

Corporate Social Responsibility

Chapter 10

Human Resource Management Practices and Business Growth

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ABSTRACT

Human resource management practices play an important role in retaining an organizations employee and also in increasing his commitment. Human resource management indicates the policies, practices and procedures that persuade the behaviours, attitude and also performance of employees. However, human resource practices are involved in recognizing human resource need, getting pools of applications, screening them and then giving them training, compensating, evaluating and further involved in labour relations, health and safety programmes and also concerned towards fairness. Thus, effective execution of human resource practices in organizations is the main foundation in order to create a unique edge, and it has positive relationship with the company.

Introduction

Human resource practice that consider their employees as investment and appreciate employee contributions indicates that the organization is supporting its employees and also showed commitment to its employees (Druker, 1985), also is of the view that if the Human resource wants to create values to the organization in order to enhance quality and improved service then, it has to satisfy its employees, compensate them, conduct their appraisal; open communication systems should be there and then give feedback to the overall organization. And these actions can make sure that the organization is now able to satisfy its employees which will move the organization towards success. For years human resource researchers are of the view that human resource practices play a very important role in employee productivity and loyalty because the means through which the organization treats its employees directly affects overall organizational performance.

According to Yoon and Thye (2002), firms practices are concerned with the emotions of the employee committed, proposing that the employees process activities of organization carefully regarding matters of employees.

Human Resource Management (HRM) practice both in the private and public sector is an important strategic tool used by organizations for creating and retaining competitive advantage. Organizations have started to recognize that a competitive advantage can be gained through human resources. As this realization occurs, research on organizational commitment on good service delivery has gained importance too. Access to adequate and affordable basic services is fundamental to the achievement of a socially cohesive and all-inclusive community. Linkage research has established a connection between service climate and customer satisfaction. The theoretical framework draws on the service climate research by arguing that when organizations foster a climate that rewards employees for their attention to customer service, customers will be more satisfied and more likely to return to the organization. In particular, attention is drawn on service climate theory that suggests that when employees perceive their organization as demonstrating concern for both employees and customers, employees are more likely to provide quality service to customers. This theoretical model also draws on strategic human management theory by arguing that effective management policies and practices will enhance firm performance. Strategic human management theory proposes that if

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an organization successfully uses its HRM practices to generate a climate for service, then those contributions will enhance that organization's competitive advantage (Annette et al., 2011).

The HR Practitioner as Managerial Professional

The first issue to deal with is the definitional one of identifying what is meant by professional. The sociological analysis of the professions has shifted in emphasis over time (Evetts, 2006; Gorman & Sandetur, 2011; Sciulli, 2005). The early focus was on what the core attributes of a profession might be, largely informed by structural functionalist perspectives and based on Anglo-American contexts (Abbott, 1988; Carr-Saunders & Wilson, 1933; Larson, 1977; Parsons, 1939). Burrage et al (1990) for example, identify the core characteristics of being a professional consists of being a liberal non-manual occupation, with monopoly control over labour-market supply, self-governance, specialized training that is also scholarly, control over entry – via qualifications – and of material and symbolic rewards for members based on the exclusive claim to social legitimacy.

Some have questioned attempts at such narrow definitions (Evetts, 2006; Muzio et al., 2011), but it seems important for some form of minimum characteristics to identify any claim to professional identity to be available even if there may be differences between particular occupations and where a binary distinction is unrealistic, given the variety of occupations claiming some form of professional status – with credible claims for wider social legitimacy for doing so.

Moreover, critics of the trait approach invariably end up relying on some version of it to distinguish between, for example, organization professions and occupational professions (Evetts, 2013) or corporate professions and collegiate professions (Muzio et al., 2011) and there are certain features of established professions that can immediately screen out new contenders - the presence of licensure being one such example (Wiley, 1995). Nowhere does the practice of HR require a license. Neither would expulsion from an HR governing body prohibit an individual from practicing HR (Fanning, 2011). According to Gilmore and Williams (2007) licensure distinguishes legalized professions from commercialized ones when certification will suffice. Lengnick-Hall and Aguiness (2012) point out that both certification and licensure are means by which individuals demonstrate the mastery of a body of knowledge. However, because HR certification has no legal status, its legitimacy rests upon its value among relevant stakeholders-practitioners, power brokers within organisations and wider society.

