

## **Does Human Resource Strategy Formulation Process Matter?**

### **Abstract**

Drawing on three modes of strategy formulation: rational, adaptive, and interactive, this article examined the effect of human resource strategy formulation on HR strategy outcome. A cross-sectional survey research design was adopted. Using a structured questionnaire, data were collected from HR managers/ directors from 53 state corporations. Results from inferential statistics demonstrate that rational HR strategy formulation accounted for 22.6 and adaptive HR strategy explained 6.3 percent of HR strategy outcome, while interactive human resource strategy has no significant relationship with human resource strategy outcome. This study contribution to knowledge is that public sector organizations rarely use HR strategy formulation processes that involves inputs from multiple stake holders. This means, many strategies are an outcome of either rational or adaptive processes. More importantly, this article documents that there is a problem of inability to formulate human resource strategies in the public sector.

***Keywords:** Human Resource Strategy, Human Resource Strategy formulation process, decision-making processes, Human Resource Strategy Outcomes, State Corporations*

### **1. Introduction**

At the heart of Strategic Human Resource Management (SHRM) lays Human Resource (HR) Strategy [7, 48]. HR strategy is described as the pattern of decisions regarding the policies and practices associated with the HR system, contingent on business strategy and competitive context [7]. As noted by [49] HR strategies are deemed to cultivate competencies, cultures and

composition of workers that underlie a firm's competitive advantage. For the last two decades, the literature on HR strategies has mainly paid attention on the alignment of HR strategy and the business strategy [13, 26, and 42]. Little research has attempted to investigate how organization formulate HR strategies and its effect on strategy outcomes. The growing evidence on the low adoption of SHRM in the public sector organizations [42] suggests that formulation of HR strategy is likely to be problematic in the public sector where strategy making-process will be complicated by a range of factors such as conflicting objectives, multiple stake holders, short and long term political pressures which are likely to impede the formulation process.

This paper seeks to understand how HR strategies come into being in public the sector. This is done by examining the patterns of decisions-making occurring during the formulation process. There has been no empirical study showing a link between HR strategy formulation process and HR strategy outcome in the public sector. Very few studies [49] actually offer a framework within which to do this, and still fewer [41] have systematically described the conditions under which this relationship will occur. Much of the literature on HR strategy formulation has been more normative in structure than prescriptive in tone. Those that do exist do not take into account a broader range of contextual and output variables that are likely to influence the decision making process and the outcome of the strategy.

Therefore, this study attempt to achieve three objectives: Firstly, to examine the effect of rational HR Strategy formulation process on HR strategy outcome; secondly, to determine the effect of adaptive HR Strategy formulation process on HR strategy outcome; and thirdly, to assess the effect of interactive HR Strategy formulation process on HR strategy outcome. The results

coming out of this study will contribute to the theoretical understanding of various forces that interact in the decision-making process which in turn influences strategy outcome. Additionally, the study will contribute to the understanding of strategy-making types that enables identification of specific employee behaviors needed for implementation of business strategy. This paper is organized as follows: The paper commences with the introduction, followed by theoretical framework, typologies of HR Strategy Formulation Process and lastly, hypotheses development.

## **2. Theoretical Framework**

There has been extensive conceptual development in the area of strategy formulation as a decision process in the literature, and these conceptualizations have been argued to determine the outcome of strategies. Drawing on the Vertical Dyad Linkage theory as advanced by [12] and later, a classic work of [19] expanded the notion and thereby generating two theoretical thinking. In the first view, the foundational theoretical reasoning proposes that the relationship between supervisor and subordinate is not equal and that the worker has limited influence on decision-making processes. It is argued, the worker is set to receive and implement what is decided upon by the top management. A variant to this view suggests that higher organizational efficiency can be attained if workers are involved in the decision-making process, and are expected to work harder towards realization of organizational objectives, the planning through which workers themselves have taken part in. A common thread running through these prescriptions is that an attainment of equitable outcome would depend on the level of involvement of all parties in the decision-making process.

