

# Impact of Human Resource System on Competitive Advantage Status: A Case Study

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## Abstract

There is a need of increased level of excellence to find the source that can act as an indispensable tool for the success of the organization. In this challenging and competitive era the strategic role of human resources has emerged and they have transformational role rather than transactional role. To survive in this changing economy where there is so much competitive pressure one has to invest in the most valuable source of competitive advantage that is people. Thus Attention to the Human Resource Management function is need of the hour so as to sustain in the market and meet the changing needs of customers. The study thus analyzed how human resource help in gaining competitive advantage. This paper tries to examine the prevailing Human Resource System and Competitive Advantage Status, relationship between the two variables and the impact of Human Resource System on the competitive advantage in Bank of Baroda with the help of Mean, Correlation and regression analysis techniques. Findings revealed bank can certainly increase its level of competitive advantage by adopting good Human Resource System.

**Keywords:** Competitive Advantage Status, Competitive pressure, Human Resource Management function, Human Resource System, Transactional role and Transformational role.

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## Gaining Competitive Advantage Through Human Resource

In this Competitive era, to sustain in the market there is a need to identify the source that can act as an indispensable tool for the success of the organisation. As per VRIO framework Human Resource helps in gaining competitive advantage as they meet all the criteria's for being the source of competitive advantage. Organizations that have superior human resources are expected to gain competitive advantage because high quality workforce enhances the processes and outcomes of organization and thus contribute to the success of organization as it is the human resources who put other resources to use. Now the strategic role of human resources has emerged. It is the human resources, which are capable of making effective use of any other resource with an ability to gain advantages and minimize threats (Choudhary & Mishra, 2010).

Managing human resource function is the most important challenge that our Indian banking industry is facing, as competitive pressure has been increased due to emergence of more number of private sector banks and mass retirements estimated in public sector banks in near future. So this is the time when this service industry has to develop and

re-energize their human resources in order to sustain in this competitive, challenging era and to meet the increasing needs of customers. Managers need to realize that monetary needs are not the only drive for an individual and that a sense of belongingness must be imbibed in employees.

The research analyzed how human resource meet all the criterions of being source of competitive advantage and thus help in gaining competitive advantage.

### Literature Review

**Boxall (1998)** explained the meaning of human resource advantage as product of human capital and its organisational processes. Based on resource based view it identified that human resource act as valuable source of competitive advantage. Dyer (1993) realized value of human resource strategies that leads to competitive advantage and conveyed that for achieving success, human resource strategies should be aligned with the business strategies. Study also suggested that there is need to modify and update the human resource strategies and focus should be made on increasing the contribution and morale of employees. Study supported that the firm can achieve competitive advantage through its human resources.

**Jassim (2007)** identified the concept and model of competitive advantage as the resource based view model, the matching model and the capability model. Various competitive strategies as well as HR practices that significantly impact the employee performance were studied. Study strongly supported the fact that competitive advantage can be achieved through employees as they are the one who perform and can make the organization successful.

**Bal (2011)** discussed the increased realization of the role of Human Resource in gaining competitive advantage. The study was based on resource based view of strategic human resource management and reported that high quality workforce helps in creating competitive advantage. Faugoo (2009) examined the resource based view perspective of strategic human resource management. Study depicted that human resource capability and human resource practices develop superior human capital which contributes to the organisational success and thus helps in gaining competitive advantage. The Study strongly supported that by using effective human resource practices firm can have high performance and can gain competitive advantage.

**Bartlett and Ghoshal (2002)** reported if any company wishes to flourish in this new era it has to recognize the value of people and suggested that human resource managers must see employees as talent investors. Elliott (2004) established both the theoretical and empirical links between human resource practices and positive performance results and elaborated how human resource practices can add value to

the firm and identified that human capital is the foundation of human resource management and competitive advantage.