The legalistic shortcoming leaves the dilemma of mandate which goes further and implies the right to prescribe how others must act ('for their own good') (Pfadenhauer, 2006). This can occur both within organizations and beyond (i.e. socially) to reflect the legal matters that professionals might be said to have expertise, but not necessarily exclusivity. As Bailey (2011) explains 'public policy' directly affects the HR practitioner because it provides one of the means by which they can demonstrate institutional coercion by ensuring that any corporate action is conducted within the boundaries of the law. However, the danger with this 'gatekeeper' source of professionalization is that the state, rather than the profession, is seen to control the work of the practitioner (ibid.), which represents an interesting development on the tension that is usually identified between occupations and organizations (Noordegraaf, 2011). It also makes assumptions about the role of the state as neutral arbiter between 'labour' and 'capital' at societal level, in establishing the parameters of the practitioner at workplace level, whereas the known variations in regulatory practice – its scope and orientation towards the various competing interests – varies considerably internationally, as is reflected in all the institutionalist literature (Streek, 2011).

While much remains unresolved on the definition issue, the focus has shifted to an interest on the process of professionalization- either as a cultural manifestation of class identity in continental Europe (Sciulli, 2005) or, less successfully, as the attempt to bolster certain occupations through 'credentialisation' achieving only the ability of raising barriers to entry (Vaisey, 2006). This broad area of enquiry has continued in the examination, in contemporary scenarios, of how certain occupations are able to enhance their status, legitimacy, and thus, their claim to becoming professions (Evetts, 2013).

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Another emphasis on the study of professions and professionalism has been on how professionals interact with clients and other working colleagues with lower status. The focus has inevitably been, then, on problematizing professional power- this (implicitly) is the substance of Goffman's (1961) classic study of the asylum and also the essence of what more recent Foucauldian approaches to the 'performativity' of professionals at work (Dent and Whitfield 2002; Grey, 1998). This more negative emphasis of professionals at work has been tempered more recently, by a more neutral tone. This has partly been prompted by the observation that professional work has found itself, particularly in the public services, subject to much greater pressure to subordinate attributes of professionalism (autonomy, exclusivity) to the powerful interests of markets in the form of clients-redefined-as-customers DuGay, (1996) of 'managerialism' (Pollitt & Bouckaert, 2000; Terry, 1998) with its associated audit and inspection culture (Dent & Whitfield 2002). Thus, if the critical study of professionalism in the 1960s and 1970s was an attempt to juxtapose the invisible influences used by professions to protect middle class work demarcations, to the more visible coercive means adopted by trade unions attempt to control the working lives of its working class members, this distinction became more blurred with the increased profile of 'professional' categories – and parallel decline in craft and manual occupations - in trade union membership (Millward et al. 2000). Here it is incumbent to note that the discourse of HRM that emerged during the 1980's in a climate that promoted management ideologies that proactively endorsed free markets, deregulation, and unitarist approaches to employment relations (MacInnes, 1987). This was proactive 'can-do' management that was seen as lacking in previous decades of compromise and failure. So by association, HRM is often defined in terms of how it fits within this contemporary entrepreneurial climate, whereas personnel management is retrospectively defined through its association with a climate where managements operated under pluralist assumptions and were therefore less able to act assertively. This definition through association is prone to problems. First, there is a tendency to make overly simplistic generalizations about some monolithic personnel management that existed before HRM was 'invented'. Secondly, there is a tendency to take too much prescribed HRM rhetoric at face value where it makes claims to be making breaks from past managerial theory.

Concept of Business growth

Business growth is a central topic in the literature on entrepreneurship, strategic management and industrial organization, among others. For an individual entrepreneurial business growth is an evidence of the return of the entrepreneur's investment and self-fulfillment. Growth is also a condition of survival for young and small businesses, as growing businesses are found less vulnerable to failure than non-growers (Stam *et al.*, 2006). The macroeconomic importance of business expansion was recognized in the 1980s, when the phenomenon of gazelles or high-growth business s was first described as those capable of intense size increases within a limited time span (Birch, 1981; Birch & Medoff, 1994; Birch *et al.*, 1994; Storey, 1994; Coad, 2009; Acs *et al.*, 2008). According to empirical research gazelles form a small fraction of business population. However, they represent a disproportionately large share in new job creation (Storey, 1994; Coad 2009; Stam *et al.*, 2006; Acs *et al.*, 2008). Growing business s are also more likely to generate innovations, specifically product innovations involving technological advancements (Coad, 2009; Schreyer, 2000; Storey, 1994; Smallbone *et al.*, 1995).

Both entrepreneurs and policy makers interested in expansion, focus on rapidly growing business s and on small and medium-sized enterprises. This interest in high-growth enterprises is justified by the observation that the remaining population either grows slowly or does not perform any expansion (Coad, 2009). At the same time, gazelles are predominantly young, small and medium-sized enterprises (SMEs). The dynamics and economic contribution of business s' growth are negatively associated with age and size, which corresponds to the observation that job losses are generated mainly by the established, large and non-growth business s (Acs *et al.*, 2008).

