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Intensity of Strategic Human Resource Management in Two Selected Private Companies in the Manufacturing Industry in Sri Lanka

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Abstract

The intensity of strategic HRM (SHRM) practices adopted by two selected private companies in the manufacturing industry in Sri Lanka was examined in this study. This research was carried out based on a mixed approach but centered on a qualitative research method which was designed around face-to-face discussions with four managerial level employees, two from each company. A structured questionnaire consisting of 40 questions was used in gathering data. Interviewees were encouraged to express their views on SHRM practices and the researcher rated the answers on a five point Likert scale to analyze the data. The intensity of SHRM was measured on five major dimensions and related contributing elements were investigated under each dimension to gain insights into the implementation of SHRM practices. Among the two companies the study found a higher level of intensity from one company which was a multinational (75%) and a somewhat lower level of intensity from the other investigated company which is a publicly listed company (54.2%). The analysis shows the ways in which an organization can enhance the intensity of SHRM being practiced as it has identified the practical problems which reduce the level of intensity. The suggestions subsequently given provide guidance on how an organization can be successful in developing SHRM through eradicating the possible obstacles.

Keywords: SHRM, Intensity, Private Companies

Introduction

We live in an era where intellectual capital is mightier than either physical or financial capital and the strategic aspects of managing human resources has come into the spotlight. Unlike the past, the Human Resource or Human Capital of the organization is acknowledged as the most critical resource underpinning the success of any organization compared to other physical and financial factors. Human capital assets of an organization strengthens through the combined sum of the attributes, life experience, knowledge, inventiveness, energy and enthusiasm that its people choose to invest in their work (Weatherly 2003).

With the rise to professional maturity as a functional field, HRM has evolved significantly over time in terms of its scope, functions and activities. Taking one step further from the field of Human Resource Management, Strategic Human Resource Management is pressing on the need to undertake the role of a strategic business partner of the organization rather than restricted to the role of performing traditional HRM functions in the organization. For nearly three decades SHRM has tantalized many scholars and it is now considered as a growing

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research area due to its high importance. A clear definition can be made between the two concepts, HRM and SHRM even though in some instances there is a tendency to use these two terms interchangeably. In Strategic Human Resource Management there is a higher concern to address the strategic needs of the organization particularly the vision, mission and strategic objectives rather than providing only a supportive role within the organization. Inevitably, development of a strong strategy-oriented HRM system which supports the strategic requirements of the company is a prerequisite for the success as well as the progress of any business. SHRM maintains a holistic approach towards the organization and there are a number of internal and external factors that affect the practice of SHRM within an organization.

The purpose of SHRM is to generate or enhance competitive advantage or support the achievement of strategic business needs/goals (Opatha 2009). Basically private business organizations are operated with the aim of profit maximization and with the view of acquiring a strong market position in their particular industry. The purpose of SHRM is compatible with these aims and it facilitates business organizations reaching their targeted outcomes. So it is evident that SHRM is an emergent area which is highly significant for the success of business organizations. Through this research it is aimed to investigate the intensity of SHRM practices in two selected private organizations in the manufacturing industry in Sri Lanka.

Problem Background and Problem of the Study

For three decades, Strategic Human Resource Management has been discussed by various scholars and with the rise of the fast-moving, dynamic nature of the business environment, now this concept has turned into something highly important in determining the success of business organizations. A growing body of research suggests that there is a significant relationship between HRM activities with competitive advantage and the performance of organizations. Today organizations have to face a severe competition in order to succeed; they must gain and maintain an edge over their competitors (Opatha 2009). The sheer competition and turbulent nature of the external environment poses significant challenges to the survival of organizations and in order to create and maintain a more sustainable competitive advantage, taking a strategic approach toward Human Resource Practices has become an indispensable requirement.

