

Human Resource Consultancy and Organizational Growth: Exploring the Relationship

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ABSTRACT

This study gives an insight about the Human Resource (HR) Management practices by HR consultancy firms. The study strives to find out how the HR consultancy firms are implementing HR practices and how much they follow HR policies to deal clients for daily operations. A survey was done with 100 employees from 12 leading HR consultancy firms in Bangladesh to learn the significance of strategic human resource management (SHRM) required for organizational growth. The result suggests that HR consultancy firms consider several dimensions while designing their SHRM planning needed for organizational growth. The consultancy firms also acknowledge that to insure increased level of organizational growth, the urgency of human resource development, proper HR policies, strategic recruitment and training programs are significant.

JEL. Classification: E24, J24, O15.

Keywords: HR consultancy, Organizational growth, Strategic Human Resource Management

1. INTRODUCTION

Human Resource (HR) consultancy firms are committed to advancing the human resource profession to ensure that HR is an essential and effective partner in developing and executing organizational strategy. HR professionals who have the business acumen to contribute to business strategy at the highest organizational levels are leading the shift in the HR profession from administrators to strategic advisors. Those HR professionals who understand the language of business, who speak in financial terms and who express the value of their work in relation to its impact on the bottom line make HR a compelling component in strategy discussions. The concept of HR consultancy firm is relatively new but growing industry in Bangladesh. One of the factors behind this has been a shift towards using consultants to provide specific skills that clients do not have in house. The supply of eligible candidates is increasing in a far more speed than what the market is demanding. HR consultancy firms in Bangladesh have already created the faith that they are efficient enough to find the right job for the right person. Despite of having own HR department, most of the local as well as multi-national companies now outsource part of their functions to these consultancy firms. HR consultants facilitate the multinational companies to hire personnel as per the mentioned job descriptions. It is always difficult and sensitive to develop the human asset as competitive advantage so that the organization can make profit. Till date few studies have been conducted to determine the likely effect of factors causing organizational growth in context HR consultancy firms in Bangladesh. Hence, the present study will attribute to prevailing literatures and subsequently will assist academics, researchers and practitioners to concentrate on the factors influencing firms' growth and development by HR consultancy firms.

2. LITERATURE REVIEW

The need of having proper HR policies aligned with strategic goal and objective of the organization is linked with organizational growth. The implementation of effective HR practices has been shown to play an important role in building and maintaining the

commitment of employees towards the organization (Allen et al. 2003). Few organizations effectively measure how well their different inputs affect organizational growth. In particular, no measures may be in place for quantifying the contribution people make to organizational outcomes or, more importantly for estimating how changes in policies and practices, systems, or processes will affect that contribution. Organizational growth is based upon the strategic human resource management which need to review the HR policies time to time. The human resources practitioner must ensure that the HR Strategy is integrated with broader organizational objectives. The challenge is to infuse a strategic approach to sustainable development throughout the organization. Although there can be number of factors triggering the growth of organization, the present study deemed only six independent variables: HR development, HR policies, HR outsourcing, training, recruitment, & strategic human resource management and one dependent variable i.e., organizational growth to determine what extent independent factors account for dependent variable. In the following sections literature review, method, findings, discussion, conclusion and implications have been illustrated.

McLagan (1989) postulated a much larger scope for HRD by defining it as “the integrated use of training and development, organization development, and career development to improve individual, group, and organizational effectiveness.” Watkins (1991) supported this expansive understanding of the field by defining HRD as a field that fosters the long-term, work-related learning capacity at individual, group, and organizational levels, including, but not limited to, organization development, career development, and training and development—the same areas as identified by McLagan (1989). Donovan and Marsick (2000) pointed to the increasing application and incorporation of other fields of study into the common understanding of HRD, including organizational leadership, organizational values, workforce development at the societal level, and labor economics.

Human Resources policies establish guidelines for action on people-related business issues and HR programs (Mello 2006). People-related business issues are those that affect the immediate and future success of the business and involve people. Flowing from the strategic business needs they may include the need to hire skilled workers, the need to improve worker productivity, or the need to reduce health care costs. Other business issues include the need to develop a top cadre of international managers, the need to have an adaptable and skilled workforce under changing environmental conditions, and the need to reduce excessive turnover of younger, talented individuals who are blocked by the limited number of traditional promotion opportunities.

