Downsizing and Repairing Practices among Employment Modes

Introduction

Organizational downsizing has been a pervasive managerial practice for the past few decades. Specially, during an economic downturn an organization must carefully consider its options and assess the feasibility and applicability of cost-reduction alternatives before deciding on layoffs. There is increased understanding and awareness that downsized companies are forced to deal with the human and societal after-effects in a post-downsizing phase(2008).

On other hand, there is a rapidly increasing use of external labor arrangements such as workers from temporary help services and limited-duration direct hires. The growth of external labor arrangement use suggests the need for a theory to explain the sorts of jobs that should be externalized. Ettorre(1994)suggested that overuse of external labor arrangements may reduce an organization's core competencies, and Pfeffer(1994)argued that "the recent trend toward using temporary help, part-time employees and contract workers, particularly when such people are used in core activities." In particular, as business closures and unemployment levels rise amid a protracted global economic downturn, we are seeing a rise in "external" forms of employment. "External employment" refers to temporary, casual, and part-time work. Those employed in these kinds of jobs generally do not enjoy standard benefits such as pensions, health insurance, and social security. A sign of the trend is the growing inclination of companies to hire temporary or contract workers to replace permanent employees as they search for ways to lower operating costs. Mile and Snow(1984) noted that while certain human resource practices might be centralized or standardized for all employees, others might be customized to match the specific requirements of particular employee groups. These distinctions are, in fact, crucial aspects of a firm's strategic approach to human resources. Other investigators have also found that organizations apply different modes of employment for strategic reasons. According to the statistical survey report of Taiwan government (2007), 94% of enterprises had employed contingency workers in the year 2006. Specifically, 97% of the companies in the service industry utilize casual employees. Moreover, statistics compiled by the cabinet-level Directorate General of Budget (2008), Accounting and Statistics (DGBAS) showed that 6.24% of Taiwan's workers, or some 650,000 people, are "external workers," who on average earn 47.6% of normal workers' salaries. A similar situation is emerging in Mainland China, where a change in legislation governing employment contracts was announced in June 2007. A primary component of this new legislation focuses on the casual employment mode. Along this line, core competency employees are no longer internal employees in the organizations because of different organizational strategies perspective.

While workforce reductions cannot always be completely avoided, downsizing-related layoffs must be a managerial tool of absolute last rather than first resort (Gandolfi, 2006).It is usually crucial for an organizational decision maker to adopt which kind of downsizing practices(relational or transactional) to maintain the core competency. Unquestionably, incorporating layoff in the strategic management plan to increase organizational efficiency by maintaining a focus on core competencies promote competitive advantage and increasing (or at least maintaining) current levels of market share.

However, the survived employees are generally asked to take on additional responsibilities and to learn new jobs often have survivor syndrome which involves a narrow set of self-absorbed and risk-averse behavior that can threaten the organization's survival. For this reason, it became necessary to repair the relationship with survived employees to minimize the potential negative impact on core competencies (productivity and workforce behavior) after downsizing practices.

From this perspective, in our study, we are from organizational strategy point of view to demonstrate the downsizing practices might be the possible options for an organization to adopt during economic downturn. Moreover, we tried to predict the organizational repairing practices (transactional or relational) from both agency theory and social exchange theory perspectives.

Agency and Principle Relationship

From agency perspective, the relationship between employer and employee are treated as principal and agent. This relationships should reflect efficient organization of information and risk-bearing costs (Eisenhardt, 1989).The difficulties that arise under conditions of incomplete and asymmetric information when a principal hires an agent, such as the problem that the two may not have the same interests, while the principal is hiring the agent to pursue the interests of the former. Thus, there are various mechanisms may be used to try to align the interests of the employee with those of the employer such like commissions, profit sharing, efficiency wages, performance measurement or fear of firing. This means these methods such as deferred compensation and structures such as tournaments are often more suitable to create the incentives for employees to contribute what they can to output over longer periods. On the other hand, some employees are often paid according to hours of work rather that by direct measurement of results is that it is more efficient to use indirect systems of controlling the quantity and quality of effort due to variety of informational and other issues such like turnover costs was determined the optimal minimum length of relationship between employers and employees.

From social exchange perspective, one of the basic views is that relationships develop over time into trust, loyal and mutual commitments. The organizational relationship between employer and employee focuses on expectations of reciprocity.

