Human Capital as a Contributor to Organization Competitive Advantage

Winsome Greenwood
Assistant Professor, Department of Business & Hospitality
Northern Caribbean University
Mandeville, Jamaica

Frederick Will, Nancy Wood, and Dr. John Zelano
University of Phoenix
School of Advanced Studies
Phoenix, Arizona, USA

Abstract

The purpose of this quantitative correlational study was to determine if a correlation existed between career management, organizational leadership, and organization performance in Jamaican financial institutions. The problem concerns low productivity in Jamaican service organizations. The explorative study used Pearson product-moment correlation to investigate the relationship between organization career management and leadership as independent variables and organization productivity as the dependent variable. The study included executives, human
resource managers and managers in four financial organizations- a large commercial bank, two investment banks and a major building society with head offices in the Kingston Metropolitan Area. The findings revealed that there is a relationship between organizational career management and productivity in Jamaican financial organizations. However, there is no relationship between training and productivity in these organizations. Organizational leadership tends not to be involved in the provision but in the career management process. The findings indicate that leadership styles did not seem to reflect an awareness of the potential of providing and managing organization career management in order to benefit from its outcome as a source of sustained competitive advantage.

**Key words:** career management, strategic human resource management, leadership, productivity

Contemporary management recognizes human resource activities as having the possibility of contributing to sustainable competitive advantage in organizations. Competitive advantage in organizations was identified with the combination of the concepts of rareness, inimitability, value, and non-substitutability (Barney, 1991). The resource-based view proffered that organizations may use three resources: physical, human, and organizational, to achieve sustained competitive advantage in their industry (Barney & Wright, 1998). Two of these resources: physical capital and organizational capital have proven to be duplicable by the competition and hence less likely to be sources of inimitability (Barney & Wright, 1998). Inimitability was regarded as a prerequisite for competitive advantage (Barney, 1991; Chadwick & Dabu, 2009).

Human capital in addition to being regarded as an organization’s main strategic resource (Bartlett & Ghoshal, 2002) has been recognized as having the potential to be inimitable because each employee had the ability to contribute in a unique way. The concept of inimitability is related to the theory of human free will. The ability to contribute in a unique way would allow
human capital to be linked with the resource-based view (Reed, Srinivasan, & Doty, 2009). The resource-based view proffers that when an organization’s internal resources were inimitable they could contribute to, and helped to maintain a sustainable competitive advantage (Castanias & Helfat, 1991; Chadwick & Dabu, 2009; Sariolghalam, Noruzi, & Rahimi, 2010).

The human resource function when allowed to contribute to organization strategy has the potential to contribute to improved organization performance. The resource-based model claimed that employees could be regarded as the most valuable asset that an organization possessed to increase organizational competitiveness, if managed strategically (Becker, Huselid, & Ulrich, 2001; Downes, 2007; Kazlauskaitė, & Bučiūnienė, 2008). Strategic human resource management has the ability to link human development and organization performance (Jacobs & Washington, 2003). Scholars (Bartlett & Ghoshal, 2003; Baruch, 2004; Ordonez de Pablos & Lytras, 2008) agreed that the core assets of existing organizations were not buildings, equipment nor their finances but the people who worked in them.

**Importance of problem**

The specific problem is the observed low productivity of the Jamaican workforce (Jamaican Productivity Report, 2009). The general problem involved using available labor force to improve productivity levels in Jamaican organizations. This problem has been observed in all sectors of the economy (Jackson & Wedderburn, 2009). Low productivity levels in the service sector could be linked to poor education (Jackson & Wedderburn, 2009) which resulted in low skill levels in a service economy (Crick, 2007). At the firm level this low productivity appeared to coexist alongside the non awareness of managers that their employees had the potential to be a competitive resource (Cowell, 2007; Crick, 2007).
The purpose of this quantitative correlational study was to determine the effects of organizational career management and leadership style as independent variables, in Jamaican financial organizations and to observe the effect in organizational performance with productivity level as the dependent variable (Creswell, 2008; Haas & Hansen, 2007). The Jamaican financial industry is being used to represent the service industry in a country that is viewed as having a service economy.

