

**MODERATING EFFECT OF NORMATIVE  
INSTITUTIONAL MECHANISM ON THE RELATIONSHIP  
BETWEEN BUSINESS STRATEGY AND HRM MODEL**

NORMATİF KURUMSAL MEKANİZMANIN İŞLETME  
STRATEJİSİ İLE İKY MODELİ ARASINDAKİ İLİŞKİ ÜZERİNE  
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**ABSTRACT**

This paper tests predictions from institutional and strategic choice theory perspectives about business strategy-HRM model relationship through a study of organizations located in Turkey. Results from a survey of 80 organizations primarily support an institutional approach to HRM. Business strategies focused on cost minimization and quality improvement were directly related to multiple practices of a soft HRM model, but subsequent analysis revealed that this main effect was the result of linking a HRM model with normative mechanism of institutional environment.

**Keywords:** *Human Resource Management, Strategic Choice, Institutional Theory, Turkey*

**ÖZET**

Bu çalışmada, işletme stratejisi ile insan kaynakları yönetimi (İKY) modeli arasındaki ilişki, Türkiye bağlamında kurumsalcı kuram ve stratejik seçim kuramı perspektiflerinden tartışılmaktadır. Seksen firmadan elde edilen veriler İKY'nde kurumsalcı perspektifin argümanlarını desteklemektedir. Maliyet minimizasyonu ve kalite geliştirmeye odaklanmış işletme stratejilerinin, esnek İKY modelinin çeşitli uygulamaları ile doğrudan ilişkili olduğu tespit edilmiştir. Ancak sonraki analizler söz konusu temel ilişkinin, İKY modeli konusunda kurumsal çevrenin ürettiği normatif etki mekanizması tarafından şekillendirildiğini ortaya koymaktadır.

**Anahtar Sözcükler:** *İnsan Kaynakları Yönetimi, Stratejik Seçim, Kurumsalcı Kuram, Türkiye*

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## INTRODUCTION

In order to explain why the organizations bear a certain HRM model, applying convergent insights of strategic choice and institutional theory is necessary. Strategic choice theory based on the rational actor model concerns that gaining economic efficiency is the main determinant of organizational behavior (Child, 1972:2). On the other hand, institutional theory accepts the non-rational actor model. Institutional perspective puts forward that organizations can behave not only for economic efficiency but also for acquiring and maintaining legitimacy (Dimaggio and Powell, 1991). Strategic choice and institutional determination are viewed interactive and related to each other, instead of accepting them as incompatible (Astley and Van de Ven, 1983; Hrebiniak and Joyce, 1985; Oliver, 1991, Beckert, 1999). At this point, strategic choice, which is constrained by multiple external pressures, is not a result of a rational, conscious, proactive process of strategic planning but it is consequence of non-articulated, emergent and recurring patterns of decisions and action throughout the organization (Whittington, 1993; Oliver, 1991). It is proposed that organizations can generate various responses to institutional pressures with the effects of a series of factors related to organization and environment (Goodstein, 1994; Oliver, 1991, 1997; Greenwood and Hinings, 1996; Goodrick and Salancik, 1996; Ang and Cummings, 1997; Beckert, 1999; Orru, *et al.*, 1991; Lawrence *et al.*, 2002).

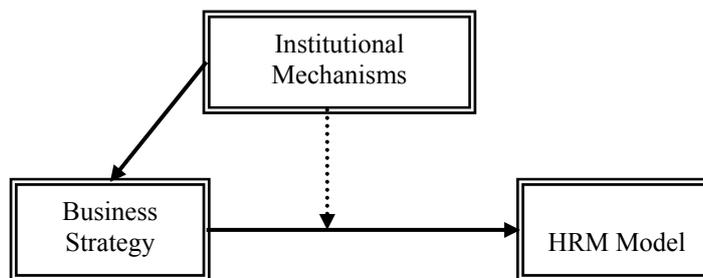
In some of the HRM studies, a universalistic approach is dominant and it is stated that specific individual HR practices directly and positively influence organizational performance, thereby they are adopted by the organizations (Walton, 1985; Arthur, 1994; Pfeffer, 1994; Huselid, 1995; Delaney and Huselid, 1996; Huselid, 1995; Delaney and Huselid, 1996; Guest, 1999). Some of the other studies again focus on the relation between HR practices and organizational performance; they accept the organizational strategy as the contingent variable of the mentioned relation (Schuler and Jackson, 1987, 1989; Jackson *et al.*, 1989; Oliver, 1988; Sparrow and Pettigrew, 1988; Lengnick-Hall, 1988; Schuler, 1992; Child, 1997). In these studies, strategic choice perspective is prevalent and it is assumed that organizations formulate their competitive strategies and 'choose' their HR practices as a requisite of this strategy (Child, 1997). In other words, the basic problem in HRM is to create the holistic HRM systems required by the business strategy and subsequently contribute to organizational performance. However, the mentioned choice itself and the possible effects of the context in which the choice is being shaped are not included in the analysis.

It's predicted that pressures coming from the institutional field and the aims of the organizations' decision-makers will lead to a result by entering

diverse interactions in different contexts. Therefore, it is expected that pressures created by the institutional field will have a moderating effect on the business strategy-HRM model relation. This study examines the presumptive effects of normative institutional mechanism on the relationship between business strategy and HRM model. While analyzing and expounding the decisions and behavior of organizations on HRM, it is essential to take the interaction of business organizations into consideration with the academicians, professionals, and networks, which produce, share and convey the knowledge on HRM.

In Turkey, where the sample of this study is located, professionalization in HRM carries the characteristics of a proto-institutional field (Lawrence *et al.*, 2002). HRM field in Turkey has not completed its institutionalization process yet. Therefore, although it includes main actors and actor networks with which organizations may interact, HRM field in Turkey does not possess a complete and uncontested feature that will eliminate the organizational discretion. Hence, it is supposed that normative institutional field where organizations interact will create a moderating effect on the relationship between business strategy and HRM model. Meaning that, business strategy is not accepted to be the main determinant for organizations to adopt a certain HRM model, so the interaction of organizations with the normative institutional mechanism is included into the analysis as a moderator. Based on these arguments, the main purposes of this study are 1. To determine the level of impact that business strategy has upon HRM model. 2. Analyze the moderating effect of normative institutional mechanism on the relationship between business strategy and HRM model in a proto-institutional environment. 3. Assess the extent to which particular business strategies and normative institutional mechanism are actually used in conjunction with one another in a Turkish sample.

Figure1 summarizes research model of the study.