At present, business organizations have to face the threatening nature of the fast-moving environment and survival in such a market place has become quite challenging. SHRM is a coherent approach and it leads organizations to react proactively to the changes that occur in the business environment. As Baker (1999) (cited in Guest 1992) argues that a coherent approach to human resource management policies can lead via the generic HRM outcomes of strategic integration, commitment, flexibility/adaptability of the workforce and quality (all necessary ingredients when developing a competitive edge), to the benefits such as High job performance; High problem solving, change and innovation; High cost-effectiveness; and Low turnover, absence, grievances.

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Schuler and MacMillan (1984) discussed the potential for capitalizing on superior HRM as a mean of gaining and maintaining a competitive advantage. Pfeffer (1994) in his book 'Competitive Advantage through People' presented sixteen HRM practices that can enhance a firm's competitive advantage. Those sixteen functions included employment security, selectivity in recruiting, high wages, incentive pay, employee ownership (share ownership and profit-sharing), information sharing, participation and empowerment, teams and job design, training and skill development, cross-utilization and cross-training, symbolic egalitarianism (equality of treatment among employees), wage compression (the size of the pay differences among employees is reduced), promotion from within, long-term perspective, measurement of practices, and overarching philosophy (underlying management philosophy connecting the various individual practices into a coherent whole). Finally he drew his conclusion as to how HRM contributes to enhance a firm's competitive advantage.

When attention is drawn towards the existing HRM practices of Sri Lankan private organizations, it is questionable whether the majority of these organizations embrace this strategic aspiration of HRM for their success. Still there is a lack of participation of HR professionals when making important strategic business decisions in an organization. This absence is another sign which indicates the weak adaptation of proper SHRM practices by these organizations. Since this is a recently developed subfield of HRM, there are not a large number of research studies which were carried out to find the intensity of SHRM practices in organizations. So it seems that there is a gap in the empirical knowledge available regarding the examination of SHRM practices in private organizations, especially in the Sri Lankan context.

Therefore, through carrying out this research study it is primarily aimed to investigate the *intensity of SHRM practices of two selected private organizations in the manufacturing industry in Sri Lanka* and meanwhile the obstacles or practical problems which prevent these two organizations from following these SHRM practices will be identified and finally the suggestions will be presented as solutions to overcome those identified barriers.

Research Framework

There are a large number of definitions that have been presented elaborating Strategic Human Resource Management in various aspects. Wright and McMahan (1992) viewed SHRM as the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals. Armstrong (2011) defined SHRM as dealing with decisions which create major and long term influence on the employment and development of people in the organization and with the relationships which exist between its management and staff as well.

Since it is aimed to measure particularly the intensity of SHRM through this research study, as the working definition of intensity of SHRM, the following definition was constructed. The extent to which the current practices of SHRM in these particular organizations include the following selected main features of SHRM.

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In this research study, in order to measure the intensity of SHRM the following five dimensions of SHRM will be taken into consideration: (1) HRM is a broad approach to manage people at work which is underpinned by a philosophy; (2) HRM is a major source which determines the competitive advantage of an organization; (3) Coherence of HRM policies/functions within themselves and with other functional fields of organizational management; (4) HRM is fully integrated with the strategy and strategic needs of the organization and; (5) Alignment of HRM with competitive business strategy (Opatha 2009).

Dimensions	Elements
HRM is a broad approach to manage people at work which is underpinned by a philosophy	Presence of a comprehensive HR philosophy
	Awareness of HR philosophy
HRM is a major source which determines the competitive advantage of an organization	Employment Security
	Selective Hiring
	Extensive Training
	Employee Involvement and Information Sharing
	Self-Managed Teams
	High compensation contingent on performance
	Reduction of Status differentials
Coherence of HRM policies/functions within themselves and with other functional fields of organizational management	Presence of a HR bundle system
	Line managers' satisfaction
HRM is fully integrated with the strategy and strategic needs of the org.	Head of the HR as a member of BOD
	Consultation of Head of HR when developing corporate strategy
	Availability of Skill Inventories, Management Inventories, Replacement Charts, P/Appraisal Reports, Attitude Surveys
	Establish HR objectives to achieve organizational vision and mission
Alignment of HRM with competitive business strategy	Business Strategy of the organization
	Labour orientation of the organization