The significance of this quantitative correlational study was to present human resource management from the perspective of employers. Baruch and Peiperl (2000) averred that such studies were rarely done. The results of this study could be valuable to human resource practitioners in Jamaican financial organizations and other service organizations. A gap has been identified in the literature on training in service organizations: More studies were done on manufacturing industries (Crick, 2007; Hitt, Bierman, Shimizu, & Kochhar, 2001; Liu et al., 2007). This study intended to examine the linkage by looking at knowledge transfer in organizational career management as a moderating factor in organization performance (Liebeskind, 1996).

**Literature Review**

This quantitative correlational study included an overview and analysis of independent variables, career management, and leadership, and the dependent variable, organization performance. A gap has been observed in the literature on the contribution of human capital to organizational competitive advantage in service industries: More studies were done on manufacturing industries (Crick, 2007; Hitt, Bierman, Shimizu, & Kochhar, 2001; Liu et al., 2007). Few studies tend to be done from the perspective of employers (Baruch & Peiperl, 2000). The human resource literature concerning studies that took cognizance of different
cultural and economic development differences identified a gap in the literature (Cheng, Sculli, & Chan, 2001; Crick, 2007; Punnett, Dick-Forde, & Robinson, 2006; Stone, Stone-Romero, & Lukaszewski, 2007).

**Strategic human resource management**

The strategic importance of human capital appeared to be more pronounced in human-capital intensive industries (Carpenter & Sanders, 2009). Human-capital intensive industries including financial organizations require access to knowledge to perform their functions (Carpenter & Sanders, 2009). Employees in service organizations collectively, could be perceived as sources of competitive advantage (Crick, 2007; Liao et al., 2009). In support of this theoretical proposition, Holland, Sheehan, and De Cieri (2007) supported Crick, (2007) in comparing physical capital, organizational capital, and the potential of human capital to make sustainable and substantial contribution to competitive advantage in service organizations. Pilbeam and Corbridge (2006) later expanded the concept stating that focus should not only be on the behavior of human capital input but on the “skills, knowledge, attitudes, and competencies that people brought to the organization” (p. 52). These skills could enhance organizational competitiveness and growth when used with firm-specific training programs (Chadwick & Dabu, 2009; Kang et al., 2007). Knowledge transfer could be important to skills enhancement in firm-specific training programs.

**Knowledge**

Human capital with the potential to accumulate and to share knowledge could be a resource to create sustainable competitive advantage in a global environment (Haas & Hansen, 2007). Organizational career management allowed organizations to provide employees with firm-specific knowledge to contribute to organizational competitive advantage (Koch & McGrath,
Knowledge in this context is best viewed as the procedure of facilitation and dissemination of individual knowledge through organizations (Nonaka & Von Krogh, 2009). Knowledge in organizations was perceived as having two aspects, explicit and tacit (Nonaka, 1994; Nonaka & Von Krogh, 2009).

Explicit knowledge was formal knowledge that was spoken and captured in manuals and drawings (Nonaka & Von Krogh, 2009). Tacit knowledge though difficult to articulate (Droege & Hoobler, 2003; Giju, Badea, Lopez Ruiz, & Nevado Peña, 2010; Polanyi, 1966) was considered to be more pervasive. Tacit knowledge was “know-how” and is recognized as a facilitator of competitive advantage (Nonaka, 1994) and was associated with individuals (Grant, 1996).

Tacit knowledge in organizations could be used to add to the inimitability of skills learnt in the organization (Chadwick & Dabu, 2009). Some researchers regarded knowledge as the key ingredient in gaining competitive advantage because knowledge was the main inimitable resource (Murray & Peyrefitte, 2007). Expanding tacit knowledge to explicit knowledge was considered important for expanding knowledge in organizations (Nonaka & Von Krogh, 2009). The transference of knowledge within organizations was regarded as a social function (Nonaka & Von Krogh, 2009). The social aspect of tacit knowledge contributed to its perception as a team activity.

