Exploring relationships between corporate core competence, corporate strategy, and HRM practices in training institutions

Hsi-An Shih* and Yun-Hwa Chiang**

This study examines the interrelationships between firm’s core competence, human resource practices and corporate strategy. Through the qualitative interview with four short-term training institutions in Taiwan, the results of this show that these firms indeed systematically arrange their human resource practices to support corporate strategy and foster needed core competence. When a company sets its strategy on selling present product mix in familiar market segment, it tends to emphasize the efficient operational ability as the main core competence. On the other side, when a company sets its strategies on exploring new markets and new products, it tends to regard its key core competence as innovative abilities as well as operational flexibility. The corresponding human resource practices in work design, training, promotion and compensation can appropriately nurture employee’s core competences to implement corporate strategy.

Keywords: strategic human resource management, core competence, corporate strategy, short-term training institutions

1. Introduction

In the past decade, the focus of the research in the relationship between human resource management and firm performance has been paid much attention on the macro and strategic perspective [9, 17, 22, 55]. Management scholars as well as professional managers have come to realize that the knowledge assets produced by people – i.e., the employees of the company, are the true contributing factors which can bring about a company’s long-term competitive advantage [8, 15]. Meanwhile, scholars of human resource management have tried to construct theoretical models that involve corporate human resource management practices, organizational strategy, and company performance [59]. These management models have generally come to be

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known as the Strategic Human Resource Management Theories (SHRM).

SHRM theorists look upon the corporate human resource management system as a strategic asset for a company [40]. These scholars assert that human resource management practices should be aligned with the corporate strategic planning process [16, 18, 54]. Such alignments should also take into account other organizational variables, such as the coordination of corporate culture and the coupling with the company’s management process systems [14, 42]. They maintain that, as we obtain better alignment among these variables, we can expect better corporate performance as a result [48, 34].

During the 1980s, Miles and Snow [37] had proposed their model of corporate strategic roles. They argue that if a company adopts a certain corporate strategy, it should accordingly make other particular arrangements in organizational structure as well as in management practices; such coordination can bring about better performance results. Their theory has initiated numerous discussions and studies among management scholars as well as amid professional managers [14, 28]. In the past decade, as the techniques of business operations improve, new management theories have been proposed. For instance, Prahalad and Hemel [43] have made their important propositions concerning corporate core competence. These scholars remind companies to reflect and define their unique comparative advantages in operation. They indicate that companies should leverage their “core corporate competence” onto other industries as well as onto other usages to expand opportunities for profits [26]. Their assertions have initiated extensive studies exploring methods of organizations to leverage their corporate core competence to obtain competitive advantage [25]. However, up to now, not many studies were directed toward how companies can align their core competence with proper human resource management practices to nurture their employees with unique and firm-specific knowledge and skills to achieve better performance results [35].

Another important management theory proposed during the last decade was the learning type of organization [49]. This theory has stimulated wide response among practical managers. Many companies began to regard their human resources, i.e., their employees, as one of the most valuable assets of their company. Meanwhile, more and more organizations now employ outside professional training institutions to provide professional trainings for their workers. However, when looking at these professional training institutions, we have found very limited amount of research exploring how these
personnel training institutions systematically plan and apply their human resources. How exactly do these personnel training institutions themselves best use their human capital to enhance their performance?

Since we have not yet had a comprehensive understanding in this respect, as well as the connections between core competence, business strategy and human resource management practices, we decided to conduct multiple case studies to initiate in-depth exploratory research. Strategic human resource management scholars argue that the qualitative case study approach can uncover the complicated relationships among various human resource practices [9, 22]. And the research findings may provide more information, which are complementary to those obtained form quantitative questionnaire survey.

The purpose of this study is to employ multiple case studies and perform in-depth research exploring the relationship between corporate core competence, business strategy, and human resource management practices in Taiwanese short-term training institutions. That is, we are trying to explore whether human resource management practices help these institutions obtain comparative advantages in their operations.

2. Literature Review

2.1 Strategic Human Resource Management

As Information Technologies develop rapidly and global-enterprise has gradually become a prevalent trend, competition among business intensifies. In order to meet new challenges in business operations, the management of corporate human capital has been noticed as a potential area that can contribute to the company’s competitiveness [14, 17, 32, 40]. Scholars begin to look at corporate human capital from a strategic angle, and hence, developed the theoretical frameworks of SHRM [15, 48, 52, 57, 59]. The core concept of SHRM is the alignment between HRM functions and activities with organization strategic objectives [17, 55]. Through that appropriate arrangement, the positive relationship between HRM and firm performance can be reasonably expected [17, 28]. Wright and Boswell [55] further argue that companies should regard HRM as an integral system and utilize those consistent practices to influence employee’s behavior, motivation, and ability.

To examine the relationship between human resource management and firm performance, two major perspectives: universalistic and contingency are addressed by the scholars [9, 14, 17, 55].
2.2 Universalistic Perspective

The universalistic perspective is also known as the best practice approach [40]. It asserts that the implementation of certain human resource practices will always result in a positive impact on firm performance [3, 17, 28, 36, 40, 55]. Although the definition and numbers of best practices differ between various studies [2, 7, 12, 14, 39], they share some common ideas: view employees as important assets of organizations, emphasize employee training, participation and induce their commitment toward organizations.

Various practices of HRM, such as recruiting [31, 46, 51], training [13], and compensation [19], have been argued that they can devote greatly to shaping employee attitudes, behaviors, and skill, which influence the implementation of organization goals.

2.3 Contingency Perspective

Scholars supporting contingency perspective assert that HR strategy has to be consistent with organizational contextual variables, such as strategy, in order to induce the expected attitudes, behaviors, and skills, which facilitate the implementation of business strategy [14, 23, 37, 55].

