Organizational Strategy toward Core Competency Workforce in Hospitality Industry

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Abstract

This study shows different organizational strategies have different influences on human capital input and value-creation output, and especially, when the firm's environmental adjustment is high, organizations tend to allocate more external employees. This demonstrates that allocating more external employees to reduce budgets will result in higher employee turnover, greater recruiting and training costs, and potentially poorer service. Instead of merely cutting costs, this study suggests that hospitality firms might consider ways to re-engineer their companies, particularly their HR practices, towards a higher level of quality. Human capital is a unique asset within an organization because the arrangements of employees are different from each other. Consequently, to balance this contradiction, effectively allocating different types of employment modes is the most important way to maintain the competitive edge within an organization.

Key Words: Organization Strategy, Human Capital, Core Competence, Mode Fit, Employment Modes.

The Core Competence of Human Capital

This study examines how organizational strategy influences the allocation of different kinds of human capital. Generally, human capital is one of an organization's intangible assets. It is considered all of the competencies and commitments of the people within an organization, i.e., their skills, experience, potential and capacity. It is the skills and knowledge gained by a worker through education and experience. The human capital asset captures all the people oriented capabilities for a business to be successful. Human capital arrangement among employment modes to sustain the core competence thus has become a very important issue for an organization.

Furthermore, the labor market perspective concentrates on turnover predictors that are primarily determined by the organization's external environment and includes factors such as unemployment rate or alternative job opportunities (Gerhart & Milkovich, 1990). Besides, the psychological perspective focuses on employees within the organizational context and their individual turnover decisions, thus investigating turnover previous circumstances that are more readily within an organization's tendency and ability to apply them (Maertz & Campion, 1988).

Hypothesis 1: Organizations have different strategy perspective emphasis on allocating different human capital as a core competence.

Therefore, Lepak and Snell's employment modes (1999) and Miles and Snow's organizational strategy (1984) were integrated into Figure 1 from relational and transactional perspectives in order to illustrate how both relationships could exist within each employment mode. And each of the employment modes focuses on different human capital because of different organizational strategy. There are four sections to discuss about different quadrants below in figure 1.

Figure 1. Employment modes and organizational strategy
Source: Lepak and Snell (1999) and Miles and Snow (1984) and author

Change Creator-Employment Mode Fit

In figure 1, the quadrant of left above, the change-creating organization is usually a continual search for product and market opportunities and regularly experimenting with potential responses to emerging environmental change. To face this kind of rapid change, the recruitment strategy is emphasized on "buy" (Williamson, 1975) in the market because the human capital is unique in some way. Performance appraisal is based on result-oriented procedure and performance. Leonard-Barton (1995) mentioned unique forms of human capital are less codified and transferable than generic skills. However, management difficulty was faced with internalizing this kind of human capital because uniqueness is not likely to expend resources for training and developing partners. Lepak and Snell (1999) attempted to solve this paradox, in that organizations are simultaneously encouraged to use external and internal employment modes. Internalization is prohibitive from a cost standpoint and complete contraction involves risks of opportunism, in which some form of alliance between parties may provide a hybrid employment mode that unifies internalization and externalization and overcomes these problems. Collaboration and information sharing are also likely to be necessary in this situation.

Hypothesis 1A: Change-Creating Organizations will be higher than others in allocating external alliance employees as a core competency workforce. In other words, they would have higher input in acquisition cost and expect higher core value creation output in external alliance employees than the others'.

Commitment Maximizer - Employment Mode Fit

In figure 1, the quadrant of right above, the commitment-maximizing organization characteristics include a limited product line; single capital-intensive technology; a functional structure and skills in production efficiency, and process engineering. As a result of this detailed focus, organizations rarely need to make

major adjustments in their technology, structure, or methods of operations (Miles & Snow, 1984). The organization that adopts this perspective is also more likely to employ people internally when their skills are firm specific (Williamson, 1985). The recruitment is emphasized on "make". Performance appraisal is a process-oriented procedure and compensation is oriented toward position in organization. Employment relationship is organization focused. This kind of relationship can be viewed as encouraging significant mutual investment on the part of employers and employees in developing critical firm skills. By investing in employee development and allowing employees greater participation in decision making, organizations can foster a higher level of ongoing commitment from employees (Lepak & Snell, 1999). By doing so, organizations establish organization-focused relationships in order to elicit a wide range of employee behaviors and increase employee incentives to engage in firm-specific learning.

Hypothesis 1B: Commitment-maximizing organizations will be higher than others in allocating internal development employees as a core competency workforce. In other words, they would have higher input in learning cost and expect higher core value creation output in internal developing employees than the others'.

