

ROLE OF HUMAN RESOURCE FLEXIBILITY & ETHICAL CULTURE IN ORGANIZATIONAL PERFORMANCE

Ajith Kumar ¹& Snigdha Rai²

***Abstract:** Present study examines the direct relationship between HR flexibility, and organizational performance. Also this study explores the moderating role of ethical culture in the relationship of HR flexibility and organizational performance. Data was collected via a questionnaire survey of 126 employees working in 65 major IT companies of Bangalore. The results indicate that all dimensions of HR flexibility (Skill flexibility, Behavioural flexibility, HR practice flexibility) were significantly positively correlated with organizational performance (HR related performance and financial performance). Results of moderated regression analysis reveal the partial moderating role of ethical culture in HR flexibility and organizational performance. Limitations and implications of the results are also discussed.*

Key Words: Human resource flexibility; Ethical culture; Organizational performance

¹ Associate Professor, Symbiosis Institute of Business Management Bangalore (SIBM-B),95/1,95/2,Electronic City –Phase-1, Hosur Road,Bangalore - 560100., ajithkumar@sibm.edu.in

² Assistant Professor, Symbiosis Institute of Business Management Bangalore (SIBM-B) ,95/1,95/2,Electronic City –Phase-1, Hosur Road ,Bangalore - 560100., snigdha.raai@sibm.edu.in

Human Resource flexibility has attracted a great deal of attention by researchers in the last few years. Flexibility is the ability of the firm to respond to various demands from its competitive environment (Sanchez, 1995). Human Resource flexibility has been considered as an organizational capability arising out of individual skills and behaviours and implemented through Human Resource practices (Bhattacharya, Gibson & Doty 2005). Organizations now operate in an environment with unprecedented and unpredictable events resulting from several factors such as technological advances or market globalization (Hitt, Keats, & Demarie, 1998). These circumstances have forced managers to make a paradigm shifts in guiding their organizations and new principles have emerged for managing firms in these environments where time frame for strategic decisions are shorter. The heightened demands on organizations have subsequently called for a corresponding staff of flexible and capable individuals (Beukel & Molleman, 1998).

Organizational culture refers to a complex set of values, beliefs, assumptions and symbols that define the way in a firm conduct its business (Schein, 1985). Some research scholars viewed organizational culture as control and exchange mechanisms in managing workforce (Jones, 1983; Wilkins & Ouchi, 1983). Moreover some researchers asserted that organizational culture can provide a source of sustained competitive advantage for firms particularly when it is seen as a firm level resource that is valuable, rare and difficult to imitate (Barney 1986). In today's world of severe competition where organizations are collapsing because of unethical practices followed by them to capture the market, another source of competitive advantage can come from ethical culture. The ethical culture of an organization is the shared set of understanding about what correct behaviour is and how ethical issues will be handled. In this context we first present a definition of HR flexibility and then we discuss relevance that HR flexibility will have on organizational performance and later discuss how ethical culture will significantly moderate the relationship between HR flexibility and organizational performance.

Dimensions of HR flexibility

Wright and Snell (1998) developed a framework of HR flexibility consisting of three different dimensions namely; flexibility of skill, behaviour and HR practices. Skill flexibility refers to two attributes: the number of potential alternative uses to which employee skills can be applied and how individuals with different skills can be quickly redeployed. This idea corresponds to the notion of functional flexibility which implies that employees are able to

work on different tasks and under diverse circumstances and that the costs and time needed to mobilise employees into new duties or jobs are low (van den Berg & van der Velde, 2005). Behaviour flexibility signifies the availability of a sufficiently broad range of behavioural scripts among employees which they can adapt to the demands of situation while maintaining similarity of responses by different members to similarly perceived situations. Flexibility of HR practices represents “the extent to which they can be adapted and applied across a variety of situations and how quickly the practices can be resynthesised, reconfigured and redeployed” (Wright & Snell, 1998). In sum, for the purpose of this study we consider three components in the definition of HR flexibility; skill flexibility, behaviour flexibility and flexibility of HR practices. Barney (1991) suggested that a firm’s resource or capabilities might generate sustainable competitive advantage if it possesses the following attributes: value; rarity; inimitability and non substitutability. HR flexibility is one capability by which an organization can develop and integrate with other areas for improving the overall organizational performance.