Scholars of SHRM believe that human resource management practices can help nurture these expected employee behaviors [47, 61]. They emphasize that the better the alignment between corporate strategy and the company’s human resource management practice, the better these companies can enjoy long-term competitive advantage and, hence, create better performance results [34].

2.4 The Concept of Fit

To connect human resource systems with organization’s competitive advantage, SHRM scholars propose the concept of fit [4, 57]. This concept is not a new idea. Rather, it stems from the contingency approach prevalent during the 1960s [11]. Theorists of contingency approach maintain that the successful operation of an organization does not come from any single factor, but from the fitness of the organization’s external environment with a set of organizational characteristics, such as the organization’s structure and strategy [30, 33]. Scholars of SHRM take this concept and apply it onto the realm of human resource management [29, 48]. They maintain that, under a given organizational culture and structure, the organization’s HRM practices should cope with its intended operating strategy [9]. In turn, such alignments in HRM practices can effectively motivate organizational members to ach-
hieve the organization’s purposes. Scholars allege that doing so can enhance employees’ commitment as well as increase the flexibility and quality of the company’s human resource capital [21].

The concept of fit can be further divided into two broad categories: internal and external fit [4]. The concept of internal fit emphasizes that the various sub-systems in HRM, such as employee recruitment, training, performance appraisal, and compensation, should cope with each other to achieve internal coordination [14, 36]. Arthur [3] found two “configurations” of HRM sub-systems, namely the cost reduction system and the commitment-maximizing system. The similar findings also can be found at Huselid [28] and Delery and Doty [14]. The focus of the cost reduction system is to enhance operation efficiency. Therefore, standard work process, limited training and flexible pay, and internal recruiting practices are implemented. On the contrary, flexibility and adaptability are the main goals of the commitment-maximizing system. Broadly defined job, team-based training, high contingent pay, and various staffing resources are easily found in this system [3, 14]. Within each configuration, the subsystems of HRM cope with each other to achieve an internal coordination.

The concept external fit focuses on the consistence between organization’s HR system with organizational characteristics such as organization’s strategy, corporate culture and business life cycle. Based on different business strategic roles, Miles and Snow [37] proposed a normative model for proper HRM practices. In an empirical study, Hendry and Pettigrew [27] found that organizations adopt different human resource management systems according to different business life cycles. Youndt et al., [61] in a survey of 512 U. S. based manufacturing enterprises, found that organizational effectiveness is enhanced when the company’s HRM system fits with the it’s manufacturing strategy. Furthermore, the relationships between organizational strategy and compensation system were also confirmed in some empirical studies [20, 50].

2.5 Corporate Strategy and Human Resource Management

An important assertion of SHRM scholars is to combine organization’s strategy with the company’s HRM practices [5, 45, 48]. Under specific organization missions and objectives, a company’s strategy sets the priority of resource allocation as well as decides the sequence of implementation on action plans. For SHRM scholars, the “concept of fit” means that when an organization expects it’s operating strategy be effectively implemented, it must first develop a proper set of capable employees to implement such stra-
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strategy. Such set of capable employees is nurtured through the organization’s human resource management system [57, 60].

In exploring the relationships between company’s strategy and HR practices, scholars usually adopt the available organizational strategic typology to derive the most appropriate HRM system. For instance, Schuler and Jackson [48], based on Porter’s [41] model of competitive strategy, proposed the corresponding human resource practices companies for quality improvement, innovation, and cost leadership strategies. Based on the organization’s extents of diversification [18] also proposed a set of proper ways to handle the company’s four HR subsystems, namely employee selection, performance evaluation, compensation, and career development.

Miles and Snow [37] proposed another model based on strategic types. They classified different operating strategies based on the extent a company explores new markets and new products. When a company inclines to develop new products and new services for new markets, it is called a “Prospector”. Miles and Snow assert that prospecting firms will adopt a certain set of human resource practices to cope with the demand of innovation and operating flexibility. Such practices include: recruiting managers from outside of the firm instead of promotion from inside; not spending much on employee training but recruiting employees with proper skills from outside; and having compensation systems with much emphasis on performance. On the other hand, if a company wants to penetrate its present market segments with its current product lines, it is called “Defender”. Defender emphasizes operating efficiency and will have another distinct set of HR practices. These practices include: promoting middle level managers from within the firm; emphasizing employees’ behavior that cope with the company’s culture; putting high ratio of fixed salary in the pay package; and providing employee trainings on a long-term basis rather than hiring proper skills from outside of the firm. When company’s strategy stands between “Prospector” and “Defender,” Miles and Snow assert that its human resource management will also tend to linger between the captioned sets of practices.

2.6 Core Competence and Human Resource Management

Scholars of Industrial Organizational, such as Porter [41], assert that company’s competitive advantage comes from proper strategic positioning of the firm in its industry. On the other hand, scholars believing in corporate core competence think that successful business mode can often be easily copied by competitors. Sustainable competitive advantage should derive from the resources that cannot be easily replicated by competitors [5]. Such
advantages come from: group learning, technology integration, and organizational resource application; and such core competence is unique and distinctive to a firm [35, 43].

If competitive advantage should come from corporate core competence, then the acquisition, the development, and the management of such competence should be closely related to the company’s HR practices [32]. Based on Prahalad’s [44] view of the components of core competence, such ability should build upon the interaction among employee skills, organizational coordination, and group learning. Bergenhengouwen [10] thinks that important sources that create corporate core competence come from employee’s expertise, skill, motives, and quality. The nurture and facilitation of these elements require the cooperation of corporate HR practices [24].

After a company has identified the core competence it should possess, it must utilize proper human resource management practices to develop employee’s abilities that cope with these core competences [10]. This means companies should design HR practices that fit with its desired employee competence. Such HR practices encompass recruiting and promotion, training and development, performance appraisal, and compensation systems [24].

