

HRM PRACTICES AND EMPLOYEE COMPETENCE: A GENERAL SYSTEM PERSPECTIVE

Mohammed Y.A. Alsabbah
School of Management, Universiti Sains Malaysia, 11800 Penang, Malaysia
Email: mhsabah@hotmail.com

HazrilIzwar Ibrahim
School of Management, Universiti Sains Malaysia, 11800 Penang, Malaysia
Email: hazrili@yahoo.com

ABSTRACT

The article attempts to address the gap with regard to the relationship between HRM practices and employee competence. The objective is to highlight the importance of the competency outcome of the employee. The foundation of the study is derived from the General Systems theory. The theory provides that certain practices if implemented will result in positive outcomes. The theory is relevant as it views HRM activities as a stream of processes. Understanding of the theory can assist organizations in improving their human capital capabilities.

Keywords: General System theory, HRM practices, competence.

INTRODUCTION

The study investigates the effectiveness of HRM from the perspective of organizational outcomes where HRM is viewed to a source of competitive advantage for the organizations (Barney, 1991; Beardwell&Claydon, 2004; Ghebrejorgis&Karsten, 2007). HRM is a proactive process, as it involves the continuous development of policies for the purpose of improving an organization's workforce (Franklyn, 2006). The HRM is a modern construct; previously it was termed as personnel management where it involves mostly administrative functions. Currently, HRM is used to deal with complex environments. Organizations use HRM practice as a framework to ensure the outputs from the workforce are of value to the organization (Cusworth and Franks, 2003). Additionally, the HRM concept is unique since HRM concept is considered as a strategic and effective management tool (Ivo, 2006).

LITERATURE REVIEW

HRM Practices

HRM practices include performance appraisal, human resource planning, recruitment and selection, compensation, and training, and other HRM dimensions. These HRM practices have been identified and investigated by empirical studies in past literatures and they consist of compensation, training and development, recruitment and selection, compensation, and training (Dessler, 2000). HRM practices typically investigated in empirical studies are compensation, training and development, recruitment and selection, and performance appraisal (Soomro, Gilal&Jatoi, 2011; Huselid, 1995).

Therefore in line with the previous HRM studies, this objective of the current study is to highlight the importance of the four elements of HRM practices namely, recruitment and selection, training, compensation, and performance appraisal practices (Marwat, et al., 2009; Aggarwal&Bhargava, 2009; Namazie & Frame, 2007; Chiang, Shih & Hsu, 2013), as the major elements in influencing employees competence in the organization.

Competence

Competence is theorized in terms of job knowledge, skills and attitudes (Tao, Yeh & Sun, 2006). Parry (1996) defines competency as a group of related job knowledge, attitudes, and skills. Furthermore, it refers to the underlying 'aspects of a person', such as their job knowledge, skills and attitudes, that 'enable them to be competent' (Han et al., 2006; Moore et al., 2002). Accordingly, the present study considers the concept of competence being defined as employee's job knowledge, skills and attitudes (Tao, Yeh & Sun, 2006; Winterton et al., 2006),

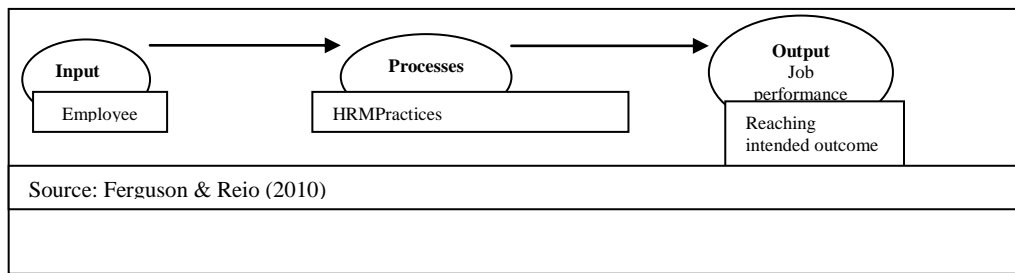
It is necessary to emphasize the essential values of competency, since nowadays competencies is a construct widely used, which is used in many aspects of HRM studies. Additionally, employee competencies are considered by literatures as one factor that contributed most to the sustainable creation of organizational excellence (Vathanophas, 2007; Cummings & Worley, 2001). Thus, competent employees are needed in order to increase the business success (Grigoryev, 2006). Overall, these competencies are considered by the researchers as the enabler of prominent pathways for future organizational success. (McClelland, 1973; Rodriguez et al., 2002).