Consistent with the above reasoning, a detailed review of decision-making theory as advanced by [46] also indicates that decision procedure used by a leader affect the quality of a decision and decision acceptance by the people who are expected to implement the decision. Vroom and Yetton continue to argue that the effect of the decision procedure depends on several aspects namely the amount of relevant information, subordinate's cooperation if allowed to participate, the amount of agreement/disagreement over preferred alternatives, and the extent to which the problem requires creative problem-solving. Arguably, the basic assumption of the model is that participation lead to a better decision and acceptance by subordinates and the likelihood that they will implement it successfully.

In a bid to help understand the above conceptual reasoning, the writings of [37] explain that organizational processes by which strategic decisions are made determine the content or outcome of the strategy. The same holds true for the research into HR which suggests that strategy formulation is a decision-making process resulting from a series of decisions made on priorities designed to influence employee's behavior [35]. The stage for discussion is set on the style of formulation process adopted by the organization. Scholars such as [7] agree that effectiveness of the HR strategy depends on the extent to which people were involved/not involved in the formulation process. It is argued that in the decision-making process there are deliberate occurring patterns of decisions and actions made on how to strategically select, train appraise, motivate workers and ultimately integrate HR function with the overall business strategy. Ideally, the value of HR strategy outcome lies in its ability to facilitate prioritization of HR issues towards perception of HRM as a strategic function.

The current study originated in a dissatisfaction of the inability of the HRM function in many organizations to get involved in the organizational decision-making process [8, 43] The reason given out for the state-of-affair is that by its very nature HR is about people and is hard to measure its success and thus is considered as “soft” and not important for the success of the organization. As such, the value and contribution of HR function is often perceived as marginal and insignificant. However, as some authors like [26] have pointed out that absence of a formal and viable HR strategy has been cited as one of the obstacles to changing the perception of HR as a simple production inputs rather than a strategic function. Notwithstanding, scholars like [47] went further by arguing that a limiting factor of developing an effective HR strategy is the lack of a well-defined process and integrated techniques for delivering it. Most existing HR strategy-making studies such as that of [13] and [41] do not fully capture the complexity and varieties of phenomena appearing in the formulation process.

Accordingly, a detailed review of resource dependency theory indicates that organizations develops HR strategies as a way of increasing influence over scarce resources in the environment and therefore reducing uncertainty and promoting survival. Drawing on the work of [36, 44] correctly argue that a well-developed HR strategy is used to develop competencies, skills and capabilities of its employees as a source of power and therefore minimizing its dependency on other organizations for survival. Such a resource dependency model is grounded on the notion of exchange, bargaining and political interest which are the main characteristics of public sector organizations. Thus, a prediction of the nature and outcomes of the HR strategy formulation process are possible only to the extent that we have a firm understanding of the power and dependence relations among all of those with an interest in the outcome.

### **3. Typologies of HR Strategy Formulation Process**

Strategy formulation literature has produced a competing archetype of typologies based on different decision-making processes namely; entrepreneurial, planning and adaptive [30], command, symbolic, rational, transactive and generic [20], rational, organizational and bureaucratic mode, [2], and managerial autocratic, systemic bureaucratic, adoptive planning and political expediency [37]. However, it is argued that despite having various types of decision-making models, three of them pervade the literature on strategy formulation process namely, rational, adaptive and interactive modes. These three are the most cited in the literature as they provide a comprehensive focus on decision-making-processes. As [37] noted that the three (rational, adaptive and interactive) describe in detail sequence of events in the strategy formulation process and fully captures the complexity and variety of occurring patterns in the strategy-making process.

#### **3.1. Rational Process of HR Strategy Formulation**

Rational process of HR strategy formulation assumes that there is a deliberate, linear and top-down process where formulation is separated from implementation [30]. Analysts such as [7] point out that decision-makers makes decision by following process comprised of steps supported by tactics to carry out each step. That is, they identify needs, specify desired results, uncover and evaluate options, and implement the best option. Strategy formulation process is viewed as a downward cascade with both internal and external factors shaping the way in which they should be addressed. Proponents of this line of thinking such as [13] argue that decision-making process is a one-way process whereby HR issues are considered from an overall

organizational perspective mostly initiated by top management and thereafter handed down to the HR unit for implementation. Basically, in a rational mode, HR decisions are made in the absence of HR professionals and in a way that top management attempts to monitor and control all aspects of work such as costs, employee's behavior and high level of productivity

