HUMAN RESOURCE MANAGEMENT: THEORY TO PRACTICE: EVIDENCES FROM LITERATURE

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ABSTRACT

The field of human resource management is ever emerging and evolving. Since its inception, it has faced abundant hues and cries. The purpose of this study is to give a holistic and integrative view of HRM concepts and usages. So, this study is based on a meta-analysis of the literature of current major practices used in different ways. The study examines the social exchange theory, the resource-based view of the organization, human capital theory, descriptive study, normative study and strategic theories of human resource management. The comparison of these studies assists HR practitioners to develop the contingencies and to fit the HR policies according to the context and requirements of the organization. An implied but unproven hypothesis symbolizes that good contextual HRM fit may lead to the vigorous development of the organization.

KEYWORDS: Resource-based view, Human capital, Social exchange theory, normative theories, descriptive theories, Strategic theories.

1. INTRODUCTION

The human resource management as theory and practice has become the dominant and integrating concept in the field of management as an emerging research theme. There are a plethora of studies that demonstrate the association between human resource and performance, providing support to the researcher and practitioners who always believe in the human resource management practices. The previous studies have provided encouraging statistical and progress reports at the expense of rigorous theorization. As a result, the studies are non-additive, except in a very general way. Our aim in this paper is to present a form of research agenda which seeks to reintroduce theory into the empirical debate and to use this to review some of the emerging empirical findings. If we are to improve our understanding of the impact of HRM on performance and organizational growth, we need a theory about HRM, a theory and practice approach which can provide a holistic view of human resources management to academicians and practitioners who are to use these practices in a variety of ways. This study then reviews some of the recent literature within a simple framework. Finally, we shall outline the issues emerging from this review and highlight some of the developments that need to occur in theory and practice as in Fig. 1.
2. RESOURCE BASED VIEW

Organizational success is becoming a more and more multifaceted and uncertain entity in the current era. Now a day’s firm’s performance is not measured on the basis of product portfolio, but intensively on the basis of inimitable resources. Products and resources and two sides of one coin for firms. For products, it requires different types of resource and many resources and services are used in assembling a different product (Wernerfelt, 1984). Moreover, he asserts that organizations’ irrevocable, inimitable and competitive source is the human resource that should be nourished with special attention and care to get maximum intellect. The history of management theorization resource-based view (RBV) has been always an influential and most cited theory which emphasizes sustainable competitive advantage (SCA) through the inimitable, valuable and nonreplicable resource (Kraaijenbrink, Spender, & Groen, 2010). Moreover, he asserts that organizations’ irrevocable, inimitable and competitive source is the human resource that should be nourished with special attention and care to get maximum intellect. Furthermore, this study is used in many research studies as an extension of a resource-based view to use this practice and system of living for organization. As Colbert (2004) denotes that strategic human resource management is the living system of resource-based theory. Resultantly RBV plays a strategic role in the development of the firm's system. It is also suggested that in order to acquire and sustain valuable, rare inimitable, no replaceable (VRIN) organization also should have the capacity to adjust them and provide the environment in which they can perform well (J. B. Barney, 2001). The elegance of the RBV lies as its simplicity of concepts, appealing, easily understood and freely communicated to others. Although its history can be traced in early 1980’s it freshness and applicability is as bloomy as it had introduced. The reason for being so successful is an attempt to defining the benefits and the appropriateness in defining the resources. Hence, it had introduced, its applicability and practice have been insured in firms to apply its core concepts and themes (Wade & Hulland, 2004). Because of its short-sightedness, this theory is also criticized because it is unable to define properly about resources and their perspective on human resources. In addition to that its general applicability is arguable (Kraaijenbrink et al., 2010).

2.1 Human capital theory

The emerging study in social sciences and psychology is human capital development which ensures the real intellect to the organization (Kaufman & Geroy, 2007). The human capital view sheds the light on the importance of human resources as pivotal capital and investment which ensures the expected earnings (returns). The set of human capital encompasses knowledge, skills experience which resides in the organization (Kaufman & Geroy, 2007). This theory is the part of neo-capital theories that elaborates on the fundamental types of capital that prevails in an organizational setup. These theories are rooted since the early 1960s its contribution was made by ((G. S. Becker, 1964; Schultz, 1961). The investment is considered in terms of skills, knowledge and abilities grounded in organization for its development and welfare. Further human capital is explained as the accumulation of surplus value by employees (Lin, Cook, & Burt, 2001). The human capital theory is contributing in every discipline as described by Leitch, McMullan, and Harrison (2013) entrepreneurial leadership can be enhanced by the mix combination of human capital by encompassing the social capital. Moreover, they suggest that institutional capital and formal structure of organizations enhance the role of social capital and go beyond the individual stock of human capital.

