

Human Resource Management: Its Role for Sustainability and Growth of the Organizations

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Abstract

Failing to run the organizations effectively is the result of failing to carryout HRM functions. This article has hypothesized those organizations not sustaining mean they do not practice human resource management properly by making it strategic. The methodologies used in the articles are extensive literature review and enquiries with the key people (managers) of the organizations taken as sample. The organizations selected for the study are of two types of organizations: (a) ten business houses established some years ago but not in operation, these days and (b) ten business houses established some years ago and survived and are in operations these days. The findings of the articles base on the opinions of 100 respondents comprised of employees (managers) organizations. Finding of the research is the weakness in human resource management makes the failure in its effective functioning and sustaining competitive advantage.

Keywords: *human resource management, resource based view, reasons of organizational failure/managerial failure, distinctive approach, organization existing and organization not existing.*

INTRODUCTION

Human Resource Management (HRM) is a set of those activities, which tie every individual of the organizations and assures for sustainability and growth of the organizations. Unless organization develops human resources (HRs) to make them fit the organizations to take the challenges of the changed environment through the proper mechanism, the organization cannot realize their objectives of meeting sustainability of competitive advantages and growth. Many authors have highlighted this in many studies. For example Peter F. Drucker once expressed that the proper or improper use of the different factors of production depend on the wishes of the human resources. It is therefore, he has stressed that besides other resources human resources need more development. He also put forward his

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opinion that human resources can increase cooperation but it needs proper and efficient management to guide it. Burke has identified the need of the present organizations -the need to increase productivity, enhance organizational capabilities, expand into global markets, develop and implement new technologies, respond to more demanding customer needs and changes in the highly volatile marketplace, increase revenue and decrease costs, attract and retain high-performing and flexible workforce, introduce and manage relevant organizational change, etc (Burke, 2005). Therefore, this paper tries to answer the issues regarding those factors that affect success and failure of the organizations.

Some terminologies used:

Human resource management: set of activities that are related to estimating human resources, selecting human resources, developing human resources, motivating, leading, and teaming them for the accomplishment of organizational objectives.

Resources based view: the view that organizational resources (tangible and intangible) are important to make the organizations sustained.

Reasons of organizational failure/managerial failure: Factors that affect the success or un-success of organization. When such factors are present in more extent, the chances of failing organizations are high. Such factors include inability and lackness in performing jobs.

Distinctive approach: this approach tries to make organizational resources unique, valuable, inimitable, and long lasting.

Existing organization and non-existing organizations: organization established, running, and operating successfully and non-existing organizations means organizations established once but not running and operating now due to different reasons.

Research questions and objectives of the research
When organization fails, it means it does not

sustain and growth cannot take place at all. In addition, this synonymously called the managerial failing. All managers do not manage and lead the organizations in a similar way. The symptoms of failing organizations are in the form of inability to identify the resources and incapable to mobilize resources and process of the performance of the organization. Therefore, this research paper has raised some pertinent research questions concerning what causes organization fail or managerial fail because if failing could be avoided success and sustainability will be in the hands. What management must look for the success and sustainability in an organization, if could be answered, further insight could be generated as regards to the sustainability and growth of the organizations.

METHODOLOGY

Sources of information and sampling

The information sources of this study are both primary and secondary source. As regards to primary data, information was furnished from ex-employees (ex-managers) of the organizations, which established once but not running at the time of study (2013), and the employees of the organizations which were found running at the time of study. Through the interviews with managers, this study has gathered information regarding the causes of managerial success or the falling of the managerial failing. While selecting organization for interview the criteria was - 10 successfully running organizations and 10 already dissolved organizations or not functioning organizations, all were from public enterprises of Kathmandu valley, and so sampling method was convenience sample of 20 organizations. Fifty managers responded from each-existing and non-existed organizations.

The standard of scaling and instruments

The instruments used in this study is interview schedule based on the findings made by Longenecker, Neubeert, and Fink in their study "Causes and consequences of managerial failure

in rapidly changing organizations" in 2007. In their study, they enquired with 1040 CEO through interview; organized 208 focused groups; and become successful to explore primary causes on why managers fail to get desired result in rapidly changing organizations. Out of the many reasons of organizations failure, they listed top 15 reasons in order. This study tries to examine the reasons in Nepalese context taking the base of these 15 reasons.