HR flexibility and organizational performance

Bhattacharya et.al (2005) conducted an empirical study that has explored the construct of HR flexibility and its relationship with performance. In their study they found that flexibility of employee skill, employee behaviours and HR practices represent critical sub dimensions of HR flexibility and are related to superior firm performance. The study was however confined to only two industries. Ngo and Loi (2008) studied the relationship between human resource flexibility, organizational culture and organizational performance. In their study they found adaptability culture as an intervening variable between HR flexibility and firm performance. The study was confirmed to multinational corporations in Hong Kong and it was also found that adaptability culture is found to affect both HR related and market related performance in a positive manner. Ketkar and Sett (2009) in their study found that a certain set of ambidextrous HR practices constitutes a distinct dimension of HR flexibility. Another important finding is that HR practices as a system have both direct and indirect effects on firm level HR outcomes.

Hypothesis Development

Employee skill flexibility and organizational performance

Employee skill flexibility refers to the number of potential alternative uses to which employee skills can be applied and how individuals with different skills can be redeployed

quickly (Wright & Snell 1998). In simple words if employees of an organization possess a broad variety of skills and they can perform different job duties upon request, the organization is said to have a high degree of employee skill flexibility. Bhattacharya et.al (2005) contended that this type of flexibility could be a source of competitive advantage for firms since these broad based skills are valuable and difficult to imitate or replicate. An organization may develop skill flexibility through process such as job rotation, cross functional teams and project based work assignments which will help in development of broad based skills which are complex and difficult to imitate. This suggests that the higher the level of organizations skill flexibility the more likely employees are to exhibit higher performance. We hypothesise the following

Hypothesis 1: Employee skill flexibility is positively related to organizational performance.

Employee Behavioural flexibility and organizational performance

Behavioural flexibility is the capacity of people to adapt to changing situations or to exhibit appropriate behaviour repertoires under different situations (Lepine et al., 2000; Pulakos et al., 2000). Behavioural flexibility creates values because the organization is spared the costs of non adjustments and changed situations. Adaptable individuals adjust to the complexities and novelties of changed situations (Lepine et al., 2000). Secondly, at organizational level behaviour flexibility is valuable because it enables the firm to deal with a variety of situations and facilitates change implementation. Having employees with enhanced learning capabilities means that organization does not need to recruit people with new attributes to address external and internal environmental changes. Garvin (1993) contended that organizations that are superior at learning defined as creating, acquiring and transferring knowledge, and modifying its behaviour to reflect new knowledge and insights which can enhance performance. On the basis of above research we propose the following:

Hypothesis 2: Employee behaviour flexibility is positively related to organizational performance.

HR practice flexibility and organizational performance

Flexibility of HR practices is defined by Bhattacharya et.al (2005) as “the extent to which firms HR practices can be adopted and applied across a variety of situations, or across various sites or units of the firm and the speed with which these adaptation and application can be made”. Bhattacharya et.al (2005) argued that firms that possess this type of flexibility not only create values such as achieving strategic consistency across different units and

enhancing responsiveness to environmental changes, but also build a capability that is difficult to imitate and non substitutable. HR practice flexibility creates value in several ways such as organization is more readily able to adapt its HR practices to changed situations, induce flexible employee behaviours and allows the organization to offer similar HR practices across different units achieving consistency. These characteristics are related to competitive advantage and thus improve organizational performance. We propose the following hypothesis:

***Hypothesis 3: HR practices flexibility is positively related to organizational performance
HR flexibility, ethical culture and organizational performance***

