

IDEAL HUMAN RESOURCE MANAGEMENT PROFILE VERSUS EXISTING HUMAN RESOURCE MANAGEMENT PROFILE IN GREEK MANUFACTURING INDUSTRY

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Abstract

The term of Human Resource Management (HRM), which has prevailed the last years, was used in order to attribute the particular approach of management of labour relations, while it was also often used as a reaction to the term of personnel management. The HRM approaches workforce as the most important capital, which is capable of giving the enterprise a dynamic and viable competitive advantage. In the passage of years the researchers have proposed a lot of HRM practises which have the force to improve and to support the performance of the enterprise.

The aim of this study is the determination of the misfit between the "ideal" and the existing HRM model in the Greek industrial sector. Moreover, an attempt is made in order to explore the impact of misfit in the operational performance of the enterprise. For the achievement of the objectives a research, in 208 medium and large size Greek industrial enterprises, was conducted showing a negative impact of misfit in the operational performance of the industry.

Introduction

According to Armstrong (2000), the main objective of HRM is to guarantee the capability of the enterprise to acquire success through people. Sisson (1995) thinks that the starting point, for the enterprise, should be the recognition that the person is not simply a factor of production along with the capital and the instruments, but the biggest resource in order for the enterprise to acquire comparative advantages. The effective exploitation of human potential is believed to create competitive advantage for the enterprise (Pfeffer, 1994), while the methods of management of the human resources constitute a precious creative source of competitive advantage (Amit and Belcourt, 1999). The way that enterprises recruit, educate, reward, motivate and discipline their employees are of central importance for the success of the enterprise. Taking for granted that the human workforce is regarded as the most important component for the success of the enterprise, a lot of enterprises have realised that the people are the ones that can give them comparative advantages (Mathis and Jackson, 2000). The succesful management of the human resources constitutes the basic element of the total strategy of growth and success of many enterprises (Mulvie and McDougall, 1990).

Human Resource Management Practices

The human workforce is a type of resource on which the enterprises do not have a complete control. Nevertheless, there are certain tools which allow them to practise their influence in the quality and the attribution of the human workforce on which they rely on. The HRM practices which they adopt will have great influence in the performance that is achieved by the enterprise (Moriones and Cerio, 2000). The choices of enterprises for special practices and the degree that these practices are completed in a policy connected with the strategy of the enterprise are very important for the competitiveness (Sisson, 1995). Traditionally the HRM practices drew more attention from service companies than industrial companies. Nevertheless the increase of the operational performance through the right management is equally important for both types of enterprises. We could say that the high technology and the innovative industrial practices alone can bring a small increase in the performance if the essential practices of HRM are not in the position to create a constant social - technical framework. For this reason the industrial enterprises should evaluate carefully the existing practices of human capital and to modify them, if it is essential, so the workers can contribute satisfactorily in the improvement of the operational performance of the enterprise (Ahmad and Schroeder, 2002). Through the passage of years researchers have proposed a lot of practices for human resources who

have the power to improve and to support the performance of the enterprise. These practices emphasise on the choice of workers based on the culture of the enterprise, the behavior, the attitude and the essential technical abilities which are required for the work, the probable compensation for the performance and the intensification of the workers for the fast incorporation to team work (Ahmad and Schroeder, 2002; Moriones and Cerio, 2000). From the literature review we can conclude that the behavior of workers inside the enterprise has an important impact in the performance of the enterprise and that the HRM practices can influence the individual performance not only through the effect in the skills of workers and the motivation, but also through the structure of the enterprise which allows the workers to improve their work (Huselid, 1995). Various other studies look for the impact of HRM practices in the performance of the enterprise (Kathuria and Partovi, 1999; Kinnie and Staughton, 1991) in the industrial relations and in the industrial and enterprising psychology (Jones and Wright, 1992; Kleiner, 1990). The bibliography moreover widely reports that the HRM practises can help in the creation of a source in a viable competitive advantage, specifically wherever they are aligned with the competitive strategy of the enterprise (Jackson and Schuler, 1995; Porter, 1985).

