

Identification of factors of Hard and Soft Human Resource Management Practices

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Abstract

The Human Resource (HR) system comprises of various interrelated HR practices that forms the bundles. These bundles of Human Resource practices impact the organizational performance. The hard and soft HR bundles are the two sets of the same continuum that describes the strategic approach of the HR system. The purpose of this study is to identify the hard and soft HRM practices from the literature and then empirically test them with the help of factor analysis. The study is conducted on the service industry employees in India. The survey includes the employees from the middle and top-level executives of the service firms. The sample size for the study is 160. Principal component analysis with VARIMAX rotation and Confirmatory Factor Analysis was used to obtain the results. The data analysis was done on SPSS V.20 and AMOS V.22. The results provide knowledge of the HR practices under the hard and soft HRM bundles implemented in the service industry.

Keywords : Factor analysis, Hard HRM, Soft HRM, Service industry, Strategic HR practices

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1. Introduction

Human resource strategic orientation is a tactical approach for managing employment relations, adopted by the firms to manage the workforce to achieve best outcomes [Boxall and Purcell, 2000]. The strategic orientation behind every HR practice can be understood through various Human Resource Management (HRM) models, out of which Soft and Hard model appears to be the two important models [Kidombo, 2007; Truss, 1999, 1997; Guest, 1987]. The focus of many researchers is connected with the implementation of HR practices and policies. The approach of HRM has always been controversial. Some authors argue that HRM is focused mainly on task completion while others say its approach is always developmental. Based on these two different perceptions, HRM practices and policies have been categorised as Soft and Hard HRM. The Soft Human Resource Strategic Orientation suggests that all the essential HR activities like recruitment, training, appraisals, and rewards should be in a manner that nourishes the employee's efforts and behaviour. This will apparently help the employees to contribute more towards the organizational goals. The Hard Human Resource Strategic Orientation has projected HRM practices and policies to be highly integrated with the business strategies that aim to maximize productivity and profitability. It considers employees to be just a factor of production [Rahman et al., 2017]. Thus, the strategic orientation of HR can be categorised as the soft and hard strategic orientation based on the two approaches followed by the organizations. The Harvard model of human resource management works on the strategy of developing a good relationship between managers and employees. It focuses on soft HR prac-

tices. The model states the managers should strategize to on employee commitment, and not on controlling them. On the other hand, the Michigan model works as a framework for hard HRM, where employees are seen as any other resource to the organization which needs to be managed well to obtain maximum benefits. The ultimate goal of HRM practices is to get organizational performance [Vanajamma, 2015].

Human Resource Management Practices leads to Organizational Performance. Every organization practice HRM in a different manner. The goal of the organizations is to draw more and more benefits from their employees that would ultimately fulfil its organizational goals. The difference lies in the approach that is followed to achieve those organizational goals. Nowadays, the HR strategy is aligned with the business strategy to gain more and more benefits. This is one of the reasons why strategic HR has a different approach from traditional HRM. The literature suggests that there are certain approaches that an organization follows for managing its employees. Based on the models of HR approach, two major strategic orientations, soft and hard approach, has been found. Some organizations follow soft strategic orientation; some may follow the hard strategic orientation, while others may follow a combination of both the orientations. Therefore, it is assumed that some organizations will follow the soft approach, some will follow the hard method, and some will follow a combination of both of these approaches. Thus, this study is an attempt to identify those measures of soft and hard HRM practices which could lead to better organizational performance. The earlier research done related to this issue has been limited to other industries, and the variables for the study had been defined. Kidombo et al. [2012] studied

the relationship of the soft and hard element of human resource management with the affective, continuance and normative components of organizational commitment. The study was conducted on private manufacturing companies in Kenya. The results of the study concluded that there is a positive relationship between both the strategic orientation of human resource and the two components of commitment that are affective and continuance. Further, the results found that a negative relationship exists between the hard strategic orientation of human resource and normative part of organizational commitment. One major research gap found in earlier researches is that the data was collected only from the HR managers and not the other level of employees. Edgar and Geare (2005) discussed in their study that it is clear from the previous studies that certain HRM practices are able to achieve firm performance, but it is still not clear that what human resource practices impact the variables of firm performance and to what extent. Soft HRM states that the benefits of human resource practices can be achieved through a neopluralistic mechanism while the Hard HRM states that the orientation of human resource management practices should be uniformly unrealistic and more focused on managerial values. The human resource practices studied earlier with respect to the soft and HRM approaches are training and development [Truss et al., 1997; K'Obonyo and Dimba, 2009], compensation practices [K'Obonyo and Dimba, 2009], employee engagement [Jenkins and Delbridge, 2013]. The paper extends the current literature by identifying the measures of soft and hard HRM practices. The objective of this study is to identify the measures of soft and hard HRM from the literature and provide empirical evidence for the

same with the help of factor analysis.

