

HR Practices and its Innovation for creating competitive

Advantage: A Strategic Perspective

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Abstract

Human Resource Management is one of the most important functions in an organization which has undergone considerable changes for business performance in the post liberalization era. Best performing workforce will create a positive impact on organizational performance. Nowadays the focus of competition is gradually shifting from products and finances to that of talent management. It has been believed that, retaining the top performers will generate strong competitive advantage for the company and behavior implications. So the companies have gone a long way to deeply engage their employees and are competing on the same. In order have more edge over its competitors and to gain sustainability and competitive advantage the strong HR practices is very much essential for an organization. Organizations are finding it difficult to identify the right employee, for the right job. This research paper focus more on HR practices and it identifies the factors like recruitment and reward system, training and skill development practices, organization climate, employee participation and empowerment; and effective communication system to determine competitive advantage in the various industries in an emerging economy Business practices.

Keywords: Best Employer, Innovative HR practices, Strategic HR practices, Competitive Advantage, Employee Participation, Empowerment.

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1. Introduction

Today business climate is forcing a paradigm shift in the role which HR plays; right from administrative support to strategic function, organization's greatest assets are its people. Long held notion that HR will become a truly strategic function is finally being realized now. Human capital is perceived as an asset. A strategic shift is also observed in developed economies which is having a ripple effect and is creeping its way into emerging economies. The companies have entered into the domain of managing and retaining the best talent. Battling over finances and products has gone into the back drop; firms are competing on the basis of talent now. Products and finances have almost being standardized, so now is the turn of human capital. The firm believes that if one capitalizes more on their employees, it will help in giving par excellent services at less cost and time, which will serve as a basis of competition over its rivals. According to Peter Capelli, Professor, and Wharton School of Business – Boards look forward to HR from a number of perspective ranging from retention to skill gaps, talent plans for aligning employees with organizational goals. Talent

management has become a strategic imperative that underpins the company's ability to achieve its goals. Today high potential employees are considered to be a 'Talentship' employee where they can bring possible advancement in their organization.

It is believed that both larger and smaller companies who nurture their talent and try to retain and develop them are likely to outperform their industry peers. When the knowledgeable employees leave the company the consequences are far beyond the cost implication of recruiting and training new ones. More important perspective is that even if the employees are retained in the firm, their contribution depends on their willingness to perform. Therefore it is essential not only to retain but also motivate employees to perform (Duncan & Hoffman 1981; Becker and Huselid 1996). Human Resource Management Practices have immediate consequence for the motivation, loyalty, well-being and retention of talented employees and such practices are also called as "high involvement Practices, Commitment HR system' or 'innovative' or 'flexible. They can be better termed as Best Practices. The higher the position the higher the cost goes. On the other hand, the new generation is highly selective and conscious about it career. It explores what is distinctive about the company's workplace culture, specifically, what is special, unique or unusual about the organization and what is there for them in it. Millennials desire to advance quickly and want immediate answers and feedback as they are technology enabled. So it becomes all the more challenging. The problem is compounded by the retiring workforce who was typically experienced in management or technically Complex positions.

2. Literature Review:

Since then authors have realized that human asset should be considered as profit centre and not to be seen as cost centre. Following this maxim, expenditure done on manpower is viewed as an investment. The early study of Schuler & Jackson (1987) explicitly states that when managers of those times realized that they were going to have quite different missions, they also realized that they should have quite different people to run them. So changing businesses and missions were focused on; following which the managers were also sensitized towards the role of workforce.

In 1990s, the papers and studies focused on the recognition of paradigm shift in developed economies towards the role and contribution of manpower in any organization. Cummings (1994) in his working paper series stated that the competitive world has made a paradigm shift inevitable for HR function. He states that the managers should understand it and proactively respond. Further Lawler (1995) finds HR to be the upcoming resource for any business organization, expenditures on human resource and also acknowledge the revenue portion of them, i.e. the business generated by them.