Delaney *et al.* (1989), in a research, which they carried out in 1986, used ten practices that refer to the fields of personnel selection, evaluation of personnel, high compensations, planning of work, complaining process, diffusion of information, evaluation of behavior and attendance of workers in the process of decision-making. Huselid (1995) in order to create a completed and modern list of high performance processes, in work added in these ten practices, three more which are widely acceptable in their affect in the performance of the enterprise: the intensive effort of recruitment, the average of annual hours of education for each worker and the criteria of promotions. Pfeffer (1994), proposed a list of 16 practises forming the opinion that one of the 16 best practices in the successful enterprises is the measurement of practices while he claimed that the seriously committed enterprises, in order to achieve the competitive advantage, through the people make the measuring of their efforts a critical component in the general process. In 1998 Pfeffer proposed seven HRM practises, decreasing the initial list by merging some of them. These practices which are expected to increase the performance of the enterprise are the following: (1) Employment security, (2) Selective hiring of new personnel, (3) Self –managed teams and decentralization of decision making as the basic principles of organizational designs, (4) High compensation, (5) Extensive training, (6) Reduced status distinctions and (7) Extensive sharing of financial and performance information throughout the organization. Each one of these practices is absolutely related to the others (Ahmad and Schroeder, 2002). The enterprises, depending on the strategy and the capabilities that they have, give different weight in every one of the HRM practises. Formally, when an enterprise puts the biggest possible effort for the growth, establishment and application of every one of these practices it achieves the ideal HRM system. This ideal type of system is expected to produce the higher performance in the enterprise. As closer to the ideal HRM system an enterprise is, so much better its performance will be. According to Ahmad and Schroeder (2002), if the co-operation between the practises is subsantiated, then an enterprise with an HRM system similar to the ideal type will interpret considerably the biggest part from the variation in the performance of the enterprise than whichever individual HRM practises or anyother combination of them.

Research Methodology

Data Collection

Field of the research constituted the sector of Greek industry. The Greek industry, as most sectors of the Greek economy, is characterized by the small size of the enterprises as only 2% of these industries have more than 500 employees (ICAP, 2002). The target population of the research constitute by 5.964 industries which are reported in the list of S.E.V (Hellenic Federation of Enterprises). An effort was made to cover most industrial sectors, according to the classification of NACE (National Classification of Economic Activity-rev.1), from all the regions of the country.

The collection of needed information was contacted by the use of questionnaire which was dispatched by post, fax or via e-mail in randomly selected industries. From 285 questionnaires that were sent in total, 212 returned completed. Response rate reaches 75% and is considered very satisfactory, particularly if it is compared with the average of 20% that Young (1996) reports for researches that are made in enterprises and are addressed to superior executives. In similar researches as those of Ahmad and Schroeder (2002) the response rate was 60%. In the final sample which is constituted by 208 industrial units, more than 100 are found in the list of the 500 biggest industries of our country, with an average of 270 permanent employees and average annual turnover of 82 million €.

Measurement of Variables

Pfeffer's seven HRM practices were selected for the purpose of this research, while the questionnaire of Ahmad and Schroeder (2003), after some indispensable modifications, was the basic research instrument. In each question (statement), the personnel managers answered using the following five- point Likert scale: 1 = It never happens, 2 = It seldom happens, 3 = It happens some times, 4 = It often happens and 5 = It always happens. In this way was estimated the degree of application of HRM practices by the Greek manufacturing companies.

Moreover, in order to determine the Greek "ideal" HRM model, according to personnel managers, it was asked by them to declare their degree of importance of each statement using the following five- point Likert scale: (1) Unimportant, (2) Of little importance, (3) Moderately important, (4) Important and (5) Very important. In order to measure operational performance 3 variables were used from the work of Hill (1989) and 2 variables from the work of Vickery et al. (1997). In each of these variables the responsible were asked if the performance in their company is: (1) Very below average, (2) Below average, (3) On average, (4) Above average and (5) Very above average of the industry.

The content validity of the questionnaire was ensured through pre- test and structured interviews with the personnel managers and academic experts in the field. For the test of construct validity, was conducted: a) Exploratory Factor Analysis and b) Reliability Analysis with the use of S.P.S.S 17.0.

All items that did not contribute strongly to the corresponding factor (practice) or to the alpha value were removed. After the purification of the factors, was calculated the average score from all the items of the factor and the average score became the value representing the factor.

Data Analysis- Results

Thirteen factors have been created from the seven practices and their mean scores are presented in the table below.

Table 1: Means of Practices

Practices	Factors	Original Mean	Greek Ideal Mean	Ideal Mean
1. Employment insecurity	1. Employment insecurity (2)*	4,05	4,17	5
2. Selective hiring	2.1 Manufacturing and human resources fit (5)*	3,73	4,14	5
	2.2 Behavior and attitude (7)*	3,70	4,11	5
3. Use of teams and decentralization	3.1 Team activities (6)*	3,63	4,06	5
	3.2 Interaction facilitation (3)*	3,57	4,18	5
4. Compensation contingent on performance	4.1 Contingent compensation (3)*	2,55	3,61	5
	4.2 Incentives to meet objectives (4)*	3,30	4,17	5
5. Extensive training	5.1 Training on job skills (5)*	3,64	4,19	5
	5.2 Training in multiple functions (4)*	3,64	4,08	5
6. Status differences	6. Status differences (4)*	2,65	3,00	5
7. Sharing information	7.1 Communication of strategy (4)*	3,86	4,25	5
	7.2 Feedback on performance (3)*	2,95	3,69	5
	7.3 Diagrams (4)*	2,47	3,27	5

*number of items in each factor

The results of table 1, show that the enterprises, depending on the strategy and the capabilities that they have, give different weight in every one of the HRM practises. According to researchers, the extend of application of practices which are applied can differ between the sectors and/or the countries for various reasons, such as the culture and the temperament (Salk and Brannen, 2000), the governmental regulations and the policies (Morishima, 1995), the competitive priorities (Boxall and Steeneveld, 1999), and the application of different management practices (Snell and Dean, 1992). Hofstede (1980) also argued that the national culture affects in the attitude and in the behavior of the workers. In an enterprise which is activated in different countries the culture of workers is considerably different. Consequently the choice of the practises that every enterprise will choose constitutes an important factor in the determination of the degree at which the practices will contribute in the improvement of the performance (Bailey, 1993; Guest, 1997; Huselid, 1995).