**Figure 1: Institutional Isomorphism, Business Strategy, and Soft Model of HRM**

## **LITERATURE REVIEW**

There are different schools of thought in the organization theory that examine the same phenomenon from different perspectives (Morgan, 1980; Astley and Van de Ven, 1983). Strategic choice theory (Child, 1972, 1997) comprises the voluntarist approach, which draws on analysis at organizational level and attributes power to the organization. In contrast, institutional theory (Powell and DiMaggio, 1991; DiMaggio and Powell, 1991; Meyer and Rowan, 1977; Scott, 1987; 2001) concentrates on analyses at the level of organizational fields. Although this theory also ascribes power to environment in the organizational analysis, it encompasses interactive approach rather than the simply deterministic one. It is possible to say that both of these perspectives are generally recognized either implicitly or explicitly in the HRM literature and they lead the researchers. In this study, two perspectives mentioned above, are accepted not as approaches contradictory to each other, but as complementary approaches in explaining the behaviors of modern organizations related to the HRM practices.

### **Strategic Choice Theory in HRM**

Strategic choice theory occurred in 1970s as a reaction to the idea that the organizational arrangements are determined by the contingent variables. This theory examined the strategic choice as a political process and aimed to reduce tension between agency and structure (Child, 1972, 1997; Montanari, 1978; 1979; Whittington, 1988). Strategic choice theory rejects the claims about homogenization emanating from environmental determinants. Instead, this theory suggests that competition and internal relations among the organizations within the same population have diversifying impact on the organizational forms and behaviors by the means of various tools such as market segmentation, product differentiation and image making (Oliver, 1988).

In fact in the HRM literature, together with the flourishing of strategic perspective beginning from 1980s, there occurred an increase in the number of studies focusing on which HRM practices are embraced by the organizations and why. Most of those studies particularly concentrated on examining the relationship between HRM practices and organizational performance. The reason why organizations seek particular HR practices is explained based on contribution to the organizational performance. Researches that comprise the universalistic or best practice arguments (Delery and Doty, 1996) stress that specific HRM practices have direct positive impact on the organizational performance (Walton, 1985; Arthur, 1994; Pfeffer, 1994; Huselid, 1995; Delaney and Huselid, 1996; Huselid, 1995; Delaney and Huselid, 1996; Guest, 1999; Wood, 1999; Pauwee and Richardson, 2001; Guest, 2001). In these studies, without taking into consideration the impact of the other potential factors, it is argued that

some practices such as teamwork, empowerment, comprehensive training, incentive pay, end up with results that contribute to organizational performance. On the other hand, the other studies have “best fit” argument explains the relationship between HRM practice and organizational performance in different ways based on the contingency and configuration approaches. The best-fit argument does not perceive the relationship between the HRM practice and organizational performance as an absolute and general relation. On the contrary, the specific HRM practices enhancing organizational performance and thereby embraced by organizations because these practices are compatible with the organizations’ competitive needs and strategic posture.

Meaning that, which HRM practice will be embraced by the organization is a decision made based on economic rationality. However, this decision has also a series of rational determinants. The definition of ‘fit’ differs in contingency and configuration approaches. The studies of Porter (1980), Miles, (*et.al.*, 1977), Miles and Snow, (1984) which represent the classical school of thought in the strategic management (Whittinton, 1993) also provide a contingency perspective in HRM researches (Baird and Meshoulam, 1988; Schuler and Jackson, 1987, 1989; Jackson *et al.*, 1989; Sparrow and Pettigrew, 1988; Lengnick-Hall, 1988; Schuler, 1992; Arthur, 1992; Delery and Doty, 1996; Youndt *et al.*, 1996; Delery, 1998; Wright and Snell, 1998; Ferris *et al.*, 1999; Wright *et al.*, 1994, 2001). In contingency perspective, best fit mainly focuses on external fit: fit between organizational design (e.g.) and external contingencies like market situation (Boselie *et al.*, 2003). In order for HRM system enhancing organizational performance, it is necessary to choose and implement practices that are compatible with the business strategy. This implies that business strategy is the mainly determining factor of the supposed relations between the HRM and organizational performance.

On the other hand, configuration approach developed within the impact of another school of thought in strategic management. Resource based theory which has been taken from the economics literature and used in the strategic management literature (Pensore, 1958), is predicated on explaining the relationship between competitive advantage, business strategy and organizational performance (Wernerfelt, 1984; Grant, 1991; Barney, 1991, 1998, 2001). The theory defines HR as an internal asset that will develop and carry on the competitive capabilities of the firm. (Schuler and McMillan, 1984; Wright and Snell, 1991; Wright *et al.*, 1994, 2001; Lado and Wilson 1994; Mueller, 1996; Barney and Wright, 1998; Collins and Clark, 2003; Colbert, 2004). Therefore, the theory legitimizes the claim that human resource is the important asset for the strategic success of the organization. However, configuration approach discusses the moderators of the relationship between the HRM system and the organizational performance

in a broader framework such as organizational strategy, structure, culture, life circle, nature of the existing work force (Milliman *et al.*, 1991; Delery, 1998; Wright and Snell, 1998, Youndt and Snell, 2004).

The dominant discourse in the above mentioned HRM studies accept the organizations as rational actors taking action in order to achieve economic efficiency. The organizations firstly take action in order to achieve their goal on organizational performance; secondly, they choose and implement the HRM practices, which will enable the realization of this goal. The business strategy of the organizations constitutes the main determinant of the 'choice' (Child, 1997; Oliver, 1988). The first result of this choice is to recognize that each organization forms a unique holistic HRM system creating competitive advantage. In other words, it is presumed that organizations adopted the HRM practices according to the requirements of their business strategy and for the aim of gaining economic efficiency or performance, besides that they develop HR system unique to themselves, differing from those of other organizations. Secondly, the determinants of this choice examined from the perspectives of both contingency and configuration approaches are mainly the rational determinants. The variables such as strategy, structure and existing human capital are discussed for their impact to the relationship between HRM practices and organizational performance. To be explicit, search for economic efficiency and the rational determinants of this search form the essence of the arguments in the field of HRM. Thirdly, studies based on strategic choice theory analyze the relationship among business strategy, HR and organizational performance at the organizational level. The decision making process of the decision makers related to HRM is taken into consideration for the impact of the strategy, structure, culture and the other variables at organizational level. Thus, at the organizational group's level the interaction between the organizations or at the macro level the variables such as economic and social structure are not considered in these analyses.

### **Business Strategy and HRM Model Relation**

The HRM models or styles that identify the general approach in relation to which HRM system should be in the organization imply a more complex process than just accepting and implementing a specific practice. The prevailing discourse of the HRM model influences the explanations of how human resource is considered within the organization, what the expectation from the employees is and how this expectation is stated. However, the question of "why do the organizations embrace certain HRM model" stands because of the fact that a prevailing model embedded in the organization can be explained by the impact of other factors in addition to the strategic posture or other rational variables. In many studies conducted

on HRM, focus on certain HRM practices and these studies disregard how the practices are perceived or explained in the organizations.

