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Managing Business Competitiveness Through Technology & Strategic Human Resource Management

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Abstract

The field of strategic human resource Management considers people as a vital and a strategic asset of an organisation thereby making a major assumption that the way an organisation performs, significantly depends upon the way people perform. The fact that human resources are considered as strategic asset invariably makes it a source of competitive advantage. To sustain this competitive advantage, it is crucial for the organisations to implement HR strategies that have a positive impact on their performance. However, the link between HR strategies and organisational performance is an under researched area. This paper, thus examines the role played by human resource strategies on an organisation's performance and thereby sustainable competitive advantage.

Key words: *Strategic Human Resource Management, Human Resource Strategies, Competitive Advantage, Organizational Performance.*

Introduction

An organisation operating in the present competitive world, cannot entirely depend on production capabilities, financial resources, distribution channels and marketing expertise for gaining advantage over its competitors. This is because, all these factors that were once thought of as providing competitive advantage to the company, are now equally available to other companies as well. Thus these factors are now

considered as mere assets and not assets that give competitive advantage. Organisations are now realising that they need to equip themselves with such assets that cannot be duplicated by the competitors. Contemplating the possibility of existence of such assets has given rise to the thought that the only asset in an organisation that fit the bill is the people employed by it. People are the key asset which an organisation can acquire and also, it is the only asset that has the potential to learn, grow and contribute (Fitz-enz, 1995). This makes human resources a strategic asset. In a world in which all work is knowledge work and intellectual capital is crucial for economic success, it is logical that the ability to attract, retain, and use the talents of people provides a competitive edge (O'Reilly & Pfeffer, 2000). Consequently, human resource management which deals with recruitment, training and development of the people, has now become a part of strategic management and has evolved as Strategic Human Resource Management. Strategic human resource management set out what the organization intends to do about its human resource management policies and practices, and how they should be integrated with the business strategy and each other. This suggests that there is a growing consensus that the skill levels, behaviour, abilities and values the employees have, are principal in an organisation's success.

Needless to say, businesses compete with each other to gain maximum market share leading to improved organisation performance that get reflected by way of increased profits. Extensive

research does exist in HR domain where a positive relationship has been documented between Human Resource Management practices and firm/unit performance. But, there still exists a gap in this strategic area of HR where a relationship needs to be established between HR strategies and organisational performance. Keeping this as a backdrop, this study attempts to address this gap by examining the impact of six important human resource strategies viz., staffing, training, involvement and participation, performance appraisal, compensation/reward and employee caring has on Organisational performance in the context of Mangalore Chemicals and Fertilizers Limited, a manufacturing company in Karnataka.

Literature Review

Organisations in the competitive scenario are continuously faced with the necessity to create and sustain practices that facilitate value creation (Jyothi&Venkatesh 2009). Effective organisations are increasingly realizing that, of the varied factors that contribute to performance, the human element is clearly the most critical (Jeffery2009). Human resource management deals with people related issue and is defined as “the process of acquiring, training, appraising, and compensating employees, and of attending to their labour relations, health and safety, and fairness concerns” (Dessler&Varkkey, 2008). Wright et al. (1999) conducted research on 190 US petro-chemical refineries in which they examined the impact of HR practices (selection, training, compensation and appraisal) on firm performance. Their results confirmed the existence of a direct relationship between training and compensation with workforce motivation. However, they found that HR practices (selection, compensation and appraisal) are positively related to firm performance only under highly participative systems. Bae and Lawler (2000) examined the effects of organizational strategic variables regarding HRM and the source of competitive advantage of 138 Korean firms. They found that firms with high-involvement HR strategies had better performance. Research conducted by Paul and Anantharaman (2003)

suggested that practices like training, job design, compensation and incentives had a direct effect on the operational performance parameters. The significant relationship between HR practices and firm performance is encouraging and is in agreement with findings from other studies (Arthur, 1994; Pfeffer, 1994; Huselid, 1995; Delery& Doty, 1996; Delaney and Huselid, 1996; Guest, 1997; Huselid et al., 1997; McMahan et al., 1999; Fey et al., 2000; Huang, 2001; Stavrou and Brewster, 2005; Christiansen and Higgs, 2008). Thus, lot of research work has been done to find the impact HR strategies have on firm performance, but, very few studies have been made to find the link between HR strategies and Organisational effectiveness.

