Sustaining Competitive Advantage in Small and Medium Scale Enterprises: Empirical Review of the Strategic Roles of Human Resource Management

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ABSTRACT: *this study focused on the Role of Human Resource Management in Sustaining Competitive Advantage in SMEs. The study took a descriptive survey approach and data was sourced from the 29 completed and returned five point likert scale questionnaire administered on the senior staff of three selected GMCORD Aluminium plant and sales outlet in Imo state. The data gathered was analyzed with chi-square test using the 20.0 version of statistical package for social sciences (SPSS). The paper concluded that HRM can be used as an effective tool fast-track and sustain competitive advantage; especially in the area of cost leadership and product based advantage. It was recommended that manufacturing SMEs should update their HRM system through the adoption and implementation of e-HRM in order to enjoy cost leadership and that Manufacturing SMEs as a matter of policy and strategy should evolve a system of determining and including customers taste and preferences in product design in order to sustain their loyalty and maintain market leadership*
Keywords: competitive advantage, small and medium enterprises, human resource management.

1 INTRODUCTION

Over the years, it has become a globally accepted maxim among management academia and practitioners alike that the human resource (HR) is the single most important resource in the organization. This they often associate with HR's ability to mobilize and synchronize other resources to achieve organizational goals. While this cannot be denied since no other organizational resource can perform such task, it is important to note that the argument above only speaks of the traditional role of human resources management (HRM). Today, HRM has moved from this traditional role to a more strategic and transactional roles. Organizations are now leveraging on the skills, knowledge, experience, personality, interest, interest and ability of their HR stock to initiate and drive "destructive innovations" that are placing miles ahead of their contemporaries. While this may be very pronounced among the big firms especially multinationals and service oriented companies, the manifest of this in small and medium enterprises (SMEs) is still at its ebb, hence this study. Human Resources Management is therefore defined by Mufeed and Rafia (2015), as the process of creating, applying & evaluating guidelines, methods & programs relating to the recruitment, retaining, motivating, & managing people in an organization. It includes various activities such as strategic HRM, human resource planning, corporate social responsibility, human capital management, training and development, selection, recruitment, reward management, performance appraisal, health & safety, employee well-being as well as provision of employee services. To Barrows & Wesson (2000), HRM consists of a set of policies & practices aimed at maximizing organizational integration, employee ownership, quality of work & flexibility. HRM practices need to consciously revolve around provision of issues that not only enhance job security but make the employee satisfied on the job with increased job security and

satisfaction (. Contributing on the purpose of HRM, Armstrong, (2006), posit that the overall purpose of human resource management is to ensure that the organization is able to achieve success through people.

Attaining a position of competitive advantage and enhancing a firm's performance relative to its competitors are two of the main objectives that business organizations should strive to achieve. In order to attain a competitive advantage that cannot only match that of their business rivals' but also surpass industrial performance averages, business organizations must first comprehend the relationship between the internal strengths and weaknesses of their organization, as well as the potential effects on their firm's competitive advantage and performance. Corroborating this view, Porter (1985), asserts that Competitive advantage is the heart of an organization's performance in a competitive environment. There is no way to emphasize further the significance of creating and sustaining competitive advantage by organizations, particularly in current economic world where is turbulent and capricious; then the question of how organizations understand the sources of sustained competitive advantage and generate and sustain competitive advantage has become critical and fundamental in the research category of strategic management (Henry, 2011).

1.1 Statement of the problem

Cost leadership is one competitive advantage that drives the profitability of every organization. That inadequate human resource management practices leads to wasteful organizational practice is apparent. However, the challenge has shifted to identifying sustainable strategic solutions. Organizations have at various times used physical personnel audit approach to identify and eliminate the ghost and unproductive workers; this has however proven to be a failure because of its herculean nature and failure to cover the entire human resource land-scape. While practitioners canvass the adoption of e-HRM to resolving this age-long problem, the challenge of dearth of skill, deliberate process sabotage by those who benefits from the old order, lack of policy direction etc seems to vitiate the benefits therein. Secondly, organizations are faced with the challenge of producing products that outcompetes that of their market rivals. This quest for innovation entails investment in new technologies, processes and human capital in terms of skill and knowledge acquisition. It therefore lays on the shoulders of the organization a new cost structure. The problem of this paper therefore is to examine the role of HRM in the attainment of sustainable competitive advantage