Pm/HRM models are named and defined in different ways by using the concepts of individualism/collectivism (Purcell, 1987; Storey and Bacon, 1993), clerk of works/contact manager/ architect model (Tyson, 1987) and calculative HRM/collobrative HRM (Gooderham *et al.*, 1999). Based on the normative definitions of HRM, Legge (1995), states that two different emphases can be identified as to what HRM should be. These have been termed the hard model, reflecting a 'utilitarian instrumentalism' and a soft model more reminiscent of 'developmental humanism' (Legge, 1995:66). In this study, in line with the Legge's terminology, soft and hard model of HRM will be used. Soft model of HRM emphasizes the importance of integrating HRM practices with business strategy, while treating employees as valued assets, a source of competitive advantage through their commitment, adaptability and high quality. The soft model represents a collaborative approach to human resource management in that it has more developmental and humanistic focus. Rather than being passive inputs, employees are viewed as active partners and core assets, not least in terms of creativity and innovation (Gooderham, *et al.*, 1999). Soft model contains a discourse based on the concepts of commitment, communication and collaboration, motivation and leadership and HR practices compatible with this discourse (Walton, 1985; Capelli and McKersie, 1987; Handy and Pettigrew, 1986; Guest, 1987, 1997; Storey, 1987). Although hard and soft models of HRM are not incompatible, they stand for two different approaches in HRM. In the literature, it is accepted that organizations having quality and innovation strategy will tend to soft model of HRM, whereas those having cost strategy will prefer hard model of HRM (Capelli, 1985; Capelli and McKersie, 1987; Legge, 1995; Gooderham *et al.*, 1999). HRM practices are assumed enhance organizational performance and called as control versus commitment HR systems (Walton, 1985), high performance work practices (Huselid, 1995; Arthur, 1994), best practices (Pfeffer, 1994), human capital enhancing (Youndt, 1996) carry the qualities emphasized by the soft HRM model in general.

Management's choices about the basis of its organization's competitive advantage, resulting business strategies, and ideological preferences associated with founding fathers or the ethos of focal task, appear as important explanations for decisions about the model in which HR function is performed (Legge, 1995). When the relationship between business strategy and HRM model is assessed, it would be realized that different strategic directions would require different HRM models or approaches. In other words, different business strategies will attribute different roles to HRM while developing organizational performance (Jackson *et al.*, 1989;

Miles and Snow, 1984; Schuler and Jackson, 1987; Wright and McMahan, 1992; Wright and Snell, 1991).

However, business strategies are not only about quality or differentiation. Business strategies focusing on the cost minimization in many sectors are still valid. In this condition, employees are accepted as one of the variables of the production cost. On the one hand, labor cost should also be minimized as the other variables; while the efficiency of labor should be increased. For the context in which production systems are purposely designed to minimize the impact of individual differences, most consistent approach to HR would be the one based on notions of command and control, where emphasis is placed on efficiently managing a low skilled, manual workforce (Youndt *et al.*, 1996:842). Therefore, hard model of HRM comes up as an approach fitting with the business strategies of those organizations. The hard model is rooted in a calculative approach aimed at ensuring that production activities are efficiently supplied with the necessary input of human resource. Any such calculative approach is dependent on the feasibility of treating each employee as an individual rather than as a member of a collective entity (Gooderham, *et al.*, 1999). Hard model of HRM is in accordance with employee selection along with the manual skills; training process, reducing mistakes instead of enhancing skills, focusing on policies and procedures; performance appraisal, evaluating and rewarding individual outcomes. Thus, hard model of HRM seems to be viable for organizations pursuing cost strategy and it is not expected for an organization pursuing cost strategy to embrace soft model of HRM. Related hypothesis based on these theoretical arguments are represented below.

#### **Institutional Perspective in HRM**

Theoretical framework based on rational model creates some limitations in explaining behavior of modern organizations. Firstly, while choosing the HRM practices, it does not take into account any aim except increasing the organizational performance. Secondly, business strategy is defined to be the main determinant factor and having made an analysis at organizational level, it disregards the environmental factors in the HRM decisions. Thirdly, it is argued that each organization differentiates from one another by forming their own HRM systems. So the similarities that may occur between organizations are disregarded. Therefore, it is necessary to argue that other variables that may affect the choice of developing a HRM model in fit with the business strategy. Hence, a broader theoretical framework is necessary in order to find an answer to the question of which HRM models organizations embrace and why. At this point, it is essential to explain the possible contributions of institutional perspective.

Institutional theory occurred as an appeal of the neo-classical economics theory (Hodgson, 2004). Although the theory is mostly carried into the organizational studies by the sociologists (Selznick, 1957, 1996; Powell and DiMaggio, 1991; Zucker, 1977; Meyer and Rowan, 1977; Scott, 1987; 2001), especially beginning from 1990s the theory became influential in studies made in the field of HRM.

New institutionalism in organization theory and sociology comprises a rejection of rational-actor models, an interest in institutions as independent variables, a turn toward cognitive and cultural explanations, and an interest in properties of supra individual units of analysis that cannot be reduced to aggregations or direct consequences of individuals' attributes or motives (Powell and DiMaggio, 1991:8). From this point of view, while explaining the organizational behavior, firstly the actions overlooking non-rational, and intentions do not imply economic efficiency are coming forward. Secondly, institutional approach concentrates on the idea of an institutional environment and the interaction of the organization with this environment. This interaction enables the formation of non-rational behaviors of the organization from the institutional point. Lastly, institutional theory emphasizes the homogeneity of organizations and it suggests that organizations in an organizational field do not differentiate from one another; on the contrary, they tend to acquire similar forms and practices. This process of homogenization is isomorphism (Dimaggio and Powell, 1991). According to institutional theory, there are three mechanisms of institutional isomorphic change: Coercive, mimetic and normative. Coercive isomorphism that stems from political effects and the problem of legitimacy; mimetic isomorphism resulting from standard responses to uncertainty; and normative isomorphism associated with professionalization (Dimaggio and Powell, 1991:67).

However, this series of assumptions also comprises the basis of the criticism against institutional theory. A significant critique of institutional theory invokes its focus on homogeneity and persistence and its relative inattention to the role of interest and agency in shaping action (Dacin *et al.*, 2002). As it is stated before, it is observed that interaction of the agencies with its institutional environment will occur in different forms in different institutional context; hence, this will bring agency and interest driven action into forefront. For instance, if the institutional standards and norms are not clear (Goodrick and Salancik, 1996), agency can play a role in determining how organizations adopt to their institutional environment according to their resource dependencies (Oliver, 1991, 1997). Alternatively, if it is possible to assess the technical results of adaptation or resistance of organization to pressures (Goodstein, 1994), agency can generate different responds to the pressures coming from institutional environment. Based on mediatory approaches developed upon the relations between organizations

and their environment, two arguments rise. First, institutionalization at the same time includes a change and stands for the idea that old institutions can collapse and new ones can occur. (Seo and Creed, 2002; Greenwood *et al.*, 2002; Oliver, 1992); Second, institutionalization is not always a complete and uncontested situation, but it can be defined a proto-institutional process (Lawrence *et al.*, 2002). This perspective violates the background assumptions of institutional perspective, that is, existence of differentiated and entrenched inter-institutional system, and prevalence of structured organizational fields to breed isomorphism (Erçek, 2004).