According to their study the top 15 reasons, listed as primary causes of managerial failure in rapidly changing organizations (n=1040 managers and 208 focus group), in the order were: (1) ineffective communication skills and practices, (2) poor work relationship/ interpersonal skills (3) Person job mismatch (4) fail to clarify direction/performance expectation (5) failing to adapt and break habits quickly (6) delegation and empowerment breakdown (7) lack of personal integrity and trustworthiness (8) unable to develop cooperation and teamwork (9) unable to lead and motivate others (10) poor planning practices and reactionary behavior (11) failure to monitor actual performance and provide feedback (12) failing to remove performance barriers and road blocks (13) ego, attitude and indifference problem (14) fail to select, promote and develop talent people (15) lack of misuse of critical resources.

The managers of sampled public enterprises were to rank these probable reasons based on Likert method (1 to 5 scale, five is for most agreed statement and decreasing weight of agreement in 4,3,2, and 1 respectively). A number of hundred managers from the selected 20 organizations were to respond to the queries of interview indicating on 5-point scales.

The reliability of the scale tested is crown back alpha 0.943 according to the IBM SPSS 20. The general practice is that above .7 the scale depicts Likert's rating scale has internal consistency. Interpretations was done judging each major reasons ranked with the help of SPSS 20 software using t test and descriptive statistics for ranking the order of the reasons in Nepalese perspectives.

DELIMITATION

This study bases on the ranking of 100 employees to the reasons of managerial failing/ organizational failing. The perceptions and opinions of the employees can vary based on the demographic factors like age, positions, grades, experiences, etc. however; this study has not taken these factors into considerations to discuss in this study. Therefore, for making this study more valid, further investigation is essential.

REVIEW OF LITERATURE

The significance of the role of people in the organizations is well established. Price expresses this "HRM has become the dominant approach to people management throughout much of the world" (price, 2007, p.3). Although the system of human work in the traditional society, in different periods, is not new thing, the 'Farmer's Almanac', a 5000-year-old Sumerian text, is the oldest known HRM textbook (Price, 2007). Being first text on the supervision of the farm, the text has advised the farmer to prepare a selection of whips and goads to keep men and beasts working hard. No idleness or interruptions are to be tolerated. Even planting barley seed had to be closely supervised as the unfortunate labourers were not trusted to do it properly.

Niccolo Machiavelli (1469–1527) wrote 'The Prince' (by which he meant a leader), there also he has prescribed to choose to use exercise of power. Both the literature proves that authoritative style predominated throughout the recorded history.

In 1776, Adam Smith (1723-1790) published 'An Inquiry into the Nature and Causes of the Wealth of Nations', which has been used as a milestone in the history of human resource management because this has emphasized the importance of the division of labour in achieving increased productivity. The principle of division labour became so practical that, from UK, it spread throughout Europe, then North America and continues to developing countries. The rate of

spread took place in East Asia faster than other parts of the world.

The management became the subject to be taught in the universities and colleges. In 1903, F.W. Taylor - an American engineer - published *Shop Management*, outlining a system for extracting maximum output from workers. Later, his methods were presented as *The Principles of Scientific Management* (1911). Until nineteenth century, the professional managers were not developed, however, USA became the first country to employ professional managers in its factories to control large industry producing goods for large masses. These professionals were supposed to be employed not from family connections but by their expertise, who have knowledge how to motivate employees, and give directions. This management theory brought the three steps management process - find the one best method of doing work, develop and train the staff who are selected for the job and motivate them with incentives.

Hugo Münsterberg (1913) published *Psychology and Industrial Efficiency*; it was the beginning of using psychology in the production process in the name of industrial psychology. During this period, academicians started studying about work, improvement of working conditions, vocational guidance and selection techniques under the broad heading of industrial psychology.

Elton Mayo, published *The Human Problems of an Industrial Civilization* (1933); this accumulated findings of the researches related to people at work. These studies are known as *Hawthorne Studies*. A number of studies were done at Chicago to know the relation of working conditions, lightings, group's works, relational of managers and employees, etc with the productivity. Actually, modern human resource management began from the findings of Hawthorne Studies in the name of *Human Relation Theory*. Two great significant contributions, out of the many, are: (1) a shift from a psycho-physiological model of the worker

to a socio-emotional one and (2) an appreciation of the fundamental importance of the worker's attitude to the job in determining performance.

Based on human relation theory, A. Maslow propounded a *theory of hierarchy of needs*. In 1954, Maslow first published *"Motivation and Personality,"* which introduced his theory about how people satisfy various personal needs in the context of their work. Following this theory a number of theories emerged: Herzberg's *Two Factor Theories* (1959), *Theory X and Theory Y* (McGregor, 1960) *Theory X and Theory Y* (McGregor, 1960), *Equity Theory* (Adams, 1963), *Managerial grid* (Blake and Mouton, 1964), *Goal setting theory* (1968).