**Sharma and Narang (2005)** explained the role of human resource practices in achievement of competitive advantage and highlighted various efficient human resource practices that have been successfully followed by firms to create an advantage. It reported achievement of these practices is a time consuming process, one that may take years. However, once attained, an advantage through these practices provides a firm base to the organization, which is likely to last long.

**Choudhary and Mishra (2010)** reported that human capital is the biggest asset of a firm and they should not be treated as cost. Thus continuous efforts should be made to create a knowledge-based environment with regular coaching, mentoring, training activities, seminars and counseling to encourage continuous learning and development. Saha and Gregar (2012) explained the role of human resource management in gaining sustained competitive advantage and pressed upon the fact that an organization could gain competitive advantage only when it valued its knowledgeable employees.

### Objectives Of The Study

The objectives of the study are as follows:

- I. To study the current level of Human Resource System and in Bank of Baroda.
- II. To study the current level of Competitive Advantage Status in Bank of Baroda.
- III. To study and investigate the relationship between Human Resource System and Competitive Advantage Status.
- IV. To analyse the impact of Human Resource System on the competitive advantage status.

### Research Hypotheses

Keeping in mind objectives of the study, the hypotheses formulated for the study are:

#### Hypothesis I

H<sub>0</sub>: There is no significant relationship between Human Resource System and Competitive Advantage Status in Bank of Baroda.

H<sub>a</sub>: There is significant relationship between Human Resource System and Competitive Advantage Status in Bank of Baroda.

#### Hypothesis II

H<sub>0</sub>: There is no significant impact of Human Resource System on Competitive Advantage Status in Bank of Baroda.

Ha: There is significant impact of Human Resource System on Competitive Advantage Status in Bank of Baroda.

**Research Design**

An empirical study was conducted to achieve the objectives. The research design in this study is of two types. Firstly, descriptive research has been performed, since the objective is to study and describe the prevailing level of Human resource system and competitive advantage status in public sector banks from employee's point of view.

Secondly Causal research has been conducted to understand the linkages between the variables (independent and dependent) and to demonstrate the impact of human resource system on competitive advantage status by

applying parametric statistics (correlation and regression). This study concerns the causal relationships between Human resource system and competitive advantage status in public sector banks.

**Sampling Design**

Delhi/ NCR were chosen. Delhi, besides being the political capital of the country, is also a very big financial hub. Sample size constituted of 150 employees of Bank of Baroda (Officer Scale I level (or Assistant Manager) and above). In order to have good representation of the bank branches in the sample, 15 percent of the total branches were selected as a sample so as to truly represent the population. Thus sample size is 37 branches.

**Table 1 (a):** Number of Branches of Bank of Baroda in Delhi/NCR

Bank	NCR Towns							Total (A to G)
	Delhi (A)	Faridabad (B)	Gurgaon (C)	Ghaziabad (D)	Noida / Greater Noida (E)	Bahadurgarh (F)	Rohtak (G)	
Bank of Baroda	188	10	13	20	9	2	3	245

(Source: Respective website of the sample bank<sup>[19]</sup>)

**Table 1 (b):** Total Number of Selected Branches in Delhi and NCR of the Bank of Baroda

Bank in Delhi and NCR	Total Branches	No. of Selected Branches	No. of employees
Bank of Baroda	245	37	185

(Source: Respective website of the sample bank<sup>[19]</sup>)

From the list of all the branches of Bank of Baroda as per their website branch locators, the branches of bank were randomly selected. From each selected branch five employees were selected randomly. Thus sample comprises of 185 employees. 178 were received. Out of which the response of 19 employees was found imitated as they copied the response of other respondents and did not filled it sincerely. The response of 9 employees was irrelevant as they have not completely filled the questionnaire and many of the statements were unfilled. Therefore response of only 150 employees was considered for the analysis.

**Tools For Data Collection**

Data was collected from primary and secondary sources. The main techniques used in this study for data collection were Questionnaire and secondary source analysis. Research Questionnaire has two sections. Section A having 65 statements and Section B is having 18 statements on a Five point scale ranging from 5 (Strongly Agree) to 1 (Strongly Disagree).