This paper comprises of four sections. In Section 2, the authors reviewed the literature on soft and hard human resource management practices. Section 3 describes the research methodology. In Section 4, the empirical results and analysis are shown. Discussions are provided in Section 5. Finally, in Section 6, the conclusions are provided.

2. Literature Review

The two contrary concepts of hard and soft versions of human resource management are difficult to incorporate into a single model. The soft approach to HRM is derived from the human relations school of thought while the hard approach to HRM is derived from the strategic management and business policy line of thought [Beardwell and Holden, 1997; Storey, 1992]. The former is oriented towards the development of employees as view them as assets and active partners to the firm, while the latter is focused on achieving the targets by considering employees as a means to an end [Kidombo et al., 2012]. The key difference between the two orientation is only about the emphasis, i.e. should it be more on human or the resource. Soft HRM is associated with the human relations movement, goals of flexibility and adaptability. On the other hand, Hard HRM stresses the quantitative, calculative, and strategic aspect of the business [Truss et al., 1997].

Ihuah (2014) studied the literature on Hard and Soft HRM models to find the best practices that give better employee performance for any organization. The author argues that both hard and soft HR practices are practised together. The Harvard model of HRM is the framework for the soft HR practices by creating an environment of awareness and

understanding between the employees and the organization. The Michigan model focuses on the strategic aspects of recruitment, appraisal, rewards, and development of employees for fulfilling the organizational strategies. The author concluded that soft HRM practices are better than hard HRM practices for employee development. Human resource practices like highly qualified personnel, skill-enhancing; motivation increasing and opportunity for growth and knowledge sharing are the bundles of HR practices that are positively linked with the innovation outcomes at workplaces [Chowhan et al., 2017].

The HRM architecture needs to focus on those HRM practices that emphasize the recruitment and selection, training and development, performance and workforce planning. Literature suggests that HRM practices have a positive relationship with organizational performance. The alignment of business strategy with the HR strategy moderates the relationship between HRM practices and talent management practices, and talent management practices and firm performance [Glaister et al., 2017]. The study conducted in a private organization of Tanzania to investigate the compensation practice and its impact both in soft and hard approach. It was concluded that the soft compensation HRM practice gives a positive impact on the job satisfaction of employees while on the other hand, the hard compensation HRM practice gives a negative impact on the job satisfaction of employees [Michael, 2017]. The soft HRM primarily aims to work on employee development; on the other hand; the hard HRM aims to increase more and more productivity and cost. The study could be considered to have a major research gap as no universal measurement scale could be found or developed so far that will altogether study

the dimensions of soft and hard HRM. The results to have the limitation that they could not be generalized. The sample size was also found to be very small. However, the study concludes that all the HRM practices existing in an organization are a combination of soft and hard approach [Rahman et al., 2017].

Some of the identified soft HRM practices are higher recruitment at job entry levels, employee participation, job security, heavy training and development, extensive reward plans and appraisal programmes that enhance employee loyalty, participation, job performance and overall firm performance [Arthur, 1994; Kidombo, 2007; Rodriquez and Ventura, 2003]. Some of the hard HRM practices are recruitment above job entry levels from the external market, limited job security, limited training and development, low participation in decision-making processes, and quantitative measures of performance, which reduce direct labour costs and enhance firm performance [Rodriquez and Ventura, 2003]. Yang and Yang [2012] found that it is necessary to integrate the hard side of the system, i.e. the technical aspect with the soft side of the system, i.e. human factors. The people factors like empowerment, respect, job security, job satisfaction, direct authority, sharing of company success, and the pursuit of perfection are critical to the successful implementation of HRM system and TQM practices. According to Truss [1999], the approach of HRM may be soft or hard, and the management thinks that they are following the soft approach, but in reality, the employees experience a hard approach that focused on performance. Therefore, this may happen that the organization signals one approach but the employee, as a receiver perceives the different approach. So, it is essential to study not only the implementation of HRM but also the

perception of employees towards these HRM practices and methods.

