CHAPTER THREE

RESEARCH DESIGN

3.1 Review of Literature and Research Gap
3.2 Objectives of the Research Study
3.3 Scope of the Study
3.4 Methodology of the Study
3.5 Synoptic View of the Study
3.6 Limitations of the Study
3.1 REVIEW OF LITERATURE AND RESEARCH GAP

Strategic HRM is comparatively a new concept originated in the U.S.A. in the 1980s. In order to find a research gap in this area a thorough review of literature is done in the following.

3.1.1 Shortcomings in the traditional PM framework

In the 'Personnel Management' journal, Guest [1989] wrote an article named 'Personnel and HRM: can you tell the difference?' Like Guest [1989], many authors, e.g. Fowler [1987], Armstrong [1987] etc., feel that substantively there is little new in HRM. In fact, people compare the 'theory' of HRM with the 'practice' of PM. Comparing like with like, Legge [1989] concludes that there is not much difference between the normative, or 'ideal', models of PM and HRM. However, she finds differences in emphasis -- which show the shortcomings of traditional PM. For example, she says, PM focuses on the non-managerial workforce; on the other hand, HRM concentrates on managers and the 'core workforce'. Beer and Spector [1985] had also identified some lacunae of PM, for example, PM is reactive, piecemeal interventions in response to specific problems; here people are considered as variable cost; in PM self-interest dominates, i.e. conflict is a must between stakeholders; it is relationship oriented etc. However, by the 1980s, PM had become a well-defined but low status area of management. Traditional PM was accused of having a narrow, functional outlook [Price 1997: 12]. Storey [1989: 5] considers that PM has long been dogged by problems of credibility, marginality, ambiguity etc. In order to overcome the shortcomings of PM, HRM emerged.

3.1.2 Emergence and significance of the HRM function

HRM-type themes, including 'human capital theory' and 'human asset accounting', can be found in the literature from the 1970s [Price 1997: 12]. However, the modern view of HRM first gained prominence in 1981 with its introduction on the prestigious MBA course at Harvard Business School. The Harvard MBA has provided a blue-print
for many other courses throughout the world, making its interpretation of HRM particularly influential [Beer et al. 1984; Guest 1987; Poole 1990].

HRM covers all aspects of managing employees in its widest sense and emphasizes the role of line managers in overseeing their own staff [Price 1997: 23]. HRM is a radically new approach to managing people, demarcated sharply from traditional PM [Storey 1989: 4]. HRM looks at people in economic terms as assets and liabilities to be actively managed.

Why should HRM attract such attention -- particularly from senior managers? From a strategic viewpoint Legnick-Hall and Legnick-Hall [1988] identified a clear rationale for adopting the HRM approach:

* HRM offers a broader range of solutions for complex organizational problems.
* It ensures that an organization's people are considered as well as its financial and technological resources when objectives are set or capabilities assessed.
* It forces the explicit consideration of the individuals who implement and comprise the strategy.
* Two-way links are encouraged between the formulation of strategy and its HR implications, avoiding problems which might arise from:
  # subordinating strategic considerations to HR preferences;
  # neglecting an organization's people as a potential source of organizational competence and competitive advantage.

Tichy et al. [1982] points out that HRM is one of the core elements required for the organization to function effectively. The literature makes it apparent that HR issues have not typically been treated as an integral concern of the organization's strategic process [e.g. DeSanto 1983; Harvey 1983; Leontiades 1982; Stybel 1982; Sweet 1981].

This oversight, however, appears to be on the threshold of correction, as the recent emphasis on 'strategy' is providing the opportunity to bring HR concerns into the 'nuts and bolts' of the organization [Sweet 1981: 77]. The literature is beginning to recognize HR considerations as an essential component of the strategic process [e.g. Tichy
3.1.3 Increasing importance of strategy

A Strategic orientation is a vital ingredient in HRM. It provides the framework within which a coherent approach can be developed to the creation and installation of HRM policies, systems and practices [Armstrong 1992: 47]. Why do academics stress the importance of strategy? A number of reasons are apparent:

* Strategic literature emphasizes the internal resources of a business as the source of competitive advantage. Such resources must possess four qualities of advantage to be maintained:
  i) they must add value to the organization's activities;
  ii) they must be rare and (preferably) unique;
  iii) competitors should have difficulty in copying them;
  iv) they must be unable to be replaced by technology.

These criteria arise from HR in the form of skills, expertise and experience [Storey 1995: 4].

