STRATEGIC FIT AMONG BUSINESS COMPETITIVE STRATEGY, HUMAN RESOURCE STRATEGY, AND REWARD SYSTEM

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ABSTRACT

Competitiveness is inevitable in highly dynamic and uncertain environments. Business strategy is concerned with how businesses achieve a competitive advantage. Its implementation involves the fit between the organization's business strategy and its internal processes. An appropriate match enhances organizational effectiveness and generates superior performance. A strategic fit between a business strategy and a human resource strategy can help retain and motivate employees and translate into organizational performance and competitive advantage. Based on Porter's generic strategies as business competitive strategies and an extensive literature review, this study proposes and develops three different human resource strategies. We also thoroughly designate three alternatives of reward systems that are suited to each human resource strategy. Through a close linkage among business competitive strategy, human resource strategy, and reward systems, we hope to provide mangers with directions for designing and implementing an appropriate reward systems under various business competitive strategies and help firms to create competitive advantage effectively.

INTRODUCTION

In recent years, there has been marked increase in competition in virtually all areas of business. The ability to outperform competitors and produce above average profits lies in the pursuit and execution of an appropriate business strategy (Yoo, Lemak & Choi, 2006). This has resulted in greater attention to analyzing competitive strategies under different environmental conditions. Porter (1985) argued that the three generic strategies that require different resources, organizational arrangements, control procedures, styles of leadership, and incentive systems could translate into organizational performance and competitive advantage.

According to the resource-based view, the firm is regarded as a unit of resources and capabilities. The acceptance of this concept has prompted interest in identifying the nature of these various resources and in evaluating their potential to generate a competitive advantage (Lopez, 2005). As a result, the resource-based view provides a logical link between human resource management and strategic management. Furthermore, according to the contingency view, there is no one best way to structure an organization; it all depends on the particular circumstances facing the organization. In this case, human resource strategy must fit with specific business strategy (Porter, 1985). The concept of fit refers mainly to the close connection between human resource strategies and business strategies in ways that will help retain and motivate employees.

Employees are the human capital of an organization. Organizations have the ability to reward employees in many ways (Lawler & Worley, 2006). To attract, retain and motivate employees, the company must implement an appropriate reward systems. The objective of this reward systems is to encourage desired employee behaviors to ensure the success of human resource strategies. Therefore, designing and implementing an appropriate reward systems that complements human resource strategies and fits business competitive strategies is currently an important issue.

The deployment of a strategy requires a focus on the organization's business processes (Reidenbach & Goeke, 2007). Based on an extensive literature review, this paper cites Porter's (1980, 1985) generic strategies as business competitive strategies, and then deduces and develops three different human resource strategies. At the same time, we designate three alternatives of reward systems to fit Porter's (1980, 1985) generic strategies above. To support the human resource strategies and facilitate the implementation of generic strategy, each reward systems must be tied to some alternatives with identifiable attributes, activities or contents. We have labeled these reward systems as human capital, output, and position reward alternatives, according to different human resource strategies and business competitive strategies. The following sections describe the criterion, object, and mode of each reward systems in detail. The strategic fit concept helps firms to manage their resources more efficiently, reduce operational costs, respond to environmental change, and take advantage of new opportunities. Consequently, an effective linkage among business competitive strategy, human resource strategy and reward systems should enhance organizational performance and create competitive advantage (Huang 2001).

LITERATURE REVIEW

Competitive Strategy

A competitive strategy involves a series of systematic and related decisions that give a business a competitive advantage over other businesses (Schuler & Jackson, 1987; Dowling & Schuler, 1990). The concept of business competitive strategy is primarily derived from Porter's (1980, 1985) classifications of generic strategies. He argued that superior performance could be achieved in a competitive industry by pursing a generic strategy, which he defines as the development of an overall cost leadership, differentiation, or focus approach to industry competition. Miles and Snow (1984) classified business strategies into three types – defender, prospector, and analyzer – and proposed corresponding strategic human resource systems. Schuler and Jackson

(1987) used labels slightly different from those Porter to classify three types of business competitive strategies: cost reduction, innovation, and quality enhancement. Schuler and Jackson (1987) also designated different types of employee behavior and human resource management methods for each competitive strategy. With the three types of Schuler and Jackson's competitive strategy, Dyer and Holder (1988) reclassified these as inducement, investment, and involvement, respectively. Dowling and Schuler (1990) combined the respective human resource strategies of utilization, facilitation, and accumulation.

In spite of these different classifications, competitive strategy consists of skills and resources that firms can use in a competitive industry. It defines superior skills in terms of staff capability, systems, or marketing savvy not possessed by a competitor. A superior resource is a resource that can be used to assist the implementation of strategy (Powers & Hahn, 2004).