### **3.2. Adaptive Process of HR Strategy Formulation**

As noted by [7] that strategy at any level and in any organizational system is rarely if ever the outcome of rational, explicit and top-down process. In adaptive approach, HR strategy-making process is seen as adaptive and emergent process with a clear implication for the role of HR strategy. Citing from the work of [25, 28] among others coin this as logical incrementalism where decision is taken step-by step rather than all at once. Though it is argued, that adaptive mode makes HR decisions based in the patterns of past actions, the level of participation of HR professionals and HR department for that matter in the decision-making process is very minimal. Under this mode the HR function is perceived as a support function and not a full business partner. Basically, strategy formulation process starts with the HR department drafting the document and presenting it to the top management for approval. Specifically, decisions focus on performing and improving traditional administrative functions such as recruitment and selection, training and promotion just to mention the few. HR department is only consulted to give advice on HR issues and not participate fully on the decision-making table. The HR strategy is formed with little or no inputs from the line managers. As noted by [14] the end result of the strategy outcome may be an elegant document that adds little value to the business objectives. To some extent, decisions ensure that employees are treated fairly and equitably.

### **3.3. Interactive Process of HR Strategy Formulation**

The framework developed by [20] sought to integrate a range of conceptualization which took a 'systemic' view of strategy-making by focusing on the role of interrelations between top management and organizational members specifying who is involved in decision-making and in what manner. Commenting on the same, [31] argued that it provided a useful organizing principle for strategy-making which was viewed as a two-way street requiring both visionary leaders and empowered followers. In fact, HR decision-making comprises member from top management, line managers and other low level employees. In such a context, not only brings-in experience to the formulation process but likelihood of support to the strategy. Utility analysis is a decision framework that explicitly considers the cost and benefits of HR decisions. Decision-making at this point is partly analytical and partly political [36]. The outcome is that the decision made on HR is neither the sole product of corporate management as in the rational mode nor that of HR unit as in the adaptive mode. The model proposes that HR function contributes to organizational strategy formulation and in the process also gets early insights into its own strategic requirements. This participatory approach of decision-making involves power sharing arrangements among individuals who are otherwise hierarchical unequal.

## **4. HR Strategy Formulation Process and the HR Strategy Outcome**

### **4.1 Rational HR Strategy Formulation Process and the HR Strategy Outcome**

The literature suggests that there is a significant relationship between HR strategy-making process and the outcome of the strategy [30]. The rational approach is argued to place greater emphasis on economic return, profitability, and efficiency of operations. This view is informed by an understanding that strategy formulation process focus on HR decisions that reflect its

business strategy such as the reduction of staffing levels and prohibiting overtime. Ideally, decisions focus on getting the best skills, better deployment of existing workers and workers interest such as rewards is of no importance [38]. Moreover, recruitment criteria would identify and select employees who meet job requirements and, possibly, push them to accept lower pay levels. Under such an environment, the outcomes of the HR strategy would reflect higher economic return from employees and lower measures of quality of work life. This thinking is well illustrated by an Inside-Out configuration of [47] which indicates an HR strategy formulation starting with the issues facing the business, and then formulates an HR strategy to help implement business goals

However, critics of this line of thinking such as [42] are in a view that cognitive limitation of top-decision makers hinders generation of information that assist in the process of HR strategy formulation. This is well put by [51] through RBV theory that a HR strategy that aims at minimizing cost is not likely to lead to effectiveness. In particular, rational mode is accused of being rigid, non-participative and often the outcome of the strategy ignores rights of employees.

The literature is replete with empirical studies confirming the relationship between rational HR strategy formulation process and the HR strategy outcome. The work of [44] for example examined the logic and process for HR strategy formulation that determine a powerful HR strategy outcome in a rationalistic manner/way. The five steps include; the identification of unit for which HR strategy is being developed, prioritize the trends, specify sources of competitive advantage, define cultural capabilities and identify HR practices with great influence and therefore leading to high value HR strategy. However, as noted by [23] that the process does not

provide guidance in relation to the HR strategy formulation in the public sector where strategy-making process is complicated by a range of factors such as ambiguity of organizational goals and political pressures. Consistent with [44], [25] provides the four-step model process of producing a meaningful HR strategy. With a view from the top, Kesler asserts that the search for strategic business demands greater clarity of HR focus by setting choices of people and business priorities in a top-down manner. Indeed, Kesler's prescription holds that the turnaround of the four-step strategy process centers on the HR agenda setting where the participation of HR professionals and line leaders from various operating units is likely to deliver high value HR strategy outcome.