In the 1980's, organizational culture was identified as a potential element in organizational success (Peters & Waterman, 1982; Schein, 1985). Organizational culture begins with a founder or leader who articulates particular ideas and values as a vision, philosophy or business strategy. When these ideas and values bring about success they become institutionalised through implementation of management practices. Lau and Ngo (2004) found that HR practices that emphasise extensive training, performance based reward and team development help to create an organizational culture that promotes innovation. Trevino (1990) developed the ethical culture construct and proposed direct influence of ethical culture on individual conduct and overall organizational performance. She defined ethical culture as a subset of organizational culture, representing a multidimensional interplay among various formal and informal systems of behavioural control that are capable of promoting either ethical or unethical behaviour. Formal cultural systems include such factors as policies, leadership, reward system and training programmes. Informal cultural systems include factors such as peer behaviour and ethical norms. By definition culture is the shared beliefs of an organization's members; hence the ethical culture of an organization would be reflected in the beliefs about the ethics of an organization which are shared by its members. Present study attempts to explore whether HR flexibility supported by ethical culture will results in greater firm's performance. It is thus hypothesised that

Hypothesis 4: Ethical culture will significantly moderate the relationship between HR flexibility and organizations performance

Methodology

Sample and data collection

A questionnaire based survey was conducted in major IT companies in Bangalore. To cover as many IT companies as possible, it was decided to choose not more than two respondents from each firm. In studies conducted by Ketkar & Sett (2009), Batt (2002) and Worren, Moore & Cardona (2002) single respondent design has already been used. To ensure the response from maximum number of company and to address the scope of the present research, two respondent design have been used. In each company mid level and senior level manager with a minimum of 3 years of work-experience was chosen as respondent.

Total 200 questionnaires were distributed and 126 completely filled questionnaires were received, which represents relatively high 63% response rate. The final sample represents 65 major IT companies of Bangalore which indicates a fair representation of Bangalore IT companies. All the companies included in the present study have code of ethics specified in their organizations. Final sample consist of total 126 respondents having an average work experience of 7.5 years.

Measures

HR Flexibility Measures

In the present study scale developed by Bhattacharya et al. (2005) is used to asses HR flexibility and its related dimensions. This scale was also used in other empirical studies conducted in the area of HR flexibility (Ngo & Loi, 2008; Ketkar & Sett 2009). In this scale three factors of the HR flexibility construct conceptualized by Wright and Snell (1988) is used. The three factors of HR flexibility construct are; skill flexibility, behavioural flexibility and HR practice flexibility. This scale was also re-validated in Indian context by Ketkar & Sett (2009), and in their study a new dimension was also added as 'flexibility inducing HR practices'.

In the present study items were selected from the three dimensions of Bhattacharya et al. (2005) namely; skill flexibility, behavioural flexibility and HR practice flexibility. All items were rated on five-point likert-type rating scale (1 = Strongly disagree to 5 = Strongly Agree). Also reliability analysis was used to compute the alpha coefficient of all sub dimensions of HR flexibility separately.

- *Employee skill flexibility*
All the 7 items of skill flexibility dimension of HR flexibility scale of Bhattacharya et al. (2005) were retained and two more items used by Ketkar & Sett (2009) to measure skill flexibility in their study is also included. Total 9 items were used in the study to assess the employee skill flexibility. The alpha coefficient of this subscale is also computed ($\alpha = 0.80$).
- *Employee behavioural flexibility*
Total 11 items were used to assess behavioural flexibility in the present study. 4 items have been taken from the HR flexibility scale of Bhattacharya et al. (2005) and 7 items were taken from behavioural flexibility sub scale of Ketkar & Sett (2009). The alpha coefficient of this subscale is also computed ($\alpha = 0.81$).
- *HR practice flexibility*
All the 7 items of skill flexibility dimension of HR flexibility scale of Bhattacharya et al. (2005) were retained in the present study. The alpha coefficient of this subscale is also computed ($\alpha = 0.94$).

