A STUDY OF MODELLING STRATEGIC HUMAN RESOURCE MANAGEMENT PRACTICES

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ABSTRACT
The role and contribution of Human resource management is constantly evolving and now with the epoch of globalization it calls for the integration of human resource management practices with the business strategy. This paper is an attempt to prepare a road map and model guidelines for taking HR function to its desired role of integrating with the strategies of the organisation and for this purpose the authors examines the strategic human resource management practices in the telecom industry of Kingdom of Saudi Arabia. Saudi Arabia has been chosen as the focus of study based on discussions with subject experts. The Strategic Integration is studied through various dimensions such as the level of strategic HRM alignment, training and development, career planning system and employee participation. During the research, HR Practices are reviewed and analyzed as adopted by the telecom sector, the researchers also investigate the differences in HRM practices in telecom industry in different ownership forms (Domestic vis a vis Multinational). The major constraints faced
by a multinational company to operate in foreign country are also discussed. Data were obtained through questionnaire survey and interviews from a sample of 121 employees including senior HR managers. The data analysis is based on statistical tools of descriptive statistics and paired sample t-test applying SPSS. The findings suggest that although a few steps have been taken by a handful of companies to improve the human resource practices but the role of SHRM still remains secondary in the country. There is indeed a significant difference and gap in the Strategic HRM practices of domestic and the multinational telecom companies. The researchers recommend integration of HRM practices into their overall operations and strategies that lead to organizational effectiveness. The study concludes by developing a model of strategic HRM, which has prepared a set of steps focusing on Role Clarity, Role Integration and Resource Adequacy, which are based on the findings of this study.

Keywords:- Globalization, Integration, Kingdom of Saudi Arabia (Kingdom Of Saudi Arabia), Multinational, Strategic Human Resource Management (SHRM)
Introduction-

The period of globalization and expansion of economic integration among companies around the world brings with it the ever felt importance of Human Resource. The changing environment demands the HR professional to become a strategic partner and a change mentor within the organization. Integration of HRM refers to the involvement of HRM in the formulation and implementation of organizational strategies and the alignment of HRM with the strategic needs of an organization (Schuler and Jackson, 1999). The need of the hour is to achieve strategic integration and alignment of HRM with business strategies. Integrating the use of HR practices into the strategic planning process would enable the companies to achieve their goals and objectives in a better way. Strategic Human Resource Management requires the HR function to broaden its remit from purely operational matters towards a more strategic approach. HR managers must participate in strategic discussions within the business and, importantly, add value to these discussions as a business partner. Strategic Human Resource Management also implies a managerial orientation that ensures that human resources are employed in a manner conducive to the attainment of organizational goals and mission (Gomez-Mejia, Balking and Cardy, 2005).

It is important to note that the focus of strategic HRM is on the integration of business strategy with HR strategy. This shift in managerial thought, calling for the HR function to be ‘strategically integrated’, is depicted in Beer et al.’s (1984) model of HRM. The authors espoused the need to establish a close two-way relationship or ‘fit’ between the external business strategy and the elements of the internal HR strategy. The concept of integration has three aspects:

- The linking of HR policies and practices with the strategic management process of the organization
- The internalization of the importance of HR on the part of line managers
The integration of the workforce into the organization to foster commitment or ‘identity of interest’ with the strategic goals.

**Scope of Research: Kingdom of Saudi Arabia and its Telecom Sector**

The researchers had the challenging task of picking the right companies from right environment. Based on discussions with 5 senior HR experts, the researchers chose the Telecommunication industry of Saudi Arabia as the target for research. The experts suggested a place, where all important MNCs from a particular company could be contacted and they also suggested a place, which is not geographically very wide and having all the technological and other advances so that the modelling for strategic HR is as per the objectives of the researchers.

Kingdom of Saudi Arabia (KSA) is the world's leading exporter of oil, and this position will remain so in the future, given its unparalleled oil reserves. KSA ‘holds more than 20 percent of the world’s proven oil reserves’ and oil accounts for “roughly 80 percent of budget revenues, 45 percent of GDP, and 90 percent of export earnings” (CIA, 2011). The total capital investment injected into the joint venture factories under the Foreign Capital Investment Law reached (Saudi Riyal) SR. 86.4 billion by the end of 1994. Large state corporations like the oil firm Saudi ARAMCO, Saudi Basic Industries Corporation (SABIC), Saudi Telephone Company (STC) are few to dominate the Saudi economy.

