Achieving Competitive Advantage through HR Practices

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ABSTRACT

In today’s economy, competition is the main issue of products and services. Much attention has been devoted to improving the better service and best product. However, the question is how it can be attained by utilizing the other parts of the organization, especially human resources (HR). All organizations, whether product or service oriented, in the public sector or private one, tend to achieve all their preset objectives. This requires an obvious comprehension and binding between the major objectives and the key success factors to achieve these objectives. The major reason for the role of HR is the interface between these two criteria namely achievement of business strategies and activities. Most HR plans intend to inspire people who are well qualified in their skill and help them to be more motivated and have an efficient performance. This paper defines the competitive advantage strategy and then explains how it can be achieved through HR. Finally, it can be concluded that the function and effectiveness of HR become necessary in the global marketing.

Key words: Human Resource Management (HRM), Human Resource (HR), Competitive Advantage Strategy, Competition.

INTRODUCTION

The role of human resource (HR) is very critical in the success of an organization. It can create opportunities for more investment and human capital. So what is the major vision of HR in today’s large firms? How can human resource management (HRM) help drive business result and transform organization? Generally competitiveness is strongly related to the effectiveness of the company which is concluded by how well the company is competitive in satisfying the needs and expectations of the stakeholders who intend to return on their investment, customers that concern the high quality service or product and the staff who wish for having an interesting work environment and fair compensation for their efforts.

The broad firms especially those which are concerned with the environment are always thinking about finding a way to do things better. However, some questions will be posed here: “what do the organizations really have to do to keep or increase the conditions of environment in the industry? Should they concentrate on the financial issues or technological issues? Do they firstly consider the HR issues?” To know the answers of such questions, we need to find out what other researchers have stated about HR. Coff [7] stated that human assets are the main source of sustainable advantage due to causal ambiguity and systematic information which make them inimitable. Guest [10] claimed that if management trust their workers and give them challenging assignments, workers in return will respond with high motivation, high commitment and high performance. Gratton [9] introduced six major factors for achieving the success: the commitment of top management; the motivation and aspirations of the recruits; the core capabilities of the management team; the team’s aspiration; its ability to build and maintain alliances; and the integration of the business into a global network. Therefore, what does it mean to the researchers? It means that sources of competitive advantage have moved from financial resources to technology resources and now to human resource management. In other words, success does not depend basically on the amount of the budget or the products supporting technologies. In fact, it depends on the workers’ perceptions, competencies and skills; their ability to generate commitment and trust, communicate aspirations and work in complex relationships.

Therefore, employees are one of the main sources for gaining and sustaining competitive advantage. But the question is how we can achieve these sustainable competitive advantages through human resources? The answer is clear that competitive strategy and human resources practices can help us to meet the achievements.
**Human Resource Management (HRM):**

Those factors, policies, practices, and organizations affect the employee’s behavior, performance, and motivation. Many organizations think that the best way to enhance the efficiency of performance will get through human resource issues. It can use some strategies that maximize the effect of the company on the employees’ performances. They design the work and analyze them as well, and also consider the need of human resources, selection of employees, training and developing the employees that how they can do their best in job. Thus, we will find that human resources can have a significant effect on the performance of the organization.

Because of the global competitiveness in the market, any processes and systems that help a corporation to gain sustainable competitive advantage are necessary and valuable. Not only in the domain market but also in the global market human resource can be a source of competitive advantage [14]. The organization should consider the skills and competencies of human resources to achieve the primarily objectives. Departments of human resources are future-oriented and function in a way compatible with the other business plans in the organization [11,2,13,17,1].

The most concentration should be on the skills, abilities and knowledge of the people who work as human resource for an organization. The top manager has to encourage them with reward system or compensation and out them in the training and developing process to be more ready to meet the expectation and need of stakeholders [6]. Burack [5] recommended a couple of ways that corporation can maintain high performances and loyalty amongst staff in organization by encouraging the employees to participate more in the involvement programs. Some other actions that both employees and organization should do are concentration on high performances, commitment and mutual trust, developing a system that makes them closer to the top management. Thereby, a new culture should exist in the organization in which every employee is motivated to be versatile, successful and competitive. A close relation between the efficiency of an organization, practices and good performances has shown by many researches. For instance, MacDuffie [12] showed that higher productivity and good quality in the automotive industry directly rely upon strategic practices of HR. Moreover, Terpstra and Rozell [16] investigated several cases that considered different industries. They found that the growth in the profit and efficiency in performance are directly related to some HR practices that could be implemented by the HR manager in the organization.