There are three types of reciprocity: a) Reciprocity as a transactional pattern of interdependent exchange which means the outcomes are based on a combination of both parties efforts and involves mutual and complementary arrangements. This emphasizes contingent interpersonal transactions (Das & Bing-Sheng, 2002) such like extra bonus or vacation from employer if the employees did additional work. b) Reciprocity as a folk belief involves the cultural expectation that people get what they deserve(Gouldner, 1960). c) Reciprocity as a norm and individual orientation which describes how one should behave and those who follow these norms are obligated to behave reciprocally. Hutchison (1997) found that individuals with a strong exchange orientation are more likely to return a good deed than those low in exchange ideology. For example, in their investigations of perceived organizational support and absenteeism, they found exchange ideology strengthens the relationship of perceived organizational support with felt obligation, citizenship behavior and effort and performance. Obviously, these investigations of how exchange orientation influences organizational relationships is great importance, especially, the social exchange theory that develop between employees and their employing organization in relational- based relationships.

Employment Modes Theoretical Background

The transaction costs perspective focuses on characteristics missing from previous research on external labor arrangements: the characteristics of a transaction. There are costs associated with managing employee through market arrangements (transaction costs) which firms center on securing the most efficient form of organizing employment versus within hierarchical arrangements (bureaucratic cost) which firms attempt to minimize ex ante and ex post costs associated with managing employment (Williamson,1975). The characteristics of the position may play an important role in the firm's determining whether it should use market-mediated mechanism (external employee arrangements) or hierarchical mechanisms (permanent employment relationships) to govern the transaction. Teece(1984) framed the make or buy decisions a special case of market failures. In an attempt to identify the most efficient form of organizing employment, organizations either rely upon the market to govern a transaction or they govern this process internally. From transaction cost perspective, internalization of employment is appropriate when it allows organizations to more effectively monitor employee performance and ensure that their skills are deployed correctly and efficiently (Williamson,1975).

From human capital perspective, the decision to internalize or externalize employment rests on a comparison of the expected returns of employee productivity. Quinn(1992; Venkatesan, 1992) and Venkatesan(1992) have argued that firms should base employment sourcing decisions on the degree to which skills contribute to the core capabilities of the firm. Organizations develop resources internally only when investments in employee skills are acceptable in terms of future productivity (Becker, 1964). If employee productivity is not expected to exceed investment costs, organizations likely will secure these skills from the labor market (Lepak & Snell, 1999).

Employment Modes in HR Configuration

Organizations are exploring the use of different employment modes to allocate work to reach both efficiency and flexibility(Powell, 1990). The management of human capital often can be broken down into "make or buy" decisions (Miles &Snow,1984) . Such like firms may externalize employment by outsourcing certain functions to market-based agents and on the other hand, they may internalize employment and build the employee skill base through training and development initiatives. The benefits of internal employment include greater stability and predictability of a firm's stock of skills and capabilities(Pfeffer, 1988),better coordination and control(Williamson, 1981),better specialization and lower transaction cost(Williamson, 1975). On the contrary, externalization enable organizations to decrease overhead and administrative cost, balance workforce requirements(Pfeffer 1994) and improve organizational flexibility(Miles, 1992).

Moreover, both internal and external employment modes have their own associated cost. Internalization increase the stability of a firm's stock of human capital, but it also incurs bureaucratic costs stemming from administering the employment relationship(Rousseau, 1995). However, internationalization constrains an organization's ability to adapt to environmental changes, especially, those that demand for human capital. On the other hand, externalization has to suffer the higher turnover costs.

How various combinations of employment modes lead to competitive advantage usually is the question to identify the configurations of staffing, training, appraisal and reward practices that are appropriate for the types of human capital embodies within those employment modes. However, the current researches still tend to take a holistic view of employment and human capital, emphasizing on the extent to which a set of practices is used across all employees of an organization as well as the consistency of these practices across organizations. There is the possible existence of different employment practices for different employee groups within an organization to be unnoticed(Lepak & Snell, 1999). In this study, we would like to argue the most appropriate mode of investment in human capital will vary for different types of human capital rather than a sing "optimal" HR architecture for managing all employees. Lepak and Snell(1999) used the dimensions of value and uniqueness of human capital and identified four different employment modes(1.internal development, 2.acquisition, 3.contracting, 4.alliance) as carrying with different form of employment relationship.