In the HRM literature, especially the studies in the European and Far Eastern countries focus on the impacts of national context (Tregaskis, 1997; Gooderham, *et al.*, 1999; Pauwee and Boselie, 2003, 2005; Chow, 2004; Galang, 2004; Webster and Wood, 2005; Aycan, 2005), industrial relations (Jenkins and Klarsfeld, 2002; Boselie *et al.*, 2003; Horgan and Mühlau, 2003), relations between organizations (Björkman and Lu, 2001; Williamson and Cable, 2003), seeking legitimacy (Williamson, 2000; Bender, 2004) on the various HR practices such as organizations' staffing, training, performance appraisal, and compensation. In these studies, in addition to the rational determinants such as scale and technology, determinants related to the institutional environment are also considered important.

There are not many studies on the question of how the organizations in either proto-institutionalized or being in change fields will respond to the pressures emanating from institutional environment. Those settings where institutionalization process is not completed and where structure and relations carry embedded characteristics can both create autonomy in terms of organizational structure, and lead various interactions between organizations and the institutional settings in progress. Thus, in this context, it gets difficult to analyze the organizational behavior either only from voluntarism perspective or only from deterministic one. Due to these reasons, it becomes necessary to think strategic choice and institutional interaction together in order to answer the question of how organizations embrace specific HRM model and the practices. At this point Turkey's context will provide an important set of data.

### **HRM IN TURKISH CONTEXT**

The modernization process of Turkey carried by the state beginning from 1923 has shaped the political, economic and social structure and relations of the country and equipped with qualities, which differentiate her from other countries in the region. The central role of the state in the economic field still continues today and creates a unique progress line in economy. The central principle underlying Turkey's economic development

efforts during the post-1923 republican era is the concept of a mixed economy in which the state would play a leadership role during the early stages of development but would recede into the background private enterprise develops, matures, and becomes the dominant economic actor over time (Öniş, 1996). Especially from 1950s onwards, the State protected the entrepreneurs from international competition and supported them through various economic instruments. Thus, the State led the growth of a private sector where family controlled business groups are predominant. However, the legal regulations and economic policies always keep the state on the agenda of the organizations as both the source of uncertainty and the business partner (Buğra, 1994). In this framework, starting from 1980s, liberalization policies and the transition period to market economy also brought problems and their solutions specific to local conditions. In 1980s, a profound shift in philosophy occurred in Turkey concerning the role of the State in economic affairs. The new economic strategy aimed at decreasing both the scale of public sector activity as well as the degree of state intervention in the operation of the market (Öniş 1991, 1995; Öncü and Gökçe, 1991). In this period, liberalization policies in national economy, impacts of globalization and intense privatization efforts have become macro factors, which also influence the choice of the organizations in HRM. In 1980s, the concept of personnel management changed with the concept of HRM. Parallel to this, macroeconomic occasions happened in 1980s also had projection upon Turkey similar to US and European countries (Keenoy, 1989, 1990; Guest, 1990, 1991; Purcell, 1993; Legge, 1995).

The major impact of the economic and political situation in Turkey beginning from 1980s on the HRM practices is that the idea and practice of political - industrial relations gained power in 1960s and 1970s (Sakallıoğlu, 1991; Nichols and Suğur, 2005) left its place to HRM approach which is consistent with the liberal economic circumstances shaped in market conditions, emphasizing solutions at organizational level. Before 1980s, the conception and practices drawing up the relations of organizations with their employees were based on the idea of industrial relations where labor unions are actively involved and the concept of class was predominant. In 1980s, labor unions considerably lost their power, source and members (Sakallıoğlu, 1991; Nicols and Suğur, 2005; Tokol, 2005). Industrial relation perspective has shifted into an organizational system in which the economic efficiency goals of individual organizations are determining. In other words, the economic and political conditions in that period fostered an appropriate setting to bring the information and practices about HRM into Turkey. The development of HRM in academic as well as professional life in Turkey carries a “proto-institutionalization” characteristics which can trigger normative institutional mechanism even though in a way unique to itself (Erçek, 2004). Although the concept of personnel management and its

techniques evolved later in Turkey than the US (Baron, *et al.*, 1986), the concept of HRM and its practices has shown a very rapid expansion in the last 10 years. Thus, it is essential to take into account that there is an institutional context, which can lead the organizations' behavior in HRM still being in the stage of progress. Therefore, in this study normative institutional pressures and business strategies are considered together in the embracing of HRM models by the organizations.

### **Normative Mechanism and HRM Model**

Normative institutional mechanism stems from occupational professionalization / specialization. Professionalization is interpreted as the collective struggle of members of an occupation to define the conditions and methods of their work, to control "the production of producers" (Dimaggio and Powell, 1991:70). Especially evolution of management as a separate occupation and its differentiation from the other occupations (workers, customers, stakeholders etc.) homogenizes the working style and techniques suitable to this profession. People within the same job possess similar technical information since they all get common university education. On the other hand, network and communication among the occupational experts ease the fast expansion of new practices or techniques (Dimaggio and Powell, 1991). Along with this conceptualization, it is possible to set four fundamental factors that influence the transfer of HRM knowledge from the centre countries like the US and European countries and its re-production as well as expansion in organizations in Turkey. Those are undergraduate and graduate education on business administration and HRM, non-governmental organizations and professional associations, mass media and consultancy firms in the field of management and HRM.

Occupational education on economics and business administration in Turkey has been constructed in 1930s by taking German undergraduate education system as a model (Üsdiken *et al.*, 2004). Later mostly the major countries in this field influence the expansion of the management information (Üsdiken, 1997). The progress of occupational knowledge on HRM is based on the industry relations approach with the impact of political and economic conditions in the country until 1980s. Yet, beginning from 1980s instead of industry relations comprising class based political discourses and solutions, an HRM perspective emphasizing efficiency and solutions at organizational level has emerged (Erçek, 2004). The concept of HRM started to be studied in undergraduate and graduate lectures in Turkish universities at the same time with the US and European universities (Üsdiken and Wasti, 2002).

Secondly, professional associations started to be more influential especially in 1990s. PERYÖN (Personnel Management Association) built in 1971 consists of employees, managers and academicians working in the field

of HRM. PERYÖN became member of European Association for Personnel Management in 1979. In the last years it joint into WFPMA (World Federation of Personnel Management Association). Since the Association sets its mission as fulfilling the needs of HR managers, promoting progress of HRM and occupation of HR managing, it makes itself well known by organizing many activities about HRM. In addition, PERYÖN organized HRM congresses every two year from 1985 until 2001, and from 2001 to today, it has been regularly organizing HRM congresses every year. People from universities and well-known big firms, researchers, academicians, managers and professionals that were invited from other countries have participated in these congresses. Besides, the Association supports the expansion of the information and ideas on HRM by releasing Popular Management Magazine as well as backing the publication of some other books and research projects on the issue. Since 1996 one of the most popular national newspapers weekly releases HR pages.

