



10th International Scientific Conference Transbaltica 2017:
Transportation Science and Technology

The Impact of Human Resource Management on the Competitiveness of Transport Companies

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Abstract

The article analyzes the human resource management impact of competitiveness of transport companies. According to the scientific literature article discusses human resource management, Competitive advantage and competitive analysis concepts, evaluated modern human resource management models and theories of the relationship between companies and the allocation of human resources and competitiveness. The paper describes the Lithuanian transport sector companies operating in human resource managements research processes.

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Peer-review under responsibility of the organizing committee of the 10th International Scientific Conference Transbaltica 2017

Keywords: human resources, strategic management, transport companies

1. Introduction

The term “human resources” is used both – in business environment and in reference to people working in organizations. Human resources (employees) are the most important assets and valuable resources in company’s performance. Employees are important, since their knowledge, experience and skills increase the value of an organization in the market.

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The definition of human resource management is inseparable from the term “management” [1]. Management is thus understood as organizing, planning, supervising, controlling, etc. Management pertains to internal company’s affairs.

The aim of the article: to analyse the impact of human resource management in the pursuit of competitive advantage in transport service market.

The objectives of the article:

- To analyse the concept of human resource management, as well as strategic human resource management models.
- To analyse the impact of human resource management on the competitive advantage.
- To provide research results on the impacts of human resource management strategy in the pursuit of competitive advantage in transport sector.

This article provides an overview of human resource management and competitiveness theories, models of human resource management concepts in order to define the ways in which organizations should assess and manage its employees to achieve better results and competitive advantage in transport service sector.

2. The concept of human resource management strategy

Human resource management in an organization is a strategic, consistent and comprehensive approach towards company’s human resource management and training [2]. Human resource management can also be defined as practical work with people encompassing employee performance analysis, planning the needs of the labour force and candidate recruitment, candidate selection, new employee orientation and training, wage and salary administration, educating employee commitments, as well as creating a fair and safe work environment [3]. Human resource management – is a coordinated approach to managing people that seeks to integrate the various personnel activities so that they are compatible with each other [4].

The provided definitions of human resource management enable to distinguish the so-called “hard” and “soft” cases of human resource management [5]:

- “Soft” approach to human resource management is used to increase employees’ loyalty, quality and flexibility.
- “Hard” approach to human resource management emphasizes a strategy in which human resources are distributed in order to obtain business results [1]. However, “hard” approach to human resource management is more linked to cost minimization strategies (e.g. low pay, minimal training) and frugal production (dismissals, work intensity).

To summarize, human resource management is very important in a company as performance results in a market largely depend on personnel (employees). The importance of human resource management lies not only in hiring of personnel, maintaining social security or dismissing an employee. Human resource management is a deployment of employee resources enabling companies to attain their strategic objectives. Human resource management is an effective deployment of employee resources to obtain company’s strategic objectives.

The aim of human resource strategy – is to find means that facilitate and contribute to personnel management and attainment of organizations’ objectives. The preparation of human resource management strategy starts with management philosophy and essential values that highlight the importance of employees as the source of the competitive advantage [6].

According to Strategic objective process model of human resource management, HRM strategies are integrated into business strategies and personnel management so that they are compatible with each other. In this case, internal personnel management systems and employee characteristics, as well as the analysis on the internal and external threats and opportunities are of equal importance.

To summarize human resource management strategy, it is possible to claim that strategy is integrated into each company’s profits and objectives.

3. Models of strategic human resource management

Scientific literature lacks a comprehensive explanation on applied in practice strategies of employee management, thus the following models of strategic human resource management are analysed:

- *Resource-based model*. This model is linked to SWOT analysis. Model enables (after completing HR and SWOT analysis) to focus on the application of a bundle of valuable resources to develop organization's competitiveness in the market [7].
- *Sustainable Competitive Advantage Model*. The following characteristics of human resources are the most important in the development of competitive advantage: economic value, exclusivity, uniqueness, irreplaceability [8]. The model is a multidirectional scheme in which dynamic nature of strategies is emphasized and manifestations of conflicts induced by different forces are considered. The exclusivity of each organization is determined by its history, depending on environmental factors, causal uncertainty, social complexity and substitutes prevalent in an organization or environment. Diversity of resources and stability in an organization are indirect. Therefore, retention of competitive advantage is inseparable from competitive development of human resources.
- *The most important components of human resource management strategy* – are management links to strategic tasks and objectives of an organization to improve performance results and establish innovation-based culture [2]. The model reveals a relation established between strategic plans of an employee and performance results. Results are implemented by combining labour force planning, employee selection, training and motivation. The model facilitates implementation of the strategy, mission and objectives.
- *Model of Human Resource Management Strategy*. Formulation process of human resource management strategy is divided into the following steps: analysis, strategy formulation, implementation [9]. Formulation process involves identification of threats and opportunities, its compatibility with existing resources, which is expressed by organizations' opportunities with remaining resources and adequate levels of risks. Devanna [10] provides strategic model which indicates that human resource management comprises human resource system and organizational structure. On the basis of this model, human resource management, strategy and structure impacts one another and is thus influenced by external environment. This connection affects organizations' competitive advantage over its competitors.

In summary, it is possible to claim that models of strategic human resource management are focused on personnel activities.

4. Human resource management to impact competitiveness

In order to maintain a competitive advantage among their counterparts, organizations must establish a dedicated and competent labour force.

Transport companies may gain a competitive advantage by offering clients better and greater value than the ones promoted by competitors [11]. Organizations that seek to be superior over their competitors, may offer products/services at a lower price or higher quality.

Aaker [12] provides two sources of the competitive advantage:

1. Exceptional abilities – pertaining to exceptional competencies of companies' personnel;
2. Exceptional resources – the ones that other organizations do not have.

A competitive advantage can be achieved with a qualified labour force in an organization that encourages competition considering market changes, production and service quality.

In order to understand the impact of human resources on competitive advantages of transport companies, a systemic approach is required and attention is to be drawn to internal and external factors. While conducting a strategic analysis on organization's internal environment, it is thus important to determine strengths and weaknesses and external environmental factors pertaining to labour relations.

The success of any organization depends on the ways in which employee management and strategic business objectives are synchronized [13].

The personnel strategy should determine methods to ensure human factors necessary to implement business strategy or competitive advantages. Personnel strategy should help to maintain strong points of personnel management and employees, exploit external opportunities, neutralize external threats and amend certain areas to improve [13].

In order to implement their effective strategies in the market, organizations must have in mind the following:

1. Who are our competitors?
2. What are the objectives of our competitors?
3. What are the strategies of our competitors?
4. What are the advantages and disadvantages of our competitors?

Therefore, it is possible to claim, that it is important to properly differentiate and position one's suggestions in order to obtain a greater advantage over competitors.

5. Research results on the impact of human resource management to obtain a competitive advantage in transport companies

The questionnaires of human resource management strategy to impact a competitive advantage were distributed among executives, HR managers and personnel managers of Lithuanian transport services sector. The research was carried-out by sending questionnaires via e-mail. The companies were randomly selected from the Internet. The principles of confidentiality, privacy, anonymity, voluntary participation and goodwill were followed.

In the questionnaire survey method, the scope of the research is important – it is the part of the general set of observed units. V. I. Paniott formula was used in order to establish sample size [14]. In accordance with this formula, the number of transport companies to be surveyed was established in order for a questionnaire to be representative and reliable with a 5% margin of error. Considering the provided data by *Lithuanian Department of Statistics*, there are approximately 6700 companies that are engaged in the provision of transport services in Lithuania. Therefore, in order to obtain statistically reliable data, 363 companies should be surveyed. However, to increase the reliability of data and taking into consideration that certain part of the questionnaires may not be returned, 375 questionnaires were sent via e-mail, of which only 183 came back.

The survey was carried-out in 183 companies operating in Lithuanian transport market. Respondents were asked to indicate activities in their companies. Companies that took part in the survey are involved in the following activities: transport services, transport and freight forwarding services, transport and customs brokerage services, transportation, logistics and warehousing services.