Three Theoretical Perspectives in Human Resource Practices

Universalistic perspective. This perspective argued for a “best practices” approach to strategic human resource management(Huselid, 1995) which like many micro-level HR researchers, posit that some HR practices are always better than others and that all organizations should adopt these best practices. For instance, Preffer (1994) proposed that greater use of 16 management practices, such as employment security, promotion from within, incentive pay, participation and empowerment, training and skill development and results in higher productivity and profit across organizations. (Delery & Doty, 1996) identified seven practices from Preffer’s(1994) 16 most effective practice for managing people that are consistently considered strategic HR practices. There are: internal career opportunities, formal training systems, appraisal measure, profit sharing, employment security, voice mechanisms and job definition. Internal career opportunities refer to the use of internal labor markets. In addition, organizations can choose to hire predominantly from within or from outside. The second practice, training systems, refers to the amount of formal training given to employees. Organizations can provide extensive formal training or rely on acquiring skills through selection and some socialization. Third, appraisals can be based on results or behavior. Behavior-based appraisals focus on the behaviors of individuals necessary to perform the job effectively, whereas results-oriented appraisals focus only on the consequences of those behaviors. Profit-sharing plans, which tie pay to organizational performance, were an integral part of a strategic HR system. Fifth, the degree to which employees are given employment security has many strategic implications. Although it is apparent in today’s economy that even the most senior employees are not free from layoffs, there are particular groups of employees in organizations who undoubtedly have a greater sense of security in their jobs than other employees, either because of a formal or an informal policy of employment security. Voice mechanisms are both formal grievance systems and participation in decision making. Finally, the degree to which jobs definition, tightly defined jobs are those in which the employees know the content of their jobs exactly. The job is limited in scope, and incumbents don not perform duties that are not considered part of the job. The job duties are more likely shaped by a well-defined job description than by individual action(Delery & Doty, 1996).

Contingency perspective. Contingency arguments imply interactions rather than the simple linear relationships. In other words, contingency theories posit that the relationship between the relevant independent variable and the dependent variable will be different for different levels of the critical contingency variable(Delery & Doty, 1996).Most previous study has used rate of product, service, or market innovation as the central contingency variable(Hambrick, 1983).Firms that are highly innovative are considered prospectors, firms that are moderately innovative are considered analyzers and firms that rarely innovate are considered defenders. Moreover, in contingency predictions, the relationship between the use of specific employment practices and organizational performance is posited to be contingent on an organization's strategy. However, the behavioral perspective implies that successful implementation of business strategy relies heavily on employee behavior. An organization's strategy necessitates behavioral requirements for success, and the use of HR practices in the organization can reward and control employee behavior. Therefore, it is necessary for an organization implement HR practices that encourage the employee behaviors that are consistent with the organization's strategy. The consistency HR practices and firm strategy allows organizations to achieve superior performance. In addition, from agency theory perspective, the organization would simply be aligning the interests of the employer (principal) and the employee(agent).HR practices can be used to elicit from employees behaviors that are consistent with an organization's strategy. An organization can set up HR practices that ensure that individuals with the required abilities are hired and retained. Different employment mode employees are contingent on balancing HR practices and firm strategy.

Configurational perspective. Configurational theories draw on the holistic principle of inquiry(Doty, 1994) to identify configurations or unique patterns of factors that are posited to be maximally effective. These configurations represent nonlinear synergistic effects and higher-order interactions that cannot be represented with traditional bivariate contingency theories(Doty & Glick, 1994).Moreover, configurational theories incorporate the assumption of equifinality by positing that multiple unique configurations of the relevant factors can result in maximal performance. Internally consistent configurations of HR practices, or employment systems, that maximize horizontal fit and then link these employment systems to alternative strategic configurations to maximize vertical fit. Delery (1996) propose the following two employment systems: the market-type system and the internal system. The market–type system is characterized by hiring from outside an organization, providing little training and evaluating performance through the use of results measures. Employees who work under this system are compensated or rewarded for individual performance as measured by the output measure. They are given little employment security and voice, and their jobs are usually broadly defined. The internal system is characterized by the existence of an internal labor market. Extensive socialization and training are common. Performance is assessed through behavior, and appraisal feedback is given for developmental purposes rather than evaluative purposes. A rather high degree of employment security is given. Employees are viewed as valuable sources of information and are provided a great deal of voice. Individuals in these jobs often have tightly defined job descriptions.

These two systems define a continuum of effective hybrid employment systems (Kerr & Slocum, 1987).These hybrid employment systems are combinations of the initial ideal-type employment systems. This configurational interpretation implies that there are an infinite number of effective combinations, or hybrids, of the employment systems that result in horizontal fit. However, the organization must maximize vertical fit in addition to horizontal fit. In order to maximize vertical fit, the extent to which the organization's employment system deviates from the ideal-type employment systems that define the continuum must be exactly proportional to the extent to which the organization's strategy deviate from the ideal-type strategies that are consistent with each ideal-type employment system. In order to maximize performance, the organization must choose the one hybrid employment system that is appropriate for its strategy.(Delery & Doty, 1996).

Human Resource Strategy

According to the contingency approach to strategic human resource management, however, the impact of HR practices on firm performance is conditioned by an organization's strategic posture. Some firms still compete this way, a variety of strategies are used in contemporary manufacturing setting. In general terms, researchers have made a distinction between low road strategies that focus on cost reduction and high road strategies tending to focus on quality, variety or service(Osterman, 1994).Researchers have typically focused on three primary firm strategy: cost, quality and flexibility(Skinner, 1969).