Similarly, the work of [47] reported results from a field study of 20 companies in the U.S with regard to the process used by those firms to formulate their HR strategies. A careful analysis of results indicated a top-down approach to HR strategy formulation with some companies succeeding to link HR function to the business. [41] Commenting on rationalist strategy formulation succinctly stated that it is a logical framework, easier to grasp and comprehend. In a similar vein, [38] were in the view that such a formulation process only becomes strategic if monitoring of environment is observed. Therefore, we hypothesize that:

*H1. Rational HR Strategy Formulation Process is related to HR Strategy Outcome*

#### **4.2. Adaptive HR Strategy Formulation Process and the HR Strategy Outcome**

It is argued that adaptive HR strategy formulation process would have a significant relationship with the outcome of HR strategy. Viewing HR strategy formulation process from an incremental perspective, [7] proposes that since decision-making process is done continuously and in a

piecemeal manner with little evaluation of HR and organizational roles together in each stage, top management and the HR professional would be limited in the strategy-formulation process on how best to invest in its people and therefore not likely to develop highly committed and flexible HR strategy. Most notably embedded in this view is the notion that lack of cooperation from top management, line managers and other stake holders in the decision-making process decreases ability of the HR professionals to make decisions that invest heavily on human resources, and as such, little strategic is expected in the HR strategy outcome. Furthermore, emphasis on short term HR decisions and performance measures that causes lack of focus on achieving results could hamper the process of strategy formulation and therefore leading to ineffective HR strategy outcome. Critics of this line of thinking such as [23] argue that the problem is that HR function is not able to position itself as a business partner and very often, in the formulation process organizations feel no need to change their HR practices.

Proponents of this view opine that since HR decisions are made incrementally, the appropriate decisions would be introduced step-by-step to encourage behaviors required to promote and support organizational strategy and therefore increasing the possibility of continuously upgrading the skills of employees through adapting to environmental changes, prioritization of the alternatives to goals leading to better HR strategy outcome. For instance, [27] commented that companies generally try to avoid excessive emphasis on achieving fit between their strategies and human resource policies and practices since too much fit between a company's human resources and its business strategy may restrict the range of employee skills, innovation, and hence limiting the capacity to change.

Empirical findings of adaptive HR strategy formulation process are scarce due to the relative lack of evidence over the use of incremental decision-making process. As observed by (Thomas, 1996) that in developing HR strategy in an adaptive manner the process is not well understood and is rarely used. Therefore, we hypothesize that:

*H2. Adaptive HR Strategy Formulation Process is related to HR Strategy Outcome*

#### **4.3. Interactive HR Strategy Formulation Process and the HR Strategy Outcome**

Prescription for modern organizations calls for organizational flexibility and high level of participation in the decision-making process. Participatory decision-making increases team members' commitment to the final decision. This is well put by [7] that HR strategy formulation is a joint decision-making process between HR professionals, employees and top management which is a building block for the outcome of HR strategy. As argued by [52] that a firm that engages in decision-making processes that systematically consider HR issues will perform better than firms that do not. Therefore, participation increases the level of influence of employees, line managers and HR director on top management to design a comprehensive HR strategy that would guide the management of employees in the organization. As a joint decision-making process where different participants have opportunities and abilities to influence the adoption of the best alternatives, problem is identified and defines after which HR choices are design, clarify outcomes define set of measurements and identify set of competencies which is ultimately results in the commitment of financial and human resources in the form of HR strategy. Whereas top management is believed to have solid knowledge of the business, the competency of the HR professionals can play a significant role in the HR strategy formulation process, and as such, top

