An evaluation of the contribution of human capital management practices on achievement of sustainable competitive advantage in the retail services sector of Zimbabwe: The case of OK Zimbabwe (February 2009 to December 2011).

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A dissertation submitted in partial fulfilment of the requirements for the degree of Master of Business Administration

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DECLARATION

I, CLIVE TANYARADZWA TIGERE, do hereby declare that this dissertation is the result of my own original work except to the extent indicated in the acknowledgements, and that this document has not previously been submitted in part in any other university in order to obtain an academic qualification.

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STUDENT SIGNATURE

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SUPERVISOR’S SIGNATURE

SUPervisor’S NAME: Mr G Magaramombe

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SUPERVISOR’S SIGNATURE

DATE

DATE
DEDICATIONS

This research is dedicated to my wife Tyleen, daughter Bessy, late sister Bessie, mum and brother Terence for encouraging me to embark on the MBA programme. I will always cherish your moral support.

I would also want to thank Dr. Bhero for the dissertation lectures and encouragement that kept me going. My gratitude also goes to Philip Karidza, Tyleen Tigere, Terence Tigere, Busi Tigere, Edwin Mushanyuri, Nigel Tigere and Muzvidzwa Chingaira for their untiring support and wisdom. Thanks mum, Mr & Mrs Kunze for the prayers and support.
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Furthermore, I would like to express my gratitude to all the respondents who spent their valuable time answering the questions. Without their cooperation my research would not be completed. Last but not least, I thank the Almighty God for taking me this far, making my academic work fruitful and I have finally completed the study. Finally the researcher would like to thank all the respondents to the questionnaire for this research; my research was not going to be complete without their responds.
ABSTRACT

The field of human capital management has enjoyed a remarkable ascendancy during the past two decades, as both an academic literature and focus of management practice. Firms have increasingly recognized the potential for their people to be a source of competitive advantage. Creating competitive advantage through people requires careful attention to the practices that best leverage these assets.

This research interrogated whether Human Capital Management could be used as a driver of organizational performance (organizational, financial, and HR outcomes) for OK Zimbabwe within its set objectives. OK Zimbabwe is one of Zimbabwe’s largest, well known retail store chains operating through fifty branches nationwide covering in excess of 74 000 square metres of retail trading floor space.

The specific research objectives of the study were to: identify human capital management practices that create sustainable competitive advantage; analyse the recruitment, selection and training of employees at OK Zimbabwe; evaluate the integration of HR factors and strategy at OK Zimbabwe for the period February 2009 to 31 December 2011 and analyse the performance measure and its impact on commitment of employees. The study’s was proposition was that Human Capital Management contributed to the creation of sustainable competitive advantage at OK Zimbabwe over the period of the study.

A total of 135 questionnaires were distributed either as a hardcopy or electronically to the respondents. The respondents were 5 directors, 15 were Executive Managers, 20 were senior managers, 35 were middle Managers and 60 were general staff. The response rate was 72.4%.The study came up with a number of conclusions and recommendations. Some of the conclusions were that OK Zimbabwe has an emphasis on employees’ engagement but there is no way of measuring staff engagement. The Human Resources Department is not playing a strategic role and that there is strong evidence that HCM activity are currently downstream to business strategy. From this, the research proposition was confirmed on the basis of plausible evidence that human capital management could be a source of sustained competitive advantage for Zimbabwean corporate entities in general and the OK Zimbabwe in particular.

The study makes a number of recommendations. OK Zimbabwe needs to consider seriously the importance of integrating HR factors and strategy at Board level. The Head of HR needs to have a voice at the highest level if the company is to craft effective and credible HR practices that deal with the various challenges it is facing and that proper recruitment and target selection processes to be developed in all units to ensure skilled and competent people who have a motivational fit are recruited and retained. The study identified area of future research that focuses on providing more detailed and generalisable findings to add to the knowledge base, exploring how firms can leverage people as a source of competitive advantage.
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<table>
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<th>Abbreviation</th>
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<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CZI</td>
<td>Confederation of Zimbabwe Industries</td>
</tr>
<tr>
<td>EDI</td>
<td>Electronic Data Interchange</td>
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<tr>
<td>EMA</td>
<td>Environmental Management Agency</td>
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<td>HCM</td>
<td>Human Capital Management</td>
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<tr>
<td>HIV</td>
<td>Human Immunodeficiency Virus</td>
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<td>HIWS</td>
<td>High Involvement Work Systems</td>
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<td>HPWS</td>
<td>High Performance Work Systems</td>
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<td>HR</td>
<td>Human Resources</td>
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<td>HRD</td>
<td>Human Resources Development</td>
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<tr>
<td>HRM</td>
<td>Human Resource Management</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>IT</td>
<td>Information Technology</td>
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<tr>
<td>MBA</td>
<td>Master of Business Administration</td>
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<tr>
<td>PM</td>
<td>Performance Management</td>
</tr>
<tr>
<td>PESTLE</td>
<td>Political, Economic, Social, Technological, Legal, Environmental factors</td>
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<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
</tr>
<tr>
<td>SWOT</td>
<td>Strength, Weakness, Opportunity, Threats</td>
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<tr>
<td>RBZ</td>
<td>Reserve Bank of Zimbabwe</td>
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<tr>
<td>ZESA</td>
<td>Zimbabwe Electricity Supply Authority</td>
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<tr>
<td>ZIMRA</td>
<td>Zimbabwe Revenue Authority</td>
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CHAPTER ONE

Introduction

1.0 INTRODUCTION

This research evaluates the Human Capital Management strategies used by the retail sector in Zimbabwe to achieve sustainable competitive advantage. This chapter gives an introduction to the research on the implications of Human Capital Management for OK Zimbabwe. It begins with a discussion of the problem and proceeds to state the research aims and objectives. Using the PESTLE, Porter’s Five Forces and business modelling frameworks of analysis, the Chapter focuses on the major issues mediating sustainable competitive advantage in the sector and these include political, economic, technological and legal factors to name but a few. The Chapter concludes with an outline of the dissertation structure.

1.1 BACKGROUND

Human capital has economic value to firms - it directly impacts upon organizational productivity and profitability. More recently the term human capital has been applied to selection, training, compensation, and human resource (HR) management practices in general Cascio, (1991). Human capital refers to the knowledge and skills embedded in an individual Beach, (2009:35). Rastogi (2002:28) conceptualizes the human capital as ‘knowledge, competency, attitude and behaviour embedded in an individual’. Consistent with this thinking, Garavan et al., (2001) and Youndt et al., (2004) have shown that human capital can be closely linked to knowledge, skills, education, and abilities. According to Hitt et al (1998: 56), a dynamic and complex competitive landscape has created considerable uncertainty for firms, however conditions of uncertainty also present opportunities. The author further stated that the competitors of the firm always try to employ better people for the job, so firms should constantly evaluate the human factor.
According to Brown (2007) the ability to create a unique team is the most cost-effective way to create sustainable advantage. This thinking is supported by Peters and Waterman (1982) who argue that the way in which an organization manages its people can influence its performance. Pfeffer (1994) identifies employee participation, empowerment, job design, team based production systems, extensive employee training and performance contingent incentives as some of the critical human capital management practices that can improve the performance of an organization.

The need to leverage on human capital management as a source of firm competitive advantage has received impetus from many authors including Richard (2001) who forcefully argues for significant investments in human capital and describes people as an important firm asset. This view was also affirmed by Hitt et al (2001) whose research suggested that human capital attributes like education, experience, skills and leadership affect a firm’s performance. Most recently, Yazdani (2008) has asserted that the crucial differentiating factor between companies is how human resources are developed and nurtured.

What all these studies demonstrate is the reality that the human element has grown in importance because knowledge has become a critical ingredient to gain a sustainable competitive advantage, particularly in the new economy landscape Grant (1996) and so there is renewed interest in the interface between the human capital management architecture or system and corporate performance. This constitutes the field of Human Capital Management, Gerhardt (2009) which was anchored in the seminal work by Huselid (1995). This research is steeped in the same discourse as it seeks to evaluate the mediating effects of a bundle of human capital management practices on firm performance using the case study of OK Zimbabwe during the period February 2009 to 31 December 2011.
1.1.1 An overview of the Retail Sector in Zimbabwe

The retail sector in Zimbabwe now has many players both small and large ones; the major competitors are TM supermarkets, SPAR, Town and Country, Afro foods and Friendly supermarkets. Indeed there is competition, which really campels organisation to position itself in order to create sustainable competitive advantage and survive. Despite the competition, OK Zimbabwe seeks to develop the OK business by offering stores with modern layouts and the promise of world-class shopping.

1.1.2 OK Zimbabwe

OK Zimbabwe is one of Zimbabwe’s largest, well known retail store chains operating through fifty branches nationwide covering in excess of 74 000 square metres of retail trading floor space. OK Zimbabwe was first incorporated as Spring Master in 1953 and changed to Deltrade in 1984. Its first branch was OK First Street in 1942, followed by OK Bulawayo in 1952. By the year 1960 it had opened five more outlets. In 1977 Delta Corporation acquired the business operations of OK Zimbabwe Limited and only to demerge in 2001. Today OK Zimbabwe boosts of fifty branches countrywide after acquiring former Macro outlets as stated in the OK Magazine, (2006). The former Macro outlets in Harare and Bulawayo now trade as OK Mart Harare and OK Mart Bulawayo respectively.

OK Zimbabwe Limited’s business covers groceries, clothing and textile and house wares products. It however outsource, the bakery operations to Innscor and the fruit and vegetables to FAVCO. OK Zimbabwe is listed on the Zimbabwe Stock Exchange and has different store brands namely OK stores, OK Express, OK Mart and Bon Marche which vary in size and layouts and are strategically located to address market growth in existing and developing markets. The Express shops are smaller in size and have a smaller range of products whilst the Bon Marches are located in the low-density areas of Harare. OK Mart outlets are one-stop shops that have a wide range of products OK Magazine, (2012).
1.1.2.1 OK Zimbabwe Mission Statement

The OK mission statement is as stated below:

“Our business is general retailing, providing quality merchandise and service while offering value for money to our customers in all market segments in Zimbabwe. We are committed to the development and welfare of our employees. We will achieve an optimum return on investment. We will strive to build long-term relationships with our suppliers and the community”.

1.1.2.2 OK Zimbabwe Vision Statement

The OK vision statement is as stated below:

OK will be the dominant retailer in Zimbabwe. OK will register presence in the region. We aim to achieve real growth in turnover and profitability. We will benchmark with world-class retailers to set the standards for quality retailing. We will strive to retain and grow our customer base through the provision of satisfying shopping experience.

1.1.2.3 OK Zimbabwe Business Model

Descriptive business models have often been used to analyse or design existing business cases Bouwman et al, (2005). Strategies are increasingly being translated into business models. In fact, many business ventures have a limited interest in formulating strategies and are instead formulating business models. There is an extensive body of literature on business models. Within the retail sector, one research views a business model as a blueprint of how a network of retail firms compete in creating and capturing value from human capital management, Chesbrough and Rosenbloom (2002). All business models are based on three generic strategies developed by Treacy and Wiersma (1993) and these are:
Operational excellence: distinguishing oneself from one’s competitors by emphasizing price, which requires an efficient product organization.

Product leadership: distinguishing oneself by regularly marketing new products and services, the emphasis being on the organization’s ability to innovate.

Customer intimacy: finding as perfect a match as possible between one’s products and customer demand.

In the case of OK Zimbabwe, its business model is predicated on implementing all these strategies to grow its market share while focusing on cost-containment to enhance shareholder value.

Figure 1.1 below shows the market share comparison for OK Zimbabwe and the major rival TM Supermarket from February 2009 to December 2011:
The competitive structure of an industry can be analysed using Porter’s Five Forces. This model attempts to analyse the attractiveness of an industry by considering five forces within a market. According to Porter (1980) the likelihood of firms making profits in a given industry depends on five factors: bargaining power of suppliers and buyers, threat of new substitutes and entrants, and degree of competitive rivalry between existing players. The research will attempt to analyse the retail industry in Zimbabwe within the analytical framework of this model shown in Figure 1.2.

**Figure 1.1 Market share comparison: OK Zimbabwe and TM Supermarkets**

*Source: OK Zimbabwe magazine, (2011:7)*

### 1.1.3 THE INDUSTRY STRUCTURE

The competitive structure of an industry can be analysed using Porter’s Five Forces. This model attempts to analyse the attractiveness of an industry by considering five forces within a market. According to Porter (1980) the likelihood of firms making profits in a given industry depends on five factors: bargaining power of suppliers and buyers, threat of new substitutes and entrants, and degree of competitive rivalry between existing players. The research will attempt to analyse the retail industry in Zimbabwe within the analytical framework of this model shown in Figure 1.2.
Figure 1.2: Porter's Five Forces Theory

**Threat of New Entrants**

The threat of new entrants or the likelihood of new entry refers to the extent to which barriers to entry exist. The more difficult it is for other retail firms to enter the retail market the more likely it is that existing firms can make relatively high profits. The likelihood of entering a market would be lower if the entry costs are high; there are major advantages to firms that have been operating in the industry already in terms of their experience and understanding of how the market works; government policy prevents entry or makes it more difficult; for example, protectionist measures may mean a tax is placed on foreign products or there is a limit to the number of overseas goods that can be sold; and if the existing brands have a high level of loyalty. With the diversity of the retail industry, entry varies from low capital to high capital requirements. Retail business spans from street vending to supermarkets chain stores. These are reflections of easy access/entry to the industry and that raises the level of competition. There are individually owned tuckshops, supermarkets like Food World, Food Chain, etc. Some suppliers like National Foods, Colcom and Suncrest have opened retail outlets to sell their products. Most service stations have a mini supermarket thus showing the easy of entry in the retail business in Zimbabwe. However, the new indigenisation and economic empowerment regulations limit entry by foreigners into the retail sector.

**The Bargaining Power of Suppliers**

The stronger the power of suppliers in an industry the more difficult it is for firms within that sector to make a profit because suppliers can determine the terms and conditions on which business is conducted. In the case of Zimbabwe’s retail industry in which OK Zimbabwe operates in, the power of suppliers is very high because the country has few key suppliers giving them high bargaining power. For example, Unilever, Delta, Olivine Industries and Schweppes are the dominant suppliers in the retail sector. Delta Beverages is a monopoly in soft drinks and lagers thus commands high bargaining power as a supplier. The switching costs from one supplier to another are also very high because of the supplier monopoly and their fewer numbers.
Bargaining Power of Customers

The stronger the power of buyers in an industry the more likely it is that they will be able to force down prices and reduce the profits of firms that provide the product. According to Porter (1985) if switching costs from one seller to another are low, the bargaining power of buyers will be high. Zimbabwe’s retail industry is thus characterised by high bargaining power of customers because they can find alternative suppliers ranging from street vendors, tuck-shops, Chinese shops, flea markets to supermarket chain stores and wholesalers. If products are standard and undifferentiated the buyer has high bargaining power.

Threat of Substitutes

Threat of substitutes measures the ease with which buyers can switch to another product that does the same thing. The ease of switching depends on what costs would be involved and how similar customers perceive the alternatives to be. With the coming in of Chinese shops, which are characterised by substitutes and cheap quality products offered at low prices, this has been a big threat to the retail sector in Zimbabwe. Substitutes are not only reducing profits in normal times but are also affecting sales during boom times and festive seasons.

Competition rivalry between Existing Firms

This measures the degree of competition between existing firms. The higher the degree of rivalry the more difficult it is for existing firms to generate high profits. According to Johnson and Scholes (2002), competitive rivals are organizations with similar products and services aimed at the same customer group. The retail industry in Zimbabwe is characterized by intense competition. New entrants in the industry over the period of the study include Mr. Price, Nations Supermarket, Afro-foods, Friendly Supermarket and TN Mart.
1.1.4 PESTLE ANALYSIS

For a better understanding of the environment that OK Zimbabwe is operating in, the researcher will analyse the factors which characterise the environment using PESTLE analysis. PESTLE is the acronym for Political, economic, social, technological, legal and environmental factors that a company should analyse with the intention of making strategic decisions. According to Kotler (2000), PESTLE analysis is a useful analytical tool for understanding market growth or decline, business position, potential and direction of operations. This view is affirmed by Porter (1985) who argues that the analysis of the external environment ensures that a company’s performance is aligned positively with the powerful forces of change that are affecting the business environment. Consistent with the foregoing, the following section is an environmental analysis in relation to OK Zimbabwe operations based on PESTLE.

Political factors

The major political risk OK Zimbabwe faces is the negative perception by the Government of business in general. Historically, the relations between the then Government led by ZANU-PF and business has been characterised by mistrust which saw the former government occasionally crack-down on businesses perceived to be “unsympathetic” to its populist-leaning policies. On its part, OK Zimbabwe has had a chequered relationship with the former government. For instance, when the Masvingo branch was razed by fire in 2008, the Government ordered OK Zimbabwe to refurbish the shop within three months failing which the company would be viewed as an economic saboteur.

That was during the nadir of Zimbabwe’s unprecedented economic crisis which witnessed hyper-inflation. Off course, the company eventually managed to refurbish the shop in six months but on borrowed money. Other instances relate to the brushes between OK Zimbabwe executives and the infamous National Incomes and Pricing Commission which saw the executives being arrested on spurious charges of undermining government policy on price control.
However, the formation of an Inclusive Government in February 2009 has led to an improvement in government-business relations which minimises political risk for the company.

Economic factors

According to Thompson et al (2003), economic factors influence how easy or difficult it is for an organization to become successful and profitable. The influential Confederation of Zimbabwe Industries (CZI) conducts an annual survey of the competitiveness of Zimbabwe’s key manufacturing sector. In their report for 2011, the CZI note that despite some stability wrought by the Inclusive Government in February 2009, the Zimbabwean economy is still operating sub-optimally due to an array of both supply-side and demand-side constraints.

The economy continues to be blighted by the following:

- Erratic power supplies from the Zimbabwe Electricity Supply Authority (ZESA) owing to limited generation capacity;
- High cost of capital from local financial institutions which has made it expensive for businesses like OK Zimbabwe to embark on critical Capital Expenditure;
- High cost of labour relative to labour productivity which has made Zimbabwean products and prices uncompetitive;
- Skill gaps and shortages due to the combined deleterious effects of “brain drain”;
- HIV/AIDS which compromises service delivery and imposes a premium on businesses who must spend more on training and talent management;
- Absence of external lines of credit due to the “pariah” status of the country which excludes it from initiatives and programmes of multi-lateral financial institutions such as the IMF and World Bank.