Porter's generic strategies remain the most commonly supported and cited theory in key strategic management textbooks (David, 1999; Miller, 1998 ; Thompson & Strickland 1998) and in the literature (Kim & Lim 1988; Miller & Dess,1993). Although Porter's scheme may be too simple to represent all possible strategic behaviors, it captures the essence of more complex business strategies and plays a significant role in differentiating various strategic configurations (Campbell-Hunt, 2000; Hambrick, 1983; Kotha & Orne, 1989). Porter's (1980, 1985) generic strategies have also received more empirical support than other constructs have (Hambrick, 1984; Miller & Friesen, 1986; Dess & Davis,1984). Porter's typology is generally accepted as a useful interpretation of business level strategy. Therefore, this paper adopts Porter's generic strategy as the primary method of achieving a competitive advantage. Porter argued that the firm must adopt one of three generic strategies: overall cost leadership, differentiation, or focus. This classification of generic strategies has formed the basis for a whole body of research regarding the development of more generic strategies (Feurer & Chaharbaghi, 1995). The basic premise behind the generic strategy is that an industry's structure plays an important role in determining the competitive strategies potentially available to an organization in that industry. There are three generic strategies to compete in a selected industry according to Porter's methodology. According to Porter, there are three generic strategies for competing in any given industry. To be successful, a firm must decide how to position itself in a competitive market. The three generic strategies are determined by two factors, identified as competitive advantage and competitive scope. He proposed generic strategies that enable a firm to develop a competitive advantage and create a defensible position. The following sections briefly describe these generic strategies.

Overall Cost Leadership

Organizations that pursue the generic strategy of overall cost leadership seek to become the lowest cost producers in the industry. Cost leadership firms serve a broad industry segment or several industries. They frequently sell a standard product and exploit scale and absolute cost advantages. By emphasizing cost control, these organizations aim to make above average returns.

A cost advantage can come from various methods, including economies of scale, proprietary technology, access to raw materials, rigorous pursuit of cost reductions from experience, tight cost and overhead control, and cost minimization in areas like R&D, service, sales force, advertising, etc.

Regarding the choice and viability of generic strategies in different environmental contexts, an overall cost leadership strategy is appropriate in a stable and predictable environment (Hambrick, 1983; Miller, 1988; Kim & Lim, 1988). This is because unpredictable environments may create severs diseconomies for organizations pursuing a low cost strategy as they attempt to control costs and improve efficiency (Kumar & Subramanian, 1998). Cost leaders also emphasize a highly trained and experienced workforce (Dess & Davis, 1984; Kim & Lim, 1988). Organizations adopting cost leadership strategy should foster and educate their employees in production efficiency and the idea of cost controlling.

Differentiation

The generic strategy of differentiation aims to create a unique product or service. Differentiation-oriented organizations attempt to create differentiated products and services that are perceived as unique by customers, provide value to them, and create loyalty.

Firms following the differentiation strategy try to be unique in a way that is valued and important for their customers. Possible sources of distinction include the product itself, the delivery system, or the marketing approach. Uniqueness will be rewarded by the ability to charge higher prices (Davidson, 2001).

The differentiation strategy must typically be supported by heavy investment in research, product or service design, and marketing. Firms trying to implement Porter's differentiation strategy have used many different bases, such as differentiating by types of technology, or the quality of customer services offered (Kumar & Subramanian, 1998).

A differentiation strategy is associated with dynamic and uncertain environments (Hambrick, 1983; Miller, 1988; Kim & Lim, 1988). Differentiation often involves new technologies, and unforeseen customer or competitor reactions (Lamont, Marlin & Hoffman, 1993). In this case, the management control system must emphasize flexibility and focus on long-term operations (Nilsson, 2000). The corresponding human resource strategy should enhance employees' adaptability and innovation to match the differentiation strategy.

Focus

The focus strategy is qualitatively different from the first two strategies. A firm adopting the focus strategy decides to select a narrow scope within an industry and develop a specialized strategy to serve that segment only. This type of firm seeks to achieve a competitive advantage and superior returns by targeting specific segments.

There are two variations on the focus strategy theme both of which require that the target segment's needs are significantly different from the broader industry market. A firm adopting the cost focus strategy attempts to be the low-cost producer for a specific market segment. A firm adopting the differentiation focus strategy rests on identifying differences between the target market segment and the broader market. However, a narrow focus is insufficient to achieve strong performance in either the cost focus or the differentiated focus strategy. The focus approach must be combined with the ability to actually be the low-cost producer to a specific market segment or meet a unique need through product differentiation in that market segment. The focus strategy succeeds by taking advantage of an underserved niche in the market (Davidson, 2001).