Cost strategies. Organizations can create customer value by either reducing costs or increasing benefits in the production equation. Since people are one of the most costly and uncontrollable resources affecting this equation, the conventional wisdom in service industry had been to control costs by diminish the amount of human capital needed. Furthermore, as work is routinized to the point at which labor is essentially a commodity, the added expense of elaborate training systems would rarely be justified since their utility tends to be diminished(Youndt, Snell, Dean, & Lepak, 1996). Therefore, training efforts would only need to focus on general information, such as company policies and procedures, or be used as a remedial activity aimed at correcting skill deficiencies, not as a method for driving superior performance. Performance appraisal would also need to concentrate on areas such as error reduction and process standardization in order to reduce costs and improve efficiency (Majchrzak, 1988). In short, administrative HR systems (i.e. selection for manual skills, policies and procedures training, results-based performance appraisal, hourly pay and individual incentives) are consistent with the requirements of a cost strategy focused on standardizing processes, reducing errors and maximizing efficiency.

Quality strategies. In contrast to traditional cost strategies that can encourage deskilling are quality strategies that focus on continually improving service processes to increase customer satisfaction(Garvin, 1993). In such strategic contexts, the ultimate determinant of organizational competiveness may be the intellectual capital of firms. More specifically, employees in such environments are required to make the transition from touch labor, where their responsibilities are limited to only the physical execution of work, to knowledge work, where their responsibilities expand to include a richer array of activities such as planning, trouble shooting, problem solving, quality assurance, scheduling, maintenance(Snell & Dean, 1994).In addition, human-capital-enhancing HR systems- those with such features as selective staffing, selection for technical and problem-solving skills, comprehensive training, developmental and behavior-based performance appraisal, group incentives, and salaried compensation-that focus on skill acquisition and development are consistent with the performance requirements underlying a quality strategy.

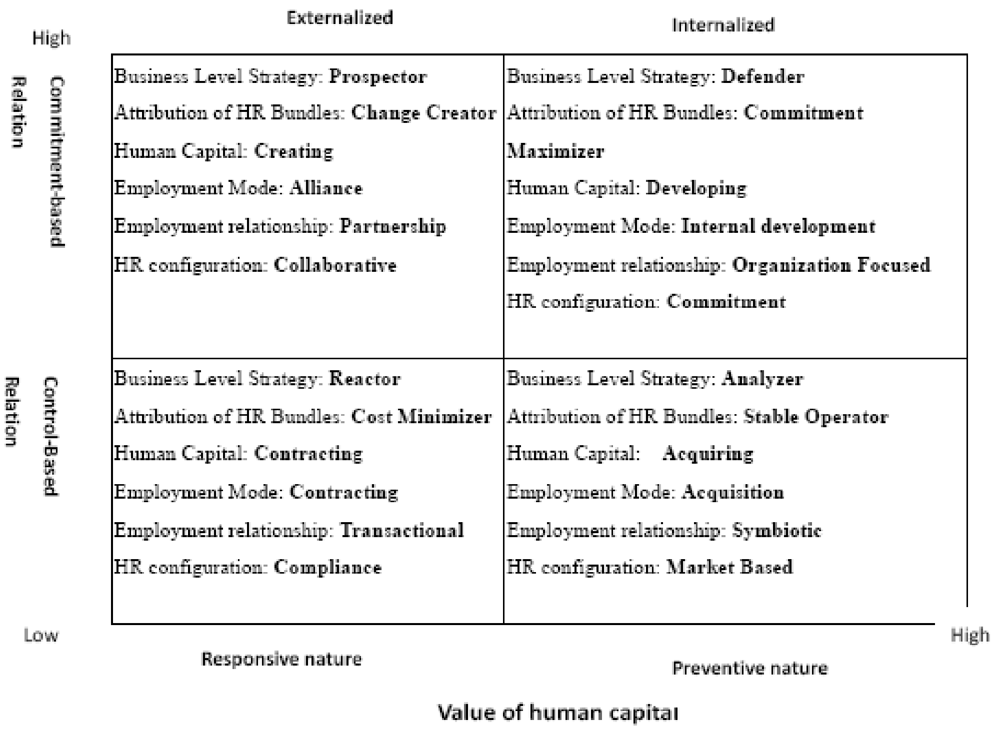
Flexibility strategies. As more and more service sectors are achieving low-cost and high-quality market positions, firms are seeking alternative sources of competitive advantage. In general terms, flexibility refers to a firm's agility, adaptability and responsiveness. Consequently, if firms want to successfully pursue a flexibility strategy, they must develop and maintain a highly skilled, technologically competent, and adaptable workforce that can deal with nonroutine and exceptional circumstances requiring creativity and initiative(Adler, 1988). Continuous employee feedback and developmental performance appraisal would likely be of great value to pursue flexibility strategies because unpredictable environments require mutual adjustment for coordination(Thompson, 1967).Flexibility strategies would also likely benefit from compensation systems that support a multiskilled and adaptable workforce. Much like quality strategies, flexibility firm strategies require human-capital-enhancing HR systems that focus on skill acquisition and development in an effort to facilitate adaptability and responsiveness.