The human capital theory faced many hues and cries after it has been introduced as a discipline. Early in 1959 in many countries people used to consider the education as investment rather expense. To consider it important, they had started to relate this phenomenon with positive correlation of economic growth. Whether, it was the influence of
the human capital theory or the philosophical change in the nation’s mindset that they have started spending billions of dollars on educational growth. This trend shift has created a healthy competition among the private and public sector to provide better and better education. But the basic problem with human capital theory is to distinguish between private and public investment on education and their intention to sustain this program (Stanfield, 2009). Furthermore this type of investigation is considered by Quiggin (1999) as he denotes that the human capital model is more complex in distributional channel. He supports his argument by presenting the example of unequal distribution of resources in society which cannot equalize the education contribution and GDP growth.

2.2 Descriptive theories

Descriptive theories denote the notion of interrelationship and coherence of HRM concept as integrating framework of system. The main four function of HRM are proposed by (Beer, Walton, Spector, Mills, & Lawrence, 1985; Kochan, 1986) as fundamental areas of HRM. Integrating the field and mapping the input and outcome, both are the descriptive part of human resource management. Theory can be emerged at both level but, at very generic level of specification.

2.2.1 Normative theories

Being perceptive and reflective in nature is part of normative theories. These theories fundamentally focus on nature of knowledge available to interpret the practice. The foundation of this notion is derived from the theory of Walton (1999) “from control to commitment”. Later on, the work of (Pfeffer, 1995a, 1995b) who has proposed sixteen HR practices which has been squeezed in thirteen are the recent practices in normative theories and are known as high performance work activities. Additionally the studies of D. E. Guest (1997) have also focused on integrated set of HRM framework to achieve normative strategic goal of organizational high performance endeavors.

2.2.2 Strategic theories

Strategic theories identify and explore the key external influences on human resource management (HRM) policies and practices. The major and important contribution were made by Hendry and Pettigrew (1990) as asserting the spotlights on HRM boundaries which can limit the applicability of practices. They have explored the notion of HRM as contextual fit. An implied but unproven hypothesis is, good contextual HRM fit may lead to vigorous development in organization. The application part of Hendry and Pettigrew (1990) theory is to explore and map the contextual part of HRM internal (within the organization) and external (outside the organization) and exploration of adoption of change with respect to the situation rather than its link with performance. In the recent era, the tenet of human resource management has got unarguable importance in organizations' policies and usages. This paper accumulates all the previous studies in order to give a holistic view of human resource advancement from start to date. This paper is the complete packages which discusses the fundamental concepts and theories with their application. This research paper significantly contributes to the body of knowledge by integrating the main themes and concepts of HRM. This study is also helpful for practitioners particularly HR experts designs the policies. The implication of this study can lead the organization toward better HR policies for their employees for long term sustainability and competitiveness.

3. LITERATURE

3.1 Descriptive theories of HRM

These set out to describe the field in a comprehensive way. The two best known are those presented by Beer and his colleagues from Harvard (Beer et al., 1985) and by (Kochan, 1986) from MIT. In both cases, there is an attempt to capture the broad field and to address some of the interrelationships. For Beer at al. this means listing four broad areas of HRM policy and practice and four key outcomes. For Kochan and colleagues, it entails a systems approach, describing the interrelationships between levels. Both are essentially descriptive, mapping the field and classifying inputs and outcomes. Both can be developed into a theory, but only at a very general level of specification. A strength and a weakness in this respect is the emphasis on an open systems approach which may accurately capture an element of reality but fails to offer specificity. By providing conceptual maps of the field, these models do provide a broad classification of the content of HRM and of a range of outcomes. Both are useful in adopting a stakeholder approach and in identifying a range of outcomes of interest to the various stakeholders. However, they are essentially employee relations models concerned with the managers’ role in balancing competing interests, in highlighting the scope for choice and in identifying some of the influences on the choices. Despite implicit preferences on the part of their authors, by specifying a range of choices and not recommending specific approaches, they are largely non-prescriptive. They, therefore, provide no clear focus for any test of the relationship between HRM and performance.
3.2 Normative theories