Dyer [8] has shown that business plan of an organization is affected by the executive HR department and its special practices. He believed that organizational objectives should be enhanced when the strategy of organization is connected to the business plan of that organization. Every organization selects its HR practices based on the objectives that it wants to achieve in long-term or short term plans. Organizations strive to choose the best practices that exist. There are distinct bundles of HR strategies and practices that are implemented in organization for more productivity, effectiveness, and profitability. Many researchers declare that these practices should be designed due to the situation of the organization, and the challenges and problems that they confront. For solving or reducing the impact of these problems these kinds of practices are extremely needed for the organization. Becker and Gerhart [4] recommended that these practices should play a supportive role in the activities that contribute to the major principle of the organization. These practices have some value and weight based on what the top management thinks about the problems, programs, and training processes. For example, in some organizations, some managers think that they should work on the reduction strategy, or innovation strategy, so determining that which kind of strategy should be selected is based on the managers’ assumption, and the current situation and future situation that they want to achieve.

**Competitive Advantage Strategy:**

When an organization brings values, practices, technologies, and strategies that are other competitors are engaged in, we can say that this company has competitive advantages in different parts. In fact, when other companies cannot create such strategies and values, it is so-called competitive advantage. These kinds of strategies are just allocated to one company. For example, Apple Inc. always tries to use different technologies, software as well as more creativity, and more innovation in their products. As Steve Jobs believed that they want to help people to think differently. Thus, using different technologies in comparison with Apple’s competitors is a competitive advantage that those companies are unable to duplicate it. It can be concluded that this company is able to design some strategies to keep it up in the market. These strategies could be sustainable and progressive. When a company is incapable to produce a product or service that others are unable to produce, it means that this firm has competitive advantages that help it to achieve its goals and meet the expectation easily.

**What Is Competitive Advantage Strategy?**

Porter [15] demonstrated that the position that each organization takes against its competitive advantages would be their strategies for competitive advantages. Porter raised two important questions in this part:
In term of the first question, this kind of company should be in the competitive position. It means that the company should have some competitive advantages to enter to this industry, those strategies that other competitors cannot duplicate or copy them. For example, the price policy is a competitive advantage for the Toyota Company; any company cannot use it as a policy. To answer the second question, Porter defined that the organization, before getting into this industry, should analyze the industry and try to work on the following clues:

a) Be sure that the understanding process is completed.

b) Concentrate on the forces that help the organization be more successful.

c) Trace the changes that happen in the organization.

Porter [15] believed that competitive advantages can be achieved through two ways:

1) The company speed should be so fast that no one can catch them.

2) The company should be able to have technologies or products that no other companies can duplicate them.

Thus, the competitive advantage strategies should follow the below strategies. Porter noted that one of them is Differentiation strategies and the next one is Cost leadership strategies. In this paper, the kind of the competitive advantages is not considered, but the role of these strategies should be defined.

The Strategic Role of HR:

Nowadays, workforce has become the key competitive advantage in any industries; therefore, they are proactively moving human resource (HR) management and development toward a more strategic role in these industries. Cascio [6] believes that HR can be an asset to provide sustainable supply of political and environmental perquisite which would result in market growth. Conserving and evolution of company culture is an important strategic role of HR which would bind the behaviors and expectations.

For a strategic role of HR, there are some challenges which include ensuring consistency across the enterprise, pacing culture change efforts to the organization capacity, demanding of a talent-intensive, high attrition rate service business and the strategies which help the company to achieve competitive advantages. Moreover, Alavi and Askaripur [3] mentioned that HR should provide a working environment which supports non-stop learning for the workers. Others believe that workforce performance management through innovative programs such as performance management or talent development programs could be a key strategic contribution. Finally, it should be taken into consideration that technology has got a great impact on HR improvement by helping quick cultural change.