Organizational Strategy and Human Resources Strategy

Mile and Snow(1978) proposed a typology of strategic types based for the most part on the organization's orientation toward product-market development. They suggested four strategic types: Defenders, Prospectors, Analyzers and Reactors. In 1984, they also tried to link product-market strategies and human resources management systems.

Aaccording to Michael Porter, a firm must formulate a business strategy that incorporates either cost leadership, differentiation or focus in order to achieve a sustainable competitive advantage and long-term success in its chosen arenas or industries. He mentioned organization might use "hybrid strategy"-above two kinds of strategies to survive in this turbulent environment. Same as the human resource strategy in one organization, especially the strategies between skilled and non-skilled employees might have different practices. Organization treat skilled employees usually based on relational perspective (change creator and commitment maximizer) because of they have firm specific assets. On the other hand, the non-skilled employees usually categorize in transactional perspective (cost minimizer and stable operator).

Figure 3 Employment Modes and Organizational Strategy



Mile and Snow(1984),Lepak & Snell(1999) ,Reiche(2008) and author

In particular, there are two opposite types of HR bundles typically are found from the past research. These include commitment maximizers versus cost minimizers (Arthur, 1992), high-involvement versus weak HRM, and flexible production versus mass production (MacDuffie, 1995). Many organizations focus on a particular HR function, such as selection, training and development, or compensation. Miles and Snow (1984)mentioned buy solution (prospectors), where organizations pay market wages to attract qualified applicants (to minimize training investments), and in the make solution (defenders), where recruitment and selection as well as employee development and appraisal, are focused on more heavily than is the provision of externally equitable wages and benefits. Delery et al. (1997) also identified a set of HR practices, individual incentives, which focused on measuring employee performance and providing individual-based inducements. Moreover, HR bundles have been suggested to fulfill the goals of employee commitment, skill enhancement, motivation, and cost minimization (Arthur, 1994; Delery et al., 1997; Lepak & Snell, 1999; Tsui, Pearce, Porter, & Tripoli, 1997). The HR bundle thought to increase commitment consists of such HR practices as recruitment, socialization, and training ((O'Reilly, Chatman, & Caldwell, 1991; Tsui, Pearce, Porter, & Tripoli, 1997).. Similarly, high-performance HR practices have also been effective in increasing employee commitment (Pfeffer, 1998) in different employment modes.

Downsizing Practices and Employment Mode

Downsizing is a business strategy designed to improved the financial standing of a firm by reducing and changing the structure of the workforce in order to improve operational results (Nell & Robert, 2005). Downsizing is accomplished by decreasing the number of employees through layoffs, attrition, redeployment or early retirement or by reducing the number of organizational units or managerial levels through divestiture, outsourcing, reorganization or de-layering. Downsizing is normally a response to one or more of the following four conditions: mergers and acquisitions: loss of revenues and market share through technological and industrial change; the implementation of a new organizational structure; and the belief and social pressures that smaller is better (Cummmings & Worley, 2001). Incorporating downsizing in the strategic management plan can increase organizational efficiency by maintaining a focus on core competencies that promote competitive advantage and increasing (or at least maintaining) current levels of market share.

Hypothesis 1: The organizations apply different downsizing practices to different employees.

According to Cummings and Worley (2001), there are five applications stages for downsizing. The first stage is to clarify the organization's strategy, which entails to achieve its goals and objectives. Secondly, to refer to the assessment stage wherein relevant choices and key decisions are made as to which downsizing method will be utilized. There are mainly three methods: workforce reduction, organization redesign and system change. The third stage involves implementing methods for reducing the size of the organization. The next stage addresses survivor syndrome. During this stage, employees are generally asked to take on additional responsibilities and to learn new jobs, often with little or no increase in compensation. Survivor syndrome involves a narrow set of self-absorbed and risk-adverse behaviors that can threaten the organization's survival. Rather than striving for organizational success, survivors often are preoccupied with whether additional layoffs will occur, feeling guilt over receiving pay and benefits while co-workers struggling with termination and with the uncertainty of career advancement. The final stage of downsizing involves implementing the organization's renewal and growth process(Gandolfi, 2008).

During an economic downturn a firm must carefully consider its options and assess the feasibility and applicability of cost-reduction alternatives before deciding on downsizing practices. When an organization downsizes, it reduces the number of employees. The consequences of such reductions may mean it carrying out the same functions with fewer employees (greater efficiency)(Vincent & Grugulis, 2009), or it may mean that the organization has divested entire units and abandoned certain industries, thereby narrowing its scope. Determining an appropriate workforce downsizing practices-relational (hiring freeze, mandatory vacation, reduced workweek) or transactional (cut in overtime pay, salary reduction, layoff)(Gandolfi,2009) should be adopted to remain the core competence depends on the organizational strategy preference.

