRM is "the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals."

Before developing a linkage between competitive strategy and HRM practices, there must be a rationale for that linkage. This rationale gives us a basis for predicting, studying, refining, and modifying both strategy and practices in specific circumstances. Consistent with previous research, the rationale developed is based on what is needed from employees apart from the specific technical skills, knowledge's, and abilities (SKAs) required performing a specific task." Rather than thinking about task-specific SKAs, then, it is more useful to think about what is needed from an employee who works with other employees in a social environment.'^ These needed employee behaviors are actually best thought of as needed role behaviors."' The importance of roles and their potential dysfunction in organizations, particularly role conflict and ambiguity, is well documented." Based on an extensive review of the literature and secondary data, several role behaviors are assumed to be instrumental in the implementation of the competitive strategies.

According to Ferris, Hochwarter, Buckley, Harrel-Cook & Frink, (1999), SHRM divided into universalistic, contingency and configurations perspectives. Universalistic perspective claimed that the availability of a set of HRM practices that are combined to perform effectively better than others that do not, hence, suggested to all organizations to adopt these practices (e.g. Geringer, Frayne & Milliman, 2002; Truss, 2001). The contingency approach is attempted to link variations of HRM practices to specific organizational strategies (e.g. Hoque, 2000; Khatri, 2000). The configuration's perspective is referring with how patterns of multiple, planned human-resource deployment and activities achieve the organization's goal and argued that HRM practices should look as a system than individually (Doty, Glick & Huber, 1993; Meyer, Tsui & Hinings, 1993).

2.4 Hypotheses of Competitive Strategy-HRM Archetypes

Based on the above descriptions of competitive strategies and the role behaviors necessary for each, and the brief typology of HRM practices, we offer three summary hypotheses.(P. F. Drucker, 1987)

2.4.1 Innovation Strategy

Firms pursuing the innovation strategy are likely to have the following characteristics: (1) jobs that require close interaction and coordination among groups of individuals, (2) performance appraisals that are more likely to reflect longer-term and group-based achievements, (3) jobs that allow employees to develop skills that can be used in other positions in the firm, (4) compensation systems that emphasize internal equity rather than external or market-based equity, (5) pay rates that tend to be low, but that allow employees to be stockholders and have more freedom to choose the mix of components (salary, bonus, stock options) that make up their pay package, and (6) broad career paths to reinforce the development of a broad range of skills. These practices facilitate cooperative, interdependent behavior that is oriented toward the longer term, and foster exchange of ideas and risk taking.

2.4.2 Quality-Enhancement Strategy

In an attempt to gain competitive advantage through the quality-enhancement strategy, the key HRM practices include (1) relatively fixed and explicit job descriptions, (2) high levels of employee participation in decisions relevant to immediate work conditions and the job itself, (3) a mix of individual and group criteria for performance appraisal that is mostly short term and results-oriented, (4) relatively egalitarian treatment of employees and some guarantees of employment security, and (5) extensive and continuous training and development of employees. These practices facilitate quality enhancement by helping to ensure highly reliable behavior from individuals who can identify with the goals of the organization and, when necessary, be flexible and adaptable to new job assignments and technological change.

2.4.3 Cost-Reduction Strategy

In attempting to gain competitive advantage by pursuing a strategy of cost reduction, key human resource practice choices include (1) relatively fixed (stable) and explicit job descriptions that allow little room for ambiguity, (2) narrowly designed jobs and narrowly defined career paths that encourage specialization, expertise, and efficiency, (3) short-term, results-oriented performance appraisals, (4) close monitoring of market pay levels for use in making compensation decisions, and (5) minimal levels of employee training and development.

These practices maximize efficiency by providing means for management to monitor and control closely the activities of employees. The purpose of strategic human resource management is to improve business performance through people management. The organizations need to manage their human resources effectively and efficiently to achieve the desired goals and objectives. The achievement the goals and objectives translate also in better performance. The realization of the expectations of employees will enable the desired behavior of employees in the organization. Some of the desired outcomes of the organization in managing their workforce are: competence, cooperation of employees with managers, cooperation of employees between them, showing the capabilities of employees; motivation, commitment and satisfaction; attitude and presence; employee behaviors. .