Tacit knowledge when perceived as a function of team activity could be less problematic when a team member left with firm-specific knowledge (Subramaniam & Youndt, 2005). The importance of teams in contemporary organizations cannot be over emphasized. Tacit knowledge is held by the team and not by any single individual. Collins and Clark (2003) contended for recognition of teams in the creation of sustainable competitive advantage in organizations.
Purvanova, Bono and Dzieweczynski (2006) advocated the view that transformational leadership influenced the way followers interpreted their work and contribution to organizational performance. The relationship between leadership and followers was seen as an integral part of leadership (Bennis, 2007). Leadership was important to strategic human resource management input in both planning and implementing strategy.

Career management practices include on-the-job training to improve worker contribution (Baruch & Peiperl, 2000; Vos, Dewettinck, & Buyens, 2006). Leaders in organizations have the option to introduce career management processes in their organizations as part of their strategy to improve organization performance. Two scholars, (Crick, 2007; Scott, 2005) advised that career management with an emphasis on training could contribute to reducing the problem of low productivity in Jamaican organizations. Bartlett and Ghoshal (2002) stated that the top human resource executive should take the initiative to develop a social network for the transfer of knowledge within the organization.

Knowledge sharing by itself is not considered sufficient to improve performance (Choi, Lee & Yoo, 2010; Haas & Hansen, 2007). It was proposed that it was the utilization of knowledge that was of more importance. However, Haas and Hansen, (2007) conceded that the measurement of the contribution of knowledge to productivity in organizations was difficult to measure. The main finding of Hass and Hansen’s study (2007) was that “different types of knowledge affected task performances differently.” (p. 1149).

Organizational performance was viewed in terms of the company’s average employee profits: The ratio of the firm’s profit divided by the number of employees. Guest, Michie, Conway, and Sheehan (2003) defended the use of average employee profits as a gauge of profitability because it reflected the intention to use a gauge that connected employees to the
firm. Public archival data such as financial reports were used to measure organizational performance.

**Methodology**

This quantitative correlation study aimed to determine in what ways if any, career management and leadership as independent variables affect productivity, as the dependent variable, in Jamaican financial institutions. A five-point Likert scale was used to quantify the independent and dependent variables with ‘strongly disagree’ as one and ‘strongly agree’ as five.

The general population proposed was the Jamaican financial sector, which included commercial and investment banks, and building societies. The sample frame consisted of the employees of five Jamaican financial institutions—three investment banks, and the largest commercial bank and the leading building society.

The following research questions were used to pilot this study:

1. What relationship exists between productivity levels and organization career management?
2. What relationship exists between productivity levels and training within the organization?
3. What relationship exists between organization career management activities and internal promotion opportunities?
4. How is the career management process associated with organizational leadership style?
5. How is career management provision in Jamaican financial organizations correlated with organizational leadership?

The five research questions drove ten hypotheses.
Ho1 There is no relationship between career management and productivity in Jamaican financial organizations.

Ha1 There is a relationship between career management and productivity in Jamaican financial organizations.

Ho2 There is no relationship between training and productivity levels in Jamaican financial institutions.

Ha2 There is a relationship between training and productivity levels in Jamaican financial institutions.

Ho3 Internal promotion opportunities are not tied to career management participation.

Ha3 Internal promotion opportunities are tied to career management participation.

Ho4 Organizational leadership style is not associated with career management process in the Jamaican financial institutions.

Ha4 Organization leadership style is associated with career management process in the Jamaican financial institutions.

Ho5 The provision of career management in Jamaican financial organizations is not correlated with organizational leadership.

Ha5 The provision of career management in Jamaican financial organizations is correlated with organizational leadership.

