

## **Human Resource Planning and Competitive Advantage: Investigating the Relationship**

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### **ABSTRACT**

The research examines various determinants of human resource (HR) planning affecting competitive advantage in a manufacturing firm. Some of such considerations are future orientation, goal orientation, strategic staffing, training, compensation, labor market condition and performance management. Data were collected from 100 employees based on a structured questionnaire. The study harnessed reliability test, regression analyses and Pearson's correlations for data analysis. Results showed that goal orientation, labor market condition, performance management and training were significantly related to competitive advantage. In contrast, future orientation, strategic staffing and compensation were unrelated to the firms' competitive advantage. Findings suggest that considering on these determinants prior to human resource planning might contribute manufacturing firm to attain competitive advantage.

**JEL. Classification: E24, J24, O15.**

**Keywords:** Competitive advantage, HR planning, future orientation, strategic staffing

### **1. INTRODUCTION**

Human Resource Planning (HRP) is the systemic analysis of human resource needs in order to ensure that right number of employees with the necessary skills, are available when they are required. The importance of human resources to play role in gaining competitive advantage is greater than ever before. It assists an organization to help manage its staffs strategically. To ensure competitive advantage in the marketplace and anticipate staffing needs, organizations need to implement innovative strategies that are designed to enhance their employee retention rate and recruit fresh skilled talent. Human resource planning is one way to assist a company develop powerful strategies and predict company needs in order to keep their competitive edge (Ulrich 1992). Effective HR planning serves as a clear road map for any organization to forecast their staffing demand. Broadly HR Planning involves gathering of information, making objectives and making decisions to enable an organization to achieve its objectives. Until recently, few studies have been carried out in developing countries perspective in order to determine likely factors of HR planning triggering competitive advantage in manufacturing organization. Hence, the present study would shed lights to the existing literatures and intend to facilitate academics and practitioners to know the degree of correlations between HR planning and competitive advantage of the organization.

### **2. LITERATURE REVIEW**

The present study has deliberately assumed Human Resource Planning as Staffing which sits in a curious position at the dawn of the 21st century: Economic, societal, and cultural changes make organizational success and survival dependent on staffing, but many organizational decision makers and even organizational scholars fail to recognize staffing value. Nowadays, employees' skills and knowledge can make a positive impact on firms' productivity (Guzzo, Jette and Katzell 1985). And so, developing employees' knowledge, skills and abilities by training is tightly related with the competitive advantage of the organization. Recent studies have revealed the clear link between organizations' training initiatives to the increased and

more efficient productivity of the business. This area is very important especially when it comes to harness and grow employees' value and potential. Although there are number of factors of HR planning that might influence competitive advantage of the organization but the present study assumed only seven variables e.g., competitive advantage (CA), future orientation (FO), goal orientation (GO), strategic staffing (SS), labor market condition (LMC), training, compensation, and performance management (PM) either individually or collectively could affect competitive advantage of the firm.

Future orientation in staffing is a very important issue as it decides the kind of people who would be working in the company and hence it will have an impact on how the company will reach its goal in the long run. The team that the company will have to work with will have to be strong enough so that they can manage it well to get the company a competitive advantage over others. It is an important factor for the top management of the company as they, being in the company for a long period, will have an idea about the kind of people the company will require and the kind of people who would familiarize well with the environment of the company. So, mistakes in choosing employees might be costly and very problematic. And, this is why the future orientation is important to create a competitive advantage for the company (Guest 1997). Goal Orientation refers to dispositions toward developing or demonstrating ability in achievement situations. Goal orientation prior to staffing is an important factor as it is the point which decides what the goal is exactly going to be and how it is to be achieved following human resource planning. It helps giving a clear idea to the employees about what they will require to do and how they will achieve it. It is also significant because the employees need to be assured of where they have to take the company in the long run and what the destination of the company is (Guest 1997).

Strategic staffing is the process that organizations use to identify and address the staffing implications of their business strategies and plans. Many organizations understand the benefits of a long-term approach to staffing: reduced turnover and hiring costs, improved efficiency and morale, and ultimately greater profits. For every company, it is a must to have a strategic staffing clearly done so that the employees not only know their destination but also they have an idea about how to get to the goal. Without a plan, it will seem aimless and the target might even seem un-achievable. It provides a way to get to the destination through all the problems that could be coming in. So, better strategic staffing means it will definitely give a simpler and better way through the problems and hence will definitely be a competitive advantage for the company (Foss 2007).