The Saudi Telecommunication sector is regulated by a state entity known as the Communications and Information Technology Commission (CITC). This sector witnessed privatization in the year 2002 and since then a large number of international telecom companies have shown interest. There are mainly four players, namely Saudi Telecom company (STC), Mobily (Etisalat group), Zain (Kuwait based company) and Integrated Telecommunication Company (ITC). Out of these STC and ITC are Saudi based companies and have presence in
Countries like Saudi Arabia and Bahrain. The other two players, Mobily and Zain have presence in all different countries of Middle East and Africa region. Therefore the total telecom companies operating in KSA are four out of which two are domestic companies and two are multinational companies.

**Literature Review**

Strategic HRM basically deals with longer-term issues and macro-concerns about structure, quality, culture, values, commitment and matching resources to future need. According to Walker (1992), strategic HRM is defined as ‘the means of aligning the management of human resource with the strategic content of the business and human resource strategy so that the latter supports the accomplishment of the former and, indeed, helps to define it’. Strategic HRM involves designing and implementing a set of proactive HR policies/practices that ensures that an organization’s human capital contributes to the achievements of its corporate objectives (David, Chin and Victor, 2002). SHRM highlights the growing proactive nature of the human resource (HR) function, its potential importance to the success of organizations and the possibility of change in the HR function from being reactive, prescriptive, and administrative to being proactive, descriptive and executive (Boxall, 1994).

Huang (1998), in his comparative study of strategic HRM practices among American-owned, Taiwan-owned and Japanese-owned firms, the strategic level of HRM at 315 Taiwanese business firms were examined. Using the General Linear Model (GLM) and Scheffe multi-range test as methods of statistical analysis, the findings indicate that American-owned businesses were discovered to engage in strategic human resource management (SHRM) more frequently than Japanese- or Taiwan-owned enterprises. A positive relationship was also found between the amount of capital resources available to firms and the extent to which they practiced SHRM. Richard and Johnson (2001) examined the impact of strategic HRM effectiveness (ratings of how effective a variety
of HR practices were performed) on a number of performance variables. With the aid of multiple regression analysis, they found that strategic HRM effectiveness was directly related to employee turnover and the relationship between these measures and return on equity was stronger among banks with higher capital intensity (greater investments in branches).

Strategic HRM has been conceptualized by the high commitment work practices (HCWP), configurationally fit, and contingency fit approaches (Takeuchi et al., 2003). The HCWP perspective emphasizes employee empowerment and progressive practices in selection, training, rewards, recognition, information sharing, team building, and socialization (Geisler, 2005).

According to Colbert (2004), SHRM is explained under a universalistic approach, strategic HR practices are those that are found to consistently lead to higher organizational performances, independent of an organization’s strategy. Examples are such practices as formal training systems, profit sharing, voice mechanisms, and job definition. K. Singh (2004) studied the relationship between the human resources management practices and firm level performance. The study conducted on 82 Indian firms that responded positively to the survey out of 359 firms drawn from firms listed in the Centre for Monitoring Indian Economy (CMIE) database. Finding indicates that there is a significant relationship between the two human resources practices, namely, training and compensation, and perceived organizational and market performance of the firm.

Empirical research has demonstrated the effectiveness of strategically aligned HRM practices, such as selection, training, and development (Hatch and Dyer, 2004), participation and development (Karami et al., 2004), rewards and recognition in TQM programmes (Chang, 2005), and social networks as a mediator (Collins and Clark, 2003). Applying a stratified random sampling by industry, Kai (2007) surveyed 231 firms listed on the Australian Stock Exchange (ASE). Using descriptive statistics and correlation analysis,
results indicate that strategic integration and devolvement of HRM were practiced to a moderate extent in the firms sampled, and that the degree of alignment of HRM with business objectives and strategies had a positive relationship with perceived firm financial performance.