Cost – Minimizer - Employment Mode Fit

In figure 1, the quadrant of left below, the cost-minimizing organization is usually in the passive position to the market. These organizations wait for other competitors to respond to market changes. These organizations contain human capital that is generic and of limited strategic value. Leonard-Barton (1995) describes this as "public knowledge" skills that can be purchased easily on the open labor market. Following this approach could minimize costs because of alternative sources for these skills exist, thus allowing for organizations to decrease employment costs by contracting externally (Williamson, 1975). Leasing working arrangements and other forms of contract work often fall within this category. Performance appraisal and rewards are likely to be job-based (Mahoney, 1989). In terms of employment relationships, Rousseau (1995) suggests that when employees have limited association with a firm and have explicit performance expectations, their psychological contract may be termed transactional.

Hypothesis 1C: Cost-minimizing organizations will be lower than other in allocating external control employees as a core competency workforce. In other words, they would have lower input in learning cost and expect higher core value creation output in external control employees than the others'.

Stable Operator - Employment Modes Fit

In figure 1, the quadrant of right below, the stable-operating organization operates in two types of product-market domains: one relatively stable, the other changing. Within their stable areas, these organizations operate routinely and efficiently through use of formalized structures and processes. These characteristics include a limited basic product line; search for a small number of related products and market opportunities. To balance the two sides of the market, human capital contains core skills that are essential for competitive advantage; it by no means characterizes all forms of human capital or is utilized by firms to function effectively. To cost control both sides, thus, allocated human capital is valuable but not unique or specific to a firm.

Selecting skilled employees directly from the market may also allow firms to realize significant savings in developmental expenditures while gaining instant access to a wide variety of capabilities that may incur positive returns on investment (Becker, 1964). Rousseau (1995) mentioned this type of employee typically does not seek or receive lifelong employment within a particular firm because these employees are often trained in a particular occupation or profession, thus they can effectively sell their talents to a variety of organizations which they can contribute and receive the highest returns on their human capital investment (Lepak & Snell, 1999). By no means are these types of employees less committed to the organization or more focused on their career.

Hypothesis 1D: Stable-operating organizations will be higher than other in allocating internal acquiring employees as a core competency workforce. In other words, they would have higher input in replacement cost and expect higher core value creation output in internal acquiring employees than the others'.

Analysis

A system can reach the same final state from different initial conditions and by a variety of different paths (Katz & Kahn, 1978). Therefore, in this study three kinds of analysis were adopted to offer a clearer configurational structure. The first is inductive in nature and primarily uses cluster analysis to derive an empirical solution (Ketchen, Thomas, & Snow, 1993). And then multivariate analysis of variance and regression analysis are adopted to examine the fit with a theoretically defined profile (Doty, Glick, & Huber, 1993). Which approach and analytical method provides superior results has been contested in the literature.

Furthermore, both cluster analysis and multivariate analysis of variance face difficulties regarding their ability to provide insights into the causal nature of the configuration. That is, they are not well suited to shed light on just what aspect of a configuration leads to e.g. core competence (Fiss, 2008). For instance, cluster analysis assigns cases to clusters based on their similarity along a number of characteristics regardless of the relationship between these characteristics and outcomes of interest.

However, in situations where not all characteristics included in the analysis are in fact causally relevant regarding the outcome, cluster analysis will not be able to distinguish between those characteristics. If cases are similar along causally irrelevant characteristics but differ along a few but causally important characteristics, cluster analysis will nevertheless usually assign these cases to the same cluster, resulting in undesirable causally heterogeneous clusters. Accordingly, while cluster analysis is an excellent exploratory tool for discovering structures in the data without specifying a priori what those structures might be, it is a much less useful tool for understanding what aspects of clusters are causally related to the outcome.

Multivariate analysis of variance and regression analysis are a suitable tool for assessing the effect of overall fit with a type on core competence, but likewise face challenges in examining just what aspects of the fit between a hypothesized ideal type and empirically observed configuration in fact relate to strategies. In this respect, it is still quite limited in its ability to determine contextually dependent causal relations within a configuration, particularly when these relationships are affected by the presence or absence of other characteristics.

Sampling

Globalization has led to Taiwan becoming one of the hospitality investor favorites in the world. From a listing by Taiwan's Ministry of Economic Affairs, a pool of 8,996 hotels and restaurants (including those wholly or partly foreign owned) were identified to represent a broad sample of the hospitality industry in 2014. Of these, 1,316 restaurants and hotels had more than 50 employees, and the remainders were excluded from the sample to eliminate the possibility of including very small firms that might not have four different types of employment arrangements.