The net effect of these economic factors has been reduced capacity utilisation across almost all sectors of the economy especially the retail sector in Zimbabwe.
The CZI estimates that the average capacity utilisation levels across industry and commerce stands at around 60 per cent. The economic environment therefore needs to improve consistently and this entails adopting doing business reforms and crafting and implementing economic policies which stimulate and support total factor productivity across the economy. OK Zimbabwe has not been spared from these economic factors.

Social factors

The general economic decline resulted in the deteriorating of various social services such as health, sanitation, education and other social amenities. Although the country has recorded a decline in the HIV/AIDS infection rate from 24% to around 18%, the pandemic still poses a threat to a majority population who lives below the poverty datum line (World Health Organisation, 2009). The company’s workforce remains prone to diseases such as HIV/AIDS and emergent ones such as the communicable diseases reported to be on the rise.

The cost of living is still significantly high and the average monthly family basket is $550 (Consumer Council of Zimbabwe, 2011). For OK Zimbabwe employees, they have to contend with the reality that they no longer enjoy certain perks and benefits which were withdrawn after the introduction of multi-currency regime in 2009. Some of the shelved benefits include educational loans for employees, discounted staff purchases, six months grocery account (deferred account) and holiday allowance when on leave for at least 14 days. Given the already low disposable income, most households are finding it difficult to save. This impinges negatively on the spending patterns of consumers particularly when it comes to cash purchases.

As a corporate citizen, OK Zimbabwe has an obligation to support vulnerable social groups in society especially the aged but it has not been able to do so lately. For instance, the company used to donate to old peoples’ homes, orphanage centres, disabled and the less privileges members of the society but it has since stopped doing so. A senior citizen used to enjoy a 10% discount on groceries bought on the second
Wednesday of every month. It was scrapped because the company could no longer absorb the expense during the hyper-inflation period.

**Technological Factors**

The country has embraced technology and significant improvement has been recorded in the area of communication. The majority of people now have access to cell phones, internet and other forms of communications.

In the retail sector, most players have embraced technology in their operations with most of them providing online services such as Point of Sale and Internet banking.

On its part, OK Zimbabwe managed to install the POSWARE system for all its branches to ensure efficiency and convenience to the customers. This system is linked to another named Mach 4. Mach 4 system is for all other processes which include ordering, receiving, stocktaking, sales capturing, budgeting and online reports among others. However, the dynamism of technological change entails that OK Zimbabwe continues to upgrade its technological infrastructure if it is to benefit from the technology. Such investments are costly in an economy like Zimbabwe which is characterised by high cost of capital and limited lines of credit. Technology confers several opportunities for retail businesses like OK Zimbabwe especially in the area of “cashless” or virtual transactions and allows such businesses to create new service delivery channels and offerings at reduced costs.

**Legal Factors**

The indigenisation and economic empowerment law [Chapter 14:33] which was introduced in July 2009 prohibits foreign companies from owning more than forty-nine percent, has resulted in panic by the business community. This has dampened prospects of the country attracting the much needed FDI and foreign owned retail firms have come under threat of the law. With regard to the retail sector, the Indigenisation
and Economic Empowerment Act has been explicit that it should be reserved for indigenous players. The retail sector is also highly regulated and must comply with various laws, regulations and statues. For instance, the sector must comply with the Labour Relations Act in terms of the collective bargaining procedures for the industry, the Environmental Management Act in terms of the use of plastic bags, the Ministry of Finance regulations regarding the use of fiscalised registers, the National Social Security Authority regulations and Acts as well as the tax laws of the country. The Indigenisation and Economic Empowerment Act has also imposed new requirements for the retail sector in the form of the establishment of Employee Share Ownership Trusts and Community Share Ownership Schemes which OK Zimbabwe must comply with. The retail sector in Zimbabwe is therefore exposed to significant regulatory risk and organizations like OK Zimbabwe should consistently work towards minimising such risk.

Environmental Factors

Environmental factors include the weather and climate change. Changes in temperature can impact on many retail companies including farming and tourism. With major climate changes occurring due to global warming and with greater environmental awareness this external factor is becoming a significant issue for retail firms to consider. The growing desire to protect the environment as reflected in the Environmental Management Agency (EMA) is having an impact on many industries such as the travel and transportation industries and the general move towards more environmentally friendly products and processes is affecting demand patterns and creating business opportunities in the short-term insurance sector e.g. Environmental Management Act in terms of the use of plastic bags (EMA [Chapter 20:27]). The country has environmental laws that most companies are expected to adhere to. These are mainly aimed at protecting the environment from various hazards such as pollutions and other environmental hazards.
1.1.5 SWOT ANALYSIS FOR OK ZIMBABWE

According to Porter (1980) SWOT analysis is grounded on the principle that strategy making efforts must aim at producing a good fit between a company's resource capabilities and its external forces. According to Stone (1998) whenever an organisation formulates its strategy, it requires identification, analysis and balancing of its internal strengths, weaknesses, external threats and opportunities. “A SWOT analysis summaries the key issues from the business environment and the strategic capabilities of an organisation that are most likely to impact on strategy development” Johnson, Scholes and Whittington (2005:148). An analysis of strengths, weaknesses, opportunities and threats for OK Zimbabwe is shown below.

Strengths

Strength is something an organisation is good at doing or a speciality that provides the firm with an essential competence Thompson and Strickland, (1998). The author further stated that strength can be ability, essential capability, an effective organisational resource or an accomplishment that positions the firm in a situation of market advantage. OK Zimbabwe is a reputable company in the industry and a strong brand in the market. It has recapitalized enabling it to replace ageing equipment and vehicles. The Company is refurbishing its outlets ahead of competitors thus the customer count and turnover have significantly improved. OK Zimbabwe has a very efficient computerised system that enables communication amongst all its branches countrywide, head office and their key suppliers who are on electronic data interchange (EDI). All the managers have gone through their in-house training programmes which enables them to work efficiently and by the book. The company has in-house transport and maintenance units that repair all its vehicles and refrigeration. This approach is now yielding return on investment. The company has a strong assets base, which it can convert into cash and re-inject into the business so as to get back to its rightful position.
Weaknesses

A weakness is something a firm has a deficit in or does inadequately compare to others (Thompson and Strickland: 1998). Decision making tends to take longer than anticipated due to the top-heavy structure in the company. This highly competitive environment requires companies that are quick to adopt so as to remain afloat. A weakness noted in OK is that of delayed production of reports despite having invested so much in technology. For instance, it still takes two weeks into the new month to get reports like the monthly Profit and loss report. This delay existed when all paper work was still manual.

Opportunities

Thompson and Strickland (1998) define an opportunity as circumstance or circumstances that are beneficial to accomplish the objective of the firm. “The industry opportunities most relevant to a particular company are those that offer important avenues for profitable growth, those where a company hast the most potential for competitive advantage and those which the company has the financial resources to pursue “(Thompson and Strickland, 1998:95). Investec, a consortium of South African investors injected $15 million in 2010 as capital. The investors are on the board and they will bring new ideas and strategies to the company. One of the Investec directors was a CEO for Albert Heijn, the leading food retailer in the Netherlands with over 700 stores. There is room for expansion in areas where OK does not have a presence. Areas like Victoria Falls, Hwange and Kariba have potential for retail business.

Expansion into the region is another option if OK Zimbabwe raises enough capital. Countries investing in the country bring opportunities to retail business. For instance, OK Zimbabwe opened an outlet in Ngezi when an investment was made to mine platinum in the area by Zimplats. This mining giant cushioned OK during the economic meltdown period since it paid salaries in fuel coupons which OK would use to purchase fuel for all supermarket generators and vehicles.
Threats

Threats are circumstances that are destructive of goal attainment Thompson and Strickland (1998). Threats can stem from launch of new or enhanced products, new rules that are more troublesome to a firm than to its competitors, unpleasant variations in foreign exchange rates and political disturbances Thompson and Strickland (1998). There has been an emergence of many players in the retail industry who are so aggressive to the extent that OK Zimbabwe has lost a significant market share. Manufacturers and suppliers are still struggling to redefine and reposition themselves since the hyperinflation period and this has impacted negatively on retail business. Persistent power outages have greatly increased operating overheads threatening continuity especially for the small sized outlets like OK Express shops.

Costs increase due to running and maintenance of generators have been difficult for OK Express shops are finding difficult to absorb. Skilled staff has been recruited to service and maintain the generators. Equipment breakdowns resulting from power surges have also proved costly. Policies by Zimbabwe Revenue Authority (ZIMRA) and Reserve Bank of Zimbabwe (RBZ) can also impact negatively on business. The June 2007 blitz resulted in prices being cut by half. This meant goods were sold below cost and it really threatened the continuity of retail business in Zimbabwe. TM supermarket has joined hands with Pick n’ Pay whilst individuals are opening their own retail shop thus stiffening the already competitive industry. The emergence of Chinese products has brought massive competition to OK Zimbabwe. The products are competitively priced thus affecting negatively stock-turn times.

Retail sector is faced with high distribution costs since suppliers are reluctant to deliver to individual shops. The burden is shouldered by retailers including OK Zimbabwe and the costing can result in uncompetitive pricing which will affect the firm’s performance.
1.2 STATEMENT OF THE PROBLEM

The operating costs are increasing thereby reducing profitability although sales figures have continued to grow. Market share has decreased over the study period. The C.E.O, Mr.Zireva once made this comment in an OK directors’ meeting, “People don’t know why they come to work-simple”. Furthermore, the Human Resources Executive for OK Zimbabwe has pointed out that the feedback from the Executive Committee meetings in which he sits suggest the current problems experienced by OK Zimbabwe, chiefly, poor customer service, shrinkage and poor quality of food in the retail chain's take-aways and restaurants, has been attributed to poor human capital management practices in areas such training, employee relations and performance management Chimbgandah, (June 6 2011). The current position is a major concern to management and shareholders thus compelling the researcher to carry out a study and come up with possible turnaround solutions.

1.3 OVERALL RESEARCH OBJECTIVE

The overall objective of this study was to assess the contribution of Human Capital Management practices towards the creation of sustainable competitive advantage at OK Zimbabwe during the period February 2009 to 31 December 2011.

1.3.1 Specific objectives

The specific research objectives of the study are:

i. To identify human capital management practices that creates sustainable competitive advantage.

ii. To analyse the recruitment, selection and training of employees at OK Zimbabwe.

iii. To evaluate the integration of HR factors and strategy at OK Zimbabwe for the period February 2009 to 31 December 2011.

iv. To analyse the performance measure and its impact on commitment of employees.
To make recommendations that will improve human capital management practices.

1.4 RESEARCH QUESTIONS

The main research question was:

i. What contribution has human capital management made in the creation of sustainable competitive advantage at OK Zimbabwe for the period February 2009 to 31 December 2011?

1.4.1 Research sub-questions

The specific research questions of the study are:

i. What human capital management practices were used to develop sustainable competitive advantage by OK Zimbabwe over the period of the study?

ii. What have been the attraction, recruitment and training criterion at OK Zimbabwe over the period of the study?

iii. Is there an integration of HR factors and strategy at OK Zimbabwe?

iv. What is the impact of performance measurement to commitment of OK Zimbabwe employees?

v. What recommendations can be made to OK Zimbabwe following the findings of the study?

1.5 RESEARCH PROPOSITION

The study’s proposition was:

Human capital management has contributed to the creation of sustainable competitive advantage at OK Zimbabwe for the period February 2009 to 31 December 2011?
1.6 SIGNIFICANCE OF THE STUDY

The aim of the study is to create sustainable competitive advantage and shareholder value through enhancement of OK Zimbabwe’s human capital management. The study will benefit OK Zimbabwe as an organisation, the business community especially retailers, all OK Zimbabwe stakeholders, academics, researchers and MBA students doing their dissertations. The study will be of importance to the researcher as it will broaden and enrich his knowledge in the field of human capital management. From the standpoint of OK Zimbabwe, the study will appraise top management on the various aspects which mediate the human capital management influence on driving organizational competitiveness. This will enable them to incorporate the issues in strategic plans with a view to enhancing value of the human capital system. From an academic perspective, the study will contribute to ongoing research on the area of the strategic role of the human capital management architecture on organizational performance and bring new insights from the context of Zimbabwe.

1.7 SCOPE OF THE STUDY

The study sought to assess the contribution of human capital management towards creation of sustainable competitive advantage at OK Zimbabwe from February 2009 to December 2011. The study was conducted for ten outlets in Harare out of OK Zimbabwe’s twenty four branches in Harare and all Head office units. The respondents of the study were OK Zimbabwe non managerial employees, managerial employees and executives.
1.8 RESEARCH OUTLINE

This research is organized into chapters, each covering specific areas that constitute the final dissertation.

**Chapter 1** covers the introduction, background, statement of the problem, objectives, proposition, scope and justification of the study.

**Chapter 2** reviews the existing literature relevant to the study topic. The review also provides a platform for the discussion of results in Chapter 4.

**Chapter 3** details the research methodology. It highlights the data collection techniques adopted by the researcher.

**Chapter 4** presents the study’s findings and analysis.

**Chapter 5** provides the conclusions and recommendations following findings from the study.
CHAPTER TWO

Literature Review

2.0 INTRODUCTION

This Chapter shall attempt to review literature on the contribution of human capital management practices to the achievement of sustainable competitive advantage within the organisation. The literature covers Human Capital Management strategies, theories and reviewed related literature. The field of human capital management has enjoyed a remarkable ascendancy during the past two decades, as both an academic literature and focus of management practice. The parallel growth in both the research literature and interest among practicing managers is a notable departure from the more common experience, where managers are either unaware or simply uninterested in scholarly developments in our field Becker and Huselid, (2006). Human Capital Management (HCM) is an intermediate theory and as such, it draws as much on the strategy literature as the HR literature. This Chapter shall attempt to review both literatures.

Firms have increasingly recognized the potential for their people to be a source of competitive advantage (Pfeffer, 1994). Creating competitive advantage through people requires careful attention to the practices that best leverage these assets (Wright et al, 2003). This change in the mindset of executive decision-makers has spurred an increasing body of academic research attempting to reveal a relationship between a firm’s HR practices and its performance. Much of this research has demonstrated statistically significant relationships between measures of HR practices and firm profitability (Guthrie, 2001; Huselid, 1995; Hartog et al, 2004). While these studies have been useful for demonstrating the potential value created through HR practices, they have revealed very little regarding the processes through which this value is created (Wright and Gardner, 2002). Some authors have referred to this as the ‘black box’ problem, noting that the conceptual development of the mediating
mechanisms through which strategic human capital management (HCM) has an impact on profitability has thus far eluded empirical testing (Purcell et al, 2003).

This Chapter begins by doing a review of both empirical and theoretical prior work in the field of HR strategy and proceeds to identify the key theoretical constructs underpinning the mesotheory. It concludes by highlighting the key challenges confronting the discipline and postulating on the implications arising thereof.

2.1 REVIEW OF THEORETICAL CONSTRUCTS ON HCM

The field of HCM strategy differs from traditional HR management research in two important ways. First, HCM focuses on organizational performance rather than individual performance. Second, it also emphasizes the role of HCM management systems as solutions to business problems (including positive and negative complementarities) rather than individual HR management practices in isolation. But strategic means more than a systems focus or even financial performance. Strategy is about building sustainable competitive advantage that in turn creates above-average financial performance. The simplest depiction of the HCM model is a relationship between a firm’s HR architecture and firm performance.

The HR architecture is composed of the systems, practices, competencies, and employee performance behaviours that reflect the development and management of the firm’s strategic human capital. Above-average firm performance associated with the HR architecture reflects the quasi rents associated with that strategic resource. For the most part, prior HCM theory has focused on the nature of the HR architecture. What is the nature of the appropriate HR system (i.e., single practices or systems)? What are the key mediating variables (i.e., commitment) within the HR architecture? The architectural metaphor (Becker & Huselid, 1998, Lepak & Snell, 1999) is important because it highlights the locus of value creation in HCM.
2.1.1 Organizational Commitment

A central plank of Guest (1987) normative model of HRM is the development of employee commitment to the organization. The assumption here is that committed employees will be more satisfied, more productive and adaptable. Commitment is contrasted favourably with ‘resigned behavioural compliance’, which is seen as characteristic of employment relationships under conventional personnel management (Williamson, 1970 & 1990). Commitment is thus portrayed as some kind of internalised belief that is capable of generating constructive proactivity, of ‘going one step further’ on the part of the employees.

Looked at from this perspective, commitment has thus been seen to be intimately connected to the management of cultural change. Commitment is self-evidently intertwined with organizational culture from the moment we ask the question ‘commitment to what?’ Is it commitment to structures, policies or shared values of the organization? Sathe (1983:6) argues that people feel a sense of commitment to an organization’s objectives when they identify with those objectives and experience some emotional attachment to them.

The shared beliefs and values that compose culture help generate such identification and attachment. Furthermore, commitment is often associated with those ‘soft’ HCM policies of participation, team working and briefing, multi-skilling, developmentally oriented appraisal, reward and training policies thought to be generative as well as expressive of an individualistic ‘high trust’ organizational culture, as opposed to the collectivist ‘low trust cultures of stereotyped ‘contracts manager’ personnel management Fox, (1974); Tyson & Fell, (1986); Guest, (1987).

To amplify the importance of ‘high trust’ commitment in organizations, Willmott (1993) advocates for high trust' commitment policies by enabling employees to derive a sense of meaning and purpose from using their discretion to put corporate values into practice (enable) non-rational aspects of organization (to be) colonized by management Willmott, (1993)
According to Legge (1985) the following questions constitute key issues in commitment

- How might organizational commitment be developed?
- Will replacing compliance with commitment improve organizational performance?
- What HR policies appear to be conducive to ‘organizational commitment’?
- Can individuals be induced to be committed to a ‘new’ organizational culture?
- Can ‘cultures’ be changed?
- Does individual commitment to a new culture supportive of strategic objectives necessarily deliver to the ‘bottom line’?