So, the issues raised for discussion are: How should organizations manage their main source – human resources? Does strategic human resource management help to meet the needs, the goals and objectives of the business? As should be adapted strategic human resource management to realize the performance? How should adapt strategic management of human resources to increase organizational performance? The main objectives of the study are: a. To observe closely how applicable is in practice the theoretical aspect of strategic human resource management for the achievement the organizational performance. b. To observe if organizations use the strategy of human resource management for the achievement of their performance objectives. c. To observe the importance of these strategies in the organization and in their performance.

3. Research Methodology

3.1 Introduction

This section provides a discussion of the outline of the research methodology that will be used in this study. It focuses on the research design, target population, data collection and comes to a conclusion with the data analysis methods that will be used in this study.

3.2 Methodology and Data Analysis

In conducting this study, 12 Banks consist of Public and Private Banks Limited was selected randomly as population set. The sample includes 5 Public and 7 Private Limited in Saudi Arabia. Equal number of Banks selected to ensure a representative sample. Two different types of respondents to the questionnaire were used as Huber and Power (1985) have suggested using several approaches or types of respondents to reduce potential measurement error. The first respondents were any four of the employees from non-human resource (HR) departments. They were required to providing information on competitive strategy, SHRM practices and employee outcomes in their Banks. The second respondents were the person identified as HR managers. These respondents expected to acquire knowledge and able to answer questions pertaining their organization business strategy as well as HRM practices. A usable survey of 60.4% from HR manager and 61.1% from non-HR employees was collected corresponding to 123 and 642 responses respectively.

Two dimensions of competitive strategy used for measurement were based on the variables developed by Dess and Davis (1984). SHRM practices (46 items) were measured using Guest D., (1997) and Guest D. E., Conway & Dewe, (2004). Employee outcomes were measured based on Allen & Meyer, (1990)'s organization commitment; Smith, Kendall & Hulin, (1969)'s job descriptive index; Kanungo, (1982)'s employee involvement and Mayfield & Mayfield, (2007)'s turnover intentions. These instruments used a 6-point, Likert-type format.

The psychometric properties of the measures are investigated through Confirmatory Factor Analysis (CFA). Structural Equation modeling (SEM) is a statistical methodology with a confirmatory approach to analyze multivariate data (Byrne, 2001; Chiou, 2004). All CFAs of constructs produced a relatively good fit when goodness of fit indices such as CMIN (Chi square)/df ratio between 2 to 5; goodness-of-fit index (GFI) of >.90; and root mean MLB square error of approximation (RMSEA) of values less than .08 (<.08), comparative fit index (CFI) of >.90 and Tucker-Lewis index (TLI) of >.90.

Mediation analysis is used to test whether HRM practices mediate the associations between business strategy and employee outcomes. SEM techniques have been preferable to regression techniques for testing mediated effects as they provide a reasonable way to control for measurement error as well as some interesting alternative ways to explore the mediation effect (Baron & Kenny, 1986).

Additionally, multi-group analysis is used to examine potential differences among Public and Private Banks Limited .In the SEM, two nested models were tested. First, an unconstrained model allowed all parameters to be freely estimated.

In the second model, paths between the main effects of business strategy, SHRM practices and employee outcomes were equalized across the groups. When this model fitted significantly worse than the first, these indicated differences of types of companies.

3.3 Findings

Confirmatory Factor Analysis (CFA) Results

The initially hypothesized measurement model of competitive strategy, SHRM practices and employee outcomes, were designed separately to test the relationships between latent constructs and its indicators. The value of CMIN/df, GFI, CFI, TLI and RMSEA did not meet to satisfy the goodness of fit measures and showed an unacceptable poor fit. Therefore, it was decided to modify the hypothesized model.

