

Gaining Competitive Advantage through Training, its Effect on Business Results and the Role of Firm Strategy: A Study on IT Projects of Punjab Pakistan

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ABSTRACT

In past few years training has become a source of competitive advantage for the firms. Currently there is a general consensus on the importance of training as a tool to help firms in developing sustainable competitive advantage, especially in IT companies where firms need to train their managers on every project to properly execute the task. However the investment of companies in training is still very low. There is also a lack of academic research that can analyze this issue, mainly with the empirical techniques. We propose the study of this variable from two perspectives: The first is to verify its effect on business results and the second is to analyze the existing relationship between training and business strategies. This paper studies empirically the effects of training on business results and the effects of firm strategy in devising resources for the training sessions, which will in turn contribute to enhance the productivity of the organizations and the IT professionals will get the empirical evidences of how the firm strategy helps to contribute in improved training sessions and getting more money from the plans to invest in training. The strategies that are used in this study are Porter's Strategies, which have been used in many studies before, here we will be analyzing two business strategies: Differentiation and Cost leadership. This study focused on quantitative research methods and postal questionnaire were sent to IT professionals of Punjab. The results obtained from this study show evidence of significant relationships between training and performance of the IT firms, which can contribute to improvement of such projects.

KEY WORDS: Training, competitive advantage, business results, business strategy

1. INTRODUCTION

The organizational environment is changing rapidly because the world is turning into a global village (Abdullah et al., 2013) Present Scenario of business world is characterized by a growing competitiveness, market globalization and technological advances in organization. The survival of an organization implies the prosecution of sustainable competitive advantages. The knowledge and skills of an organization's employees have become increasingly important to its performance, competitiveness and advancement. Theories placing the origin of these advantages outside the company are now losing validity in favor of those centered on internal elements, especially the theory of resources and capacities. At present, the added value in businesses is not provided by machinery, but by human resources. The employees work on less physical effort and more knowledge (Schultz 1961; Becker 1964). This provides the sources of competitive advantage, which have been helping to have sustained company's success, and it is necessary to find new factors that can sustain the company's competitiveness. Different arguments presented in support of human resource management show its importance towards business strategy. The workers involvement in the planning process effects organizational performance (Appelbaum and Batt, 1994; Blyton and Turnbull, 1992; Guest, 1987; Wilkinson, 2003). HRM has to look at proactive instead of reactive methods towards quality, effectiveness and improvement in overall operations of the organization by shifting certain level of authority and responsibility to the lower level staff (Hollway, 1991). Top management also plays an important role in fulfillment of company objectives and decision making (Umair et al., 2013). We can get two factors in business literature that stand out as being particularly relevant: the company's human capital and organizational knowledge (Wright, McMahan and McWilliams 1994; Pfeffer 1995; Bollinger and Smith 2001). The purpose of a business must consequently develop its human resources and manage its knowledge correctly. Training plays a vital role in the achievement of both the objectives. On the one side, human capital; according to economic theory, training plays a role to have an increase in worker productivity (Fernandez, Sanzo and Trespacios 1999), and on the other, investment in training activities is a manner in which to increase the inimitability of human resources (HR), which is essential in maintaining the competitive advantage (Fahy 2000). With regard to organizational knowledge, training, amongst other factors, provides useful and necessary data that is grasped by the employee

and then it is converted into information, and this information is then converted into knowledge through the learning process (Bollinger and Smith 2001). In this context, we should also highlight the increasing importance in recent years of worker's training as a basic practice in the development of organizational competitive advantage. The objectives of the proposed study are as follows:

To determine the relationship between training and the business results as well as to analyze the existing relationship between training and the business strategy; this in turn would increase or decrease the impact of training on business results and profitability. Many studies have measured the continuous impact of a set of HR practices on business results and performance exist, but very few ones determine the individual effect of a single practice, amongst these, we should highlight, (Ichniowski *et al.*, 2002), (Ordiz 2002), (Goyal and Welch 2004), (Kruse *et al.*, 2004). As regards the second objective, in theoretic development, we can observe the importance of verifying whether those companies in which training is linked to business strategies makes any impact on greater achievement of business objectives.

2. OBJECTIVES OF THE STUDY

The main objectives are:

- To identify the effect of training on the better results of IT project.
- To find out the role of business strategy (Differentiation or Cost Leadership) in attaining improved business results of IT projects.