**Reliability & Validity**

To check the reliability of the scale Cronbach's alpha (coefficient of reliability or consistency) was calculated and shown in table 2 below.

**Table 2:** Reliability Analysis of Scale

Scale	Cronbach's Alpha Value	N of Items
Human Resource System	.95	65
Competitive Advantage Status	.82	18

(Source: Survey Results)

Cronbach alpha value for first scale “Human Resource System” comes out to be 0.952 and for the second scale “Competitive Advantage Status” is 0.825. Both are having values more than 0.70 which depicts that both the scales are highly reliable in nature. Content of this research was validated by determining the variables which have been defined and used previously in the literature (Churchill & Iacobucci 2004). In this study, the dimensions of variables were identified from the literature. Subsequently, opinions from field experts were sought to provide relevant inputs adding to what have been identified from the literature. Thus with the help of Expert's views and review of literature, each and every statement of questionnaire was thoroughly examined. It was found that content of each item were related with the objectives of the study.

### Techniques For Data Analysis

The information of all the questionnaires was coded and entered in the computer by using MS-Excel and SPSS Software. Statistical Package for Social Sciences 20.0 Version was used to do the required statistical analysis. Descriptive Analysis, Correlation and Regression techniques was used to analyze data in the study.

### Demographic Analysis

Total respondents were 150. The Demographic profile of the sample respondents on the basis of gender, designation and work experience is reported in the table 3 below:

**Table 3:** Distribution of sample

On the basis of Gender			
Bank	Gender	Frequency	Percent
Bank of Baroda	Male	94	62.7
	Female	56	37.3
	Total	150	100.0
On basis of Designation			
Bank	Managerial Level	Frequency	Percent
Bank of Baroda	Junior Level	66	44.0
	Middle Level	39	26.0
	Senior Level	45	30.0
	Total	150	100.0
On basis of Work Experience			
Bank	Work Experience in Years	Frequency	Percent
Bank of Baroda	Below 5 Years	43	28.7
	5-15 Years	23	15.3
	16-25 Years	39	26.0
	26-35 Years	41	27.3
	36 and Above	4	2.7
	Total	150	100.0

(Source: survey results)

### HR System and Competitive Advantage Status in Bank of Baroda: A Descriptive Analysis

Mean value and standard deviation for Human resource system and competitive advantage status can be analysed by conducting descriptive statistics. The mean and standard deviation thus calculated and presented in table 4 and 5.

Range was calculated by formula Mean + (1.96) Standard deviation. The upper limit and the lower value come out to be 281.49 and 173.38 respectively.

281- 325: High level of Human Resource System

174- 280: Medium level of Human Resource System

65-173: Low level of Human Resource System

**Table 4:** Descriptive Statistics of Human Resource System

	N	Minimum	Maximum	Mean	Std. Deviation
Human Resource System	150	169.00	293.00	227.44	27.58

(Source: Survey results)

Mean value for Human resource system is 227.44 and standard deviation is 27.58 which depicted that Indian banking industry has medium level of human resource system and they should start focusing on it so as to sustain in the competitive market and to have higher results. Human

Resources are the most important assets so they should start realizing their importance and structure the practices and system accordingly. The results pointed support the findings of Khandelwal committee, 2010.

**Table 5:** Descriptive Statistics of Competitive Advantage Status

	N	Minimum	Maximum	Mean	Std. Deviation
Competitive Advantage Status	150	50.00	86.00	63.07	7.60

(Source: Survey results)

Range was calculated by formula Mean + (1.96) Standard deviation. The upper limit and the lower value come out to be 77.97 and 48.17 respectively.