**Sampling**

Stratified random sampling method was used. Neuman (2009) advised that stratified random sampling would provide a more representative sample than a simple random sampling. The stratified random sampling method will ensure that the representation of male and female in the sample reflect their proportional representation in each institution in the study. The list of
employees of each firm was assigned a number. The number was used in random sample selection.

Survey data on career management, and organization leadership were triangulated with archival data from the four participating companies. Archival data were used to measure organization performance as measured by gross profits over staff (Guest et al., 2003) for the previous year (2009) of the quantitative correlational survey.

**Instrumentation**

Instrument distribution was done by two methods: email and special delivery. Special delivery was necessary to provide hard copies for respondents who may not be computer literate. Completed hard copies were collected by courier service. A record was kept of instrument delivery to aid timely follow up. The data collection process involved instrument design, pilot study, refining of instrument, identifying respondents, communicating with respondents, determining agreement, distribute instruments and collecting completed questionnaires.

**Findings**

Data collection was characterized by two events. The major investment bank had to defend a hostile takeover attempt by one of the larger commercial banks. The other event concerned the job stability of financial employees which made them reluctant to participate in a survey.

**Pilot Testing.**

A pilot study was conducted to discover the flow of questions in the survey instrument, that is, in terms of word clarity, format, and length of time it would take to complete the survey questions. The pilot study had two intentions: First, to determine whether the instrument communicated at the level of respondents; and to determine the effectiveness of the data.
collection techniques. Ten persons participated in the pilot study. They were selected from similar Jamaican financial institutions.

**Sample Demographics.**

The sample demographics reflect twice as many female employees. These employees are executives and senior managers. The sample consists of 68% females and 32% males.

Participants were mainly university graduates (86%) with 30% reporting to have done studies after graduating from university. More than half (60%) of the sample were female graduates as opposed to 26% male graduates; 22% female respondents had postgraduate qualifications.

**Research question 1 (RQ1):** What relationship exists between productivity levels and organization career management in Jamaican financial organizations? The data indicated that a relationship existed between productivity levels and organization career management.

Organization career management for the purpose of this quantitative correlational study is interpreted as internal organization training. Differences in organization productivity could not be attributed to career management within these organizations when productivity archival data were triangulated with survey data. Some organization with few staff members had higher productivity.

**Research Question 2 (RQ2):** What relationship exists between productivity levels and organization training within the organization? The data indicated that there was no relationship between employee education levels and organization productivity within the Jamaican financial organizations that participated in the study. The data in addition does not indicate a significant relationship between employee’s education level and organizational productivity in Jamaican financial institutions.
**Research Question 3 (RQ3):** What relationship exists between organization career management activities and internal promotion opportunities? There is a statistically significant positive relationship between the variables of internal promotion and organization productivity in Jamaican financial organizations. If internal promotion is associated with organizational career management, internal training, there is a positive relationship with organizational productivity.

**Research Question 4 (RQ4):** How is the career management process associated with organizational leadership style? The data indicated that there was a weak positive relationship between leadership style in Jamaican financial organizations and the career management process.

**Research Question 5 (RQ5):** How is career management provision in Jamaican financial organizations correlated with organizational leadership? The provision of career management in Jamaican financial organizations is not influenced by organizational leadership style. The provision of career management in Jamaican financial organizations may be influenced by other factors not considered in this quantitative descriptive correlational study.

Triangulating archival data with survey findings reveal that there appeared to be objective support for staff perception that training aids productivity, performance was highest in organizations with the highest perceptions.

This quantitative descriptive correlational study resulted in two findings: The first concerns career management and organizational leadership. Organizational leadership is important in career management in Jamaican financial organizations. However organizational leadership in Jamaican financial institutions does not appear to be influential in the provision of organizational career management. Organizational leadership does not seem to influence the career management process within the Jamaican financial organizations.