Models or theories of this type are more prescriptive in their approach, reflecting the view either that a sufficient body of knowledge exists to provide a basis for prescribed best practice or that a set of values indicates best practice. Often these two perspectives become concentrated. One of the best-known examples of this approach is Walton’s work on control and commitment Walton (1999). In presenting the contrast between the two approaches to the management of human resources, he follows (McGregor, 1960) some twenty-five years earlier in saying these are in one sense ideal types but in practice, if you wish to flourish you have no choice. He is prescribing a commitment strategy as the distinctive basis for HRM. The same general analysis can be found in the work of (Lawler, 1986, 1992), although he uses the language of involvement rather than HRM. More recently, the work of (Pfeffer, 1995a) has attracted a lot of attention. He lists sixteen HRM practices (subsequently amended to thirteen (Pfeffer, 1995b) on the grounds that the precise number and presumably the precise nature of the practices is neither clearly known nor particularly important) which he advocates on the grounds that their positive effects are now well established. This is an essentially a theoretical stream of work about ‘high performance’ work practices. According to (D. Guest & Hoque, 1994; D. Guest, 1987, 1997) attempt of capture some of the spirit of this approach by seeking to present it within a coherent framework, specifying some of the links so that the resulting model can at least be tested – and possibly refuted. The central hypothesis is that if an integrated set of HRM practices is applied with a view to achieving the normative goals of high commitment to the organization plus high quality and flexibility, then higher worker performance will result. The assumption is that this will have a positive impact on organizational performance. Unlike other approaches, this normative perspective argues that specific practice and specific HRM goals will always be superior.

There are a number of problems with this view of HRM. One is that it focuses predominantly on the internal characteristics of HRM at the expense of broader strategic issues. In doing so, and in advocating the best set of practices while ignoring the variety of pressures and consequent business strategies, it is taking a considerable risk in implying ‘one best way’. A second problem is that, while the goals of HRM can be reasonably well defined, the related list of HRM practices is far from clear (for an outline of the variables included in the various studies, see (Dyer & Reeves, 1995) and (B. Becker & Gerhart, 1996) and awaits either a clear theoretical specification or a much stronger empirical base.

3.3 Resource-based view

As denoted by Wernerfelt (1984) conceptual article entitled" A Resource-Based View of the Firm" recently was selected as one of the most influential papers published in the Strategic Management Journal prior to 1990 (Wernerfelt, 1995). The article begins with the statement, "For the firm, resources and products are two sides of the same coin" (1984: 171). Wernerfelt then goes on to analyze, from a resource perspective, the efficacy of sequential entry strategies for diversifying firms. One major contribution of this article was to direct strategy scholars back toward resources as important antecedents to products and, ultimately, firm performance. In early conceptual work in strategic management, scholars generally had given equivalent attention to firm strengths and weaknesses versus the opportunities and threats in the competitive environment ((Peteraf, 1993);(Ansoff, 1970; Ansoff & McDonnell, 1990); (Learned, Christensen, Andrews, & Guth, 1969)). These explanations lay the conceptual foundation for subsequent analyses of how resource-based advantages may be leveraged via diversification.

Thus, the primary, business-level RBV is of principal interest in our study. The (Wernerfelt, 1984) and (J. B. Barney, 2001) articles are seminal works in the RBV stream. While Wernerfelt emphasizes resources and diversification, Barney provides what is arguably the most detailed and formalized depiction of the business-level resource-based perspective. His “organizing framework”—“that organizational resources that are valuable, rare, difficult to imitate and non-substitutable can yield sustained competitive advantage” (Meyer, 1991: 823)—has supplied the footing for many RBV studies, with subsequent work based on either his framework or an extension. When extending (J. Barney, 1991) framework, however, most researchers have defined any new terms of interest without formally specifying the original, underlying RBV terms. Indeed, in much of the conceptual and empirical RBV work, researchers have either paraphrased (J. Barney, 1991) RBV statements or simply cited his article without augmented definition (e.g., Bates & Flynn, 1995; Brush & Arzt, 1999; Litz, 1996; Mc-Williams & Smart, 1995; Michalisin, Smith, &Kline, 1997; Mosakowski, 1998;(T. Powell, 1992; T. C. Powell, 1992); RindovQ & Fombrun, 1999; Yeoh & Roth, 1999).