As to the types of corporate core competence, Prahalad and Hamel [43] classified corporate core competence into three categories: market-access, product-integration, and functional-related capacity. In a survey toward 86 U.S. petrochemical refineries, Wright et al., [58] identifies skilled workforce, efficient production, and new business development as three distinct core competences. Although the role of HR function in developing employee’s competence is regarded as important, the relationship between specific HR practices and core competence is still not well fully examined.

3. Research Methodology

3.1 Short-term Training Institutions

Based on the purpose of this study, we conducted multiple interviews with managers from four short-term training institutes in Taiwan during 2001. These are institutions that provide two to three-month courses to examinees who wish to obtain professional licenses or to pass governmental qualifying exams. They are typical personnel training organizations. They usually do not have to invest heavily in fixed assets or in facilities. On the other hand, they need to mobilize a significant amount of human capital to provide specialized training courses to their clientele. Large training institutions employ up to one hundred full time employees and several hundred part time
workers. In order to maintain a set of efficient operating process, these institutes provide training courses to their workers on their companies’ standard operating procedures. Once the company has established a successful business model in a certain market or business item, they will try to duplicate this model onto other territorial markets to glean more profit. Every man-

Table 1 Company Profile of Interviewed Companies

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Established</th>
<th>Full-time Employees</th>
<th>Approximate Trainees Received each Year</th>
<th>Persons Interviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas Studies</td>
<td>1965</td>
<td>over 120, including head-office personnel and employees in 10 branch stores</td>
<td>8000</td>
<td>CEO; VP of H/R; VP of Business (Marketing); 4 store general managers; Managers responsible for H/R</td>
</tr>
<tr>
<td>English Training Center</td>
<td>1980</td>
<td>over 500 for employees in head-office and 27 branch stores in Taiwan</td>
<td>over 20000</td>
<td>CEO; VP of H/R; VP of Business (Marketing); 5 store managers; Managers responsible for H/R</td>
</tr>
<tr>
<td>Qualifying Center</td>
<td>1988</td>
<td>around 150 for employees in head-office and 6 branch stores</td>
<td>6000</td>
<td>VP of Marketing; VP of H/R; 4 store managers; Managers responsible for H/R</td>
</tr>
<tr>
<td>Financial Training Center</td>
<td>1997</td>
<td>22</td>
<td>1000</td>
<td>CEO; Marketing Manager; Human Resource Manager</td>
</tr>
</tbody>
</table>
ager interviewed in our study unanimously agrees that HRM methods are very important management tools to help them sustain their company’s compatibility on the market. In the past four years, short-term training institutes in Taiwan have enjoyed a growth of over 30% in terms of participating clients; this trend is expected to continue into the future.

In order to eliminate biases from different interviewees, we conducted our interviews to high-level executives of these firms as well as to middle level managers to check on differences in perspectives (see Table 1) as well as enhance interrater reliability. This multi respondents’ strategy is quite important to gather more full-scale information of the research issues in the firms and is strongly suggested by scholars [55, 56].

The managers interviewed are high-level executives of these companies, managers of their HR departments and store managers. Each interview lasted from thirty minutes to over two hours, and at least three interviews were conducted for each of these four institutions. The questions of the interviews included: the company’s history, its major product or service items, operating environment, business strategy, the role of HR department within the company, the relationship between HRM practices and corporate objectives, the factors that can influence the operation of the HR department, the attitude of high level executives toward HR department, and the actual practices of the sub-systems within the HR system, such as staffing, training, appraisal, and compensation practices.

Specifically, we have compared the responses provided by high-level executives to those responses from middle level managers concerning HR practices. We have found high level of consistency in their perspectives. To comply with the requirement of these companies, we keep them anonymous in this article.

Since few studies exist in examining the relationships between core competence, company strategy, and human resource practices, our aim in this study is to obtain preliminary understanding. Using a term advocated by Mintzberg [38], “providing description” is the major goal of our survey here. Also, as pointed out by Ulrich [53], it is unrealistic to try to accomplish both detailed, in-depth analyses of firms and look at a large sample of firms at the same time. In Ulrich’s perspective, in order to discern “how” firms adopt human resource management practices to cope with their core competencies and company strategies, it is better that we look at only a small sample of institutions at a time in order to obtain deeper understanding. Hence, the sample size of our study is small.
4. Research Findings

4.1 Corporate Strategy and Core Competence

4.1.1 Overseas Studies

This institute provides its trainees with preparation courses concerning all kinds of examinations required for studying abroad. Test preparation courses include the SAT, GRE, GMAT, and the TOEFL tests. This company also provides packaged services for clients who want to study overseas, including information consulting concerning overseas studies and travel itinerary arrangements. According to the statistics published by Taiwan’s Ministry of Education, this institute ranks among the top 5% of Taiwan’s short-term training institutes in terms of number of clients served. Among other institutes providing similar test preparation services, Overseas Studies is by far the largest and is considered the leading firm in Taiwan’s market. According to the analysis of Porter’s industry analysis model [42], Overseas Studies faces considerable threats from substitute goods. Instead of choosing to study abroad, clients of Overseas Studies may decide to go to colleges or graduate schools in Taiwan and bypass the services provided by Overseas Studies altogether. In response to this threat, Overseas Studies responds by developing peripheral services, such as providing short English courses in famous universities abroad and arranging for campus visits and sight-seeing tours to world renowned academic institutes during the summer. Such peripheral services contribute positively to Overseas Studies’ annual operations. Therefore, although many Taiwanese college graduates decide not to go abroad for graduate education, Overseas Studies can still obtain constant growth in its business.