Of the 1,316 potential participants, each organization was sent survey packages, of which 408 were returned, for a 31-percent response rate. The survey package included a questionnaire for the organization's senior executive officer (CEO or President), for the senior HR managers (human resource managers or vice presidents). However, incomplete questionnaires had to be excluded, leaving a final sample of 386 CEO and human resource managers. Table 1 presents the salient characteristics of the companies that participated in the study. Table 2 presents the profile of the respondents.

Table 1 Major Characteristics of Sample Firms

Variable	Means	S.D.
Age	43	9.8
Average number of employees	115	102
Average number of external employees	88	125
Average number of internal employees	79	47

N = 386

Table 2 Demographic Characteristics of the Respondents

Gender	%	Age group	%	Educational background	%	Tenure	%
Female	62.9	18 or under	0	Graduate school	1.8	Less than 6 months	10.0
Male	37.1	19–25	5.0	Bachelor	46.2	6-12 months	15.0
		26–30	7.2	College	13.3	1-2 years	13.6
		31–35	9.6	Senior high school	24.0	2-4 years	15.9
		36–40	19.0	High school	12.4	4-6 years	16.4
		41–50	26.2	Others	2.3	Over 6 years	29.1
		51–60	16.8				
		61 or over	16.2				
Total	100	Total	100	Total	100	Total	100
N = 386		N = 386		N =386		N = 386	

Measurement

Organizational Strategy

Miles and Snow (1984) proposed a typology of strategic types based for the most part on the organization's orientation toward strategic human resources systems. They suggested four strategic types: defenders, prospectors, analyzers and reactors. Porter (1980) suggested three potentially competitive strategies: overall cost leadership, differentiation, and focus and stuck in thes middle. These two highly detailed business-level strategic typologies, both based on comprehensive studies with their rich data and case studies, are a major addition to the organizational level strategic literature (Segev, 1989). This study adopted strategic variables proposed by Segev (1989): environmental variables, strategy-making process and organizational performance. As a result, the intention here is to adopt the questionnaire shown in Segev's (1989) study to identify four different strategies (change-creator, commitment-maximizer, stable-operator and *cost*-minimizer).

Input of Human Capital

Salary, benefit, and training are the three main factors in employee retention. These regard money-wages and salary as the price of human capital. Price may contingently be higher or lower than the value of human capital, depending on market forces of supply and demand, on skill monopolies, and legal rules. There is typically a constant conflict over the level of wages between employers and employees, since employers seek to limit or reduce wage-costs, while workers seek to increase their wages, or at least maintain them. How the level of wages develops depends on the demand for labor, the level of unemployment, and the ability of workers and employers to organize and take action with regard to pay claims. Flamholtz (1973) mentioned three types of costs in terms of human capital: acquisition costs, learning costs, and replacement costs. First, acquisition costs, i.e., recruitment, selection, hiring and orientation costs are direct costs of human capital acquisition costs. These costs are directly related to recruit prospective employees from the open market, and spent on locating and identifying human capital. Selecting costs are costs spent on

interviewing prospective employees. Hiring and orientation costs indicate the costs allocated to the settling down of employees into their jobs. Second, learning costs include orientation costs, general training costs, on-the-job training costs (direct costs) and opportunity costs of trainers' time (indirect cost). Third, the replacement costs include the discharge cost, the opportunity cost of losing efficiency before discharge, and the cost of arranging vacant positions. In this study, these three costs were adopted as human capital input.

Core Value-Creation

Core value-creation was first classified by Prahalad and Hamel (1990) into three categories: market-access, product-integration and functional-related value-creation. Market-access value-creation indicates the capabilities that help a company to approach its customers, such as management of brand development, sales and marketing, distribution and logistics and technical support. Product-integration value-creating indicates those abilities that make the company more efficient in terms of time, more flexible, and more reliable than competitors. Functional-related value-creating indicates the competencies in how the organization differentiates its products or services to those of the competitors and the competencies that satisfy customer needs. In this study, Prahald and Hamel's classification was adopted to identify the core value-creation in different employment modes.

Control Variables

Company size and age served as control variables. Company size was included as a control variable because larger organizations may be more likely to employ better developed or more sophisticated human resource management (Jackson & Schuler, 1995) and may experience reduced turnover because of their human resource practices (Hom & Griffeth, 1995). Furthermore, size is assumed to have a direct effect on organization performance because of economies of scale and market power (Shepherd, 1975). Company size was measured as the natural log of the number of full-time employees. A second control variable was company age, which was taken as the number of years from the founding date of the company.

