Human Resource Management Practices and Organizational Growth: A Theoretical Perspective

Kabari, John Baribor, Ph.D
Department of Public Administration, Ebonyi State University, Abakiliki, Nigeria

Abstract: Human Resource (HR) today has an incredible opportunity to increase its impact on organizational performance and become a true strategic partner by contributing to the organizational and work design challenges that enable organizational growth. This paper examined the theoretical perspectives of Strategic Human Resource Management Practices (SHRMP). A narrative approach has adopted an attempt to draw a relationship between SHRMP and organizational growth. Other related works written by different authors were reviewed. The findings could be generally stated to HR practices have a very strong relationship with organizational growth. The implication is that organizations must use their human resources effectively to limit the waste that occurs when valuable human resources are used poorly, say, without adequate on-the-job training or promotion. Given the increased emphasis on HR practices, HR managers must understand the critical nature and utmost importance of the effectiveness of HR practices such as training, planning, reward, recruitment, selection and promotion in creating value for the organization.

Keywords: SHRM, HRM, Organizational Growth

I. Introduction

Strategic human resources management (SHRM) involves designing and implementing a set of internally consistent policies and practices that ensure the human capital of an organization contributes to the achievement of the business objectives. Human resource management (HRM) is a strategic and coherent approach to the management of an organization’s most valued assets - the people working there who individually and collectively contribute to the achievement of its objectives (Armstrong, 2006). Storey (1989) regarded HRM as a set of interrelated policies with an ideological and philosophical underpinning. In this age of rapid technological development, the importance of human resources holds the key to the development and growth of an organization. Strategic human resource management is a new approach, that helps in aligning the skills present in the employees with the goals to be achieved by the organization.

Strategic human resource management can be defined as the linking of human resources with strategic goals and objectives (Boxall, 1992). In an organization, strategic human resource management functions as a strategic partner in the formulation and implementation of an organization’s strategies through human resource activities such as recruiting, selecting, training and rewarding personnel (Sinha, 2014). SHRM is designed to help organizations best meet the needs of their employees while promoting organization goals. SHRM requires thinking ahead, and planning ways for an organization to better meet the needs of its employees, and for the employees to better meet the needs of the organization.

Organizations that work hard to meet the needs of their employees can cultivate a work atmosphere conducive to productivity and growth. SHRM is the best way to achieve this. Being able to plan for the heads of employees by thinking ahead can help to improve the rate of skilled employees, who chose to work for the organization. Improving the employees’ retention rate can reduce the money organizations spend on finding and training new employees.
the potential of an organization's resources and optimizing the output of such resources, provides an impetus for HR to become the key source of creating the competitive advantage for the organization (Sunil, 2003).

Growth is something for which most organizations, large or small, strive. Small firms want to get big, big firms want to get bigger. As observed by Gosby (1990) if for no other reason than to develop over the years. There are many parameters an organization can select to measure its growth. The most meaningful yardstick is one that shows progress with respect to an organization’s stated goals. The ultimate goal of most organizations is profit, so net profit, relevance, productivity, sales figures, number of employees, physical expansion, and other financial data are often utilized as ‘bottom-line’ indicators of growth.

The human resource department does much more than just recruit employees for the organization. Ensuring an effective reward system and using the human resource effectively to give the organization competitive advantages and completing the set targets are some of the priorities. Human resources seek to guide their organization through periods of growth. Whether the growth is dramatic or incremental, organizations often encounter difficulties. Organizational growth, however, brings with it an inevitable dilution of that hands-on capability, while the complexity of various organizational tasks simultaneously increases. As the organization grows and increase in size, control becomes more complex. Growth in organizations makes planning for training, reward, additional recruitment, and event promotion more difficult due to the difficulties in planning for the implementation, of these practices, organizations face downturns in development, profitability, competitive advantage and growth.

Human resources and organizations face a dizzying array of organizational elements that have to be revised following changing realities. Maintaining effective methods of communication with and between employees and departments, for example, become ever more difficult but important as the firm grows. Similarly, good human resource management practices, from hiring to training to empowerment, have to be implemented and maintained. Establishing and improving standard practices are often key elements of organizational growth as well. A business that undergoes a significant burst of growth finds its operations transformed in any number of ways. And often, it will be the owner’s planning and management of the skills that will determine whether that growth is sustained or whether internal constraints rein in that growth prematurely. This paper seeks to analyze the implications of some of the human resource management practices about their degree of impact on organizational growth.