Terzioviski and Sohal [2000] suggested that the managers for future development initiatives are required to implement strategies for continuous improvement that should be based on soft management practices. Cunningham [2016] indicated that soft HRM policies help in upgrading the training of employees so they can possess the necessary practical skills and work orientation. Contrary to this, hard HRM policies focus on employment degradation and standardization by bringing work pressures. Ashton [2018] researched to find how soft human resource management practices lead to job satisfaction and job retention in the Thai hotel industry. A comprehensive model drawn from the theories of commitment and motivation was developed. The study concluded soft HRM practices helped to resolve the crisis of shortage of labour and skills, and thus improves job satisfaction and retention in the hotel industry. To improve performance and gain productivity, the organizations sometimes intensify the workload. In the process of obtaining short-term financial benefits, they get directed towards the hard HRM approach. This successfully yields the economic gains in the short run but is responsible for hindering the organizational commitment in a long period [Cook et al., 2016]. The study about the 'black-box' of HRM identifies the factors that link the HRM practices with organizational performance [Harney and Jordan 2008]. Gill and Meyer [2011] found that there is a massive gap between soft HRM rhetoric and soft HRM in reality. Resistance to change, decrease in job satisfaction, low productivity rate, and less organizational commitment are some of the negative outcomes experienced by the managers from their employees due to the gap in rhetoric and reality

of HRM practices. The author further suggested that when the organizations would increase the use of soft HRM model and also decrease the difference between the HRM policy rhetoric and reality would not only lessen the adverse outcomes but would enhance the positive results too. Based on the literature review, a need to explore the measures of soft and hard human resource management practices was identified and also highlights the research gap that is in need to be fulfilled through future studies.

3. Research Methodology

3.1 Sample and Procedures

Data for this study were collected from India. The sample for this study comprised of the middle and high level employees from the service sector. The sample covers the IT and Banking industries. The data was collected with the help of a self-administered questionnaire. Respondents were informed that the purpose of the survey is research on soft and hard HRM practices existing in their organization and that their responses will be kept confidential. The participation was voluntary by the respondents.

The convenient sampling method was used for the collection of data. A total of 178 respondents were approached for this purpose, out of which 169 respondents took the survey. After deleting half-filled responses, a total of 160 responses were gained for analysing the results. Apart from the measures of soft and hard HRM, the survey instruments collect the basic information about the respondents like name, age, gender, company, and designation. This information was also optional to be completed by the respondent or not, keeping in mind that they may not find it suitable to share their details.

3.2 Measures

The study first collects the measures of soft and hard HR practices from the literature. From the literature, various existing scales were identified out of which the authors prefer to choose the scale Kidombo [2007] because the scale focuses on soft and hard approach towards HR practices and the questions of the measurement scale were easy to understand for the respondents. The scale consisted of 25 items. A 5-point Likert scale was used ranging from 1 (Strongly disagree) to 5 (Strongly agree).

3.3 Data Analysis Tools

The data collected was analysed with the help of SPSS V.20 and AMOS V.22. Principal component analysis with VARIMAX rotation and Confirmatory Factor Analysis was performed to generate the output. The reliability of the questionnaire was explained with the help of Cronbach's alpha.

4. Results and Analysis

4.1 Reliability

The reliability of the measuring instrument was calculated using Cronbach's Alpha, as shown in <Table 1>. For 25 items and 160 respondents, the reliability score obtained was .839, which is acceptable. The acceptable

<Table 1> Reliability Statistics

Cronbach's Alpha	N of Items
.839	25

<Table 2> KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.840
Bartlett's Test of Sphericity	Approx. Chi-Square	2386.963
	df	300
	Sig.	.000

value of Cronbach's alpha should be above .70 [Nunnally, 1978].

4.2 Exploratory Factor Analysis

The data reduction method used to find the factors of soft and hard HRM practices was Exploratory Factor Analysis based on the principal component method. The KMO criterion was used to find whether the correlation between the variables is acceptable or not to proceed further for exploratory factor analysis. The KMO and Bartlett's test value obtained was .840 with a significant value of .000, which was acceptable to proceed for factor analysis. <Table 2> shows the values of KMO analysis.