Validity and Reliability Test

Validity and reliability are essential to the effectiveness of any data-gathering procedure. Validity refers to whether a study is able to scientifically answer the questions it is intended to answer in the area of the research. For this study, previous scholars' questionnaires were adopted , however, the previous scholars applied these measurements predominantly within the manufacture or high technology industry. To ensure the content appropriately assesses the skills or characteristics they are intended to measure, expert validity is implemented to eliminate irrelevant items and to supply new wording for items necessary for the hospitality industry. Therefore, six SEMs (subject matter experts) validated the questionnaire in order to receive expert validity. All the SEMs have at least ten years working experience within the hospitality industry.

Reliability refers to the degree of consistency that the instrument or procedure demonstrates. To verify the dimensionality and reliability of the research constructs, a purification process including factor analysis, item to total correlation analysis and Cronbach's alpha analysis were conducted for this study. The value of Cronbach's alpha (α) was employed to evaluate the internal consistency of survey items. Cronbach's alpha is a statistical calculation from the pairwise correlations between items. Nunnally and Berstein (1994) suggested that Cronbach's alpha should be at least .7 to show fair reliability of question items. In this study, the Cronbach's alpha of each construct was over .7 which indicated the data is generally acceptable to use in further analyses. Table 4-3 shows the item analysis and internal consistency of this study's questionnaire. With an eigenvalue greater than 1.0 and the absolute value of factor loading greater than 0.5 in the factor analysis, further evaluation of the item to total correction coefficient for each factor (ranging from 0.57 to 0.89) shows that the construct dimensionality is reliable.

Table 3 Factor Analysis and Reliability Test of Research Constructs

Factor and Variable	Factor Loading	Item to Total correlation	Variance Explained (%)	Eigenvalue	Alpha
Environmental Variables			78.25	5.88	0.76
1. Uncertainty	0.91	0.89			
2. Dynamism	0.87	0.85			
3.Hostility	0.76	0.74			
4.Complexity	0.79	0.77			
Strategy Making			68.43	7.41	0.87
1. Product innovation	0.88	0.80			
2.Product/market breadth	0.85	0.76			
3. Price level	0.87	0.79			
4. Active marketing	0.78	0.67			
5.Control system level	0.86	0.78			
6. Resource level	0.84	0.74			
7.Investment in product	0.79	0.69			
Performance			69.41	4.98	0.85
1. Profitability	0.90	0.63			
2. Market share	0.90	0.63			
3. Rate of growth	0.85	0.64			
4. Liquidity	0.85	0.65			
5.Operational efficiency	0.78	0.67			
Human Capital Input			65.26	5.33	0.75
1. The acquisition cost	0.68	0.54			
2. The learning cost	0.85	0.75			
3. The replacement cost	0.87	0.77			
Core Value-Creation			68.67	6.63	0.83
1. The insight of market needs	0.80	0.73			
2. New technologies into products	0.80	0.74			
3. Responding process mistakes	0.83	0.64			
4. Assignments for vital customers	0.86	0.75			
5.Specialization of work process	0.58	0.57			

Cluster Analysis in Organizational Strategy

Moreover, environmental variables, strategy making and firm performance were the elements which are the attempt to maximize the homogeneity of objects within the clusters and maximizing the heterogeneity between the clusters. This approach allows researchers to derive manageable and meaningful taxonomies by systematically classifying a large amount of information. Distance measure is utilized in this cluster analysis. It represents similarity as the proximity of observations to one another across the variables in the cluster variety. Distance is converted into a similarity measure by using an inverse relationship. The cluster analysis based on the Ward's method of agglomeration to determine organizations can be differentiated by the strategic variables. In the Ward's procedure, the selection of which two clusters to combine is based on which combination of clusters minimizes the within-cluster sum of squares across the complete set of disjoint or separate clusters. At each step, the two clusters combined are those that minimize the increase in the total sum of squares across all variables in all clusters. This approach allows researchers to derive manageable and meaningful taxonomies by systematically classifying a large amount of information. The Ward's method of agglomeration was selected for the present analysis because it is relatively efficient and the results produced are more interpretable compared with other methods.

Because of missing date (N=20), a total of 386 organizations were included in the cluster analysis. To determine the appropriate cluster solution, balanced statistical indicators with theoretic considerations needed to be considered. From Segev's (1989) study, at least four key goals of organizational strategy exist (change creating, commitment, cost, stable operating). At least four clusters to emerge were expected to represent a specific goal or some combination of the goals. The change in the agglomerative coefficient showed a marked increase from cluster four (8,342.21) to cluster three (9213.22), thus corroborating our expectation that four distinctive clusters may exist in this current study's data. For a more thorough analysis, three, five and six-cluster solutions could be used to determine what information might have been gained or lost with the alternative solutions.