During the interview, the managers of Overseas Studies revealed that, in the future, they would concentrate on providing services concerning overseas studies. However, they would add other peripheral services about overseas studies to attract clients from other market segments, such as, attracting high-school children who want to study English in foreign countries during summer vacations. When we asked about their company’s core competence, it was identified as “having a set of matured operating know-how”. Over the years, Overseas Studies has accumulated much effective knowledge and has understood fully what kind of problems their clients might bump into during overseas-study travels. This institute has developed a set of effective operating procedures, and has acquired efficient personnel to handle all these problems. Overseas Studies is now exploiting this operational know-how onto other market segments. Their managers only need to make limited modifica-
tions of this operational knowledge without major alterations. Therefore, we identify the strategy of Overseas Studies as: Exploiter of Operational Know-how, meaning this company possesses superior operating technology and intends to exploit this technology onto new market segments other than the one it presently serves.

4.1.2 English Language Center (will be called ELC in this paper)

This company offers English conversation classes to children and adult students in Taiwan. It is considered as the market leader in its business domain. In the child English conversation market, it holds over 50% market share while in the adult English conversation sector, this company holds over 80% of the market share. In terms of sales amount, these two lines of business bring ELC about equal amount of revenue. Although ELC also offers other peripheral services concerning English language training, its major lines of business lie in the English conversation classes. The student composition of ELC’s adult English conversation class consists of high school and college students as well as businesspersons. Many professionals in Taiwan’s various walks of life regard a good command of English as a means to increase their competitiveness on the job market. Therefore, ELC’s adult English conversation class can be viewed as a kind of personnel training institute.

When the managers of the ELC were asked to identify their company’s core competence, they recognized it as the possession of a set of matured operating know-how. ELC knows exactly how to operate effectively and efficiently in its markets in Taiwan. Different from the strategy of the Oversea Studies, ELC intended to hold on to their present operating technology and continue to serve their present segment of market. All its branch institutes are specifically arranged to use the same set of operating technology to ensure standard quality of service. This standardized operating technology of ELC is not allowed to change in different territorial markets. ELC’s dominant market share provides them with an operational scale-economy that will further ensure their advantageous position in their line of business. Therefore, we identify ELC’s business strategy as: Market Penetrator. This indicates that ELC owns superior operating technologies and intends to use this technology to further penetrate the market it presently serves.

4.1.3 Preparation Center for Governmental Official Qualifying Examinations (will be called Qualifying Center in this paper)

This institute provides preparation classes for participants who want to pass all kinds of examinations to become qualified governmental officials in
Qualifying Center has been established for over 15 years and is considered as one of the three major firms in its industry. Its clientele comprise mainly of college students and young college graduates who intend a career in Taiwan’s government. Because the number of new recruit officials needed by Taiwan’s government varies each year, Qualifying Center’s business consequently faces considerable fluctuations. To cope with such uncertainty, Qualifying Center established a training institute that provides classes concerning computer techniques. It attracted trainees from its original classes of governmental examinations. Although this branching out strategy did not completely solve the problem of business fluctuations, the operations of the computer classes are comparatively much more stable than that of the governmental examination classes. It therefore brings the Center considerable growth in operating revenue.

The business strategy of Qualifying Center can be identified as an exploator of market knowledge. The Center has successfully attracted a group of clients to its government-exam preparation classes. Apparently, it has established goodwill among this clientele and has attracted some of these clients to enroll in the Center’s other classes of computer trainings. Although the operating knowledge required in running computer-training classes is somewhat different from that of providing trainings for government exams, Qualifying Center’s comparative advantage lies in its goodwill established among the same group of clientele. Since the Center has successfully spilled over its success in one market onto other business lines, utilizing the comparative advantage established on the same group of clientele, we identify Qualifying Center’s strategy as “Exploiter of Market Knowledge”.

4.1.4 Financial Personnel Training Center (will be called Financial Training in this paper)

Although Taiwan’s government has established a training center for employees in all kinds of financial institutions in Taiwan, the training center discussed in this paper is a private institute with a much smaller operating scale. Financial Training’s major competitor is the captioned governmental training center; the latter’s operation is restricted by government regulations and is comparatively less flexible to cope with the changing situations in Taiwan’s business fields. Financial Training takes this advantage and arranges a series of short-term training classes to attract professionals who work in Taiwan’s financial institutions, such as commercial banks, securities firms, and insurance companies. The contents of these training classes are constantly adjusted according to the practical needs in Taiwan’s financial industry.
Financial Training also actively seek business from Taiwan’s various financial institutes; it is arranging training courses especially tailored for the needs of its clients. The lecturers of these courses come from executives from Taiwan’s various financial institutes and the contents of their classes are very practical.

The managers of Financial Training think their company’s success lies in the flexibility and innovativeness of their class design. Compared with those governmental training centers, Financial Training can adjust and modify their courses constantly according to changes in Taiwan’s financial environment. Therefore, we decide to call Financial Training’s strategy as “Innovator”.

Table 2 summarizes the business strategies and their recognized core competences of the four training institutes discussed in this study. The horizontal axis represents the extent to which the company will develop new variety of services or stick to their familiar products. The vertical axis stands for whether the company will hold on to its original market sector or will start to operate in new market segments. The concept of these two axes comes from a classification scheme proposed by Ansoff et al. [1] in his famous model of “corporate growth matrix”.

4.2 Human Resource Management Practices

4.2.1 Overseas Studies

This company’s business concentrates on providing services related to overseas studies. It runs on a flattened organization structure. High-level executives are all partners. Mid-level managers are consisted of directors from functional departments as well as directors from newly established business units, such as the director of “summer school division”. Under the echelon of mid-level manager, there is no clear-cut hierarchical division. Employee recruitment and training activities are carried out within each department. The jobs of mid-level managers are very much protected and departmental directors are never easily replaced. When new mid-level managers need to be promoted, they usually come from within the company. Sometimes Overseas Studies will depend on outside resources to fill the job post. The company has edited an operation manual that generally describes each person’s job contents.