Numerous classifications for competencies were considered, but the most common categorization is the hard and soft skills orientation of competencies (Spencer & Spencer, 1993). The definitions of hard and soft skills can be distinguished as the hard technical skills of performing the job and the soft behavioural skills required in the workplace. Hard skills refer to the skills in the technical domain. Hard skills are those skills associated with specific technical knowledge and task-oriented skills. Hard skills are primarily mental or cognitive in nature (Rainsbury, Hodges, Burchell, & Lay, 2002). Spencer and Spencer (1993) describe the technical skills and knowledge which contains a threshold as they represent a minimum level necessary for the employees to be able to perform a job with basic competence. Soft skills are normally referred to as “people skills,” and are not easily taught although they are very much required in the working life. In fact such skills are often acquired as people come into contact or utilize the skills in their daily or work environment (Snyder, e al., 2006).

General Systems Theory

The System Theory is regarded as having these main features: 1) the system is goal oriented; 2) systems have inputs; 3) systems need to have a process to function; 4) outputs to achieve their goals (Banathy, 2000). The core of the Systems Theory considers the following notions: 1) a system is a collection of interacting parts; 2) the system can be HR centric in an organization; 3) goal-directed behaviour affects the changes; 4) it requires feedback from systems behaviour; and 5) The system can also include other forms of subsystems (Chen & Stroup, 1993; Kast&Rosenzweig, 1981). Bowen &Ostroff (2004) conceptualize the organization as a system that has goals and objectives. Furthermore, Wright & Snell (1991) use the General Systems theory to represent the organization as receiving input from the environment, and then transforming those inputs into some outputs for an external system. Thus, the General Systems theory considers the organization as a system and there are different types of organizational systems, and the organizational HR is an important element of the system (Gradous, 1988). Furthermore, Ferguson &Reio (2010) identify HRM as a system where, the employees are considered as the input in the process flow of the system, the HRM practices is the process of the system, while the organization’s performance is the output of this system. The system shows the conversion of these inputs through a set of distinct, interrelated activities, and processes to achieve the outputs of employee competence and performance.

Figure 1: Human Resource Management (HRM) System



Accordingly, the General System theory viewpoint concentrates on the positive effects of the HR system with employee outcomes (Gould-Williams, 2003). The rationale is that HRM encourages employee outputs (Bowen & Ostroff, 2004; Lepak, et al., 2006). Additionally, the General System theory identify the dimensions of HRM practice, with the HR system being narrowed down into subsystems as every dimension of HRM is a subsystem (recruitment and selection, training, compensation, and appraisal practices) (Delery & Doty, 1996). Furthermore, the System theory is one of the configuration theories of HR. In particular, this configurational theory is concerned with the manner in which the pattern of multiple independent variables (dimensions of HRM) are related to a dependent variable (Delery & Doty, 1996).

Thus, Wright & McMahan (1992) clarified that the Systems Theory is the most functional theory utilized in the field of HRM to construct a theoretical framework. Jelenc&Swiercz (2011) justify utilizing the Systems Theory to address employee capability as part of the outcome of the system, as capability ought to have a model of the complete end-to-end system. Importantly, the Systems Theory has the major strengths because this theory was considered from other theories utilised in the field of HRM to construct a theoretical framework (Wright & McMahan, 1992). Furthermore, the current study can take contributions because the systems are goal oriented (employee performance); have inputs and throughputs (HRM practices); and achieve outputs to achieve their goals (employee competence).