Robina Yasmin (2008) examined the relationship between HRM (human resource management) systems and performance using data from 192 manufacturing companies operating in Pakistan. The study emphasizes on the systematic and integrated use of behavior oriented HRM practices in order to achieve competitive advantage. More recently, Noor (2010) examined the effects of HRM practices on personnel performance of some selected Jordan Public Academic Libraries. Using Al-Hussein bin Talal Library as a case study, findings revealed that there is a strong relationship between practicing personnel administration functions effectively and improving their performance leading to a higher level of productivity and creativity. Thus the importance of strategic HRM is widely acknowledged in the relevant literature.

**Objectives of the Study**

This study is an attempt to analyze different Strategic HR practices adopted by the telecom sector of KSA. In addition, it is also important to see if there is any difference in SHRM practices adopted by a Domestic and Multinational companies. Operating in different cultural and economic environment is always challenging, what constraints and challenges does country like Saudi Arabia entail for multinational companies is also one of the objective of the present study. This work endeavors to achieve the following objectives:

- To understand and evaluate the extent to which Strategic Human Resource is practiced by telecom sector in KSA.
- To understand and examine whether there is any significant difference between the levels of Strategic HRM Practices of
Multinational and a domestic company.

- To analyze the key constraints attributed to the multinational companies operating KSA.
- To assess the innovative practices adopted by telecom sector of KSA.

**Research Methodology**

The key research issues are threefold: (i) finding the strategic HRM Practices adopted by Saudi Arabian telecom companies, (ii) difference between practices of an MNC and domestic companies operating in KSA and (iii) examining the constraints that MNCs face operating in a host country like KSA. The research involved an extensive literature review in the area of concern to provide an overview of KSA and the viable HR practices experienced in this sector.

**Sample and sources of data**

A large questionnaire survey in four telecom companies was carried out in the time period between May 2012 and September 2012. In total 250 questionnaires were sent, 121 usable questionnaires were received, representing a response rate of approximately 48 percent. The questions for the survey were drawn from existing literature such as international HRM surveys, Price Waterhouse Cranfield Project Survey (Brewster and Hegewisch, 1994) etc. The questionnaire consisted of 36 questions related to six dimensions of SHRM Practices. To complement the survey questionnaire, semi-structured interviews were also conducted to obtain valuable insights into SHRM perspectives and innovation as a part of HR department of telecom companies.

An analysis of the demographic features of the sample suggests that about 53 percent of the respondents are at least 35 years old while only 10 percent of the respondents were above the age of 40 years. The service tenure depicts that approximately 85 percent of the respondent employees have put in at least 2 years of service and the 15 percent had just started their career with the respective telecom companies. It is surprising and strange to note that there are no female employees in any of the telecom companies. The country strictly enforces gender
segregation throughout the kingdom, including in work places. As the separate office would add to the cost, none of the telecom companies have employed any female employee. This has in turn resulted into the trend where women's unemployment rate is four times that of men.

Measures

The SHRM is measured with the help of six dimensions: Integration of HRM with corporate strategies and management, Recruitment and selection system, training and development system, performance appraisal system, compensation and reward system, motivation and employee participation. The dependent variables in this study are the strategic HRM practices.

For the purpose of estimating the impact of ownership type on the adoption of strategic HRM practices by telecom companies, the scores on strategic HRM practices of each company are aggregated and converted to a single score with maximum score being 100percent. The respondents were asked to indicate their agreement on SHR Practices followed by their company on a scale of 1 ‘strongly disagree’ to 5 ‘strongly agree’.

The independent variable in this study is ownership type i.e., multinational or domestic. Ownership type is measured by a set of dummy variables (Domestic companies are coded 1, while MNCs are coded 0). This is consistent with measurement of ownership type in prior studies (see for example, David et al. 2002; Law et al. 2003; Wei and Lau, 2008; Ngo et al. 2008).

Statistical procedure

To address the issue of reliability, Cronbach’s Alpha test is conducted for all the sub scales. Reliabilities are checked and they fall between 0.60 and 0.85, which is satisfactory for study that is exploratory in nature (Nunnally, 1978). The overall Cronbach’s alpha of the six scales used in this study is 0.871. The data collected through questionnaire from the respondents was analyzed with the help of SPSS software. In order to gain perspectives into the socio demographic characteristics of respondents, frequency distribution of responses is calculated while descriptive statistics is
employed in determining the extent of strategic HRM practices implemented. A Paired sample t-test is another analytical tool used to compare and find out if any significant difference exists between the levels of strategic HRM practices of domestic and multinational telecom companies.