After 1970, quality consciousness advanced the Japanese organizations and industrially developed countries of the west so Japanese companies became admirable for the organizations of west. The term 'Japanization' came into vogue in the mid-1980s to describe attempts in other countries to make practical use of 'Japanese' ideas and practices, reinforced by the impact of Japanese subsidiaries overseas (Price, 2007). After 1980 developing countries started to take models of management and productivity from Japan instead of USA. A key feature of Japanese businesses in the 1970s and 1980s was the emphasis on worker commitment, flexibility and development. Pascale and Athos' (1981) published a book *'The Art of Japanese Management'*, which highlighted the need of competitive advantage, which the Japanese organizations have created through effective people management. This book spread the message that 'essentially, it is the human resource among all the factors of production which really makes the difference' (Storey, 2001). HRM as a subject and name gain its momentum in 1981 with its introduction on the prestigious MBA course at Harvard Business School. The Harvard MBA provided a blueprint for many other courses throughout North America and the rest of the world, making its interpretation of HRM particularly influential (Beer, Walton and Spector, 1984; Guest, 1987; Poole, 1990).

The concept that every types of business has its solution on the strategic use of HRM began from 1984, which is called the birth of strategic human resource management when Devanna, Fombrun and Tichy extensively explored the link between business strategy and human resources (Wright, Donford. Benjamin, and Snell 2007). This changed the eye of viewing HRM from traditional perspectives to new dimension.

The knowledge of business management, which spread all over the world increased enterprises and brought changes in the business organizations in relations to their productivity and quality. Competitions among the industrial enterprises increased. Even the many reputed and giant organizations also were to face the challenges with the new emerging enterprises. In 60s to 70s, customers had to book for the products of the giant companies, changed such companies to do marketing efforts to sell the product. This brought the question of sustainability in the competitive advantages. To create sustainability the organizations started to look into the internal environment and external environment of the business. The downfall of many public enterprises all over the world started from this point of time. Creating competitive advantage becomes the process of creating life-giving blood of the organizations.

The work of Colbert viewed human resource management as the main internal factor to bring competitive advantage. Proponents of this view that internal sources as the sources of competitive advantage argued that organizations should focus on acquiring, deploying, developing, and retaining their resources rather than the competitive position in the market (Colbert, 2004). Organizational resources comprises three major kinds of resources: tangible (financial and physical), intangible (culture, reputation and technology), and human (Barney, 1995; Meyer, 2004 and Grant, 1998). Though, all the above types of resources are essential for organizational success, human resources and their management

have recently been viewed crucial in the attainment of organizational success (Ulrich, Lake, 1991; Pfeffer, 1994; Wright, McMahan, McWilliams, 1994; Becker, Gerhart, 1996; Kamoche, 1999; Wright, Dunford, Snell, 2001; Doorewaard, Benschop, 2003)

Pfeffer (1998), for the purpose of HRM to make competent to take growth needed for the organizations, proposed the seven HRM practices, which are: (1) employment security (2) selective hiring, (3) self-managed teams and decentralization of decision making (4) comparatively high compensation contingent on organizational performance, (5) extensive training, (6) reduced status distinctions and barriers, including dress, language, office arrangements, and wage differences across levels, and (7) extensive sharing of financial and performance information throughout the organization. Similarly, another study for sustainability of competitive advantage closely related five themes are presented as prescription by Plessis, Paine and Botha (2012). These five themes are change management, recruitment and retention, work-life balance, diversity management, and HR as a strategic partner.

Distinctive approach viewed that, for sustainability and growth in the competitive environment, that organizational resources should be unique, valuable, inimitable, and long lasting (Barney, 1995, Kamoche, 1999, and Grant, 1998). Besides distinctive approaches, there are a number of other approaches that describe human resource management as important resource of the organizations for sustainable competitive advantage. They are: resourced based view, (Barney, 1991, 1995; Grant 1991, 1998 and Kamoche, 1999), competency based view (Lado & Wilson, 1994), knowledge based view (Grant 1996, 1998), business view (Strandskov, 2006), behavioral perspective (Schuler & Jackson, 1999; Wright & McMahan, 1999), horizontal and vertical fit approach (Delery, 1998; Ferris 1999), competitive position view/country industry view (Porter, 1990, 1998)

