



An empirical study of the relationships among employee's perceptions of HR practice, human capital, and department performance: A case of AT & T Subordinate telecoms company in Taiwan

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ABSTRACT

The telecom industry in Taiwan began to enter a vigorous development stage after Taiwan's Legislative Yuan enacted the three major telecommunications laws in 1996. After 2003, the number of mobile phone subscribers began to shrink after reaching a climax penetration rate of 111%. The problems which were ignored during the high growth period began to appear. This research discusses which human practices are effective in developing human capital and whether they will influence the performance of the telecom industry. Human capital is used as a mediate variable between human resources and department performance. Through a questionnaire survey, an analysis by mean, standard deviation, and Pearson correlation is performed. A causal multivariable analysis by structural equation modeling (SEM) is used to test the causal relationship among these factors.

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1. Introduction

Taiwan's telecommunication industry began to enter a vigorous development stage after the Legislative Yuan passed laws of telecommunication in 1996 and opened mobile telecommunication service in 1997. The number of mobile customers increased fast from 1998 to 2002, and many operators regarded the increase of subscription numbers and market shares as the first priority of their business goals. (Liu, 2002; Peng, 2001) Since the turn of 2002, the customer subscription rate has become saturated; the penetration rate of 111% began to drop and operators began to experience challenges in profit growth and market stability after the growth period. The problems and the human resources issues that had been ignored began to emerge. (Huang, Su, Hsu, & Lin, 2004; Hwang & Ray, 2005).

Under the impact of liberalization and internationalization, telecommunications operators have to maintain business advantages to survive. The environment of telecommunication industry continues to change significantly; it influences users' attitudes and behaviors, causing the same things to be perceived differently. So the strategies and practices of human resources management became more important. Ulrich (1997) points out, that when it is easier to obtain funds and production technology, competition

advantage is cultivated from human resources inside organizations, especially the strategic management of the human resources. Although there are a lot of methods to create competitive advantages, some methods are easily imitated and substituted. Human resources practices are less likely to be imitated. Therefore, to maintain the competitive advantages that were created from implementing human resources management practices is easier than other methods (Kleiman, 1997). In addition, the human resources management practices are important to accumulate and develop human capital, and the human capital is the important factor to affect organization performance. What kind of management practices can properly apply and use human capital to achieve business goals would be an important issue for all modern enterprises?

Under keen competition, human resources have played an important role in the telecommunications industry. Besides effective allocation of entity resources, the appropriate application and allocation of human resources have served competition advantages when technology is available and competitiveness is fair.

Many scholars have considered the relationship of human resources management and organization performance (Delery & Doty, 1996; Huang, 2002; Huselid, 1995), but there is very little research about the role of HRM in the telecommunications industry. The main purposes of this research are to understand the profile of human resource practices in the telecommunications industry, to explore the relationship of human resource practice, human capital, and to provide suggestions for telecommunication

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operators to improve their human resource practices and to raise their organizational performances.

2. Theory background

2.1. Human resource practices

In the past, personnel departments have only administered the employment and dismissal of organizational staff and carried out wage policies and controls over the welfare plans of organizations (Dessler, 2001). With the rising importance of manpower capital, organization begins to face the role of resources management within an organization and expand its business scope to recruitment, settlement, training, and development. Even today, the role of human resource management has been changing from the inspection of trainees to the developing of competitive strategies; they cooperate in the competitive strategy of the organization and become one of the important factors to improve organization performance.

One of the most important functions in an enterprise is manpower resource management; its importance is perceived in the development of an organization. This is because the change in the fast management environment faced by enterprises makes the human resources become an important asset. The functions of human resources management should include recruitment, selection, transference, promotion, dispatch, training, development, wages, welfare, labor-capital relationship, employment assurance, and laborer security (Dessler, 2001). Noe, Hollenbeck, Gerhart, and Wright (2003) define human resources management as the policy, practices and system that influence the behavior, attitude, and performance of staff; thus, all human resources practices must proceed on the basis of the strengthening tactics of the entire organization's performance.