To answer the above questions raised one needs to consider the problematic nature of the key concepts involved namely (1) Organizational culture (2) Commitment, and (3) Performance. Organizations must increase their commitment and dedication to employees if they want employee commitment and hard work. To achieve a person must have the skill and knowledge to do the job. But they must also be willing to accomplish. Researchers at the University of Delaware (USA) have found that employees that have a positive attitude about the organization that they work for, perceiving that their work contributions are valued and that their organization cares about them, are more willing and likely to work harder.

The concept of commitment plays an important part in both HRM and HCM. According to Guest (1987), HCM policies are designed to ‘maximise organizational integration, employee commitment, flexibility and quality of work’. Commitment refers to attachment and loyalty. As defined by Mowday et al (1982) commitment consists of three components: identification with the goals and values of the organization; a desire to belong to the organization and a willingness to display effort on behalf of the organization.
There have been two schools of thought about commitment. One, the ‘from control to commitment’ school led by Watson (1985) sees commitment strategy as a more rewarding approach to human resource management, in contrast to the traditional control strategy. Writers such as Pascale and Athos (1981) and Peters and Waterman (1982) who looked at the Japanese model and related the achievement of excellence to getting the wholehearted commitment of the workforce to the organization represent the other, ‘Japanese/excellence’ school.

Wright et al (2003) posit that HR practices are an important lever driving commitment. Prior research at the individual level of analysis supports the notion that management practices of an organization influence individual employee feelings of commitment (e.g. Konovsky and Cropanzano., 1991; Meyer and Allen, 1997). There are a number of ways an organization’s HR practices can foster a collective level of commitment in its workforce. Wright et al (2003) argue that the initial impact of HR practices on employees' commitment begins with selection and staffing. When firms invest in selecting the most highly skilled people, and providing them increased skills through continuous training and development opportunities, employees find a workplace filled with well-qualified co-workers. This makes for a positive work environment by enabling them to focus on serving their own customers successfully, doing their own job well and not having to constantly clean up the mess of co-workers.

Additionally, by using valid performance management systems and monetary incentives to elicit high performance, employees can see a more direct line of sight between their behaviour and their personal outcomes. This creates a positive work environment where individuals feel fairly and equitably rewarded for their efforts. Finally, having open communications and participatory systems enables employees to both understand the organization’s competitive position and be able to participate in processes to help improve it.
This creates a positive work environment where people feel they are listened to and respected. An environment created by such systems is one where people are unlikely to want to leave; they identify with the organization personally and want to see it succeed. This describes the construct of organizational commitment (Porter et al, 1974)

Virtanen (2000) argues that the social nature of commitment includes such issues as consistency of observable behaviour and loyalty, together with ideology, conviction and value systems. Thus, commitment influences an employee’s view of obligations, utilities and emotions in any work situation, and thus has an impact on the behaviour of employees.

Consequently, Wright et al (2003) argue that employees who are committed to an organization should be motivated to ‘exhibit higher quality in-role behaviour, exhibit a greater volume of positive extra-role behaviour and engage in less counter-productive behaviour relative to those who are not committed’. This role-behaviour is likely to have an impact on a number of operational performance measures. Businesses with committed employees should also experience higher productivity as their employees seek to better execute required behaviour, go beyond the job to devise more efficient ways of working (extra-role) and are not likely to shirk or ‘free-ride’ (counter-productive)

### 2.2.2.1 How to improve organizational commitment

Research indicates that employers can make an impact on how their employees feel by taking positive steps to create a work environment that indicates, by action, that the employee is valued. Pay is only one important part. Employers must address fairness, quality of supervision and support for employee life style such as flexible hours for child rearing or aging parents and time off to deal with hobbies, politics, or other interests.
Research further indicates that a number of factors can influence an employee's positive feelings about their employer and these include: Sufficiency of pay, benefits and rewards; Family oriented policies and actions; Quality of supervisory relationship; Favourable developmental training and experiences; Promotions; Clearly stated guidelines defining appropriate work behaviour and job demands; Participation in goal setting; Receipt of performance feedback; Supportive communications with immediate supervisors and upper management; Procedural justice performance-appraisal decisions; and Evaluative and objective measures of performance.

2.3 REVIEW OF LITERATURE ON HCM AND PERFORMANCE

Empirical results on HCM and performance have been presented in a range of special issues of international academic journals such as the Academy of Management Journal and the International Journal of Human Resource Management. The empirical results suggest the added value of HR interventions. Guest (1997) argued that there was need for (1) theory on HCM, (2) theory on performance, and (3) theory on how the two are linked Guest, (1997). A decade later, there is only modest progress on the three fundamental issues. Boselie et al (2005) conducted an exploratory analysis of the linkages between HCM and performance in 104 empirical articles published in prominent international refereed journals between 1994 and 2003. Their findings demonstrated a deficiency in the literature regarding alternative theories on the concept of HCM, the concept of performance, and on how the two are linked Guest (1997).

The most crucial part of the overview of issues relating to HCM and performance debate is the linkage between the two. The seminal work in this area was produced by Huselid (1995), who examined the relationship between HCM practices and corporate turnover, profitability and market value. Huselid (1995) surveyed senior HCM executives in a sample of 968 publicly traded corporations in the US regarding the percentage of employees who were covered by a set of HR practices generally considered representative of a High Performance Work System (HPWS) (see Table 2.1 for a complete list of High Performance Work Practices).
After controlling for a number of variables, he found that his HCM index was significantly related to the gross rate of return on assets (a measure of profitability) and Tobin’s Q (the ratio of the market value of a firm to its book value). This study provided the foundation for much of the research that followed.

**Delery and Doty (1996)** examined the relationship between HCM practices and profitability in a sample of banks in the US. In testing universalistic, contingency and configurational approaches to HCM, they found that, in general, HCM practices were positively related to profitability. **Guthrie (2001)** examined the impact of HCM practices on turnover and firm productivity among a sample of firms in New Zealand. He noted that HCM practices had an impact on turnover, and that the relationship between retention and productivity was positive when firms implemented high-involvement HCM practices, but negative when they did not.

Two major studies at the plant level have been conducted examining the relationship between HR practices and firm performance. **MacDuffie (1995)** found that the HCM practice ‘bundles’ he measured were related to quality and productivity on auto assembly lines. Meanwhile, **Youndt et al (1996)** discovered that human-capital enhancing HCM practices were related to operational performance among a sample of manufacturing plants.

To date, **Becker and Huselid (1998)** offer the most logical and definitive model of the processes through which HCM practices have direct impact on employee skills, motivation, job design and work structures. These variables elicit certain levels of creativity, productivity and discretionary effort, which subsequently translate into improved operating performance. This has an impact on profitability and growth, which in turn have a direct impact on the firm’s market valuation.
2.4 HUMAN CAPITAL MANAGEMENT (HCM)

Human Capital Management (HCM) is an approach to making decisions on the intentions of the organization concerning people. It is about the relationship between HRM and strategic management in the organization. HCM refers to the overall direction the organization wishes to pursue in achieving its objectives through people.

It is argued that, because in the last analysis it is people who implement the strategic plan, top management must take this key factor fully into account in developing its corporate strategies. HCM, in this perspective, is an integral part of those strategies. It is also argued that the achievement of sustained competitive advantage is dependent on a firm’s resource capability, and people clearly constitute a major resource. HCM can be regarded as an approach to dealing with longer-term people issues as part of the strategic management thrust of the business. It covers macro-organizational concerns relating to structure and culture, organizational effectiveness and performance, matching resources to future business requirements, and the management of change.

Wright and Snell (1989) have suggested that in business, HCM deals with ‘those HR activities used to support the firm’s competitive strategy’. Another business-orientated definition was provided by Miller (1989) who posits that ‘HCM encompasses those decisions and actions which concern the management of employees at all levels in the business and which are directed towards creating and sustaining competitive advantage. Walker (1992) defined HCM as ‘the means of aligning the management of human resources with the strategic content of the business’ and Boxall (1994) expressed the view that ‘critical concerns of human resource management are integral to strategic management in any business’. HCM aims to provide a sense of direction in an often turbulent environment so that organizational and business needs can be translated into coherent and practical policies and programmes.
2.4.1 The requirements for Human Capital Management

HCM is most likely to be practiced in organizations with a number of characteristics. Firstly, there should be strong, visionary and often charismatic leadership from the top coupled with well-articulated missions and values, the latter often including a strong emphasis on quality and customer service. Tyson and Witcher (1994) noted the importance their respondents attached to corporate values. There should be a clearly expressed business strategy which had been implemented successfully and a positive focus on well-understood critical success factors. Significantly, the organization should offer a closely related range of products or services to customers and have a cohesive top management team with a personnel/HR director who plays an active part in discussing corporate/business issues as well as making an effective and corporate/business-orientated contribution on HCM matters.

2.5 HUMAN CAPITAL MANAGEMENT AND HUMAN RESOURCING STRATEGIES

HCM and human resourcing strategy are often used interchangeably, but a distinction needs to be made. HCM can be regarded as the general approach to the strategic management of human resources in accordance with the intentions of the organization on the future direction it wants to take. By this definition, HCM is integrated with the process of strategic management used by the organization. What emerges from this process is a stream of decisions over time which form the pattern adopted by the organization for managing its human resources and define the areas in which specific human resourcing strategies need to be developed.

As described by Tyson and Witcher (1994), these strategies indicate ‘the intentions and plans for utilizing human resources to achieve business objectives’. According to the above analysis, HCM decisions are built into the strategic plan while human resourcing strategy decisions are derived from it. Nevertheless, the formulation of the latter should not be seen as a reactive or passive process. The HCM concept requires that their thrust and purpose should be determined while developing the overall strategy.
2.6 LINKING BUSINESS STRATEGY WITH HUMAN CAPITAL MANAGEMENT

The whole concept of HCM is predicated on the belief that HR strategies should be integrated with corporate or business strategies. In this sense, HCM is chiefly about integration of human resource management with corporate strategy and strategic needs of the business. Tyson and Witcher (1994) consider that ‘human resources strategies can only be studied in the context of corporate and business strategies’. Strategies do not emerge in a simple, unilinear top-down direction, but are complex, multifaceted phenomena. We need to analyze links between business strategy and HCM, and also consider the impact of HCM ideas on emerging business strategies. Schuler (1992) argues that successful efforts in HCM begin with the identification of strategic business needs.

Purcell and Ahlstrand (2001) define HCM as the integration of the policies and practices of managing employees with the corporate strategic plan of the organization. For instance, Schneider (1983) and Olian and Rynes (1984) suggested that both staffing practices of managing employees and career development practices should be linked to the long-term goals and strategies of the organization. The value of linking an organization’s human resource management strategy to its corporate strategy has been pointed out by many scholars (Tichy et al 1982; Tichy 1983; Dyer 1984, Alpander and Botter 1981; Huselid 1995). The literature also tends to be confident that close links will lead to greater competitiveness and improved organizational effectiveness.
Figure 2.2: Schuler’s Model of Human Capital Management Strategy

**ORGANIZATIONAL STRATEGY**
Initiates the process of identifying strategic business needs and assigns specific qualities to them

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**INTERNAL CHARACTERISTICS**

**EXTERNAL CHARACTERISTICS**

**STRATEGIC BUSINESS NEEDS**
Expressed in mission statements and translated into strategic business objectives

---

**STRATEGIC HUMAN CAPITAL MANAGEMENT ACTIVITIES**
Expressed in mission statements and translated into strategic business objectives

- **Human Capital Philosophy**
  - expressed in statements defining business values and culture
  - **Expresses** how to treat and value people

- **Human Capital Policy**
  - expressed as shared values
  - **Establishes** guidelines for action on people-related business issues and HCM programmes

- **Human Capital Programmes**
  - articulated as human resources strategies
  - **Co-ordinates** efforts to facilitate change to address major people related business issues

- **Human Capital Practices**
  - for leadership, managerial, and operational roles
  - **Motivates** needed role behaviours

- **Human Capital Processes**
  - for formulation and implementation of other activities
  - ** Defines** how these activities are carried out.
Much of the research work in HCM has revolved around the nature of the links between corporate and human resource management strategy. A variety of links have been identified and it is possible to classify these in terms of a 'reactive – proactive' continuum posited by Kydd and Oppenheim (1990).

In the reactive mode, human resource management strategy is seen as fully subservient to corporate strategy, and corporate strategy ultimately determines human resource policies and practices (Walker 1981, 1987; Schuler 1992). Schuler’s Model of Human Resource Strategy (Figure 2.2) provides an example of the reactive model of human resource strategy. In the proactive mode, the human resources function is itself engaged in the strategy formulation process. Dyer (1988, 1984) provides a good example of this theorising. The extreme position in this mode is seeing human resources as the determinant of corporate strategy itself. Peters and Waterman (1982) made an early call for a more interactive linking between corporate and human resources strategy. In addition to this interactive model, literature has also pointed to the importance of the environment as a mediating variable. Bamberger and Phillips (1991) came up with model exemplifying the three-way link among human resource strategy, environmental influences and business strategy (see Figure 2.3). Given pressures to identify the contribution and relevance of HR to business strategy, empirical studies have largely tended to focus on contingent, rather than the absolutist, perspective. Much of this interest has come from studies initially undertaken in the USA, and in particular on the heavy use made of constructs borrowed from marketing and business strategy namely:

- The Boston Consulting Group
- Lifecycle Models
- Applications of Porter’s work on competitive advantage (the positioning strategies); and
- Miles and Snow (1984)
Notwithstanding their known aberrations in terms of operational validity, this research effort shall use both Porter’s positioning strategies, and Miles and Snow’s typologies of strategic behaviours to discuss the concepts of vertical and horizontal integration in HCM. This approach is consistent with similar work done elsewhere (Schuler & Jackson, 1992; Huselid, 1995; Becker & Huselid, 1998; Becker and Huselid, 2006).

**Figure 2.3: Environment as a Mediating Variable for Human Capital Management Strategies**

**Human Resource Strategy**

**Environmental Influences**
- Change in market size
- Change in technology
- Intensity of competition
- Government regulation
- Labour market conditions
- Union strength
- Social attitudes

**Business Strategy**
- Shift in business orientation
- Change in management values
- Change in marketing strategy
- Change in product placement
- Shift in portfolio mix
- Shift in organizational structure

**Source:** Bamberger and Phillips (1991)
2.5.1 Porter’s Positioning Strategies

Model seeks to develop Porter’s ideas on competitive strategy for application to HCM styles. To achieve competitive advantage, Porter suggests that firms select markets in which they can excel and present a moving target to their competitors by continually improving their position on the basis of any one of cost reduction, quality enhancement and innovation strategies. Schuler & Jackson (1987) draw out the HR implications of these strategies as shown in Table 2.3 on the next page.
Table 2.3: Porter's Generic strategies

<table>
<thead>
<tr>
<th>Porter's Positioning Strategy</th>
<th>Cost Leadership (Reduction) (1)</th>
<th>Quality Enhancement (Differentiation) (2)</th>
<th>Innovation/Focus (Niche) (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business strategies</td>
<td>HCM Strategies/Activities to support business strategy</td>
<td>HCM Strategies/Activities to support business strategy</td>
<td>HCM Strategies/Activities to support business strategy</td>
</tr>
<tr>
<td>High volumes at low margins</td>
<td>Ad-hoc recruitment and selection especially at low grade tasks</td>
<td>Seeks to produce goods and services at the highest quality possible and aims to differentiate itself from the rest of the market on that basis</td>
<td>Groups of highly trained specialists work closely together to design and produce complex and rapidly-changing/adaptable products and services to stay ahead of competition</td>
</tr>
<tr>
<td>Emphasis on productivity</td>
<td>Low discretion jobs</td>
<td>Superior quality or originality</td>
<td>Either differentiation or low cost but directed at a more narrowly defined market segment or target audience</td>
</tr>
<tr>
<td>Maintain cost advantage over competitors</td>
<td>Little emphasis on employee involvement</td>
<td>Premium prices</td>
<td>Avoids direct competition with others who may have stronger resources at their disposal</td>
</tr>
<tr>
<td>Centralised and close design of workflow</td>
<td>Low levels of pay</td>
<td>Profits come from high margins</td>
<td>Built around serving a particular market very well</td>
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<tr>
<td></td>
<td>Minimum health and safety standards</td>
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<td></td>
<td>Little empathy with staff who are experiencing problems</td>
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<td></td>
<td>Slim specialist HR with little influence in the organization</td>
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<td></td>
<td>Non-unionism unlikely</td>
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<td>Likely to resonate with best-practice HRM</td>
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<td>Carefully controlled recruitment and selection</td>
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<td>Comprehensive induction programmes</td>
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<td>Empowerment and high discretion jobs</td>
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<td>High levels of employee involvement</td>
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<td>Extensive and continuous training and development</td>
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<td>Highly competitive pay and benefits packages</td>
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<td>A key role for performance appraisals</td>
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<td>Cooperative relations with unions</td>
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<td>HR function is well-developed, well-staffed and highly proactive in shaping organizational cultures and change programmes</td>
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<td>Access to share-ownership schemes means that employees can link their fortunes to that of the employer</td>
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<td>Unions unlikely to figure prominently</td>
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2.7 IMPROVING ORGANISATIONAL PERFORMANCE BY USING HCM

Human capital management has a number of key features. These include: the internal integration of personnel policies and their external integration with overall strategy; line management responsibility for HR implementation and, to a certain extent, policy; individual rather than collective employee relations; an emphasis on commitment and the exercise of initiative, with managers donning the role of “enabler”, “empowerer”, and “facilitator”. **Hendry and Pettigrew (1986)** amplify this with the following: use of planning; a coherent approach to the design and management of personnel systems based on an employment policy and manpower strategy, and often underpinned by a “philosophy”; matching HCM activities and policies to some explicit strategy; seeing the people of the organisation as a “strategic resource” for achieving “competitive advantage”.

In essence, HCM requires a holistic approach, with not only an internal integration between personnel systems (recruitment, selection, rewards mechanisms, appraisal performance management), but also an integration between those systems – summarised in an HR strategy - and the organisation’s strategy overall. Thinking holistically about HCM may lead to a greater degree of success simply because changes envisaged in one area of an organisation (e.g. structures) are more likely to work because all the knock-on effects of such a change have been considered (e.g. recruitment, selection and induction policies).