Organizational Performance Measures

In this study perceptual measures were used to assess the organizational performance at two levels; human resource related performance and financial performance. Perceptual measures are successfully used in many empirical studies to assess organizational performance (Ngo & Loi, 2008, Ketkar & Sett 2009, Khatri, 2000; Deanne, Den & Verburg, 2004). In the present study total 7 items were used to assess organizational performance. All items were rated on five-point likert-type rating scale (1 = Very poor to 5 = Very good). Reliability analysis is used to compute the alpha coefficient of both sub scales.

- *Human resource-related performance*
Respondents were asked to evaluate the performance of their organization as compared to industry average in the areas of; 1) morale of employees; 2) retention of employees; 3) employment relations; and 4) managing employee grievances. An index was then calculated by averaging the four items, which had an alpha coefficient of 0.83.
- *Financial Performance*
Respondents were asked to rate the financial performance of their firm when compared to industry average over the last two years in the area of; 1) growth of sales

revenue; 2) profitability; and 3) overall financial performance. An index was then calculated by averaging the three items, which had an alpha coefficient of 0.92.

Ethical Culture

The modified version of Ethical Culture Questionnaire (ECQ-M) developed by Trevino et al. (1995) based on earlier theoretical work (Trevino, 1990) is used in the present study. The modification involved rewording or deleting items that referred to an ethics code. In the original research, these were found to be problematic because many organizations do not have a formal ethics code. The modified ECQ (ECQ-M) consist of 18 items. All items were rated on five-point likert-type rating scale (1 = Absolutely False to 5 = Absolutely true). Reliability analysis is used to compute the alpha coefficient of the scale ($\alpha = 0.89$).

RESULTS & DISCUSSIONS

Descriptive statistics

Table 1 shows means, standard deviations, and bivariate correlations among the variables. It is evident from the data analysis that all dimensions of HR flexibility are significantly positively correlated with each other and also with the two dimensions of organizational performance; human resource related performance and financial performance. As theorised, the magnitude of correlation between the individual dimensions of HR flexibility and organizational performance was the higher for HR related performance and it is relatively less for financial performance.

Skill flexibility is significantly positively correlated with HR related performance ($r = .496$, $p < .01$) and firm's financial performance ($r = .379$, $p < .01$). Behavioural flexibility is significantly positively correlated with HR related performance ($r = .617$, $p < .01$) and firm's financial performance ($r = .404$, $p < .01$). Finally HR practice flexibility is also significantly positively correlated with HR related performance ($r = .606$, $p < .01$) and firm's financial performance ($r = .227$, $p < .01$).

Ethical culture is also found to be significantly positively correlated with all the dimensions of HR flexibility and two dimensions of organizational performance. It is clearly evident from Table 1 that ethical culture is significantly positively correlated with skill flexibility ($r = .448$, $p < .01$), behavioural flexibility ($r = .439$, $p < .01$) and HR system flexibility ($r = .392$,

p<.01). It is also apparent from Table 1 that there is a significant positive correlation between ethical culture and HR related performance (r = .549, p<.01) and financial performance (r = .440, p<.01).

TABLE – 1

Descriptive Statistics and Correlations

	Mean	S.D.	2	3	4	5	6
1. Skill Flexibility	3.83	.54	.648**	.441**	.448**	.496**	.379**
2. Behavioral Flexibility	3.70	.52		.620**	.439**	.617**	.404**
3. HR system Flexibility	3.39	.94			.392**	.606**	.227*
4. Ethical culture	3.92	.65				.549**	.440**
5. HR performance	3.54	.80					.427**
6. Financial Performance	3.97	.77					

** Correlation is significant at the 0.01 level (2-tailed)

* Correlation is significant at the 0.05 level (2-tailed)

Stepwise Regression Analysis

Table 2 exhibits the results of stepwise regression analysis where all dimensions of HR flexibility is entered as predictor variable and HR related organizational performance as criterion variable. Findings of this table clearly indicate that 45 percent of the total variance in HR related performance is significantly explained by behavioural flexibility and HR system flexibility. The F value (F = 52.73, p<.01) indicates that the entered variables in stepwise regression model significantly explain the variation in HR related organizational performance. Table 2 also indicates that behavioural flexibility is the first of the two variables entered in the stepwise regression equation ($\beta = .392$, t = 4.64, p<.01). The second predictor variable which enters in this regression equation is HR system flexibility ($\beta = .363$, t = 4.30, p<.01).

