

Human Resource Management and Supply Chain Management, A Synergistic Amalgamation

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Abstract - Supply Chain Management today is integrated into organizational processes and management functions and has come to be recognized as the strategic advantage for firms across the globe. Human Resource Management on the other hand has come about as the deciding factor when mapping the future scope of an organization. So much so, that Strategic Human Resource Management practices have become indispensable when trying to gain competitive advantage. A unidirectional relationship between HRM and supply chain is indicative of the fact that enhanced focus on HRM will improve SCM and contribute to its success. HRM factors like employee training and employee support advantageously activate SCM in four dimensions, namely, value added, rareness, imitation cost barrier and organizational structure. Not only do better HRM practices ensure good communication across the supply chain, they also result in cost saving. These two phenomena when combined give the organization an unmatched edge.

Keywords - Human Resource Management, Supply Chain Management, Competitive Advantage, Strategic Human Resource Management, Supply Chain.

I. HUMAN RESOURCE MANAGEMENT

It is a universally acknowledged idea that when people and human resource management unite, they contribute to the success and growth of a company (Stein, 2007). According to Anca-Ioana, Munteanu (2013), the focus should be on casting human resources as a priority for the organization. It is of utmost importance that human resources policies and programs are integrated into the organization's overall strategy. Therefore, businesses require a strategic approach to human resource management. This requires those in charge of the organization to maintain more knowledge about HR issues and activities and human resources managers to be aware of economic transactions, business contracts, the company's products, market outlets and the financial situation of the organization. In strategic human resource management, human resources department plays a key role and has a strong influence in strategic decisions at the organizational level. HRM at the micro level (HR policies and practices) is necessary but not sufficient for organizations to gain a sustainable competitive advantage. To be able to stand tall in the face of competition, it is vital that

organizations take on a strategic approach to HRM. The success or failure of an organization is probably not entirely affected by their practice of strategic human resource management however these practices are likely to be crucial to the cause.

With the changing perception of HRM, more and more organizations are coming to consider it a value-added business partner. SHRM has come to be regarded as a general approach to the strategic management of human resources with a view to the future the organization wishes to pursue. As is evident from the literature, HR is aggressively involved in the execution of an overall strategic plan, contrary to its slouchy involvement in the initial development of that plan. This is required to change in the new economic context. While HR professionals have the important responsibility to support and promote the value of HR within the company, it is the senior HR executives that have to demonstrate their value more assertively. It is vital that the executives, HRD and employees are in tandem to ensure that the initiatives developed and designed by the HR team is driving business performance and enabling people to achieve results (Todericiu Ramona, SerbanAnca, 2013).

Dewhurst et al. (2012) in their article address the difficulties arising to acquire and retain talent due to increasing competition to hire this talent by local companies. The article discusses a survey in China that discovered that senior managers of global organizations were switching companies at five times the global average each year. The need for global businesses to boost their goodwill as an employer is highlighted and the requirement for role models in global leadership roles to inspire talented people to join and stay with the companies is felt. It talks about how executives may better understand the functioning of the market and create business networks to support future business growth by working in emerging markets.

Kam et al., 2010, study the evolution of HRM in China. Since the transition of China from a state run economy to a market economy in the 1970s, the HRM has gained importance and developed substantially. Earlier a centralised

job allocation system was in place, now recruitment and selection is conducted for which HR training became popular as a means to improve skill. HR in China is viewed as a cheap expendable resource, hence HRM practices are not paid much attention. HRM practices have a positive correlation with organizational and market performance for profit and not for profit organizations, developed and less developed economies. The impact of HRM practices on individuals within organizations is what makes this possible. To recruit & retain competent staff in China, MNCs are relying on training, developing and mentoring to improve motivation of local employees rather than hiring expensive expatriates. Employee turnover is an issue due to dearth of skilled staff in the Chinese labour market. Growth in manufacturing also posed this problem for the service sector. HRM practices in China have a short term goal rather than a strategic outlook.

II. HR PRACTICES

Theories on lifespan development and self-regulation were investigated and two types of HR practices were highlighted : maintenance HR practices that aid individual employees to maintain their current levels of functioning in the face of challenges (e.g. performance appraisal) and the development HR practices that aid the individual employees to reach higher levels of functioning (e.g. training and development). Kooji et al (2013) expected and found that the relationship between development HR practices and well-being (i.e. job satisfaction, organizational commitment and organizational fairness) weakens, and that the relationship between maintenance HR practices and well-being, and between development HR practices and employee performance, strengthen with time. Furthermore, a third type of HR practices emerged that inspired higher job performance among aging workers called, 'job enrichment'.