**Guest (1992)** argues that such a coherent approach to human resource management policies can also lead, via the generic HCM outcomes of strategic integration, commitment, flexibility/adaptability of the workforce and quality (all necessary ingredients when developing a competitive edge), to the following benefits to the organisation which has adopted HCM: high job performance; high problem solving, change and innovation; high cost-effectiveness; and low turnover, absence, grievances.
Figure 2.4: Conceptual model of Guest

Source: Guest, 1997

Storey (1992) adds to this list attitude and behaviour changes amongst the workforce, resulting in highly desirable increases in competitive performance. Employee commitment is seen as an important way of securing HCM. This is a difficult challenge, given the increasing job insecurity in many countries and industries. It requires the development of new psychological (as opposed to employment) contracts. The employee will be employed as long as he or she adds value to the organisation, and is personally responsible for finding new ways to add value.

In return, the employee has the right to demand interesting and important work, has the freedom and resources to perform it well, receives pay that reflects his or her contribution, and gets the experience and training needed to be employable here or elsewhere (Hiltrop, 1995 cited in Baker, 1999).
Such contracts require effective and fair performance management systems (Sparrow, 1996) and a flexible approach with different groups of workers (Herriot, 1994). Developing an ethical approach is an important way of achieving positive performance: Treating employees ethically simply means treating them with ordinary decency and distributive justice. The ethical business rewards contributions to the business objective, and is honest and fair to its staff... crucially, since trust is so dependent upon expectations, the ethical business is extremely careful about the expectations it engenders (Sternberg, 1995).

Performance measurement systems aimed at developing and maintaining quality will allow for a clear articulation of the outputs which HCM is intended to improve. These criteria will vary depending upon the particular context but, provided they are organisation-wide, they will enable a link between HR and organisational strategy to be formed and the relative priorities within both strategies to be identified more easily. Lawson (1995) has developed a “performance pyramid” which aims to link day-to-day operations with internal and external foci leading all the way up to the overall goals and values of the organisation. Such an approach allows for the identification of the “key results areas” and business processes and their integration with HCM.

Assessing stakeholder value can be a way of achieving HCM. By aligning all the different stakeholders’ expectations, the holistic approach noted above can be achieved, whilst at the same time individual and group/organisational objectives can be compared/reconciled. Such an approach is not new in business management, though the emphasis placed on HR strategies is novel, as are the efforts to attach quantifiable measurements to the effectiveness of HCM within the organisation. There would appear to be examples of significant improvement in an organisation’s performance as a result (Yeung and Berman, 1997).
2.8 HUMAN CAPITAL MANAGEMENT THEORY

The field of HCM strategy differs from traditional HR management research in two important ways. First, HCM focuses on organizational performance rather than individual performance. Second, it also emphasizes the role of HR management systems as solutions to business problems (including positive and negative complementarities) rather than individual HR management practices in isolation. However, strategic means more than a systems focus or even financial performance. Strategy is about building sustainable competitive advantage that in turn creates above-average financial performance. The simplest depiction of the HCM model is a relationship between a firm’s HR architecture and firm performance.

The HR architecture is composed of the systems, practices, competencies, and employee performance behaviors that reflect the development and management of the firm’s strategic human capital. Above-average firm performance associated with the HR architecture reflects the quasi rents associated with that strategic resource.

For the most part, prior HCM theory has focused on the nature of the HR architecture. What is the nature of the appropriate HR system (i.e., single practices or systems)? What are the key mediating variables (i.e., commitment) within the HR architecture? The architectural metaphor (Wright, Dunford, & Snell, 2001) is important because it highlights the locus of value creation in HCM.

Although strategic human capital is reflected in the “human” assets in the organization, it is created and managed through the organizational system reflected in the HR architecture. The notion of the HR architecture as a value-creating system raises the question of the appropriate locus of strategic value creation. Emphasis in the HCM literature ranges from the HR system, the resulting workforce skills and competencies, employee commitment and engagement, to employee performance. Within this architectural framework, we would emphasize the importance of the HR system as the most important strategic asset. First, it is the source of value creation in the subsequent outcomes in the HR architecture. Second, it has the potential for greater inimitability based on how it is aligned with the firm’s strategy.
Finally, unlike human capital, it is immobile. With a few exceptions (Huselid, Beatty, & Becker, 2005), there has been little effort to extend HCM theory in a way that formally integrates the mechanism through which the HR architecture actually influences firm performance. Gerhart (2005), for example, has recently suggested that HCM move closer to the individual level by emphasizing HR’s impact on employee relations and attitudes. The heavy focus on the character of the HR architecture is the natural comfort zone of HR scholars.

2.7.1 The concept of ‘strategic fit’

The concept of strategic integration or ‘strategic fit’ may be beguiling, but it is a difficult one. David Guest (1991) wondered if the fit should be to business strategy, a set of values about the quality of working life or the stock of human resources, or what? Guest asked: Are there inevitable conflicts between the different types of fit? How do we identify or measure the fit? and How do we integrate the various HCM policies?

2.7.2 The concept of coherence

Another aspect of HCM is the concept of coherence. Armstrong (2001) describes coherence as ‘the development of a mutually reinforcing and inter-related set of personnel and employment policies and programmes which jointly contribute to the achievement of the organization’s strategies for matching resources to organizational needs, improving performance and quality and, in commercial enterprises, achieving competitive advantage’. In one sense, HCM is holistic; it is concerned with the organization as a total entity and addresses what needs to be done across the organization as a whole in order to enable it to achieve its corporate strategic objectives. It is not interested in isolated programmes and techniques, or in the ad hoc development of personnel policies and programmes.
2.9 HUMAN CAPITAL MANAGEMENT SYSTEMS AND PERFORMANCE

One of the most important developments in the literature linking HCM strategy and business performance is the growth in studies of High Performance Work Systems (HPWS’s) (Boxall, 2003). These are also known as High involvement work practices (HIWS’s). The publication of The New American Workplace by Appelbaum and Batt (1994) helped to popularize this term. Thus High Performance Work Systems imply a high and consistent investment in human capital in order to reap greater benefits in the productivity and possibly in the agility of the firm (MacDuffie, 1995).

2.10 THE STRENGTH OF THE HUMAN CAPITAL MANAGEMENT SYSTEM

Bowen and Ostroff (2004) are extremely interested in the relationship between HCM and performance, and while accepting the evidence that HCM can indeed make a difference they still wonder through which process this occurs. In order to answer that question they develop ‘a framework (B/O framework) for understanding how HCM practices as a system can contribute to firm performance by motivating employees to adopt desired attitudes and behaviours that, in the collective, help achieve the organization’s strategic goals’ (Bowen and Ostroff, 2004) cf Paauwe et al (2005)).

A crucial linkage in the relationship between HCM and performance is their focus on organizational climate, which they define as ‘a shared perception of what the organization is like in terms of practices, policies and procedures, routines and rewards, what is important and what behaviours are expected and rewarded. (Bowen and Ostroff, 2004).

The concept helps them to develop a higher-order social structure perspective on the HRM-firm performance relationship, which Ferris et al (1998) call social context theory. Bowen and Ostroff, 2004 apply this kind of theorizing to HCM by emphasizing the importance of processes as well as content of HCM.
By process, Bowen and Ostroff refer to ‘how the HCM system can be designed and administered effectively by defining metafeatures of an overall HCM system that can create strong situations in the form of shared meaning about the content that might ultimately lead to organizational performance. These metafeatures ensure that unambiguous messages are sent to employees that result in a shared construction of the meaning of the situation. Thus, they concentrate on understanding what features of the HCM process can lead employees to interpret and respond appropriately to the information conveyed in HCM practices.

2.11 REVIEW OF A CASE IN HUMAN CAPITAL MANAGEMENT

The following case helps amplify the concept of HRM-firm performance. Case Study 1 examines the practice of HCM in Wal-Mart. The case reveals that the Retail giant is using Employee Relations (a component of the HPWS’s), Motivation and Compensation to improve its performance within the context of changes (devolution, outsourcing etc) happening in the Retail sector.


Wal-Mart Stores, Inc. (NYSE: WMT), branded as Wal-Mart since 2008 and Wal-Mart before then, is an American multinational retailer corporation that runs chains of large discount department stores and warehouse stores. The company is the world’s 18th largest public corporation, according to the Forbes Global 2000 list, and the largest public corporation when ranked by revenue. It is also the biggest private employer in the world with over two million employees, and is the largest retailer in the world.
Wal-Mart remains a family-owned business, as the company is controlled by the Walton family who own a 48% stake in Wal-Mart. The fact that Wal-Mart operates several retail shops in South Africa makes it a relevant case study of understanding best-practice HCM in the retail sector. The HCM strategy is one of the three important strategies that lead Wal-Mart to be the biggest company in the world with the highest amount of employee. Human capital is defined by economists as a scarce resource to all businesses. Many businesses and organisations have different strategies in managing this special resource.

These strategies vary by the type, size and location of the businesses. Managing human resources at financial company will be different from government institution as well as managing human resource in mid-size firms will be completely different and less complicated than managing human resource at the retailer businesses. In turn, effective human resource management will create a high perspective teamwork, fair competition, and respective employees. For the world biggest retailer like Wal-Mart, the success of managing this department is acquired through three basic activities which are motivation, internal promotion, and external recruitment.

**Key Pillars of Wal-Mart HCM Strategy**

One of the basic activities that lead Wal-Mart to successfully manage its people is motivation. Wal-Mart takes all of its effort to make employees feel like they are part of the company because they are sources of new ideas for Wal-Mart to develop Soderquist, (2005). Motivation is alive through all levels of positions at Wal-Mart. This company motivates employees in many different ways in order to prove that the company is not only after profits. The company management prefer to use the term “associate” instead of “employee”.

Wal-Mart had agreed with J.C Penny by referring the employees as associates because it can make them feel more engaged and needed by the company. After that, Sam, a manager with Wal-mart suggested a new way of treating his associates by calling all levels of them by their first name and displaying only the first name on the ID badge.
Sooner, from hourly associations to top managers or even the founder of the company is calling each other by their first name only. Everyone in the company is getting more involved by calling the other’s first name because it can create a family-oriented business instead of boss-oriented one. Because of Sam’s belief that the company was built by the people, Wal-Mart had renamed its human resource department as a “people department.” Though, the word sound simple but it touches people’s heart deeply. Moreover, people at Wal-Mart are full with respect regardless of their position. Soderquist had told from his experience of visiting the Wal-Mart store in Bartless, Tennessee. He was unbelievable to see all associations and department managers had stood up with ovation to Gracie, who was a cleaner lady of the store for many years (Soderquist, 2005).

Beside the way of treating people, Wal-Mart also encourage people through health care benefit and financial benefit. All associations at Wal-Mart and their immediate family can get a health insurance at a very low price which includes primary doctor, pharmacies, vision, and dental. For financial benefit, Wal-Mart started to share profit to its people in 1971. After that, Wal-Mart has enabled all associations an access to own company’s shares by selling stock to them at a discounted price and without brokerage fee. Wal-Mart also had implemented a cash incentive plan for employees to get additional income depend on company’s performance. Addition to these benefit plans, Wal-Mart also tries to get involve with associations’ crisis directly and indirectly.

The program called door open which provides a direct access for all associations to express their problems to the store manager and if the manager cannot find the solution the next level of management such as supervisors, CEO, board of directors or even Sam will be in charged. Wal-Mart also helps the associations’ crisis by hiring a special psychologist team to counsel on their problems. As a result from all of these motivations, Wal-Mart has created an exciting environment workplace with respect, prospective, and value. Beside emotional motivation, Wal-Mart also provides educational motivation via many training programs such as technology, leadership, and management to all of it associates.
Besides motivation, internal promotion of their employees makes Wal-Mart successful in managing its human capital. Because Wal-Mart aimed at people’s involvement for all levels of association, it had developed many learning program to prepare them to be a leader. Reported by Soderquist, about more than three-quarters of the stores managers had started as an hourly association (Soderquist, 2005). Beside bottom-up internal promotion, Wal-Mart also excels at external recruitment for both new associates and high-level managers.

From Wal-Mart’s history, company had hired many small business owners when it first started. Those business owners were very important to the company because they possessed the entrepreneurial characteristics such as penny saving and risky. Moreover, Wal-Mart also hires external people who have experience in business management or expertise in a specific division to back up the business; for example, Wal-Mart’s pharmacy division.

What Wal-Mart is now aiming to do is to codify its approach to ER/HRM by developing an overarching HR strategy. In this context, the corporate approach aims to stress high commitment and trade union recognition and involvement, despite Guest’s (1998) comments about the possible conflicts between commitment to trade union and the organisation. The aim is to avoid “piecemeal HRM initiatives” and the bypassing or ignoring of the industrial relations system (Guest, 1998, p. 245), though thus far trade unions have been cast as the formal negotiating body rather than a real partner. What must be avoided is a move towards Guest’s HRM black hole. In practice, we are likely to have a cross between his high HRM/IR priority and the high HRM/no IR model for certain groups who have benefited from being taken out of the traditional IR model (Millward et al., 1992).
2.12 CONCLUSION

This Chapter reviewed both empirical and theoretical constructs underpinning the theory of Human Capital Management. It attempted to unravel the major debates associated with these constructs. A review of the case study on Wal-Mart was conducted to demonstrate the links between HCM and organizational performance. A pertinent point arising from this particular case is that the context in which organizations operate may limit or enhance the usefulness and distinctiveness of HPWS. Trade Unions may curtail the extent to which firms can maneuver, for instance with regard to compensation where compulsory sector-level wage agreements may lead to wage compression.

In Zimbabwe, labour laws are strict and some HPWS practices that vary elsewhere are regulated. Thus, in some areas firms have less leeway to distinguish themselves from other employers. For example, the Zimbabwean system of Works Councils (Labour Act, Chapter 28:01) ensures employee participation (every firm of more than 50 employees is obliged by law to have a Works Council) and Zimbabwean law provides the representatives of the employees with a number of rights towards employers and management. There are strict laws on working conditions regulating, for example, maximum number of hours, safety, and other conditions of service. Also, trade unions are involved in an extensive system of collective bargaining at sector level.

Regulations constrain or prescribe several practices found in HPWS’s literature (including employee participation. Employment security and compensation. Of course, this does not mean that there is no room for maneuver as demonstrated in the Wal-Mart case. Whereas labour legislation and collective bargaining agreements set the boundaries, Human capital managers can, within these boundaries, tailor the specifics to their organization. The Chapter also explored the future direction of research in Human Capital Management.
CHAPTER THREE
Research Methodology

3.0 INTRODUCTION

This chapter presents the research philosophy, approach, design and methods used to address the research problem as outlined in Chapter 1. It will be shown that within the terms as defined by Hussey and Hussey (1997), this research project sought to analyse and explain (the purpose of the research), through mainly qualitative methods (the process of the research) using deductive logic based on existing theories, the role of stories and storytelling as knowledge sharing practices (the logic of the research) and the outcome is one of applied research (applying the research to a particular organisation). This is in line with the overall research problem as identified in Chapter 1.

There are three main sections to this chapter. These are the research philosophy (3.1), research approaches (3.2) and research design or strategy (3.3). Each will deal in turn with a brief explanation of the overall research paradigm being presented and the reason for the selection of the particular paradigm for this research project.

3.1 RESEARCH PHILOSOPHY

![Research Philosophy Diagram]

Figure 3.1 Research philosophy alternatives
Source: Adapted from Easterby-Smith et al., 1991
For this study, selecting an overall research philosophy is the choice between two primary alternatives: between a positivist and a phenomenological philosophy. A number of authors (Easterby-Smith et al., 1991; Hussey and Hussey, 1997; Saunders et al., 2000) have highlighted the main elements of this choice involving research philosophy. In particular, Easterby-Smith et al. (1991:27) offer these key features of the two philosophy paradigm alternative

**Table 3.1 Research paradigms**

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<th>Positivist paradigm</th>
<th>Phenomenological paradigm</th>
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<tr>
<td><strong>Basic beliefs</strong></td>
<td>The world is external and objective</td>
<td>The world is socially constructed and subjective</td>
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<td>Observer is independent</td>
<td>Observer is part of what is observed</td>
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<tr>
<td>Science is value-free</td>
<td>Science is driven by human interests</td>
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<tr>
<td><strong>Researcher should</strong></td>
<td>Focus on facts</td>
<td>Focus on meanings</td>
</tr>
<tr>
<td>Look for causality and fundamental laws</td>
<td>Try to understand what is happening</td>
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<tr>
<td>Reduce phenomenon to simplest elements</td>
<td>Look at the totality of each situation</td>
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<td>Formulate hypotheses and then test them</td>
<td>Develop ideas through induction from data</td>
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<tr>
<td><strong>Preferred methods include</strong></td>
<td>Operationalising concepts so that they can be measured</td>
<td>Using multiple methods to establish different views of phenomena</td>
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<td>Taking large samples</td>
<td>Small samples investigated in depth or over time</td>
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**Source:** Easterby-Smith et al. (1991:27)
Given the research problem as outlined in Chapter 1, the best fit was to follow the phenomenological paradigm. This was done recognising the following parameters identified by Hussey and Hussey (1997:54) for this phenomenological paradigm:

i. It tends to produce qualitative data: this would fit well with the case study approach which is explained in section 3.4.

ii. Data is rich and subjective: the qualitative data would be rich by nature, and the gathering process would be subjective due to the level of involvement of the researcher.

iii. The location is natural: the setting for this research was in a commercial organisation (rather than a laboratory setting).

iv. Reliability is low: the possibility of lower reliability data would be countered by the use of triangulation.

v. Validity is high: this would be seen as a result of the empirical data gathering exercise.

3.2 RESEARCH APPROACHES

Research can have elements which are based upon a non-empirical approach, an empirical approach, or a combination of the two. For the empirical approach, there are three primary dimensions which can be evaluated for use (Saunders et al., 2000):

i. Qualitative/quantitative

ii. Deductive/inductive

iii. Subjective/objective.
These do not necessarily represent a simple either/or choice, but should rather be seen as the extent to which elements of the approach apply. Each of these will be explored in turn.