In comparing the different solutions, three-cluster solution might be too simple to overlook other meaningful organizational strategy. In addition, it didn't fully represent the four key priorities of organizational strategy. Similarly, the four-cluster solution provided less differentiation of the organizations than did the five-cluster solution. The five-cluster solution provided more information about the organizational strategy which is consistent with Segev's (1989) study. Taken together analysis for this current study points toward the five-cluster solution as the most theoretically coherent of all the solutions.

Finally, five clusters were found: change creator, commitment maximizer, cost minimizer, stable operator and stuck in the middle. Change creators are organizations that usually explore a new product facing a highly changing environment. Table 4 shows change creating organizations thoroughly invest in product innovation (Mean = 4.58). Commitment maximizers are organizations which engage in a functional structure and skills in production efficiency. Both the control system level (Mean = 4.09) and resource level (Mean = 4.87) are higher than the other clusters. Cost minimizers are when the organizations usually wait for other competitors to respond to a market change. Both the resource level (Mean = 2.54) and investment in product (Mean = 2.51) are lower than the other clusters. Stable operators are when the organizations operate in two types of product-market domains, one relatively stable, the other changing. These organizations are involved in active marketing (Mean = 4.42) higher levels than the others.

Table 4 Description of Clusters

Variables	Change Creator (N = 65) M (SD)	Commitment Maximizer (N = 56) M (SD)	Cost Minimizer (N = 121) M (SD)	Stable Operator (N = 117) M (SD)	Stuck in Middle (N = 27) M (SD)
Environmental Variables					
1. Uncertainty	4.23 (0.38)	3.05 (0.79)	3.87 (0.49)	3.01 (0.61)	4.67 (0.65)
2. Dynamism	4.34 (0.57)	3.27 (0.65)	3.76 (0.34)	2.65 (0.67)	4.67 (0.78)
3.Hostility	4.53 (0.71)	3.86 (0.76)	4.88 (0.65)	3.78 (0.82)	2.12 (0.65)
4.Complexity	4.19 (0.89)	2.98 (0.66)	3.67 (0.48)	3.69 (0.56)	4.21 (0.45)
Strategy Making					
1.Product innovation	4.58 (0.65)	3.56 (0.54)	2.67 (0.63)	2.43 (0.63)	1.76 (0.65)
2.Product/market breadth	3.82 (0.43)	3.76 (0.29)	2.78 (1.21)	3.04 (0.58)	4.67 (0.78)
3. Price level	3.69 (0.67)	3.45 (0.45)	2.12 (0.23)	3.45 (0.88)	3.89 (0.48)
4.Active marketing	4.15 (0.54)	3.87 (0.76)	3.01 (0.83)	4.42 (0.74)	2.18 (0.67)
5.Control system level	3.13 (1.12)	4.29 (0.65)	2.43 (0.49)	3.56 (0.78)	3.67 (0.89)
6.Resource level	3.48 (0.77)	4.87 (0.76)	2.54 (0.62)	3.65 (0.45)	3.45 (0.67)
7.Investment in product	4.67 (0.76)	3.76 (0.78)	2.51 (0.92)	3.27 (0.88)	2.18 (0.49)
Performance					
1. Profibility	2.54 (0.54)	3.67 (0.34)	2.54 (0.62)	3.56 (0.84)	1.89 (0.78)
2. Market share	2.89 (0.67)	3.77 (0.67)	1.98 (0.67)	3.23 (0.56)	3.88 (0.84)
3. Rate of growth	4.2 (0.87)	2.98 (0.69)	2.12 (0.59)	3.58 (0.61)	1.65 (0.56)
4. Liquidity	3.00 (0.78)	3.67 (0.78)	2.38 (0.73)	3.65 (0.59)	1.78 (0.87)
5.Operational efficiency	3.98 (1.23)	4.26 (0.61)	3.01 (0.48)	3.76 (0.67)	2.56 (0.72)

Analysis of Change Creator-Employment Mode Fit

In Table 5, it shows there are significant differences in acquisition cost (F=32.89, p<0.001) among employment modes. It demonstrates the changing creating organizations are mainly focused on spending the acquisition cost to attract the external alliance experts (Mean = 4.45 in external alliance). Thus, Hypothesis 1A has been supported. This strategy is akin to the "buy" approach proposed by Miles and Snow (1984). Miles and Snow showed that organizations implement this kind of strategy because they focus on taking risks on being first to the market and on adapting to a changing market place. Therefore, buying human resource straight off the labor market allows organizations to adapt quickly to changes without the time investment of training human resources. These organizations lead the market in total compensation to attract the best employees. To retain such highly competent and desirable employees, organizations are likely to use market competitive wages and benefits. Because the cost of human capital is so high, it is necessary for such organizations to utilize complicated recruitment and selection practices to decrease the replacement cost (Mean = 2.34 in external alliance).