KALDER (Association of Quality Management) built in 1991 is also an important institutional actor in terms of presenting HRM practices that represent the soft model of HRM within the framework of TQM practices and sharing the experience gained in this subject. KALDER carries the mission of expanding TQM practices all over the country through the program called 'national quality movement' (Kalder Activity Report, 2006). The association formed by the managers of the big firms in Turkey has now more than 1700 individual and more than 1300 corporate members. Since 1992 KALDER publishes a magazine called 'Quality at First', organizes 'National Quality Award Contest' together with TUSIAD (Turkish Industrialists' and Businessmen's Association) and creates an information network by organizing various activities all over the country, supporting publication of books and giving regular training courses. KALDER became member of EFQM in 1998. The Association also plays a significant role in TQM with its international activities. Actually, a great number of academicians are interested in those activities organized by KALDER (Kalder Activity Report, 2006). TQM became considerably influential in the formation of HRM practices (Mahoney and Deckop, 1986; Guest, 1987; Andersen *et al.*, 1994; Legge, 1995). The impacts of TQM cannot be disregarded especially in conceptualization of soft and hard models of HRM as well as expansion of discourse related to the models (Erçek, 2005).

Moreover, the number of magazines about management in general and HRM in particular has increased significantly since the beginning of 1990s. In addition, a mass publication that contributed to the spread of systematic understanding (Abrahamson, 1991, 1996) has developed effectively. The increase in the number of consultancy firms is another factor as well. Since the beginning of 1990s McKinsey&Co., Boston Consulting Group, Peppers&Rogers, Accenture, Deloitte and Touche, Management Center

Turkey, Egon Zehnder International and Hay have been conducting business in Turkey. The congress and symposiums organized by those firms also enable the knowledge on HRM to be transferred from the pivotal countries and creates a suitable environment for local organizations to share their experiences (Erçek, 2004, 2005).

All of these conditions point out that considerable accumulation of knowledge on HRM practices as well as a communication network and actors who will enhance the share of that accumulation have been significantly developing in Turkey. In addition, these actors and communication networks shape the rules of game, system of thoughts and practices in the field of HRM within a frame of specific understanding. They also create suitable circumstances for institutional expansion of HRM practices among the organizations within the network. Briefly, the macro economic and political conditions occurred in Turkey after 1980 provoked the development of actors and activities that would get the HRM practices to be shaped around a certain affirmation and transferred to the organizations. Formation of new rules, techniques and practices in a specific actor network and their adaptation by other organizations outside that actor network can only be defined in terms of institutionalization process by a field becoming proto-institutions (Lawrence *et al.*, 2002). The late evolvement of institutions (Lawrence *et al.*, 2002), some practices to get rapidly expanded and consumed by becoming fashion (Abrahamson, 1991; 1993), the differences and conflicts among the discourses of institutional actors (Erçek, 2005) do all characterize a proto-institutional environment.

The above underlined conditions for HRM carry certain characteristics, which will lead the information produced by the actors of occupational area to be institutionally adopted by the other organizations. Under these circumstances, it is possible for organizations to adopt similar HRM practices or similar HRM models instead of creating original ones. However, that institutional interaction does not generate a complete institutional pressure that can eliminate the organizational discretion. That has to say, it is more of an orientation of organizational behavior, than the pressure mechanism supposed by institutional theory. As a result, it is expected that relationship between business strategy and HRM can be influenced from the normative institutional orientations, implying the practices influential in the organizational area and accepted to be 'right' and 'appropriate' by the professionals.

As explained before theoretical arguments in accordance with the strategic choice theory regard organizations as rational actors embrace HRM models that are in congruent with their different business strategy. In other words, business strategy of the organization determines the HRM model. Hence, quality focused business strategy is expected to be in positive

relation with the soft model of HRM, while cost focused business strategy to be in negative relation with the soft model of HRM. Based on these arguments it would be formulating the first three hypotheses.

*Hypothesis 1: Business strategy will be associated with models of HRM.*

*Hypothesis 1a: Quality strategy will be positively associated with soft model of HRM.*

*Hypothesis 1b: Cost strategy will be negatively associated with soft model of HRM.*

On the other hand, institutional theory perspective and unique context of Turkey that would be anticipated embodying HRM practices of the organizations narrate another picture. Within this perspective, it will be appropriate to set the following hypotheses:

*Hypothesis 2: Normative mechanisms moderate the relationship between business strategy and model of human resource management.*

*Hypothesis 2a: Normative mechanisms will moderate the relationship between cost strategy and soft model of human resource management.*

*Hypothesis 2b: Normative mechanisms will moderate the relationship between quality strategy and soft model of human resource management.*

## **METHODOLOGY**

### **Sampling**

The companies in metal industry and banking sector through the Marmara Region of Turkey form the sample of this research. Marmara Region is the most industrialized part of Turkey, where İstanbul, Bursa and İzmit are the main cities receiving high industrial investments. More than half of Turkey's top 500 industrial entities are operating in Marmara Region and those cities are jointly producing 40% of national income and employing 30% of total industrial employment (Nicols and Suğur, 2005). Compared to other sectors, metal industry and banking sector are relatively old and institutionalized sectors with high ratios of membership to labor unions.

The questionnaire designed for the study was sent to the human resources managers of 107 companies have employees more than 250, through the help of electronic databases of PERYÖN, KALDER and MESS. It is assumed that human resource managers would be aware of business strategy's requirements of organizations and they would predict decisions on HRM go by business strategy and normative institutional environment in both. The answers of respondents were submitted again

electronically and they eventually constituted the data set of the research. Eighty of the total questionnaires could yield usable data.

**Questionnaire**

The scale used in this study is composed of four parts. The first part of the designed questionnaire aims to gather the general information regarding the companies at the sample and the respondent managers. Other three parts of the scale consist of 39 items. Main parts based on hypothetic model of the study examined independently and items of established scale derived from literature review. Table 1 would refer item’s original sources for some support.