* Strategy is intellectual and, therefore, interesting -- to academics. It is analytical and can be conceptualized in terms of models, abstractions and even numbers. In other words, it deals with a business subject within an orthodox academic framework [Price 1997: 159].

* Strategy is important. It deals with high-level decisions, concerning itself with the 'big agenda' [Price 1997: 159].

Miller [1989: 36] says about the 'concept of "fit": the fit of HRM with the thrust of the organization'. Armstrong [1992: 53] argues that the significant issues in strategic HRM is that of integration with overall business strategy.

3.1.4 Emergence of SHRM

In the competitive environment of open economy strategy and HRM system are becoming significant factors for the corporations. The consideration of strategy and HRM
system jointly led to the emergence of SHRM, which is crucial for achieving corporations' long-term goals.

i) **Emergence**: In the U.S.A. the term HRM has been used for over fifty years as an alternative name for personnel management (PM) [Noon 1992: 23]. For most of that time, the terms were used interchangeably. However, in the 1980s HRM took on a new connotation, one significantly different from traditional PM [Price 1997:1]. The concept of SHRM originated in the U.S.A. just after the development of the concept of HRM in the 1980s. In the U.S.A., during 1980s, there was a widespread belief that HRM is the dependent variable and business strategy is the independent variable in their relationship [see for example, Gilbraith and Nathanson 1978; Tichy et al. 1982]. The assumption that HRM is derived from corporate and business strategy leads to what Boxal [1992: 61] calls the *matching model* according to which organizational effectiveness is achieved by ensuring a tight fit between corporate / business strategy and HRM strategy.

ii) **Concept**: As an emerging concept SHRM is facing an *identity crisis* and it is viewed and defined from many perspectives. For example, it can be viewed as *strategy-focused* (an example of a major contributor of this view is Beet et al. [1984]), *decision-focused* (an example of a major contributor of this view is Tichy et al. [1981]), *content-focused* (an example of a major contributor of this view is Torrington & Hall [1995]), *implementation-focused* (an example of a major contributor of this view is Miles & Snow [1984]) etc. From the detailed review of the SHRM literature, the following points can be identified.

* There is a semantics problem between HRM and SHRM (see for example, Beer et al. [1984: 13]; Hendry & Pettigrew [1986]; Legge [1991: 24]; Brewster [1994: 49] and so on).

* SHRM is one of the two broad areas of HRM -- the other area is the functional HRM (see for example, Tichy et al. [1981]; Miles & Snow [1984]; Tichy et al. [1984]

* There are some strategic aspects in every element of the HRM process and these are known as SHRM (see for example, Olian & Rynes [1984: 172]; Balkin & Gomez-Mejia [1990: 158] and so on).

* If SHRM process or functional HRM process or any of their element fit/blend with business strategy -- SHRM will emerge (see for example, Miles & Snow [1978]; Hendry & Pettigrew [1986]; Guest [1989]; Miller [1989] and so on).

* SHRM is not completely dependent on business strategy. Without this HRM - business strategy link there can be SHRM (see for example, Hendry & Pettigrew [1986]; Torrington & Hall [1995: 47] and so on).

* SHRM is a planning process and the resulting plan must be a long-term plan (see for example, Miller [1989: 51] and so on).

* Though in HRM (both functional and strategic) people are considered as assets, resources, or capital, in SHRM it is considered as strategic (human) assets, resource, or capital (see for example, Hendry & Pettigrew [1986] and so on).

* The main objective of SHRM, which naturally comes in the SHRM definition, is creating and sustaining competitive advantage for the business (see for example, Mathis & Jackson [1985: 2] and so on).

3.1.5 Principles and Models of SHRM

The main rationale of SHRM is to enhance organizational performance through managing human resources more effectively, particularly focusing on the alignment of human resources with firm strategy as a means of gaining competitive advantage. Principles and models of SHRM are discussed below:

i) Principles: The aim of SHRM is to ensure that the culture, style and structure of the
organization, and the quality, commitment, and motivation of its employees, contribute fully to the achievement of business activities [Armstrong 1992: 47]. But how should we practice meaningful SHRM? A systematic framework or principle(s) are needed for this. Price [1997: 163] proposed ten principles, each conveniently beginning with 'C' -- in the best management-guru style. The Harvard model [Beer et al. 1984] has its central four Cs -- commitment, congruence, competence, and cost-effectiveness -- three of which are incorporated in the ten principles. Torrington [1994: 7] has similarly proposed a seven Cs model of international HRM, including consultancy and culture. Price's [1997: 163] ten SHRM principles are: (i) comprehensiveness -- HRM should be closely matched to business objectives; (ii) coherence -- allocation and activities of HR integrated into a meaningful whole; (iii) control -- effective organizations require a control system for cohesion and direction; (iv) communication -- strategies understood and accepted by all employees; open culture with no barriers; (v) credibility -- staff trust top management and believe in their strategies; (vi) commitment -- employees motivated to achieve organizational goals; (vii) change -- continuous improvement and development essential for survival; (viii) competence -- organization competent to achieve its objectives -- dependent on individual competences; (ix) creativity -- competitive advantage comes from unique strategies; (x) cost-effectiveness -- competitive, fair reward and promotion systems.