The focus strategy is also known as a niche strategy. When an organization can afford neither a wide-scope cost leadership nor a wide-scope differentiation strategy, a niche strategy may be the best approach. An organizations adopting focus strategy forms a competitive advantage for this niche market by being a low cost producer or differentiator within that particular segment. To successfully achieve the focus strategy, human resource strategy should retain employees with a lot of experience and great vision in this segment (Chen & Hsieh, 2005).

Reward Systems

Rewards were viewed primarily as the paychecks employees collected every week or month. Today, that definition has expanded greatly. Bush (2003) defined the total rewards as cash compensation, benefits, other non-cash forms, and work experience. By this definition, a reward systems is everything employees perceive to be of value resulting from their employment relationship.

Gross and Friedman (2004) mentioned that rewards now encompass the overall value proposition that the employer offers to the employee. This total package includes compensation (including base pay, short-term and long-term incentives), benefits (including health and insurance, retirement, work/life and other benefits) and careers (including training, development, and career opportunities).

A good reward systems drives performance by motivating workers to achieve new levels of performance, and attracts, retains, and motivates employees to do their best and stay with the organization (Bowen, 2004). A suitable reward systems is essential to ensuring that an organization's investment in its employees is managed effectively. A reward systems also provides a powerful means of implementing an organization's competitive strategy. When properly designed and executed, a total reward systems can be a powerful driver of business success (Gross & Friedman 2004).

Howard and Dougherty (2004) have labeled some reward systems, including individual output, group output, human capital, position, and market. Different reward alternatives are likely to have different effects on organizational outcomes as follows: 1. An individual output reward alternative will improve productivity. 2. A group output reward alternative encourages cooperation and collaboration among workers, and fosters commitment to a higher level of goals. 3. A human capital reward alternative encourages people to develop their human capital and entices them to use it. This leads to increased skill scope and level as well as effort. Skill-based pay is often also used to develop flexibility in work scheduling because workers become generally more qualified. 4. A position reward alternative encourages workers to assume responsibility for greater job depth. The strategic consequence of a position reward alternative is greater technical competence within each specialized role in a worker's job description. 5. A market reward alternative that pays these individuals at or above the market rate can prove to be a wise investment, especially if their replacement would be particularly expensive or disruptive. This approach ensures that the firm's pay levels are at least competitive with the labor market.

Motivating employees is a challenging task, since their behaviors are driven by varying needs and desires, and expectations and perceptions of equity and fairness can vary. Motivation can be either intrinsic or extrinsic. Intrinsic motivation comes from inside individuals, and is based on their interest and involvement in the work. Extrinsic motivation is drive based on the goal of achieving something other than the work itself. The distinction between intrinsic and extrinsic work rewards was first popularized by Herzberg (Herzberg, Mausner & Snyderman, 1959). Rewards, which are defined as "anything that reinforces, maintains and strengthens behavior in a firm," could be viewed as extrinsic and intrinsic. Field research suggests that under certain conditions, intrinsic and extrinsic motivation may compliment each other and enhance outcomes (Gkorezis & Petridou, 2008).

Strategic reward management is now at the heart of the human resource management and business agenda in organizations around the world (Armstrong & Brown 2005). A properly executed and supported reward alternative can also motivate all employees to achieve organizational objectives, improve individual performance, and pursue career growth opportunities (White, 2005).

STRATEGIC FIT AMONG BUSINESS COMPETITIVE STRATEGY, HUMAN RESOURCE STRATEGY, AND REWARD SYSTEM

As competitive conditions grow increasingly turbulent, the importance of developing and sustaining a competitive advantage appears to be increasing exponentially. Mintzberg (1979) proposed the case for a contingency view of structure: there is not one best way to structure an organization; it all depends on the particular contingent circumstances facing the organization. These contingency variables included the age and size of the organization, the dynamism of the environment, the complexity of the tasks being performed, and the technical systems used in the core of the business. Different and coherent combinations of these variables mean that certain forms of organization are more effective than others (Bowman & Carter, 1995). Similarly, the strategy to achieve competitive advantage is not the same for all organizations.

Strategy is a rational decision-making process in which the organization's resources are matched with opportunities arising from the competitive environment. Decision makers must know what the complementary internal processes are that support the successful pursuit of a chosen strategy. The key implication is that each strategy is accompanied by a unique set of internal processes, and a strong alignment between strategy and these processes translates into successful performance (Kumar & Subramanian, 1998). The resource-based view emphasizes the role of internal capabilities (Wernerfelt, 1984; Barney, 1991; Peteraf, 1993). It is essential to implement the proper human resource strategy to accomplish a chosen competitive strategy (Boxall, 1998).