Pfeffer (1994) has put forward the concept of "best practices" in the human resources management tactics; these include: overarching philosophy, employment security, selectivity in recruiting, high wages, incentive pay, employee ownership, information sharing, participation and empowerment, teams and job redesign, training and skill development, cross-utilization and cross training, elimination of status symbols, promotion within, long-term perspective, wage compression, and measurement of practices. Such 16 items are the human resources management activities necessary to create competitive advantages. Pfeffer (1995) goes one step further to propose alternative selection, working guarantees, high-level wages, rewarding wages, allotment of shares to staff, information sharing, the participation of the staff, manage the group oneself, training technical abilities. The job wheel can improve the important human resources management practices which organize the performance to adjust 13 items of to promote and symbolize with the equal doctrine with the mutual training, wages compressing, inside etc., and considered these 13 activities to reach the characteristic possessed together of organization of competition success through managing the staff.

2.2. Human capital

Human capital is defined as the personnel who possess the ability, experience, and knowledge to create the economical value of an organization (Lepak & Snell, 1999; Snell & Dean, 1992; Van Buren, 1999).

Snell and Dean (1992) maintain that a staff's ability and knowledge can promote productivity; so human capital refers to the personnel who own the ability, experience, and knowledge that have economical value for organizations. Lepak and Snell (1999) emphasize that human capital is the staff's technological ability; it is the result that the organization makes the investment sedulously;

hence, only on the premise of improving productivity, thus the capital investment of manpower is worthy. Dzikowski (2000) thought that the human capital means the personnel's know-how, capabilities, skills and expertise in the organization.

Knight (1999) argues that human capital is personal specialty and technical abilities of which enterprises cannot depose; when enterprises employ, develop and keep the best talent, the value of the human capital increases promptly. The human resources manage the constant investment in the manpower capital (Lepak & Snell, 1999). So, an organization makes the investment and accumulates the manpower capital through various channels to improve productivity and then raises remuneration.

The characteristics of promoting efficacy and efficiency, competitive advantages, threat blocking, and all human resources are the same as other resources, which possess value to enterprises; it is, moreover, the key resource; enterprises should invest in developing and keeping it. In addition, its rareness is the source of competitive advantage of the organization; therefore, the organization should endeavor to preserve the existence of its resources (Barney, 1991). Furthermore human capital has uniqueness and is difficult for organizations to acquire them from the market (Lepak & Snell, 1999). The uniqueness of human capital should be internalized.

To conclude, the indexes of human capital are divided into quantization and quality indexes, because the scholars who advocate human capital have different opinions and objective data are difficult to collect. Therefore, this research constructs the surface with two items of human capital which are developed by Lepak and Snell (1999).

2.3. Performances

The assessment of department performance may adopt the three indexes used in general engineering: efficiency, effectiveness and timeliness. Efficiency is the ratio of output to input, that is to say "do things right." Effectiveness is the quality of the output, that is to say "do the right things."

Efficiency refers to the subjective intuition of the group operation efficiency (output, productivity and cost). Hackman (1991) points out the measurement of team efficiency can depend on three indexes, (1) team performance can accord with the requests on the quantity, quality and timeliness; (2) the technical ability of team members can improve the working experiences of the team in the future; (3) team experiences can be contributed to the satisfaction of individual. The above three indexes are used as the basis to weigh the team performance.

Synthesizing the statements of the above scholars, this research regards case company of telecommunications as the target and the measurement is adopted as the non-financial entirety performance and subjective self-judgment. The performance of each department is based on proposal of Lawless (1979) which focuses on the items which are productivity, and working morale (flexibility, team morale). Members assess their own performance relative to others in the organization.

3. Assumption

Cascio (1991) points out that human resource practices are basically the main method that an organization carries on its capital investment of manpower. The differences of human resource management activities among organizations can reflect the level of the capital investment level of manpower. The organization invests in the human resources practices in order to increase staff's technical ability, knowledge and ability, and it expects that the staff can increase productivity through these activities in order to increase contributions to the organization in the future. Thus, the

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