1.2 Objective of the study

The objectives of this paper include;

i. Examine the role of HRM on cost leadership in manufacturing SMEs
ii. Examine the role of HRM in product based advantage in manufacturing SMEs

Hypotheses

H_{01}: HRM does not play significant roles on cost leadership in manufacturing SMEs
H_{02}: HRM does not play significant role on product based advantage in manufacturing SMEs

2 LITERATURE REVIEW

Human Resource Management (HRM)

According to Berdamine (2004), Human Resource Management is a set of interrelated policies with an ideological and philosophical underpinning and these policies are classified under four aspects vis-a-vis (i) constellation of beliefs and assumptions; (ii) strategic thrust informing decisions about people management; (iii) the central involvement of line managers;

and (iv) reliance upon a set of 'levers' to shape employment relationship. The human resource management activities can be summarized briefly under five major domains: (i) organizational design; (ii) staffing; (iii) performance management appraisal; (iv) employment training and organization development; and (v) reward systems, benefits and compliance. Human Resource Management can be described as a strategic, integrated and coherent approach to the employment, development and well-being of the people working in organizations. It has a strong conceptual basis drawn from the behavioural sciences and from strategic management, human capital and industrial relations theories. This foundation has been built with the help of a multitude of research projects (Armstrong, 2010).

Human resource management (HRM) is the policies, practices, and systems that influence employees' behaviour, attitudes, and performance. Many companies refer to HRM as "people practices". There are several important HRM practices that should support the organization's business strategy: analyzing work and designing jobs, determining how many employees with specific knowledge and skills are needed (human resource planning), attracting potential employees (recruiting), choosing employees (selection), teaching employees how to perform their jobs and preparing them for the future (training and development), evaluating their performance (performance management), rewarding employees (compensation), and creating a positive work environment (employee relations). An organization performs best when all of these practices are managed well. At companies with effective HRM, employees and customers tend to be more satisfied, and the companies tend to be more innovative, have greater productivity, and develop a more favourable reputation in the community (Noe, 2011).

2.1 Human Resource System

Human resource management operates through human resource systems that brought together in a coherent way. According to Becker and Gerhart (1996), this system includes;

- *HRM philosophies* describing the overarching values and guiding principles adopted in managing people.
- *HRM strategies* defining the direction in which (HRM) intends to go
- *HRM policies,* which are the guidelines defining how these values, principles and the strategies should be applied and implemented in specific areas of (HRM).
- *HRM processes* consisting of the formal procedures and methods used to put HRM strategic plans and policies into effect.
- *HRM practices* comprising the informal approaches used in managing people.
- *HRM programmes* which enable HR strategies, policies and practices to be implemented according to plan. Becker and Gerhart (1996) have classified these components into three levels: the system architecture (guiding principles), policy alternatives and processes and practices.

2.2 Aims of Human Resource Management

The overall purpose of human resource management is to ensure that the organization is able to achieve success through people. As Ulrich and Lake (1990) remark: HRM systems can be the source of organizational capabilities that allow firms to learn and capitalize on new opportunities.' Specifically, HRM is concerned with achieving objectives in the areas summarized below.

- *Organizational effectiveness:* Distinctive human resource practices shape the core competencies that determine how firms compete, Cappelli and Crocker-Hefter, (1996). Extensive research has shown that such practices can make a significant impact on firm performance. HRM) strategies aim to support programmes for improving organizational effectiveness by developing policies in such areas as knowledge management, talent management and generally creating 'a great place to work'. This is the 'big idea' as described by Purcell *et al* (2003), which consists of a 'clear vision and a set of integrated

values'. More specifically, HR strategies can be concerned with the development of continuous improvement and customer relations policies.