The general objective of this study is to examine the implications of strategic human resource management practices and organizational growth using a theoretical perspective. The specific objectives include,

i. to determine the degree of relationship between training and productivity in an organization.
ii. to determine the degree of relationship between a reward system and profitability in an organization.
iii. to determine the extent recruitment relates to competitive advantage in an organization.
iv. to assess the usefulness of planning with respect to the growth of an organization.

III. Review of Related Literature

Strategic Human Resource Management (SHRM)
The primary goal of Strategic Human Resource Management (SHRM) is to increase employee productivity by focusing on business obstacles that occur outside the human resources (Sipha, 2014). The actions of a strategic human resource manager are to identify key human resource areas where strategies can be implemented to improve the overall employee motivation and productivity.
Strategic Human Resource Management (SHRM) is a branch of Human Resource Management (HRM) that has emerged out of the parent discipline of human resource management (Truss and Gratton, 1994).

Empirical Review
Mohrman (2007) investigated the design of organisations for growth: The human resource contribution, which investigates the key issues raised in designing an organisation for rapid growth and how HR can contribute to this. By contributing to organisational and work design, challenges that enable growth, HR has an incredible opportunity to increase its impact on organisational performance and become a true strategic partner.

Understanding organisational design approaches for growth, leading design processes, and developing organisational capabilities for growth are critical strategic contributions for HR professionals. To play this role, HR will need to learn new skills in organisational design, assist the business in determining how it should be structured, and incorporate growth routines into the organisation. According to the findings of the study, talent management is inextricably linked to organisational and work system design, with each constraining the other. Whether seeking organic growth in new markets, expanding through the development of innovative products, services, and business models, or expanding through acquisitions and partnerships, organisations must find and integrate new resources, realign existing ones, and reconfigure core design features to cope with the increased size and complexity that comes with growth.

The study, therefore, concluded that to support growth strategies. HR’s definition of talent management has to be expanded to include designing the context in which talent operates. The ability to optimize talent strategy is in profound interdependence with how the organization is designed to function. Must expand its domain of influence by becoming proficient at shaping the design of the organization for growth.

Collins (1987) observed in his study on the strategic contributions of the human resource function that, consideration of the strategic contributions of human resource management to organizational functioning and performance requires a qualitatively different approach from that accorded traditional perspectives of personnel management. The strategic contributions of the human resource function to organizations are examined at both the corporate and business levels. It is argued that at both levels issues arising from the management of people are central to the formulation and implementation of the strategy.

Collins emphasized the need to establish alignment between an organization’s mission, strategy, structure, culture, workforce characteristics and personnel policies and practices. The attainment of tight fit is very difficult in a dynamic world. However, many organizations are underperforming because of in congruencies between their strategies and structure, and particularly their culture and workforce competencies and attitudes. He suggested that senior managers and personnel specialists need to adopt a strategic mindset to conceptualize fie issue and identify appropriate action. Improvement in the strategic management of people in an organization requires a commitment to sustained long term action. Therefore, skills, patience, and courage will be required to hold in place the necessary initiatives which will improve the contribution of the personnel function to organizational success and growth.

Conner and Ulrich (1996) stated in their study on “human resource roles: creating value, not rhetoric” that what is needed is an HR function that expands its focus beyond its traditional operational and transactional role. To improve its effectiveness and have a greater impact, the human resource function must understand how to add value to the organization by helping line managers align HR strategies, processes, and practices with business needs. The questionnaire was created to test the extent to which HR roles could be defined and measured. Items were developed around the four key roles, outlined by Ulrich (1993) - that is, strategic partner, change agent, employee champion, and administrative expert.
Data from the study were subjected to factor analysis to investigate the number and kinds of factors that could be determined from the data. Simple statistics and Pearson Correlation Coefficients were also calculated concerning each of the four roles. Findings revealed that scores were higher for the employee champion, and administrative expert roles and lower for the strategic partner and change agent roles. This is consistent with the traditional human resource roles. The lowest score is the strategic partner role. The study confirms the existence of discrete multiple roles that human resource people play and suggests that it is important that these roles are communicated clearly to human resource people so that they can continue to build their skills, knowledge, and abilities.

III Theoretical Framework

Resource-based view theory

Resource-based view as the influential body of research within the field of strategic management was named by Birger Wernerfelt in his article. Two publications closely following Wernerfelt’s initial article came from Barney (1986a, 1986b). Even though Wernerfelt was not referenced directly, the statements made by Barney about strategic factor markets and the role of expectations can be seen within the resource-based framework as later developed by Barney in 1991. Other concepts that were later integrated into the resource-based framework are uncertain inimitability (Lippman and Rumelt, 1982), isolating mechanisms (Rumelt, 1984), inimitability (Dietickx & Cool; 1989).