The core value-creation in external alliance in changing creating organizations emphasizes new technologies into products (Mean = 4.72 in external alliance). It is often more costly and time consuming to develop needed employee knowledge and skills into developing new products. It is likely that investing significant amounts of time and money to train employees up front, changing creating organizations that value innovation may prefer to purchase already competent and qualified human resources straight from the market. This allows the organization to make changes quickly and inject new ideas and knowledge into the organization to incite the new innovative products in a shorter time than if new employees had to be trained.

Table 5 Core Competency Workforce in Change Creator

Variable (N=65)	Internal development M (SD)	Internal acquisitions M (SD)	External alliance M (SD)	External control M (SD)	F	P
Human Capital Input						
1.The acquisition cost	3.89 (0.76)	2.59 (1.21)	4.45 (0.88)	1.67 (0.65)	32.89	0.00
2.The learning cost	4.89 (0.45)	3.65 (0.67)	3.12 (0.78)	2.32 (0.34)	1.88	0.94
3.Thereplacement cost	4.67 (0.71)	3.89 (0.73)	2.34 (0.59)	2.55 (0.56)	2.67	0.88
Core Value Creation						
1.The insight of market needs	3.87 (0.55)	3.89 (0.65)	2.67 (0.65)	1.45 (0.62)	22.88	0.00
2.New technologies into products	3.67 (0.54)	3.99 (0.56)	4.12 (0.78)	1.43 (0.78)	17.65	0.00
3.Responding process mistakes	3.43 (0.32)	3.89 (0.72)	3.65 (0.32)	3.23 (0.42)	2.78	0.89
4.Assignments for vital customers	3.87 (0.56)	4.23 (0.62)	4.14 (0.45)	1.34 (0.45)	23.45	0.00
5.Specialization of work process	3.67 (0.54)	3.23 (0.82)	3.26 (0.61)	3.89 (0.51)	1.22	0.28

Analysis of Commitment Maximizer-Employment Mode fit

The result in commitment maximize analysis is demonstrated on Table 6. The learning cost (F = 28.68, p < 0.001) and replacement cost (F = 23.47, p < 0.001) among employment modes show a significant difference. In other words, commitment maximizing organizations tend to be more people-oriented, innovative and mechanistic. In so doing, the aim is to ensure that the best people are hired into the organization and that their employees are developed and provided with opportunities to achieve their full potential. Hence, the replacement cost in internal development (Mean = 4.29) and internal acquisitions (Mean = 3.65) are higher than with external alliance (Mean = 2.01) and external control (Mean = 1.35). Thus, Hypothesis 1B has been supported. Commitment maximizing organizations are also more likely to take a longer term perspective on their employees' professional development. Learning cost (M = 4.67) of internal development employees is higher than the others' type of employees. Consequently, organizations are more likely to make career mentors available to assist in employee development and treat their internal employees fairly by paying equitable wages and attractive benefits (Pfeffer, 1994). Such organizations seek

to ensure that their internal employees have the necessary information, skills, incentives and responsibility to make decisions essential for innovation, rapid response to change and quality improvement. The organizations need to reciprocate employee efforts by providing rewards and incentives that are fair, competitive and contingent on valued criteria such as individual and team performance and knowledge and skills. Though, the F value didn't show a significant difference in acquisition cost. Wages should be substantial in order to gain a commitment by employees, regardless of which type of employee is rewarded for displaying innovation.

Table 6 Core Competency Workforce in Commitment Maximizer

Variable(N=56)	Internal development M (SD)	Internal acquisitions M (SD)	External alliance M (SD)	External control M (SD)	F	P
Human Capital Input						
1. The acquisition cost	3.29 (0.72)	3.59 (0.53)	3.45 (0.68)	3.51 (0.66)	1.69	0.80
2. The learning cost	4.67 (0.47)	3.75 (0.67)	3.12 (0.73)	2.92 (0.36)	28.68	0.00
3. The replacement cost	4.29 (0.74)	4.04 (0.73)	2.01 (0.89)	1.35 (0.76)	23.47	0.00
Core Value-Creation						
1. The insight of market needs	4.87 (0.65)	3.65 (0.68)	3.87 (0.64)	2.04 (0.67)	32.68	0.00
2.New technologies into products	4.20 (0.52)	4.29 (0.57)	3.72 (0.68)	2.43 (0.73)	27.65	0.00
3.Responding process mistakes	4.63 (0.72)	3.69 (0.76)	3.15 (0.65)	1.23 (0.82)	25.78	0.00
4. Assignments for vital customers	4.97 (0.76)	3.83 (0.66)	4.14 (0.95)	2.04 (0.99)	33.45	0.00
5.Specialization of work process	4.77 (0.64)	4.23 (0.92)	4.26 (0.81)	1.89 (0.91)	11.23	0.00