78 - 90: High level of Competitive Advantage Status

49 - 77: Medium level of Competitive Advantage Status

18 - 48: Low level of Competitive Advantage Status

The competitive advantage status in the banks under study is checked by analyzing the means and standard deviation. Mean value for competitive advantage status is 63.07 and standard deviation is 7.60 which depicted that Bank of

Baroda has medium level of competitive advantage status. Thus to gain more competitive advantage through their human resource they should start focusing on its resources and implement good Human Resource practices and policies.

**Correlation Analysis**

The relationship between the Human resource system and competitive advantage was studied to meet the third objective that is to investigate the relationship between the two variables human resource system and competitive advantage status. Thus correlation analysis was carried out.

**Table 6:** Correlations between Human Resource System and Competitive Advantage

Competitive Advantage		
Human Resource System	Pearson Correlation	.591
	Sig. (1-tailed)	.000

(Source: Survey Results)

The coefficient of correlation as shown in table 6 comes out to be 0.591 and p value .000 which revealed that there is significant positive correlation between the two variables. The null hypothesis 1 was rejected in this regard and there is significant relationship between Human Resource System and Competitive Advantage Status in Bank of Baroda. Thus bank's competitive advantage status changes with the change in Human resource system.

**Regression Analysis**

The impact of the human resource system on competitive advantage status was examined by performing regression analysis. Human Resource System is the independent variable and Competitive Advantage Status is dependent variable. The results were shown in table below:

**Table 7:** Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	25.999	4.191		6.203	.000
	Human Resource System	.163	.018	.591	8.909	.000

a. Dependent Variable: Competitive Advantage Status

(Source: Survey Results)

Value of t for human resource system comes out to be 8.909, p value is .000 and beta value is .591 which is significant at 5 percent level of significance. Hypothesis 2 was rejected in

this regard. Thus there is significant impact of human resource system on the competitive advantage status.

**Table 8:** Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.591 <sup>a</sup>	.349	.345	6.15919	.349	79.368	1	148	.000

a. Predictors: (Constant), Human Resource System

b. Dependent Variable: Competitive Advantage Status

(Source: Survey Results)

Value of R Square comes to be .349 which depicts that the Human resource system accounts for 34.9 percent of variance in the scores of competitive advantage status. Thus it is a contributing factor and the use of effective Human resource system can lead to increase in Competitive Advantage Status of Bank of Baroda.

The ANOVA tests the significance of the regression model. F- Value comes out to be 79.368 is significant at 5 percent level of significance. Thus regression model is valid and significant. And we can say that there is potential impact of Human resource system on Competitive Advantage Status. Effective Human Resource system promotes commitment and motivation which will yield both economic performance and employee development, and hence provide the organisation with a competitive advantage. (Hutchinson, Kinnie, Purcell, Rayton & Swart, 2009). Thus results supported the literature.

### Findings And Discussion

Findings revealed that Bank of Baroda has moderate level of human resource system as they were not much focused on their human resource practices and policies and thus have moderate level of competitive advantage status. Also descriptive statistics depicted that they have moderate competitive advantage status. In order to gain more competitive advantage through their human resource they should start focusing on its resources and implement good Human Resource practices and policies (Table 4 and 5). Correlation analysis identified significant positive relationship between the Human Resource System and Competitive Advantage status in Bank of Baroda as coefficient of correlation comes out to be .591. Results indicated that there is 34.9 percent impact of Human Resource System on Competitive Advantage Status significant at five percent level of significance (Table 6 and 7). Thus Human Resource System is a contributing factor and any change in it will definitely make change in the bank's competitive advantage status.

For confirmation further discussion was made with the managers of the bank and results stated that they strongly believe there is need for lot of refinement in the human resource system of the bank in order to sustain in the market. To gain competitive advantage bank have to focus on those practices which will create a conducive and healthy climate where all are inclined to learn, participate and feel empowered. Bank must focus on the development of its human resources and promote innovation so that the employees can perform instinctively high. And most important is to retain and manage the star performers by giving them performance based rewards and appraisals. Competent and committed employees having higher level of satisfaction give extra ordinary results with better service quality which further leads to higher customer satisfaction and performance.

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