First, squared multiple correlation (SMC) was examined. There were 15 variables had the lowest correlation, therefore, these items were to be deleted. After all the low SMC in score were eliminated, the hypothesized models had yet to achieve the acceptable good fit. Therefore, modification indices' analysis was used to improve the path. According to Hox and Bechger (, 1998), the value of a given modification index is the minimum amount that the Chi-square is expected to decrease if the corresponding parameter is freed. Guided by theoretical considerations, measurement error terms were allowed to be correlated. At each step, one pair of error terms that indicated the largest improvement in the model fit was allowed to covary. The same procedure was repeated until achieving a reasonably good model fit. The result indicated that these 13 pairs of items had a high degree of overlap in content. These items were deleted after comparing the meaning and convergent validity of 13 pairs of items.

When the modified measurement model is fit with the data based on assessment criteria such as GFI, CFI, TLI and RMSEA (Byrne, 2001; Anderson & Gerbing, 1988) and it is appropriate for further data analyses.

Following the tests of the measurement model, estimation of the structural model was conducted. The purpose of this model is to evaluate the extent of commonality between the theoretical model and the relationships emerging from the data. These initially hypothesized structural models were examined to evaluate the proposed conceptual model of this study. The goodness-of-fit results showed this model was not good enough for examining the hypothesis. Therefore, modification indices were used to identify paths to improve the model fit. The modification indices (MI) indicated that there were 11 pairs of items had a high degree of overlap in content and these were deleted after comparing the meaning and convergent validity of these items. Besides, correction lines were made to eliminate the incorrect effect in the initial model due to misspecified error variances. Finally, the goodness-of-fit analysis of the modified structural model was acceptable for further data analyses. Table 1 shows the confirmatory factor analysis (CFA) of hypothesized and structural models.

Table 1: Goodness of Fit Analysis-Confirmatory Factor Analysis (CFA) of Models (N=571)

Models	Measurement Models competitive strategy)		Measurement Models (SHRM Practices)		Measurement Models (Employee Outcomes)		Structural Models (Conceptual Model)	
	Hypothesized	Modified	Hypothesized	Modified	Hypothesized	Modified	Hypothesized	Modified
Items remain	10 items	10 items	46 items	23items	23 items	17items	79items	50items
CMIN	147.830	119.291	3585.665	428.900	1447.644	321.266	2479.138	1183.771
df	34	32	973	217	223	112	1138	661
CMIN/df	4.346	3.615	3.681	1.968	6.462	2.843	2.177	1.779
RMSEA	0.076	0.068	0.069	0.041	0.097	0.056	0.043	0.038
GFI	0.949	0.958	0.741	0.937	0.801	0.938	0.846	0.902
GFI	0.937	0.953	0.638	0.932	0.734	0.935	0.857	0.924
TLI	0.917	0.936	0.615	0.921	0.704	0.921	0.845	0.917

3.4 Mediation Analysis

An indirect effect is defined as the product of the two unstandardized paths linking X and Y through a mediator (M). Specifically, mediation effect of SHRM practices would be supported if indirect pathway from competitive strategy to SHRM practices to employee outcomes (X□ M□ Y) is statistically significant (Preacher & Hayes, 2008, Shrout & Bolger, 2002).

In this search, a resembling method (bootstrapping) was used to determine the significant of the indirect effect. A parameter estimate divided by the standard error greater than the absolute value of 1.96 indicates a significant relationship at the level of .05 (Sirkin, 2005). Table 2 shows the indirect effect or mediation effect of SHRM practices on competitive strategy and employee outcomes. The results showed that there is indirect effect of SHRM practices between differentiation strategy and employee outcomes such as organizational commitment, employee involvement and job satisfaction but SHRM practices have no indirect effect between differentiation strategy and employee turnover intention. Further, results also showed that SHRM practices have an indirect effect between low-cost strategy and all domains of employee outcomes.