- *Human capital management:* The human capital of an organization consists of the people who work there and on whom the success of the business depends. Bontis *et al* (1999) sees Human capital as representing the human factor in the organization; the combined intelligence, skills and expertise that give the organization its distinctive character. The human elements of the organization are those that are capable of learning, changing, innovating and providing the creative thrust which if properly motivated can ensure the long-term survival of the organization. Human capital can be regarded as the prime asset of an organization and businesses need to invest in that asset to ensure their survival and growth. Human resource management (HRM) aims to ensure that the organization obtains and retains the skilled, committed and well motivated workforce it needs. This means taking steps to assess and satisfy future people needs and to enhance and develop the inherent capacities of people – their contributions, potential and employability – by providing learning and continuous development opportunities. It involves the operation of 'rigorous recruitment and selection procedures, performance-contingent incentive compensation systems, and management development and training activities linked to the needs of the business' Becker *et al*, (1997). It also means engaging in talent management – the process of acquiring and nurturing talent, wherever it is and wherever it is needed, by using a number of interdependent (HRM) policies and practices in the fields of resourcing, learning and development, performance management and succession planning.
- *Knowledge Management:* Knowledge management is any process or practice of creating, acquiring, capturing, sharing and using knowledge, wherever it resides, to enhance learning and performance in organizations Scarborough *et al*, (1999). HRM aims to support the development of firm specific knowledge and skills that are the result of organizational learning processes.
- *Reward management:* HRM aims to enhance motivation, job engagement and commitment by introducing policies and processes that ensure that people are valued and rewarded for what they do and achieve and for the levels of skill and competence they reach.
- *Employee relations:* The aim is to create a climate in which productive and harmonious relationships can be maintained through partnerships between management and employees and their trade unions.
- *Meeting diverse needs:* HRM aims to develop and implement policies that balance and adapt to the needs of its stakeholders and provide for the management of a diverse workforce, taking into account individual and group differences in employment, personal needs, work style and aspirations and the provision of equal opportunities for all.
- *Bridging the gap between rhetoric and reality:* The research conducted by Gratton *et al* (1999) found that there was generally a wide gap between the sort of rhetoric expressed above and reality. Managements may start with good intentions to do some or all of these things but the realization of them – 'theory in use' – is often very difficult. This arises because of contextual and process problems: other business priorities, short-termism, limited support from line managers, an inadequate infrastructure of supporting processes, lack of resources, resistance to change and lack of trust. An overarching aim of HRM is to bridge this gap by making every attempt to ensure that aspirations are translated into sustained and effective action. To do this, members of the HRM function have to remember that it is relatively easy to come up with new and innovatory policies and practice. The challenge is to get them to work. They must appreciate, in the phrase used by Purcell *et al* (2003) that it is the front line managers who bring HRM policies to life, and act accordingly.

2.3 Position and Structure of Human Resource Management

Human resource management department responsibilities can be broadly classified by individual, organizational, and career areas. Individual management entails helping employees identify their strengths and weaknesses; correct their shortcomings; and make their best contribution to the enterprise. These duties are carried out through a variety of activities such as performance reviews, training, and testing. Organizational development, meanwhile, focuses on fostering a successful system that maximizes human (and other) resources as part of larger business strategies. This important duty also includes the creation and maintenance of a change program, which allows the organization to respond to evolving outside and internal influences. The third responsibility, career development, entails matching individuals with the most suitable jobs and career paths within the organization.

Human resource management functions are ideally positioned near the theoretic center of the organization, with access to all areas of the business. Since the HRM department or manager is charged with managing the productivity and development of workers at all levels, human resource personnel should have access to—and the support of key decision makers. In addition, the HRM department should be situated in such a way that it is able to effectively communicate with all areas of the company. HRM structures vary widely from business to business, shaped by the type, size, and governing philosophies of the organization that they serve. But most organizations organize HRM functions around the clusters of people to be helped—they conduct recruiting, administrative, and other duties in a central location. Different employee development groups for each department are necessary to train and develop employees in specialized areas, such as sales, engineering, marketing, or executive education. In contrast, some HRM departments are completely independent and are organized purely by function. The same training department, for example, serves all divisions of the organization.