Knowledge on labor market condition is a must for today's world of competition. Labor market condition or the availability of labor in the market will decide the amount of money needs to be disbursed in order to recruit adequate number of employees. So it has an effect on the final costing of the product. This is important as it could result in the reduction of the cost of the product and which in turn can be a competitive advantage for the company (Guest 1997). Compensation is what is paid to entice someone to do work for the company and it is a critical facet of any managers' job. Compensation includes many things beyond straight salary. It includes benefits, perks, stock options, etc. Managers have to balance the costs against what their employees perceives as their value, and that varies from one employee to another. It provides the employees with the motivation and inspiration one requires to perform, for companys' betterment. This helps build a better team for the company which becomes a competitive advantage for the company (Grant 1996). Performance management is something that directly focuses on how the employees will be working for the company in the future, as this is about performance management. The regulatory requirements for planning employees'

performance include establishing standards of their performance appraisal plans. Performance elements and standards should be measurable, understandable, verifiable, equitable, and achievable. The performance of the employees should be appreciated and praised, so that the employees will be motivated and influenced to do their jobs properly. Performance can even be rewarded for better results and more motivation (Guest 1997).

Employee training is at the heart of modern management practice in any organization (Purcell 2000). From a management point of view, training programs are expected to provide numerous benefits to the organization including employee development, increased productivity and improved employee performance (Watson 2008). Training and employee development are vital contributors to organizational success and will continue to be so in foreseeable future. Changes in economic forces and globalization point to the importance of human resources and skilled “knowledge workers” as key sources of sustainable competitive advantage (Drucker 1999). Every indication is that the need for training will continue given increasing demands on organizations to boost productivity, keep pace with technological advances, meet competitive pressures, use team-based decision making and problem solving, reengineer processes, and satisfy employee development and retention requirements.

So the above discussions might lead following hypothesis in the study:

H1: Future orientation in staffing is positively related to competitive advantage of the organization.

H2: Goal orientation in staffing is positively related to competitive advantage of the organization.

H3: Strategic staffing is positively related to competitive advantage of the organization.

H4: Knowledge on labor market condition while staffing is positively related to competitive advantage of the organization.

H5: Compensation planning while staffing is positively related to competitive advantage of the organization.

H6: Performance management planning while staffing is positively related to competitive advantage of the organization.

H7: Planning for training while staffing is positively related to competitive advantage of the organization.

### **3. CONCEPTUAL MODEL**

Much of the writing on Strategic Human Resource Management (SHRM) has focused on human resource practices as a source of competitive advantage (Schuler and MacMillan 1984). In this case, human resource planning is one of practices aimed at contributing competitive edge for the firms. The assumption is that firms that engage in the best human resource practices, i.e., have the best selection system, or best training program, or best reward system, etc., will have a competitive advantage over firms that fail to use this practice. Conceptual model is a descriptive model of a system based on qualitative assumptions about its elements, their interrelationships, and system boundaries. A conceptual framework can guide research by providing visual representations of theoretical constructs (variables) of interest. A model is developed (Figure 1) which is derived from the review of the literature by integrating theory and research relating to different components of HR planning. In this case, competitive advantage is the only dependent variable and independent variables are future orientation, goal orientation, strategic staffing, labor market condition, training, compensation and performance management.



Figure 1. Hypothesized model of the study

#### 4. METHOD

Control variables such as age, education, position, gender and experience were recorded in the study. A total of 100 respondents participated in the study essentially from managerial positions. The only respondents targeted were these, because they were expected to provide a comprehensive response pertaining to the strategic importance of human resources planning or staffing in the firm. Of them, 31% were managers, 2% were area managers, 32% were sales officers, and 35% were junior officers. Out of 100 participants, 73% were male and the 27% were female. The respondents' age, however, ranged from 20 years to 40 years. Maximum work experience of the participants was 12 years and the lowest was less than 1 year. The education level was MBA 34%, Honors degree 35%, and masters in other areas were 31%. The study conducted a convenience sampling approach. A mail survey was conducted in July 2011 to August 2011 for obtaining data. The key respondents belonged to a leading global supplier of branded packaging and trims to retailers, designers and merchants in Bangladesh. The name is promised not to disclose for ethical reasons. All the participants were given a letter, attached to the questionnaire from the author explaining the context of the research. No information was asked on the identity or contact information of the respondents. All employees received questionnaire through mail following ethical approval. Employees were assured of the confidentiality to their responses. The instrument consists of 40 items with eight variables e.g., competitive advantage, future orientation, goal orientation, strategic staffing, labor market condition, training, compensation, and performance management. The former one is the only dependent variable and the rest are moderating variables. All items used 5-point Likert Scale ranging from highly disagree (1) to highly agree (5). The items of each construct were in the form of statements that were direct, simple and concise. The participants had to tick the boxes next to each question according to the extent of their agreement (scale provided at the beginning of the questionnaire). Data obtained were analyzed with SPSS for Windows 11.5. To measure the reliability of the items, Cronbach's alpha value was calculated and to obtain maximum alpha value, factor analysis was prosecuted. In order to test the hypotheses, the analysis of Pearson Correlations and linear regression were used.