Attempts to further define underlying RBV constructs or specify causal relationships have been sparse. Table 1 provides representative RBV definitions that refer to (J. Barney, 1991) conceptual work. Because of its influence, its
attempt to formalize the RBV as theory, and the relative lack of subsequent definitional work, we selected Barney's (1991) article to provide the primary, baseline definitions of the "single business" RBV for our investigation.

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<th>Table 1: RBV definitions</th>
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<td><strong>Powell (1992a: 552)</strong></td>
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<td>&quot;The resource view holds that, in order to generate sustainable competitive advantage, a resource must provide economic value and must be presently scarce, difficult to imitate, no substitutable and not readily obtainable in factor markets (J. Barney, 1991); Diericks &amp; Cool, 1989; Peteral, 1990).&quot;</td>
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<td>Bates &amp; Flynn (1995)</td>
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<td>&quot;This theory rests on two key points. First, that resources are the determinants of firm performance (J. Barney, 1991); Schulze, 1992), and second that resources must be rare, valuable, difficult to imitate and non-substitutable by other rare resources. When the latter occurs, competitive advantage has been created (J. Barney, 1991).&quot;</td>
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<td>Litz (1996: 1356)</td>
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| "(J. Barney, 1991) conceptual work on resource characteristics was especially helpful. He proposed that resources be characterized as simultaneously valuable, rare, nonsubstitutable, and inimitable. To the extent that an organization's physical assets, infrastructure, and workforce satisfy these criteria, they qualify as resources."
| Michalisin, Smith, & Kline (1997: 360) |
| "Such resources, coined strategic assets, are simultaneously valuable, rare, imperfectly imitable and not substitutable (J. Barney, 1991). RBV proponents assert that ownership or control of strategic assets determine which firms can earn superior profits and which firms do not. Unfortunately, there is little empirical research to support that prescription (Miller & Shamsie, 1996); as the strategy literature argues, a firm's performance depends fundamentally on its ability to have a distinctive, sustainable competitive advantage which derives from the possession and utilization of unique, inimitable, non-transferable, firm-specific resources (J. Barney, 1991); (Peteraf, 1993); (Wernerfelt, 1984)."
| Bowen & Wiersema (1999: 628-629) |
| "Some gaps in the available theories raise new challenges. (J. Barney, 1991) four criteria for resources to confer a competitive advantage—value, rarity, imitability, and substitutability—are limited in their practical usefulness for this problem because they are context insensitive (i.e., noncontingent)."
| Brush & Artz (1999: 223)  |
| "To be a source of sustained above-average performance, resources must meet three criteria. They must be: (1) valuable, meaning buyers are willing to purchase the resources' outputs at prices significantly above their costs; (2) rare, so that buyers cannot turn to competitors with the same or substitute resources; and (3) imperfectly imitable, meaning it is difficult for competitors to either imitate or purchase the resources (J. Barney, 1991); (Peteraf, 1993), 1993)."
| Combs & Ketchen (1999: 869) |
| "Resource-based theory (Penrose, 1959; (J. Barney, 1991)) attributes advantage in an industry to a firm's control over bundles of unique material, human, organizational and locational resources and skills that enable unique value-creating strategies (J. Barney, 1991), Heterogeneous resources create distinct strategic options for a firm that, over time, enable its managers to exploit different levels of economic rent (Peteraf, 1993). A firm's resources are said to be a source of competitive advantage to the degree that they are scarce, specialized, appropriate (Amit & Schoemaker, 1993), valuable, rare, difficult to imitate or substitute (J. Barney, 1991)."