3.2.1 Non-empirical / empirical research

Non-empirical research

One of the first considerations to be faced is the pre-existing body of knowledge that exists in a particular field. This should be used as a source of reference for research previously conducted in the chosen field of enquiry, as well as a source of the body of theory which pertains to the selected subject area. Some research depends entirely upon this research method (more generally known as searching and reviewing the literature) on a certain subject, where the subject may be one, for example, of an historical nature which does not lend itself to any other form of investigation.

The literature review was used in this research to address the research problem as identified by Saunders et al. (2000:46):

i. To include the key academic theories within the chosen area: these were identified in Chapters 2, 3 and 4

ii. To demonstrate that your knowledge of your chosen area is up-to-date: as demonstrated in Chapters 2, 3 and 4

iii. To show how your research relates to previous published research: as will be shown in Chapter 5

iv. To assess the strengths and weaknesses of previous work including omissions or bias and take these into account in your arguments: as will be shown in Chapter 5
v. To justify your arguments by referencing previous research: as will be shown in Chapter 5

vi. Through clear referencing, to enable those reading your project report to find the original work you cite: as per the references supplied in this document

vii. By fully acknowledging the work of others you will avoid charges of plagiarism: as per the referencing and bibliography supplied in this document.

Empirical research

According to Hussey and Hussey (1997:10), “four different types of research purpose exist: exploratory, descriptive, analytical or predictive.” Whatever the purpose of the research, empirical evidence is required. They define empirical evidence as, “data based on observation or experience.” This understanding of the importance of gathering empirical data by observation or experience is also identified by Easterby-Smith et al. (1991). They use the term fieldwork which they say is the study of real organisations or social settings, and that this research may use positivist or phenomenological methods.

This research project was designed to take into account both the non-empirical and empirical research approaches. The non-empirical approach was used to inform the structuring and execution of the empirical research activities.

3.2.2 Qualitative / Quantitative approach

Another choice was whether to adopt a quantitative or qualitative approach, or some mix of the two. Many authors (Cavaye, 1996; Darke et al., 1998; Hussey and Hussey, 1997; Leedy and Ormrod, 2001; Miles and Huberman, 1994; Myers, 1997) have commented on the choice between qualitative and quantitative methods in fieldwork (empirical) research.
Myers (1997) distinguished between qualitative and quantitative research methods:

“Quantitative research methods were originally developed in the natural sciences to study natural phenomena. Examples of quantitative methods now well accepted in the social sciences include survey methods, laboratory experiments, formal methods (e.g. econometrics) and numerical methods such as mathematical modelling. Qualitative research methods were developed in the social sciences to enable researchers to study social and cultural phenomena. Examples of qualitative methods are action research, case study research and ethnography. Qualitative data sources include observation and participant observation (fieldwork), interviews and questionnaires, documents and texts, and the researcher’s impressions and reactions,” (Myers, 1997: online).

As this research would seek to understand, “people and the social and cultural contexts within which they live,” (Myers, 1997: online), a mainly qualitative approach to data gathering was used. The selection of a qualitative approach also fits well with Hussey and Hussey’s views (1997:20) who defined qualitative research as, “a subjective approach which includes examining and reflecting on perceptions in order to gain understanding of social and human activities.” This was planned to be the case for this research project.

Quantitative methods were used for part of the empirical study, to assist in the assessment of values, beliefs and attitudes towards selected human capital management practices amongst various employee groups within OK Zimbabwe.

3.2.3 Deductive / Inductive

The choice between the deductive or inductive research paradigm has been discussed by a number of authors (Cavaye, 1996; Hussey and Hussey, 1997; Perry, 2001).

Hussey and Hussey (1997:19) defined deductive research as “a study in which a conceptual and theoretical structure is developed which is then tested by empirical observation; thus particular instances are deducted from general influences.” Deductive research is a study in which theory is tested by empirical observation. The deductive method is referred to as moving from the general to the particular.
Inductive research is a study in which theory is, "developed from the observation of empirical reality; thus general inferences are induced from particular instances, which is the reverse of the deductive method since it involves moving from individual observation to statements of general patterns or laws," (Hussey and Hussey, 1997:13). Cavaye (1996:236) does not exclude the combined use of both inductive and deductive approaches, saying “both are used in the same study.” The possibility of using both inductive and deductive approaches in the same case study has also been discussed by Perry (2001: 307). He describes a continuum from pure induction (theory-building) to pure deduction (theory-testing). He advocates taking a middle-ground of a balance between the two, striking the position of what he calls “theory confirming/disconfirming” approach.

In this study a mainly deductive approach has been used, with the emphasis on an exploratory approach to improve the understanding of the case study organisation which was being investigated, with particular emphasis on the use of “bundles” of human capital management as a source of sustainable competitive advantage.

3.2.4 Subjective / objective

Another significant choice which exists in the research paradigm to be adopted is the extent to which the researcher is subjective (involved in or has an influence on the research outcome) or objective (distanced from or independent) in the execution of the fieldwork (empirical work).

Easterby-Smith et al. (1991:33) discussed the “traditional assumption that in science the researcher must maintain complete independence if there is to be any validity in the results produced.” As outlined in Table 3.1, the phenomenological research paradigm is, by its very nature, subjective. The use of this paradigm necessarily requires involvement in both real world circumstances as well as the involvement (sometimes directly) of the researcher himself.
It is accepted that such a subjective approach, as used in the research, requires the recognition of any influence or limitation such subjectivity may have on the conduct or findings of the research. What is important here is to recognise the fact that phenomenological research certainly involves a subjective approach, which should be recognised in the analysis and interpretation of the data gathered. Attention was paid to this aspect in this research project.

3.3 RESEARCH DESIGN OR STRATEGY

Considering the various alternatives, the purpose of this section is to indicate what type of study was undertaken to provide acceptable answers to the research problem and sub-problems.

3.3.1 RESEARCH DESIGN ALTERNATIVES

![Research design alternatives diagram]

*Figure 3.2 Research design alternatives*

*Source: Adapted from Yin, 1994*
The research design or strategy alternatives are many. According to a number of authors (Hussey and Hussey, 1997; Leedy and Ormrod, 2001;) they include alternatives such as the creation of an experiment (common in pure scientific research); surveys (often used where large volumes of data are involved with quantitative methods of analysis); grounded theory (where the theory is generated by the observations rather than being decided before the study); ethnography (a phenomenological methodology which stems from anthropology, which uses observed patterns of human activity); action research (where the research takes more of the form of a field experiment); modelling (where particular models are developed as the focus of the research activity); operational research (which looks at activities and seeks to understand their relationship, often with particular emphasis on operational efficiency), and, finally, case studies (which seek to understand social phenomena within a particular setting).

Given the nature of the research problem as outlined in Chapter 1, it was decided to select the case study alternative as being the most appropriate for this research project. This research paradigm will now be explored in some detail in the following sections.

### 3.3.2 CASE STUDY RESEARCH OVERVIEW

The case study as a research design method has been explored by a number of authors (Gillham, 2000; Jensen and Rodgers, 2001; Perry, 2001; Yin, 1994). Yin (1994:13), for example, defined a case study as “an empirical inquiry that investigates a contemporary phenomenon within its real-life context.” A strong advocate of the case study approach to research is Stake (1995). According to Stake, (1995: xi) “a case study is intended to catch the complexity of a single case.” He goes on to say that, a “case study is the study of the particularity and complexity of a single case, coming to understand its activity within important circumstances,” and that, “the time we spend concentrating on the one may be a day or a year, but while we so concentrate we are engaged in case study,” (Stake 1995:2).
The execution of this research project was conducted based on the guidelines supplied by Myers (1997) who suggested the case study method will involve at least four stages of work:

i. Determining the present situation: in this study achieved through the structured interviews

ii. Gathering information about background to the present situation: in this study achieved through interviews and by referring to documentation and other sources available from the case study organisation

iii. Gathering more specific data: in this study achieved through the in-depth exploration of the use of human capital management in the case study organisation, by further interviews, questionnaires and collection of artefacts

iv. Presenting an analysis of findings and recommendations for action: in this study achieved through the feedback provided on an interim and final bases to the case study organisation, as well as the production of the final research report.

In line with the advice of Yin (1994), the unit of analysis was defined as a single organisation, with a cross-section group within the organisation being defined as the focus of the study. Yin (1994) says that sub-units, “can often add significant opportunities for extensive analysis, enhancing the insights into the single case,” (Yin, 1994:44) and, as will be seen from the following chapters, this proved to be the case for this research project.
This was in line with the advice of Yin (1994:38), who suggests that the use of only one case can be justified if at least one of the following criteria is met

i. The case is a critical one for confirming, challenging or extending a theory, because it is the only one that meets all the conditions
ii. The case is rare or extreme and finding other cases is highly unlikely
iii. The revelatory case provides unusual access for academic research.

The third of these criteria is met in the current study, as the subject organisation (OK Zimbabwe) showed unusual willingness to participate in the case study. The selection of a single case also complies with Cavaye (1996:236) who stated that the “study of a single case enables the researcher to investigate a phenomenon in depth...enabling a rich description and revealing its deep structure.”

The execution of this current case study research also complies with the approach recommended by Hussey and Hussey (1997) in terms of the stages of the research project:

i. Selecting your case: the case study organisation was selected after a preliminary investigation into a number of possible cases, taking into account both the focus of the research study as well as the level of commitment from the case study organisation
ii. Preliminary investigations: these were conducted prior to the empirical data gathering phase (taking into account the non-empirical investigation into the nature of knowledge management, the use of stories for knowledge sharing and the context of world-class performance). These investigations continued with the case study organisation in the lead up to the commencement of the data collection stage.
iii. Data collection stage: this stage included the gathering of both qualitative and quantitative data through a series of interviews (using structured, semi-structured and unstructured techniques) as well as the gathering of a number of artefacts (documents and so on) to assist in adding depth to the data collected
iv. Analysis stage: this commenced once the data collection activities had commenced (in order to give further direction to the latter part of the empirical data collection stage), continuing through the remainder of the fieldwork, leading up to the writing of the report.

v. Report stage: elements of the report were produced as the analysis was completed and the production of the report continued until final submission towards the end of the project, both in the form of a report back to the case study organisation as well as the formal submission of the report for academic purposes.

Types of case studies

Jensen and Rodgers (2001:237-239) listed the types of case studies that exist:

i. **Snapshot case studies.** Detailed, objective study of one research entity at one point in time.

ii. **Longitudinal case studies.** Quantitative and/or qualitative study of one research entity at multiple time points.

iii. **Pre-post case studies.** Study of one research entity at two time points separated by a critical event. A critical event is one that on the basis of a theory under study would be expected to impact case observations significantly.

iv. **Patchwork case studies.** A set of multiple case studies of the same research entity, using snapshot, longitudinal, and/or pre-post designs. This multi-design approach is intended to provide a more holistic view of the dynamics of the research subject.

v. **Comparative case studies.** A set of multiple case studies of multiple research entities for the purpose of cross-unit comparison. Both qualitative and quantitative comparisons are generally made.
This study was undertaken as a snapshot type of case (see Figure 3.3), where the focus was on the use of “bundles” of human capital management practices, at the case study organisation, over the period from February 2009 to December 2011. This involved a series of contacts to understand the nature of human capital management and the use of human capital management practices in the organisation. The next section will discuss the selection of the organisation.

Figure 3.3 Choice of case study type  
**Source:** Adapted from Yin (1994)

### 3.3.3 Selection of the case study organisation

Hussey and Hussey (1997:67) proposed that, “you may wish to select a critical case which encompasses the issues in which you are most interested.” Darke et al. (1998:281) also offer some useful advice when they suggest that the participation of organisations in the case study research will most easily be secured where the following benefits or ‘what’s in it for them’ is clearly identified. They suggest the following should be clear:

i. An overview of the organisation’s position in relation to the research question

ii. A rich description and understanding of the nature of the phenomenon in the organisation

iii. That the research results will be pertinent to them

iv. The results will be available within a useful timeframe.

This advice was followed in the relationship with the case study organisation (OK Zimbabwe).
There are four main factors which relate to the selection of the case study organisation (Yin, 1994) which will be briefly discussed in the following sections: relevance, feasibility, access, and application.

Relevance

Yin (1994) defined relevance as the extent to which the organisation selected for the case study suits the purpose of the study. In looking for a suitable organisation for the case study, the relevance of what was to be studied was dependent in part upon the human capital management context within the organisation at the outset. As the researcher had been involved in the management of OK Zimbabwe through his work over several years, it was possible to identify key informants that were active in human capital management and establish easily the relevance of an investigation into the impact of human capital management on sustainable competitive advantage. The case study organisation selected met this criterion.

Feasibility

Yin (1994) when discussing feasibility or practicality of the research being conducted required that the researcher should be able to conceptualise, plan, execute and report back on the research project with the case study organisation. For this study, the practical aspects of the research determined that the case study organisation’s head office should be within reasonable reach of the researcher’s home base, and have the appropriate managerial and operational support in place to ensure successful completion of the project. Overall, OK Zimbabwe met these criteria.
Access

Yin (1994) identified that one of the concerns for the conduct of the research is that the full co-operation of the organisation should be secured for the duration of the research. The practical aspects of the research determined that the case study organisation should be: accessible, in the sense that the nature of the business should be non-security sensitive; willing to participate in the research (this included support at both the executive level for approval and the operational level for participation in the research), and have a clearly identified internal champion for the project. All of these criteria were satisfied by OK Zimbabwe.

Application

Yin (1994) also identified the extent to which the case study method can be applied in a particular situation. In identifying possible candidates for the research, a number of factors were taken into account. These included size (unit of analysis considerations); industry sector (nature of the business, with a focus on service-type organisations as opposed to industrial organisations), and the status of the focus on human capital management and, therefore, the potential to leverage the findings of the research. OK Zimbabwe was a sufficiently large organisation (approximately 2000 employees spread over a number of physical locations), part of the retail sector (of interest due to its significant role in the Zimbabwean economy), and relatively mature in its approach to management. Taking all these factors into account, OK Zimbabwe represented a potentially fruitful subject for the case that the investigation.
3.3.4 CASE RESEARCH DATA METHODS

3.3.4.1 Data sampling

A basic choice in formulating the approach to data sampling exists between probability sampling (which includes simple random sampling; systematic sampling; stratified random sampling, and cluster sampling) and non-probability sampling (see next section for more details). Given the nature of the research problem outlined in Chapter 1, it became clear that non-probability data sampling methods would be appropriate for this research study.

Due to the largely qualitative nature of this project in the judgment of the researcher there was no role for probability sampling hence that particular sampling approach was not used nor is it further discussed.

Non-probability sampling methods

A number of views by various authors Gerson & Horwitz, (2002); Hussey & Hussey, 1997; Jankowicz, 2000; Leedy & Ormrod, (2001) on the subject of non-probability sampling were identified during the investigation into the appropriate research methods to be used for this case study project. Not all of those views used the same terminology and classifications for the non-probability sampling method. For the purpose of this research Powell’s classification was followed. Powell (1997) identified that non-probability sampling includes: the accidental sample, the quota sample, the purposive sample, the self-selected sample and the incomplete sample.
Considering the nature of the research, the purposive sampling method was selected as the most appropriate. This is also in line with the argument of Miles and Huberman (1994:27) who stated that, “qualitative samples “tend to be purposive rather than random” at least in part because the “universe is more limited” and that “much qualitative research examines a single ‘case’, some phenomenon embedded in a single social setting.”

Powell (1997) discussed the purposive sample in some detail and stated that, “at times, it may seem preferable to select a sample based entirely on one’s knowledge of the population and the objectives of the research,” (Powell, 1997:69). This is also in line with Leedy and Ormrod (2001:219) who used the term *purposive sampling* where people or other units are chosen for a particular purpose, implying the use of judgment on the part of the researcher. This was the situation for this research project, with the focus on a single organisation, OK Zimbabwe, and within the overall organisation, the managers, employees and human capital management personnel as sample.

### 3.3.4.2 Data collection methods

A wide variety of possible data collection methods are available under the case study approach. These include the use of the questionnaire; interviews (in a variety of formats including unstructured, structured and semi-structured); observation; gathering of documentation and artefacts. The possibility of using more than one of these methods was suggested by Gillham (2000:13) who said that, “case study is a main method. Within it different sub-methods are used: interviews, observations, document and record analysis…and so on.” Saunders *et al.* (2000) also included in their multi-layer approach to research a variety of data collection methods: secondary data (e.g. documentation); observation; interviews, and questionnaires. Powell (1997) also discussed data collection techniques, specifically identifying three methods: questionnaire, interview and observation.
Powell (1997:89) stated that these are, “data collection techniques or instruments, not research methodologies, and they can be used with more than one methodology.” This multi-method approach to data collection is also supported by Jankowicz (2000) who advised using a number of alternatives, which were all used in this research project:

i. Historical artefacts: in this case study that included corporate materials such as annual reports, minutes of meetings

ii. Data gathering in person or via phone: in this case study that included key informant interviews

iii. Data gathering through participant observation: in this case study that included observation during meetings of various types.

This approach also conforms to the work of Yin (1994:80) where he identified at least six sources of evidence in case studies: documents; archival records; interviews; direct observation; participant-observation, and physical artefacts. The combined advice of these authors was followed in the selection of the data collection methods used in this research project which included interviews (structured), questionnaire, and analysis of a variety of artefacts and documents. Each of the data collection methods used in this research project could be considered part of an overall approach to improving the quality and validity of the research data through an approach known as triangulation.

Triangulation is an approach intended to increase the quality and validity of the qualitative research methods and has been commented on by a number of authors (Darke et al., 1998; Easterby-Smith et al., 1991; Gillham, 2000; Myers, 1997; Patton, 2002; Stake, 1995; Yin, 1994). Darke et al. (1998), for example, advocated the use of triangulation to avoid bias on the part of the researcher, either in terms of the influence the researcher has on the behaviour of participants or in terms of the bias the researcher brings himself into the conduct of the research. Triangulation should help to overcome both these potential sources of bias even if bias is not totally eliminated.
Further on the subject of triangulation, Stake (1995:114) said that triangulation includes, “data triangulation (from other sources), investigator triangulation (use of observers), methodological triangulation (using multiple sample types and sources).” Gillham (2000) also advocates triangulation as a method of validating the research, as does Yin (1994:91), stating that, “a major strength of case study data collection is the opportunity to use many different sources of evidence.”