Outsourcing is promoted as one of the most powerful trends in human resources management. The rationale for outsourcing HR functions includes financial savings, an increased ability to focus on strategic issues, access to technology and specialized expertise, and an ability to demand measurable and improved service levels (Belcourt 2006). The form of HR delivery has become much more popular in the last 10 years. PricewaterhouseCoopers survey (2002) reported that over 70% of organizations outsourced at least one aspect of their HR work compared with a little less than 50% two years earlier, and this is likely to have grown consistently since then (Marchington and Wilkinson 2008). Charles et al. (1999) identified five competitive forces that are driving more companies to outsource some or all of their HR activities: downsizing, rapid growth or decline, globalization, increased competition, and restructuring. The global imperatives for outsourcing accelerates as firms evolve from sellers of products and services abroad to setting up operations in foreign countries and staffing those operations with host country or third party nationals. Strategically, outsourcing provides HR departments with a tool of producing competitive advantage for the firm.

Training has long been a fundamental concern in organizational contexts. As the nature of work changes, employees are increasingly required to develop a wide, mutable set of skills that are essential to the success of their organizations. Yet few workers possess the cultural competence, interpersonal skills and technological proficiency required for these changing work demands (Salas and Stagl 2009). Training is focused on producing permanent cognitive and behavioral changes, and on developing critical competencies for job performance. Organizations make increasingly large investments in training because it serves as a powerful tool for producing the targeted cognitive, behavioral and affective learning outcomes essential for their survival. Effective training can yield higher productivity, improved work quality, increased motivation and commitment, higher morale and teamwork, and fewer errors, culminating in a strong competitive advantage. Training and employee development are vital contributors to organizational success and will continue to be so in the foreseeable future.

Hiring competent people is of paramount importance and this is dependent on effective recruitment and selection procedures, which aim to select the 'right' individuals and reject the 'wrong' ones. The importance of this should not be underestimated because a poor requirement decision can cost an employer an amount equal to 30 per cent of the employee's first-year earnings (Hacker 1997). These costs can include: lower productivity; potential loss of clients; training costs; advertising costs; recruitment fees and redundancy packages (Smith and Graves 2002). Recruitment and selection involves making predictions about future behavior so that decisions can be made about who will be most suitable for a particular job. Predictions must always be couched in terms of probabilities because the future is unpredictable (Bach 2005). In addition, employee selection is a procedure of matching organizational requirements with the skills and qualifications of people. Selection process helps an organization to effectively select the right people for the organization.

Strategic human resource management (SHRM) is concerned with the relationship between an organization's strategic management and the management of its human resources (Boxall 1996). Gerhart (2005) suggested that SHRM moves closer to the individual level by emphasizing HR's impact on employee relations and attitudes. Effective organizations are increasingly realizing that of the varied factors that contribute to performance, the human element is clearly the most critical (Mello 2006). Managers at all levels in organizations are becoming increasingly aware that a critical source of competitive advantage often comes not from having the most ingenious product design or service, the best marketing strategy, state-of-the-art technology, or the most savvy financial management but from having the appropriate systems for attracting, motivating, and managing the organizations' human resources. The HR strategy will need to show that careful planning of the people issues will make it substantially easier for the organization to achieve its wider strategic and operational goals. There is no single approach to developing a Human Resources Strategy. The specific approach will vary from one organization to another.

So from the above detailed discussions following hypothesis can be deduced:

H1: Human Resource Development program will be positively related with organizational growth.

H2: Implementing HR Policies appropriately will be positively related with organizational growth.

H3: HR outsourcing will be positively related with organizational growth.

H4: Implementing training programs will be positively related with organizational growth.

H5: Strategic recruitment system will be positively related with organizational growth.

H6: Strategic human resource management practices will be positively related with organizational growth.

3. CONCEPTUAL MODEL

For the growth of any organization the first necessity is to have an efficient pool of human resources who can make the organization grow with their ideas, effort, thinking and dedication. It is highly needed that the organization has proper human resource development program as it is the people who run the organization and without developing them properly an organization can never grow. A model (Figure 1) is derived from a review of the literature by integrating theory and research in congruent to human resource development, HR policies, recruitment, training, HR outsourcing and strategic human resource management and their relationship with organizational growth in this study. The used questionnaire also stemmed from the same literature review. The concepts of human capital and strategic human resource management (SHRM) have become popular among organizations in terms of their philosophy and techniques (Jackson and Schuler, 2000).