## 5. FINDINGS

Factor Analysis was carried out to eliminate the inconsistent items with low coefficient values to have higher alpha ( $\alpha$ ) values. After data collection, it was initially required to test reliability. This reliability value is a prerequisite for validity which is a measure for the degree of relation between the items assessed and actual results. Table 1 displays reliability values diagonally along with descriptive statistics, reliabilities, and coefficient values of all the constructs are displayed in Table-1 Mean scores have been calculated by equally weighting the mean scores of all the items. The study found highest mean score of future orientation as 4.24. This signifies that future orientation prior to staffing could play vital role to bring competitive advantage. The mean score of goal orientation and strategic staffing are 4.04 and 4.08 respectively indicate the importance of goal orientation and strategic staffing are crucial to achieve competitive advantage. Similarly, the mean scores of labor market condition and training are 3.77 and 3.89 respectively which implies managers to consider before staffing having competitive advantage. The mean scores of compensation and performance management are 3.87 and 3.97 respectively. These are required prior to staffing in order to gain competitive advantage. The mean score of competitive advantage is 3.94 also implies that staffing can be instrumental to sustain added advantage for organization.

Hypothesis 1 predicts that future orientation in staffing is positively related to competitive advantage of the organization. It has been observed in Table-1 that future orientation is not related to competitive advantage ( $r=.15$ ). Regression results in Table-2 do not support the hypothesis. Therefore, hypothesis is not accepted. Hypothesis 2 predicts that goal orientation in staffing is positively related to competitive advantage of the organization. From Table 1, it is shown that goal orientation is significantly related with competitive advantage ( $r=.42^{**}$ ). This is also supported by regression results (Table 2). Thus, the hypothesis is accepted.

Hypothesis 3 predicts that strategic staffing is positively related to competitive advantage of the organization. It has been observed in Table 1 that there is no relationship between staffing strategy and competitive advantage ( $r=.08$ ). The regression results also show no relationship. Thus the hypothesis is rejected.

**Table-1: Descriptive statistics, correlations and reliabilities of the variables**

Variables	Mean	SD	1	2	3	4	5	6	7	8
1. FO	4.24	.57	<b>(.71)</b>							
2. GO	4.04	.69	.46**	<b>(.61)</b>						
3. SS	4.08	.53	-.004	.11	<b>(.45)</b>					
4. LMC	3.77	.79	-.02	.11	.12	<b>(.74)</b>				
5. Training	3.89	.67	.12	.01	.03	.45**	<b>(.72)</b>			
6. Compensation	3.87	.58	-.11	-.06	-.01	.27**	.31**	<b>(.70)</b>		
7. PM	3.97	.60	-.01	.08	.06	.16	.15	.43**	<b>(.72)</b>	
8. CA	3.94	.55	.15	.42**	.08	.44**	.39**	.07	.27**	<b>(.57)</b>

$N=100$ ; \*\* $p<.01$ , \* $p<.05$ ; all items measured in 5 point scale

Hypothesis 4 predicts that knowledge on labor market conditions while staffing is positively related to competitive advantage of the organization. It has been observed in Table 1 that knowledge on labor market conditions is significantly positively related to organizations' competitive advantage ( $r=.44^{**}$ ). Regression results also supported ( $\beta=.44$ ) the hypothesis. Thus, hypothesis 4 is accepted.