Method

Study Design

The main objectives of this study are to explore and describe the intensity of Strategic Human Resource Management being practiced by two selected private sector companies and to explore and identify practical problems which reduce the intensity of Strategic Human Resource Management in these two private companies and make suggestions to address the practical problems so as to increase the intensity of Strategic Human Resource Management. Intensity of SHRM is the variable of this study and under that, five dimensions have been discussed. Since it is aimed to observe and describe these dimensions through this research work, the study is descriptive in nature.

This is a field study because it examines various aspects of SHRM of an organization and measures the intensity of Strategic HRM followed by two organizations in a natural working environment. The variable was not controlled or manipulated. The study was conducted in the natural environment where events normally occur, and no artificial or contrived setting was created for the study.

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Measure

According to the demands of the study, the required data were collected through observation of company practices and investigation of archival data such as company documents, reports, Company web portal etc. As an additional advantage, the researcher had working experience in these two companies and the extra understanding has been useful in providing valuable insights into the research work. A systematic understanding of the core elements of Strategic HRM practices in both companies was generated in all the above ways. Also an exhaustive desk-research review was done in order to become fully conversant with the existing literature on Strategic HRM and to develop a framework for evaluating the intensity of Strategic HRM.

As well as the above, the interview method was used to explore and describe the intensity of Strategic HRM followed by the two companies namely Company A and Company B and for that, a structured interview check-list was prepared and administered. The structured interview check-list contained 40 statements representing the five dimensions of Strategic HRM. The intensity of Strategic HRM followed by company A and company B was measured through a structured interview check- list with five point scales, which was completed by the interviewer. The elements of the interview check-list were measured on a five point Likert scale of excellent, very good, good, fair and average with the values of 5, 4, 3, 2 and 1.

Trustworthiness

According to Lincoln and Guba (1985 as in Opatha 2015) Credibility, Transferability, Dependability and Conformability are the four dimensions of trustworthiness. Qualitative research results should be valid and reliable. That means they should enhance trustworthiness (Opatha 2015). In order to ensure credibility, the extent to which the particular findings of the study can be believed, here the researcher used rigorous techniques and methods for gathering high quality data that are carefully analyzed, with attention to issues of validity, reliability and triangulation. Also working under the research supervisor by following his guidance and having a philosophical belief in the phenomenological paradigm, that is, a fundamental appreciation of naturalistic inquiry, qualitative methods, inductive analysis, and holistic thinking were further exhibited to enhance the credibility.

Dependability is the extent to which the findings of the qualitative research can be replicated if the study is conducted with the same participants in the same context. This is about reliability. The procedures employed by the researcher were continuously examined by the research supervisor to make sure that they had been done correctly. Conformability means the extent to which the findings are reflective of the subjects of the sample studied and the inquiry itself is not a creation of the researcher's biases. Under that triangulation, a technique that is often associated with reliability and validity in qualitative research was employed which emphasizes the use of different methods or sources but which leads to the same results. Also the researcher addressed the research questions from multiple perspectives in order to enhance the conformability.

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Techniques of Data Analysis

The data collected from the structured interview check-list was analyzed and interpreted by the researcher and it is based on subjective judgments formed from the given answers.

Results

Based on the responses given by the four interviewees of Company A and B at the interviews, the researcher has filled the interview check list and elements of the interview check- list which were measure elicited on a five point Likert scale of very high, high, moderate, low, very low with the values of 5, 4, 3, 2 and 1 as given in Table 1 and 2.