3. LITERATURE REVIEW

3.1 TRAINING:

Training is known to be one of the most useful processes in the Strategic Human Resource Management since (Lawler, 1994; Delaney & Huselid, 1996). Firms can develop and enhance the quality of the current employees by providing comprehensive training and development. Research indicates that investments in training employees in problem-solving, decision-making, teamwork, and interpersonal relations result in beneficial firm level outcomes (Russell, Terberg, and Powers, 1985; Bartel, 1994; Cianni and Wnuck, 1997; Ettington 1997; Barak, Maymon, and Harel, 1999). Most of researches including Colombo and Stanca (2008), Sepulveda (2005) and Konings & Vanormelingen, (2009), showed that training is a fundamental and effective instrument in successful completion of the firm's goals and objectives, resulting in higher productivity.

With rapid advances in technologies and the mode of transportations, the world economies have shrunk to a global village. In order to survive the intense market competition, organizations need competitive advantage over others. Today's managers are aware that one of the assets to compete successfully in constantly evolving global markets is well developed human capital in terms of knowledge and skills, has the flexibility to learn/adapt new things and the ability to training along-with their focus on increasing sales and production. Horwitz (1999) also affirms that the studies carried out in companies with a strategic orientation towards the training of personnel have demonstrated that investment in training provides greater benefits to the business in question.

3.2 COMPETITIVE ADVANTAGE

Competitive strategy is about creating and maintaining competitive advantages over rivals (Porter, 1980). Further, efficiency of a strategic business unit (SBU) are said to be largely determined by the attractiveness of the industry (together with its entry and exit barriers) and the competitive position of the SBU within that industry. What matters is achieving a cost or differentiation position (industry wide or in a niche) which can be defended against rivals. In order to achieve such an attractive position a firm must be able to execute the necessary discrete activities (Porter, 1985) in a more effective and/or more efficient way than its competitors. This positioning only explains part of the differences in performance within an industry: a superior performer possesses not only an attractive position, but also unique and hard to imitate resources (Dierickx and Cool, 1989; Wernerfelt, 1984). From our review of the literature dealing with training, we can highlight that there are authors who point out the existence of a positive relationship between training and business profitability and that said relationship is also sustainable over time as said by my researchers (D'arcimocles 1997), (Black and Lynch 2001), (Ordiz 2002), (Arago'n *et al.* 2003), (McGahan and Porter 2003), (Goyal and Welch 2004), (Kruse *et al.* 2004)

3.3 BUSINESS STRATEGY (PORTER'S TYPOLOGY):

It has been argued that there is a positive relationship between the training of personnel and business results, but the intensity of said relationship depends upon the strategy developed by the company (Pfeffer and Baron 1988), (Peck 1994), (Osterman 1995), (D'arcimocles 1997), (Bartel 2000), (Arago'n *et al.* 2003), (Kruse *et al.* 2004). Porter (1980) argues that HR can assist in the achievement of a competitive advantage by reducing costs, increasing differentiation sources of product or service, or in both manners. Schuler and MacMillan (1984) propose that the key to the formulation of HR strategies lies in determining the manner in which the

companies intended to combat competitors through these strategies, thus allowing them to determine a cost-based strategy (by analyzing how HR skills and practices can assist in attaining cost advantage) or product differentiation-based strategy. The HR strategies that are adjusted to low cost strategic orientation highlight efficient low cost production; they promote adhesion to rational and highly structured procedures to minimize uncertainty and they discourage creativity and innovation (which may cause errors and costly experimentation). Efficient HR strategies therefore, incorporate a detailed description of the tasks that each employee should carry out, like specific training according to the employee’s position, the contracting of employees with technical qualifications and the necessary capabilities, a negotiable salary according to the employee’s position as well as the use of performance evaluations as control tools with which workers whose output is low can be controlled. HR strategies that are adapted to a differentiation strategy emphasize innovation, flexibility, the renovation of work strength by attracting new talent from other companies and strengthening of creative impulses. The specific HR strategies, which probably benefit those who adopt a differentiation strategy include the use of a general definition of work posts, flexible planning of work, group learning, emphasis on what the individual is capable of (rather than the post that she/he occupies) to determine his/her salary and the use of performance evaluation as a development tool rather than a control tool (Sastre and Aguilar 2003). The companies that adopt a differentiation strategy make a greater role in training than those that adopt a cost leader strategy (Schuler and Jackson 1987), (Kydd and Oppenheim 1990). Some authors argue that the relationship between training and results is different, which depends on whether the company carries out a cost or a differentiation strategy (Arthur 1992), (Procopio et al., 1996), (Kidder and Rouiller 1997), (Murray and Raffaele 1997), (Black and Lynch 200), (Bayo and Merino 2002). The companies which adopt cost leader strategies, the employees’ qualification demands are reduced and due to this, the training efforts carried out. However, in companies which use a differentiation strategy, the variety of tasks completed by employees is higher, and this demands a greater autonomy of employees to perform, which must be supported by higher qualifications and an elevated motivation to assume the necessary risks in decision-making. In Cost Leader strategy, financial and budgetary restrictions play an important role in the designing of HR strategies (Go´mez et al., 2002).