Two Important Practices: Performance Culture and Talent Management:

The desire for talent in business continues to rise because talent causes exceptionally high performance at work even though it is often difficult to find and manage and it is often in short supply. Planning and developing programs are important strategic advantage assets for HR. Nowadays, companies are trying to retire their traditional succession planning process of utilizing an outside vendor to conduct management assessments and also to replace it with a technology-oriented talent management process which enables transmission of leadership development to a database of development activities and competencies. For example, IBM’s highly technology-enabled talent development processes have enabled this company to assess and track talent on both a bottom up and top down basis because the automation has enabled execution to be pushed out to management, supported by a good line-embedded HR team.

Combination of IT and HR:

There are some similarities and interdependencies between IT and HR and also their horizontal vision in the organizations. Nowadays, organizations intend to promote their functions within a global pattern while they also look at their chief managers’ roles in a wider aspect where these roles are connected to wider leadership and talent management subjects. Therefore, the role of IT is so much crucial for these organizations as well as their top managers to achieve their global goals. Although the collaboration between HR and IT has been strong, organizations tend to improve it because they believe that HR, IT and their business strategy could work together and enable a fit corporation for them.

Some HR departments in organizations are changing from an order-taker oriented policy to a more business partner policy where they need to provide more services so they have to apply IT options in their departments to respond to upcoming needs. For other organizations which try to focus on their collaboration, opportunities and their enhancement, it would be the best option to undertake the sharing talent between IT and HR. So it is recommended to empower their HR managers with IT abilities.
Finally, in terms of IT, advantages for HR have been seen that IT enables HR departments with better integration of talent-related data in different systems, better access for managers to global data, and better metrics and reporting while letting managers share operational knowledge across divisions and also facilitating their cross-company communication with customers through peer-to-peer contacts. Therefore, it is confirmed that IT and HR working together would bring so many successful initiatives for companies.

Outsourcing:

Nowadays, outsourcing is a very important issue for HR. The outsourcing issues around HR functions in companies could have benefits such as tapping external expertise, cost efficiencies, and ensuring consistency and process standardization. Some companies try to outsource the issues such as retirement counseling which is not a core in the company. Other companies apply some special amalgam of insource and outsource techniques which support both technology infrastructures and cultural issues so that these companies know how outsourcing opens enrollment benefits.

For other companies with many scattered locations, outsourcing can enable their HR department to enforce consistency and compliance across traditionally decentralized locations in a better way because for these companies with a lot of decentralized locations, it is too difficult to keep their knowledge base up with what they need to know to run things well, for example on employment, affirmative action planning, relocation issues. Finally and simply, it can be concluded that those HR functions which provide some core business or strategic advantages should not be outsourced.

Conclusion:

The creation of strategic differentiating capabilities can bridge business strategies and human resources and they also can be considered as an important asset for gaining long-lasting competitive advantages which would lead to strategic success. Moreover, this theory believes that workforce is the main contributor of strategic advantages. In the same way, others believe that human resource is a crucial part of any organizations while the quality of the organization’s employees, their enthusiasm, and their satisfaction with their jobs have a huge influence on the organization’s productivity. Therefore, to gain competitive advantages via human resources, organizations firstly should analyze their business strategy and organizational human resource practices while in long term, it is necessary for them to develop a comprehensive model of HRM and employment relationship which contribute to thinking, building core competencies that is why managers and supervisors in every department confront human resource issues every day and are responsible not only for interactions within their own department, but also interactions between departments.

Recommendations:

Based on the conclusion of this study, it can be recommended that in order to achieve competitive advantage through HRM for organizations, some criteria should be taken into consideration which could be as following:

1) Managers should trust their employees and give them responsibility and challenging assignments, so they will respond with high motivation, high commitment and high performance.
2) Providing good job descriptions and realistic targets and all required resources to achieve those targets.
3) Designing an effective rewards system and annual increases
4) Increasing the organization effectiveness by improving the matching between what the organization requires of its employees and what they require of it.
5) The organizations should use an analytical framework for strategic management because it provides them with identification of the relationship between key variables that should be analyzed and assistance of the practitioners to analyze and initiate appropriate policy in their own context.

References