During this study it was planned to use triangulation as part of the empirical data gathering activities. Stake’s (1995) four types of triangulation were used in this research as follows:

i. Data triangulation. Multiple sources were used, as explained in the sections below. These included published material made available by the case study organisation; interviews conducted with case study participants; questionnaires, and observations made by the researcher himself.

ii. Investigator triangulation. Where appropriate, observers were used during the initial data-gathering phase. These observers were appointed by the human capital management team in the case study organisation and their role was to ensure the integrity of the quantitative and qualitative data gathering activities of the researcher.

iii. Theory triangulation. This was achieved through the use of the various theories of human capital management which were referred to in the construction of the quantitative and qualitative data-gathering activities which formed part of the research.

iv. Methodological triangulation. This was achieved through the use a variety of data gathering tools and techniques: quantitative and qualitative methods; interviews and observation, and triangulation of data sources.

Each of the three major data collection methods used during this research study will now be explored in more detail.
Structured interviews

A research instrument was developed (based on the findings from the nonempirical research) to establish the use of selected human capital management “bundles, and was administered during a structured interview. The instrument (see Appendix 1) development and use proceeded as follows:

i. Purpose. The research instrument was designed to capture opinions of the interviewees via a formal maturity rating scale (quantitative) as well as via focused discussion questions (qualitative). This allowed for a structured assessment as well as the identification and discussion of other issues relevant to the research topic using a semi-structured technique.

ii. Development. Once the draft initial assessment instrument had been compiled, it was tested and reviewed prior to use with observers drawn from the case study organisation human capital management team. As a result of this test, some changes were made to the format of the instrument to improve ease of use and understanding.

iii. Pilot of the instrument. A pilot session was held over the telephone with the Human capital management team observers prior to the use of the instrument with the live interviewees. The pilot enabled a number of issues to be tested, such as the planned duration; use of the digital recording device over the telephone, and the use of the quantitative and qualitative questions approach over the telephone.

iv. Conduct of structured interviews. These were held at a mutually agreed time and place. Interviews were conducted with individuals or small groups (up to a maximum of three participants plus an observer).

v. Feedback of structured interview data. The data gathered during the structured interviews was fed back to the participants.
vi. This served four purposes: to gain agreement that the data captured reflected the interview held; to give an opportunity for further comments based on the feedback provided; to encourage ongoing participation in the research, and as a courtesy to the participants concerned to thank them for their role in the project.

The feedback happened via two mechanisms highlighted below:

- Individual emails to the participants.
- Face-to-face with some of the Company executives.

Documents and artifacts

The collection of documents and artefacts as part of the overall attempt to collect field data during an empirical research project, has also been recognised by a number of authors (Gillham, 2000; Jankowicz, 2000; Powell, 1997; Saunders et al., 2000; Yin, 1994).

A number of artefacts and documentary sources were collected during the empirical data gathering activities. These included:

i. Case study organisation corporate publications
ii. Case study organisation public web site
iii. Electronic mail
iv. Meeting agendas
v. Minutes of meetings

3.3.4.3 Data analysis and conclusions

Several authors (Hussey & Hussey, 1997; Leedy and Ormrod, 2001; Patton, 2002; Yin, 1994) have expressed their opinion on how best to present and analyse qualitative data gathered as part of a phenomenological research project.
Leedy and Ormrod (2001), in particular, provided guidance in the area of data analysis in a case study, which they stated typically, involves these steps:

i. “Organisation of details about the case. The facts are arranged in a logical order.

ii. Categorisation of data. Categories are identified that can help classify data into meaningful groups.

iii. Interpretation of single instances. Specific documents, occurrences, and other bits of data are examined for the specific meanings that they might have in relation to the case.

iv. Identification of patterns. The data and their interpretations are scrutinised for underlying themes and other patterns.

v. Synthesis and generalisations. An overall portrait of the cases. Conclusions are drawn that may have implications beyond the specific case that has been studied,” (Leedy and Ormrod, 2001:150).

This approach was adopted in discussing the analysis methods used in the research project and will now be explored in more detail.

**Organisation of data about the case**

Both primary data (for example, responses to various types of interviews) and secondary data (for example, from internal publications and annual reports) provided a wealth of data which could be reduced through the process of selecting (through the judgment of the researcher), simplifying (using a variety of classification methods, for example, relating to the research instrument topics) and transforming the data (through a variety of techniques, for example, the MS Excel).
Categorization of data

A number of categories were identified for the data. These included

i. External business environment
ii. Business strategy and operations
iii. Human capital management strategy and operations

In addition, detailed categorisation of the data was carried out in line with the subject areas identified in the maturity assessment for knowledge sharing and storytelling.

Interpretation of single instances

There were many individual documents, responses to interviews, and observations, which were examined for meaning in relation to the specific circumstances of the case.

Identification of patterns

The data gathered during the survey research were examined for underlying themes and patterns in relation to human capital management as a practice for creating sustainable competitive advantage. These patterns were interpreted within the context of the OK Zimbabwe operational locations and functions.

Synthesis and generalisations

The synthesis of the data findings and analysis was carried out and will be presented in Chapters 4 and 5 of this report.
3.4 SUMMARY

This chapter has explained the various options available for the execution of the field research and the logic for the selection of the specific approach, strategy and methods applied in this research project.

In summary, the overall methodology is one based on a phenomenological philosophy. It combines non-empirical and empirical approaches; is subjective rather than objective (having a high involvement by the researcher); is deductive in terms of theory testing about the use of bundles of human capital management practices; uses mainly qualitative methods; employs the case study as the primary research strategy; takes a snapshot approach to the case setting; seeks to treat the case as one of an exploratory nature, and uses a combination of data sampling, collection and analysis methods. The following chapter will present the empirical case data gathered during the survey phase of this research project.
CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents and discusses the results of the research study. The respective research findings are highlighted, discussed and contrasted to relevant literature in the context of the research objectives to include reference to the case study, OK Zimbabwe Ltd.

4.1 Response rate

A total of 135 questionnaires were distributed either as a hardcopy or electronically to the respondents. Of these, 5 were directors, 15 were Executive Managers, 20 were senior managers, 35 were middle Managers and 60 were general staff.
Table 4.1 Response rate for the study

<table>
<thead>
<tr>
<th>Respondent category</th>
<th>Questionnaires sent</th>
<th>Questionnaires received</th>
<th>Response rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td>5</td>
<td>3</td>
<td>60</td>
</tr>
<tr>
<td>Executive management</td>
<td>15</td>
<td>9</td>
<td>60</td>
</tr>
<tr>
<td>Senior management</td>
<td>20</td>
<td>17</td>
<td>85</td>
</tr>
<tr>
<td>Middle management</td>
<td>35</td>
<td>27</td>
<td>77</td>
</tr>
<tr>
<td>General staff</td>
<td>60</td>
<td>48</td>
<td>80</td>
</tr>
<tr>
<td>TOTAL</td>
<td>135</td>
<td>104</td>
<td>72.4</td>
</tr>
</tbody>
</table>

Table 4.1 above shows a response rate of 72.4%. This response rate was high enough to permit data presentation and analysis to proceed. Saunders et al (2003) stated that response rates of over 50% are good enough for questionnaires. The high response rate is attributed to timely distribution of questionnaires. This response rate far exceeds that obtained in similar studies. For instance, Hartog et al (2004) report a 25.8 per cent response, Huselid (1995) reports a 28 per cent response, Delery and Doty (1996) 21 per cent and Brewster and Hegewisch (1994) 22 per cent.
4.2 DEMOGRAPHIC INFORMATION

4.2.1 GENDER

Figure 4.1: Gender of respondents

Eighty one percent (81%) of the respondents were males whilst nineteen percent (19%) were females. In order to measure key performance indicators for human capital, Skandia (1998) suggested the use indicators such as number of male managers, number of female managers, leadership index, motivation index, empowerment index, number of employees, employee turnover, employee average tenure, average age of employees, training cost per employee, percentage of employees under 40, average training days per year and proportion of employees working in associated companies.
**4.2.2 AGE OF RESPONDENTS**

Figure 4.2: Age of respondents

As shown in figure 4.2 above, the group of youngest employees ranging between 18 and 24 years had three percent (3%), those between 25 and 29 years had (20%), those with 30 to 34 years had twenty six percent (26%), those between 35 and 39 years had twenty three percent (23%), those ranging between 40 and 44 years had fifteen percent (15%), 45 to 49 years category had eleven percent (11%) and the lowest group was those above 49 years with two percent (2%). In companies nowadays, different age-group employees possess different characteristics. It is believed that older employees (age 50 or above) are reliable, loyal and hardworking (Pollit, 2006). The younger employees are, on the other hand, considered as flexible, creative, energetic and better educated (Beaver and Hutchings, 2005).
4.2.3 Job titles for the respondents.

Figure 4.3 below shows the respondents’ position in OK Zimbabwe. The majority was the general staff group with forty six percent (46%), followed by middle managers with twenty six percent (26%); senior managers had sixteen percent (16%), followed by executive managers at nine percent (9%) and directors with three percent (3%).

The majority of the respondents 54% are managers who are competent enough to comment on human capital management practices in the company.

Figure 4.3: Respondents’ job titles
4.2.4 Employment status

![Pie chart showing employment status]

**Figure 4.4: Respondents’ employment status**

OK Zimbabwe has two terms of employment which are permanent and fixed term contracts. As indicated in figure 4.4 above sixty four percent (64%) of the employees are permanent and thirty six percent (36%) are on fixed term contracts. The majorities of the employees are permanent and are more likely to give adequate information which can assist in analyzing company operations, and in this particular case human capital management practices.
4.2.5 LENGTH OF SERVICE (WORK EXPERIENCE)

Figure 4.5: Length of service of respondents.

As shown in figure 4.5 above, twelve percent (12%) of the employees have served for less than 5 years, twenty seven percent (27%) have served between 5 and 10 years, twenty two percent (22%) range between 11 and 15 years, twenty one percent (21%) have been with OK Zimbabwe for 16 to 20 years and eighteen percent have served for more than 20 years. Past research has failed to find a strong relationship between prior work experience and current job performance (Castilla 2005), despite the common assumption that prior experience enhances job performance. Almost all research on the relationship between work experience and job performance has considered only experience within the current firm, overlooking the importance of work experience acquired in prior firms (Goldsmith and Veum 2002, Quinones et al. 1995).
4.2.6 Level of education

As shown in figure 4.6 above, forty four percent (44%) of the employees had school leaving certificates, ten percent (10%) had diplomas, thirty nine percent (39%) had bachelor’s degree, seven percent (7%) had masters’ degree and none had a doctorate. Sveiby (1999) suggests the use of indicators such as level of education, number of years of profession, training and education costs, grading, age and seniority as key performance measures for human capital.

Figure 4.6: Respondents’ education level

As shown in figure 4.6 above, forty four percent (44%) of the employees had school leaving certificates, ten percent (10%) had diplomas, thirty nine percent (39%) had bachelor’s degree, seven percent (7%) had masters’ degree and none had a doctorate. Sveiby (1999) suggests the use of indicators such as level of education, number of years of profession, training and education costs, grading, age and seniority as key performance measures for human capital.
4.2.8 PROFESSIONAL MEMBERSHIP

Figure 4.7 below shows that one percent (1%) of the respondents are fellows of a professional body, nine percent (9%) are full members, six percent (6%) are associate members, eleven percent (11%) are affiliate members and seventy three percent (73%) do not ascribe to any professional body. The letters A to E in the diagram stand for:

A. Fellowship of professional body
B. Full Membership
C. Associate Membership
D. Affiliate Membership
E. Non membership

![Figure 4.7 Respondents' professional membership](image-url)
4.3 Measures

As stated, survey measures of HCM and HR-related performance outcomes (see Dyer and Reeves, 1995) were used. The following is a description of the HRM items and scales used on the questionnaire. The abridged Human Capital Management Inventory used in this study was developed and tested in pilot studies by Verburg (1998). The questionnaire asks respondents to provide information on an array of HCM practices in domains such as recruitment and selection (labeled ‘employee skill and direction’ following Wright et al (2003), integration of HR factors at corporate level (i.e. Mission, HCM Strategy), performance appraisal and rewards, training and development, as well as job design, participation and autonomy, and task fulfillment.

Responses would be analysed according to the job category. The core business of OK Zimbabwe is retail. Senior Management staff has largely been considered the core employees who are supported by other specialist’s e.g. administrative staff, secretarial, clerical and technical staff (bundled as support staff or employees). The last group of employees would be the unskilled lower level staff (considered peripheral employees). This approach of differentiating employees within an organization (see Figure 4.2 below) is consistent with that adopted by Huselid (1995) and Hartog et al, (2004). It should also be noted that using multiple employees provides a psychometrically sound measure of HR practices – something that has rarely been observed in the past (Wright et al, 2003; Gerhart et al, 2000a, 2000b; Wright et al, 2001)
4.3.1 HCM Practices

For the purposes of this research, items referring to practices that have been associated with HPWS’s or HIWS’s in previous work were selected (see, for example, Wright et al., 2003; Hartog et al., 2004). Different response formats were used. Some items required an answer on a five-point scale; others asked respondents to provide a ‘Yes’, ‘No’ and ‘I don’t know’ answer, indicating whether or not the practice existed for their job category (note, 1 = ‘Yes’, 2 = ‘No’, 3 = ‘I don’t know’). One training item, ‘On average, how many hours of formal training do employees in this job receive each year?’, was originally written in a different response format from the rest of the HR practice items and was re-coded to comply with the ‘Yes’/’No’ dichotomous response format of other response items. If the number of training hours entered was equal to or greater than 15, that response was coded as 1 = ‘Yes’. Hours below 15 were coded as 2 = ‘No’ while those indicating ‘I don’t know’ were coded 3. In both cases, responses in the last two categories indicated low levels training not representing significant investment in employee training. This mix of formats is also found in previous research (e.g. Wright et al., 2003; Hartog et al., 2004; Rogg et al., 2001; Vandenberg et al., 1999). Where possible, items were combined into scales, which are discussed in the ensuing paragraphs. Most of the items are similar to those used in previous research as already cited in the foregoing. Below, I first describe the separate items for the different practices and then analyse whether these practices can be meaningfully combined.

4.3.2 Performance measures

The performance outcomes of HCM can be captured in a variety of ways. Dyer and Reeves (1995) draw a distinction between: Financial outcomes (e.g. profits, sales, market share, Tobin’s ‘q’, GRATE); Organizational outcomes (e.g. output measures such as productivity, quality, efficiencies); and HR-related outcomes (e.g. attitudinal and behavioural impacts among employees such as satisfaction, commitment and intention to quit).
Following Wright et al (2003) and Hartog et al (2004), one measure of employee outcome were obtained from archival OK Zimbabwe records. This related to turnover rates for core staff (Senior Management staff), support staff (Administrative and Technical staff) and peripheral staff (mostly Junior staff) and covered a six-month period (T₁ beginning 1ˢᵗ February 2009 and T₂ ending in 3 December 2011). This approach is consistent with that adopted by Wright et al (2003) and is in keeping with suggestions by Becker and Huselid (2006) on dealing with the limitation of mutual causation, or simultaneity bias in on-going HCM research. In a country suffering from massive ‘brain drain’, these measures represent the major performance measures tracked by Zimbabwe Stock Exchange as indicators of business success (i.e. low labour turnover and absence levels as per Guest’s (1997) model). Other studies have also assessed turnover and absenteeism in relation to practices (e.g. Dyer and Reeves, 1995; Guest and Peccei, 1994; Hartog et al, 2003). The intermediate employee outcome i.e. turnover is shown as Appendix 4.

### 4.4 Integration of HR factors and strategy at corporate level

Six (6) items were used to tap the extent to which OK Zimbabwe had an overarching philosophy. Pfeffer (1994) suggests that this is important for aligning employee efforts. Vandenburg et al (1999) note that mechanisms must be in place to communicate the organization’s goals or intended direction to employees. Vision or mission statements have been linked to performance (e.g. Baetz and Bart, 1996; Sidhu, 2003; Larwood et al, 1995). A sense of mission can be highly involving for employees and increase motivation to work towards the common goal (e.g. Klemm et al, 1991). Hartog et al (2004) argue that having such an overarching philosophy may also help align the different HR practices. In attempting to determine the extent to which integrate HR factors and strategy at corporate level, six items were used to tap this.
The first was whether HR was represented at board level (Board). Allied items asked whether HR was involved in strategic planning and whether the institution used a top-down or bottom-up approach to strategy making. A principal component analysis with varimax rotation was performed on these items and yielded two factors and these were labeled appropriately as Factor 1 = ‘HR Strategy’ and Factor 2 = ‘Mission’ respectively. For both factors, three items were selected as they loaded well and those with loadings below .6 were rejected after the principal component analysis.

Table 4.3: Principal Component Analysis of HR Strategy items- OK HEAD OFFICE

<table>
<thead>
<tr>
<th>Item</th>
<th>Factor 1 = HR Strategy</th>
<th>Item</th>
<th>Factor 2 = HR Mission</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. HR Director is a member of Board of Directors</td>
<td>.735</td>
<td>4. Corporate Mission statement includes explicit reference to people</td>
<td>.771</td>
</tr>
<tr>
<td>2. HRD is involved in formulating Five-Year Strategic Plan</td>
<td>.790</td>
<td>5. There is a separate document articulating people management strategy</td>
<td>.828</td>
</tr>
<tr>
<td>3. HRD is able to advise on people implications once Strategic Plan has been formulated</td>
<td>.734</td>
<td>6. People management is an integral part of the Five-Year Strategic Plan</td>
<td>.715</td>
</tr>
</tbody>
</table>

Communalities indicate the amount of variance in each variable that is accounted for because extraction communalities are estimates of the variance in each variable accounted for by the factors (or components) in the factor solution. Small values indicate variables that do not fit well with the factor solution, and should possibly be dropped from the analysis (see Table 4.4 below)
Table 4.4 Factor Identification of HR Strategy items

<table>
<thead>
<tr>
<th>Item</th>
<th>Factor 1 = HR Strategy</th>
<th>Factor 2 = HR Mission</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. HR Director is a member of Board of Directors</td>
<td>.735</td>
<td></td>
</tr>
<tr>
<td>2. HRD is involved in formulating Five-Year Strategic Plan</td>
<td>.790</td>
<td>.771</td>
</tr>
<tr>
<td>3. HRD is able to advise on people implications once Strategic Plan</td>
<td>.734</td>
<td>.828</td>
</tr>
<tr>
<td>has been formulated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Corporate Mission statement includes explicit reference to people</td>
<td></td>
<td>.715</td>
</tr>
<tr>
<td>2. There is a separate document articulating people management strategy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. People management is an integral part of the Five-Year Strategic Plan</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to Table 4.5 the first factor explains 43.4% of the variance whilst the second explains 18.2%. Initial Eigen values were 2.8 and 1.1 respectively.