Following this Caliguiri & Stroke (1998) studied that in successful organizations, global HR is perceived to be making a contribution and actually is making a contribution to the overall financial performance of the organization. Adding to this, Jassim (2000) opines in his paper that identifying, defending and achieving competitive advantage through the employees makes the organizational growth. Further he has discussed the practical criteria of best practice for generating competitive advantage. The research studies conducted after 2000, started using the buzzword "Talent management". Now is the time when corporate started designing innovative HR practices for attracting and retaining talent.

Ashok Som (2008) found that innovative recruitment and compensation practices have a positive significant relationship with firm performance while Jackson (2009) draws a link between strategy and talent management and also explains in his paper strategic differentiating capabilities to support his view HR is business. Interestingly another variable which might appear to be obvious but seemed to be neglected has actually benefited the firm's performance and that is the superior's emotional support and guidance given to subordinates in attaining higher levels of performance. Meghna & Pramod(2012). Following these best practices corporate are trying to emerge as the employer of choice and are pushing across the employer branding dimension.

Dawn & Biswas (2010) focused in his paper that firm can achieve competitive advantage through most important assets i.e. Human Resources around the globe. According to Schuler (1984) the HRM practices like Human resource planning; staffing, including recruitment, selection, and socialization; Appraising; Compensation; Training and development; Union-management relationships that must be followed to manage the human resources effectively.

Faugoo(2009) opined in his paper that the ability to attract the talent, select the best, developing and upgrading skills, motivating innovation and retaining the valued employees will be the key practices for a firm's success in today's global environment. She examined that management of people greatly linked with the competitive advantage and HR practices are highly positively co-related to Organizational performance.

Guest(1990) explains that management cares, trust their workers, encourage them and give them challenging assignments, where the workers can respond with very high motivation, high commitment and high performance. Pfeffer(1994) described that the sixteen practices, which is to be followed in the organization can lead to achieve competitive advantage through human resources management functions. The sixteen factors are Employment security, Incentive pay, Participation and empowerment, Symbolic egalitarianism, Long-term perspective, Selectivity in recruiting, Employee ownership, Teams and job redesign, Wage compression, Measurement of practices, Cross utilization & cross-training, High wage, Information sharing, Training and skill development, Promotion from within, Overarching philosophy. Som(2003) explained that in order to keep pace with the environment one has to redesign its Human resource functions. He noted Competitive advantage through people and culturally entrenched HR practices is not only difficult to achieve but also difficult to sustain, but once you will achieve it, it is not easy to duplicate so you can enjoy the competitive advantage.

Barney (1991) in his study opined that resource can be source of Competitive advantage if it is rare, inimitable, and non-substitutable and add value to the firm. Wright (1994) in his study had explained that the human resources can be a source of competitive advantage because they meet the criteria for being a source of sustainable competitive advantage. Also they have characterized human resources by unique historical conditions, causal ambiguity and social complexity, which means that not all firms can successfully develop human resources as a sustain competitive advantage through imitating the HR practices of firms that have successfully developed human resources. Bartlett and Ghoshal(2002) had generalized on evolving role of human resources. Company has to create an environment that will attract the talented people and make them committed to the

Organization. They analyzed that in today's economy managers not only should compete for product market or technical expertise but they have to compete to get the talented people as they know long lasting performance and results can only be achieved by attracting, developing and retaining the exceptional people. Schuler and Jackson (1987), in his study had shown that there is a linkage between HR practices, competitive strategy and performance. It is mainly concerned with how the competitive strategies and human resource practices are linked, and using those competitive strategy framework they developed three types of competitive strategy-: innovation Strategy, Quality enhancement strategy and Cost-reduction strategy. The experiences of the other firm suggest that effectiveness can be increased by systematically melding HR practices with the selected competitive strategy. According to O'Reilly and Pfeffer(2000) physical capital is increasingly important, we need smart people who can do great things--increase productivity, build new products and services and do so even more quickly.

The review of above studies indicates a framework for competitive advantage toward HR. As HR are the only resource of Organization, that can grow and contribute to the Organization and meet the criteria's of sustainable resource for competitive advantage.

3. Objectives of the Study:

1. To examine the factors which influence the human resource practices for gaining competitive advantage.
2. To understand what skill sets are needed to scale to the higher echelon in HR function.
3. To understand what aids them in acquiring the competencies that will promote them from the middle level to the top-level HR careers.