Findings

The crucial linkage between HRM functions and the Strategy of company needs to be established in order to synchronize the functions through planning to control and thereby produce Synergy. The study focuses on the same and came out with the following findings:

Integration of HRM with Corporate Strategies and Management

In an organization SHRM means accepting and involving the HR functions as a strategic partner in the formulation and implementation of the company’s strategies through HR activities such as recruiting, selecting, training and rewarding personnel.

Table 1 presents the descriptive statistics of the variables. The mean score of the ‘strategic HRM alignment with the overall company’s goals and objective’ is 21.64 out of a possible maximum score of 35, suggesting a moderate extent (61.8 percent) of strategic HRM alignment with the overall objectives. Some empirical evidence from previous research indicates that the full impact of HR practices on organizational performance occurs when HR practices are strategically congruent and consistent with each other (Khatri, 1999).

Insert Table 1 here

Overall, only 49 percent of the respondents agreed to the statement ‘human resource department is an integral part of company’s strategic planning processes’. However, 70 percent of the respondents agreed that employees were viewed as a strategic resource, while 45 percent agreed that their organization’s mission statement was well communicated and understood at every level of the organization. It was also seen from the study that SHRM in some of the telecom companies takes a back seat. In an interview with HR Quality assurance manager, he said:
“HR is involved only at the time of policy formulation and other then this it does administrative task like punching the names of new employee in the tool, getting entry exit visas, getting insurance claims etc. I think it is just a ‘dummy’ if we talk about strategic planning”.

Recruitment and Selection System

Recruitment and selection system lays down the foundation of other HR activities. A rigorous, valid and sophisticated selection system helps in identifying the right candidate with potential to perform. It generates a sense of elitism, creates high expectations of performance, and signals a message of importance of the people to the organization (Pfeffer, 1994). As per the findings of survey, employee selection system records a mean score of 11.42 (76.13 percent) out of possible maximum score of 15. The result indicates a high fit between the prospective employee’s abilities and qualifications and the organization’s requirements, while 70 percent of the companies used validated employment tests before being hired.

Training and Development System

Another important dimension of SHR Practice is the training and development system. The training and development activities were found to have mean score of 13.01 (67.5 percent) out of a possible maximum score of 20 depicting a moderate level of training and development programme adopted by telecom companies. The findings indicate high use of practices such as inductions programme in almost all the telecom companies, although it is disappointing to note that only 32 percent of the employees agreed that the training programme are linked to the requirement and company’s objectives.

Performance Appraisal System

Performance management, if implemented properly should link together individual goals, departmental purpose and organizational objectives. The mean score of performance appraisal system in the telecom Industry is found to be 26.03 (65 percent) out of a possible maximum score of 40. Although the overall result of performance appraisal is moderate but if individual variable is observed, some profound
findings come out representing only 21 percent of employees agreement to the fact that the superior discusses the performance with subordinates. The findings also suggest that 38 percent of the respondents were of the opinion that performance appraisal is not measured on the objective quantifiable results. It is thus clear that the telecom industry of KSA really needs to look at the performance appraisal aspect as one the key factor of employee retention. It is significantly important because if ignored it can create a heavy attrition rate among workforce.

**Compensation System**

The motivation level of employees can be influenced by the company heads in many ways. They can use performance-based compensation to provide rewards to employees for achieving the targets for company. The findings suggest a moderate fit between ‘perceived compensation system’ in the telecom companies and ‘the overall industry policy on compensation of workers’. It depicts a good picture because most of the employees are expatriates and are paid higher compensation if compared to their home country. Also most of the employees are satisfied with the compensation package, as the cost of living in KSA is comparatively low. Most of the expat professionals working here remit money to their respective countries.

**Employee Participation and Motivation**

Employee participation also enhances the motivation levels among employees of the company. Employee participation is part of a process of empowerment in the workplace. Telecom companies in KSA have adopted numerous practices which are meant to aid the handling of grievances amid the stakeholders. Various companies have enacted procedures, which they perceive as viable and effective. One universal approach employed by most companies is to incorporate a fair hearing of the claiming parties and derivation of amicable solutions.