Objectives of the study

In the light of the literature review, the main focus of this study is to find out the impact the six human resource strategies viz., staffing, training, involvement and participation, performance appraisal, compensation/reward and employee caring has on organisational performance.

Research Hypothesis

Based on the reviewing of past empirical studies, the following six hypothesis have been generated linking HR strategies and organisational performance:

- H1: A positive relationship exists between staffing strategies and organisational performance.
- H2: A positive relationship exists between training and development strategies and organisational performance.
- H3: A positive relationship exists between employee involvement & participation strategies and organisational performance.
- H4: A positive relationship exists between objective performance appraisal strategies and organisational performance.
- H5: A positive relationship exists between compensation & rewards strategies and organizational performance.

H6: A positive relationship exists between employee caring and organizational performance.

Methodology and Research Design

A survey research method was used to collect data from the case study company. Questionnaire was administered to the respondents through personal contacts. The respondents were managers/executives in the company at various levels of management. In total, the company has 114 management level employees to whom the questionnaires were administered. Out of 114 questionnaires, 98 usable questionnaires were received with a response rate of 85.96%. The respondents had to rate the questionnaire statements on a five-point Likert type rating scale, from little or no extent being 1 to very great extent being 5. Apart from the viewpoints of middle and lower level executives from different departments, views of HR department were taken into account through personal interview.

Concept of Research model

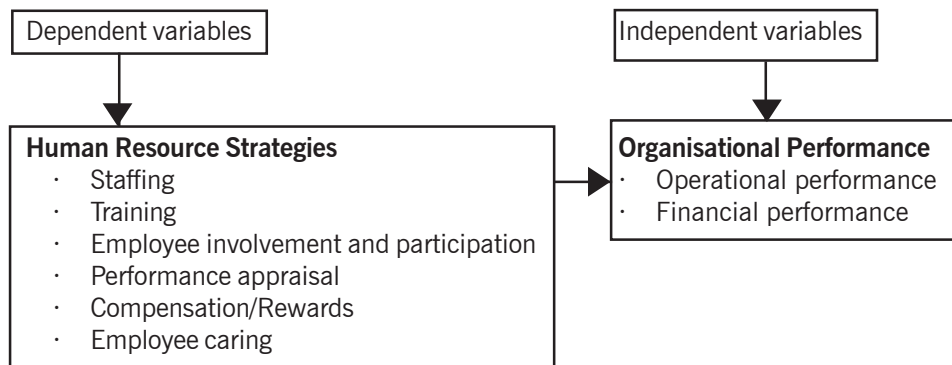


Figure: Research Model

Dependent variable

In this study, the dependent variable, organisational performance, was measured from two dimensions: Operational performance and financial performance, as proposed by Dyer and Reeves (1995). Operational performance included five statements related to improvements in employee turnover rate, absenteeism rate, skill development, employment productivity and product quality. Financial performance included three statements which included improvement in organisational growth, increase in return on investment and improvement in profitability.

Independent variables: Strategic approaches of the company in staffing practices are measured with the help of ten statements; training practices are measured with the help of nine statements; employee involvement and participation practices are measured with the help of five statements;

performance appraisal practices are measured with the help of seven statements; compensation/reward practices are measured with the help of four statements and employee caring practices are measured with the help of three statements. The scale was on Likert five point scale (Little or no extent, Some extent, Moderate extent, Great extent and Very great extent). The questionnaire statements relating to the Human Resource strategies were drawn from extensive review of literature.