Further, from social exchange perspective, organizational employment relationship is based on trust, loyal and long-term building. The knowledge-based transactional employees demand repayment within a particular time period, involve exchanges of economic or quasi economic goods, and are motivated by personal self-interest from organizational commitment(Russell & Marie, 2005).

Hypothesis 1A: Organizations adopt relational downsizing practices more than transactional downsizing practices to knowledge- based transactional employees to maintain the long term relationship.

However, from agency theory perspective, the relationship between employer and employee is leaning toward short-term based (Eisenhardt, 1989). The process-based transactional employees are usually lower-skilled worker and limited training from organization. This kind of labor is usually easily to buy out from market.

Hypothesis 1B: Organizations adopt transactional downsizing practices more than relational downsizing practices to process-based transactional employees to immediately cut the cost.

Repairing Practice and Employment Mode

Downsizing as a strategic intervention has an undeniable impact on managerial commitment to strategic change. Especially, the emotion aftereffects in what is referred to as survivor syndrome include a workforce that exhibits fear, anger, frustration, anxiety and mistrust. Those employees who survive the downsizing intervention must assess how their personal values and beliefs align with that of the newly structured organization. Additionally, symptoms of survivor syndrome create a real threat to performance and productivity with new roles and additional tasks required of each employee as a result of a smaller workforce restructured to perform an increasing number of responsibilities. The consequences are unquestionable when an organization finds itself dealing with a workforce that is willing to assume fewer risks at the expense of productivity (Muirhead, 2004).

Repairing the relationship between employer and employee is the vital target to maintain the performance and productivity. Repair is conceptualized as occurring when a transgression causes the positive state that constitutes the relationship to disappear and negative states to arise, as perceived and activities by both employer and employee substantively return the relationship to a positive state(Kurt, Roy, & Akbar, 2009).

Moreover, there are three different theoretical practices being advance for the repair of relationships: attribution, social equilibrium and structural. Attribution is concerned with the ways in which people explain (or attribute) the behavior of others or themselves (self-attribution) with something else. It explores how individuals "attribute" causes to events and how this cognitive perception affects their usefulness in an organization. Employers attempt to rebuild relationships through managing the attribution process, including apologies and accounts, as well as substantive actions. This focuses on intrapersonal components of relationship repair. From social equilibrium perspective mentioned it is important to reestablish the equilibrium by restoring the relative standing of the parties and to reaffirm the norms that govern them through various social rituals(Goffman, 1967). Examples of such rituals include apologies and penance. This process is particularly useful for decreasing negative affect and restoring positive exchanges(Kurt et al., 2009). These two practices (attributional and social equilibrium) are trying to rebuild the trust and gain the loyalty from employees to maintain the commitment.

Hypothesis 2A: Organizations tend to adopt relational repairing practices (attributional and social equilibrium) to commitment- based employees.

However, the structural practices suggests that it is necessary to change the contextual factors within which damaged relationships are situated and to install structures, systems or incentives that discourage or prevent future transgressions (Kurt et al., 2009) such like legalistic remedies(the use of various controls e.g. policies, procedures, contracts and monitoring that increase the reliability of future behavior and therefore restore trust)(Sitkin & Roth, 1993).

Hypothesis 3B:Organizations tend to adopt transactional repairing practice(structural) to controlled- based employees.

Methods

A system can reach the ssame final state, from different initial conditions and by a variety of different paths (Katz & Kahn, 1978). Therefore, we try to adopt three kinds of analysis to offer a clearer configurational structure in our study. The first is inductive in nature and primarily uses cluster analysis to derive an empirical solution (Ketchen, Thomas, & Snow, 1993). The second approach is deductive and uses deviation score analysis to examine the fit with a theoretically defined profile (Doty, Glick, & Huber, 1993). Which approach and analytical method provides superior results has been contested in the literature.

Furthermore, both cluster analysis and deviation score approaches face difficulties regarding their ability to provide insights into the causal nature of the configuration, that is, they are not well suited to shed light on just what aspect of a configuration leads to e.g. core competence(Fiss, 2008). For instance, cluster analysis assigns cases to clusters based on their similarity along a number of characteristics regardless of the relationship between these characteristics and outcomes of interest. However, in situations where not all characteristics included in the analysis are in fact causally relevant regarding the outcome, cluster analysis will not be able to distinguish between these characteristics. If cases are similar along causally irrelevant characteristics but differ along a few but causally important characteristics, cluster analysis will nevertheless usually assign these cases to the same cluster, resulting in undesirable causally heterogeneous clusters that are undesirable. Accordingly, while cluster analysis is an excellent exploratory tool for discovering structures in the data without specifying a priori what those structures might be, it is a much less useful tool for understanding what aspects of clusters are causally related to the outcome. Deviation score analyses are a suitable tool for assessing the effect of overall fit with a type on core competence, but likewise face challenges in examining just what aspects of the fit between a hypothesized ideal type and empirically observed configuration in fact relate to strategies. In this respect, Doty et al. (1993) used canonical analysis to examine what measures of their configurational model had the strongest relationship with model fit, but while such an approach is preferable to cluster analysis, it is still quite limited in its ability to determine contextually dependent causal relations within a configuration, particularly when these relationships are affected by the presence or absence of other characteristics.