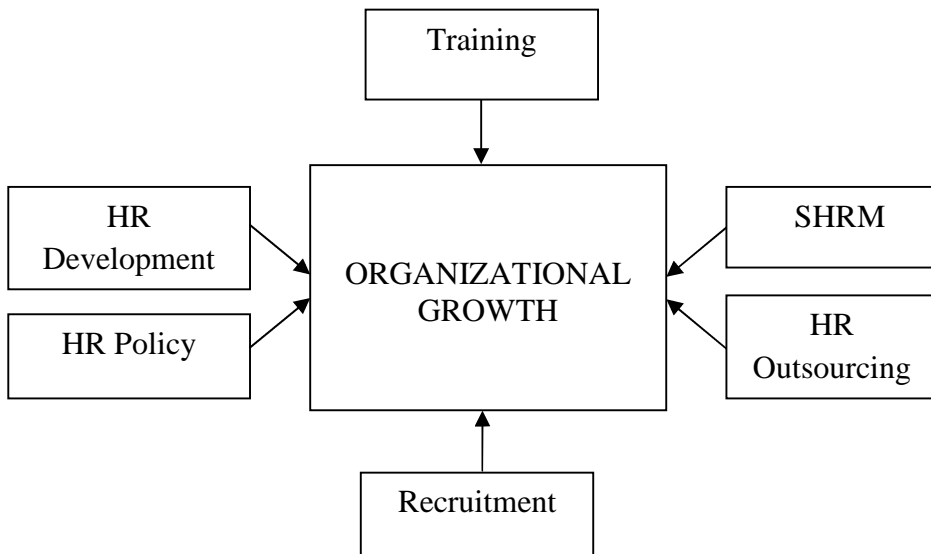


Figure 1: Hypothesized model of the study

4. METHOD

Participants were employees from 12 leading HR consultancy firms of Bangladesh and asked to fill out self-administered structured questionnaire. The effective sample size consisted of 100 employees. The questionnaire was designed with six independent variables such as human resource development, HR policies, recruitment, training, HR outsourcing and strategic human resource management and one dependent variable as organizational growth. In each variable there were five items and the questions of each section were in the form of statements that were direct, simple and concise mostly.

Participants choose the appropriate option from 7 likert scale as per their agreement level. Scale rating provided was: 1='Highly Disagree', 2='Moderately Disagree', 3='Neutral',

4=‘Moderately Agree’, 5=‘Highly Agree’. Questionnaires were distributed at the management levels of those employed through emailing. Out of the 100 participants, Intern was 5%, HR Trainee 5%, Junior HR Associate 56%, HR Associate 28%, and Senior HR Associate 6%. Of them, 15 were female (15%) and 85 were male (85%). Of them, 6% have job experience of more than 2 years, 12% have less than 1 year and 82% have 1 to 2 years tenure. Descriptive statistics of some demographic variables of the participants for instance position mean was 3.25 & standard deviation 0.85 respectively; tenure mean was 1.94 & standard deviation 0.42 respectively and gender mean was 1.15 & standard deviation 0.4 respectively. Data gained were analyzed with SPSS. Alpha value was calculated to know the reliability and to test hypothesis, Pearson Correlation and linear regression were used.

5. FINDINGS

Table 1 represents alpha ranges from .82 to .84, which was required to know the internal consistency of items among variables. Table 2 is the summary of the regression statistics.

Hypothesis 1 and 2 predicts that firms designing effective human resource development positively related with organizational growth. The study finds a very strong correlation between organizational growth with human resource development ($r=.92^{**}$, $p<.01$) and HR policies ($r=.93^{**}$, $p<.01$).

Hypothesis 3 and 4 predicts that there is positive correlation of organizational growth with HR outsourcing ($r=.58^{**}$, $p<.01$) and training ($r=.75^{**}$, $p<.01$).

Hypothesis 5 and 6 predicts that there is a positive correlation of organizational growth with recruitment ($r=.82^{**}$, $p<.01$) and strategic HRM ($r=.61$, $<.01$).

Table 2 indicates that the organizational growth shows the strong relationship with independent factors (Adj. R^2 .94) which is strongly fitted model (F 281.14).