Price [1997: 28] observes that these ten principles are interlocked. Failure to observe any of these principles can lead to the breakdown of the people management system.

**ii) Models:** Storey [1989] has distinguished between hard and soft forms of SHRM, typified by the Michigan and Harvard models, respectively. These hard and soft views of SHRM have always been implicit in the concept but were emphasized most clearly in the mid-1980s by two competing texts. The first was published in 1984, edited by Tichy et al. and the second, by Beer et al., was published in the following year. A number of authors (e.g. Legge [1989]; Hendry & Pettigrew [1990]; Beaumont [1991]; and so on) have discussed the difference between these two approaches. The key distinctive features of the models which
come out from the review of SHRM literature are discussed below:

**A. Harvard model:**

(i) the model sees employees as resources, but fundamentally different from other resources -- they cannot be managed in the same way. The stress is on people as human resources [Brewster 1994: 57].

(ii) employees are significant stakeholders in any organization. They have their own needs and concerns, along with other groups such as shareholders and customers [Torrington & Hall 1995: 55].

(iii) the model acknowledges that management has the greatest degree of power [Price 1997: 14].

(iv) the model provides a strategic map of SHRM territory which guides all managers in their relations with employees. However, the influence of these variables on management is undervalued [Hollinshead and Leat 1995: 16].

(v) Poole [1990] notes that the model has potential for international or other comparative analysis, as it takes into account different sets of philosophies and assumptions which may be operating.

**B. Michigan model:**

(i) There are many similarities with the Harvard map but the Michigan model has a harder, less humanistic edge, holding that employees are resources in the same way as any other business resource (Brewster 1994: 57).

(ii) the model is strongly influenced by strategic management literature. SHRM is seen as a strategic process, making the most effective use of an organization's human resources. Hence there must be coherent HR policies which fit closely with overall business strategies [Price 1997: 16].

(iii) the model is criticised for its dependence on a rational strategy formulation rather than on an emergent strategy formulation approach; and for the nature of the one-way relationship with organizational strategy [Torrington & Hall 1995: 54].
Initially the main concern of writers in the U.K. (e.g. Hendry & Pettigrew [1986]; Guest [1987] and so on) was to develop a unified working definition of the SHRM concept out of the parallel schools that were developing in the U.S., because Europeans are critical of the U.S. models. Looking at the U.K., Guest [1990: 377] sees "sign that ... the American model is losing its appeal as attention focuses to a greater extent on developments in Europe". Gaugler [1988: 26] concludes that, "An international comparison of HR practices clearly indicates that the basic functions of HRM are given different weights in different countries and that they are carried out differently". Pieper [1990: 11] also concludes that "a single universal model of HRM does not exists".

From the discussion above it is clear that all the original and in-depth discussion on SHRM are done in the western world and the models and theories are also proposed by the westerners keeping in view their own situational and environmental factors. To the best of our knowledge no study as such was done in Bangladesh and India, except few articles are written on transformation of HRM (e.g. Khan [1998]), emerging challenges in HRM (e.g. Saini [1998]) etc. It is safe to conclude, therefore, that SHRM is practically a virgin area so far as research on it in the context of developing nations such as Bangladesh is concerned.

### 3.2 Objectives of the Research Study

The present study has been undertaken to achieve one general as well as five specific objectives. The general objective of the study is to investigate the usage and application of strategic human resource management in Bangladeshi firms. The specific objectives of the study, related to business firms in Bangladesh, are laid down as below:

(a) To identify the corporate and HR strategies followed.
(b) To ascertain the organizational structure.
(c) To study the HR system.
(d) To analyse the position of HR functions in the organization.
(e) To investigate the policies and processes of SHRM.
3.3 **Scope of the Study**

The scope of the study is defined in terms of subject coverage, industry coverage, location, and period coverage.