4. Conceptual Framework of Innovative HR Practices:

The present study intends to show the case as to which HR practices really help the firm to achieve the competitive advantage that is sustainable. After analyzing this gap in order to fill that gap, we have undertaken the study that how we can achieve the competitive advantage through HR practices from the employee's perspective. Based on statistics from American Management Association, cost associated with losing, hiring and training a new employee ranges from 25 to 200 percent of annual compensation. The higher the position the higher the cost goes. On the other hand, the new generation is highly selective and conscious about its career. It explores what is distinctive about the company's workplace culture, specifically, what is special, unique or unusual about the organization and what is there for them in it. Millennials desire to advance quickly and want immediate answers and feedback as they are technology enabled. So it becomes all the more challenging. The problem is compounded by the retiring workforce who was typically experienced in management or technically complex positions.

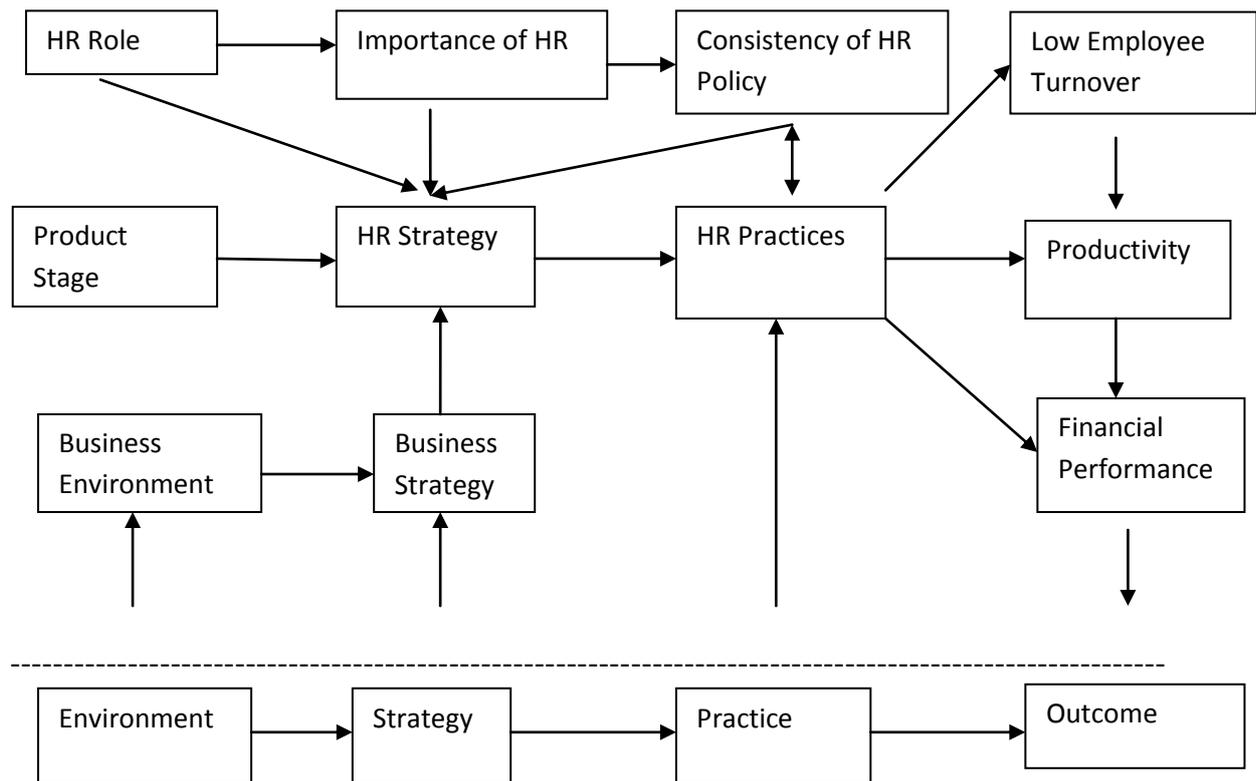


Fig.1 Block Diagram Depicting the Inter Connections of HRM practices and Organizational Outcome: Source: Pfeffer J. (1994) “Competitive Advantage Through People: Unleashing The Power Of The Workforce”, Boston, M.A: HBS Press