General systems theory provides a useful framework for examining organizations and their management practices (Kast and Rosenzweig, 1981). Thus, the current study employs the systems theory to discuss that an organizational system includes different organizational ‘sub-systems’; these sub-systems work together and use the system processes to transform organizational inputs into performance outcomes (employee competence). The HRM sub-system, consist of HR practices (IV) that are transformed into an implemented system of processes associated with practices such as, recruitment and selection, training, performance appraisal, and compensation practices. It is these applied processes that directly affect employee competence outcomes (DV).

HYPOTHESES DEVELOPMENT

Relationship between HRM Practices and Competence

The main goal of the HRM is to allow employees to obtain competency during their course of employment (Franklyn, 2006). Nevertheless, the relationship between an effective HRM practices and employees' competence has been the matter of much academic research, and this is a much researched area (Ghebregiorgis&Karsten, 2007); it is well established that HR dimensions can benefit organizations through competent people from the process of good recruitment and selection; significant compensation; well training; and advanced appraisal system (Bach, 2001).

Schuler (1986) clarifies that organizations utilize HRM practices to develop their employees' competence. It is also well established that HRM activities can influence organizational performance through improvement of employees' competence (Ghebregiorgis&Karsten, 2007). Thus, the specific HRM practices of recruitment & selection, training, performance appraisal, compensation, are all designed to complement each other and to enhance employees' competence (Neal & Griffin, 1999). Fey et al., (2000) in their study further stress the positive effect of HRM practices on the employee competence. Additionally, Park et al., (2003) acknowledge the positive effect of HRM on employee competence to support the findings by Fey et al., (2000). Furthermore, Lado & Wilson (1994) explain that HR systems can contribute to a continuous competitive advantage by assisting the development of managerial competencies. Wright & Snell (1991) state that HR practices may be designed to be oriented towards building employees' competence.

Hard competencies are those skills associated with specific technical knowledge and task-oriented skills (Rainsbury et al., 2002). While soft competences are often associated with interpersonal and emotional skills (Boyce et al.,2001). Park, et al., (2003) confirm the relationship between HRM practices and employees competence, conceptualized by job related skill and education level (hard competencies). In a study conducted in the public sector on employees employed in seven local government department, Julian & Fiona (2005) believe a significant relation was established between Human Resource Management (HRM) practice and employee attitudes and commitment (soft competence). This is proven in Gould-Williams (2003) which report that HR practices are powerful predictors of employee trust and commitment (soft competence).

The current study hypothesized that there is a positive relationship between HRM practices and employee hard and soft skills. Thus, the proposed main hypothesis is as follows:

H1: HRM practice is positively related to employee competence

Recruitment and Selection and Competence

From the General Systems theory viewpoint, the HRM sub-system serves as the contact inputs and throughput part of the HRM process (IV) that are transformed into an implemented system of processes. It is these applied processes that directly affect employee outcomes (DV) (Donabedian, 1988; Bowen & Ostroff, 2004; Wright & Snell, 1991; Gradous, 1988; Patton & McMahon, 2006).

In addition, the General System Theory is synonymous with the configurational approach that views the HR practices to be a pattern of multiple independent variables which is related to a dependent variable. This configurational approach is concerned with the manner in which the pattern of multiple independent variables relates to a dependent variable (Delery & Doty, 1996).

Previous studies have established the positive relationship between recruitment and selection and employee competence. Zingheim & Schuster (2009) in their study found that recruitment and selection practices can lead to the attainment of employee competence. This is further supported by the findings by Vazirani (2010) which found that recruitment and selection practices leads to employee competence. Damitz et al., (2003) provided evidence of the validity of the assessment centre approach for rating interpersonal performance-related skills, and post-hire employees' competencies, in other words rating their abilities post recruitment and selection.