Table 1. Descriptive statistics, Pearson Correlations and Reliabilities among variables

Variables	Mean	SD	1	2	3	4	5	6	7
1. Organizational Growth	3.71	.60	(.83)						
2. Human Resource Development	3.74	.59	.92	(.82)					
3. HR Policy	3.70	.57	.93	.88	(.84)				
4. Human Resource Outsourcing	3.68	.58	.58	.54	.50	(.80)			
5. Training	3.66	.53	.75	.75	.61	.53	(.84)		
6. Recruitment	3.74	.56	.82	.72	.69	.54	.74	(.83)	
7. Strategic HRM	3.64	.60	.61	.60	.53	.78	.46	.59	(.84)

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

Table 2. Regression results affecting organizational growth in the study

Variables	Unstandardized		Standardized Coefficients		
	β	Std. Error	B	t	Sig.
Human Resource Development	.214	.061	.214	3.497	.001
HR Policy Implementation	.517	.054	.506	9.661	.000
HR Outsourcing	8.999E-03	.040	.009	.223	.824
Training	.115	.048	.103	2.423	.017
Recruitment	.209	.043	.199	4.839	.000
Strategic HRM	5.820E-02	.041	.059	1.434	.155
F	281.14				
R	.95				
R ²	.94				
Adjusted R ²	.94				

Dependent: Organizational Growth

6. DISCUSSION

The result displays that to ensure organizational growth, human resource development is necessary. The literature suggests that employees enhance their commitment towards the organization when the organization meets their expectations. The positive results of having appropriate HR policies is supported by several studies in the literature concerning the nature of the relationship between business strategy, human resource management and firm performance (Kelliher and Perret, 2001). This can be justified by the study of Hansson (2007) mentioned that issues of HRM practices at front line management in the organization required concrete set of training programs. The research finds moderately significant relationship with HR outsourcing and organizational growth. Specifically, the relationship between the degree of outsourcing and the perceived benefits generated was moderated by reliance on idiosyncratic HR practices, uncertainty, firm size, and cost pressures. The result shows that training is positively related with organizational growth.

This can be justified by the study of Kintana, Alonso and Olaverri (2006) that the training has positive effects on employees' productivity. Literatures of HRM implies that if people are considered and managed as valuable strategic resources, the firm can achieve competitive advantage and as a consequence demonstrate superior performance (Pfeffer 1998). Selection plays a critical role in implementing firm strategy and is designed to employ people with desired skills and behaviors needed to improve performance (Werbel and DeMarie 2005). The findings represent a moderate relationship between SHRM and organizational growth. There is a close relationship between human resources management and firm's strategy which in turn refers to the business environment and organizational development (Grundy 1997). It is widely accepted that a company's human resource management practices should be matching to the strategy of the whole company.

7. CONCLUSION AND DIRECTIONS FOR FUTURE RESEARCH

Considering the results together shows that the twelve leading HR consultancy firms follow similar HR policies and executes their business in almost similarly as the findings of the present study has been revealed. The employees believe that HR consultancy firms should practice proper human resource development plans required for organizational growth. There is need to focus on the human resource development program for innovation and creation of

ideas for the benefit of organizational business. According to the study, to ensure organizational growth the HR policies should be reshuffled, properly communicated and employees also believe that these firms should follow HR policies that align with their long term strategic goal of growth and success.

HR outsourcing is becoming one of the major businesses of these consultancy firms and they believe that it is beneficial for the organization if properly merged with the overall objectives of the firm. The study also identifies that many firms do not practice SHRM that might ensure desired growth of the organization. In accordance to this organizations agreed on strategic recruitment policies and training programs which comes on priority for systematic organizational growth. The firms could also follow timely recruitment process that would help them to learn and grow. The study strongly commends more rooms to spare for further research. Though the study was confined to 12 consultancy firms and the sample size was small ($N=100$), to have comprehensive idea sample size could have been bigger. Future research may also consider multiple stakeholders to increase data reliability pertaining to enormous quest of HR consultancy in Bangladesh.

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ACKNOWLEDGEMENT

Author(s) would like to thank the editors and anonymous referees for their comments and insight in improving the draft copy of this article. Author(s) further would like to declare that this manuscript is original and has not previously been published, and that it is not currently on offer to another publisher; and also transfer copyrights to the publisher of this journal.

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Received: 15-09-2013; Revised: 24-10-2013; Accepted: 30-12-2013; Published: 31-12-2013