Analysis of Cost Minimizer-Employment Mode Fit

The Table 7 indicates the acquisition cost (F = 18.68, p < 0.001) and the replacement cost (F = 23.47, p < 0.001) shows significant difference among employment modes. This explains that cost minimizers are the least likely to be people oriented, innovative and mechanistic. These organizations do very little in terms of investing in human resources. The means of acquisition costs in four different kinds of employment modes range between 2.25 to 3.11. The mean of learning costs is 1.62 and the acquisition cost is 3.11 in external control. This shows these organizations do not support or reward their employees with training and developmental opportunities. Rather, they prefer to spend slightly higher wages to hire experienced employees as opposed to training them.

There are no significant differences in the insight of market need (F = 2.69), responding process mistakes (F = 2.68), and assignments for vital customers (F = 2.45) on value creation. That means cost minimizer thought external employees have similar value creation with internal employees in the insight of market needs, responding process mistakes and specialization of work process. This reflects core competency workforce is no longer in internal employees in cost minimizing organizations. Thus, Hypothesis 1C has been strongly supported.

Table 7 Core Competency Workforce in Cost Minimizer

Variable (N = 112)	Internal development M (SD)	Internal acquisitions M (SD)	External alliance M (SD)	External control M (SD)	F	P
Human Capital Input						
1. The acquisition cost	2.25 (0.62)	2.59 (0.93)	2.85 (0.84)	3.11 (0.69)	18.68	0.00
2. The learning cost	2.67 (0.69)	2.05 (0.87)	2.12 (0.76)	1.62 (0.76)	2.68	0.33
3. The replacement cost	2.29 (0.84)	2.04 (0.93)	3.01(0.85)	2.75 (0.74)	23.47	0.00
Core Value-Creation						
1. The insight of market needs	3.27 (0.67)	4.75 (1.68)	4.77 (0.69)	3.04 (0.75)	2.69	0.56
2.New technologies into products	3.01 (0.62)	4.69 (0.87)	4.78 (0.98)	3.98 (0.42)	23.62	0.00

Variable (N = 112)	Internal development M (SD)	Internal acquisitions M (SD)	External alliance M (SD)	External control M (SD)	F	P
3.Responding process mistakes	4.93 (0.72)	3.29 (0.76)	2.15 (0.62)	3.73 (0.42)	2.68	0.40
4. Assignments for vital customers	4.4 (0.86)	4.23 (0.69)	4.68 (0.95)	4.64 (0.79)	2.45	0.82
5.Specialization of work process	4.20 (0.64)	3.23 (0.92)	2.16 (0.81)	3.89 (0.91)	19.23	0.00

Analysis of Stable Operator-Employment Mode Fit

The result in stable operator is shown in Table 8. The F value of acquisitions cost and the learning cost show no difference among employment modes. That means stable operating organizations operate in an environment where stability and predictability in human resource needs are relatively important. One way organizations can achieve this is by providing extensive training and development programs and outlining long term career paths for their employees. Therefore, replacement cost explains that the internal acquisitions employees (Mean = 3.84) are higher than the other employment modes. Organizations cannot have a stable workforce if employees are paid poorly. Progressive organizations that value stability realize that for employees to be committed to the organization, their goals and values should fit with those of the organization. As a result, in addition to extensive training and development opportunities, organizations that value stability also tend to use rigorous selection techniques to ensure that the employees hired are already predisposed to be committed to the organization and can be trained according to the organization's needs. Given the focus on careful selection, human resource development ensures a stable workforce. For this reason, the replacement cost among employment modes shows significant difference (F = 27.47, p < 0.001). Furthermore, there are no significant differences among employment modes in assignments for vital customers and specialization of work process in value creation. Thus, Hypothesis 1D has been partially supported.