In recent years, however, observers have cited a decided trend toward fundamental reassessments of human resources structures and positions. "A cascade of changing business conditions, changing organizational structures, and changing leadership has been forcing human resource departments to alter their perspectives on their role and function almost overnight," wrote John Johnston in Business Quarterly. "Previously, companies structured themselves on a centralized and compartmentalized basis—head office, marketing, manufacturing, shipping, etc. They now seek to decentralize and to integrate their operations, developing cross-functional teams…. Today, senior management expects HR to move beyond its traditional, compartmentalized 'bunker' approach to a more integrated, decentralized support function." Given this change in expectations, Johnston noted that "an increasingly common trend in human resources is to decentralize the (HR) function and make it accountable to specific line management. This increases the likelihood that (HR) is viewed and included as an integral part of the business process, similar to its marketing, finance, and operations counterparts. However, (HR) will retain a centralized functional relationship in areas where specialized expertise is truly required," such as compensation and recruitment responsibilities.

Competitive Advantage

A company can only gain competitive advantage over its rivals by either performing at a lower costs or performing in a way, that leads to differentiation (Porter & Millar 1985), which creates superior customer value (Huber, Herrmann and Morgan 2001). Reichheld, Markey and Hopton (2000) posits that a company's competitive advantage is explained by having relatively lower retention rate than its competitors.

Sustainable competitive advantage comes from operational effectiveness or strategic positioning. Thus, a company must do what the other companies are doing but better, in a sense of cost structure, or the company must deliver unique value by doing things differently than its competitors. It allows a company to outperform the average competitor (Porter 2001).

Barney (1991) argues that organization has it, when it is implementing a value creating strategy that is not simultaneously being implemented by any other organization. Macky & Johnson (2003) opined that there is a difference between competitive advantage and "sustained" competitive advantage. Macky & Johnson described sustained competitive advantage as occurring when competitors are incapable of duplicating the benefits of a firm's competitive advantage and cease their attempts to do so. It is the "cease" period in the firm's attempts at duplication that signify a "sustained" competitive advantage. According to Chan et al. (2004), some researchers agree that there are two main criteria by which firms can achieve this sustainability of advantage: firstly, given the dynamic environment, they need to be able to continuously identify, upgrade, rejuvenate and reinvent resources. Secondly, they need to have the ability to create an environment in which they can be self-reinforcing and enhancing in value and strength, thus causing sustained major cost disadvantages to imitating firms

3 THEORETICAL REVIEW

The Resource-Based View Theory of the firm: This theory which was advanced by Penrose (1959), was touched on by Selznik (1957) with his notion of distinctive competencies. According to Peteraf and Barney, (2003), A firm that has attained competitive advantage has created an *economic value* (the difference between the perceived benefits of a resource-capability combination and the economic cost to exploit them) than its competitors. Economic value is generally created by producing products and/or services with either greater benefits at the same cost compared to competitors (i.e. differentiation-based competitive advantage) or the same benefits at lower cost compared to competitors (i.e. efficiency-based competitive advantage). Because superior benefits tend to enhance customer loyalty and perceived quality, Zou, Fang, and Zhao, (2003), asserts that, firms that can exploit its resource-capability combinations to effectively attain a differentiation-based competitive advantage should be able to improve its performance compared to competitors by selling more units at the same margin (i.e., parity price) or by selling the same number of units at a greater margin (i.e., premium price). Furthermore, Barua et al., (2004) posits that because a superior cost structure enables greater pricing flexibility as well as the ability to increase available surplus, a firm that can exploit its resource-capability combinations to effectively attain an efficiency-based competitive advantage should be able to improve its performance compared to competitors by selling more units at the same margin (i.e. low price) or by selling the same number of units at a greater margin (i.e., parity price). In either case, it is logical to assume that a firm that attains a competitive advantage, whether in the form of greater benefits at the same cost or the same benefits at lower cost, will be able to improve its performance in ways that its competitors cannot. The choice of resource based view theory for this study is predicated on the theory's argument that firms are able to obtain sustained competitive advantage through the utilization of resources and capabilities that are valuable, rare, imperfectly imitable, and not substitutable to create value.

3.1 Methodology

This study took a descriptive survey approach and data was sourced from the 29 completed and returned five point likert scale questionnaire administered on the senior staff of three selected GMCORD Aluminium plant and sales outlet in Imo state. The data gathered was analyzed with chi-square test using the 20.0 version of statistical package for social sciences (SPSS).