5. Career Advancement and Achieving Competitive Advantage through HR Practices:

Managers in the past normally followed well-established career paths. These career paths were structured in the corporate systems. Though an element of performance criteria was important, time was a very crucial element in career advancement. Even today in teaching profession an Assistant Professor need to put in 5 years of experience before becoming a Professor. Today a rigid vertical career path in management is no longer the dominant route of career advancement. An organization needs a vertical and horizontal integration of previously demarcated management functions and tasks to facilitate advancement in career. Kelly and Gennard (2000) observe that all managers now undertake a wider range of skills rather than a limited range of specialized ones. They reiterate that to advance career managers need to become generalists with a core specialism, rather than specialists. Arthur (1994) observes that traditionally career saw people in orderly employment arrangements consisting of a steady series of upward moves with increasing income, status, power and security generally within a single mainly large and stable organization. Cappelli (2000) argued that the order and predictability in the growth of individual’s profession associated with the traditional career is no longer the norm. Today’s careers are more internationally oriented, flexible and mobile with goals defined by individuals.

5.1 Career Advancement in HRM Field:

As far as HR being a profession a person who is employed today is compelled to own responsibility to his personal growth and development. This keeps them in the path of adding new skills to develop their core identity. This initiative adds value to them and to the organization they work for. On discussing how to execute an effective career advancement for learning and development managers there are conflicting views that some are of the opinion that training professionals should develop a wider role in the HR and Core business knowledge of the company working for, while others see expanding the core job as the best way to progress.

Ackah and Heaton (2003) in their study focused on career patterns and career progression of men and women working in HRM. The study investigates whether a professional HR. It also opined that Qualification also had the same impact upon career progression for male/female. 150 male and female HRM professionals of the University of Ulster were contacted through postal Questionnaire. Many of the female HR managers claimed that negative influence upon their career had been a lack of role models and a lack of self-confidence. Career advancement is also effected by mentoring programs. The scope of mentoring is wide and it is considered an effective way to climb up the ladder from the middle management level to the top management level. KoglerHill and Bahniuk (1998) while studying the role of mentoring on career progression viewed mentoring from such different perspective as management, communication, education and career development. A mentor may be involved in one of four career stages apprentice, colleague, mentor and sponsor. Each stage requires different task, types of relationship and psychological adjustments. The change of roles in HR has not only affected the progression from middle management to the top management but it has also got some bearings on the educational system and pedagogy. De Cieri et al., (2005) feel the increased demand placed upon HRM by globalization warrants increased attention to the domains. Increased internationalization has its implication on pedagogy and content for educators especially for programs like MBA specializing in Human Resource Management. Yeung et al., (1996) conducted a study based on in-depth interviews with ten senior HR executives. A HR competency model, which is both generic and specific, were evolved. The outcome of the study highlights on the following: HR professionals require new competencies and some of the competency identified by senior HR professional are:

1. Solid Knowledge of Business
- 2.Capacity to facilitate and implement change.
3. Influencing Skills
- 4.Leadership abilities
- 5.Organizational effectiveness
6. Consultation/ OD skills
7. Strategic/ Systematic thinking
8. Technical HR expertise.
9. Communication skills
- 10.Possession of a fact based perspective.
11. Process management and Improvement skills.

A model is evolved where four different domains of skill sets are to be nurtured. 1. Leadership, 2.HR expertise 3.Core 4.Consultation. Each of the domain and the particular skill sets under that domain are mentioned below.