Table 8 Core Competency Workforce in Stable Operator

Variable (N = 117)	Internal development M (SD)	Internal acquisitions M (SD)	External alliance M (SD)	External control M (SD)	F	P
Human Capital Input						
1. The acquisition cost	3.29 (0.42)	3.59 (0.53)	3.58 (0.54)	3.41 (0.59)	1.98	0.75
2. The learning cost	3.37 (0.79)	3.25 (0.37)	3.12 (0.46)	3.62 (0.58)	2.68	0.60
3. The replacement cost	3.69 (0.87)	3.84 (0.93)	2.71 (0.87)	2.35 (0.44)	2.47	0.55
Core Value-Creation						
1. The insight of market needs	4.37 (0.69)	4.65 (1.68)	2.67 (0.64)	1.64 (0.95)	23.79	0.00
2.New technologies into products	4.79 (0.69)	4.58 (0.82)	2.88 (0.98)	1.68 (0.78)	28.65	0.00
3.Responding process mistakes	4.23 (0.74)	4.39 (0.72)	4.35 (0.65)	4.73 (0.72)	2.66	0.45
4. Assignments for vital customers	4.76 (0.82)	3.93 (0.79)	3.08 (1.25)	1.66 (0.75)	2.45	0.72
5.Specialization of work process	3.70 (0.64)	3.23 (0.92)	3.16 (0.81)	3.89 (0.91)	1.53	0.95

Concluding Discussion and Application

Miles and Snow (1984) and Segev's (1989) organizational strategy are implemented to discuss employment mode fit. This study shows different organizational strategies have different influences on human capital input and value-creation output, and especially, when the firm's environmental adjustment is high, organizations tend to allocate more external employees. Though, as Tsai, Chen and Fang (2009) stated at the outset of their article, one feature of the economic recession has been layoffs of experienced internal employees. This demonstrates that allocating more external employees to reduce budgets will result in higher employee turnover, greater recruiting and training costs, and potentially poorer service. Instead of merely cutting costs, this study suggests that hospitality firms might consider ways to re-engineer their companies, particularly their HR practices, towards a higher level of quality. From this data, it has been shown that value-creation depends heavily on external employees within the hospitality industry.

Conversely, to achieve the goal to re-engineer, such as working process adjustment, organizations still need to rely on the contribution of experienced internal employees. Human capital is a unique asset within an organization because the arrangements of employees are different from each other. Consequently, to balance this contradiction, effectively allocating different types of employment modes is the most important way to maintain the competitive edge within an organization.

Theoretical Contribution

This study makes several important contributions to the literature on strategic HRM, employment relationship and employment modes. First, focusing on both of relational and transactional relationship in different employment modes, our framework delineates these two archetypes (social exchange theory and agency theory) which, in turn, explain the relationship between employees and employers. It helps to expanding our understanding of relational and transactional employment relationships were existed in both internal and external employees. This is different than the previous research (Reiche, 2008) which emphasizes only internal employees on relational relationship and external employees on transactional relationship.

In addition, while human resources management has been conceived of internal employees as the core competency workforce in an organization. In study two, it has provided insight into the potential core competency workforce by presenting the human capital input and value creation output in different employment modes. Masters and Miles (2002) derived from the transaction costs perspective to explain external labor arrangement use. It focuses on transactions offers insights into the broader issue of how external labor arrangement use can be reconciled with ideas arising from the resource-based view of the firm, regarding the value-adding capabilities that come from permanent employees. This shows they deny the external arrangement could apply to resource-based view as a source to help the firms to reach the sustainable competitive advantage because of lacking firm specific skills. However, in our study further explain this point could not apply to all the firms because of the organizational strategy difference. The cost minimizing organizations might treat external employees as their strong source to reach the sustainable competitive advantage because of less depending firm specific skills, for instance, the famous fast food chain such like McDonald, Kentucky Fried Chicken, they externalize at least 95 % of employees since most of their positions don't need firm specific-skills.

Research Limitation

Several limitations of this study deserve discussion. A significant one is its only focuses on hospitality industry. Hospitality industry is labor intensive, especially, the demand of labor is not stable because of seasonal change. Basically, this attribution of unstable employee demand influence a lot on allocating employees which is different from traditional industry.

Another limitation is the measurement of core competency workforce. Most of studies mentioned about core competency in an organization, thus, there are lacking resource of measurement in core competency workforce. Thereby, I separately discuss core competency workforce from human capital input and core-value creation output. This way of explanation would reduce respondent's confusion on identifying the "core" workforce in an organization.

Future Research

Bridges (1994) coined the phrase "dejobbing" to describe the trend towards non-standard employment. He indicates that "although there will always be enormous amounts of work to do in our economy, the work will not be contained in that old familiar employment form of standard full-time, full-year jobs" (p. 34). It shows how employment relations shift between internal and external employment modes. Furthermore, employees are likely to work for more than one organization and to move back and forth across

organizational boundaries — being hired to do contract work, then employed full-time for a period of time, and finally brought back in-house on a long-term project (potentially becoming part-time and full-time). Further exploration in this area is needed. A similar research study could be undertaken to investigate employees' perspectives on the employment relationship, which would be an interesting topic to compare with this present study.

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