The previous studies result indicated the significance of recruitment and selection methods to determine individual competencies. In addition, Connell, et al., (2007) considers a significant of recruitment & selection methods to determine individual hard (work related and technical knowledge) and soft (leadership, teamwork, attitude and problem solving) competencies. Damitz et al., (2003) consider that the assessment center from the selection method can significantly predict soft competencies (interpersonal). Similarly, Marshall, Stone & Jawahar (2001) the employees whom selected by managers were having soft competencies more than whom selected by the HR department. However, the soft competencies are higher risk orientation attitudes. Accordingly, the current study propose the hypothesis that there is a positive relationship between recruitment and selection practices and employee competence. The proposed hypothesis is as follows:

H1a: The recruitment & selection practice is positively related to employee hard skill.

H1b: The recruitment & selection practice is positively related to employee soft skill.

Training and Competence

Studies by Park et al., (2003) and Kraiger et al., (1993) investigated and had provided evidence of the positive relationship between training and development and employee competence. Furthermore, Nguyen et al., (2010) also identified positive on

outcomes employee competence which indicated the training effectiveness. Swanson's (1994) model identifies three levels of analysis for evaluating training results. The level of competence learning was considered for the individual evaluation outcome and it included an evaluation of competence. Similarly, Zingheim & Schuster (2009) identified that the most common practices for attaining employee competence is training and development. At the organisational level conducting better training practices leads to attaining employee competence. These practices are identified as the use of competence gap analyses to determine training and development needs. Vazirani (2010) also identified that training practices can attain employee competence. Furthermore, training practices have identified training needs for employee development and using competent practices to target training needs leverages a powerful asset to promote a workforce competency. Likewise, Wright & Snell (1991) claimed that purposeful training practices lead to employee competence. An organization can adopt skill training practices for the acquisition of employee competence as the outcome of training practices.

Fey et al., (2008) investigating training practices and employee hard (work related ability) and soft skills and competencies (motivation). The result of the study demonstrates that training practices positively affect both hard and soft competencies. Moreover, Fey et al., (2007) extended the study to investigate the effectiveness of the HRM practices work different country context. The result indicate that training practices positively affect both employee hard (workplace ability) and soft (motivation) competencies. Furthermore, Guest (1999) examines the relation between training practices and employee soft competencies (satisfaction and motivation). However, the result indicates that the training practices yields positive effect only on the employee soft competencies. Additionally, Katou (2011) measures the impact of HRM on organizational performance. The results indicate that the positive relationship between training practices and employee competencies hard (job related skills) and soft competencies (attitudes). Accordingly, the current study proposed the hypothesis that there is a positive relationship between training practices and employee (hard and soft) competencies

H1c: The training practice is positively related with employee hard skills.

H1d: The training practice is positively related with employee soft skills

Compensation and Competence

According to Ledford (1995) organisations that are willing to pay the most qualified and suitable employees will be able to obtain the employees with the necessary skills to get the job done. Park et al., (2003), in examining Japanese companies, found a positive relationship between compensation practice and employee competence. As mentioned earlier, Lazear (2000;1996) confirms the effect of switching the compensation practices from hourly wages method to the employee competence method. It was found that more competent workers, who avoided the hourly wages method, are attracted by the new method. As a result, in general, the compensation practices gain employee competence, and the average output per worker rises. In addition, Lazear (2003) emphasizes the significant effect of compensation practices on attaining competent employees. In studying three public agencies, Thompson &Lehew (2000) indicate that compensation practice is correlated to competent and innovative employees. Katou&Budhwar (2010) highlight the significant positive impact of compensation from HRM practices on employee competence. Likewise, Shaw et al., (2005) find that the positive effects of the specially designed compensation practice supports an increase in the workforce competencies .