Table 1: Measurement of the Intensity of SHRM being practiced by the Company A

Company A- Interview check-list

Dimension	Interv. 1	Interv. 2	Sub Average	Average
1) Presence of a comprehensive HR Philosophy				
1. Availability of a comprehensive HR philosophy	4	4		
2. Identification of employees as a unique resource	3	4		
3. Sufficient level of awareness	2	2		
4. Efforts taken to generate the awareness	4	3		
Average	3.25	3.25	3.25	3.25
2) HRM is a major source of competitive advantage				
Employment Security				
5. Level of employment security	2	4		
6. Tendency to hire permanent employees	4	4		
7. Avoid retrenchment	5	5		
8. Comprehensive HRP effort	2	3		
Average	3.25	4	3.63	
Selective Hiring				
9. Rigorous selection process	2	3		
10. Believe in importance of hiring high quality people	4	3		
11. Competency of hiring managers in selection	2	4		
12. Testing validity and reliability of selection methods	1	1		
Average	2.25	2.75	2.5	
Extensive Training				
13. Undertake formal training programs	3	3		
14. Believe in the positive influence of training on job performance	3	3		
15. Time allocated on training efforts	2	2		
16. Availability of wide range of training programs	2	3		
Average	2.5	2.75	2.625	
Employment Involvement and Information Sharing				
17. Availability of an open communication	3	3		
18. Sufficient avenues for forward emp. suggestions	3	3		
19. Recognition of emp. Suggestions	4	3		
20. Employee participation in decision making	2	2		
Average	3	2.75	2.875	
Self-managed Teams				
21. Encourage team work	3	2		
22. Believe in positive outcomes of team work	3	3		
Average	3	2.5	2.75	
High compensation contingent on performance				
23. Availability of performance related compensation s.	1	1		

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24. Pay a higher salary to outstanding performers	1	1		
Average	1	1	1	
Reduction of Status differentials				
25. Believe in positive outcomes of reducing status diff	1	1		
26. Steps taken to reduce status differentials	2	1		
27. Availability of an open management culture	2	2		
Average	1.67	1.33	1.5	2.41
3) Coherence of HRM policies/functions				
Presence of a HR Bundle system				
28. Practice of a HR bundle system	1	1		
29. Systematic interrelation of HRM functions	1	1		
Average	1	1	1	
Line Managers' Satisfaction				
30. Line managers' satisfaction. about the services of HR	2	3		
Average	2	3	2.5	1.75
4) HRM is fully integrated with strategic needs of org.				
31. Head of the HR as a member of BOD	1	1		
32. Head of HR's involvement in org. Strategic mgt pro.	1	1		
Average	1	1	1	
Availability of Skill I/ Mgt I/ Replacement charts etc.				
33. Availability of skill inventories and mgt invent.	1	2		
34. Succession planning	1	1		
35. Attitude surveys/ Satisfaction surveys	2	2		
36. Maintain performance appraisal records	3	3		
Average	1.75	2	1.875	
Establish of HR objectives				
37. Establishing HR objectives align to org. goals	2	3		
Average	2	3	2.5	1.79
5) Alignment of HRM with competitive business strategy				
38. Business strategy of the org.	4	4		
39. Defined labour orientation	4	4		
40. Encourage lifetime employment among employees	5	5		
Average	4.33	4.33	4.33	4.33
Total Average Intensity of SHRM				2.71
Intensity Level as a Percentage				54.2%

Table 2: Measurement of the Intensity of SHRM being practiced by the Company B

Company B- Interview check-list

Dimension	Inter.1	Interv.2	Sub Average	Average
1) Presence of a comprehensive HR Philosophy				
1. Availability of a comprehensive HR philosophy	4	4		
2. Identification of employees as a unique resource	4	4		
3. Sufficient level of awareness	3	3		
4. Efforts taken to generate the awareness	5	5		
Average	4	4	4	4
2) HRM is a major source of competitive advantage				
Employment Security				
5. Level of employment security	3	2		
6. Tendency to hire permanent employees	1	1		
7. Avoid retrenchment	2	2		
8. Comprehensive HRP effort	4	4		
Average	2.5	2.25	2.375	
Selective Hiring				
9. Rigorous selection process	4	4		