Since Overseas Studies has been established for years, it has developed a set of very efficient operating procedures. Although employees are encouraged to make innovations in operating processes, such innovations
Table 2 Corporate Competence and Business Strategy of Training Institutes

<table>
<thead>
<tr>
<th>Developed Business Items</th>
<th>Hold on to Familiar Business Items</th>
<th>Hold on to Original Market Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Training Center</strong></td>
<td>Operating Strategy: Innovator</td>
<td>Operating Strategy: Exploiter of existing operational technology.</td>
</tr>
<tr>
<td>Method of Operation: Constantly exploring new markets and new business segments.</td>
<td>Method of Operation: hold on to its familiar business and leverage its operating technology onto new market segments.</td>
<td></td>
</tr>
<tr>
<td>Descriptions: its clientele base includes trainees from employees of commercial banks, securities firms, and commercial notes companies. The weight of operating revenues generated from each of these business segments vis a vis total revenue varies considerably per year. The operating knowledge in each of these market segments also varies substantially.</td>
<td>Descriptions: this institute has been providing services related to overseas-studies for the past three decades. In the recent years, the firm has explored new market segments by providing similar services to new client groups, and obtained considerable growth in these sectors.</td>
<td></td>
</tr>
<tr>
<td>Core Competence: flexibility in operation and innovative ability.</td>
<td>Core Competence: familiarity with present operating technology.</td>
<td></td>
</tr>
<tr>
<td>Method of Operation: hold on to its familiar business and leverage its operating technology onto new market segments.</td>
<td>Method of Operation: hold on to its present business items and its present client group. This institute continues to establish new branch offices in every cities and towns throughout Taiwan area.</td>
<td></td>
</tr>
<tr>
<td>Descriptions: this institute has been providing test preparations for all kinds of governmental qualifying exams in Taiwan. It has successfully attracted a certain group of loyal clientele. In the recent years, this firm has developed new training programs for their original client group and is enjoying growth in these newly developed business realms.</td>
<td>Descriptions: this institute has been providing English conversation classes to children and adult students in Taiwan for past 25 years. They have inland-wide branches around Taiwan. The annual sales grow steadily.</td>
<td></td>
</tr>
<tr>
<td>Core Competence: familiarity with market conditions</td>
<td>Core Competence: familiarity with present operating technology as well as present market know-how</td>
<td></td>
</tr>
</tbody>
</table>

Qualifying Center
Operating Strategy: Exploiter of market knowledge.
Method of Operation: the company holds on to its present client group, explore their needs, and develop new products and services to satisfy these needs. Descriptions: this institute has been providing test preparations for all kinds of governmental qualifying exams in Taiwan. It has successfully attracted a certain group of loyal clientele. In the recent years, this firm has developed new training programs for their original client group and is enjoying growth in these newly developed business realms. Core Competence: familiarity with market conditions

English Language Center (ELC)
Operating Strategy: Market Penetrater
Method of Operation: hold on to its present business items and its present client group. This institute continues to establish new branch offices in every cities and towns throughout Taiwan area. Descriptions: this institute has been providing English conversation classes to children and adult students in Taiwan for past 25 years. They have inland-wide branches around Taiwan. The annual sales grow steadily. Core Competence: familiarity with present operating technology as well as present market know-how
are largely limited in scale. Employee trainings are based on a personal basis; 
group-based training only took place when the company establishes new 
business units to carry out new business operations.

Concerning its performance appraisal system, this company uses a very 
simplified performance appraisal sheet. Major items evaluated are the focal 
employee’s attendance records; emphasis is put on the performance (such as 
sales revenue generated) of the focal employee’s work unit. Evaluation’s res-
ults are used mainly to decide compensation and are not regarded as a tool 
for employee development. Employees’ compensations are decided upon se-
niority, hierarchy, and a fixed percentage bonus based on the performance 
record of the focal worker’s unit. Generally speaking, the salaries of Over-
seas Studies are lower than average compared to other training institutes in 
Taiwan. However, since the company provides much job security, employees 
are still willing to accept such terms.

4.2.2 English Language Center

This institute tends to adopt a centralized management style. The com-
pany has edited a set of work manuals to instruct employee’s work process. 
Although the company encourages workers to make innovations in work 
process, such innovations are very limited. Managers of ELC are satisfied 
with this situation because they believe limited variations in work ensure 
stabilized quality in service.

ELC has many branch institutes throughout Taiwan. General Managers 
of each branch institute and managers who are above this position are class-
ified as high-level executives. These high-level executives decide employee 
work processes. The recruitment and training of all personnel tends to be 
centralized. The promotion of any mid-level managers is strictly from within 
the company. Such promotion is nominated by the General Manager of the 
branch institute and has to go through final approval of high-level executives 
in the management committee of the headquarters. When considering adeq-
uate persons for promotion, the company’s management emphasizes a fit be-
tween the focal person’s personalities and the company’s culture.

ELC has a set of standardized evaluation form to appraise employee 
performance. The contents of this document include many items such as em-
ployee’s work attitude, loyalty, and absence records. Results of the appraisal 
are mainly used for deciding employee’s compensation and not for the pur-
pose of employee development. ELC’s employees’ compensation is compar-
atively higher than other similar institutes in their industry. The company
also provides much job security and turnover rates for mid-level managers as well as executives are kept at a low and healthy level. Managers of ELC think that higher-than-average compensation is an effective way to attract the best capable personnel.