Table 2: Mediation Effect of HRM Practices on competitive Strategy and Employee Outcomes

	Indirect Effect or Mediation or (c – c')			
	Estimate	95% CI	Beta	p
D □ HRM□OC	0.391	0.245 to 0.571	0.355	001
D□ HRM□EI	0.340	0.216 to 0.496	0.322	.002
D□ HRM□TI	-0.098	- 0.254 to -0.070	- 0.082	.236
D□ HRM□JS	0.291	0.195 to 0.423	0.403	.002
LC□HRM□OC	-2.133	-4.719 to -.804	- 1.580	.001
LC□ HRM□EI	-2.110	- 4.384 to -.949	- 1.651	.001
LC□ HRM□TI	1.884	.867 to 4.215	1.298	.001
LC□ HRM□JS	-1.283	- 3.010 to -.484	-1.443	.001

3.5 Moderation Analysis

Comparison was made between two groups, Public and Private Banks Limited. First, equal factor structures across two groups were examined. Assessment on SMC, miss-specified error variance and correction line were made to remove the incorrect effect. After having established the good fit of the revised model (GFI=0.901, TLI=0.922, CFI = 0.936, Chi-square=821.221 with 533 degrees of freedom), testing for the invariance of factorial measurement and structural across groups was measured.

In testing for the invariance of this constrained model, $\chi2$ values of 879.977 (553 df) with that for the initial model in which no equality constraints were imposed ($\chi2(534)$= 824.221). This comparison yields a Chi-square difference value of 55.751 with 21 degrees of freedom, which was statistically significant at the 0.001 probability level. Therefore, it supported the hypothesis of variance structural weight across two groups. With this information, it showed that some equality constraints do not hold across the two-business ownership. All subsequent tests for invariance were designed to pinpoint the location of the non-invariance.

As indicated in Table 3, structural weights of differentiation strategy to be equivalent across Public and Private Banks Limited, as the differences in $\chi2$ values between structural weight of differentiation strategy and revised model (**Δ** $\chi2(9)$ = 14.597) was found to be non-statistically significant.

However, structural weight of low-cost strategy (**Δ** $\chi2(9)$ = 30.587) was statistically significant (p<0.01), therefore, the hypothesis of invariant regression paths must be rejected. Thus, each structural regression paths' parameter, while continuing to hold constrained all parameters found to be cumulatively invariant across Public and Private Banks Limited.

The structural weights of low-cost strategy to SHRM (p<0.05), and to employee outcomes (p<0.001) were significant. However, the structural weight of SHRM to employee outcomes was not significant. The rest of the structural paths: Low-cost strategy with organization commitment, job satisfaction, turnover intentions and employee involvement showed significant results. Specifically, employees Public and Private Banks Limited that adopted low-cost strategies could have different effects of their outcomes and views on HRM practices. As a result, those statistics of Chi-squares leads to rejection of hypotheses of invariance across two groups in assessment of structural regression paths.

Table 3: Goodness-of-Fit Statistics for Tests of Invariance

Model Description	χ 2	df	Δ χ 2	Δ df	Statistical Significance
1. Revised Model	824.223	533	-	-	-
2. All structural weight constrained equal	879.976	555	55.754	21	p<0.001
3. Structural weight of differentiation constrained equal	838.821	543	14.597	9	ns (p=0.103)
4. Structural weight of low-cost constrained equal	854.810	543	30.587	9	p<0.01
5. Structural weight of LC☐HRM constrained equal	829.095	535	3.871	1	p<0.05
6. Structural weight of HRM☐Employee Outcomes constrained equal (Model A)	830.590	538	6.366	4	ns (p=0.1073)
7. Structural weight of LC☐Employee Outcomes constrained equal-Model A	863.610	542	39.388	8	p<0.001
8. Model A with LC☐OC constrained equal	855.690	539	31.466	5	p<0.001
9. Model A with LC☐JS constrained equal	837.443	539	13.220	5	p<0.05
10. Model A with LC☐TI constrained equal	836.860	539	12.636	5	p<0.05
11. Model A with LC☐EI constrained equal	856.512	539	32.301	5	p<0.001

3.6 Discussion

The purpose of this research study is to explore the relationship between competitive strategy, SHRM practices and employee outcomes. In this study, two hypotheses examined, and the findings found that these hypotheses were partially supported. The results showed that interaction of SHRM practices among differentiation and job satisfaction; differentiation and organization commitment; and differentiation and employee involvement, could increase their positive attitude by 0.295, 0.397 and 0.340 respectively for every increase of differentiation strategy and SHRM practices in an organization. However, results did not show significant mediation effect of SHRM practices between differentiation strategy and turnover intention and furthermore the standardized estimates showed the negative effect. This study shows consistency results with previous researchers where their results found no statistical evidence on the effects of HRM practices on employees' turnover intentions except job analysis (Altarawmneh & Al-Kilani, 2010) and the effect of three variables of SHRM practices (supervision, job training, and pay practices) on employee turnover were highlighted as negative effect (Mudor & Tooksoon, , 2011).