RESULTS AND DISCUSSIONS

The Table 1 and Table 2 display the manager's perception regarding reasons of managerial failings of Nepalese organizations from which their sustainability were threatened. The reasons are inability to do managerial functions especially HR functions. The Table 1 shows that there are differences in the extent of presence of reasons of managerial failings in non-existing organizations and existing organizations. The average rankings on the reasons of managerial failings of two types of organizations were separately calculated. On the comparison of the average score of inability related to carrying out HRM functions, displayed in Table 1, mostly in

the case of non-existing organizations inability of performing are higher. Respondents response show that average performance of the non-existing organizations are relatively poor than that of the organizations existing and running to this date. The result displays that in the existing organizations the average performance rating from the employees is better. The Table 1 reveals that out of the 15 failing reasons, listed, related to HRM only in two reasons there were no significant difference in performance. These two reasons are - (1) failing to select and develop good people, and (2) unable to lead and motivate others (p value is greater than 0.05; all analysis is based on the calculation of SPSS 20).

Table 1: Differences in human resources practices based on employee responses

| HR functions | types of Organizations | Mean | Std. Deviation | Sig. (2-tailed) | Sig. diff in mean |
|--|---------------------------|------|----------------|-----------------|-------------------|
| Employee delegation and empowerment | Organization not existing | 4.04 | .198 | .000 | yes |
| | Organization existing | 2.94 | .424 | .000 | yes |
| Ego and attitude problem | Organization not existing | 4.04 | .198 | .001 | yes |
| | Organization existing | 3.68 | .683 | .001 | yes |
| Failing to break old habits and adopts quickly | Organization not existing | 4.04 | .198 | .000 | yes |
| | Organization existing | 2.90 | .505 | .000 | yes |
| Failing to monitor actual performance and provide feedback | Organization not existing | 4.62 | .667 | .000 | yes |
| | Organization existing | 3.66 | .717 | .000 | yes |
| Failing to remove performance feedback | Organization not existing | 4.04 | .198 | .001 | yes |
| | Organization existing | 3.68 | .713 | .001 | yes |
| Failing to select and develop good people | Organization not existing | 4.24 | .431 | .559 | No |
| | Organization existing | 4.14 | 1.125 | .559 | No |
| Failing to set clear directions and clarify performance expectations | Organization not existing | 4.04 | .198 | .000 | yes |
| | Organization existing | 2.96 | .450 | .000 | yes |
| Inability to develop cooperation | Organization not existing | 4.04 | .198 | .001 | yes |
| | Organization existing | 3.68 | .741 | .002 | yes |
| Ineffective communication skill and practice | Organization not existing | 4.04 | .198 | .000 | yes |
| | Organization existing | 1.52 | .953 | .000 | yes |
| Lack of personal integrations | Organization not existing | 3.32 | .587 | .000 | yes |
| | Organization existing | 2.12 | .435 | .000 | yes |

| | | | | | |
|---|---------------------------|------|-------|------|-----|
| Lack up or misuse of critical resources | Organization not existing | 4.04 | .198 | .000 | yes |
| | Organization existing | 2.90 | .505 | .000 | yes |
| Person job mismatch/ skill gap | Organization not existing | 4.04 | .198 | .001 | yes |
| | Organization existing | 3.66 | .772 | .001 | yes |
| Poor interpersonal relationship/ interpersonal skills | Organization not existing | 4.04 | .198 | .000 | yes |
| | Organization existing | 2.14 | .535 | .000 | yes |
| Poor planning practice and reactionary behavior | Organization not existing | 4.04 | .198 | .000 | yes |
| | Organization existing | 2.92 | .488 | .000 | yes |
| Unable to lead and motivate others | Organization not existing | 4.14 | .351 | .506 | No |
| | Organization existing | 4.02 | 1.220 | .507 | No |

Table 2: Differences in the perception of reasons of managerial failure in US and Nepal