From table 1 arises also that the model that the Greek personnel managers believes as “ideal” for the Greek industrial units is fairly different from the one proposed by theory and other foreign managers. The Greek “ideal” model, in the context of this study, is the model that arised from the declarations of Greek personnel managers.

Table 2 shows a positive and in some cases strong correlations, among the different HRM practices confirming the opinion of Ahmand and Schroeder (2003) who argue that when a company increases its effort in one of the HRM practices, increases the effort in the other practices also.

Table 2: Correlation Coefficients among factors

	1.	2.1	2.2	3.1	3.2	4.1	4.2	5.1	5.2	6.	7.1	7.2	7.3
1.	1												
2.1	,240**	1											
2.2	,293**	,610**	1										
3.1	,295**	,494**	,591**	1									
3.2	,250**	,502**	,621**	,735**	1								
4.1	,179*	,365**	,416**	,469**	,490**	1							
4.2	,172*	,388**	,560**	,486**	,581**	,637**	1						
5.1	,365**	,465**	,608**	,507**	,621**	,466**	,605**	1					
5.2	,121	,301**	,452**	,463**	,418**	,322**	,437**	,475**	1				
6.	,015	,038	,077	,040	,032	,074	,140*	,084	,047	1			
7.1	,229**	,444**	,562**	,539**	,563**	,445**	,617**	,619**	,382**	,012	1		
7.2	,142*	,435**	,535**	,491**	,572**	,516**	,563**	,626**	,407**	,068	,665**	1	
7.3	,087	,337**	,378**	,338**	,398**	,453**	,412**	,421**	,283**	,046	,448**	,753**	1

*p<0.05, **p< 0.01.

In order to determine the misfit and its impact on operational performance of companies, in this study defined as misfit the dissimilarity between the “ideal” and the existing HRM model and the following formula is used to calculate it.

$$\text{MISFIT}_i = \frac{\sum_{k=1}^n (x_k - x_{ik})^2}{k}, \text{ where } x_{ik} \text{ is the score of } k\text{th factor of the existing HRM model of a}$$

particular unit i , x_k is the score of the $k\text{th}$ factor of the “ideal” HRM model and k the factors representing the HRM model. In this study i varies from 1 to 208 and k varies from 1 to 13. The MISFIT, in each company, can be ranged from 0 to 16.

Table 3: Paired Samples t- test

Factors	t- value	Sig. (2 tailed)
1. Employment insecurity	-2,644	0,009
2.1 Manufacturing and human resources fit	-8,802	0,000
2.2 Behavior and attitude	-9,751	0,000
3.1 Team activities	-10,326	0,000
3.2 Interaction facilitation	-11,097	0,000
4.1 Contingent compensation	-13,335	0,000
4.2 Incentives to meet objectives	-12,331	0,000
5.1 Training on job skills	-10,714	0,000
5.2 Training in multiple functions	-8,390	0,000
6. Status differences	-18,346	0,000
7.1 Communication of strategy	-8,422	0,000
7.2 Feedback on performance	-12,609	0,000
7.3 Diagrams	-9,948	0,000

It is obvious from the table 3 that there are statistically significant differences between the existing and the “ideal” HRM model, in all the factors and consequently in all the practices ($p < 0,01$). That means that the Greek industrial units do not apply the practices according to the manager’s desires and instructions but according to the owner’s and the economical and organizational capabilities that they have.

The relationship between the operational performance and the partial MISFIT of each factor that constitutes the HRM practices is negative as all the correlation coefficients are negative. The same is happening between the operational performance and the MISFIT of the sum of factors that constitutes the HRM model. In particular, the correlation coefficient is -0,288 and is significant at 0,001 level. Formally, when an enterprise puts the biggest possible effort for the growth, establishment and application of every one of these practices it achieves the ideal HRM system. This ideal type of system is expected to produce the higher performance in the enterprise. As closer to the ideal HRM system an enterprise is, so much better its performance will be.

Conclusions

The Greek Industrial sector doesn't use the HRM practices in such an extensive way. Gives priority to the employment security and to the communication of strategy while considers as less important the contingent compensation and the status difference. However, there is a strong and positive relationship among the practices. There is also, a significant difference between the HRM model that is applied and the “ideal”, according to Greek personnel managers. Moreover, the MISFIT of each practice is negatively related to the operational performance and the same happens more intensely between the total MISFIT and operational performance.

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