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10. Believe in importance of hiring high quality people	5	4		
11. Competency of hiring managers in selection	4	4		
12. Testing validity and reliability of selection methods	3	4		
Average	4	4	4	
Extensive Training				
13. Undertake formal training programs	4	3		
14. Believe in the positive influence of training on job performance	4	3		
15. Time allocated on training efforts	4	3		
16. Availability of wide range of training programs	3	3		
Average	3.75	3	3.375	
Employment Involvement and Information Sharing				
17. Availability of an open communication	4	4		
18. Sufficient avenues for forward emp. suggestions	5	4		
19. Recognition of emp. Suggestions	4	4		
20. Employee participation in decision making	3	3		
Average	4	3.75	3.88	
Self-managed Teams				
21. Encourage team work	4	4		
22. Believe in positive outcomes of team work	4	3		
Average	4	3.5	3.75	
High compensation contingent on performance				
23. Availability of performance related compensation s.	5	4		
24. Pay a higer salary to outstanding performers	2	2		
Average	3.5	3	3.25	
Reduction of Status differentials				
25. Believe in positive outcomes of reducing status diff	5	4		
26. Steps taken to reduce status differentials	4	4		
27. Availability of an open management culture	4	3		
Average	4.33	3.67	4	3.52
3) Coherence of HRM policies/functions				
Presence of a HR Bundle system				
28. Practice of a HR bundle system	4	4		
29. Systematic interrelation of HRM functions	4	4		
Average	4	4	4	
Line Managers' Satisfaction				
30. Line managers' satisfaction. about the services of HR	4	4		
	4	4	4	4
4) HRM is fully integrated with strategic needs of org.				
31. Head of the HR as a member of BOD	5	5		
32. Head of HR's involvement in org. Strategic mgt pro.	4	4		
	4.5	4.5	4.5	
Availability of Skill I/ Mgt I/ Replacement charts etc.				
33. Availability of skill inventories and mgt invent.	4	4		
34. Succession planning	4	4		
35. Attitude surveys/ Satisfaction surveys	3	3		
36. Maintain performance appraisal records	4	3		
	3.75	3.5	3.625	
Establish of HR objectives				
37. Establishing HR objectives align to org. goals	5	4		
	5	4	4.5	4.21
5) Alignment of HRM with competitive business strategy				
38. Business strategy of the org.	4	3		
39. Defined labour orientation	4	4		
40. Encourage lifetime employment among employees	2	1		
Average	3.33	2.67	3	3
Total Average of intensity of SHRM				3.75
Intensity level as a percentage				75%

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Discussion

Identified problems which reduce the intensity of SHRM practices in two companies

Company A

1. Lack of delegation and inadequate authority and power given to the HR department
2. Centralized power to the owners of the organization and confine the decision making freedom to the head of HR
3. Lack of Human Resource Planning efforts taken and the attitude toward the HRP
4. Hiring decisions are made on the sole discretion of the owners and refrain HR department from undertaking a rigorous selection process to select best candidates
5. Lack of concern regarding the importance of training requirements of employees
6. Do not embrace a performance driven culture within the organization
7. Absence of a performance related rewarding system
8. Inability of the company HR department in controlling head office workers
9. Since the head office and the production plant are located in two different places it has led to a rise problems such as increasing status differentials and lack of communication between two entities
10. Absence of comprehensive HR policies and procedures within the organization
11. Employee attitude has developed up to a point where they do not see the value and importance of each entity in achieving the shared goal of the organization
12. The confined role of HR department as a day to day administrative facilitator, absence of undertaking the core HR functions within their scope
13. The practice of the owners keeping the head of HR out of strategy defining process
14. Lack of career management efforts within the organization
15. Promote more objectivity when deciding employee promotions and other significant movements
16. Lack of systematic succession planning