An effective human resource strategy systematically coordinates all individual human resource systems and implements them so as to directly influence employee attitudes and behaviors in a way that helps a business achieve its competitive strategy. An effective human resource strategy is unique because it is based on that organization's unique business strategy and business context. A reward systems, then, must be deliberately created to support this human resource strategy. Organizations are beginning to realize that they cannot merely mimic the reward practices of other organizations; they must figure out what works best for them by following a fit approach (Gross & Friedman, 2004).

Successful strategy execution requires the creation of a "fit" based on the interaction between external dependencies and internal capabilities (Snow & Hrebiniak, 1980). Due to differences in this pattern of interaction, different types of strategies prioritize their goals differently (Schultz & Alton, 1983). This paper adopts Porter's (1980, 1985) generic strategy as the way to achieve a competitive advantage, and designs different orientations of human resource strategies and reward systems that are suited to each competitive strategy. Our goal is to link organizational strategy and human resource strategy by devising and implementing appropriate and effective reward systems. An organization will create and sustain competitive advantage, as it fully utilizes its core competency and resource.

Reward Systems of Differentiation

A differentiation strategy involves the development of a product or service that offers unique attributes that are valued by customers, and which they perceive to be better than or different from the products of the competition. An organization with a differentiation strategy focuses its efforts on a particular differentiated value. The risks associated with a differentiation strategy include imitation by competitors and changes in customer tastes.

Product differentiation fulfills a customer need by tailoring the product or the service to the customer. This allows organizations to charge a premium price to capture market share. The differentiation strategy is effectively implemented when the business provides unique or superior value to the customer through product quality, features, delivery systems, or after-sale support. The quality may be real or perceived based on fashion, brand name, or image. The differentiation strategy appeals to a sophisticated or knowledgeable consumer who wants a unique, quality product and is willing to pay a higher price. The differentiation strategy hinges on organization's ability to innovate and provide unique products or services. A human resource strategy that recognizes and fosters the development of new ideas and innovations logically supports this type of strategy. Therefore, an innovation-oriented human resource strategy should be reasonable.

Innovation–oriented Human Resource Strategy

The role of a firm's strategy in organizational success has received considerable attention from both scholars and practitioners. Human resource management is an increasingly important part of the strategic planning process. This is because strategic implementation and the firm's performance depend heavily upon the attitudes and behaviors of its employees (Burton, Lauridsen, & Obel, 2004).

The differentiation strategy is strongly innovation-oriented, and emphasizes product development and early entry. It is characterized by uncertainty, growth perspectives, risks, innovation, and considerable managerial discretion. Firms that succeed in a differentiation strategy should have the following internal strengths: access to leading scientific research, a highly skilled and creative product development team, the ability to successfully communicate the perceived strengths of the product, and corporate reputation for uniqueness and innovation. In this scenario, businesses must be prepared to adapt to rapid market changes and technological progress. Their employees need to be creative, to devote proper consideration to the uniqueness of products and services provided, be able to take risks, and successfully cope with ambiguity and uncertainty. Here, we define this human resource strategy as innovation-oriented. When an organization chooses the differentiation strategy, its corresponding human resource strategy should emphasize to stimulate and develop employees' creativity and adaptability to help meet changing market needs and environments.

Human Capital Reward Alternative

An organization's employees provide an important basis for a sustainable competitive advantage. As such, the strategic management of human resources can play a key role in an organization's survival. A firm's reward systems plays a prominent role in recruiting, motivating, and retaining employees, and thus is central to building a durable advantage (Boyd & Salamin, 2001).Modern organizations know that an optimal fit is more important than a supposed best practice. Reward systems should be tailored to the specific circumstances of the organization, based on the competitive strategy and human resource strategy selected (Armstrong & Brown, 2005). A firm's strategic orientation can shape many aspects of its internal structure and processes. For example, managerial philosophies, planning systems, and human resource practices have all been found to vary according to strategic orientation. Consequently, the matching of pay and strategy has strong theoretical and empirical justifications (Boyd & Salamin, 2001). The differentiation strategy is to foster the research and the development of new products, incorporate the most advanced technologies and features into the company's products, develop a good image of products, and increase the company's reputation (Gonzalez-Benito & Suarez-Gonzalez, 2009) Therefore, a human capital reward alternative is feasible under an innovation–oriented human resource strategy.