Table 4.5: Factor Loadings of HR Strategy items

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigenvalues</th>
<th>Total of Variance</th>
<th>Cumulative %</th>
<th>Extraction Sums of Squared Loading</th>
<th>Total of Variance</th>
<th>Cumulative %</th>
<th>Rotation Sums of Squared Loading</th>
<th>Total of Variance</th>
<th>Cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2.843</td>
<td>47.391</td>
<td>47.391</td>
<td>2.843</td>
<td>47.391</td>
<td>47.391</td>
<td>2.066</td>
<td>34.432</td>
<td>34.432</td>
</tr>
<tr>
<td>3</td>
<td>.850</td>
<td>14.162</td>
<td>79.794</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>.617</td>
<td>10.283</td>
<td>90.077</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>.408</td>
<td>6.797</td>
<td>96.874</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>.188</td>
<td>3.126</td>
<td>100.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.

Further analysis of questionnaire responses on each of these factor items was conducted and yielded the following descriptive outcomes:
The above graph reveals that 51.6 per cent of respondents do not know whether the Human Resources Director is a member of the Board of Directors. The Board of Directors is the supreme governing body of OK Zimbabwe on all strategic matters.

High Performance Work System organizations are associated with HR representation at board level. In the case study, the Head of Human Resources is not a substantive member of the Board of Directors but sits in attendance. This somehow constrains his ability to contribute meaningfully to the strategy formulation process. Armstrong (1996) has suggested a number of characteristics or requirements for strategic HRM. One of these as cited in section 2.4.4 under Chapter 2 is the need for a ‘personnel/HR director who plays an active part in discussing corporate/business issues as well as making an effective and corporate/business-orientated contribution on HR matters’.
Figure 4.9 above indicate that the Human Resources Director is involved in formulating the Five-year strategic plan of the Company in both cases. This is consistent with Walker’s (1981 & 1992) analytical model for assessing the degree of fit or integration. Specifically, the above results suggest a strong element of the integrated process cited in 2.8.1 under Chapter 2.

In the integrated approach, HR strategy is an integral part of the business strategy, along with other functional strategies. In strategy review discussions, HR issues are addressed as well as financial, product-market and operational ones. However, the focus is not on ‘downstream’ matters such as staffing, individual performance or development but rather on people-related business issues, resource allocation, the implications of internal and external change and the associated goals, strategies and action plans. The integrated approach is thus consistent with High Performance Work Systems.

In an effort to establish whether respondents were clear on strategy formulation process, one item on the questionnaire sought to establish whether respondents were aware of the organization’s mission statement.
The graph below summarizes the responses. Again, 54.8 percent of the respondents confirmed knowledge of the organization’s mission statement.

![Graph](image)

**Figure 4.10: Integration of HR issues in Mission Statement- OK Zimbabwe**

This finding is consistent with relevant literature cited in Chapter 2 where *Tyson and Witcher (1994)* note the importance their respondents attached to corporate values. *Armstrong (1996)* contends that an important characteristic of strategic HRM is the presence of ‘well-articulated missions and values, the latter often including a strong emphasis on quality and customer service’.

In a bid to establish whether the Human Resources Department was adequately skilled to advise and implement on the Strategic Plan’s HR deliverables, 45.2 percent of the respondents believed that the HRD had the capacity to do so whilst a disturbingly high figure of 38.7 per cent of the respondents did not know (see graph below).
Figure 4.11: Competence of HR Department

The fundamental concept of strategic HRM is based on the assumption that human resource strategy can contribute to the business strategy but is also justified by it. The validity of this concept depends on the extent to which it is believed that people create added value and should therefore be treated as a strategic resource. Strategic HRM is only real when it is translated into specific personnel strategies which are then implemented.

Finally, the study sought to establish whether the institution had a separate HR strategy document and the results are summarized in Figure 4.12 below.
The above graph denotes that the majority (45.2 per cent) of the respondents were not aware of whether people management strategy was part of the institution’s Strategic plan indicating low levels of communicating the strategy formulation process within the organization. This contrasts remarkably with the observations made by Armstrong (1996) who stresses the importance of a ‘clearly expressed business strategy and well-understood critical success factors’ as a hallmark of strategic human resource management. Moreover, this also contradicts an earlier observation from Walker (1992) on the various typologies of analyzing the concept of ‘fit’. In Section 2.6 of Chapter 2, it has been stated that organizations whose HR strategy is an integral part of business follow the ‘integrated processes’.
4.5 Employee skill and direction

Following studies by Huselid (1995) and Hartog et al (2004), employee skill and direction or selectivity in hiring were included. This helps ensure that organizations get highly skilled and qualified people for the job, and has a symbolic function towards newly recruited employees (to whom it conveys the message that they are appreciated and chosen specifically to join the organization, which helps create high performance expectations) (Pfeffer, 1994; Hartog et al, 2004). Huselid (1995) measures this by asking for the proportion of the workforce that receives an employment test prior to hiring. Respondents were asked two items to measure the extent of employee skill and direction (also referred to ‘selection and staffing’ by Wright et al (1993), ‘selectivity in hiring’ by Huselid (1995) and ‘strict selection’ by Hartog et al (2004)). Respondents were asked to indicate on a three-point scale (1 = ‘Yes’ to 3 = ‘I don’t know’) whether a list of five types of selection procedures (standard forms, interviews, psychometric tests, assessment centres and specialized search firms) were used in the selection of all categories of applicants in the OK Zimbabwe. The second item sought to identify the dominant selection procedure used for all staff across the entire organization. The results are stated under Figure 4.12
According to Figure 4.13 above, 77.42 per cent of the respondents did not believe that the OK Zimbabwe used strict selection. Of the dominant selection method used by OK Zimbabwe, the interview method returned a 100 per cent response as per Table 4.9. The overall aim of recruitment and selection process should be to obtain at minimum cost the number and quality of employees required to satisfy the human resource needs of the company. In the review of relevant literature in Section 2.2.2, Wright et al (2003) argue that the initial impact of HR practices on employees’ commitment begins with selection and staffing. When firms invest in selecting the most highly skilled people, and providing them increased skills through continuous training and development opportunities, employees find a workplace filled with well qualified co-workers. This makes for a positive work environment by enabling them to focus on serving their own customers successfully, doing their own job well and not having to constantly clean up the mess of co-workers. An HRM approach can be adapted to recruitment which involves taking much more care in matching people to the requirements of the organization as a whole as well as to the particular needs of the job. As already alluded to, requirements will include commitment and ability to work effectively as a member of a team.
4.6 Training

Two items were included that were linked to different aspects of employee development or training. This is consistent with similar work by Wright et al (2003). Keeping skills up-to-date and learning new things is needed to ensure quality and improvement of performance, and providing employees with promotion opportunities can be highly motivating.

![I receive the training I need to do my job well](image)

**Figure 4.14: Level of training- OK Zimbabwe**

In line with similar studies, respondents were asked whether they were satisfied with the level of training investments by their organization on a five-point scale (1 = ‘Agree’ to 5 = ‘Strongly Disagree’). The other training item, ‘On average, how many hours of formal training do employees in this job receive each year?’, was originally written in a different response format from the rest of the HR practice items and was re-coded to comply with the ‘Yes’/’No’ dichotomous response format of other response items. If the number of training hours entered was equal to or greater than 15, that response was coded as 1 = ‘Yes’. Hours below 15 were coded as 2 = ‘No’ while those indicating ‘I don’t know’ were coded 3. In both cases, responses in the last two categories indicated low levels training not representing significant investment in employee training.

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According to Figure 4.14 above, 54.8 per cent of the respondents felt that they did not receive the training they needed to do their jobs well. Surprisingly, 51.61 per cent of respondents within the OK Zimbabwe were satisfied with the level of training opportunities available to them. According to relevant literature, training is the systematic modification of behaviour through learning which occurs as a result of education, instruction, development and planned experience. The fundamental aim of training is to help the organization achieve its purpose by adding value to its key resource – the people it employs. Training means investing in people to enable them to perform better and to employer them to make the best use of their natural abilities. The objectives of training include but are not limited to developing the competences of employees and improve their performance, and helping them to grow within the organization in order that its future needs for human resources can be met from within. Effective training can increase the commitment of employees by encouraging them to identify with the mission and objectives of the organization. Figure 4.15 below show the level of satisfaction that employees have with their current levels of training.

The organisation does not encourage me to develop my skills

![Bar chart showing frequency of responses to the statement that the organisation does not encourage development of skills]

Figure 4.15: Satisfaction with level of training opportunities- OK Zimbabwe
4.7 Pay for Performance

Several authors propose that performance evaluation should form the basis for compensation and promotions and is, as such, important in attaining high performance (e.g. Fletcher, 2001; Huselid, 1995). Paying for performance is the process of providing a financial reward to an individual which is linked directly to his or her performance.

Advocates of paying for performance claim that it improves individual, team and organizational performance by, among other things, increasing commitment and identification. Performance management is a means of getting better results from the organization, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements. One of the most important concepts of performance management is that it is a continuous process which reflects normal good management practices of setting direction, monitoring and measuring performance and taking action accordingly.

![Figure 4.17: Frequency of Performance Appraisal- OK Zimbabwe](image)
Three items under pay for performance were included to assess the frequency of performance evaluation (1 = ‘Never’ to 4 = ‘Every month or more’), identify the dominant promotion decision rules (merit or performance rating alone, seniority only when merit is equal, seniority among employees who meet a minimum merit requirement, and seniority), and the importance of performance evaluation in motivating employees. According to Figure 4.17 above, 83.87 per cent of the respondents reported that performance appraisal was conducted once a year. Armstrong (1996) argues that conventional performance appraisal systems are usually built around an annual event, the formal review, which tends to dwell on the past. Although this formal and annual review is still an important part of the performance management framework, it is not the most important.

![Promotion decision rules used most often](image)

**Figure 4.18: Basis of Employee Promotion- OK Zimbabwe**

The aim of promotion procedures of a company should be, first, to enable management to obtain the best talent available within the company to fill more senior posts and, to provide employees with the opportunity to advance their careers within the company, in accordance with the opportunities available and their own abilities.
Results from the survey item on the dominant promotion decision rule most often used in OK Zimbabwe indicate that 58.06 per cent of the respondents believe that promotion is based on merit or performance rating alone. On the other hand, a combined 25.8 per cent of the respondents believe that seniority is a major determinant of promotion decisions in the company.

Interestingly, 13 per cent of the respondents believed that promotion decision rules within OK Zimbabwe had nothing to do with either merit/performance rating or seniority but was due to ‘other’ things. This figure is statistically significant in that given the number of respondents and some of the qualifications attaching to ‘other’. For instance, two of the respondents believe that promotion is due to ‘politics’, and ‘executive discretion’ respectively.

As defined by Marchington and Goodman (1992), employee involvement consists of ‘those practices which are initiated principally by management, and are designed to increase employee information about, and commitment to, the organization’. According
to **Brian Stevens (1990)** ‘involvement assumes recognition that employees have a
great untapped potential but that managers retain the right to manage’.
Involvement should aim to, among other things, provide all employees with the
opportunity to influence and be involved in decisions which are likely to affect their
interests.
When asked about their basis of involvement in organizational activities, 35.48 per cent
of the respondents cited personal motivation as the overarching factor. This was
followed by 25.8 per cent who did so mostly out of the need to progress their career. An
equal number of respondents (9.67 per cent) involved itself in the activities of the
organization on the basis of the ‘need to achieve set business targets’ and ‘need to
meet my boss’s expectation’. Only one respondent involved him/herself because of the
recognition attaching to such involvement.
Participation and communication are often stressed as part of high performance work systems (Hartog et al, 2004). Participation is defined by Guest and Fatchett (1974) as ‘any process through which a person or group of persons determines what another person or group of persons will do’. Organizations function by means of the collective action of people, yet each individual is capable of taking independent action which may not be in line with policy. Good communications are required to achieve coordinated results. Participation and information sharing are proposed to affect discretionary effort through their influence over employee skills and motivation and through organizational structures that provide employees with the ability to control how their roles are performed (Huselid, 1995). As stated, Zimbabwe’s labour law implies that a formal system of employee participation is mandatory (in the form of Workers’ Committee, Works Council etc). Other participation and information sharing practices vary across companies. This interest has been enhanced by the HRM rhetoric advocating the development of mutual commitment, empowerment and direct communication. Tom Peters (1998) has suggested that employees should ‘involve everyone in everything’ with the result that ‘productivity gains of several hundred percent should ensue’

Figure 4.20: Employee participation mechanisms- OK Zimbabwe
Using five items, the study sought to establish whether the OK Zimbabwe had such participation and information sharing practices (fair and reasonable complaint systems, quality improvement groups, roundtable discussions, problem-solving groups or suggestion systems). Employee participation is often operationalised as employee discretion in decision-making or employee autonomy (Hartog et al., 2004; Delery and Doty, 1996). When asked to confirm whether or not employees within OK Zimbabwe were involved in formal participation processes outside those legally enforced, 54.83 per cent were dissatisfied in that regard while only 29.03 per cent were satisfied.

![Figure 4.21: Conflict Resolution mechanisms](image)

This study, sought to establish employee autonomy (extent to which each respondent has control over setting of work targets) using a five-point scale (1 = ‘I am solely responsible for setting own targets’ to 5 = ‘I am not aware of having any specific targets’). It was posited that organizations fostering participation and employee autonomy are likely to be more flexible and better able to deal with pressures in the external environment. To that extent, two items were included gauging respondent perceptions on that position (1 = ‘Agree’ to 5 = ‘Strongly Disagree’, and 1 = ‘Disagree’ to 5 = ‘Strongly Agree’ respectively). Fair and reasonable complaint processes are part of
high performance work practices. Results from the questionnaire item assessing this aspect shows that 48.38 per cent of the respondents do not believe that OK Zimbabwe has a fair and reasonable complaint process. Interestingly, 35.48 per cent were satisfied with the processes whilst 13 per cent did not know of the existence of such processes.

4.9 IMPACT ON ORGANIZATIONAL COMMITMENT

Six (6) items from two different organizational commitment scales (Meyer and Allen, 1997; Porter et al, 1974) were selected to come up with an abridged questionnaire to measure organizational commitment. Following Wright et al (2003) sample items included: ‘I feel very little loyalty to this organization’, ‘I am willing to put in a great deal of effort beyond that normally expected to help this organization succeed’, ‘It would take very little change to cause me to leave this organization’, and ‘Morale is high in this organization’. In all cases, a five-point scale was used (1 = ‘Agree’/‘Disagree’ to 5 = ‘Strongly Disagree’/‘Strongly Agree’) to assess organizational commitment. For the purpose of this study, organizational commitment is seen as an HR outcome of organizational performance that reflects in employee attitudes and behaviours. A principal component analysis using varimax rotation was conducted as indicated in Table 4.6 below and yielded two factors.
Table 4.6: Principal Component Analysis of Commitment items- OK Zimbabwe

A principal component analysis with varimax rotation was performed on these items and yielded two factors and these were labeled appropriately as Factor 1 = ‘Intention to Quit’ and Factor 2 = ‘Beyond Contract’ respectively. For factor 1, two items were selected as they loaded well (‘I feel very little loyalty to this organization’ and ‘It would take very little change to cause me to leave this organization’) and those with loadings below .6 were rejected after the principal component analysis. The same applies to Factor 2 were only one item loaded well (‘I would accept almost any type of job assignment in order to keep working for this organization). It is important to note that although the item on ‘I am willing to put in a great deal of effort beyond that normally expected to help this organization to succeed’ loaded well, it was dropped because it was inconsistent with the other items loading highly under Factor 1.
Communalities indicate the amount of variance in each variable that is accounted for because extraction communalities are estimates of the variance in each variable accounted for by the factors (or components) in the factor solution. Small values indicate variables that do not fit well with the factor solution, and should possibly be dropped from the analysis (see Table 4.8).

Table 4.7: Factor Loadings of Commitment items with Variance explained- OK

Zimbabwe

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigenvalues</th>
<th>Extraction Sums of Squared Loadings</th>
<th>Rotation Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>of Variance Cumulative</td>
<td>Total</td>
</tr>
<tr>
<td>2</td>
<td>1.180</td>
<td>14.744</td>
<td>52.209</td>
</tr>
<tr>
<td>3</td>
<td>.956</td>
<td>11.947</td>
<td>64.156</td>
</tr>
<tr>
<td>4</td>
<td>.807</td>
<td>10.089</td>
<td>74.245</td>
</tr>
<tr>
<td>5</td>
<td>.684</td>
<td>8.550</td>
<td>82.795</td>
</tr>
<tr>
<td>6</td>
<td>.614</td>
<td>7.676</td>
<td>90.470</td>
</tr>
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<td>7</td>
<td>.477</td>
<td>5.960</td>
<td>96.430</td>
</tr>
<tr>
<td>8</td>
<td>.286</td>
<td>3.570</td>
<td>100.000</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.