Table-2

Summary of the results of Stepwise Regression Analysis

	Predictor variables	Unstandardized co-efficients		Standardized co-efficients	t- ratio	p
		B	Std.Error	Beta		
R=.679 R ² = .462 Adj R ² =.453 F=52.73	Behavioral Flexibility	.220	.047	.392	4.646	.000
	HR System Flexibility	.177	.041	.363	4.308	.000

Dependent Variable: HR Performance

Table-3

Summary of the results of Stepwise Regression Analysis

	Predictor variables	Unstandardized co-efficients		Standardized co-efficients	t- ratio	p
		B	Std.Error	Beta		
R=.404 R ² = .163 Adj R ² =.157 F=24.216	Behavioral Flexibility	.164	.033	.404	4.92	.000

Dependent Variable: Financial Performance

Table 3 exhibits the results of stepwise regression analysis where all dimensions of HR flexibility is entered as predictor variable and financial performance as criterion variable. Findings of this table clearly indicate that 15 percent of the total variance in financial performance is significantly explained by behavioural flexibility. The F value (F = 24.21, $p < .01$) indicates that the entered variables in stepwise regression model significantly explain the variation in financial performance. Table 3 also indicates that behavioural flexibility is the only variable entered in the stepwise regression equation ($\beta = .404$, $t = 4.92$, $p < .01$). Many other research studies conceptualized and empirically proved HR flexibility as an important source of sustainable superior firm performance in dynamic environments (Ketkar & Sett 2009; Ngo & Loi, 2008; Bhattacharya et al., 2005; Wright & Snell, 1988). Results of the present study also support the same notion. Therefore, all three hypotheses are accepted on the basis of obtained results.

Moderated Regression Analysis

Further, moderated regression analysis is also performed to examine the moderating role of ethical culture in the relationship of HR flexibility and organizational performance. In this analysis first of all zero order correlation is computed between predictor and criterion variable. Then two multiple correlations are computed for independent predictor model and moderated regression model. In independent predictor model, the multiple correlation between predictor, criterion and moderator variables were computed. However, using the cross product of predictor and moderator as a fourth variable in the equation, the obtained multiple correlation is used in moderated regression model. To test the significant difference between the independent predictor model and moderated regression model, the F-ratio has been computed and is recorded in Table 4 and Table 5.

Table 4

Moderated Regression Analysis of Skill Flexibility, Behavioral Flexibility, HR system Flexibility (Predictor variables) with HR performance (Criterion variable): ethical culture as moderator

N = 126

Predictor variable	Zero Order correlation with HR Performance	R _S Adding ethical culture		
		R _i	R _m	F(R _m - R _i)
Skill Flexibility	.496**	.616	.619	.96
Behavioral Flexibility	.617**	.690	.690	0
HR system Flexibility	.606**	.694	.704	4.12**

R_i = linear multiple correlation

R_m = moderated multiple correlation

** Significant at the 0.01 level.

* Significant at the 0.05 level.

Table 5

Moderated Regression Analysis of Skill Flexibility, Behavioral Flexibility, HR system Flexibility (Predictor variables) with financial performance (Criterion variable): ethical culture as moderator

N = 126

Predictor variable	Zero Order correlation with Financial Performance	R _S Adding ethical culture		
		R _i	R _m	F(R _m - R _i)
Skill Flexibility	.379**	.485	.485	0
Behavioral Flexibility	.404**	.499	.508	2.23*
HR system Flexibility	.227*	.444	.447	.66

R_i = linear multiple correlation

R_m = moderated multiple correlation

** Significant at the 0.01 level.

* Significant at the 0.05 level.