McClellan et al. (2011) investigated the relationship between high-commitment HR practices and firm performance in professional services firms through the mediator of employee effort. In addition, they also talked about strategic HRM and examined whether high-commitment HR practices should be used across all employee groups within a firm. Their study concluded that high-commitment HR practices positively relate to firm performance through employee effort for two employee groups within professional services firms. In addition to this their results also showed that the relationship between effort and performance is contingent on the value of the employee group to firm competitive advantage. This suggests that companies should only expend resources and effort on building a high-commitment HR system for

employee groups that are clearly tied to creating firm competitive advantage.

The HRM practices adopted and undertaken by multinational companies (MNCs) have long been an object of scrutiny, attracting interests from various groups. Initial years into the research, ideas revolved around a footloose group of firms as the backdrop, pursuing global agenda of cost minimization and unconstrained by local contexts (Fröbel et al. 1980). After considerable research into HR practices it was established that institutional contexts like the MNC's countries of origin and the environments of the countries in which they operated were both deeply influential (Ferner and Quintanilla 2002). However, recent research has reverted back to the idea of global influences, debating that a national level framework fails to encompass the broader ideas and forces at play. They argue that firms in an attempt to maintain global standard may adopt common practices (Pudelko and Harzing 2007).

Irfan Ullah, 2013 in his study discusses the positive effects on and the statistically significant relationship of HR practices (i.e., training and development, recruitment and selection, performance appraisal, compensation and rewards, and employee participation) with organizational effectiveness. It is observed that the effects of HR practices on organizational effectiveness yield positive results when an integrated approach is extensively used on it. Jyothi&Venkatesh, 2006 argue that once the expectations of internal customers regarding HR practices (i.e., selection, recruitment, promotion, compensation, benefits, and training of employees) are met, attitude and dedication of employees see a boost. This satisfaction contributes to employee retention by reducing turnover rate. This boosts the goodwill of the company and gives way to a constructive circle that helps the company draw talent (Jyothi&Venkatesh, 2006).

Motivation encourages workers, giving them incentive to deploy their abilities. This brings forth the skills and competencies possessed by workers. When given an opportunity, these abilities can be tapped and the resulting commitment can be put into practice (Edwards et al. 2013).

HR managers have a wide range to choose from when drafting a firm's HR policy. They have to weigh their options and reach a consensus that will meet basic requirements while contributing to competitive objectives. There may be many factors and contexts that influence and shape a firm's policy. So while a universal best practice exists, firms vary considerably in their HRM practices. Hence it may be

concluded that HR managers perform a more active role than they are given credit for (Edwards et al., 2013).

HR practices are affected, influenced and shaped by various internal as well as external factors. Internal factors include Business Strategy, Human Resource Strategy, Organisations Size, Organisational Structure, Top Management, Line Management, History, Tradition and past practices and Power and Politics. While on the other hand external factors are those whose influence on firms cannot be controlled or altered to the firms' liking in the short run, such as: Economic changes, Technological Changes, National Culture, Industry/Sector Characteristics, Legislations /Regulations, Actions of Competitors, Action of Unions and Globalization (Pankaj Tiwari, 2012).

HRM activities are classified into 4 categories: Staffing, training, evaluation & compensation, these are directly associated with greater supply chain integration & performance (Khan et al., 2013).

III. SUPPLY CHAIN MANAGEMENT

A supply chain is defined as a system of organizations, people, activities, information, and resources involved in moving a product or service from supplier to customer. A supply chain is actually a complex and dynamic supply and demand network (Wieland and Wallenburg, 2011). Fisher et al., 2010 defines a supply chain as multiple organizations that work together to provide raw materials, produce goods and services and deliver finished products to customers. They go on to describe it as a set of three or more entities directly involved in the upstream or downstream flow of products, services, finances, and/or information from a source to a customer. They identify three types of supply chains. Two firms (supplier-buyer, manufacturer-retailer customer) supply chains, vertically integrated supply chains that have a (intra firm) system of procuring supplies and producing a product, and complex supply chains where (all immediate supply & customer relationships and entities in the supply networks of the focal firm's supply chain partners like third party service providers). Small companies with a few products can have a complex supply chain, like Crocs. It is a dynamic interconnected supply network that forms a complex interdependent network of suppliers, manufacturing facilities and stock-list linking multiple organizations. Supply chains can be implemented through 9 elements: sourcing, SC relationship, product development, order fulfillment, manufacturing, distribution, customer engagement, reverse logistics, web enabled platforms (Kuei et al., 2011).