Ward and Duray (2000) indicated that all manufacturing competitive priorities relate to a differentiation strategy in high performance firms, exhibiting a strong relationship with quality and a weak relationship with cost. Therefore, flexibility, as a competitive priority, appears to be a common mechanism for supporting a differentiation strategy (Similarly, Kotha & Orne, 1989). Organizations adopting this strategy attempt to be different from their competitors in the marketplace. Their employees must be willing to experiment with new ideas and take risks. Hence, innovative organizations should own necessary personnel practices to supply the required behavioral styles. Under the innovation-oriented human resource strategy, the criteria of a human capital reward alternative should be based on the skill, ability, knowledge, innovation, adaptation, and experience of employees. This means that reward is determined by the employee's skill, knowledge, innovation, and adaptation. This is because as employees acquire greater expertise, they become more adaptable, capable of performing multiple roles, and have a broader understanding of the work process. As a result, they become more aware of their contribution to the organization and the importance of their role within the organization (Uen & Chien, 2004). As employees acquire higher-level skills, experience, and knowledge, they can contribute more to the organization and provide resource to the organization. To carry out the differentiation strategy, an organization must reward to those who possess distinctive and innovative competencies. This encourages people to develop and use their human capital. This approach can also foster flexibility in work scheduling because workers become generally more qualified, leading to increased skill scope and level, as well as effort. It is reasonable to provide human capital-based pay to attract and foster outstanding and excellent employees to implement the differentiation strategy, and in turn create a competitive advantage.

People in organizations tend to behave based on what they perceive leads to rewards. Research suggests that a reward systems exerts a powerful signaling effect on an organization by conveying to employees what the company considers to be most crucial (Gomez-Mejia, 1988). A reward systems is therefore the most important source of motivation for professionals, including R&D specialists. Because of this, an innovation-oriented organization must develop a reward systems capable of attracting, retaining and motivating R&D professionals (Uen & Chien, 2004). When firms pursue innovation, R&D employees are critically important because they directly influence their firm's technological advantage. Firms that pursue innovation rely on human resources to actually develop innovative products that will yield returns (Yanadori & Marler, 2006). In summary, when the differentiation strategy is chosen, a reward systems that focuses on R&D employees, engineers and professionals is the most effective. An organization adopting the differentiation strategy tries to be unique in the marketplace. Therefore, it is the most direct influence to create distinctive and unique products and services while the reward systems emphasizes these specialists mentioned above.

Reward systems serve as cost-effective compensation vehicles that focus employees on key business objectives while creating meaningful links between results and rewards. In addition, the mode of reward practices used by an organization is an important factor in employee motivation. This ultimately affects the performance of the organization. Firms that fully address the needs of their employees will be better able to attract, retain and motivate them. Total rewards consider all the rewards available in an organization and offer an opportunity to tap the unrealized potential of the organization. Opportunities for learning and development, and a quality work environment are a high priority for R&D employees (Rumpel & Medcof, 2006). Kochanski, Mastropolo and Ledford found that the reward of the work itself had the greatest impact on attracting retaining R&D people. Career opportunities ranked second, a unique work environment was third, and cash compensation ranked a distant last. Eisenberger and Aselage (2009) found that intrinsic rewards (e.g., working with competent colleagues, working on challenging assignments, and having freedom to pursue one's own ideas) ranked the highest. Intrinsic rewards may also make an important contribution to creativity. Intrinsic motivation is a direct effect, engendered by the execution of a job itself. Namely, it is an effect induced by the enjoyment of a job, and a sense of accomplishment (Matsumura & Kobayashi, 2008). Briefly, for a differentiation strategy, specific reward practices (for example, practices that encourage individuals to innovate, develop new products, and enhance existing products) are associated with higher perceived levels of organizational performance (Allen & Helms, 2002). Intrinsic rewards are an important element of the relationship between employees and the organization (Chen, 2000). As mentioned above, to induce the innovation potential of R&D, engineering and professional employees, besides the ordinary reward, an organization should especially offer intrinsic rewards including autonomy and flexibility of work, meaningful recognition and feedback, opportunity for personal growth and development, a fine work environment, and so on.

To effectively manage human resources, firms should nurture the type of employee behavior that is essential to the success of their competitive strategy (Guest, 1987). Firms that pursue innovation rely on human resources to actually develop innovative products that will yield a good return on investment (Yanadori & Marler, 2006). By emphasizing intrinsic rewards, a firm can develop and excite professionals possessing distinctive knowledge, skills, and creativity to research and design unique products and services. This in turn makes it possible to achieve an innovation-oriented human resource strategy and organizational differentiation strategy.

Reward Systems of Overall Cost Leadership

According to contingency theory and behavioral perspective, human resource management strategies must be combined with specific business competitive strategies. Alignment these strategies enhance organizational performance and HRM effectiveness (Bird & Beechler, 1995; Wang & Shyu, 2008). Organizations that pursue overall cost leadership aim to drive cost down through all the elements of the production, and seek to become the lowest cost producers in the industry. An overall cost leadership strategy often has a strong internal orientation, and emphasizes cost efficiency and a stable set of products and services. It is defined by more stable demand, pressure for lower costs and prices, reliable quality, and less managerial discretion.