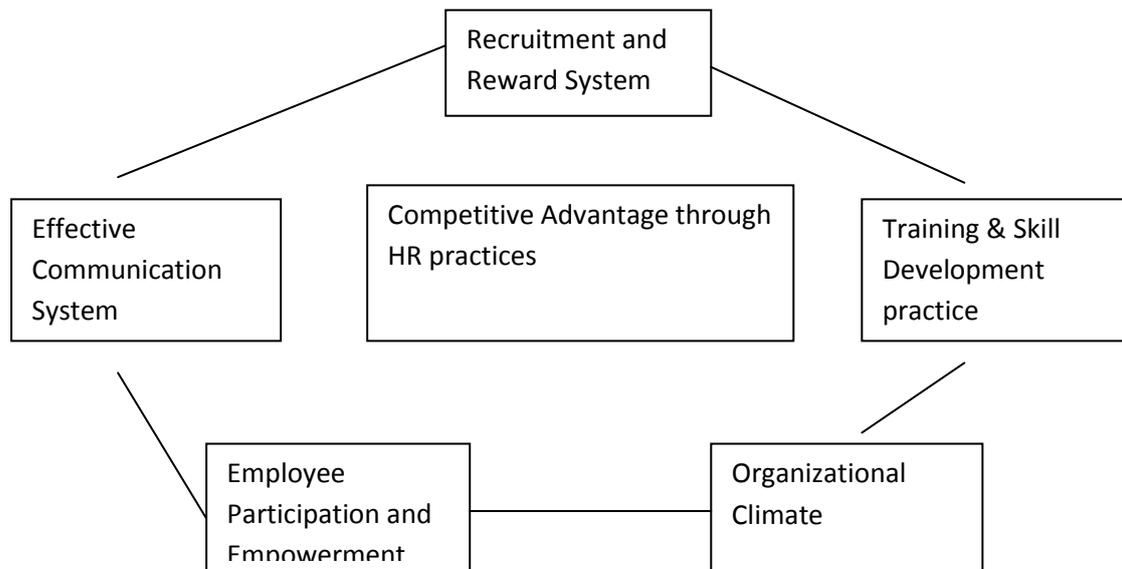


Fig: 2 Achieving competitive Advantage through HR Practices:

Leadership

1. Leadership Skills and capability.
2. Leadership attributes.
3. Change advocacy

Core

1. Business knowledge
2. Customer Orientation
3. Effective communication
4. Credibility and Integrity
5. Negotiation and conflict resolution.

HR expertise

1. Knowledge of Best in class HR practices.
2. Design and deliver HR services effectively.
3. Apply technology to HR.
4. Measure the effectiveness of HR practices.

6. Findings and Implications:

1. It was found that it mainly targets potential and outstanding employees through centralized recruitment system, and by providing fair reward system, efforts were being done by the Organization to retain the talented employee in the organization. They are focusing on Recruitment and reward system to maintain high level of performance. So this is the most crucial factor considered by employees.
2. From the study it was found that Employee's performance is greatly affected by the training imparted by Organization and providing opportunities to execute learning's of the training.

3. Organizational Climate plays an important factor which helps the organization to achieve competitive advantage through human resources as better working conditions, healthy interpersonal relations; environment of trust, sound policies affects the performance, efficiency of the

Employees. Thus they serve and spend their mental energy totally on work that make them more efficient and reduces labor turnover.

4. From the study it was found employees were facilitated and empowered to take decisions which helped them to emerge as a committed and competent workforce.

5. Two way communication has created and developed the trust and strengthened the bond of employees.

7. Conclusion and Direction for Future Research:

Towards the end of the paper the researcher would like to raise two issues. Firstly, companies are battling over hiring and keeping the best talent, using innovative HR practices, but how long will they be able to sustain their competitive advantage using that unique practice as these practices are imitable. Secondly, the entire paper talks from the perspective of employer, the second and the more dynamic side is 'employee'. So the decision to leave or to remain works rests with the employee. This will actually depend on the push and pull factors. Pull factors are lucrative practices thrown by employers; whereas employee finds an attractive offer from a new employer and push motives are the ones where the employee desires to end the unsatisfactory employment. Reasons for leaving can be numerous, high income, career opportunities, challenges, work culture, market position of the company, autonomy, access to information and strategic development aspects, transparency, incentives. Further research on the same lines can be conducted increasing the scope and geographical boundaries for the study. This research has also revealed that the organization which achieve sustainable competitive advantage by developing resources by hiring and developing talented workforce and synergizing their contribution within the resource pool of the firm will lead their organization to excel in the competitive environment.

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