Supply Chain Management is a technique linked to the adaptation of lean production system. SCM philosophy talks about linking a firm with its customers, supplier, human resources and other channel members. The major source of cost savings and enhanced service performance in supply chain is due to increased collaboration and integration among supply chain participants (Khan et al., 2013). SC activities link value chains and transform natural resources, raw materials, and components into a finished product that is delivered to the end customer. In sophisticated supply chain systems, used products may re-enter the supply chain at any point where residual value is recyclable (Nagurney, 2006). According to Fisher et al., 2010, the purpose of SCM is to improve long term performance of individual companies and supply chain as a whole. Early SCM focused on lowering costs via more coordinated deliveries to customers while current research focuses on multiple outcomes like overall value generated from SCM. They conclude in their study that collaboration in the supply chains taking the form of inter-organizational cooperative behavior and knowledge sharing is linked to better supply chain performance. This "collaborative advantage" is referred to as "collaborative paradigm" of supply chains. This paradigm is grounded in the relational & resource-based view of the firm. These views suggest that relationships formed in inter-organizational activities help develop capabilities leading to sustained competitive advantage.

Kam et al., 2010, identify SCM problems in China as: (1) International and domestic logistics service providers (LSPs) identified lack of talent as one of the key challenges of operating in China. (2) Shortage of logistics management expertise. (3) Inefficient information support systems. Hong Kong does not face this problem. They have a greater availability of skilled local and expatriate labour. According to Richard Armstrong, president of Armstrong and Associates, strength of a company's contacts depends upon its connections within the Chinese bureaucracy determines whether or not they are able to successfully undertake a logistics project in China. Companies still don't realize the importance of logistics best practices and hence no improvement has come about.

I. HRM SCM LINKS

HRM SCM links can take 2 forms: human capital resources within organization needed for supply chain to function effectively (recent SCM revolution requires HR in SC to possess different skills and more capabilities as their responsibilities have increased) and activities between organizations embedded in supply chain partner

relationships. First being Intra-organizational HRM SCM links. This talks about managers in supply chain functions and their process & change management skills and ability to work cross-culturally. Main HRM issues in supply chain sector are attracting employees, educating and training workers before and after hire, assisting workers in keeping up with technology and succession and career planning. Supplier related team building and problem solving training are significantly related to supply chain success.

Second is Inter-organizational HRM SCM links. This has two primary types. (1) Applying HRM & SCM to manage relationships with other firms in the supply chain, eg: extensive research on selection and recruitment of personnel can be used to design a selection system for suppliers. Diffusing or aligning HR best practices across supply chain partners (require supplier certification to HR standards). (2) Use of HRM practices by supply chain partners to manage their employees, particularly to encourage collaborative behavior and knowledge sharing (Fisher et al., 2010).

II. BUYER SUPPLIER RELATIONSHIPS

Early studies based on transaction cost economics suggested that buyer-supplier relationship could be easily dissolved if terms were unfavourable to the buyer. Later research said that relationship could be enhanced through relationship management efforts (psychological contracts & personal trust). HRM challenges in buyer-supplier relationships are: (1) optimizing performance of cross-functional and inter-organizational teams, (2) helping employees deal with cross-cultural differences when supply chain is global, (3) selecting and retaining employees in supply chain positions, and (4) managing co-located employees (Fisher et al., 2010).

Over the last 2 decades companies have reduced costs & improved efficiency of the SC by lean production, just-in-time manufacturing, single source suppliers & global outsourcing from low-cost countries. The advantages of this approach being that sourcing from single supplier helps protect intellectual property and lean operations help reduce inventory. The disadvantages being, (1) Leaner, global & more integrated supply chains are less resilient to uncertainties & accidents in any link. (2) Rising cost of HR & environmental concerns of transport of raw materials etc. around the globe counteract low-cost production advantages. (3) Damage due to an accident is higher for a concentration (eg: low cost manufacturing in China, IT clusters in India, Auto & electronic clusters in Japan) rather than for separate owners in several locations (Viswanadham and Samvedi, 2013).

