

# Hr Practices for Achieving Competitive Advantage with Special Reference To Banking Sector - An Empirical Study

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## ABSTRACT

In order to survive and gain competitive advantage, every organization wants to have an edge over its competitors. To serve this cause past literature supports that service organizations have paid attention in aligning human resources. Present organizations find it very difficult to recruit, motivate, develop and retain a competent workforce in this competitive environment. This research paper focuses on how competitive advantage is developed using HR practices. Based on a study of Jammu and Kashmir Bank from the employees' perspective, an attempt has been made to make generalization in this regard. The study uses primary data collected with the help of the well-structured questionnaire. Factor analysis has been used that identified five key factors as recruitment and reward system, training and skill development practices, employee participation and empowerment, and effective communication system to determine competitive advantage in the banking industry.

**Keywords:** Competitive Advantage, Employee Participation , HR Practices, Recruitment, Reward System.

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## 1. INTRODUCTION

The most valuable asset of any company is its People, as all management plans for success enhancement are carried out by people. In this competitive era, every organization is achieving competitive advantage by adopting various strategies like – cost leadership, quality enhancement, cost reduction, etc. But these can enhance performance of an organization only up to a point. To move beyond that point, the firm has to focus on human resource. A firm can achieve competitive advantage – if it is using a value creating strategy that is not being used by its competitors and the same is not used by competitors to gain benefits of the strategy.

Competent workforce acts as a source of competitive advantage and contributes to the development of a company's competitiveness. Among the resources at the firm's disposal, the human resources meets these two criteria, being a source of sustainable competitive advantage adds value to the firm, is rare, and cannot be. Therefore, Organizations need to continuously invest in the employee's knowledge, skills, motivation, recruitment, selection, training, development, compensation, retention and constantly strive to improve HR practices. Thus, the more a firm focus on the employees, more it will have competent and talented workforce, more employee satisfaction, higher will be the performance and thus a firm develops competitive advantage. Only selected organizations can successfully evolve HR practices for a sustainable competitive advantage. Such practices include selecting highly skilled manpower; effective training; inculcating right skills, knowledge and attitude; congenial work environment; compensation and fringe benefits; better succession and career planning; maintaining good employee relationships; and strong respect for individual dignity. If a firm is able to follow these practices in an effective manner, such a firm is destined to have committed employees, competent enough to sustain firm performance in a dynamic competitive environment. Thus, it will evolve a sustained competitive advantage as it will take years for competitors to reproduce the same level of commitment and trust in its employees. However, there must be a match between firm's competitive strategy and Organizational HR practices. So the firm has to take care of both human capital advantage and human process advantage (learning, cooperation and the like). As the competent and committed employees with better processes are more satisfied thus leads to fewer accidents, improved efficiency and productivity, lower labor turnover and obviously better customer service and satisfaction. Therefore, there is a vital need to study and investigate this aspect in a fiercely competitive business environment, particularly in the service industry as the banking Organization.

## 2. BRIEF PROFILE OF SAMPLE STUDY ORGANIZATION

Traditional money lenders performed entire banking in the state of J&K and that too at exorbitant interest rates. At the same time some banks like Punjab national bank, Grindlays bank and Imperial bank of India functioned in the state to a limited extent, but mainly the money lenders, better known as munimjis, conducted financial transactions in the entire state. During that period law didn't permit banks hold properties as mortgage against securing loans. In the backdrop of this scenario, there was no significant improvement in the standard of living of the common people in the state of J&K.

To overcome this crisis, the Maharaja of the state conceived the idea of establishing a state bank to come out of the backwardness with the effort of many eminent traders, manufacturers, local money lenders etc the task of establishment of Jammu and Kashmir bank ltd on October 1, 1938. The bank was declared an "A" class bank in 1976. the management of the bank laid emphasis on customer relationship and considerable emphasis was laid on the neglected sector of the economy. Thereafter, 1966 onwards, many other banks came into existence. In short, the Jammu and Kashmir Bank have focused on the centralized recruitment, regular training, environment of trust, effective communication and healthy work climate to motivate its employees to deliver their best to the Organization.

## 3. LITERATURE REVIEW

(Schuler, 1984) identified major HRM practices like Human resource planning; staffing, including recruitment, selection, and socialization; Appraising; Compensation; Training and development; Union-management relationships that must be followed to manage the human resources effectively. The result of managing human resource effectively is an ability to retain qualified and talented employees who are motivated to perform and the result of having right employees motivated leads to competitive advantage. (Faugoo, 2009) denoted that the ability to attract the talent, select the best, developing and upgrading skills, motivating innovation and retaining the valued employees will be the key practices for a firm's success in today's global environment. She examined that management of people greatly linked with the competitive advantage and HR practices are highly positively co-related to Organizational performance. (Guest, 1990) says that if management cares, trust their workers, encourage them and give them challenging assignments, workers in return will respond to very high motivation, high commitment and high performance. (Som, 2003) explained that in order to keep pace with the environment one has to redesign its Human resource functions. He noted Competitive advantage through people and culturally entrenched HR practices is not only difficult to achieve, but also difficult to sustain, but once you will achieve it, it is not easy to duplicate so you can enjoy the competitive advantage. (Boxall, 1996) observed that there should be a match between the HR strategy and the competitive strategy. One can have the HR advantage by creating and maintaining quality of the workforce skills at various levels and the quality of the motivation climate created by strategic human resource management. (Barney, 1991) identified a resource can be source of Competitive advantage if it is rare, inimitable, and non-substitutable and add value to the firm. (Bartlett and Ghoshal, 2002) have thrown light on the evolving role of human resources. The company has to create an environment that will attract the talented people and make them committed to the Organization. They analyzed that in today's economic managers not only should compete for product market or technical expertise, but they have to compete to get the talented people as they know long lasting performance and results can only be achieved by attracting, developing and retaining the exceptional people. (Schuler and Jackson, 1987), shown that there is a linkage between HR practices, competitive strategy and performance. Their study is concerned with how the competitive strategies and human resource practices are linked and needed role behaviors as per the strategies. On the basis of various case studies, researchers decided to adapt porter's framework of competitive strategy. Using the competitive strategy framework they developed three types of competitive strategy:- innovation Strategy, Quality enhancement strategy and Cost-reduction strategy. The experiences of the other firm suggest that effectiveness can be increased by systematically melding HR practices with the selected competitive strategy.