On the other hand, when SHRM practices included in the interaction of low-cost strategy and employee outcomes, SHRM practices have the indirect effect on employee involvement (β=-2.110), turnover intention (β=1.884) and organization commitment (β=-2.133) and job satisfaction (β=-1.283). Interestingly, all the mediation effects were negative except turnover intention.

Hypothesis 1 in this study states as "There is the positive relationship between SHRM practices and employee outcomes, thus playing the mediation role between competitive strategy and employee outcomes" is supported partially. When differentiation strategy combined with HRM practices, this integration could lead employees to show commitment, involvement and satisfaction while surprisingly when the low-cost strategy combined with SHRM practices, employee tends to leave the organization. Using the low-cost strategies with the combination of HRM practices could reduce commitment, involvement and satisfaction of an employee to their organization. Overall, the findings of this study are somewhat consistent with Berg (1999). The authors concluded that strong HRM system has found to be associated with increased job satisfaction of employees. Companies that adopted differentiation strategy are likely to have strong HRM on all six HRM practices studied while low-cost strategy only emphasize a few HRM practices such as performance management and employment security (Koon & Juhary, 2011). Furthermore, employees found to have a high intention to stay with the organization providing company emphasizes on training and development opportunities (Robinson, Kraatz & Rousseau, 1994; Lester & Kickul, 2001).

As for the results of invariance tests using multi group analysis, the regression paths of low-cost to HRM practices and employee outcomes variables showed significant results (*p*<0.01). This showed that this structural weight found to be non-invariant between Public and Private Banks Limited. Except for differentiation and SHRM practices parameters, all low-cost parameters were tested for their invariance across groups.

Results showed regression path of low-cost strategy to employee outcomes of Public and Private Banks Limited were different on all variables such as employee involvement ($p<0.001$), job satisfaction ($p<0.05$), turnover intention ($p<0.05$) and organization commitment ($p<0.001$). Therefore, these four paths found to be different across two groups of study. Hypothesis 2: Types Banks moderate the relationship between competitive strategy and SHRM practices on employee outcomes is partially supported.

3.7 Contributions and Implications of the search

At the general level, the fundamental purpose of this study is to develop a practical, as well as theoretically, sound model, illustrating a link between competitive strategies, HRM practices on the employee outcomes. This would help academicians and practitioners understand how the interrelationship between competitive strategy and SHRM practices bring effects on employee outcomes. Although numerous studies have shown a positive relationship between SHRM practices and employee outcomes, few have studied this thoroughly. This study has addressed several methodological challenges.

First, a reliable and valid measurement model for competitive strategy covering two domains (differentiation and low-cost), SHRM practices covering six domains (recruitment & selection, training & development, compensation, work-life balance, employment security, performance management) and an employee outcome (organizational commitment, turnover intention, employee involvement and job satisfaction) is developed and tested using CFA. Although this measurement model did not include with every SHRM practice adopted and implemented by companies, but it has covered the most representative domains of SHRM practices suggested by SHRM researchers (e.g. "Best practices," Guest, 1997).

Second, this study tests mediation effect between independent and dependent variables. It has been theorized that competitive strategy indicators as independent variables influence employee outcome's indicators as dependent variables. In between of their interaction, HRM practices acted as a mediator variable. Despite numerous studies that claimed on the interaction among the three variables, there were no studies incorporating such complete information. This study examines the interaction and relationship among the three variables. This study found that the combination of HRM practices mediates the relationships between business strategy and employee outcomes. Therefore, these findings help to convert the theoretical model to a practical level.