To divide companies in accordance with the ownership, it was determined that both – foreign (3 percent) and Lithuanian (97 percent) owned companies took part in the research. It was determined that companies' experience in transport sector varies:

- Up to 1 year (2 pct.);
- 1–5 years (10 pct.);
- 6–10 years (30 pct.);
- 11–15 years (45 pct.);
- 16–20 years (11 pct.);
- 21 and more years (2 pct.).

The majority of companies that took part in the research operate in Lithuanian market for more than 11 years.

One of the most important factor determining company's competitiveness in the market is human resources and its selection. It was aimed to determine which candidate search practices are applied in organizations.

The research results have shown, that most frequently candidate search in Lithuanian transport sector is carried-out via media, connections and recommendations. In very rare cases, employment agencies are involved in this process. One of the reasons why do companies rarely make use of employment agencies is insufficient budget.

The respondents were asked to determine how employee selection is carried-out in their companies (see Fig. 1).

Moreover, in accordance with the research, it was determined that employee selection is conducted through the interviews with candidates. This type of employee selection method enables transport companies to assess

employee's knowledge in certain areas. However, organizations often rely on recommendations, as research suggests.

Further on, the analysis of the impact of human resource management strategy to obtain a competitive advantage follows the discussion on whether employees should take part in the establishment and development of company's strategic objectives.

50 percent of the respondents argue that employees should take part in the establishment and implementation of business strategy as by doing so they ensure company's success and their personal well-being. 33 percent of the respondents claim that employees should take part in the establishment of company's strategy as they participate in daily activities and are more likely to notice changes in the market, as well as positive and negative aspects of work. And only the smallest part of the respondents – 17 percent claim that only employees familiarised with the market should take part in the establishment of company's strategy.

Respondents were also asked to assess the importance of employee involvement into the establishment of strategic objectives on the scale of 1 to 10, where 1 – “completely unimportant” and 10 – “very important” (see Fig. 2).

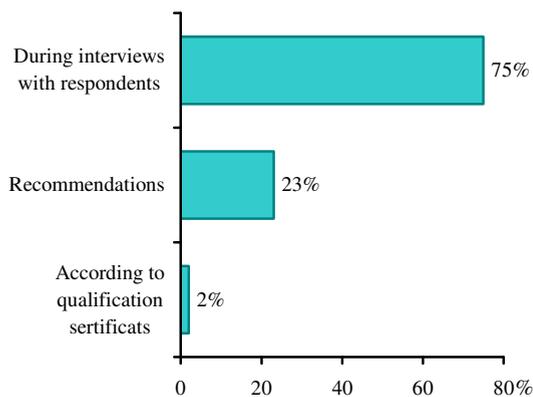


Fig. 1. Employee Selection Methods.

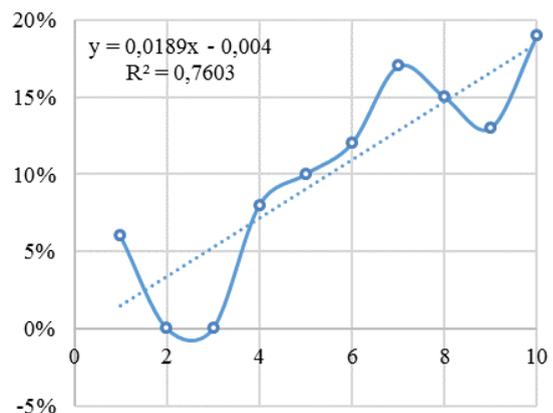


Fig. 2. The Importance of Employee Involvement into the Establishment of Strategic Objectives.

In accordance with the obtained results, dependence is average, however, not all organizations consider employee involvement to be very important. Therefore, it is possible to conclude, that not all executives understand the importance of strategic human resource management and its impact on the competitiveness.

On the other hand, research results have shown that the majority of the respondents are familiarized with strategic objectives of organizations and measures to be taken to achieve strategic objectives. Additionally, nearly all respondents are aware of the results to be obtained in order to achieve strategic objectives. However, not all organizations establish their own strategic objectives in the presence of their employees.