Analysis and Results

Profile of the case study company

Mangalore Fertilizers Limited was incorporated in the year 1966 and is a part of the United Beverages (UB) Group. The company manufactures urea, di-ammonium phosphate, muriate of potash, granulated fertilizers, micronutrients, soil conditioners, and specialty fertilizers; and

ammonium bi-carbonate, sulphuric acid, fertigation products, and organic products. It also produces ChemCF NL and ChemCF NP, which include sulphonated naphthalene formaldehyde liquid and powder products. It is the only manufacturer of chemical fertilizers in Karnataka state. The company has in total 872 employees of which 114 are in the management level.

Profile of respondents

The questionnaire was administered to the line managers from the different departments and to the assistant managers from HR and Finance department. The respondents are well qualified holding bachelor's/master's degree in various academic field.

The demographic analysis indicates that majority of the respondents are male i.e., 98%. This is because of the nature of the company i.e., manufactures of chemicals and fertilizers and hence female employees are considerably low. About 56% of the respondents are at least 35 years old. 80% of the respondents have put in at least 5 years of service in the company and 45% of the respondents have been employed for more than 15 years. This shows that the respondents have actually spent enough time in the service to know how strategic the recruitment/selection and training/development practices are in the company. However, the demographics data has not been used for analysis in this study.

Data Analysis

Factor analysis is a statistical method used to describe variability among observed variables in terms of a potentially lower number of unobserved variables called factors and this technique is applied when the reliability is below 0.8. Factor analysis assumes that all the rating data on different attributes can be reduced down to a few important dimensions. This reduction is possible because the attributes are related. In the questionnaire survey, the reliability test has been conducted to test the internal consistency reliability between the items in the questionnaire. The internal consistency reliability indicates the extent to which items on a

given measure assess the same construct. The reliability test generated results, which were above 0.8 for all the dependent and independent variable relationships.

Hypothesis 1 predicted that a positive relationship exists between staffing strategies and organisational performance. The study found (Table 1) significant positive relationship of staffing with organizational performance ($r = .76^{**}$, $p < .01$). Thus hypothesis is accepted. Regression results in Table 2 also supported the hypothesis with organization performance ($\hat{\alpha} = .64^*$, $p < .05$). Hypothesis 2 predicted that a positive relationship exists between training and development strategies and organisational performance. The research indicated significant positive relationship of training and development strategies with organizational performance ($r = .76^{**}$, $p < .01$). Thus hypothesis is accepted. This is also supported by regression analysis ($\hat{\alpha} = .65^*$, $p < .05$). Hypothesis 3 predicted that a positive relationship exists between employee involvement & participation and organisational performance. The study reported significant positive relationship of involvement and participation with organizational performance ($r = .76^{**}$, $p < .01$). Thus hypothesis is accepted. This is also supported by regression analysis ($\hat{\alpha} = .75^*$, $p < .05$). Hypothesis 4 predicted that a positive relationship exists between objective performance appraisal and organisational performance. The study reported positive significant relationship of performance appraisal with organizational performance ($r = .52^{**}$, $p < .01$). Thus hypothesis is accepted. This is also supported by regression analysis ($\hat{\alpha} = .45^*$, $p < .05$). Beta value greater than .5 is considered as strongly associated with each variable. Hypothesis 5 predicted that a positive relationship exists between compensation & rewards and organizational performance. The study reported positive significant relationship of compensation & reward with organizational performance ($r = .46^{**}$, $p < .01$). Thus hypothesis is accepted. This is also supported by regression analysis ($\hat{\alpha} = .47^*$, $p < .05$). Hypothesis 6 predicted that a positive relationship exists between employee

caring and increase organizational performance. The study reported no relationship of caring with organizational performance. Thus hypothesis is rejected. This is also supported by regression analysis ($\hat{\alpha} = .09^*$, $p < .05$).