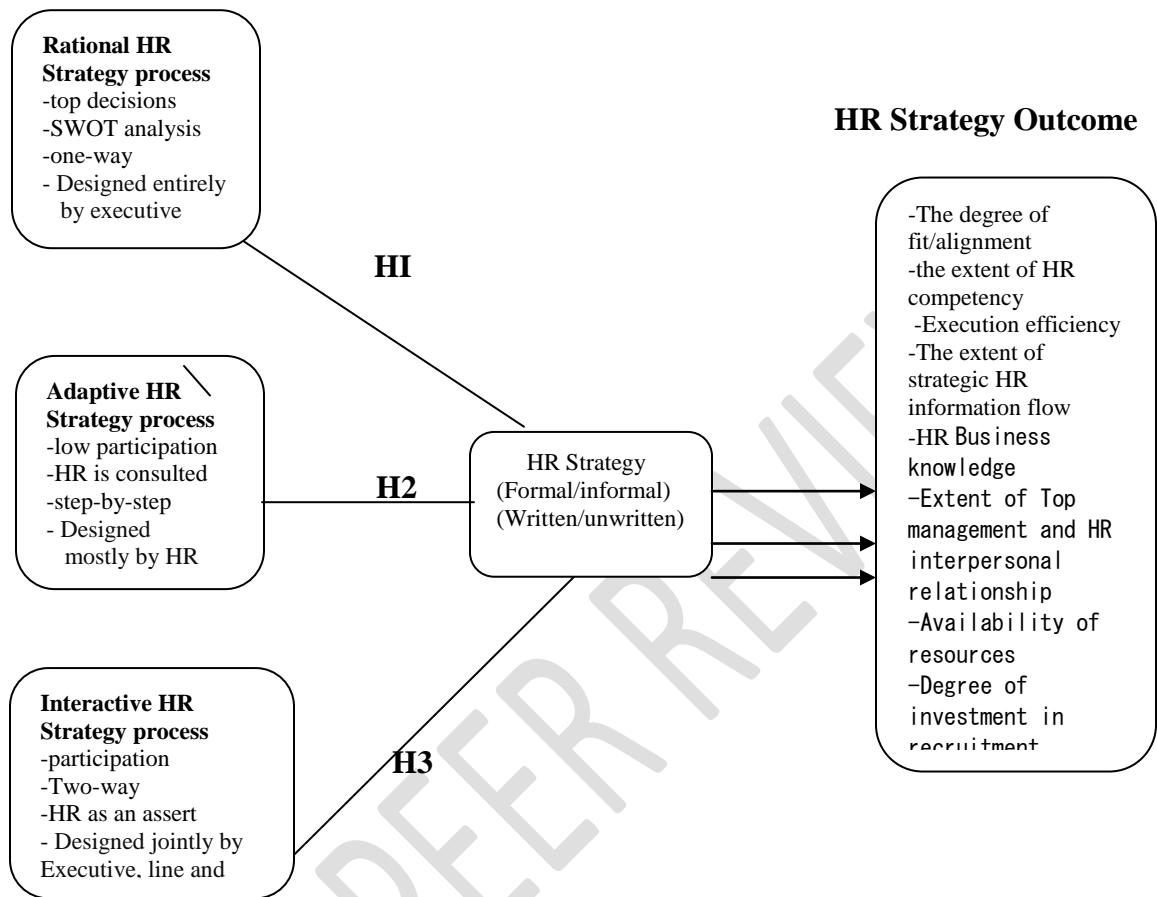
management would take note of HR issues seriously and therefore effective outcome of the HR strategy

The literature is suggesting that selecting rational or incremental approach to strategy formulation is not functional, instead, coexistence or combination of the two basic approaches is recommended. Drawing on the literature of strategic choice with the notion of ‘hierarchy of strategies’, [52] made a significant contribution to the HR strategy formulation through identification of what he called ‘upstream’ and ‘downstream’ types of strategic decisions. The upstream or first order strategic decisions which are concerned with the corporate strategy determine the nature of second and third level strategies. The third level which is concerned with functional strategies includes those related to human resources and is formulated in the context of the first two levels. Critics of such thinking such as [43] however are in the view that these types of linkage only describe one way or downstream relationships and as such do not meet the fuller definition of strategic integration which incorporates a two-way relationship moving upstream as well as downstream. [34] Point out that it is not necessary that HR strategy always precede a given strategy but it can be proactive in contributing towards business strategy formulation. [13] Identified three models of HR strategy formulation where organization integrates business strategy formulation and HR strategy formulation processes, in the process HR contributes to organization strategy formulation and in the process it gets its own early insights into its strategic requirements. Therefore, we hypothesize that:

*H3. Interactive HR Strategy Formulation Process is related to HR Strategy Outcome*

## **Conceptual Framework**

## HR Strategy Formulation process



**Figure 1:** a schematic diagram illustrating the relationship between HR Strategy formulation process and the HR strategy outcome

## 5. Method

The target population of this study comprised all State Corporations in Tanzania. There were 94 such State Corporations which were all included in the study. The choice of State Corporations

was based on the presumption that as they are being run as independent entities they are more likely to have developed HR strategies. Previous studies such as that of [47] have used the same technique and presented reliable and valid findings. At least 53 Tanzania's State Corporations responded to the questionnaires comprising 56 percent of response rate. Cross-sectional surveys design was adopted. The current data came from responses by HR managers/ directors using a structured questionnaire which was sent directly to them. State Corporations were also requested to provide their HR strategy document if one existed. Questions concerning HR strategy formulation process solicited information about the actual process used by these corporations to develop their HR strategies together with those involved in the process. Similarly, Questions concerning HR strategy outcome solicited information about the composition of the HR strategy. That is, issues the strategy sought to address. We conducted a pilot study on five State Corporations using all surveyed materials. To ascertain content validity, the researcher went through a review of literature and identified items required to measure the concepts, and also questions were double checked to ensure they covered all areas of the study. Similarly, all the instruments were subjected for a reliability test and an overall cronbach's alpha score was .72 hence meeting acceptable thresholds of .70 proposed by [33]. The organization was the unit of analysis.

### **5.1. Measures**

HR strategy formulation process was operationalized using items adopted from [14] and [7]. HR strategy outcome was operationalized with items adopted from [50]. All items were measured on a Likert-type scale ranged from 1 (not at all) to 5 (to a very large extent). The scale point ranged from 1 (not at all) to 5 (to a very great extent). 'Not at all' meant that the issue in question did

not exist or was not true while ‘to a great extent’ meant that there was no doubt about the existence of the issue of concern.

## 5.2. Data analysis

Inferential statistics were computed to test a number of hypothesized relations so as to allow generalization of the study findings to a larger population. Multiple regression analysis technique was used to test the relationships between variables of the study. Beta coefficient ( $\beta$ ), coefficient of determination ( $R^2$ ), and adjusted coefficient of determination (adjusted  $R^2$ ) were used to interpret the results. The standard errors from each of  $\beta$  values were used to determine whether or not the ‘ $\beta$ ’ value differs significantly from zero.

## 6. Findings

### 6.1 HR strategy document.

Before proceeding with hypothesis testing, we present results of State Corporations’ presence/absence with HR strategy document.

**Table 1 Distribution of State Corporations by Presence of HR strategy**

HR strategy	Frequency	Percent
State Corporation with HR strategy	18	34.6
State Corporation without HR strategy	34	65.4
<b>Total</b>	<b>53</b>	<b>100</b>

**Source.** Research data 2019

Results from the table 1 indicates that majority of the State Corporations (65.4%) had no physical HR strategy document while (34.6) had a formal and written HR strategy document to

guide management of HR in their organizations. It can be interpreted from this results that State Corporations still have long way to go in terms of strategically managing employees by having a clear guiding instruments to track down HR developments.

Before proceeding with hypotheses testing, correlation analyses were performed to examine the pattern of relationships among variables. Length and size of the organization being control variables, Correlations among the perceived HR strategy scales were generally modest and varied from .01 to .55. As indicated in table 2, there were significant correlations between three variables of HR strategy and HR strategy outcome.