Table 4 reports the results of moderated regression analysis of all dimensions of HR flexibility as predictor and HR related performance as criterion. Ethical culture is examined as moderator variable. Table 4 reveals that the moderated multiple correlation is significantly increased from linear multiple correlation, when the cross product of HR system flexibility and ethical culture is added in the predicted equation. The difference between the two

multiple correlations is observed to be statistically significant ($F = 4.12, p < .01$). It indicates that ethical culture moderates the relationship between HR system flexibility and HR Performance. Results also indicate that ethical culture has no significant moderating role in the relationship of skill flexibility and behavioural flexibility with HR performance.

Table 5 reports the results of moderated regression analysis of all dimensions of HR flexibility as predictor and financial performance as criterion. Ethical culture is examined as moderator variable. It is clearly evident from Table 5 that moderated multiple correlation is increased from linear multiple correlation when we added the interaction term of behavioural flexibility \times ethical culture in the predicted equation. The difference between the linear multiple correlation and moderated multiple correlation is found to be significant ($F = 2.23, p < .05$). It indicates that ethical culture play significant moderating role in behavioural flexibility and financial performance relationship. Also ethical culture has no significant moderating role in the relationship of skill flexibility and HR system flexibility with financial performance.

Most of the researcher believes that organization's culture socializes people (Schein, 1985) and that ethics is an integral part of the organization's culture (Trevino & Nelson, 1995). Therefore, building and reinforcing an ethical organization means systematically analyzing and managing all aspects of the organization's culture so that they support ethical behaviour which in turn results in greater organizational performance. An ethical culture in an organization is essential to sustain an organizational performance for a longer period of time. As ethical culture represents a multidimensional interplay among various formal and informal systems; especially informal systems such factors as policies, leadership, reward system and training programmes, it bears a strongly relationship with all dimensions of HR flexibility. Thus, it is logical to contend on the basis of obtained results of moderator regression analysis that HR flexibility substantiated with ethical culture will results in greater firm's performance.

Limitations and Directions of Future Research

There are some methodological limitations in this study required to be noted. Firstly, the cross sectional design used in the study makes causality difficult to determine. The observed linkages between the predictor and criterion variables should be interpreted as correlational

and not necessary causal. Secondly, since our data has been collected on two respondent design, common method bias could be an issue. Third limitation of the present study is the use of perceptual measure for study variables, especially organizational performance; that is unavoidable. Fourthly, social desirability bias is also an unavoidable problem in survey research. It becomes more problematic with sensitive topics like business ethics and ethical culture (Randell & Fernandes, 1991). This limitation is addressed by ensuring the respondents anonymity. Randell & Fernandes (1991) suggested that anonymity is an important and effective way to reduce social desirability bias in ethics relates surveys. Finally, since our data were collected from major IT companies in Bangalore, the generalization of the finding is restricted.

With respect to future research directions, a longitudinal research with multiple respondents is required to examine the relationship of HR flexibility with organizational performance and role of ethical culture as moderator. Also our sample consist of 126 respondents working in major IT companies in Bangalore; it gives scope to replicate the present study with bigger and representative sample in different work settings. Lastly, there may be some other organizational factors like innovative organizational culture that may act as moderator or mediator between HR flexibility and firm performance. Therefore it is suggested to identify and empirically examine the role of these factors in improving the understanding of HR flexibility construct.

Conclusion

HR flexibility represents a valuable organizational specific capability which can generate sustainable competitive advantage for an organization. Another source of competitive advantage comes from prevailing ethical culture in an organization. HR practices followed by the organization plays an important role in developing and shaping ethical culture and in turn results in greater organizational performance. The present study explored the construct of HR flexibility and its related dimensions. There are many empirical studies conducted in this area (Ketkar & Sett 2009; Ngo & Loi, 2008; Bhattacharya et al., 2005; Wright and Snell, 1988) and this study is an additional contribution to this field of research. The results of present study contribute to the literature of HR flexibility by showing that ethical culture moderates the relationship between HR flexibility and organizational performance. The findings of this study emphasize the role of ethical culture in moderating the relationship between HR

flexibility and organizational performance. In conclusion, HR flexibility supported by an ethical culture leads to greater organizational performance.