Third is the comparison of effects between two types of Banks on the three variables studied? This analytical approach has very vital inference for academicians and practitioners. For instance, the degree of implementation of competitive strategy, HRM practices and employee outcomes have measured for employees in industries without identifying whether public and Private Banks Limited. They assume that competitive strategies for all types of Banks are the same. The findings of this study indicate that this assumption is slightly false. The effects of low-cost strategy to employee outcomes when mediates by HRM practices for Public group were different from Private Limited group in terms of organizational commitment, employee involvement, job satisfaction and turnover intention. This study showed not all business strategy; HRM practices and employee outcomes are likely to have the same impact on various types of Banks.

One of the major methodological implications in this study is the use of structural equation modeling (SEM). The use of this methodological enabled the specification and estimation of a complex model of relationship between competitive strategies, SHRM practices and employee outcomes. The mediating effects of SHRM practices toward competitive strategy and employee outcomes could not have assessed without the use of this methodology. Most other multivariate procedures are descriptive by nature that emphasizes on exploratory factor analyses. This made the hypothesis testing difficult although it was not impossible. By contrast, SEM takes a confirmatory factor analysis. This method also facilitated the comparison of these complex relationships for Public and Private Banks Limited. SEM provides a method to understand the antecedents and effects of the competitive strategy, SHRM practices and employee outcomes, and can contribute to more sophisticated theoretical explanations of the three variables in the different Banks context

4. Conclusion

The most important idea in this study is that organizations should be actively managing their human resources. Human resource and people management have become increasingly important in the 21st century as the well-managed employee is essential for success in the highly competitive market. One of the major challenges is to learn how to be systematic in managing their human resources if they wish to achieve and sustain competitive advantage (Tarique & Schuler, 2010).

As a conclusion, organizations that treat their employees as resource capital instead of cost-center do makes employees feel more committed, satisfied, involved and therefore they are likely to stay in your organization.

Biography: Reda Mesilhy Ahmed is the Assistant Professor of Business Administration in several international universities such as; Salman bin Abdulaziz University - Saudi Arabia, (MTI) Modern University of Technology and Information - Cairo, King Khalid University, Saudi Arabia, He is also an supervisor of quality units in the management faculties of these universities, His research has been accepted several leading academic journal (covering several subjects, i.e. Strategic Management, Investment Management, Entrepreneurship, Human Resources Management).

References

Allen, N. J., & Meyer, J. P. (1990). The measurement and antecedents of affective, continuance and normative commitment to the organization. Journal of Occupational Psychology, 63, 1-18.

Altarawmneh, I., & Al-Kilani, M. H. (2010). Human Resource Management and Turnover Intentions in the Jordanian Hotel Sector. Research and Practice in Human Resource Management, 18(1), 46-59.

Altarawmneh, I., & Al-Kilani, M. H. (2010). Human Resource Management and Turnover Intentions in the Jordanian Hotel Sector. Research and Practice in Human Resource Management, 18(1), 46-59.

Appelbaum, E., Bailey, T., Berg, P., & Kalleberg, A. (2000). Manufacturing Competitive Advantage: The Effects of high performance work systems on plant performance and company outcomes: New York: Cornell UN Press.

Armstrong, M.A. (2009). A Handbook of Human Resources Management. (11th ed.).London: Kogan Page. Armstrong,M. & Baron,A. (2004). Managing performance:Performance Management in Action. London: CIPD. Bamberger,P.,& Meshoulam,H.(2000).Human Resource Strategy: Formulation,Implementation and Impact.Sage: Beverly Hills.

Baird, L., & Meshoulan, I. (1998). Managing Two Fits of Strategic Human Resource Management. Academy of Management Review, 13(1), 116-128.

Baron, R. M., & Kenny, D. A. (1986). The Moderator- Mediator Variable Distinction in Social Psychological Research: Conceptual, Strategic, and Statistical Considerations. Journal of Personality and Social Psychology, 51(6), 1173-1182.

Boxall, P., Purcell, J. & Wright, P. (2007).The Oxford handbook of Human resource management. Latham, G., Sulsky, L. M., and MacDonald, H., Performance Management , (pp. 364-384). Oxford University press.

Chang, P., & Chen, W. (2002). The Effect of Human Resource Management Practices on Firm Performance: Empirical Evidence from High-Tech Firms in Taiwan. International Journal of Management Review, 19(4), 622-632.