Lower costs and cost advantages result from learning curve benefits, economies of scale, product designs that reduce manufacturing time and costs, and reengineering activities. A low-cost or cost leadership strategy is effectively implemented when the business designs, produces, and markets a comparable product more efficiently than its competitors. In short, an overall cost leadership strategy tries to compete on the basis of process efficiency and cost containment. In this scenario, a contribution-oriented human resource strategy is the best fit.

Contribution-oriented Human Resource Strategy

A contribution-oriented human resource strategy emphasizes the importance of employees performance and productivity. It tries to enhance employee contributions through various human resource management techniques, and is therefore useful for enhancing production efficiency, increasing sales, and reducing expenditures. Firms that succeed in overall cost leadership must have the skill to design products for efficient manufacturing, and maximize sales. By sufficient produce and sale acquire cost advantages. When the human resource strategy highlights employee contributions, it will encourage employee effort, improve productivity, increase sales amount, promote work potential, and support the overall cost leadership strategy.

Human resources are invisible assets that create value when they are embedded in the operational systems in a manner that enhances the firm's ability to implement a particular strategy (Chang & Huang, 2005). A contribution-oriented human resource strategy enlarges the scale of production, and improves production processes, allowing a business to sell its products or services successfully at a lower price in the market. In summary, the overall cost leader in any market gains competitive advantage from being able to produce at the lowest cost. As a result, it is most important for organizations to produce effectively. In this scenario, a contribution-oriented is the most feasible human resource strategy.

Output Reward Alternative

Employees who perceive a greater fit with their employer are less likely to leave the firm, are more committed to it, and have higher work satisfaction (Levesque, 2005). Reward practices logically serve as motivators, shaping employee behaviors. Rewarding employees for ideas that minimize or eliminate costs is more important in an overall cost leadership strategy. Therefore, when organizational human resource strategy emphasizes the degree of contribution, an output reward alternative may be the best approach.

Pursuing a cost-leadership strategy frequently requires a strong focus on cost management, economies of scale, and experience curve cost advantages through maintenance volumes. A low-price strategy, often based on low process technology costs, can be used to gain market entry and market share. Therefore, an output reward alternative links rewards to output performance, including individual-based and team-based output. It is the most effective method for improving productivity and increasing sales volume. A team output reward alternative is sometimes more appropriate in a situation where workers are highly interdependent and individual contributions are more difficult to determine. This type of alternative can encourage cooperation and collaboration among workers, and enlist their commitment to a higher level of goals. The criteria of an output reward alternative are based on employee performance, productivity, sales amount, growth, profit, and effort. This type of alternative motivates employees to perform better and develop infinite potential, and further, allow the organization to execute the overall cost leadership strategy successfully.

A cost leader attempts to develop capabilities that increase efficiency and reduce costs more effectively than its competitors. Porter used economies of scale and efficient manufacturing systems as primary examples of manufacturing capabilities associated with a cost leadership strategy. In general, there is a very close relationship between on-line producers/salesmen and organizational overall productivity/sales amount. This implies that offering proper rewards can obviously enhance production and reduce cost. It is very helpful to accelerate and enhance output when organizations provide on-line producers/salesmen attractive reward. An organization that ties rewards to employee output can achieve high production and economies of scale more effectively than its competitors.

A reward strategy includes both intrinsic and extrinsic rewards, where determination of the combination of different reward depends on a number of factors including the level and determinants of employee motivation, the organizational culture, and the values and mission of the organization (Bakhru, 2000). For a cost leadership strategy, specific reward practices (for example, group-based incentives which encourage cost reduction and control, responsibility, and authority) are associated with higher perceived levels of performance (Allen & Helms, 2002). Research ties higher productivity to the types of motivators the company offers its employees, and money is still the most powerful of these incentives. Employees work harder to increase productivity when they believe their efforts will result in greater reward. As a result, firms in nearly every industry use monetary incentive plans to attract, retain, motivate, and reward their employees (Gkorezis & Petridou, 2008;

Rumpel & Medcof, 2006). As mentioned above, this implies that it is possible to enhance production and reduce cost by offering extrinsic rewards, including performance-based incentives, profit sharing systems, and quantitative measurement pay to employees engaged in manufacture, produce or sales. An organization that adopts an overall cost leadership strategy must rigorously control and minimize expenses, and strive for greater economies of scale. This strategy also required the adoption of a contribution-oriented human resource strategy. The practice of increasing the weight of extrinsic rewards to on-line producers/salesmen, base on their performance or productivity/sales amount can more validly increase yield and reduce manufacture cost. This allows a contribution-oriented human resource strategy and organizational overall cost leadership strategy to be implemented thoroughly.