As business expansion and growth have proved to be a condition for competitive advantage both at the level of individual business s and at the level of the economy at large, the phenomenon of business growth has become a focus of research. One of the main purposes of this increasingly

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preeminent study stream is to provide recommendations for business management and for economic policy, undergoing the risks and challenges in achieving expansion. However, in order to provide these recommendations, there is need to better comprehend the entrepreneurial motivations and the attitudes towards growth, the stimuli and impediments to company growth, the potential mechanisms to business growth and modes of expansion. This special issue seeks to contribute to the knowledge base on the growth process of entrepreneurial business s, which is an emerging stream of research on business growth. This emerging stream complements existing perspectives on expansion, which are more focused on: 1) companies' internal adaptation mechanisms, as reflected in life cycle models, and on 2) determinants and predictors of business growth (Dobbs & Hamilton, 2006; McKelvie & Wiklund, 2010). The focus provided in this special issue as complementary to existing approaches, aiming also to contribute with new findings in addressing some yet underexplored areas. The emerging stream of growth refers to why and how growth is implemented through proactive entrepreneurial actions and decision-making processes, which are presented in complex organizational and environmental contexts, including cause-effect mechanisms in the history of company development. This holistic approach is a constituent feature of studies on the business growth.

Market Growth

Increase in growth requires a formal behavior of employees and the employer at the workplace, and this behavior takes a long time to achieve. It requires the elimination of informal relationship that also reduces the profitability of the business. According to another point of view, employees are motivated to achieve growth for their future benefits associated with profitability and growth of the business. The dedication of employees improves their performance resulting in higher growth and profitability (Serrasqueiro, 2009). Growth is a gradual process and in the context of the business, it can be defined as an increase in the sales of company, expansion of business through acquisition or merger, growth of the profits, product development, and diversification and also an increase in the number of employees of the business. Current year sales minus prior year sales and the whole divided by prior year sales is used by many studies to measure the growth rate. This is also called growth in sales. Many studies have chosen sales growth because it is easy to calculate. Change in demand of product or service of the company also changes the sales of that company, and demand is the predictor of growth (Vijayakumar and Devi, 2011). The other measures of the growth can be the increase in asset, increase in the number of employees and increase in the branches of the organization. We have used sustainable growth rate (SGR) for this purpose because SGR tells us that how much growth a company can achieve without external financing in business. In other words, the growth achieved through internal sources of company is called sustainable growth rate. An increase in the demand of a product or service in the market is termed as Market Growth. When company tries to expand, it expects markets to grow (Fagiolo, Luzzi, 2006). For this, companies try to increase the perceived value, product features, competitive prices etc. Market growth depends on the acceptance of the product on a particular price level. Market demand increase if consumers accept and decrease if they reject any growth/new product in the market. High priced products target a niche segment, but if prices are reduced then the customer base increases.

Market growth can be increased by tapping a new market, aggressive advertising, special value added services etc, which are significantly different and better as compared to a competitor. For instance, Consumer Electronic brands reduce their costs with every subsequent launch of products. This enables people to buy the products at a cheaper price. The more the volume sale of the products, this is the market growth.

Social Exchange Theory

Social exchange theory is said to be among the most influential conceptual paradigms for understanding work place behavior. Its roots can be traced back to at least the 1920s (Malinowski, 1922; Mauss, 1925), bridging such disciplines as anthropology (Firth, 1967; Sahlins, 1972), social

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psychology (Gouldner, 1960; Homans, 1958; Thibault & Kelley, 1959), and sociology (Blau, 1964). One of the basic tenets of social exchange theory is that relationships evolve over time into trusting, loyal, and mutual commitments. To be able to do so, parties must abide by certain 'rules' of exchange, whereby the rules and norms of exchange are the guidelines of the exchange process. Exchange theory is based on the premise that human behavior or social interaction is an exchange of activity, tangible and intangible (Homans, 1961), particularly that of rewards and costs (Homans, 1961). It treats the exchange of benefits, that is giving others something more valuable to them than is costly to the giver, and vice versa (Homans, 1961), as the underlying basis or open secret of human behavior and so a phenomenon permeating all social life (Coleman, 1990). Homans (1961) defined social exchange as the exchange of activity, whether tangible or intangible, and more or less rewarding or costly, between at least two persons. Cost was viewed primarily in terms of alternative activities or opportunities foregone by the actors involved. This theory was used to explain the relationship between human resource management practices and business growth.

CONCLUSION

Human resource management indicates the policies, practices and procedures that persuade the behaviours, attitude and also performance of employees. However, human resource practices are involved in recognizing human resource need, getting pools of applications, screening them and then giving them training, compensating, evaluating and further involved in labour relations, health and safety programmes and also concerned towards fairness. Thus, effective execution of human resource practices in organizations is the main foundation in order to create a unique edge, and it has positive relationship with the company.

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