Moreover, this study plans to build on the set-theoretic methods first introduced by Ragin (1987) and extended by Ragin (2008) and Ragin & Fiss (2008)8). We would like to argue that set-theoretic methods such as fuzzy set QCA are uniquely suitable for our model because such methods explicitly conceptualize cases as combinations of attributes and emphasize that it is these very combinations that give cases their unique nature. Set-theoretic methods thereby differ from conventional, variable-based approaches in that they do not disaggregate cases into independent, analytically separate aspects but instead treat configurations as different types of cases. These features make set-theoretic methods particularly attractive for organizational and strategy researchers, as indicated by several recent studies that have argued for applying QCA and fuzzy sets in organizational settings (e.g. Fiss, 2007, 2008; Grandori & Furnari, 2008). The methodological approach used here thus sheds new light on the causal relationship between the characteristics of a configuration and the outcome of interest. While cluster analysis addresses the power of the theory as a classification scheme, and while deviation analysis is appropriate for testing the grand theoretical assertions incorporated in a configurational theory, fuzzy set analysis allows the researcher to examine the causal processes within a configuration and thus offers a tool for understanding the individual mid-range theories associated with each configuration. Apart from contributing to configurational theory building, the current study thus also aims to make an additional methodological contribution in showing how the use of fuzzy set analysis offers superior insights into configurational mechanisms and how instrumentation can affect what we may learn about a configuration.

Measurement

Organizational Strategy

Mile and Sonw(1984) proposed a typology of strategic types based for the most part on the organization's orientation toward strategic human resources systems. They suggested four strategic types: Defenders, Prospectors, Analyzers and Reactors. Porter(1980) suggested that three potentially competitive strategies: overall cost leadership, differentiation, focus and stuck in the middle. These two highly detailed business-level strategic typologies, both based on comprehensive studies with their rich data and case studies, are a major addition to the organizational level strategic literature(Segev, 1989). This study adopted strategic variables proposed by (Segev, 1989):environment, strategy content, strategy-making process, organizational structure, performance, and organizational characteristics. And then we would like to compared the data showed on Segev(1989) study to identify four different kinds of strategies(change-creator, commitment-maximize, stable-operator and cost-minimizer).

Downsizing Practices

Downsizing practices are adopted from Gandolifi(2008).Two kinds of practices are relational and transactional downsizing practices. Relational downsizing practice include six scale measurement-hiring freeze ,mandatory vacation(unpaid vacation), reduced workweek, voluntary sabbaticals(allow salaried employees to take voluntary leaves for a designated period of time) . On other hand, there are two scales measurement in transaction downsizing practice which includes cut in overtime pay, salary reduction exit incentive(give employees the option of leaving the firm and collecting severance pay or taking early retirement) and layoff.

Repair Practices

Dirks et al shows there are three kind of repairing practices from prior research(Kurt et al., 2009). I revise attribution and social equilibrium practice into relational repair practices from social exchange perspective which include social accounts, apologies, denial, pence and punishment. Moreover, the structure practice as transactional repair practices is from agency theory which includes legalistic remedies (incentives, monitoring).

Plan of Analysis

To examine the effect of instrumentation on understanding the nature of configurations, I analysis proceeds in three steps that move from standard statistical approaches for configurational analysis to set-theoretic analyses using fuzzy sets and QCA, thus following Ketchen and Shook (1996) who recommend using multiple methodologies to validate groupings. In a first step, I generate an empirically derived taxonomy of configurations based on cluster analysis. In a second step, I use a theoretically derived typology based on prior scholars(Mile and Snow, Snell and Lepak,Reich) and theoretic perspective(agency theory, social exchange theory, transaction cost theory and human capital theory) to generate profiles. I combine both the empirically and theoretically derived solutions with regression analysis to examine their ability to explain core competence differences across types and environments. After thus establishing a baseline of findings using the standard methodology, the third step employs a set-theoretic approach based on fuzzy set QCA. Using Boolean algebra, I analyze the dataset for the presence of set-theoretic relationships between the different aspects of organizational configurations and again examine the ability of this analysis to explain core competence and to examine what causes are central in a configurational analysis of the observed types.