**Table 1: RBV definitions**

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<th><strong>3.4 Human capital perspective</strong></th>
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<td>The premise of this study was that human resource management practices constitute investments in human capital (Flamboltz &amp; Lacey, 1991). The concept of human capital is that people possess skills, experience, and knowledge that have economic value to firms. Although the theory was originally developed to study the economic value of education (Schultz, 1960), more recently it has been applied to selection, training, compensation and human resource management practices in general (Cascio, 1991; Flamboltz &amp; Lacey, 1981; Parnes, 1984; Wallace &amp; Fay, 1988). First, skills and knowledge represent capital because they enhance productivity. In other words, people add value to a firm to the extent that they will perform future services (Parnes, 1984). Some of this value is added directly by transforming the firm's product, but much of it is less tangible, consisting of solving problems, coordinating the work of departments, and exercising judgment in novel situations.</td>
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Second, human capital is the result of a firm’s making a deliberate investment either through hiring certain individuals “on the market” or developing them in-house. These investments, via human resource management, carry both out-of-pocket and opportunity costs and are justified only if they produce future returns via increased productivity (Duncan & Hoffman, 1981; Rumberger, 1987; Tsang, 1987). Since firms are likely to undertake additional investments up to the point at which the marginal cost equals the marginal return, the value of human capital investments depends on the contribution of employees to a firm. The bigger the potential for employee contribution, the more attractive human capital investments will be (Becker, 1976; Parnes, 1984). Alternatively, investments in employees that cannot be used to produce surplus human capital that may be very costly to a firm (Tsang, Rumberger, & Levin, 1991).

Third, human capital commands a price on the market because it is valuable to other firms and, perhaps more important, it is transferable (Parnes, 1984). This transferability is a critical difference between human capital and physical capital. Firms do not actually “own” human capital—it is embodied in employees, who are free (within limits) to move from one firm to another (Becker, 1964; Jacoby, 1991). Even if employees stay with a firm, their contribution depends on their willingness to perform. Therefore, control costs, or costs of retaining and motivating employees (such as wages), must be considered human capital investments as well (Flamboltz & Lacey, 1981).

### Table: Linking HRM and performance

<table>
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<tr>
<th>HRM Strategy</th>
<th>HRM Practices</th>
<th>HRM Outcomes</th>
<th>Behavior Outcomes</th>
<th>Performance Outcomes</th>
<th>Financial Outcomes</th>
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<tbody>
<tr>
<td>Differentiation (Innovation)</td>
<td>Selection</td>
<td>Training</td>
<td>Commitment</td>
<td>Effort/motivation</td>
<td>High: Productivity</td>
</tr>
<tr>
<td>Focus (quality)</td>
<td>Appraisal</td>
<td>Rewards</td>
<td>Quality</td>
<td>Low: Labor turnover</td>
<td>Conflict</td>
</tr>
<tr>
<td>Cost (Reduction)</td>
<td>Job design</td>
<td>Involvement</td>
<td>Flexibility</td>
<td>organizational</td>
<td>Customer complaints</td>
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<td>Citizenship</td>
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**Fig. 2:** Linking HRM and performance (adopted from Guest model)

4. **DISCUSSIONS AND CONCLUSIONS**

Due to pressure on business, being competitive, the HR practices has gained momentum in order to expand internationally and being innovative in the market (Shen, Chanda, D'Netto, & Monga, 2009). The human resource development and corporate citizenship are significantly contributing to current uplifting of the HR system (Sabri, 2014). Human resource management practices constitute investments in human capital (cf. Flamboltz & Lacey, 1981; Perry, 1991). The concept of human capital is that people possess skills, experience, and knowledge that have economic value to firms. Although the theory was originally developed to study the economic value of education (Schultz, 1960), more recently it has been applied to selection, training, Compensation and human resource management practices in general (Cascio, 1991; Flamboltz & Lacey, 1981; Parnes, 1984; Wallace & Fay, 1988). (Wernerfelt, 1984) the conceptual article entitled “A Resource-Based View of the Firm” recently was selected as one of the most influential papers published in the Strategic Management Journal prior to 1990 (Wernerfelt, 1995). The normative approach quotes one of the best-known examples of Walton’s work on control and commitment Walton (1999). In presenting the contrast between the two approaches to the management of human resources, he follows (McGregor, 1960) some twenty-five years earlier in saying these are in one sense ideal types but in practice, if you wish to flourish you have no choice. These set out to describe the field in a comprehensive way. The two best known are those presented by Beer and his colleagues from Harvard (Beer et al. 1985) and by Kochan, Katz and McKersie (1986) from MIT. In both cases, there is an attempt to capture the broad field and to address some of the interrelationships. Every organization is unique and faces a distinctive kind of problems and issues. The contingency
approach is the best approach as it accommodates the contextual fit. The above Meta-analysis of different theories used in HRM provides the overall comprehension of concepts and practices but, leaves the decision upon managers to apply them according to the situation. So, this study concludes the analysis by incorporating the concept of “context-suitability” you cannot drive the organization by using all theories or by relying on a single source. The modern epoch demands the best of the best workforce practices which can meet all work-related and human-related issues.

REFERENCES