4.2.3 Qualifying Center

Qualifying Center has developed a set of matured operation procedures to handle its daily business. The company has compiled a set of worker’s manual to direct employee’s work process. Although employees are encouraged to make innovations on work process, such innovations are usually limited in scale. Mid-level managers are always promoted from within the company. Basically, Qualifying Center maintains a flattened organization structure. Employees are generally classified into four levels: Executives, product-division directors, mid-level managers such as general manager of each branch institute, and first line workers. Since the number of new recruits that Taiwan’s government takes varies each year, Qualifying Center experiences significant fluctuations in business volume. However, the nature of the services they provide each year is quite the same.

Employee performance appraisal is simplified in Qualifying Center. The items appraised can be classified into two general categories: absence records and operating results (business revenue) of the worker’s unit. Qualifying Center puts much emphasis on the results of its operating units and bonus plays a significant position in employees’ compensation package. Apparently, such emphasis on results creates some pressure among its workers. The turnover rate of Qualifying Center is higher than the other two companies studied in this paper.

4.2.4 Financial Training

This company has to constantly adjust its business contents according to the prevalent needs in Taiwan’s financial institutions. Financial Training does not compile employee manuals to instruct worker’s operating procedures. Jobs are carried out by task forces that are composed of workers from different functional departments. Membership of task force may vary in different assignments. Work processes are also subjected to constant adjustments to accommodate employee’s innovative ideas. Sometimes, in order to develop new business items, Financial Training will employ mid-level managers from outside the company.

The institute applies a standardized performance appraisal sheet onto every worker in the organization. This appraisal sheet puts much emphasis
on the business performance of the focal person’s task force team. Managers of Financial Training expressed that, since the company highlights flexibility in operation and does not set standardized work procedures, the task force teams’ work results become one of the few meaningful items to be appraised. Financial Training is such a small company that high level managers can recognize each employee by name. Therefore, the results of performance appraisal are used for deciding employee compensation and not for employee development; the boss already knew each person’s ability well enough. Most of the employee training activities are based on team to accompany with their daily work style. Table 3 summarizes the HRM practices of the institutions studied in this research.

4.3 The Interrelationships Between Business Strategy, Core Competence, and HRM Practices

4.3.1 Business Strategy and HRM Practices

4.3.1.1 Organization Structure

This study found out that company structure varies according to different corporate strategies. When a company decides to penetrate its present market segments with its present product mix, it tends to adopt bureaucratic structure. On the other hand, when a company tends to explore new markets with newly development product lines, it will tend to adopt flexible ad-hoc organization structure.

In this study, Financial Training as an Innovator, adopts ad-hoc task force teams to carry out their daily operations. Overseas Studies as Exploiter of Operating Know-how, has a flattened organization structure based on functional departments. Qualifying Center has two different business divisions classified by different products – the computer training classes and the classes for governmental qualifying exams. Its strategic role can be identified as Exploiter of Marketing Knowledge. Within each business division in the Qualifying Center are functional departments carrying out daily activities. This institution also has a flattened organization structure similar to Overseas studies.

Finally, English Training Center, who intends to use its present operating technology to further penetrate its present business market segments, adopts a strategy that can be identified as Market Penetrator. It is the only organization studied in this research that has multi-level, bureaucratic structure.
### Table 3 HRM Practices and Core Competencies of Training Institutes

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<tr>
<th>Training Institutes</th>
<th>Operating Strategy</th>
<th>Core Competence</th>
<th>Organizational Structure</th>
<th>Work Design</th>
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<td>Financial Training Center</td>
<td>Innovator</td>
<td>Flexibility and innovative ability</td>
<td>Flat, works carried out by ad hoc work teams</td>
<td>Standardized work process, but employees can participate in work design to some extent</td>
<td>Hierarchical, traditional evaluation, 20%–40% of employee’s income</td>
<td>Definitly promoted from within</td>
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<td>Flexibility and innovative ability</td>
<td>Flat, works carried out by ad hoc work teams</td>
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<td>English Training Center (ELC)</td>
<td>Market penetrator</td>
<td>Familiarity with present operating technology as well as present market know-how</td>
<td>Multi-leveled bureaucratic structure</td>
<td>Very standardized work process, very limited employee participation in work process</td>
<td>Hierarchical, performance bonus takes up an almost fixed percentage of employee’s income – about 10%</td>
<td>Definitely promoted from the company</td>
<td>Match with the existing corporate culture</td>
<td>Headquarter arrange training programs for newly recruits</td>
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4.3.1.2 Work Design

A fixed set of work design seems to be a means to transmit operational know-how by the personnel training institutions studied in this research. ELC, who handles a familiar business in their original market segment, deliberately designs a set of fixed work procedures. ELC’s employees seldom have the chance to make significant innovations in their work process. Those fixed work procedure ensures standardized operation and constant work quality in the many branch institutes throughout ELC’s entire organization. This fixed set of work design carries a matured technology of how to best serve a know market segment with familiar products and services. ELC uses this set of work design to transmit operational know-how.

On the other hand, Financial Training, who constantly enters new business territories and faces new clients with various needs, adopts task force teams to implement daily operations. Each worker in Financial Training is expected to participate actively in the design of their work procedures. Overseas Studies is using their familiar operational know-how to explore new market segments. It adopts fixed work design and the extent of workers’ innovation in work process is limited. Qualifying Center is familiar with the needs of its clients in a particular market segment. It is exploiting its knowledge and goodwill in this market segment and spills this advantage over onto other business items. In each of its two business divisions, namely classes for computer trainings and classes for governmental qualifying exams, Qualifying Center has different sets of work processes to be followed. Summarizing the above findings, we tend to conclude that personnel training institutions are using work design as a means to transmit “operational know-how.”