3.3.1 **Subject Coverage**:

In terms of subject coverage, the present research study is related to an enquiry into the broad area of SHRM. In doing so, the coverage includes issues in human resource management, and allied areas which are generally considered as coming within the ambit of the personnel related functions and activities within organizations. So far as the strategic aspect is concerned, the coverage extends to the issues generally accepted as coming within the ambit of strategy formulation, implementation and evaluation.

3.3.2 **Industry Coverage**:

In order to achieve the objectives of the study, a wide variety of firms is included in the study. The study includes firms like groups of companies, banks, real estate firms, garments, chemical and pharmaceutical firms etc. Public corporations could not be included in the study due to their unwillingness in sharing information and bureaucratic process of seeking access to date.

3.3.3 **Location of the Firms**:

In the 33 sample firms, only 6 firms are located in Chittagong, Rajshahi and Khulna divisions — 2 firms from each division. The rest are located at Dhaka. The reason for this is that, as Bangladesh is a small country in terms of land area and Dhaka is its capital, most of the large firms, which have more than 1000 personnel, have their offices in Dhaka. Two newly created divisions, Sylhet and Barisal, have no representation in the sample firms.

3.3.4 **Period Coverage**:

The study basically pertains to a period of 5 years starting from 1993-94 to 1998-99. The researcher believes that 5-year period is adequate to know the changes taken place in the business firms in strategy, structure, position of HR functions, HR system
and policies and processes of SHRM areas.

3.4 Methodology of the Study

The present study is based on the objectives as mentioned in the previous section. In the light of these objectives the techniques of investigation to be adopted, tools to be used and pattern of analysis to be followed are to be determined.

3.4.1 Selection of Sample:

In order to achieve the objectives of the study, purposive sampling technique was used. The business firms which have at least 1000 personnel or more were selected. Due to the lengthy process of gaining access getting filled-up questionnaire or interview-time of the interviewee, 33 firms could be covered in the study. The respondents were reluctant to provide information because they had fears, though unfounded, about tax, or about competitors or some officials were unusually busy or seemed to be busy.

3.4.2 Sources of Data:

The necessary quantitative and qualitative data have been obtained from both the primary and secondary sources. One of the main source of secondary data is the library. The libraries consulted which are located in India are: Maulana Azad Library, A.M.U., Aligarh; Seminar Library, Department of Business Administration, A.M.U., Aligarh; Ratan Tata Library, Delhi School of Economics, Delhi. The libraries consulted, which are located in Bangladesh are: Dhaka University Central Library, University of Dhaka, Dhaka; Seminar Library, Faculty of Business Studies, University of Dhaka; Library of Institute of Business Administration, University of Dhaka, Dhaka; Library of Bangladesh Institute of Development Studies, Dhaka; Library of Bangladesh Institute of Bank Management, Dhaka.

The other sources of secondary data are:

4. Export Promotion Bureau, Bangladesh.
5. Planning Commission, Dhaka, Bangladesh.
6. Board of Investment, Prime Minister's Office, Bangladesh.
7. Annual Report, Bangladesh Bank, Bangladesh.
8. Publications of representative bodies of industry and trade, and associations, like Dhaka Chamber of Commerce and Industries, Dhaka, Bangladesh.
9. Reports, seminar papers, research papers appearing in various journals and periodicals.
10. Statistics department, Bangladesh Bank, Bangladesh.
11. Different types of reports of the sample firms, including the annual reports.
12. UNDP, Human Development Report, various issues, N.Y.

With a view to achieving the objectives of the study, primary data were used. One responsible executive or officer from each of the 33 sample firms, i.e. 33 respondents filled-up the questionnaire or provided information. Informal discussions have also been made with other officials to know their opinion about different issues.

3.4.3 Design and Content of Questionnaire / Interview Schedule:

In order to get the necessary primary data, a questionnaire was designed through identifying the current SHRM issues, which was partly structured and partly open-ended (refer to Appendix-I), in the light of the objectives of the study. Before finalizing the questionnaire, it was pre-tested in six business firms in Bangladesh. After pilot testing the questionnaire, necessary changes were made and the questionnaire was finalised.