The mean scores of ‘Employee participation and motivation’ are found to be 20.17 (57.6 percent) out of possible maximum scores of 35, which is the least score among all the scales. The result indicates a low level of employee participation within the telecom
industry. It is surprising to find that the statement ‘Everyone is treated fair regardless of different backgrounds’, was disagreed by 70 percent of the respondents, depicting a terrible picture of discrimination at work place.

**The Strategic Integration of HRM practices across different Ownership forms**

According to Law et al. (2003), ownership types not only encompass the influences of variables external and internal to the firm, but they also represent interacting systems of factors that are relevant to the way management practices operate. Multinational firms tend to transfer their management system from their home country to the local subsidiaries (Lau and Ngo, 2001). In testing whether a significant difference exists in implementing the strategic HRM practices by domestic and multinational companies, paired t-test is adopted.

Insert Table 2 here

As shown in Table 2, there exists a significant difference between strategic human resource management alignment with company’s goals and objectives of domestic company and multinational telecom companies. Similar results hold for recruitment and selection system, training and development system, performance appraisal, and compensation system and employee participation among different type of ownership. As compared to domestic companies the multinational telecom companies adopted more and better SHRM activities.

Insert Figure 1 here

The results in Figure 1 reflects the strong SHRM alignment at the Multinational companies as the average score is 4.04 (80 percent), whereas the domestic telecom company scores only 3.18 (63 percent). This strategic integration was developed to measure the degree to which HRM policies are integrated into a broad strategic approach to management. Looking at other HR practices in figure 1, this clearly depicts that MNCs score higher points on all variable. This provides some evidence to show that an organization with a high strategic HR focus was also more inclined to adopt objective selection system as well as training and development practice. HR policies and practices in KSA vary
according to ownership (private or public), and type of employees (Saudi or foreign). The preferred characteristics of Saudi employee are: lifetime employment; seniority wages; and social cohesiveness rather than competence. The dualistic nature of the labor market of KSA suggests two sets of HRM practices one for Saudi nationals and another for foreign workers. To sum up, there exists a certain amount of disparity and significant differences in SHRM practices among domestic and multinational telecom companies operating in KSA.

Constraints for the multinational companies operating in KSA

As the consequence of opening of the Saudi telecommunication market to both local and international private sector operators, the number of foreign-invested enterprises has increased substantially over the past two decades. Now, foreign investors can own up to 70 percent stake in a locally established fixed line joint stock company and up to 60 percent in a mobile phone company. The five key factors which have shaped and continue to shape SHRM policies and practices in KSA are: the structure of the economy, the political environment, structure of the labor market, national HRD strategy and national culture (Budhwar and Debrah 2001). To improve the market competitiveness and to attract and retain talent, the telecom companies have started to invest more in HR and to develop their HR systems.

The labor market has been relying heavily on expatriates or foreign workers. The challenges faced by foreign firm include; the competitive threats from other multinationals, fast development of local industries, strong local subsidy/support to the local industries, gradual Saudization/nationalization of work force, scarcity of qualified local manpower, language barrier/communication problem, and local resistance to change. The key challenge faced by the employees of MNC is the cultural differences which act as barrier. The study suggests following major constraints for multinational company in a country like KSA:

- Cultural barrier: The Islamic culture being very different, rigid
and prominent at the workplace provides a challenge for MNCs to modify their competition approach and human resource policies in line with the general norms in the Kingdom.

- International crisis experienced by Multinational corporations include both the premature return of expatriates due to failed assignments and the poor retention of returned expatriates due to failed repatriation.

- Bureaucratic constraints to business operations are rampant in the Middle East, Local bureaucracy results in unnecessary delays and costs to multinational business operations in the host country.

- Saudization of workforce- The Saudi government has expanded employment of Saudi nationals, as part of its strategic goal: Saudization (Saudi for saudians) is the replacement of the expatriate workforce with a locally qualified and skilled workforce (job localization).

- One of the common problems that MNCs face is that the native Arabians are more inclined to work in public sector and look for job that pay higher salaries.