Delery, J. E., & Doty, D. H. (1996). Modes of theorizing in strategic HRM: Test of universalistic, contingency and configurational performance predictions. Academy of Management Journal, 39, 802-835.

Delery, J., and Shaw, J. (2001). The Strategic Management of People in Work Organizations: Review, Systhesis, and Extension. Research in Personnel and Human Resources Management, 20: 165– 197.

Dess, G. G., & Davis, P. S. (1984). Porter's generic strategies as determinants of strategic group membership and performance. Academy of Management Journal, 26(3), 467-488.

Gelade, G. A., & Ivery, M. (2003). The impact of human resource management and climate on organizational performance. Personnel Psychology, 56, 383-404.

Gould-Williams, J. (2007). HR practices, organisational climate and employee outcomes: evaluation social exchange relationships in local government. International Journal of Human Resource Management, 18(9), 1627-1647.

Guest, D. E. (1987).Human Resource Management and Industrial Relations. Journal of Management Studies, 24 (5), 503-521.

Guest, D. E., Conway, N., & Dewe, P. (2004). Using sequential tree analysis to search for "bundles" of HR practices. Human Resource Management Journal, 14, 79-96.

Heneman, R. L., Tansky, J. W., & Camp, S. M. (2000). Human resources management practices in small and medium-sized enterprises: Unanswered questions and future research perspectives. Entrepreneurship Theory and Practice, 25(1), 11-26.

Holbeche, L. (2004). How to make work more meaningful. Personnel Today, 26.

Huang,G.,Roy,M.,Ahmed,Z.,Heng,J.,& Lim,J.(2002).Benchmarking the Human Capital Strategies of MNCs in Singapore. Benchmarking.9 (4), 357-373.

Huselid, M. (2005). The impact of human resource management practices on turnover, productivity and corporate financial performance. Academy of Management Journal 38(3), 635-672.

Huselid, M. (2005). The impact of human resource management practices on turnover, productivity and corporate financial performance. Academy of Management Journal 38(3), 635-672.

MacDuffie, J.P. and Kochan, T.A. (1995). 'Do US firms invest less in human resources?: Training in the

P. F. Drucker, "Quality Means a Whole New Approach to Manufacturing," Business Week, June 8, 1987, 131-143; P.F. Drucker, "Pul-eeze! Will Somebody Help Me?" Time, February 2, 1987, 48-57; and R. L. Desatnick, Managing to Keep the Customer, San Francisco: Jossey-Bass, 1987.

P. F. Drucker, Innovation and Entepreneurship, New York: Harper & Row, 1985; K. Albrecht and S. Albrecht, The Creative Corporation, Homewood, IL: Dow Jones-lrwin 1987.

Preacher, K. J., & Hayes, A. F. (2008). Asymptotic and resampling strategies for assessing and comparing indirect effects in multiple mediator models. Behavior Research Methods, 40, 879-891.

Purcell, J. (1999). High commitment management and the link with contingent workers: implications for strategic human resource management. Research in Personnel and Human Resources Management.

Purcell, J. (2001). The Meaning of Strategy in Human Resource Management. In J.Storey (Ed.), Human Resource Management: A Critical Text (pp. 59-77). London: Thomson Learning.

Schuler, R., Jackson, S., &Storey, J. (2001). HRM and Link with Strategic Management. (2nd ed.). London: Thomas Learning.

Truss, C. (2001). Complexities and Controversies in Linking HRM with Organizational Outcomes. Journal of Management Studies, 38(8), 1121-1149.

Ulrich, D. (1997). Human Resource Champions: Interdependence and Group Effectiveness. Administrative Science Quarterly, 40: 145-180.

world auto industry'. Industrial Relations: A Journal of Economy and Society, 34: 2, 147–168

Wright, P. (2005). The relationship between HR practices and firm performance: examining causal order. Personnel Psychology Journal. 58(2), 409-446.

Wright, P., Gardner, T., Moynihan, L., & Allen, M.(2005). The relationship between HR practices and firm performance: examining causal order. Personnel Psychology Journal. 58(2), 409-446.