**Table 1: Original Theoretical Source of Scale Items**

<b>General information</b>	<b>5 items</b>		
-Industry -Employees -Union membership -Title of respondent -Professional and trade associations membership			
<b>Business Strategy</b>	<b>14 items</b>		
Cost strategy	6 items	$\alpha=0.70$ , RMSEA 0.000, RMSR 0.06, GFI 0.955	Miles <i>et.al.</i> ,1977; Miles and Snow, 1984; Dess and Davis, 1984; Schuler and Jackson, 1987,1989; Legge, 1995; Youndt, <i>et.al.</i> ,1996; Gooderham <i>et al.</i> ,1999;
Quality strategy	8 items	$\alpha=0.73$ , RMSEA 0.000, RMSR 0.00, GFI 0.999	Miles <i>et.al.</i> ,1977; Miles and Snow, 1984; Dess and Davis, 1984; Schuler and Jackson, 1987,1989; Legge, 1995; Youndt, <i>et.al.</i> ,1996; Gooderham <i>et al.</i> ,1999;
<b>Soft Model of HRM</b>	<b>19 items</b>		
job design	2 items		Walton, 1985; Capelli and McKersie, 1987; Arthur, 1992,1994; Pfeffer, 1994; Lawler, 1994; Huselid, 1995; Youndt, <i>et.al.</i> ,1996; Wright, <i>et.al.</i> ,2001.
staffing	5 items	$\alpha=0.76$ , RMSEA 0.000, RMSR 0.05, GFI 0.961	Guest, 1987; Schuler and Jackson, 1987; Lengnick-Hall and Lengnick-Hall, 1988; Schuler, 1992; Lawler, 1994; Pfeffer, 1994; Huselid, 1995; Barney and Wright, 1998; Gooderham, <i>et al.</i> , 1999

**Table 1: (Cont.)**

performance appraisal	4 items	$\alpha=0.86$ , RMSEA 0.000, RMSR 0.02, GFI 0.980	Walton, 1985; Guest, 1987; Schuler and Jackson, 1987; Schuler, 1992; Huselid, 1995; Barney and Wright, 1998; Gooderham, <i>et al.</i> , 1999.
training	4 items	$\alpha=0.75$ , RMSEA 0.009, RMSR 0.06, GFI 0.963	Walton, 1985; Guest, 1987; Schuler and Jackson, 1987; Lengnick-Hall and Lengnick-Hall, 1988; Arthur, 1992,1994; Schuler, 1992; Pfeffer,1994; Lawler, 1994; Huselid, 1995; Youndt, <i>et al.</i> ,1996; Barney and Wright, 1998; Gooderham, <i>et al.</i> , 1999.
policy formulation	4 items		Lengnick-Hall and Lengnick-Hall, 1988; Guest, 1987,
<b><i>Normative institutional pressure</i></b>	<b><i>6 items</i></b>		
existence of consultancy firms		$\alpha=0.51$ , RMSEA 0.08, RMSR 0.06, GFI 0.969	Dimaggio and Powell, 1991; Abrahamson, 1991, 1996; Kieser, 1997; Erçek, 2004, 2005
existence of professional and trade associations			Dimaggio and Powell, 1991; Mahoney and Deckop, 1986; Andersen <i>et al.</i> , 1994; Erçek, 2005.
mass publication			Dimaggio and Powell, 1991; Abrahamson, 1996; Kieser, 1997; Erçek, 2004, 2005.
network and activities among colleagues (congress, seminars etc.)			Dimaggio and Powell, 1991; Kieser,1997; Üsdiken and Wasti, 2002 Erçek, 2004, 2005.
exchange of information among colleagues about popular hrm practices			Dimaggio and Powell, 1991 Erçek, 2004, 2005.
undergraduate and graduate education in universities			Meyer and Rowan, 1977; Dimaggio and Powell, 1983; Abrahamson, 1996; Üsdiken and Wasti, 2002; Üsdiken <i>et al.</i> , 2004;

The second part of the survey was designed to determine the business strategies of the organizations, where 14 items representing the cost and quality strategies were utilized. Six of them intended to define the cost strategy whereas eight stand for the quality strategy. It has used confirmatory factor analysis to determine the underlying dimensionality of our business strategy measures. Hereby the results of the analysis prove the

validity of the cost strategy ( $\alpha=0.70$ , RMSEA 0.000, RMSR 0.06, GFI 0.955) and quality strategy ( $\alpha=0.73$ , RMSEA 0.000, RMSR 0.00, GFI 0.999) dimensions.

In the third part of the survey, there are 19 items, which represent the HRM model. It has been tried to be measured on a scale with one dimension by using five point Likert scale. The closer the responses are to five on the scale, the more they represent the soft model of HRM. The main dimensions of the questionnaire consist of job design, staffing, performance appraisal, training and policy formulation (Guest, 1987). The HRM model was tried to be measured in terms of perceptions attributed every individual HRM practices. The items about the HRM model were established on the basis of the approaches characterizing the soft model that are acknowledged in the literature and named as high performance work practices, human capital enhancing, etc. (Walton, 1985; Arthur, 1994; Pfeffer, 1994; Huselid, 1995; Youndt, 1996). To empirically validate our multi item scale it has performed confirmatory factor analysis. The data regarding the three-HRM practices, which have the highest validity and reliability over these parameters, are included in the analysis. Staffing practices ( $\alpha=0.76$ , RMSEA 0.000, RMSR 0.05, GFI 0.961) included five items, training ( $\alpha=0.75$ , RMSEA 0.009, RMSR 0.06, GFI 0.963) included four items and performance appraisal practices ( $\alpha=0.86$ , RMSEA 0.000, RMSR 0.02, GFI 0.980) included four items.

Finally, in the last part of the designed questionnaire, there were six items measuring the level of perception of normative institutional pressure upon the decision-making process regarding HRM practices. These items are edited by considering the factors assumed to form the normative institutional mechanism (namely; undergraduate and graduate education on HRM, occupation organizations and non-governmental organizations acting in this field, mass publication on HRM and existence of consultancy firms). The results of the implemented confirmatory factor analysis and reliability analysis, indicate the validity of normative isomorphism scale ( $\alpha=0.51$ , RMSEA 0.08, RMSR 0.06, GFI 0.969).

## **RESULTS**

According to the results retrieved from first part of the questionnaire, 63 companies within the data set are making business in metal industry, whereas 17 of them are in banking and finance sector. All of the companies employ more than 250 employees. Within the sample, there are 7 companies where more than 25% of total employees have union membership and 45 companies where more than 50% of total employees have union

membership. The 66 of the respondent managers bear the titles of HRM coordinator, manager or executive. Just nine of the managers are titled staff manager or executive. Among these managers, 44 of them have a membership link with a non-governmental organization like PERYÖN or KALDER.

### Hypotheses Testing

Table 1 shows the means, standard deviations, and correlation matrix for all variables.