Reward Systems of Focus

The focus strategy is also known as a niche strategy. When an organization focuses its efforts and resources on a narrow, defined segment of a market or product, it can generate a competitive advantage specifically for that niche. The focus strategy concentrates on a narrow segment, and attempts to achieve either a cost advantage or differentiation within that segment. The premise of this approach is that the needs of the group can be better served by focusing entirely on them. A firm adopting the focus strategy often enjoys a high degree of customer loyalty, which discourages other firms from competing directly.

Proper alignment between business and human resource management strategies is a key factor of success for organizations. When the human resource management strategy and business strategy are aligned, organizational effectiveness is better than "that of not aligned" by contingency perspective. Therefore, a commitment-oriented human resource strategy is essential to implementing the focus strategy effectively.

Commitment-oriented Human Resource Strategy

When an organizational human resource strategy is properly configured, it provides a direct and economically significant contribution to organizational performance (Allen, Helms, Takeda & White, 2007). The essence of the focus strategy is to offer the lowest cost or differentiation product in a niche or segment. Organizations adopting this approach should stress the retention of senior employees, as their knowledge and experience are invaluable to clearly understanding the context of this particular segment. They are most likely to know the nature, character, and needs of this segment, and how to live in this niche.

The focus strategy calls for a firm to narrow its marketing target to a buyer group, product line segment, or geographic region. This allows the firm to better meet the needs of the customer base, resulting in differentiation from better service or cost leadership through marketing or operating efficiencies. When an organization focuses its effort on one particular segment and becomes well known for providing products or services within that segment, it needs highly-devotion and experienced employees. Organizations that possess employees who have planning abilities and strong commitment to organizational goals can implement the focus strategy smoothly. These firms not only need to retain senior employees, but also enhance current employees' loyalty to wholeheartedly design and execute an overall plan in a particular segment. This is called a commitment-oriented human resource strategy in this paper.

Position Reward Alternative

The design of an effective reward strategy depends on a proper understanding of what motivates employees. Focus strategies grow market share by operating in a niche market. A niche arises from a number of factors, including geography, buyer characteristics, and product specifications or requirements. While several researchers have examined the legitimacy of the focus strategy as a separate generic strategy, it is generally concluded that a firm must first establish its domain within the broad versus segmented market as a precondition to generic strategy determination. Therefore, a focused firm must make a market determination before embarking on a specific strategic action plan. When a commitment-oriented human resource strategy is selected, a position reward alternative is applicable because senior and experienced employees who understand the characteristics and strengths of the organization are better able to determine future directions in a particular market.

For a focus-cost leadership strategy, specific reward practices that emphasize a balance of both customer service and cost control are associated with higher perceived levels of organizational performance (Allen & Helms, 2002). Moreover, for a focus-differentiation strategy, specific reward practices that emphasize customer service for a unique niche and marketing and creativity rewards are associated with higher perceived levels of organizational performance (Allen & Helms, 2002). The most common form of person-contingent reward is seniority-based pay, where benefits accrue based on loyalty, retention, and stability (Shaw, Gupta, & Delery, 2001). Seniority adds value through learning curve effects that only occur with experience over long periods of time (Shaw, Gupta, & Delery, 2001). A position reward alternative encourages employees to take responsibility for greater job depth. A job evaluation process further expresses the value-added of the individual's role in the organization, and tying rewards to the job expresses the expectation that each employee will take ownership of his or her job and role. The strategic consequences of a position reward alternative include greater technical competence within the specialized role described by the worker's job description. This means awarding those who wholly exert and accomplish their mission of position. In this case, the reward criteria are based on employee title, seniority, status and responsibility. This implies that the higher a title is, or the greater the scope of responsibility is, the greater the reward.

From the resource-based view, an organization's employees provide an important basis for a sustainable competitive advantage. Therefore, the human resource strategy can play a key role in an organization's survival. Further, a reward systems is a prominent factor in recruiting, motivating, and retaining employees. When an organization adopts the focus strategy, internal senior and professional employees are important because they have experienced the evolution of the organization and understand its various strength and weakness of the organization. An organization should rely on this distinctive manpower to improve its present situation and determine its future direction. Benefitting from senior manager, director, and staff member devotion and commitment, an organization can find a correct segment or suitable niche in its industry, successfully implementing its focus strategy. Therefore, the emphasis of position reward alternative facilitates a commitment-oriented human resource strategy.

If a firm wants to pursue a particular strategy, the reward program needs to include those elements that motivate the desired behavior (Galbraith & Merrill, 1991). According to Porter (1985), focus can be based on differentiation or cost. To retain experienced managers and foster their dedication to the organization, an organization adopting a position reward alternative should offer both intrinsic and extrinsic rewards. This includes employee stock ownership plans, extra vacation time, benefits, regular expressions of appreciation by leaders, and employment security. It helps to retain competent senior employees. The sense of increased job autonomy reward is very important to the focus strategy. Research shows that autonomy empowers employees with the decision making latitude required to provide the level of customer service required for their unique market niche. It also permits them to make the necessary decisions to differentiate their organization's service from the competition.