| Reason of failure according to mean rank in Nepal | | | | | | |
|--|----------|-------------|-------------|----------|----------|-------------|
| Reasons for failure | Nepal | | | USA | | |
| | <i>n</i> | <i>mean</i> | <i>rank</i> | <i>n</i> | <i>%</i> | <i>rank</i> |
| Failing to select and develop good people | 100 | 4.19 | 1 | 1024 | 33 | 14 |
| Failing to monitor actual performance and provide feedback | 100 | 4.14 | 2 | 1024 | 40 | 11 |
| Unable to lead and motivate others | 100 | 4.08 | 3 | 1024 | 47 | 9 |
| Inability to develop cooperation | 100 | 3.86 | 4 | 1024 | 50 | 8 |
| Failing to remove performance feedback | 100 | 3.86 | 5 | 1024 | 37 | 12 |
| Ego and attitude problem | 100 | 3.86 | 6 | 1024 | 36 | 13 |
| Person job mismatch/ skill gap | 100 | 3.85 | 7 | 1024 | 69 | 3 |
| Failing to set clear directions and clarify performance expectations | 100 | 3.50 | 8 | 1024 | 64 | 4 |
| Unable to employee delegation and empowerment | 100 | 3.49 | 9 | 1024 | 56 | 6 |
| Poor planning practice and reactionary behavior | 100 | 3.48 | 10 | 1024 | 45 | 10 |
| Lack up or misuse of critical resources | 100 | 3.47 | 11 | 1024 | 31 | 15 |
| Failing to break old habits and adopts quickly | 100 | 3.47 | 12 | 1024 | 57 | 5 |
| Poor interpersonal relationship/ interpersonal skills | 100 | 3.09 | 13 | 1024 | 78 | 2 |
| Ineffective communication skill and practice | 100 | 2.78 | 14 | 1024 | 81 | 1 |
| Lack of personal integrations | 100 | 2.72 | 15 | 1024 | 52 | 7 |

The source of ranking of US organizations is Clington, O. L., Mitchell, J. N., Laurence, S. F. (2007).

The Table 2 displays the managers ranking to the main reasons of organizational/managerial failings. Order of the managerial failing factors of Nepal based organization and US based organizations differ. The Table 2 displays the responses received from qualitative research in

US regarding perception of failure of the organization as revealed from secondary data and the information received from Nepal as revealed from primary data. The ranking differs in a large extent. The Nepalese managers perceive that 'failing to select and develop good

people' is the number one reason whereas this is ranked in 14th place in US. Ineffective communication skill and practice was placed as main reasons by US managers where as in Nepal this gets 14th place. This shows that there is perceptual differences in managers of developed countries like USA and developing country Nepal. In Nepalese situation, major causes of managerial failures are failing to select and develop good people, failing to monitor actual performance and provide feedback, unable to lead and motivate others, inability to develop cooperation and failing to remove performance feedback. In the US situation, the major reasons for managerial failures are ineffective communication skill and practice, poor interpersonal relationship/interpersonal skills, person job mismatch/skill gap, failing to set clear directions and clarify performance expectations and failing to break old habits and adopts quickly.

The Table 1 displays that there is no significant differences in two performances related to HRM practices. One is 'failing to select and develop good people' and another is 'unable to lead and motivate others' between existing and non-existed organizations. The Table 2 displays that they are ranked by the Nepalese managers in first order major factor and third order major factors respectively out of the 15 major factors. This is because Nepalese public enterprises must follow certain principles and guidelines prescribed by Public Service Commission and organization provided rules and regulations. In both the organizations these practices did not differ while selecting and developing people. In the latter case 'inability to lead and motivate other' the reason of not being significant difference is due to the bureaucratic practices that public enterprises must follow in the name of maintaining equality that violates pay based performance system. For other major listed reasons of the managerial failings, managers can use their ability and discretionary power so there were significant differences between the two types of organization that are existing and non-existed (sustained and not sustained). Managers perceive as first and third major reasons to

'failing to select and develop good people' and 'unable to lead and motivate others' in existing and non-existing organizations because these are the practices immaterial to managers discretionary power but provision of the law. So the result can be summarized as follows.

1. There are significant differences between existing and non-existing organizations regarding some HR performance, which are the major causes that made the organization none existing from existing.
2. The respondents did not differentiate the two HR functions 'failing to select and develop good people' and 'unable to lead and motivate others' in existing and non-existing organizations, which mean these are not the causes of organization failure because selection, developing and motivating practices are largely guided by mandatory provisions of organizations, where managers have no right to use their discretionary power.
3. The rankings of major reasons by US managers and Nepalese managers differ, as Nepalese managers expressed that selection and development practices are the major reasons of organizational failure, whereas US managers expressed that ineffective communications and ineffective interpersonal relation as major falling factors of managers. In another words these are threatening sustainability of the organizations.

CONCLUSION

The literature review displays that human resource management always has been the important to gain productivity. The researches done elsewhere display that the reasons of business failures lie in the failing of carrying out some HRM related functions. The comparative study of the successful and unsuccessful organizations of Nepal also justify the fact that in the successfully running organizations most of the HRM functions are also functioning well. Managers' perception as to the major reasons of managerial failings in US organizations and

Nepalese public enterprises are different in order. Bureaucratic hurdles play very critical roles in Nepal in selecting and motivating employees by prescribing equality in

remuneration and other benefits, which can be counterproductive to treat employees of different abilities and expectations.

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