**Table 2: Descriptive Statistics**

<b>Variables</b>	<b>Mean</b>	<b>s.d.</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
1.Staffing	4.06	0.54	1.00					
2.Performance appraisal	3.89	0.77	.40	1.00				
3.Training	4.28	0.54	.58	.55	1.00			
4.Cost strategy	4.21	0.51	.34	.40	.49	1.00		
5.Quality strategy	3.95	0.69	.31	.38	.51	.53	1.00	
6.Normative mechanism	3.54	0.72	.36	.29	.37	.16	.21	1.00

N=80, correlation greater than 0.21 are significant at  $p < 0.05$

To test the specific hypotheses of the study, it is used moderated hierarchical regression analysis in order to isolate the main effects of the business strategy on HRM model and independently assess how normative isomorphism moderated the relationship between business strategy and HRM model. Same overall procedure was implemented for each dependent variable (e.g. staffing, training and performance management system). In step 1, normative isomorphism was entered in order to control for the effect institutional mechanism might have on business strategies, HRM model or their relationship. Significant effects here would indicate a direct relationship institutional pressures and HRM model. In step 2, the two business strategies (cost and quality) were entered to the model as a set. A significant effect here between business strategy (cost and quality) and HRM model would support for hypothesis 1. Finally, in step 3, the cross products of normative mechanism and the business strategies (normative mechanism by cost strategy, normative mechanism by quality strategy) were entered as a set. Evidence of significant effects here would indicate that normative institutional pressures moderated the relationship between business strategy and HRM model, and than providing support for Hypothesis 2. It has used individual interaction terms (e.g., normative mechanism by cost strategy) to test our specific moderation hypotheses (2a, 2b). Support for these hypotheses would exist if the individual interaction terms accounted for significant residual variance in HRM model.

Table 2-3-4 show the results of moderated hierarchical regression analyses.

**Table 3: Results of Regression Analysis for Institutional Mechanism, Business Strategy and Staffing**

Variables	Step 1	Step 2	Step 3
<i>Institutional mechanism</i>			
Normative	0.30**	0.24*	0.73
<i>Business strategy</i>			
Cost strategy		0.20†	-0.49
Quality strategy		0.11†	1.61**
<i>Isomorphism/strategy interactions</i>			
Normative x cost			1.42
Normative x quality			- 2.43*
R <sup>2</sup>	0.08	0.14	0.20
F	7.89**	5.08**	4.62**
Δ R <sup>2</sup>		0.06	0.06

†p < 0.10 \*p < 0.05 \*\*p < 0.01 (R<sup>2</sup> is adjusted)

**Table 4: Results of Regression Analysis for Institutional Mechanism, Business Strategy and Training**

Variables	Step 1	Step 2	Step 3
<i>Institutional mechanism</i>			
Normative	0.30**	0.23*	0.06
<i>Business strategy</i>			
Cost strategy		0.47**	-0.37
Quality strategy		0.07	1.16*
<i>Isomorphism/strategy interactions</i>			
Normative x cost			1.75
Normative x quality			-1.87*
R <sup>2</sup>	0.08	0.28	0.32
F	7.83**	11.30**	7.97**
Δ R <sup>2</sup>		0.20	0.04

†p < 0.10 \*p < 0.05 \*\*p < 0.01 (R<sup>2</sup> is adjusted)

**Table 5: Results of Regression Analysis for Institutional Mechanism, Business Strategy and Performance Appraisal**

<b>Variables</b>	<b>Step 1</b>	<b>Step 2</b>	<b>Step 3</b>
<i>Institutional mechanism</i>			
Normative	0.26*	0.19†	0.60
<i>Business strategy</i>			
Cost strategy		0.30*	-0.61
Quality strategy		0.12†	1.88**
<i>Isomorphism/strategy interactions</i>			
Normative x cost			1.85
Normative x quality			-2.85**
R <sup>2</sup>	0.06	0.18	0.28
F	5.80*	6.56**	6.40**
Δ R <sup>2</sup>		0.12	0.10

†p < 0.10 \*p < 0.05 \*\*p < 0.01 (R<sup>2</sup> is adjusted)

### **Main Effect / Strategic Choice Perspective**

Business strategy as a set was significantly related to HRM model for staffing ( $\Delta R^2 = 0.06$ ,  $F=5.08$ ,  $p < 0.01$ ), training ( $\Delta R^2 = 0.20$   $F=11.30$ ,  $p < 0.01$ ), performance appraisal ( $\Delta R^2 = 0.12$ ,  $F=6.56$ ,  $p < 0.01$ ). These findings provide preliminary support for Hypothesis 1. However, having made an assessment according to hypothesis 1a and 1b, the relationship set in 1b is very powerfully meaningful but positive. Within the framework of the data in this study, eventually the expected relationship between cost strategy and soft model of HRM was not set to be negative. Cost strategy had a significant and positive main effect on soft HRM model for training ( $b=0.47$ ,  $p < 0.01$ ), performance appraisal ( $b=0.30$ ,  $p < 0.05$ ), and was marginally associated with staffing ( $b=0.20$ ,  $p < 0.10$ ). Quality strategy has a main effect on staffing ( $b=0.11$ ,  $p < 0.10$ ) and performance appraisal ( $b=0.12$ ,  $p < 0.10$ ).

### **Moderating Effect / Institutional Perspective**

Beyond the direct relationships between business strategy and HRM model, a support for the institutional perspective has been found. The normative mechanism and HRM model in interaction terms accounted for significant variance in staffing ( $\Delta R^2 = 0.06$ ,  $F=4.62$   $p < 0.01$ ), in training ( $\Delta R^2 = 0.04$ ,  $F=7.97$   $p < 0.01$ ) and in performance appraisal ( $\Delta R^2 = 0.10$ ,  $F=6.40$   $p < 0.01$ ). These results indicate that normative isomorphism does in fact moderate the business strategy – HRM model relationship, thereby providing support for hypothesis 2, the basic moderation hypothesis. In testing more specific moderation hypotheses, it is found that there is no significant interaction between cost strategy and normative mechanism for

any HRM practices. But quality strategy interacted with normative mechanism to predict HRM model for staffing ( $b = -2.43$ ,  $p < 0.05$ ), training ( $b = -1.87$ ,  $p < 0.05$ ), and performance appraisal ( $b = -2.85$ ,  $p < 0.01$ ) thereby providing consistent support for Hypothesis 2b. Concisely, adopting soft HRM practices depend on the interaction between strategic direction and normative institutional mechanism. In other words, main effects become conditional in the presence of significant interactions.

## **CONCLUSION**

The main subject of many studies in the previous years is based on the question of which HRM practices were adopted and why as an organizational behavior. Once examined the HRM literature, it would be seen that the question is argued in terms of the effects of HRM on organizational performance and choices shaped by that effect.

The purpose of this study was to examine both the strategic choice and institutional theory perspectives on strategy-HRM model relationship in Turkey as a different context by the US and European countries. In the beginning, it was stated that theoretically these two perspectives are not necessarily incompatible. Strategic choice perspective accepts the business strategy as the main determinant of HRM. On the contrary, the data collected in this study indicates that the main impact of business strategy on HRM model is not a general impact, but it could be shaped by the institutional context where organizations interact. Yet, it is obvious that the stated interaction will have different qualifications in different institutional context. Explaining the effect of institutional context on organizational behavior is crucial for adaptation of HRM practices and efficiency of these practices. Understanding why organizations adapt specific HRM models and practices will contribute to the development of more realistic approaches in terms of organizational efficiency, strategic choice and determining the effects of HRM practices on organizational performance.