- Language is one of the major barriers to communication in the international context where there is diverse workforce. Arabic language is used as the official language in the enterprises-posing a challenge to multinationals where employees come from diverse background.

**Innovation in practice**

It is interesting to note that the findings indicate few innovative practices which fostered
employee communication and involvement in multinational company, such as the provision of daily emails about the plans and day to day information about strategic leadership is send to each employee across the company.

**Conclusion and Modelling SHRM**

Although the study was conducted in Saudi Arabia, yet, the findings would be applicable on other similar developed and developing countries also. The researchers have found that there are strong evidences of improper alignment between strategies and HR function. In terms of the diffusion of Strategic HR practices the findings indicate a high usage of practices such as employee induction programme and specific company training, while there are less than one third of companies which apply validated employment tests, had a skill or knowledge based pay system, paid a premium wage or administered employee attitude surveys on a regular basis. Exclusive of a few corporations, most of the telecom companies in KSA, including many large sized organizations, often treat HR management akin to any logistic function. Typically, HR departments in the organizations are assigned the functions of hiring and firing of employees, maintaining their database, handling periodic renewal of personal documents (passports, residence permits, work permits, driving license, medical insurance etc.); preparation of payrolls, calculation and disbursement of allowances; maintenance of personal files; issuing notices to employees, filing of regulatory returns and in few cases, ensuring their safety and security.

Results indicate a moderate adoption of strategic HRM practices in the telecom Industry. Thus companies should be encouraged to adequately plan for the career development of its employees as well as giving them adequate opportunities to participate in taking strategic as well as tactical decisions affecting their work environment. The studies indicate a huge gap of manpower supply resulting in need of more qualified and experienced employees.
Despite its unique challenges, KSA remains an exciting opportunity for multinational companies. The researchers confidently concludes that this study has practical and policy implications for the companies in telecom sector. The findings propose that companies can improve their performance by integrating human resource practices with business goals. At present most of the companies club the HR management function either with general administration or with public relations and in some cases even with the accounts and finance function, which reflect nothing but a total misunderstanding and misgivings about the importance of human capital.

The researchers therefore present the following roadmap for the SHRM:

**ROLE CLARITY**

a. Is HR aware of corporate strategies and are the top management willing to involve HR in implementation of strategies? If yes, proceed to b.

b. Is there a separate and exclusive HR department, which is able to interact with the top management and is able to attend the board meetings focusing on formulation on corporate strategies and policies.

**ROLE INTEGRATION**

a. Is the HR department able to connect all important HR functions with the corporate strategies and are able to align them as per the corporate policies.

b. Are the HR executives able to clarify the different functions they perform in the light of corporate strategies and objectives?

c. Is each function of HR seen as an important function in the light of the corporate strategies and objectives?

**RESOURCE ADEQUACY**

a. Do the HR executives find themselves adequately competent and empowered to execute the work they have to perform in order to make employees clear about the ultimate objectives and vision of the organisation?
b. Do the HR executives feel that they have the required resources to plan, design and implement activities and functions to align all important roles with the corporate strategies and objectives.

c. Are there adequate resources for conducting required training, development and orientation programmes for employees to ensure clarity of purpose, vision, mission, strategies and objectives and is the HR department empowered to plan out these programmes and implement them as per the requirements?

d. Are there adequately skilled manpower to steer important HR functions including employee counselling, training programmes, grievance handling etc. and that these functions are assigned to experts, who have adequate background and understanding of the role that they have to perform?

In the present study the researchers have found that there is a perception that ‘any senior executive in the organization can handle this (HR) role’, it further demonstrates lack of understanding the magnitude of human resources. It was also seen that dualistic nature of HR practices leads to employee dissatisfaction and frustration. The study therefore recommends multinational firms to sustain and enhance their competitive position and cross-border profitability; their managers and employees need intensive cross-cultural training that includes learning the host-country's culture in its totality, and most important be transparent in implementing its HR practices and policies. In KSA, Islamic call and guidance centers exist in all major cities like Riyadh, Jeddah, Al-Khobar, Dammam and Jubail, whose services are available free of charge to any individual, institution or company. As human resource forms the most important intangible asset, must be developed, integrated and linked with the overall
business strategy to be in the race and get that edge in the Industry.

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