Company B

1. Excessive documentation process involve in each HRM function as it is required according to the given global guidelines
2. Even the most senior managers do not hold the full authority to make decisions as they need in certain situations to stick to a globally practicing set of procedures.
3. Compare to the company A, lack of employment security and the limited freedom of local top personnel in deciding some aspects in relation to employment
4. High level of focus on cost cutting and the risk of downsizing in economic downturn times
5. Compare to the previous organizational context, little efforts are made on encouraging lifelong employment

Solutions to increase the level of intensity of SHRM practices

Company A

1. Delegate adequate authority to Head of Human Resource Department and designate him properly so he can function within his scope in a much efficient way

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2. Create fair mechanisms for power decentralization within the organization
3. Change the management attitude toward Human Resource Planning and undertake HRP efforts within the organization as a far-sighted company
4. Since the employee termination is at a very lower rate at present and to facilitate their aim of creating a loyalty based culture it is appropriate to use the internal referral method. But when practicing this method it is wise to develop a clear set of guidelines to get the best people to the company.
5. Get the opinion of head of HR when making hiring decisions
6. Make the selection process a more objective one where it involves many steps such as employment tests, assessment centers appropriate to each job role in addition to the existing interviewing method.
7. Design a wider set of training programmes as it involves the development of employee to do a possible future job. In this company the training given is aimed at only to successful completion of the current job and the future development of employee is ignored.
8. Set challengeable job goals to individuals and create a performance driven work culture within the organization.
9. Design a more realistic performance appraisal system which would enable capturing the best performing behaviours within the organization
10. Implement rewarding schemes based on employee performance and set contingent pay levels which differ on performance as the motivator
11. Most importantly develop a strong link between head office operations and factory HR department so that they can manage the entire workforce
12. Initiate new programs to enhance harmony among head office workers and plant employees
13. Due to the culture of this organization it is not practical to eradicate status differentials as they have used to that particular culture more than 50 years. So new programs should be initiated to ensure the sound relations between the managers and workers
14. Develop a comprehensive set of HR policies and procedures for the organization so that there can be promoted a standardized approach to employment related concerns
15. Conduct a formal and systematic attitude survey and get employee suggestions
16. Place more importance over HRM and take steps to get the involvement of HR when defining overall strategy of organization
17. Develop clear career path for each position and make employee aware about such arrangement so that they can achieve their potential
18. More objectivity should be there when deciding promotions
19. The company should undertake more formal succession planning as the workforce is a matured one. Also the organization should develop ways in capturing the tacit knowledge of employees because it is precious resource.

Company B

Compare to the previous organization, company B adapts highly systematic HR procedures and it has resulted in identifying only a few weaknesses. Since it is a multinational company

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even the top management do not hold adequate power and authorities to do major changes to their existing policies and procedures. The nature of the organizational affairs is always willingly or unwillingly local entities have to follow the global direction from their mother company which is located in a European country.

It is not practical to suggest solutions to the excessive documentation processes, limited power of top management in doing changes to their existing business models, policies and procedures. As a multinational company they have to have adhered to the given guidelines and top people in local companies have no choice over it. Regarding the employment security if they can introduce a certain pension scheme to their workers it would ensure their future security and will feel them safe. So that would minimize the negative outcomes of losing their job at some point.

Conclusion

It was aimed to find out the intensity of strategic human resource management in two selected private organizations through this research study. Two manufacturing companies were used in two different industries for the investigation purposes.

In company A, according to the five major dimensions used, the total average intensity of SHRM was calculated as 2.71 out of five points and it is 54.2% according to the analysis of the all aspects of SHRM.

In company B, according to the five major dimensions used, the total average intensity of SHRM was calculated as 3.75 out of five points and it is 75% according to the analysis of the all aspects of SHRM. So the company B has very high level of intensity of SHRM compared to the company A and it can be concluded that the HR department of company B has undertaken the role of a strategic business partner in their organization and embrace high quality strategy oriented HRM approach within their organization. Comparing the two organizational settings which were examined it can be said that the multinational companies are targeting at getting the best out of their staff more than the local companies.

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