Lazear (2000) results indicate that indicates that the average of hard skill is affected by different compensation practice. Park et al., (2003) in examining the relationship between compensation practices and the both hard (professional workplace competence) and soft competencies (employee attitudes and motivation) found positive relationship between compensation practice and employee competence. Similarly, Ledford (1995) confirms that competence based compensation can improve the employee competencies. Furthermore, Katou (2011) in measuring the impact of HRM on organizational performance in Greece's context found a positive relationship between compensation and employee competencies hard (job related skills) and soft competencies (attitudes). Fey et al., (2008) demonstrate that compensation practices are positively affected both hard (work related ability) and soft competencies (motivation). Guest (1999) also found that the compensation practices positively affect the employee soft competencies. Accordingly, the current study hypothesize there is a positive relationship between compensation practices and employee competencies.

H1e: The compensation practice is positively related to employee hard skills.

H1f: The compensation practice is positively related to employee soft skills.

Performance Appraisal and Competence

The relationship between performance appraisal and employee competence has been well established in previous studies. Katou (2011) measured the impact of HRM on organisational performance in Greece and found that The results indicated that there is a significant relationship between performance appraisal and employee competence. In studies by both Park et al., (2003) and Fey et al., (2008) also established positive relationship between performance appraisal from HRM practices perspective and employee competence. Similarly, Wright (2004) concludes that the core performance appraisal practices and elements have a positive effect on employee competence .

In order to improve outcomes for the health researchers and managers in municipal health services in Norway; Vasset, Marnburg and Furunes (2011) investigated the effects of appraisal feedback and goal setting appraisal on employee competence and the results indicate a positive and significant relationship between the variables. Furthermore, Reinke (2003) concludes that there is

a positive effect of competence towards existing performance appraisal practices. Additionally, there is evidence from Poon's (2004) study, which indicate that the manipulated of performance ratings positively effects the competent employees. Effective performance appraisal produces outcomes that benefit the employee's competencies and skills improvement; however, Roberts and Reed (1996) verify this relationship to be more closely linked to employee's soft competence (motivation). The study by Katou (2011) indicates that there is a positive relationship between performance appraisal and employee soft competencies; where dimensions are more related to motivation, commitment and satisfaction.

Accordingly, the current study hypothesize that there is a positive relationship between performance appraisal practices and employee competencies.

H1g: The Performance appraisal practice is positively related with employee hard skills.

H1h: The Performance appraisal practice is positively related with employee soft skills.

METHODOLOGY

The population of the present study focuses on the individual employees identified within the HRM department as respondents. The sampling technique used in the current study was proportionate stratified sampling according to Sekaran (2003), such sampling design is more efficient as each main part of population is better represented, and more valuable and differentiated information of each group is obtained. However, two groups of individuals in the HRM department will be considered as respondents. Thus, the first group includes units of the employees of the HR department; the second group comprises all the immediate supervisors.

The independent variable in this research endeavor is the HRM practices itself. In the process of developing the measurement, the researcher breaks down the concept of HRM practices into observable characteristics or behaviour (Sekaran&Bougie, 2010). The four dimensions of HRM practices have been examined using the first dimension of recruitment and selection adapted from Edgar and Geare (2005), while the other three dimensions were adapted from Marwat, Qureshi and Ramay (2006). Employees' competence is the dependent variable, and it will be measured by measurements adopted from the study by Rainsbury, Hodges, Burchell and Lay (2002) which used the questionnaire to assess the level of employees' competence. As with previous surveys (Coll, Zegwaard& Hodges, 2002; Hodges &Burchell, 2003) these competencies consist of hard and soft skill sets.

CONCLUSION

Overall, the contribution of the study has been to prove the viability of the General Systems theory when applied to the relationship between HRM practices and employee competence. This is evidenced from previous studies, such as Ghebreorgis&Karsten (2007), Zingheim& Schuster (2009) and Fey et al., (2000), which established positive and significant relationship between the various HRM practices and employee's hard and soft skill orientation of competence. The application of the theory illustrates the effectiveness of HRM practices in enhancing employee's competence at the firm level. This is crucial as firms' workforce could be designed and conditioned to support the firms' strategy and to boost the firms' performance.

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