4.3.1.3 Personnel Training

Results of this study indicate that the more a training institute tends to exploit a set of familiar operating technology, the more likely it will use individual-based training. Both ELC and Overseas Studies focus on utilizing its familiar operating knowledge. Their employee training practices are found to be individual-based oriented. On the contrary, Qualifying Center is exploiting its familiarity in a certain market onto a new business item. Our results reveal that Qualifying Center tends to use group-based training to help trainees to better understand their colleagues’ jobs. Such understanding is helpful to a smoother operation of their organization’s daily works. Financial Training, who is constantly exploring new business territories, uses task force teams to carry out all of its daily business. Since all activities are
already implemented on a group basis, Financial Training’s personnel trainings are consequently also based on the same basis. Such trainings are aimed to enhance each worker’s professional knowledge and develop their innovative ability.

4.3.1.4 Employee Selection and Promotion

The companies studied in this research seem to use employee selection and promotion as a means to transmit certain tacit knowledge concerning market conditions. Institutes entering new market segments, such as Overseas Studies and Financial Training, do not deliberately ask the fit between employee’s characteristics and corporate culture during the staffing processes. Mid-level managers in these companies are also not necessarily promoted from within the firm. On the other hand, companies who are operating in their familiar market, such as ELC and Qualifying Center, require the employee-organization fit in selecting employees and adopt internal promotion policy. Executives of ELC as well as that of Qualifying Center express that many different conditions on the market cannot be successfully transformed into documented in detail. Therefore, they are very concerned that their new employees share the company’s present culture and way of doing things. It seems that, within a firm, there is much “tacit” knowledge transmitted which is vital to the successful operation in the company’s present market. This tacit knowledge may be habits of doing things, recognition and interpretation of environmental signals, or a set of recognized priority of things to be accomplished. When a company tries to enter new market segments, these tactic habits may limit its workers’ understanding and interpretation of signals in the market environment. Therefore, when companies are entering new market segments, they will not emphasize choosing employees with compatible characteristics with the company’s present culture.

4.3.1.5 Performance Appraisal and Compensation

In the four institutions studied in this paper, performance appraisal and compensation systems seem to be related to the company’s strategic intention in exploring new business operations. All four institutes use traditional, simplified performance appraisal procedures. Meanwhile, appraisal results are used mainly to decide bonus and compensations. Companies who are exploring new business operations tend to emphasize work results. They allocate bonus according to employee’s performance. This type of pay will take up considerable part in employees’ compensation package. In companies who are operating in familiar business lines, such as ELC and Overseas Studies, bonus does not play such significant role in employee’s compensation
package. It seems these companies regard performance-based bonus as an effective motivator when exploring new business operations.

4.3.2 Core Competence and HRM Practices

As discussed above, ELC’s strategy is to penetrate its present market segments with present product and services lines. Since ELC employee’s familiarity with its present market and product/service mix is crucial to its business success, they put much emphasis on nurturing the proficiency of their personnel in implementing their daily business. The HRM practices, ELC adopts, are characterized with the cost reduction HR system stated above. Standardized working procedures, limited participation in work design, individual-based and standardized mentor training system, employee-organization fit and internal promotion policies for staffing are the typical HR practices found in ELC. All these practices indicate that ELC tends to utilize standardized management process as well as daily operating procedures to nurture workforce with professionalized competence that emphasizes on efficiency.

Overseas Studies adopts a strategy that utilizes its present knowledge in providing overseas studies service onto other unfamiliar market segments. The company seems to regard its core competence as “the familiarity with present product operating know-how”. In terms of HRM practices, Overseas Studies uses standardized work design, employee training, as well as performance evaluation to pass on important knowledge in product/service operation. However, as Overseas Studies also intends to utilize its product operating knowledge onto unexplored new market segments, the company does not necessarily employ the internal promotion policy. Compatibility of employee attitude with prevalent corporate culture is not that important a criterion in terms of employee selection in Overseas Studies.

Similar situations happen to Qualifying Center. This company’s strategy seems to utilize its familiarity with a certain clientele and explore new product/service mix within its familiar market. In terms of HRM practices, Qualifying Center always promotes middle level managers from within the company. When it comes to employee selection, compatibility of employee attitude with present corporate culture also becomes an important consideration. Qualifying Center adopts standardized work process and demands its workforce to follow. However, since Qualifying Center intends to explore new product/service items, it utilizes a considerable portion of performance-based pay in its compensation system. Moreover, Qualifying Center also trains its workforce on team basis, in order to effectively collect, transfer, and
create operating knowledge. These arrangements all intend to nurture its workforce a proper innovative ability.

Financial Training is prepared to enter new market segments with new product mix anytime as its main business strategy. Whether its workforce be equipped with proper flexibility as well as innovative ability, therefore, is crucial for success. Its HRM practices adequately reflect the attributes of commitment-maximizing HR system to support its strategic intentions. Flexible recruiting policy, broad defined job, team-based training, and performance-based pay are implemented widely. These HRM practices seem to be effective in nurturing the company’s core competences with innovative and flexible characteristic. Recruiting employees from outside of the firm helps to bring in new concepts and work attitudes. Flexibility in work design and team-based training facilitate the creation and transfer of new operating knowledge. High proportion of performance-based pay encourages employees to assume risks in conducting business. On the other hand, Financial Training’s performance appraisal system is very simple. This is mainly because it is a small firm. The boss recognizes everyone literally by face and name. Complicated appraisal system will only be a waste of time and energy.