According to Table 4.7 the first factor explains 37.4% of the variance whilst the second explains 52.2%. Initial Eigen values were 2.9 and 1.1 respectively.
Table 4.8: Factor Loadings of Commitment items- OK Zimbabwe

<table>
<thead>
<tr>
<th>Item</th>
<th>Factor 1 = Intention to quit</th>
<th>Factor 2 = Beyond Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. I feel very little loyalty to this organization</td>
<td>.616</td>
<td>-0.17</td>
</tr>
<tr>
<td>2. I am willing to put in a great deal of effort beyond that normally expected to help this organization to succeed</td>
<td>.774</td>
<td>-0.009</td>
</tr>
<tr>
<td>3. I would accept almost any type of job assignment in order to keep working for this organization</td>
<td>.351</td>
<td>.764</td>
</tr>
<tr>
<td>4. It would take very little change to cause me to leave this organization</td>
<td>.767</td>
<td>-0.252</td>
</tr>
<tr>
<td>5. Morale is high in this organization</td>
<td>.127</td>
<td>-0.428</td>
</tr>
<tr>
<td>6. I do not have a great deal of trust in management</td>
<td>-0.479</td>
<td>.590</td>
</tr>
</tbody>
</table>
4.10 DISCUSSION

The proposition central to this disquisition is to interrogate whether HCM can be used as a driver of organizational performance (organizational, financial, and HR outcomes) for state universities within their set objectives. To accomplish this, a number of objectives were set out. The first objective has been given as the need to establish the existing systems of HCM (hereinafter referred to as HR architecture) in OK Zimbabwe. As already pointed out under Sections 2.9 and 2.10 of Chapter Two, an HCM system or HR architecture is made up of a number or bundle of HR practices associated with High Performance Work Practices. There are several practices or combinations of such practices that make up the HCM System of an organization.

The most frequently cited bundles of HCM practices include: employment development and training, participation and empowerment, information sharing and compensation systems. For the purposes of this dissertation, it was agreed that the following practices would be representative of a High Performance Work System for OK Zimbabwe: employee skill and direction, participation and autonomy, training, integration of HR at corporate strategy level, and pay for performance. This approach is consistent with literature. According to relevant literature, the work systems and employment models seen as supportive of high performance imply a mix of key practices: More rigorous selection and better training systems to increase ability levels; More comprehensive incentives (such as employee bonuses and internal career ladders) to enhance motivation, and Participative structures (such as self-managing teams and quality circles) that improve opportunity to contribute (Appelbaum et al, 2000: 26-7)
Results indicate that OK Zimbabwe fared poorly in five out of five HR practices covered and these are: employee skill and direction, training, performance management, and participation and autonomy. Following Karen Monks' (1992) work in extending the Legge/Tyson and Fell concepts on models of personnel management, it is clear from the results that the Human Resources Department in OK Zimbabwe fits ‘the Traditional/Administrative model. The personnel department in this model is very much a support function with a focus on administrative matters, record keeping, and adherence to rules and regulations’. There is inadequate evidence from the results that the Human Resources Department has assumed a strategic orientation (Innovative/Sophisticated model) in which personnel issues are integrated into strategic plans, personnel was represented on the board and was recognized as an important function within the organization.

The second objective of this disquisition has been to determine the extent to which synergies among practices of HCM architecture impact on employee outcomes and corporate performance. There was no evidence of strategic integration of HR strategy and policies. If the strategic alignment of HR policies is appropriate for the organisation, then the concomitant internal integration of the associated competence-based HR policies and practices will result in a much more effective use of human resources within the organisation, and more efficient HR systems – simply because they are clearly linked to the overall objectives of the organisation.

If working properly, these systems will engender better ownership of such objectives amongst the workforce. HCM requires the identification and building of core competences to be successful. As already alluded to by Mueller (1996) such competences can become major competitive advantages for the organisation, being difficult to imitate when they are well embedded into the organization. The Strategic Plan of OK Zimbabwe has identified the exodus of staff as a threat to the company yet the company has failed to come up with effective interventions by way of HR practices that support its focus strategy.
Results from the principal component analysis of commitment factors tend to support the above view. Items associated with the two factors seem to suggest very low levels of commitment among employees. In fact, many of the respondents are ready to move away from their current jobs. This finding seems to support relevant literature as cited in Section 2.2.2. Wright et al (2003) argue that the initial impact of HR practices on employees' commitment begins with selection and staffing. When firms invest in selecting the most highly skilled people, and providing them increased skills through continuous training and development opportunities, employees find a workplace filled with well-qualified co-workers. This makes for a positive work environment by enabling them to focus on serving their own customers successfully, doing their own job well and not having to constantly clean up the mess of co-workers.

Additionally, by using valid performance management systems and monetary incentives to elicit high performance, employees can see a more direct line of sight between their behaviour and their personal outcomes. This creates a positive work environment where individuals feel fairly and equitably rewarded for their efforts. Finally, having open communications and participatory systems enables employees to both understand the organization’s competitive position and be able to participate in processes to help improve it. This creates a positive work environment where people feel they are listened to and respected. An environment created by such systems is one where people are unlikely to want to leave; they identify with the organization personally and want to see it succeed. This describes the construct of organizational commitment.
CHAPTER FIVE
Conclusions and Recommendations

5.0 INTRODUCTION

This Chapter presents conclusions and some recommendations following an investigation into the impact of HCM practices on organizational performance within the context of the OK Zimbabwe

5.1 CONCLUSION

5.1.1 **Objective:** To identify human capital management practices that create sustainable competitive advantage.

**Conclusions**

Concomitant to the foregoing, the organisation does not have clearly identifiable and supportive HCM practices that would constitute Human Capital Management architecture consistent with High Performance Work Systems (HPWS).

The company has an emphasis on employees’ engagement but there is no way of measuring staff engagement. The Human Resources Department is not playing a strategic role. There is strong evidence that HCM activities are currently downstream to business strategy.

5.1.2 **Objective:** To analyse the recruitment, selection and training of employees at OK Zimbabwe.
Conclusion

5.1.3 **Objective:** To evaluate the integration of HR factors and strategy at OK Zimbabwe for the period February 2009 to 31 December 2011.

**Conclusion**

There is no integration of HR factors and strategy at OK Zimbabwe for the period under review.

5.1.4 **Objective:** To analyse the performance measure and its impact on commitment of employees.

**Conclusion**

The absence of a robust HCM System within OK Zimbabwe is impinging negatively on Human Capital Management outcomes of organizational performance i.e. commitment and turnover.

5.2 **TESTING THE PROPOSITION**

Notwithstanding the limitations placed on this study in Chapter Three, one can thus conclude that the absence of both vertical and horizontal integration in the existing HR architecture of the OK Zimbabwe has negated both an intermediate employee outcome (commitment) and corporate performance (i.e. turnover -the HR outcome of commitment).

There is thus plausible evidence to support our earlier proposition that human capital management can be a source of sustained competitive advantage for Zimbabwean corporate entities in general and the OK Zimbabwe in particular.
5.3 RECOMMENDATIONS

In order to achieve a competitive advantage through the employees the following recommendations can be made to OK Zimbabwe following the study findings.

5.3.1 TO IDENTIFY HUMAN CAPITAL MANAGEMENT PRACTICES THAT CREATES SUSTAINABLE COMPETITIVE ADVANTAGE.

Developing human capital is important since it is the knowledge and skills base of a firm. Significant investment in training, retention and managing employees to their strengths results in full competitive advantage. Bennis W (1997) revealed in his study that companies that invest 10% more in employee education receive an 8.5% increase in productivity. In contrast, 10% in capital expenditure results in 3% increase in productivity.

The Company should implement the Human capital management software system in order to combine many human resources functions, including overtime, leave days, benefits administration, recruitment and training, performance analysis and review into one package.

OK Zimbabwe should develop a culture of managing people to their strengths rather than weaknesses so that they harness the employees’ skills and energy bringing the best out of its employees’ potential.

There is need to build a talent pool from internal and external sources. Succession planning is also recommended as a key to building a leadership pipeline. The company should reduce expenses through use of Human capital systems software to manage leave days, overtime and labour hours.
5.3.2 TO ANALYSE THE RECRUITMENT, SELECTION AND TRAINING OF EMPLOYEES AT OK ZIMBABWE.

Proper recruitment and target selection processes to be developed in all units to ensure skilled and competent people who have a motivational fit are recruited and retained. In particular, Sullivan (1998) makes important assumptions about recruiting employees which could guide OK Zimbabwe accordingly. The first one is that the organization does not recruit and select great people, it will not have great employees and without great employees there will not be a great company. The second assumption to guide OK Zimbabwe is that great ideas and products come from people not from equipment, buildings or capital and therefore while no one purposely hires mediocre applicants, weak recruitment efforts and less than stellar selection tools will result in the hiring of mediocre employees.

OK Zimbabwe should have specified training and development programmes in order to minimize competency gaps and align requirements of the organisation with the capabilities of the employees.

There is need for a proper company induction document to be used in all departments for all new employees. Reorientation of old staff is also recommendable.

5.3.3 TO EVALUATE THE INTEGRATION OF HR FACTORS AND STRATEGY AT OK ZIMBABWE FOR THE PERIOD FEBRUARY 2009 TO 31 DECEMBER 2011.

OK Zimbabwe needs to consider seriously the importance of integrating HR factors and strategy at Board level. The Head of HR needs to have a voice at the highest level if the company is to craft effective and credible HR practices that deal with the various challenges it is facing.
5.3.4 TO ANALYSE THE PERFORMANCE MEASURE AND ITS IMPACT ON COMMITMENT OF EMPLOYEES.

OK Zimbabwe should introduce performance based compensation and reward programs that clearly spell out the targets and performance measure. However, the targets should be challenging but attainable.

The company should redesign the appraisal instrument to align with strategy. Senior managers should establish a clear link between Appraisal system and Rewards. In addition to that, there is need to develop a training program for appraisers.

5.3.5 PARTICIPATION AND AUTONOMY
Top management should fully empower employees and ensure clear accountabilities for each employee so that employees take pride in the jobs they do and the contribution of each job to the overall company performance.

5.3.6 COMMITMENT

OK Zimbabwe management should ensure an efficient system is in place to measure staff commitment/engagement. There is need to develop high level of employee commitment and engagement which includes a more mature form of loyalty. Commitment comes from involvement. Higher levels of commitment typically indicate longer employment periods and higher levels of productivity.

As a way of motivation and awarding excellence OK Zimbabwe should introduce worker of the month and year. This can also be cascaded upwards to managers.
5.4 THE BUDGET

On the whole, it is estimated that the funds necessary for the successful implementation of the above recommendations will run into several thousands of dollars. The directors in the company must show unwavering commitment to the implementation of the strategies recommended if it is to be assured of the success that it deserves. In terms of the timeframe for implementation, the adoption of a human capital management orientation could commence with the upcoming Five Year Strategic Plan covering the period 2013 – 2017. Monitoring and Evaluation would be done within the framework of the company’s Strategic Plan Implementation and Monitoring mechanism.

5.5 POLICY IMPLICATIONS

This research suggests that HCM systems have considerable economic potential. Both HCM System and the HR function must have as their principal focus a set of properly aligned HCM policies that solve business problems and support the universities’ operating and strategic initiatives.

The emergence of a strategic role for human resources means that the HR function and indeed the traditional discipline of HR are at crossroads. If HR functional managers in OK Zimbabwe ignore this opportunity, then they will be left with the traditional transaction and compliance activities. At worst, HR faces the risk of being outsourced. This research points to the importance of the HR system and not necessarily to the importance of the HR function.
5.6 FUTURE RESEARCH

In summary, this study used a highly controlled setting and a predictive design to better analyse the processes through which HCM practices might have an impact on organizational performance. The results seem to indicate support for the proposition. Future research should focus on providing more detailed and generalisable findings to add to the knowledge base, exploring how firms can leverage people as a source of competitive advantage.
REFERENCES


APPENDIX 1

18 May 2012

2860 Pheasant Road
Chadcombe
Harare

Dear Sir/Madam

RE: LETTER OF INTRODUCTION FOR PURPOSES OF RESEARCH

I am a Master of Business Administration (MBA) final year student at the Graduate School of Management, University of Zimbabwe. The major part of this degree programme culminates in the submission of detailed research leading to a dissertation.

My chosen topic is: **An evaluation of the contribution of human capital management practices on achievement of sustainable competitive advantage in the retail services sector of Zimbabwe: The case of OK Zimbabwe (February 2009 to 31 December 2011)**. This research attempts to evaluate the links between Human Capital Management and organizational competitiveness and performance.

In addition to being an academic exercise, the results of this study will be of assistance to decision makers in the retail sector, government and business in general as well as the concerned retail chain in particular. I would be grateful to hear your personal opinions, which I would get by completion and return of attached Questionnaire at your earliest convenience (but not later than **30 June 2012**). You can hand it back to the person who gave it to you or advise me when to collect it using the contact details below.

All information supplied will be treated in strict confidence.

**Contact Details**

E-mail : clivetigere@gmail.com or ctigere@okzim.co.zw
Mobile Phone Number : 0772 978 597
Business : 04 748150-2

Yours faithfully,

Clive Tigere
QUESTIONNAIRE FOR OK ZIMBABWE

SECTION A: DEMOGRAPHIC VARIABLES

Please simply tick or put an ‘X’ in the box before an answer of your choice.

Q1. Sex
   A. Male   B. Female

Q2. Age
   1. 18yrs - 24 yrs  2. 25yrs -29 yrs  3. 30yrs -34yrs
   4. 35yrs – 39yrs  5. 40yrs – 44yrs  6. 45yrs -49 yrs
   7. Over 49yrs

Q3. Please indicate your job group category.
   A. Executive
   B. Manager
   C. Supervisor
   D. Graduate Trainee
   E. Other (Please specify)…………………………

Q4. What is your current employment status?
   A. Permanent Full Time
   B. Fixed-Term Contract
   C. Other (Please specify)…………………………

Q5. For how long have you been employed by the Organization?
   A. Less than 1 year
   B. 1 year to 5 years
   C. 6 years to 10 years
   D. 11 years to 15 years
   E. 16 years to 20 years
   F. 21 years to 25 years
   G. 24 years to 30 years
   H. Over 30 years

Q6. Where is your job located in the Organization?
   A. Head Office
   B. Branch Office
   C. Other (Please Specify)…………………………………………

Q7. Please indicate your level of education
   A. Doctorate
   B. Masters Degree
   C. Bachelor’s degree
   D. Diploma
 SECTION B

INTEGRATION OF HR FACTORS AND STRATEGY AT CORPORATE LEVEL

Q9. ‘Our Human Resources Director is a member of the Board of Directors’
1. Yes
2. No
3. I don’t know

Q10. ‘Our Human Resources Director is involved in formulating the Strategic Plan of the organization’
1. Yes
2. No
3. I don’t know

Q11. ‘Our Human Resources Director is able to advice on people implications once the Strategic Plan has been formulated’
1. Yes
2. No
3. I don’t know

Q12. ‘Our Corporate Mission statement includes explicit reference to people’
1. Yes
2. No
3. I don’t know

Q13. ‘In our organization, there is a separate document articulating people management strategy’
1. Yes
2. No
3. I don’t know

Q14. ‘In our organization, people management strategy is an integral part of the Strategic Plan’
1. Yes
2. No
3. I don’t know

EMPLOYEE SKILL AND DIRECTION

Q15. ‘In our organization, applicants undergo strict selection involving psychometric tests, structured interviews, assessment centres, standard forms and specialised search firms before being hired’
1. Yes
2. No
3. I don’t know

Q16. Please indicate the dominant selection method used for all categories of staff in your organization
A. Use of Psychometric tests
B. Use of Assessment centre
C. Use of Interviews
D. Use of standard forms
E. Use of employment agencies

TRAINING

Q17. ‘I receive the training I need to do my job well’.
1. Agree
2. Strongly Agree
3. Not sure
4. Disagree
5. Strongly Disagree

Q18. ‘The organization does not encourage me to develop new skills’.
1. Disagree
2. Strongly Disagree
3. Not sure
4. Agree
5. Strongly Agree

Q19. On average, how many hours of formal training do employees in your job receive each year?

PAY FOR PERFORMANCE

Q20. How frequently is your performance at work appraised?
1. Never
2. Once a year or less
3. Twice a year or more
4. Every month or more

Q21 Which of the following promotion decision rules do you use most often?
1. Merit or performance rating alone
2. Seniority only if merit is equal
3. Seniority among employees who meet a minimum merit requirement
4. Seniority
5. Other (Please specify)………………………………………………

Q22 Please rank the following in order of what motivates you to be involved in personnel activities in your organization.
1. Personal motivation
2. Need to achieve set business targets
3. To advance my career
4. My appraisal/rewards
5. To meet my boss’s expectations
6. Other (Please explain)………………………………………………

PARTICIPATION AND AUTONOMY

Q23. ‘Employees in this organization are involved in formal participation processes, such as quality improvement groups, problem-solving groups, roundtable discussions, or suggestion systems’
1. Yes
2. No
3. I don’t know

Q24. ‘Employees in this organization have a reasonable and fair complaint process’
1. Yes
2. No
3. I don’t know

Q25. Please rank the following in terms of what applies to you as far as control over setting of work targets in your organization is concerned.
1. I am solely responsible for setting own targets
2. I determine targets together with my boss
3. My boss sets targets but seeks my agreement
4. My boss is solely responsible for setting targets
5. I am not aware of having any specific targets

Q30. ‘My organization is flexible enough to cope with change’
1. Agree  
2. Strongly Agree  
3. Not sure  
4. Disagree  
5. Strongly Disagree  

Q31. ‘My organization is better placed than any of its competitors to meet the challenges of the new millennium’.  
1. Disagree  
2. Strongly Disagree  
3. Not sure  
4. Agree  
5. Strongly Agree  

IMPACT ON COMMITMENT  

Q32. ‘I feel very little loyalty to this organization’.  
1. Disagree  
2. Strongly Disagree  
3. Not sure  
4. Agree  
5. Strongly Agree  

Q33. ‘I am willing to put in a great deal of effort beyond that normally expected to help this organization succeed’  
1. Agree  
2. Strongly Agree  
3. Not sure  
4. Disagree  
5. Strongly Disagree  

Q34. ‘I would accept almost any type of job assignment in order to keep working for this organization’  
1. Agree  
2. Strongly Agree  
3. Not sure  
4. Disagree  
5. Strongly Disagree  

Q35. ‘It would take very little change to cause me to leave this organization’  
1. Disagree  
2. Strongly Disagree  
3. Not sure  
4. Agree  
5. Strongly Agree
Q36. ‘Morale is high in this organization’.
1. Disagree
2. Strongly Disagree
3. Not sure
4. Agree
5. Strongly Agree

Q37. ‘I do not have a great deal of trust in management’
1. Agree
2. Strongly Agree
3. Not sure
4. Disagree
5. Strongly Disagree

Thank You.