A resource-based view of a firm explains its ability to deliver sustainable competitive advantage when resources are managed such that their outcomes cannot be imitated by competitors, which ultimately creates a competitive barrier (Mahoney and Pandian, 1992). RBV explains that a firm’s sustainable competitive advantage is reached under unique resources being rare, valuable, inimitable, non-tradable, and non-advantage through unique resources which it holds, and these resources cannot be easily bought, transferred, or copied, and simultaneously, they add value to a firm while being rare (Barney, 2001). A major concern in RBV is focused on the ability of the firm to maintain a combination of resources that cannot be possessed or built up similarly by competitors. Effectively, this translates into valuable resources that are neither perfectly imitable nor substitutable without great effort (Barney, 1991).

These resources fulfill the following criteria referred to as VRIN (valuable, rare, inimitable, and non-substitutable).

- **Value** - A resource must enable a firm to employ a value-creating strategy, by either outperforming its competitors or reducing its own weaknesses. According to Mahoney and Pandian (1992), the relevant perspective in this is that the transaction costs associated with the investment in the resource cannot be higher than the discounted future rents that flow out of the value-creating strategy.

- **Rare-To** is of value, a resource must be rare by definition. In a perfectly competitive strategic factor market for resources, the price of the resource will be a reflection of the expected discounted future above-average returns (Dierickx and Cool, 1989).

- **In-imitable**- If a valuable resource is controlled by only one firm it, could be a source of competitive advantage. This advantage could be sustainable if competitors are not able to duplicate this strategic asset perfectly (Peteraf, 1993). According to Peteraf, the term isolating mechanism was introduced by Rumelt (1984) to explain why firms might not be able to imitate a resource to the degree that they are able to compete with the firm having the valuable resource (Mahoney and Pandian, 1992). An important underlying factor of inimitability is causal ambiguity, which occurs if the source from which a firm’s competitive advantage stems is unknown (Lipmann and Rumelt, 1982). If the resource in question is knowledge-based or social complex, causal ambiguity is more likely to occur as these types of resources are more likely to be idiosyncratic to the firm in which it resides (Peteraf, 1993).

- **Non-substitutable** - Even if a resource is rare, potentially value-creating and imperfectly
imitable, an equally important aspect is lack of substitutability (Dierickx and Cool, 1989). If competitors can substitute the firm's value-creating strategy, prices are driven down to the point where the price equals the discounted future rents, resulting in zero economic profits. (1986, Barney) Organizations should therefore care for and safeguard the resources that contain these evaluations, as doing so can improve and sustain organisational performance and growth (Crook, Ketchen, Combs and Todd, 2008)

IV. DISCUSSION
Strategic human resource management (SHRM) connects the human resource function to the core business goals. Human resources are at the heart of organisational success; they are used to facilitate everything the organisation does. Organizations must recognise their people as their most valuable asset to practise effective human resource management. A company's resources are the inputs or factors that it has available to help it perform its operations or carry out its activities (Grant, 1991). Effective employee management necessitates a lot of hard work continuously. Employees will benefit from any organisation that recognises their critical role and values them for who they are and what they are capable of.

The resource-based view (RBV) as a basis for the competitive advantage of a firm lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm’s disposal (Penrose, 1959). It is perhaps difficult (if not impossible) to find a resource that satisfies all of Barney’s 1991 VRIN criteria, the theory has limited prescriptive implications. Barney (2001) stated that his theory applies to static environments, but not too dynamic environments, as today’s business realities are not static but dynamic and characterized by high velocity and rapid change. He thus admitted that his 1991 VRIN criteria have little potential for applicability to the real world. It does, however, provide a good way for senior managers to better understand their resource base. In business reality, senior managers are often not interested whether or not the RBV constitutes a real theory or not. Instead, they require guidance for achieving competitive survival. Therefore, competitive survival is more important.

The RBV provides the understanding that certain unique existing resources will result in superior performance and ultimately build a competitive advantage. The sustainability of such an advantage will be determined by the ability of competition to imitate such resources. However, the existing resources of a firm may not be adequate to facilitate the future market requirement, due to the volatility of the contemporary markets. There is a vital need to modify and develop resources to encounter future market competition. An organization should exploit existing business opportunities using the present resources while generating and developing a new set of resources to sustain its competitiveness in the future market environment. Hence, an organization should be engaged in resource management and resource development to sustain competitive advantage and strengthen the firm's ability to continue superior performance (Peteraf, 1993).