5. Conclusion and Discussion

From those research findings, we do observe a match between corporate strategy, core competence and HRM practices. When a company’s strategy focuses on holding onto present products and markets, it will emphasize its workforce’s ability to efficiently carry out its mission. Such company will adopt corresponding HRM practices that promote operational efficiency, such as standardized work design, personalized training system, internal promotion channels, and higher percentage of fixed salary. As a company tends to set its strategy as an innovator in exploring new markets as well as new products, it will emphasize the innovative ability in its workforce. Such company will tend to implement the HRM practices such as flexible work design, team-based training, flexible promotion system, and higher percentage of performance-based pay. When a company’s strategy tends to utilize either market knowledge or product knowledge, it will recognize the core competence similar to a mix of the above-mentioned abilities. It will also adopt a set of HRM practices that adequately promotes such abilities. We summarize those relationships at Table 4.

Such study results pretty much correspond with the concept of fit as alleged by HRM scholars [9, 14, 16, 20]. The concept of fit asserts that the
necessary condition for the connection between HRM practices and high firm performance is the congruence between these practices and organization’s operational situations. An organization decides it most appropriate HRM practices based on its operational situations. Such HRM practices then facilitate the organization’s operation and produce positive results through its influence on inducing proper employee’s behavior [29, 47, 48]. As this study finds out, all four companies in our research do take into account their corporate strategy when they design their HRM practices. At the same time, they also adopt corresponding HRM practices to nurture their workforce of such identified competences.

To practical managers, the results of this study indicate that when managers design or modify their organizational strategy, they should first review if their workforce possesses the competences to effectively implement it strategy. In our study, we have identified four strategic types; each requires a different set of corresponding core competences. Managers must first examine whether their employees possess the proper competences, and the congruence between firm’s HRM system and needed core competence. Our finding shows that those four short-term training institutes indeed systematically orchestrate their corporate strategy, core competence and human resource practices.

To other scholars of HRM, since this study is only an exploratory research based on four institutes, we need to do further survey and expand survey samples to validate our findings as well as find out if our preliminary results can apply to other industries. We also need to apply empirical research to see if a match between corporate strategy, company core competence, and HRM practices will produce positive results on firm performance. Although the four companies we studies happen to be leading firms in their respective market, we can not be sure whether it is the match among strategy, competence and HRM practices that bring about good performance, or that good performance results allowed the four firms enough slack resources to adjust their HRM practices that match with corporate strategy and competences. Since this study is only a cross-sectional interview, further longitudinal research is needed to ascertain cause-effect relationship among these variables and company performance. Other related research topics include: what are some of the better classifications of corporate core competences? can there be other conditional variables that affect the interrelationship among strategy, competence, and HRM practices? What can the interaction between strategy, competence, and HRM practices affect HRM effectiveness? Presently, we need more detailed theoretical framework as well as large-
Table 4  Match of Company Strategy, HRM Practices, and Core Competencies of Training Institutes

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<td><strong>Overseas Studies</strong></td>
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<td><strong>Operating strategy:</strong> Exploiter of present operating technology</td>
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<tr>
<td><strong>Core Competence:</strong> flexibility and innovative ability</td>
<td><strong>Core Competence:</strong> present operating technology</td>
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<tr>
<td><strong>HRM practices:</strong></td>
<td><strong>HRM practices:</strong></td>
</tr>
<tr>
<td>Employees flexibly adjust work process; Team-based training to facilitate employee knowledge transfer; Bring in middle level managers from outside to introduce new competence; Not stressing compatibility between corporate culture and employee; High percentage of performance-pay in compensation system to encourage innovation</td>
<td>Relatively fixed work design; personal based training; low percentage of performance-pay; Not emphasizing match of corporate culture and employee characteristics, bring in innovative concepts and practices to promote innovation in workforce;</td>
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<tr>
<td><strong>Match:</strong></td>
<td><strong>Match:</strong></td>
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<tr>
<td>Nurtured flexibility and innovative ability in workforce</td>
<td>Do not stress one single core competence; both organizational efficiency and innovative ability are important to their employees; Company adopt mixed set of HRM practices to nurture such required competences</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Develop New Business Items</th>
<th>Hold on Original Market Segments</th>
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<tbody>
<tr>
<td><strong>Qualifying Center</strong></td>
<td><strong>English Training Center (ELC)</strong></td>
</tr>
<tr>
<td><strong>Operating Strategy:</strong> exploiter of market knowledge</td>
<td><strong>Operating Strategy:</strong> market penetrator</td>
</tr>
<tr>
<td><strong>Core Competence:</strong> familiarity with market conditions</td>
<td><strong>Core Competence:</strong> familiarity with present operating technology as well as present market know-how</td>
</tr>
<tr>
<td><strong>HRM practices:</strong></td>
<td><strong>HRM practices:</strong></td>
</tr>
<tr>
<td>Matching employee characteristics with corporate culture to facilitate transfer of market-related knowledge; Promotes operational efficiency of workforce through stable promotion channel and homogeneity of employee working style; Flexible work design; group based training; high percentage in performance-pay in compensation;</td>
<td>Standardized work design; Personal/mentor based employee training system; Promote from within; Emphasize compatibility between employee characteristics and corporate culture; High percentage of fixed salary in employee compensation;</td>
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<td><strong>Match:</strong></td>
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<tr>
<td>Adopt HRM practices to facilitate employee’s innovative ability</td>
<td>Long term, stable relation between company and workers; hence, sustained firm-specific knowledge; Facilitates interactions and knowledge transfer among workers; employees can utilize such operating knowledge to facilitate daily operation</td>
</tr>
</tbody>
</table>
scaled study that include more industries and companies to explore these questions effectively.

Taken together, this research is one of the few studies in exploring the interrelationships between corporate strategy, core competence and human resource practices. Although the generalizability of this research outcome may be limited due to the qualitative methodology and limited sample, it indeed is the first step to stimulate scholars to focus on how to foster employee’s capability through human resource management. If the recognition and development of firm’s core competence is very crucial for attaining competitive advantage, we should pay more attention in understanding how human resource management can contribute its effort in this matter.

References
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