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Appendix I

Organizational Strategy (Segev,1989)

Environmental variables

Uncertainty. The amount of information available to decision-makers for predicting the occurrence and nature of environmental factors and external changes. No information is maximum uncertainty.

Dynamism. The rapidity and amount of change in the environment (e.g. changes in customer tastes, iti production, iti service technologies or in the rate of inflation).

Hostility. The prevalence in the environment of factors that are negative to the organization and its interests (e.g. price, product, technological and distribution competition, regulatory restrictions, shortages of labor or raw materials and unfavorable demographic trends).

Complexity. The number and heterogeneity of external elements with which the organization has to contend. In a complex environment a large number of diverse external elements interact with and influence the organization; in a simple environment few external elements have an impact on the organization.

Strategy

Technological progress. Innovativeness in terms of the number and novelty of new techniques which are employed in the production of existing services and products.

Product/market breadth. The number and heterogeneity of the firm's products and customers.

Product innovation. Innovativeness in terms of the number and novelty of new products and services introduced.

Quality. The superiority of the firms" products or services compared to those of competitors, as perceived by customers.

Price level. The amount of money paid in exchange for the product, as perceived by customers with respect to similar products in the market.

Active marketing. The amount of organizational resources allocated to marketing and the awareness of management of the marketing concept.

Control system level. The use of rules, regulations, policies, hierarchy or authority, documentation and other bureaucratic mechanisms to standardize behavior and to assess performance (e.g. performance appraisals. quality control, cost and profit centers, budgeting and cost accounting).

Equity vs. debt. The choice between equity or debt in order to finance the firm in the long term (a high score is given to a firm financed by equity).

Long-term financial strength. The ability of the firm to raise large amounts of financial resources for long-term investments, either through debt or owners' equity, at a minimum price.

Resource level. The state and availability of the firm's human and material resources.

Investment in production. The amount and frequency of investments in production equipment and facilities. A high score is given to a firm with high added value.

Number of technologies. The number of different core technologies employed in production processes.

Professionalization. The level of formal education and training of employees. Professionalism is generally measured as the average number of years of education of employees, or professionally qualified people as a percentage of the number of employees.

Strategy-making

Internal analysis level. The ability of the firm to assess its performance, focusing on internal trends and developments.

External analysis and forecasting level. The ability of the firm to systematically track opportunities and threats in the environment in order to design long-range strategies.

Level of risk. The extent to which strategy makers are willing to make commitments which involve many resources and risky projects.

Proactiveness of decisions. The extent to which the firm tries to shape its environment, as opposed to merely reacting to trends in the environment (e.g. introducing new products, finding new markets and lobbying).

Structure

Size of the strategy-making team. The number of main strategic actors in the organization.

Centralization. The hierarchical level that has the authority to make a strategic decision. When the decision-making authority is kept at the top level, the organization is centralized; when decisions are delegated to lower organizational levels, the organization is decentralized.

Mechanism. The extent to which the internal organization of the formalized management structure is characterized by rules, procedures and clear hierarchy of authority. In a mechanistic organization the structure is highly formalized. In a non-mechanistic-organic (low-score) organization, the internal organization is much looser,free-flowing and adaptive; rules and regulations are flexible and usually no written criteria exist, and people are expected to find their own way through the system.

Performance

Profibility. Return on equity with respect to other firms in the industry.

Market share. The percentage of the relevant market held by the firm.

Rate of growth. Of total sales with respect to industry norms and past performance.

Liquidity. The ability of the organization to raise a large amount of cash on short notice,measured by the quick and acid ratio.

Operational efficiency. The degree of utilization of resources to produce output, measured as the ratio of inputs to outputs. I f one organization can achieve a given production level with fewer resources than another organization, it is described as more efficient.

Organizational characteristics

Size. Total sales, total assets, and the number of people in the organization.

Age. As compared to competitors in the industry.

Downsizing Practices (Gandolfi,2008)

Relational downsizing practices

1)**Hiring freeze**. A hiring freeze is a mild form of downsizing that reduces labor cost in the short term.

2)**Mandatory vacation.** Mandatory vacation involves requiring employees to use their accrued vacation days or requiring them to take a unpaid vacation days during a certain time period.

3)**Reduced workweek.** Organizations try to resort a reduced workweek or fewer working hours during the week.

6)**Voluntary sabbaticals**(allow salaried employees to take voluntary leaves for a designated period of time)

Transactional downsizing practices

4)**Cut in overtime pay.**

5)**Salary reduction**

7)**Exit incentive**(give employees the option of leaving the firm and collecting severance pay or taking early retirement).

8)**Layoff**

Repairing Practices (Kurt et al., 2009)

Relational repairing practice

1) **Social accounts**
2) **Apologies**
3) **Denial**
4) **Penance**

Transactional repairing practice

5) **Legalistic remedies**
6) **Monitoring(the use of various controls e.g. policies, procedures, contracts and monitoring)**