**Implications of the findings**
Employees of an organization could be its most important asset (Bartlett & Ghoshal, 2003; Baruch, 2004; Ordonez de Pablos & Lytras, 2008). Employees contribute to organization performance and productivity and could provide a sustainable competitive advantage because they are a repository of organizational knowledge (Chadwick & Dabu, 2009; Kang, Morris, & Snell, 2007). Stroh and Caligiuri (1998) have concurred that employees could be a source of sustained competitive advantage that could be significant as a source of competitive advantage in successful organizations. The characteristics of service organizations collectively could be perceived as sources of competitive advantage (Crick, 2007; Liao et al., 2009).

Service organizations are often judged by the service they provide. Service organizations employees can be regarded as differentiators. Jacob and Washington (2003) have pointed to an observed link between employee development and organization performance but observed a gap in the literature to support this relationship. Leadership provision of organizational career management could improve employee skills and knowledge levels and thus enhance organization productivity.

This quantitative correlational study conceptualized organizational career management as management providing internal training, on the job training (Baruch & Peiperl, 2000; Kang et al., 2007). The findings of this quantitative correlational study indicate that some management practices observed in Jamaican financial organizations had some influence on organizational performance. This influence can be observed in promotions within organizations- Research Question 3.

The data indicate that leadership styles did not seem to reflect awareness that the skills levels which employees took to an organization could enhance organizational competitiveness (Pilbeam & Corbridge, 2006). Employees did not agree that their financial organizations were using the
training that they brought to the organization effectively. The skills which employees brought to an organization could be used to augment organizational competitiveness and growth when combined with firm-specific training programs (Chadwick & Dabu, 2009; Kang et al., 2007).

The findings indicate that organizational leaders are perceived as being involved in the process of organization career management although they were not perceived as being instrumental in providing career management in their organizations.

Jamaican financial organizational leaders need to be aware of the potential of providing and managing organization career management in order to benefit from its outcomes as a source of sustained competitive advantage. Organization career management could be a source of retaining tacit knowledge in their organizations since it tends to be associated with promotion within the organization.

This quantitative correlational study aimed to be significant on two levels: First to practitioners and second to scholars. At the level of practitioners in Jamaican financial this quantitative correlational study provides exploratory data on the contribution of organizational career management, leadership style and organizational productivity. On the level of management scholars the quantitative correlational study provides exploratory data for further studies on the relationship between organizational career management, leadership style and organizational productivity. The study was exploratory and provided groundwork for further studies.

**Limitations**

This quantitative correlational study main limitation was the economic environment in which the study was conducted. Jamaican financial institutions were reacting to changes in global financial economies and the implications of the Jamaican government entering an
agreement with the International Monetary Fund (IMF). Employees were more protective of their jobs and consequently were reluctant to provide information about organizational relationships. The absence of an organization that previously volunteered and expressed interest in the findings could not participate because of structural changes within the institution.

Findings were affected by the reluctance to provide information Jamaican organizations tended to be characterized by this but more generally it has been observed that financial institutions tend to be reluctant to provide data (Guest et al., 2003). A longitudinal study could provide more robust information by being able to track possible external effects on the relationship of the variables of this study but one should be aware of the possible effects of collecting data during environmental changes such as economic downturns in small states trying to meet IMF requirements. Data collection for this quantitative correlational study was affected by these environmental factors.

**Future Research**

The results of this quantitative correlational study indicate four areas for future research on organization career management. The first area of future research could be investigation to determine the role of organizational leaders and the provision of organizational career management in service organizations. Research in that area could further help to position human capital development in the knowledge economy.

The second area of future research could be to determine the implications to human resource management when organizational leadership was aware of the benefits of nurturing tacit knowledge within their organization. The third area concerns the use of employee educational level at the point of employment and the nurturing of tacit knowledge within the organization. The fourth area could be a longitudinal study to provide data on the relationship between career
management, leadership, and organization competitiveness in Jamaican financial organizations. This fourth area should be able to provide explanation on the levels of organization performance observed in the archival data.

References


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