**Table 2 Means, Standard Deviations, and Zero-Order Correlation**

**Matrix of the Measurement Items**

	Variable	M	SD	1	2	3	4	5	6
1	Size	3.61	1.03	1					
2	Length	3.24	.97	-.197	1				
3	Rational HR strategy	3.31	1.06	<b>.216**</b>	.072	1			
4	Adaptive HR strategy	3.83	.82	.169	<b>.218*</b>	-.052*	1		
5	Interactive HR strategy	3.64	1.10	<b>.317*</b>	<b>.196</b>	<b>-.558*</b>	.103	1	
6	HR strategy outcome	3.39	.67	-.250*	<b>.410**</b>	-.134	<b>.294*</b>	.114	1

**6.2. Hypothesis Testing**

As recommended by [1], we examined the relationships among the relevant variables using multiple regression analysis so as to better depict the variance explained by predictor variable. Five dimensions of rational HR strategy formulation process were regressed with HR strategy outcome and the results are presented in the table 3 below. The Analysis of variance (ANOVA)

indicates that rational HR strategy formulation process explained 22.6 percent of the variation in HR strategy outcome (Adj.  $R^2 = .226$ ) leaving 78.4 per cent of the variance explained by other unknown factors. The F value was =3.167,  $p > .05$  revealing a good fit of the model to the data estimates. The regression coefficients of two dimensions of rational HR strategy formulation process were significant, and explained some of the variation in HR strategy outcome. For instance, centralized HR decisions beta coefficient was =4.313 indicating that for every one-unit increase in centralized HR decisions there is 4.313 increase in HR strategy outcome. Unfortunately, other variables had non-significant effect on HR strategy outcome.

**Table 3. Regression results relating to hypothesis One**

Model 1	Beta	t	P-value
(Constant)		.117	.000.
Centralized HR decisions	4.313	5.810	<b>.026</b>
SWOT analysis	.068	.163	.063
Top-down HR decision-making	-.734	.388	<b>.034</b>
Designed entirely by executive	.541	1.423	.093
HR is perceived as a cost factor	.249	.091	.075
<b>Adjusted <math>R^2 = .226</math>      <math>F = 3.167^*</math></b>			

**a. Predictor: Rational HR strategy formulation process**

**b. Dependent Variable: HR strategy outcome**

**c. \* $P < .05$  (2-tailed),  $N = 53$**

On the same account, findings for the hypothesis two suggest that variables making up adaptive HR strategy formulation process explained some of the 6.3 per cent variation in HR strategy

outcome leaving 93.7 explained by other factors. Results in table 4 below shows that the beta coefficients for the three dimensions were significant and for the other two dimensions were non-significant. The t value for the three dimensions indicates that the results are statistically significant. However, despite having a marginal contribution (6.3 percent) to the dependent variable, the relationship of adaptive HR strategy formulation process on HR strategy outcome was significant. Therefore, *the null hypothesis for objective one and two are hereby rejected.*

**Table 4. Regression results relating to hypothesis two**

Model 2	Beta	t	P-value
(Constant)		.340	.040.
Low participation in the formulation process	.099	.236	<b>.000</b>
HR is perceived as a liability	.061	.141	.236
Decisions are made to improve the existing situation	.066	1.313	<b>-.005</b>
Designed mostly by HR	.032	.215	<b>.000</b>
Less centralized HR decisions	-.409	.215	.143
<b>R<sup>2</sup> Change=.063      F=1.123*</b>			

**a. Predictor: Adaptive HR strategy formulation process**

**b. Dependent Variable: HR strategy outcome**

**c. \* P < .05 (2-tailed), N=53**

**Table 5. Regression results Relating to Hypothesis three**

Model 3	Beta	t	P-value
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(Constant)		.645	-1.204.
High participation in the formulation process	.700	.467	.215
Two-way decision-making process	.996	.662	.427
HR is perceived as an assert	.779	.255	.093
Designed jointly by Executive, line, HR and other stake holders	.822	.695	.064
HR director has a seat in top management	.234	.440	<b>.034</b>
<b>R<sup>2</sup> Change=.395</b>		<b>F=.403</b>	

**a. Predictor: Interactive HR strategy formulation process**

**b. Dependent Variable: HR strategy outcome**

**c. \*P< .05 (2-tailed), N=53**

On the other hands, the multiple regression analysis of results displayed in table 5 above indicates that interactive HR strategy formulation process as a whole explains almost no additional variance in HR strategy outcome. The F Change was =.403 but not significant. This results implying that interactive HR strategy formulation process has no effect on HR strategy outcome of State Corporations in Tanzania. Therefore, *the null hypothesis is hereby not rejected*