The review of past studies indicates a paradigm for competitive advantage toward HR. As HR are the only resource of Organization, that contribute to the Organization and meet the criteria's of sustainable resource for competitive advantage. The present study intends to show the case as to which HR practices really help the firm achieve the competitive advantage that is sustainable. After analyzing this gap in order to fill that gap, we have undertaken the study that how we can achieve the competitive advantage through HR practices from the employee's perspective in Jammu and Kashmir Bank.

## 4. OBJECTIVES OF THE STUDY

The objectives of the study are as follows:

1. to examine the human resource practices to gain competitive advantage and;
2. to ascertain how the Jammu and Kashmir Bank gained and sustained competitive advantage through its employees.

### 5. RESEARCH METHODOLOGY

An Empirical study was conducted. Convenience sampling method was followed. The study was conducted on 150 respondents. Well-structured questionnaire was developed for conducting the study. Questionnaire included statements. Respondent had to just encircle the appropriate choice.

Where 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4=Agree, 5= Strongly Agree

Factor analysis was used as statistical tool to analyze the data collected. A measure of Sample adequacy, Bartlett’s test of sphericity and KMO value is applied to check the suitability of the data for factor analysis. Factors were retained on the basis of Eigen values and variance explained. The standard practice normally used is that all the factors with an Eigen value of one or more should be extracted.

#### DEMOGRAPHIC PROFILE OF RESPONDENTS

The demographic profile of sample respondents is in the table 1:

**Table 1: Demographic profile of Sample Respondents**

AGE (in years)	20-30			30		
	31-40			48		
	41-50			52		
	51-60			20		
Gender	Number			Percentage		
Male	90			90		
Female	60			60		
Area(Srinagar)	Khanyar	Nowhatta	Hyderpora	Residency	Soura	Dalgate
No. of employees	30	30	20	20	20	30
Designation Managers (60)	20	20	10	10	10	10
Non-managers(40)	10	10	30	10	10	20

#### Analysis and results

Factor analysis is used to identify latent or underlying factors from an array of seemingly important variables. In a more general way, factor analysis is a set of techniques, which, by analyzing correlations between variables, reduces their number into fewer factors, which explain much of the original data, more economically (Nargundkar, 2005). The study variables, as factors, are identified, numbered and reported in Table 3.

Measures of Sample Adequacy such as Bartlett’s test of sphericity (approx chi-square is 1167.524, degree of freedom is 351, significance is (0.000) and KMO value (0.759) showed that the data were fit for factor analysis. Five factors were retained on the basis of Eigen values and variance explained. Eigen value represents the total variance explained by each factor. The standard practice normally used is that all the factors with an Eigen value of one or more should be extracted. Thus, five factors have been extracted which cumulatively explained 72.15% of the total variance. All the statements with factor loadings greater than 0.40, were considered in the corresponding factor. The name of the factors, variable labels and factor loadings are summarized in Table 3.

**Table:2 KMO and Bartlett’s test**

Kaiser-Meyer-Olkin Measure of sampling Adequacy	.759
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Bartlett's test of Sphericity	Approx. value of chi-square	1167.524
	Degree of freedom	351
	Significance	.000

**Table: 3 Factor Loading Results**

Factors	Factor loading		
	% of variance	Cumulative	Total
Recruitment and reward system	45.718	45.718	5.363
Training and skill development practices	10.809	56.527	4.808
Employee participation and Empowerment	4.999	67.448	3.461
Effective communication system	4.697	72.145	2.237

### CONCLUSIONS & SUGGESTIONS

1. The outcome is that Jammu and Kashmir bank is focused on potential and competent employees through recruitment system and efforts were being made by the organization by adopting a fair reward system so that they could retain the talent. so this factor is considered more important by employees.
2. The second outcome of the study is that training provided by the organization affects the employees' performance and provide opportunities for them to implement those learning's.
3. The third outcome of the study is that employees were empowered to take decisions and that boost the morale of employees in order to emerge as competent workforce. In Jammu and Kashmir bank behavior of seniors towards employees is good as they are given authority to take decisions, managers motivate employees and this helped them to acquire competence that finally make them as assets for the organization.
4. Lastly, Jammu and Kashmir bank has effective communication system. It was found that two way communications has helped the organization to develop trust and strengthen the bond among employees.

In the light of the findings, we may conclude that employees of Jammu and Kashmir bank are happy with the HR practices. Competitive advantage depends on employees' skills, attitudes, and competencies. This research suggests that the firm acquire sustainable competitive advantage by developing resources, which make them unique and rare that competitors cannot copy. After the analysis we come to know that the Jammu and Kashmir bank has followed sound HR practices and the competitive advantage that the bank is gaining is because o of the talented human resources.

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