

HUMAN RESOURCE MANAGEMENT PRACTICES FOR GAINING COMPETITIVE ADVANTAGE

W.P. Richard Wickramaratne

Department of Management Studies, Faculty of Arts, University of Peradeniya

Introduction

Human Resource Management (HRM) Practices have not traditionally been seen as providing economic value to the company. Economic value is usually associated with equipment, technology and facilities. However HRM practices have been shown to be valuable. Compensation, staffing, training, and development performance management, and other HRM practices are investments that directly affect employees' motivation and ability to provide products and services that are valued by customers. Research has shown that companies that attempt to increase their competitiveness by investing in new technology and becoming involved in the quality movement also invest in state-of-the-art staffing, training, and compensation practices (Snell and Dean, 1992,). Thus the research question of this empirical investigation would be "Do HRM practices have an impact in gaining competitive advantage?" The researcher has identified the following dimensions for measuring HRM practices and competitive advantage.

Dimensions of HRM Practices

- HRM strategy is matched to business strategy
- Knowledge is shared
- Work is performed by teams
- Pay systems reward skills and accomplishments
- Selection system is job related and legal
- Flexibility when work is performed monitored
- A continuous learning environment is created
- The discipline system is progressive
- Customer satisfaction and quality are evaluated in the performance management system
- Work attitudes of employees are monitored
- Skills and values of a diverse workforce are valued and used
- Technology is used for administrative tasks and to improve HR efficiency and effectiveness

Dimensions of Competitive Advantage

- Competing through sustainability
- Competing through globalization
- Competing through technology

Accordingly the main objective of this research is to explore the effect of HRM practices on the competitive advantage. The subsidiary objective would be to measure the level of contribution of HRM practices of the selected sample of firms in gaining competitive advantage.

Methodology

This research is explanatory by nature since it has been conducted to establish the relationship between HRM practices and competitive advantage. For this study "the population" refers to all heads of human resource management of garment manufacturing firms registered under the Board of Investment of Sri Lanka. Out of these 50 heads of human resource management sections were selected on a random sampling basis, as the sample. This study was purely based on primary data, which were collected through a survey. The data were collected by mailing a 5 point Likert Scaled questionnaire. Test-retest technique was applied to measure the external reliability of the instruments (questionnaire). The Cronbach's Alpha Test was done to measure the inter-item consistency (reliability). Inter-item reliability was at an acceptable level since Alpha values for both questionnaires were above 0.8. The content validity of the instruments were ensured by the conceptualization and operationalization of the variables based on the literature. The construct validity of the variables

of this study was ensured since the correlation analysis supported the hypotheses formulated linking the relationship between HRM practices and competitive advantage.

Results

Univariate and bivariate analyses were performed to achieve the set objectives and test the hypotheses of the study. Descriptive statistics were used to perform univariate analysis while Pearson Correlation and simple regression analysis were used to test the hypotheses. HRM practices of 24% of the firms were not at a satisfactory level while HRM practices of 35% of the firms were at an acceptable level. HRM practices of 31% of the firms were at a better level while HRM practices of 10% of the firms were at a high level. The hypothesis of this study was that, there is a positive relationship between HRM practices and competitive advantage and the null hypothesis was that, there is no relationship between HRM practices and competitive advantage. Pearson Correlation Coefficient between the two variables is 0.632, which is a positive relationship between HRM practices and competitive advantage. The found relationship is statistically significant as correlation is significant at 0.05 level (1 tailed). In addition the p value (0.0005) is less than 0.01 level of significance. The results of the data analysis indicates that the researcher has sufficient evidence to accept the hypothesis and reject the null

hypothesis. According to Table 1, the simple regression analysis too

supports the findings of correlational analysis.

Table 1. Impact of HRM practices in gaining competitive advantage

R	R Square	Adjusted R Square	Std. Error of the Estimate	F Value	Sig. F
.631	.432	.366	.5344	9.116	.0005

Discussion

According to Ulrich (1998), the human resource manager plays four types of roles in building a competitive organization. They are, strategic partner, administrative expert, employee advocate, and change agent. As strategic partner he aligns HRM strategies to business strategies (Ulrich, 2004). As the administrative expert he delivers efficient and effective HRM systems (Ulrich, 1998). The employee advocate role entails managing the commitment and contributions of employees (Ulrich, 1998). The final role ,change agent requires that HRM help transform organizations to meet the new competitive conditions. In today’s fast changing competitive world, firms need to both constantly change and develop a capacity for change. HR managers must help identify and manage processes for change (Ulrich 1998). The findings of this research provides further evidence for the findings of Ulrich. Therefore, an organization has to have HRM practices aimed at gaining competitive advantage through its human resources.

Conclusion

Human resources are the most valuable asset in any organization. Today, organizations have faced high competitive situations in the market place. Therefore competitive advantage is very critical for the success of the organization. Hence human resources of organizations are considered as a source of competitive advantage. Thus HRM plays a strategic role in organizations through integrating HR strategy with its overall strategy.

References

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