Thus we propose the following model after vast literature review to find out that how this study can help to find the better results for IT professionals.

Theoretical framework

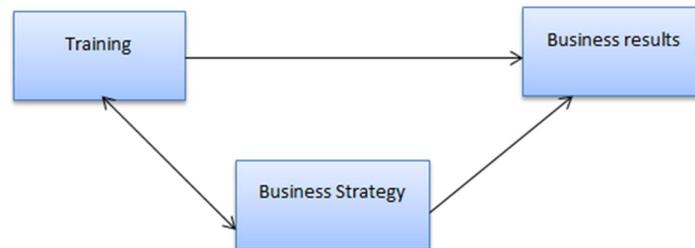


Figure 1

Source: *Theoretical Framework of Training developed by Researcher*

4. RESEARCH HYPOTHESIS:

Following are the research hypothesis to be tested for the proposed study:

Table 1: SUMMARY OF HYPOTHESIS

Hypotheses	Variables	Expected results
H1: There is a positive relationship between training and business results	Does or does not carry out Training Profitability Spending on training Profitability	It is expected that the companies that carry out training will obtain profitability which are superior to those that do not carry out training
H2: : Companies which spend more on training get their objectives at a better level	Business objectives Spending on training	It is expected that those companies which invest more in training will attain their business objectives at a better level
H3: Business strategy has a positive relationship with business results	Business strategy (Porter)	According to the Porter generic strategies, it is expected that the strategy that the company adopts will influence its spending on training
H4: training and business strategy has positive impact on business results	Business strategy (Porter)	Combining training and business strategy has positive impact on business results

5. METHODOLOGICAL ASPECTS: THE ESTABLISHMENT OF A DATA COLLECTION METHOD:

To collect the data, a well structure questionnaire was designed incorporating the stated measurement scale. Firstly, project managers were approached personally and briefed about the objectives, methods and fruitfulness of the study (Rashid et al., 2013). The population of this study is based on 30 IT companies of Punjab which are extracted from the list provided by the governing body of IT Companies in Pakistan which is named as PASHA (Pakistan IT Houses Association). The sample is based on 100 IT professionals. The information was gathered through a questionnaire that were sent to the person who is in charge of the company's HR department and they got it filled from the project managers; we got 80 useable questionnaires to be analyzed. As regards the validity of the 'results of training' construct, the value of the Cronbach Alpha statistic is 0.929

6. DATA ANALYSIS

The data analysis is based on the frequency tests applied on the each item included in questionnaire and regression analysis for analyzing the impact of independent variable on business results.. The responses on the scale were based on the five item likert scale with five possible responses ranging from 1 to 5 (Value: 1 = it has contributed very little; 5 = it has made a great contribution). The results in the table 1.1 below show the frequency of each item on training and its impact on business results. Most of them in the following table are providing positive results on productivity.

Table 2 shows the frequencies of responses.

Research Item	Great	Good	Satisfactory	Little	V. Little
Increase in productivity	24	22	14	12	8
Improvement in product or service quality	36	14	10	8	12
Reduction in product cost (wastage, breakdowns)	24	6	11	8	31
Reduction in customer complaints	24	14	10	10	22
Increase in number of customers	22	22	10	10	16
Increase in customer loyalty	8	16	16	18	22
Increase in employee motivation	36	18	8	10	8
Reduction in number of work-related accidents	10	24	8	16	22
Improved disposition towards teamwork	26	14	16	6	18
Improved employee capacity to solve problems	46	12	10	2	10
Reduction in absenteeism	26	18	10	14	12
Facilitates management of personnel	10	8	28	24	10
Improves organization's situation with regard to competition	28	10	8	12	22
Improves company's profitability	22	18	16	14	10

The table 2 above shows the frequencies of the responses which were asked in the questionnaire, and shows how respondents have rated different questions on the scale. The responses clearly show that training practices play an important role in the improvement of business results and the strategy which is highly preferred for this purpose is differentiation strategy.

Table 3 ANOVA
ANOVA(a)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	13.475	1	13.475	4.659	.034(a)
	Residual	225.575	78	2.892		
	Total	239.050	79			

a Predictors: (Constant), aggregate results of training

b Dependent Variable: aggregate result of BR

The table 3 above shows significance and fitness of model between training and business results. The F value is 4.56 shows that model is good fit to analyze.