This study firstly reached the results, which support the studies suggesting that there should be a fit between HRM practices and business strategy (Schuler and Jackson, 1987, 1989; Jackson *et al.*, 1989; Oliver, 1988; Sparrow and Pettigrew, 1988; Lengnick-Hall, 1988; Schuler, 1992; Child, 1997). Data underlined that the business strategy has a certain direct impact on HRM model. However, the assumption that organizations following cost strategy will seek hard model, was not justified when the direct relations between the two variable was considered. Once the normative mechanism and interactions were included into the model; the relations between the cost strategy and soft HRM model turned into negative and the relationship between quality strategy and soft HRM model got stronger. Therefore, it is

realized that the reason of why organizations following cost strategy will seek hard model and those following quality strategy will seek soft model of HRM cannot be explained only by strategic directions and necessities, but require to take into account the other variables as well. The proved moderating effect of normative mechanism on business strategy - HRM model relations supports the approaches that emphasize to consider the effects of institutional context in explaining the organizational behavior (Jackson *et al.*, 1989; Miles and Snow, 1984; Schuler and Jackson, 1987; Wright and McMahan, 1992; Wright and Snell, 1991). Meaning that, pressures coming from institutional field will be effective in formulation and implementation of the business strategy. That effect implies that extant HRM model is not determined only by business strategy. The inclination of organizations towards either soft or hard model of HRM is a prerequisite of organization's strategic direction as well as a process shaped by the pressures stemming from the institutional environment.

That has to say, the results of this study reveal that the strategic direction is not the main variable, which lead the organizations competing on quality to hiring personnel according to their knowledge and skills, to set training and performance appraisal systems on improving competencies, problem solving, participation, and teamwork. However, activities, statements, suggestions of HRM professionals and institutional actors in this field have also effect on these decisions. Studies, congress on HRM, activities of professional associations, actor network among hr managers create a fertile environment. It is argued that organizations producing high value-added products and services, differentiating itself from its competitor through its quality, flexibility and performing in the knowledge-based industries will need the commitment of highly skilled, knowledgeable workforce. In this context, knowledge and skill based staffing, comprehensive training programs that emphasize attracting and developing individuals with superior technical, intellectual and interpersonal skills, performance appraisal and rewarding system aiming at assessing the team performance and development in skills, all of which represent soft model of HRM, are perceived as appropriate for those organizations.

Organizations as rational actors would welcome the arrangements that will gain and maintain their competitive advantages, but this fact explains just one part of the organizational behavior. On the other hand, the nature of the institutional context in which organizations are embedded can also shape that behavior. In a proto-institutionalized context, HRM models, which the strategic direction requires, depend on the interaction between the organizations and actors making normative arrangements. However, it is possible to say there is an institutional *orientation* rather than an institutional *pressure* in a proto-institutionalized setting where there is a loose institutional interaction. In this context, may not be an uncontested and complete

institutional pressures, certain, definite rules and norms like unionization and industrial relations in European countries that confine organizational discretion (Boselie *et al.*, 2003; Horgan and Mühlau, 2003). On the other hand, it is difficult to remind blind to influence of education, generated and shared professional and academic knowledge, communications between actors and organizations. Therefore, the relationship between business strategy and HRM model is arranged by the orientations constituted by the normative institutional environment where organizations are interacting. How much mentioned institutional orientations will be influential will also change according to the institutional context, nature of organization and the level of interaction between the two.

The institutional environment, formed by HRM professionals, occupational groups and education institutions, influence the organizations in the given Turkish sample. This institutional environment evolves by interpenetrating with the political and economic conditions at macro level in Turkey and demonstrates the characteristics of a proto-institutional field regarding the institutional change. In such a context encompassing these characteristics, it is not possible to explain the organizational behavior by merely rational or purely institutional variables. In the organizations included in the sample, an explicit tendency towards a certain HRM model independent from business strategy is not observed. Mentioned normative institutional orientation is in the feature of moderating business strategy-HRM model relations. Therefore, it can be stated that in the context of Turkey where HRM occupational field is not fully institutionalized, institutional environment does not create a complete pressure upon organizational behavior as it is supposed in institutional theory, but an institutional orientation happens.

#### **LIMITATIONS AND SUGGESTION FOR FUTURE RESEARCH**

The first limitation in this study is the number of firms in the sample. The analyses made in a larger sample can generate different interactive data. Secondly, in this study, soft model of HRM has been tried to be measured on a scale with one dimension by using five point Likert scale. The closer the responses are to five on the scale, the more they represent the soft model of HRM. However, instead of evaluating the soft and hard models of HRM as two incompatible and contradictory cases, it is possible to measure them separately based on their intrinsic features. This can enable to analyze the relationship between business strategy and HRM model at large. On the other hand, it is essential to take into consideration the decoupling supposed to occur between rhetoric and reality of HRM models (Keenoy, 1989, 1991; Legge, 1995) and to put data related to the nature and source of the decoupling.

As its mentioned before HR managers are single respondents in this survey. It would be say that its deepened measurement gathering data from other source (managers of different departments, vice presidents etc.). In this study, it has been assumed that HR managers have intrinsic knowledge about business strategy of organizations, their professional field and interaction of those environmental logics.

This study does not include the mimetic and coercive pressures created by the institutional setting on the organization. What kind of impacts these mechanisms will have upon the organizations' attitude towards embracing practices standing for certain HRM models is still in question. It is required to examine how valid the assumption of organizations adopting other organizations' practices as a response to the uncertainty (Galaskiewicz and Wasserman, 1989) is in terms of HRM practices. It is also important to observe which HRM models are embraced especially in the service sector or sectors with high uncertainty, where products are constantly renewed, thereby mimetic mechanism is influential in this adaptation. Secondly, it should also be studied the impacts of coercive mechanisms in the adaptation of HRM models in the settings where actors such as state, labor unions etc. are extensively determining (Dobbin and Sutton, 1998; Godard, 2002). Especially the studies held in European countries depict that labor unionization and relations are determining the organizations' decision (Boselie *et al.*, 2003; Horgan and Mühlau, 2003). However, for instance, Turkey carries very different characteristics compared to the US and European countries in terms of labor union organizations, legal framework and institutionalized traditions dominant in industrial relations (Sakallıoğlu, 1991; Nicols and Suğur, 2005; Tokol, 2005). Therefore, whether or not the labor union relations have impact on the HRM model adopted by organizations should be also examined.

On the other hand, while explaining the organizational behaviors, it is fundamental to think macro, meso and micro institutional interactions together and observe what kind of changes institutions and actors interacting at those levels can lead on the organizational behavior. To do this, in addition to the quantitative methods, qualitative methods such as deep interview, discourse analysis, content analysis or focus group should also be utilized. Using these methods will provide rich data to understand especially how the leading pressure of institutional environment is presumed and manipulated by the organizations.

Last but not the least, it should be underlined once more that in order for academic and practical knowledge on HRM to evolve, it is essential to think the arguments of different perspectives together and test them under the conditions of various countries.

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