Table showing Means, standard deviations, reliabilities and correlations

TABLE 1

Variables	Mean	SD	1	2	3	4	5	6	7
1. Staffing	4.4	.5	(.8)						
2. Training	4.4	.5	.65**	(.8)					
3. Involvement & participation	4.3	.4	.65*	.71**	(.82)				
4. Performance appraisal	4.4	.4	.39**	.41**	.29**	(.8)			
5. Compensation/Rewards	4.5	.4	.38*	.57**	.46**	.23**	(.81)		
6. Employee Caring	4.2	.7	.13	.23*	.16	.06	.17	(.82)	
7. Organizational performance (.8)	4.2	.4	.76**	.76**	.77**	.52**	.46**	.16	

$N = 98$, ** $p < .01$, * $p < .05$

Table showing Regression Analysis results

TABLE 2

Variables	Organizational Performance			
	B	T	F	AR ²
Staffing	.64*	11.85	140.58	.58
Training	.65*	11.91	141.91	.58
Involvement & participation	.75*	11.98	143.51	.59
Performance appraisal	.48*	6.04	36.5	.26
Compensation/Rewards	.47*	5.12	26.3	.2
Employee Caring	.09*	1.64	2.7	.01

$N = 98$, * $p < .05$

DISCUSSION

The result shows that staffing has significantly higher relationship with the organizational output. The key to maximizing organization's success and minimizing its risk is the implementation of a systematic staffing approach that is fair, job-related and legally defensible. According to Hogg (2001) recruitment and staffing provides the overall framework for the process of planning, recruiting, selecting, and hiring of employees. Employee recruitment, selection and retention play vital role in accelerating organization's overall performance because it is the skilled employees who eventually make contribution for organizational success.

Training has direct effect to boost up performance which later on moderates efficiency and effectiveness followed by organizational performance. Kintana, Alonso and Olaverri (2006) indicated that training has positive effects on productivity. Martell & Carroll (1995) indicated that training has positive effects on competency, turnover and employee commitment. The study also indicated significant relationship of training with the organizational performance. Involvement and participation has been proved to be another factor to ensure organizational performance. Employee involvement and participation at work have been identified as key factors in developing successful and mutually beneficial workplace relationships

which lead to organizational success (Das 2003). Employee participation is in part a response to the quality movement within organizations. The more employees are encouraged to take part in decision and policy making process for the organization the higher the level belongingness will be pronounced in the organization. Performance appraisal has positive significant relation with the organizational performance. The purpose of performance appraisal is to measure the current performance and the level of development of individuals. Depending on the requirements, employees are further trained, promoted or valued by the organization. LeBoeuf (1985) suggested that managers secure desired results through a compensation and reward philosophy that recognizes employees for the right performance. Even for training programs to be successful, organizations should reward managers who prove to be excellent trainers. The research found no relationship of employee caring with organizational performance. This was not considered important by the employees.

Conclusion

This study is based on empirical research reviewing the impact of human resource strategies on Organisational performance in Mangalore Chemicals and Fertilizers Limited. The current study reveals that the selected human resource strategies has a positive impact on organisational performance, thereby reiterating the existing literature that human resources if used as a strategic asset can indeed be used to manage business competitiveness. Thus, we can conclude that Human resource strategies lead to increase in employee productivity and employee efficiency which gets projected in the organisational performance. Failure of any one of the components of human resource strategies will have an impact on other components which in turn will lead to poor organisational performance.

Limitations

Small sample size was one of the major limitation of the present study. Moreover, the study did not take into account all the HR strategies of the

surveyed manufacturing firm. In addition, the results of this research must be viewed with caution since it is a case based study. As such the results of this study cannot be generalized. However, this study could be used as a reference to find out the impact of strategic human resource management on organisational performance.

Directions for future research

In order to validate the findings of this study, future research may be carried in other industries. Future research with larger sample sizes would be productive to provide a support for the present findings. Additionally, the results of this study can be retested in other business organisations, so that the results can be generalised to other economic sectors.

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