References

- Barney, J. (1986), Organizational Culture: Can it be a Source of Sustained Competitive Advantage? *Academy of Management Review*, 11, 656–665.
- Barney, J.B. (1991), Firm Resources and Sustained Competitive Advantage, *Journal of Management*, 17 (1), 99–120.
- Batt, R. (2002), Managing Customer Services: Human Resource Practices, Quit Rates, and Sales Growth, *Academy of Management Journal*, 45 (3), 587–597.
- Between Culture and Organizational Performance, *Administrative Science Quarterly*, 28, 468–481
- Bhattacharya, M., Gibson, D., & Doty, D. H. (2005), The Effects of Flexibility in Employee Skills, Employee Behaviors, and HR Practices on Firm Performance, *Journal of Management*, 31 (4), 622–640.
- Deanne, N., Den, H., & Verburg, R.M. (2004), High Performance Work Systems, Organisational Culture and Firm Effectiveness, *Human Resource Management Journal*, 14 (1), 55–78.
- Garvin, D. A. (1993), Building a learning organization. *Harvard Business Review*, 74 (4), 78–91.
- Hitt, M.A., Keats, B.W., & DeMarie, S.M. (1998), Navigating in the New Competitive Landscape: Building Strategic Flexibility and Competitive Advantage in the 21st Century, *Academy of Management Executive*, 12 (4), 22–42.
- Jones, G.R. (1983), Transaction Costs, Property Rights, and Organizational Culture: An Exchange Perspective, *Administrative Science Quarterly*, 28, 454–467.
- Ketkar, S., & Sett, P.K. (2009), HR Flexibility and Firm Performance: Analysis of a Multi-Level Causal Model, *The International Journal of Human Resource Management*, 20 (5), 1009–1038.
- Khatri, N. (2000), Managing Human Resource for Competitive Advantage: A Study of Companies in Singapore, *International Journal of Human Resource Management*, 11 (2), 336–365.
- Lau, C.M., & Ngo, H.Y. (2004), The HR System, Organizational Culture, and Product Innovation, *International Business Review*, 13, 685–703.
- Lepine, J. A., Colquitt, J. A., & Erez, A. (2000), Adaptability to changing task contexts: Effects of general cognitive ability, conscientiousness, and openness to experience, *Personnel Psychology*, 53, 563–594.
- Ngo, H.Y., & Loi, R. (2008), Human resource flexibility, organizational culture and firm performance: An investigation of multinational firms in Hong Kong, *International Journal of Human Resource Management*, 19, 1654–1666.
- Performance: A Study of the Home Appliance Industry, *Strategic Management Journal*, 23 (12), 1123–1134.
- Peters, T.J. & Waterman, R.H. Jr. (1982), *In Search of Excellence: Lessons from America's best-run companies*, Harper and Row, NY.
- Pulakos, E. D., Arad, S., Donovan, M. A., & Plondon, K. E. (2000), Adaptability in the workplace: Development of a taxonomy of adaptive performance. *Journal of Applied Psychology*, 85, 612–624.
- Randall, D.M., & Fernandes, M.F. (1991), The social desirability response bias in ethics research, *Journal of Business Ethics*, 10, 805–817.

Sanchez, R. (1995), Strategic Flexibility in Product Competition, *Strategic Management Journal*, 16, Special Issue, 135–159.

Schein, E. (1985), *Organizational Culture and Leadership*, Jossey-Bass, San Francisco, CA

Trevino, L. K. (1990), A Cultural Perspective on Changing and Developing Organizational Ethics, *Research in Organizational Change and Development* 4, 195–230.