Therefore, it is necessary to develop and update resources as a major management responsibility since all business environments reflect the highly unpredictable market and environmental conditions. The existing winning edge needed to be developed since various market changes may make existing value-creating resources obsolete. Mohrman (2007) study on designing organizations for growth: The human resource contribution, describes the domain of organization and work design expertise, design challenges that HR must address to support different kinds of growth strategies, the competencies that HR needs to learn to be a major player in this domain, as well as some of the approaches that can be used to build the foundation for this capability. A well-designed organization uses its talent effectively, which limits the waste that occurs when valuable talent hours are used poorly, avoiding the frustration, cynicism, and unnecessary withdrawal of the talent that HR works so hard to build.

The challenge of rapid growth faces most companies in today’s interdependent, competitive global economy. HR is staring at an incredible opportunity to increase its impact on organizational performance and become a true strategic partner by contributing to the organization and work design challenges that enable growth. This is an important focus for HR.
Schuler and Macmillan (1984), in agreement with Mohrman (2007), pointed that the basic function of SHRM involves designing and implementing a set of internally consistent policies and practices that ensure the human capital of a firm contributes to the achievement of its business objectives. SHRM reflects a more flexible arrangement and utilization of HR to achieve the organizational goals and organizations gain a competitive advantage (Jackson and Schuler, 1995). Importantly, SHRM emphasizes developing the firm’s capacity to respond to the external environment through better deployment of human resources.

Collins (1997) examined the strategic contributions of the human resource (HR) function understanding the potential of an organization’s resources and optimizing the output of such resources, given the changes provides an impetus for HR to become the key source of creating the competitive advantage for the organization, in today’s business environment, organizations constantly need to evaluate its internal and external environment for challenges and opportunities to remain competitive and to sustain growth. Political, economic, social, and even psychological changes within our societies have a significant impact on business organizations.

Many factors drive changes in organizations today, including the use of technology, globalization, changes in workforce demographics, the elimination of bureaucracies in organizational structures, and the need to find a balance between work and family issues. To create value and deliver results, HR professionals must begin not by focusing on the work activities or work of HR but by defining the deliverables of that work. According to Sorensen (1995), the best way for HR to gain credibility to make meaningful changes is for practitioners to measure the cost and effectiveness of what they do. So, given the increased emphasis on HR practices, it is imperative for HR to be able to show its effectiveness in creating value for the organization.

Conner and Ulrich (1996) observed in their study on human resource roles; creating value, not rhetoric, that business executives worldwide are concerned with the effectiveness and value of the human resource function. Organizations are discovering the need to reinvent the human resource function. What is required is an HR function that expands its focus beyond its traditional operational and transactional role. To improve its effectiveness and have a greater impact, the human resource function must understand how to add value to the organization by helping line managers align HR strategies, processes, and practices with business needs. HR’s roles in creating value and building a competitive organization according to Ulrich (1997), include management of strategic human resources, management of transformation and changes, management of firm infrastructure and management of employees contributions.

V. Conclusion and Recommendations

Strategic Human Resource Management (SI IRM) covers a wide range of activities from organizational positioning (reputation), as an organization of choice for a prospective employee, in its reward systems, recruitment, training and development of employees, an objective not only targeted toward better customer service delivery, but also for the retention of the firm’s best performers and organizational growth.

HR practices have a positive and significant influence on organizational growth. HR practices enable the organization to achieve optimization of resources, efficiency and effectiveness, and continuous improvement in realizing its set goals. HR practices are characterized by valuing employees as valuable assets and core partners in creating a competitive advantage in the organization.

Training is important in strategic human resource practices. Training impact basic skills to a recruit, create positive changes in employees behaviour and attitude to work. Knowledgeable and highly skilled employees improve organizational productivity and profitability, create competitive advantage, and facilitate the growth of an organization.

Therefore, it is necessary to develop and update human resources as a major management responsibility since all business environments reflect the highly unpredictable market and
environmental conditions. The existing winning edge needed to be developed since various market and environmental changes may make existing value-creating resources obsolete. The following recommendations were made:

- Employees should be seen and valued as an asset that contributes significantly to the growth of the organization.
- Organizational growth depends strongly on HR practices such as training, planning, reward, recruitment, selection and promotion. Thus, organizations should emphasize more on implementation of such HR practices, to foster organizational growth.

HR managers should understand the critical nature and utmost importance of understanding the effectiveness of all HR practices such as training, planning reward system, recruitment, selection and promotion in creating value for the organization.

REFERENCES