## **7. Discussion**

Extant literature has reported mixed empirical findings on HR strategy formulation. So far, anecdotal evidence suggests that despite the adoption of public sector reforms that led to the implementation of strategic HRM practices, many institutions in the African public sector still do not formulate HR strategies. The current findings confirm this assertion whereby 65.4 percent of

the State Corporations investigated did not have a formal document of HR strategy. These results contradict that of [26] who found that 65 per cent of the companies which he investigated had a formal HR strategy document. Similarly, [43] in her study to assess the changes of HR functional roles in the UK public sector reported that all surveyed public sector organization had a formal draft of a HR strategy. However, there are a number of reasons that have been attributed to the problem. Arguing on the same, [23] noted that there are features inherent in the public sector which might impede formulation of HR strategies including conflicting objectives, multiple state holders and short and long term political pressures.

HRM scholars have previously argued that organizational processes through which HR strategic decisions are made determine the content or outcome of the HR strategy [37]. The results of this study provide relatively strong support for this assertion. The empirical findings indicate a modest support for the effect of rational HR strategy formulation process on HR strategy outcome. This implies that HR Strategies in Tanzania State Corporations to extent are not formulated within the context of overall business mission and objectives. Furthermore, a review of individual attributes of 'centralized HR decisions' and 'top-down HR decision-making' indicates a low explanatory power on important measures of HR strategy outcome. Three individual attributes did not have any significant effect on HR strategy outcome. These results to some extent support observations made by [29] who noted that HRM functions in the public sector are normally determined at the central level. That is, there is a powerful centralized body (i.e Ministry of Public Service Management) responsible for formulation of HR strategies with little involvement of line ministries in the formulation process.

Despite the compelling theoretical argument that adaptive HR strategy formulation process increases the effect of HR strategy outcome, the current findings show a weak evidence of such an effect. Empirically, the whole model accounted for only 6.3 percent of the variation in HR strategy outcome. The results seem to suggest that not only organizations employ both rational and adaptive approaches to HR strategy formulation, but rather; strategic decision-making process may be rational at some point, that is proactively initiated by top management and adaptive at another angle, that is made in piece meal as suggested by HR department to improve the existing situation. More importantly, the significant relationship of adaptive HR strategy formulation process on HR strategy outcome confirms [4] ideas that HR strategy formulation process in the public sector particularly State Corporations for that matter do not follow classical model of strategy formulation rather, is shaped by government commitment to particular HRM policy choices. From this empirical finding one might interpret that employees, line managers and other stake holders are not being involved in the HR strategy formulation process.

On the other hand, lack of a significant relationship between interactive HR strategy formulation process and HR strategy outcome may indicate a nonlinear relationship between the two variables. The entire individual attributes except for 'HR director has a seat in top management' were found to have an insignificant relationship with HR strategy outcome. However, this result should be interpreted with caution. That, lack of a significant relationship between interactive HR strategy formulation process and HR strategy outcome does not mean that the prescriptions are wrong or unimportant rather, the inability of State Corporations to systematically adopt interactive HR strategy formulation process as an alternative best way of improving the outcome of HR strategy.

## **8. Conclusion, Implications and Limitation**

The basic premise of this empirical study was to investigate the relationship between HR strategy formulation process and HR strategy outcome. It can be concluded beyond reasonable doubts that both rational and adaptive HR strategy formulation processes contributes to HR strategy outcome. However, lack of significant relationship between interactive HR strategy formulation process and HR strategy outcome poses a big challenge to the implementation of the HR strategy in the public sector. A HR strategy that is not developed with inputs from various stake holders, chances are high that it will not secure implementation commitment from all levels and therefore bound to fail. The Implications of this finding to Resource-Based View is that HR strategy formulation process constitute a source of sustained competitive advantage as it is used as a platform of making strategic decisions about the most important asserts of the organizations “employees”. The cross-sectional research design limited the ability of the study to make any causal conclusions.

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