In the questionnaire there are 29 questions. These questions were asked to get information on 7 broad areas: (i) Profile of the respondents (question nos. 24 to 29), (ii) Profile of the responding firms (question nos. 20 to 23), (iii) Strategy of the responding firms (question nos. 1 and 7), (iv) Organizational structure of the responding firms (question nos. 4, 5 and 6), (v) Position of the HR function (question nos. 2, 3,
In order to know the characteristics of the HR system of the responding firms (question no. 8), three different 5-point scales were used. Firstly, open-close scale. Open refers to transparency to the personnel about the personnel and the organization's activities; while close refers to the just of opposite meaning of that. Secondly, democratic-autocratic scale. Democratic refers to participative working environment; while autocratic refers to just of opposite meaning of that. Thirdly, liberal-conservative scale. Liberal means permissive and tolerant; while conservative refers to just of opposite meaning of that.

3.4.4 Method of Data Collection:

Every effort was made to build a rapport with the respondents. They were told that the study was an academic exercise and had nothing to do with their company management or any other external agency. They were assured of the confidential nature of their reports to the researcher. The researcher introduced himself as a teacher of the university as a means of convincing them that the study was an academic pursuit. No executive / officer wanted to provide any information immediately. In order to get the necessary information the researcher had to follow the following step by step process:

*Step 1*: Taking permission from the chief executive of the firm.

*Step 2*: Appointment with the interviewee.

*Step 3*: After seeing and getting the questionnaire, the interviewee takes time — normally one week to 10 days; in some cases 2/3 weeks.

*Step 4*: Within this time the interviewee had to be given reminders which was normally twice or thrice in most cases.

On an average, it took about a week to seek information, get the questionnaire filled up, and conduct the interview with one firm.

3.4.5 Data Analysis Techniques:

The collected primary data have been processed, analyzed, and presented in order
to make them suitable for the purpose of analysis and conclusions. For the structured part of the questionnaire few statistical techniques viz. percentage, ratio analysis, mode or/and mean were used and for the open-ended part of the questionnaire qualitative analysis, through identifying issues, was done.

3.5 SYNOPTIC VIEW OF THE STUDY

The synoptic view of the present study is given in exhibit 3.1. This is intended to provide information regarding the research process adopted for the study.

3.6 LIMITATIONS OF THE STUDY

The study has some limitations. The main limitations are:

1. **Subject coverage**: The study was confined to workable limits as there are several issues that can be incorporated. For example, relation between HR strategy and business strategy, relation between HRM elements, e.g. selection, training etc. and business strategy etc. have been excluded due to numerous constraints.

2. **Time constraint**: The duration of the course has a time limit and the researcher is expected to complete the study within the prescribed time.

3. **Sample size**: In view of the limited resources and time for disposal, the sample size was confined to 33 firms.

4. **Cost constraint**: Research has increasingly become cost-intensive which put constraints on the use of primary sources of data. Due to this constraint two newly created divisions, Sylhet and Barisal, have no representation in the sample firms.

5. **Industry coverage**: A wide variety of firms is included in the study. Public corporations could not be included in the study due to their unwillingness in sharing information and bureaucratic process of selecting access to data.

6. **Analysis**: The analysis of data is limited to usage of simpler statistical techniques as it is felt that, being exploratory, the present research study does not warrant application of sophisticated and advanced techniques in research methodology.
Exhibit 3.1: Synoptic view of the research study

**Phase 1**
Building up the theoretical knowledge for research on SHRM

**Phase 2**
Preparing the theoretical base on which the research is designed

**Phase 3**
Questionnaire setting and finalizing.

**Phase 4**
Data collection, analysis and interpretation of findings.

**Phase 5**
Finalizing and submitting the thesis.

**Step 1**
Building up the theoretical bases: Studying texts and attending classes, seminars, and discussions on strategic management, HRM and Research Methodology (also gained working knowledge of computer).

**Step 2**
Tentative design of theory-based chapter/s.

**Step 3**
Collection and study of related books, articles and papers

**Step 4**
Writing the theory-based first two chapters.

**Step 5**
Discussion on the first two chapters; made necessary correction and literature review in order to find research gap.

**Step 6**
Tentative design of the methodology of research; identifying research issues to investigate.

**Step 7**
Writing articles and identifying issues for setting questionnaire.

**Step 8**
Designing the questionnaire.

**Step 9**
Pilot survey in six Bangladeshi business firms.

**Step 10**
Discussion; making necessary correction; and finalizing the questionnaire.

**Step 11**
Data collection in Bangladesh in 33 business firms.

**Step 12**
Analysis and interpretation of findings

**Step 13**
Writing the 4th, 5th and 6th chapters; discussion on these three chapters, and made necessary correction.

**Step 14**
Writing the rest of the materials in the thesis; checking the proof; and finalizing the whole thesis and abstract.

**Step 15**
Submission of thesis.