More and more organizations are attempting to identify the best reward systems for their organizational strategy. A firm can encourage managers with higher titles, seniority, or responsibility to elaborate and devote their experiences and wisdom to organization by providing both intrinsic and extrinsic rewards. A position reward alternative helps an organization retain and motivate distinguished mangers and staff member. It is also essential to a commitment-oriented human resource strategy. Ultimately, this makes it possible to adopt a successful focus strategy.

Table 1 summarizes the organizational reward systems frameworks that fit various human resource strategies and organizational competitive strategies.

CONCLUSION AND DISCUSSION

Competitiveness is inevitable in highly dynamic and uncertain environments. Organizations that want to remain secure in the long-term should pursue proper and suitable strategies. A corporate strategy is an essential management tool, and is important to firm performance. Further, achieving a competitive advantage through strategic initiatives is becoming increasingly important (Powers & Hahn, 2004).

Table 1. The integration among competitive strategies, human resource strategies, and reward systems			
Competitive strategy	Differentiation	Overall cost leadership	Focus
Human resource strategy	Innovation-oriented	Contribution-oriented	Commitment-oriented
Reward systems	Human capital reward alternative	Output reward alternative	Position reward alternative
Criteria	skill, knowledge, innovation, adaptability	performance, productivity, growth, profit	title, seniority, responsibility, status
Object	R&D, engineer, professional	on-line producer, salesman	manager, director, senior staff
Mode	intrinsic reward	extrinsic reward	both extrinsic and intrinsic

Strategy is the direction and scope of an organization over the long term. Ideally, this strategy matches its resources to its changing environment, particular markets, and customer requirements so as to meet stakeholder expectations. The strategy of an organization is essentially how it chooses to use its resources to achieve its goal (Hofer & Schendel, 1978). Therefore, a competitive strategy focuses on understanding the sources of sustained competitive advantage (Barney, 2001; Priem & Butler, 2001).

Human resource strategy is designed to diagnose a firm's strategic needs and planned talent development that will be required to implement a competitive strategy and achieve operational goals. Since strategic human resource management links human resource functions with strategic goals and organizational objectives, organizations must carefully plan human resource to improve performance and achieve their intention.

A reward systems is an important part of an organization's human resource strategy. The old reward model is no longer effective in today's business environment. Modern organizations must align their reward systems practices with their organizational strategy to achieve higher levels of performance at both the individual and organizational level. An appropriate reward systems can help the organization deliver the right amount, to the right people, at the right time, for the right reasons (Gross & Friedman, 2004). Managers must understand the resources that enable the firm to attain sustainable advantages, and the development of these resources should become an important priority (Fahy, 2000). For example, if some employee groups are more important than others, then organizations may choose to develop reward systems that consider their differing strategic contributions (Yanadori & Marler, 2006). Total rewards include base salary, incentives, and benefits, as well as intangibles things like career-growth opportunities, nonfinancial recognition, meaningful work, and so on (Anonymous, 2009). Therefore, under limited resources, employers should determine the best fit for their organization from the wide array of reward tools and approaches available.

This article attempts to move from a literature review, mapping key ideas and relationships, to building a reward systems ideally suited to human resource strategy and competitive strategy. We start with Porter's generic strategies: differentiation, overall cost leadership, and focus. Based on the individual characteristics of competitive strategy, we design corresponding human resource strategies: innovation-oriented, contribution-oriented, and commitment-oriented. Finally, we deduce and develop appropriate reward alternatives: human capital reward, output reward, and position reward. This study also introduces the criteria, objects, and modes for each reward alternative.

To survive in a changeable environment, employers are turning to performance management to ensure that their employees are maintaining motivation levels and working efficiently (Hansen, 2008). Based on an extensive literature review, this paper develops an original contingency framework for reward systems alternative under various business competitive strategies. We hope to provide mangers with an idea of how to design and implementing reward systems for various competitive strategies. We stress the relationship and collocation among competitive strategy, human resource strategy and reward systems. Therefore, we do not especially discuss when to adopt competitive strategy. Additionally, the different reward alternatives suggested for each underlying competitive strategy only reflects its relative and weighted importance, but it does not mean that others cannot be adopted absolutely. When an organization selects the overall cost leadership strategy, this study suggests that it adopts a contribution-oriented human resource strategy. At the same time, it should increase the weight of using output reward alternative.

The goal of this study is to provide a framework of the fit among business competitive strategies, HR strategies, and reward systems. Future research should make greater effort to integrate theoretical and empirical data to verify the practicability of this framework.

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