III. SUPPLIER SELECTION & RISK FACTORS

Selection of suppliers is an important SC process. Supplier selection is done based on performance criteria (unit cost, quality, delivery times) and other factors (political, economical, infrastructural, natural/manmade disasters etc). The supply chain ecosystem consists of, (1) networks of companies directly & indirectly part of the supply chain (2) countries of operations/presence & their governments (3) industrial, social & political organizations (4) logistics and IT services infrastructure (5) third party service providers that connect companies and countries to the external economic & social environments (6) resources (natural, financial and HR). In this ecosystem various risk sources exist. (1) SC network. This comprises of location risk, outsourcing risk, design, manufacturing defects, inventory deficit, delay/unavailability of materials from suppliers, breakdown of machines, and power failure. (2) Institutions(government & social) include raw material, human, financial, social unrest, war, infrastructure deficit, talent shortage, credit squeeze, energy and water shortage. (3) Resources like HR, natural, financial, industrial clusters pose risks like regulatory risk, political, labour issues, trade agreement etc. (4) Delivery service mechanisms may pose risks like failure of IT infrastructure, SC visibility decreases, inbound & outbound logistics failure and failure of governance mechanism. These various risks make the process of supplier selection all the more crucial. When a supplier is selected then its entire sub-chain also enters the system. Global supply chain networks are frequently subjected to severe disruptions. These are either dealt with on an ad-hoc basis or by proactive planning. Therefore risk factors and ecosystem need to be considered while selecting suppliers. The entire ecosystem of the sub chain also becomes a part of the SC and can emanate risks (Viswanadham and Samvedi, 2013).

IV. HRM IN SCM

1990s saw SCM being integrated into organizational processes and management functions and came to be considered the strategic advantage for firms around the world. HRM emerged as a dominant organizational function with significant effect on the firm's performance. HRM proactively contributes to SC success while SCM has direct & indirect effects on HR practices (Khan et al., 2013).

There exists a unidirectional relationship between HRM and supply chain, in which HRM affects supply chain management. It is conclusive of the fact that organizations need to focus more on HRM to not only improve employee

performance, but also enhance the supply chain management and contribute to its success (Khan et al., 2013).

Khan et al. (2013) draw from the categories of HR practices identified in traditional literature (i.e., Staffing, training, evaluation and compensation) and study the effects of integrated HR practices (selection, training, compensation and evaluation) instead of focusing on individual HR practices. HRM makes available more effective resources in terms of trained, skilled and eager employees and boosts the value added chain. Khan et al. (2013) talk about the way HRM factors like employee training and employee support advantageously activate SCM in four dimensions, achieving a significant competitive advantage. The four dimensions here being: value added, rareness, imitation cost barrier and organizational structure. The discussion is conclusive of the fact that a greater competitive advantage may be achieved by deploying more resources towards managerial and employee support and training. They study the manner in which human resource management and supply chain management come together to become means of competitive advantage in the industry. Their study of Pakistani SMEs reveals a culture of not sharing information. Small and medium businesses in Pakistan are not documented in order to evade taxes. For a supply chain to function effectively information needs to be actively shared. Hence in a country where the system is averse to such a concept, supply chains will suffer. Human Resource & Supply Chain Management (HRSCM) combines suppliers, information systems, finance, employees, manufacturing and operations, sales and marketing, research and development, inventory management and customer relations, and integrate them into a single unified model to create value chain system. SCM has competitive advantage in 4 dimensions: value added, rareness, imitation cost barrier and organizational structure. These 4 dimensions are activated by HRM factors like training & employee support. Successful SCM depends upon employees with a broad skill-set, HR development through training & retraining, teamwork & continuous improvement, high trust among employees & suppliers, integration of Internet into management and managerial accounting. Analysis in this study yielded the following results: SMEs that practiced training, compensation & evaluation have higher tendency for SCM success, selection practice does not seem to have any effect on SC success, training is the strongest variant, followed by compensation (Khan et al., 2013).

Managing people within and between firms in supply chain relationships offers opportunities for competitive advantage. This results in cost savings which are in turn passed on to the customers. Successful supply chain management depends

upon the performance of the people in the supply chains. The current complex business environment comprises of shorter product-life cycles, product proliferation, outsourcing, globalization of the supply base and markets. This has magnified the challenges of HRM in supply chains. The study concludes that SCM methodologies can enhance intra-firm HRM, for example, the bull-whip effect (small changes in consumer demand are magnified across the supply chain) can apply to long term personnel planning. Organizational culture impacts supply chain integration, integration practices in the supply chain act as a mediating link between culture and performance. Some HR practices have a positive effect on building intra firm SC relationships while some have a negative effect. Intra organizational divides can be as strong as, if not stronger than, inter firm divisions, therefore HR practices are important in both settings. Internal supply chains provide greater opportunities for top management to control and extract value from the supply chain, compared to supply chains consisting of separate organizations. A firm's human capital is associated with its overall flexibility-supplier flexibility is a critical factor for a manufacturing firm's flexibility (value is added by having congruent HR practices with partners in the supply chains) (Fisher et al., 2010).

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