Trevino, L. K., K. D. Butterfield & D. L. McCabe. (1995), Contextual Influences on Ethics-Related Outcomes in Organizations: Rethinking Ethical Climate and Ethical Culture’, paper presented at the Annual Academy of Management Meeting, Vancouver, BC, August, 1995.

Trevino, L.K., & Nelson, K.A. (1995), *Managing business ethics: Straight talk about how to do it right*, Wiley, New York.

van den Berg, P. T., & van der Velde, M. E. G. (2005), Relationships of functional flexibility with individual and work factors, *Journal of Business and Psychology*, 20, 111-129.

van den Beukel, A. L., & Molleman, E. (1998), Multifunctionality: Driving and constraining forces, *Human Factors and Ergonomics in Manufacturing*, 8, 303-321.

Wilkins, A.L., & Ouchi, W.G. (1983), *Efficient Cultures: Exploring the Relationship*

Worren, N., Moore, K., & Cardona, P. (2002), *Modularity, Strategic Flexibility, and Firm*

Wright, P.M., & Snell, S.A. (1998), Toward a Unifying Framework for Exploring Fit and Flexibility in Strategic Human Resource Management, *Academy of Management Review*, 23 (4), 756–772.

Appendices

TABLE – 1
Descriptive Statistics and Correlations

	Mean	S.D.	2	3	4	5	6
1. Skill Flexibility	3.83	.54	.648**	.441**	.448**	.496**	.379**
2. Behavioral Flexibility	3.70	.52		.620**	.439**	.617**	.404**
3. HR system Flexibility	3.39	.94			.392**	.606**	.227*
4. Ethical culture	3.92	.65				.549**	.440**
5. HR performance	3.54	.80					.427**
6. Financial Performance	3.97	.77					

** Correlation is significant at the 0.01 level (2-tailed)

* Correlation is significant at the 0.05 level (2-tailed)

Table-2
Summary of the results of Stepwise Regression Analysis

	Predictor variables	Unstandardized co-efficients		Standardized co-efficients	t- ratio	p
		B	Std.Error	Beta		
R=.679 R ² = .462 Adj R ² =.453 F=52.73	Behavioral Flexibility	.220	.047	.392	4.646	.000
	HR System Flexibility	.177	.041	.363	4.308	.000

Dependent Variable: HR Performance

Table-3
Summary of the results of Stepwise Regression Analysis

	Predictor variables	Unstandardized co-efficients		Standardized co-efficients	t- ratio	p
		B	Std.Error	Beta		
R=.404 R ² = .163 Adj R ² =.157 F=24.216	Behavioral Flexibility	.164	.033	.404	4.92	.000

Dependent Variable: Financial Performance

Table 4

Moderated Regression Analysis of Skill Flexibility, Behavioral Flexibility, HR system Flexibility (Predictor variables) with HR performance (Criterion variable): ethical culture as moderator

N = 126

Predictor variable	Zero Order correlation with HR Performance	R _S Adding ethical culture		
		R _i	R _m	F(R _m - R _i)
Skill Flexibility	.496**	.616	.619	.96
Behavioral Flexibility	.617**	.690	.690	0
HR system Flexibility	.606**	.694	.704	4.12**

R_i = linear multiple correlation

R_m = moderated multiple correlation

** Significant at the 0.01 level.

* Significant at the 0.05 level.

Table 5

Moderated Regression Analysis of Skill Flexibility, Behavioral Flexibility, HR system Flexibility (Predictor variables) with financial performance (Criterion variable): ethical culture as moderator

N = 126

Predictor variable	Zero Order correlation with Financial Performance	R _S Adding ethical culture		
		R _i	R _m	F(R _m - R _i)
Skill Flexibility	.379**	.485	.485	0
Behavioral Flexibility	.404**	.499	.508	2.23*
HR system Flexibility	.227*	.444	.447	.66

R_i = linear multiple correlation

R_m = moderated multiple correlation

** Significant at the 0.01 level.

* Significant at the 0.05 level.