**Table 2. Regression results of variables affecting competitive advantage**

VARIABLES	COMPETITIVE ADVANTAGE			
	$\beta$	T	F	AR <sup>2</sup>
Future Orientation	.15	1.53	2.34	.01
Goal Orientation	.42	4.61	21.29	.17
Strategic Staffing	.08	.83	.68	.003
Labor Market Condition	.44	4.87	23.74	.19
Training	.39	4.24	18.01	.15
Compensation	.07	.65	.43	.01
Performance Management	.27	2.74	7.52	.06

*Dependent: Competitive Advantage*

Hypothesis 5 predicts that compensation planning prior to staffing is positively related to competitive advantage of the organization. It has been observed in Table 1 that compensation planning is not related with competitive advantage ( $r=.07$ ). This is also supported by regression results ( $\beta=.07$ ). Therefore, the hypothesis is rejected. Hypothesis 6 predicts that performance management planning while staffing is positively related to competitive advantage of the organization. It has been observed in Table 1 that performance management planning is significantly positively related with competitive advantage ( $r=.27^{**}$ ). Regression results in Table 2 also supported the hypothesis ( $\beta=.27$ ). Thus, hypothesis 6 is accepted. Hypothesis 7 predicts that planning for training while staffing is positively related to competitive advantage of the organization. From Table 1, it has been observed that planning for training prior to staffing is significantly positively related to competitive advantage ( $r=.39^{**}$ ). This is also supported by regression results ( $\beta=.39$ ). Thus hypothesis 7 is accepted.

## 6. DISCUSSION

The study finds that future orientation in staffing is positively related to competitive advantage of the organization. Organizations in future-oriented societies, relative to past- or present-oriented societies, are more likely to implement written HR strategies to help pursue their goals and plans (Porter 1985). Again, goal orientation on staffing is positively related to competitive advantage of the organization. It means that future orientation and goal orientation on staffing are very important concepts which decide the kind of people who are going to be recruited and who are going to join the organization and hence it will have an impact on how the company will make strategies to fulfill its goal in future. The study demonstrates that the strategic staffing is positively related to competitive advantage of the organization. Past research suggests that organizations' employees can be a source for sustained competitive advantage and can determine the ultimate success of the organizations (Spender 1994). The study also indicates knowledge on labor market conditions while staffing is positively related to competitive advantage of the organization. Aaker (1989) observes that the acquisition and preservation of superior performance leads to competitive advantage is known to be dependent on the level of available resources and capabilities. This situation is further dependent on inherent knowledge because knowledge, resources and capabilities that have been acquired or developed through various learning processes broaden an understanding of the peculiarities of any business environment.

The ability to continuously acquire, assimilate, disseminate, and use knowledge is a determinant to success as it leads to waste minimization, innovation of products, better product development procedures, improved quality, flexibility in a dynamic market, improved

customer service among others. This means a firm's competitive advantage is positively correlated to its level of knowledge on existing market conditions, and its ability to adapt and exploit the prevailing market. The research finds positive relationship between performance management with competitive advantage. A well formulated and implemented performance management strategy can have significant effect on the attainment of competitive advantage (Porter and Kramer 2006). The resource-based view provides an avenue for organizations to plan and execute organizational performance management strategy by examining the position of internal resources and capabilities towards achieving competitive advantage (Sheehan and Foss 2007).

## 7. CONCLUSION, IMPLICATIONS AND FUTURE RESEARCH

The study has found that goal orientation, labor market condition, training and performance management have positive relationship with competitive advantage of the organization while staffing. It is imperative to understand why these four variables have a positive link with competitive advantage. Goal orientation affects employee's mind. It might motivate employees to do their best. By this study, it is also known that labor market condition moderates competitive advantage of the organization. This means labor market has a significant influence both on employees and the organization. External labor market condition can play vital role for the organization concurrently affecting competitive advantage. Training is essential to have competitive advantage for the organization. Finally, performance management also has an effect on competitive advantage while staffing. Future orientation, strategic staffing and compensation did not have positive relationship with competitive advantage. The study has surfaced new rooms for future researchers to explore why these factors are not affecting competitive advantage of the organization while staffing. Future research may consider more factors being affected and can have a great result. Every single organization in the world uses some form of staffing procedure, but there is no guarantee they use them optimally or even appropriately. This is unfortunate but is likely to continue unless research-practice gaps are convergent to show the business unit strategic value of staffing. Smaller sample size ( $N=100$ ) and data obtained from a single manufacturing firm made it difficult to generalize the findings for others. Future research with large sample size regardless of industry might generate more avenues for researchers in Human Resource Management.

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