Table 3.1 effect of training shows significance ($p^* < 0.05$) on business results

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
1		B	Std. Error	Beta	B	
	(Constant)	8.689	1.524		5.702	.034*
	aggregate results of training Q1to Q15	.067	.031	.237	2.159	

Table 3.1 shows the individual effect of training on business results and the p-value is less than 0.05 that shows significant relationship, which means that there is a strong impact of these training practices on the Business results; thus hypothesis **H1 and H2** are proved that training has a relationship with business results and the companies which spend more on training achieve their objectives at a better level and the relationship is proved to be positive as the p value is **0.034**.

Table 4 ANOVA
ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	15.892	1	15.892	5.555	.021*
	Residual	223.158	78	2.861		
	Total	239.050	79			

a Predictors: (Constant), trainingBS

b Dependent Variable: aggregate result of BR

The table 4 above shows significance and fitness of model between training and business strategy on business results. The F value is 5.55 shows that model is good fit to analyze

Table 4.1: effect of training and business strategy shows significance (p*<0.05) on business results

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta	B	
1	(Constant)	8.878	1.477		6.010	.000
	TrainingBS	.067	.028	.258	2.357	.021*

a Dependent Variable: aggregate result of BR

Table 4.1 above shows the combined effect of training and business strategy on business results and the p value is less than 0.05 which shows significance of the study and proves that there is a positive effect of combining training with business strategy and it gives improved business results. Thus **H3 and H4** are proved that business strategy has a positive impact on business results, which is clear from p value of the regression model and the combined effect of Training and business strategy has positive impact on business results. The p value is 0.021, which is significant.

7. RESULTS AND CONCLUSION

The role of human resource management is just like back bone in organization towards the management of all resources through humans in an efficient and effective way to achieve organizational goals (Amir et al., 2013). According to Harrison (2002) and Michael (2003) human resource management plays an important role in an organization towards the management of human resources in an efficient and effective way. Training is one of most important practices of HRM. It has the distinct role in the achievement of an organizational goal by incorporating the interests of organization and the workforce (Stone R J, 2002). The results of the study provide significant and positive relationships when the regression analysis was applied on the data. The significance shows that there is a strong impact of adopting training practices in IT projects to enhance their performance. We can find some explanations to these conclusions. Numerous empirical studies have demonstrated that the training of personnel produces higher profits. Russell et al. (1985), Walton (1985), Delaney and Huselid (1996), Bukowitz and Petrash (1997) and Danvila and Sastre (2005) demonstrate that a greater effort in training leads to better results. Leonard (1990), Pfeffer (1994 1998), Bassi, Ludwig, McMurrer and Van Buren (2002) or Goyal and Welch (2004), amongst others, have also demonstrated that an effort in training has a positive influence on long-term economic profit. So, in this sense, our research has provided a new empirical support, which allows us to state that the definition of training programs will have a positive impact on organizational performance.

The results of this study also show that business strategy has also a positive impact on the business results. It means that the companies should adopt the strategies according to their needs and requirement of the personnel and the companies which focus on training can achieve their objectives at a better level and their performance increases; thus they are able to achieve competitive advantage on other firms and businesses. Horwitz (1999) also affirms that the studies carried out in companies with a strategic orientation towards the training of personnel have demonstrated that investment in training provides greater benefits to the business in question. Bayo and Merino (2002) state that those businesses which made a greater effort in HR practices (amongst them, training) obtain greater commitment from their employees.

Here we are able to conclude that our study has positive impact on the IT projects results, where mostly there is a need for new project to train their team. The results have shown that if training practices are being adopted by these firms, they can help to improve the performance of the business and if the businesses adopt a

differentiation strategy then they are more likely to get better performance and results. The results obtained therefore exclusively show a relationship between the effort made in training and the companies' results, and it is known that the degree of employees' progress may be diverse, as it depends upon their interest, motivation, capacity and other factors of the employees who receive said training, which are difficult to measure.

Hence from this study we find out that by adopting HRM strategies such as training, a business can improve their results and some previous studies have also proved that training has a significant impact on business results (Sastre, 2005). For instance IT projects, in which they need to train their professionals for new project, can help the firm to compete with other companies. Strategies also play important role in fulfillment of company's objectives and it has a positive effect on the results of business (Howirtz, 1999) and in this study we are able to find out that Differentiation Strategy has more positive impact on IT projects than Cost Leadership strategy.

8. Recommendations:

- The study can be conducted by taking more HRM practices.
- The population is limited because of time constraint; so the study can be conducted by taking more respondents to make it more generalizable and valid. Further study can also be carried out in different sectors in order to find out the effect of training on other research areas by combining it with business strategy.

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