4. RESULTS AND DISCUSSIONS

SPSS OUTPUT FOR HYPOTHESIS ONE

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NPAR TESTS   /CHISQUARE=HRM and CL RANKS   /EXPECTED=EQUAL
/STATISTICS DESCRIPTIVES QUARTILES   /MISSING ANALYSIS.
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NPar Tests

[DataSet0] **Descriptive Statistics**

	N	Mean	Std. Deviation	Minimum	Maximum	Percentiles		
						25th	50th (Median)	75th
TOCandOP	25	5.8000	6.10328	.00	22.00	1.0000	3.0000	9.5000
RANKS	25	3.0000	1.44338	1.00	5.00	2.0000	3.0000	4.0000

Chi-Square Test Frequencies HRM and CL

	Observed N	Expected N	Residual
.00	5	1.9	3.1
1.00	2	1.9	.1
2.00	2	1.9	.1
3.00	4	1.9	2.1
5.00	3	1.9	1.1
6.00	1	1.9	-.9
8.00	1	1.9	-.9
9.00	1	1.9	-.9
10.00	2	1.9	.1
13.00	1	1.9	-.9
16.00	1	1.9	-.9
18.00	1	1.9	-.9
22.00	1	1.9	-.9
Total	25		

Ranks

	Observed N	Expected N	Residual
1.00	5	5.0	.0
2.00	5	5.0	.0
3.00	5	5.0	.0
4.00	5	5.0	.0
5.00	5	5.0	.0
Total	25		

Test Statistics

	HRM and CL	RANKS
Chi-Square	10.880[a]	.000[b]
Df	12	4
Asymp. Sig.	.539	1.000

a. 13 cells (100.0%) have expected frequencies less than 5. The minimum expected cell frequency is 1.9.

SPSS OUTPUT FOR HYPOTHESIS TWO

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NPAR TESTS   /CHISQUARE=HRM and PBA RANKS   /EXPECTED=EQUAL
/STATISTICS DESCRIPTIVES QUARTILES   /MISSING ANALYSIS.
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NPar Tests Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum	Percentiles		
						25th	50th (Median)	75th
SNEandOD	25	5.8400	5.85007	.00	19.00	.0000	5.0000	10.0000
RANKS	25	3.0000	1.44338	1.00	5.00	2.0000	3.0000	4.0000

Chi-Square Test Frequencies HRM and PBA

	Observed N	Expected N	Residual
.00	7	2.5	4.5
1.00	2	2.5	-.5
4.00	1	2.5	-1.5
5.00	6	2.5	3.5
6.00	1	2.5	-1.5
8.00	2	2.5	-.5
12.00	3	2.5	.5
15.00	1	2.5	-1.5
18.00	1	2.5	-1.5
19.00	1	2.5	-1.5
Total	25		

Ranks

	Observed N	Expected N	Residual
1.00	5	5.0	.0
2.00	5	5.0	.0
3.00	5	5.0	.0
4.00	5	5.0	.0
5.00	5	5.0	.0
Total	25		

Test Statistics

	HRM and PBA	RANKS
Chi-Square	17.800[a]	.000[b]
df	9	4
Asymp. Sig.	.038	1.000

a. 10 cells (100.0%) have expected frequencies less than 5. The minimum expected cell frequency is 2.5.

5 DISCUSSIONS OF FINDINGS

From the SPSS result obtained as shown in the tables above, hypotheses 1 and 2 showed an output of 0.000, and 0.000 significant levels which were all below the 0.05 level of significance. Hence, the null hypotheses that HRM does not play significant roles on cost leadership and product based advantage were rejected.

6 CONCLUSION

From the findings in this study, the paper concludes that HRM can be used as an effective tool to fast-track and sustain competitive advantage; especially in the area of cost leadership and product based advantage.

7. RECOMMENDATIONS

Sequel to the results obtained and conclusion made, this paper recommends that;

i. That manufacturing firms should update the HRM system through the adoption and implementation of e-HRM in order to enjoy cost leadership
ii. Manufacturing firms as a matter of policy and strategy should evolve a system of determining and including customers taste and preferences in product design in order to sustain their loyalty and maintain market leadership only way out

BIOGRAPHY

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