Considering the fact that competition in transport sector is average (55 pct. of the surveyed respondents), it was attempted to determine what actually a company does to increase the competitiveness. The majority of companies (62 pct.) claim, that a great deal of attention is paid to advertising; 36 pct. state that they invest into employees and only 1 pct. responded that quality management systems are implemented. Moreover, respondents added the following activities:

- companies are doing their best to provide quality services in a flawless manner, which builds up their company's reputation;
- companies are in search of reliable partners and developing the circle of their partners;

In accordance with the obtained results, it is possible to claim, that advertising is the most popular tool for sales promotion in Lithuania.

Employee management competence has a substantial impact on the competitive advantage. It was determined that the competitive advantage of employee management in transport companies involves the following employee characteristics: responsible attitude to work and company's image, integrity, self-criticism, the pursuit of quality in performing assigned tasks, diligence, flexibility. A quick and flexible response to innovations and teamwork facilitate organizations to respond quickly to customers' interests and competitors' challenges.

It is thus important to define organizations' advantages over their competitors in assessing the competitive situation in the market (see Fig. 3).

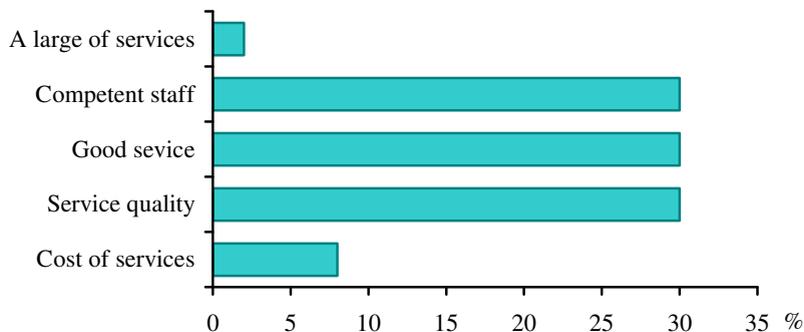


Fig. 3. Organizations' Advantages over their Competitors.

As the research suggests, in most cases organizations' advantages over their competitors are quality of services, customer service and competent employees.

Considering that transport and logistics sector is very promising, the research also aimed to estimate the importance of transport organizations in Lithuania on the scale of 1 to 10, where 1 – “bad”, 10 – “very good”. The opinion of the majority of the respondents coincided. 67 pct. of the respondents assessed the importance of transport organizations' operations in Lithuania from 7 to 9 points. A lower proportion of respondents (20 pct.) rated 10 points, and only 13 pct. assessed the importance of transport organizations' operations from 4 to 6 points.

The research on strategic human resource management in organizations providing transport services in Lithuania revealed couple of problem aspects. The executives of organizations are not always trying to involve employees in the establishment of organization's strategic objectives. It is possible to conclude that not all executives do understand the importance of strategic human resource management. Since the strategy is heavily impacted by the increase of the organizations' competitiveness, personnel should be more effectively involved in the development and implementation process of organization's strategy. A frequent problem encountered by organizations providing transport services is executives' inability to manage human capital in a way that it enables to obtain and sustain a competitive advantage over competitors.

6. Conclusions

1. The role of human resource management determines organizations' performance results and its position in the market, i.e. it enables to achieve greater income and take a good position in the market.
2. Models of strategic human resource management are oriented towards personnel activities. In all models of strategic human resource management, employees are the main link between organization's strategy and its implementation results.
3. A systematic approach towards management system is required in order to understand the impact of human resource management on the competitive advantage. Additionally, attention should be paid to internal and external factors.

4. Research have shown that executives of transport companies understand the importance of strategic human resource management, however, inability of the same executives to manage the existing human capital poses certain difficulties to remain in the competitive market.
5. In accordance with the obtained results, it is possible to claim, that all employees should participate in the establishment and implementation of company's strategy. Employees should work together as a team and thus ensure company's success and personal well-being.
6. In order to eliminate problems, certain measures should be taken: to improve general economic situation; to reduce bureaucracy and bribery; to perfect the overall efficiency of transport system, etc.

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