The results from the total variance explained are shown in <Table 3>. Out of 25 items, eight items were found having an Eigen value of 1 or above, and have explained more than 69% of the variability of data.

<Table 3> Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.549	26.196	26.196	6.549	26.196	26.196	5.333	21.331	21.331
2	4.527	18.108	44.304	4.527	18.108	44.304	4.460	17.841	39.172
3	2.469	9.876	54.179	2.469	9.876	54.179	3.553	14.212	53.384
4	1.487	5.949	60.128	1.487	5.949	60.128	1.580	6.319	59.703
5	1.217	4.867	64.995	1.217	4.867	64.995	1.274	5.095	64.798
6	1.143	4.571	69.567	1.143	4.571	69.567	1.192	4.769	69.567

〈Table 4〉 Rotated Component Matrixa

	Component					
	1	2	3	4	5	6
Q20	.891					
Q21	.868					
Q22	.851					
Q19	.839					
Q23	.775					
Q17	.731					
Q18	.727					
Q16	.688					
Q11		.877				
Q12		.847				
Q10		.836				
Q14		.832				
Q13		.824				
Q9		.801				
Q3			.844			
Q6			.833			
Q4			.830			
Q5			.790			
Q7			.787			
Q24				.747		
Q25				-.720		
Q2				.559	-.433	
Q1					.706	
Q8					-.676	
Q15						.840

Extraction Method : Principal Component Analysis.
 Rotation Method : Varimax with Kaiser Normalization.
 a.Rotation converged in 5 iterations.

From 〈Table 4〉, the rotated component matrix can be seen. VARIMAX rotation technique was used for interpretation of factor analysis solution. The 25 items collected were categorised among the six components, as shown in 〈Table 4〉. The questions with negative values show the existence of hard HRM practices. There are three measures for which the values are negative Q2, Q8, and Q25 representing little recruitment, job security, and organizational outcomes-oriented leadership style respectively.

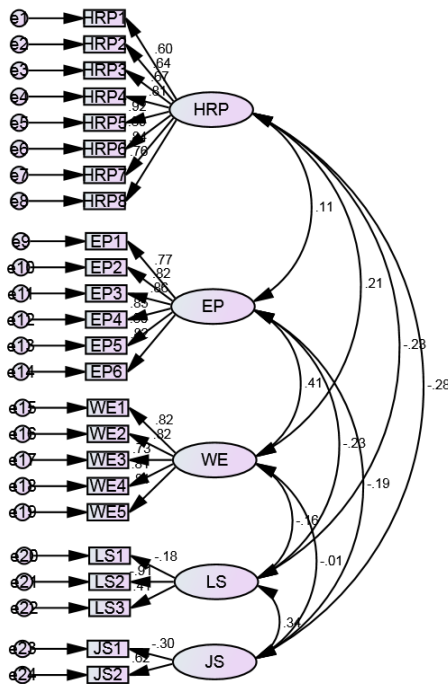
The first factor is labelled as human re-

source policies with eight items that describes what human resource practices and policies implemented by the organizations. The second factor is labelled as employee performance with six items describing the policies and practices of HR department oriented towards performance of employees and fulfilling the organizational goals. The third factor is labelled as working environment with five items defining the work culture and norms that an organization provides to its employee. The fourth factor is labelled as a leadership style with three items defining the leadership style of the firms. The fifth factor is labelled as job security related to satisfaction of employees and the security of job with two items. The sixth factor is labelled incentive with only one item. Since the sixth factor has only one factor for measurement which is inappropriate for model fit therefore this factor is dropped in further calculation of the confirmatory factor analysis.

4.3 Confirmatory Factor Analysis

The confirmatory factor analysis was done on 160 data collected so as to find the model fit. The model fit was assessed using CMIN/DF, goodness-of-fit index (GFI), the comparative fit index (CFI), root mean square error of approximation (RMSEA), adjusted goodness-of-fit index (AGFI) and root mean square residual (RMR). The threshold for CMIN/DF should be less than 3.0 or less than 2.0 in a more restrictive sense. Values of GFI, AGFI, and CFI should be over 0.80. Moreover, RMSEA should be lower than 0.05 to indicate a close fit of the model about the degree of freedom. When all or most of the fit indices did not indicate an acceptable level of fit, the model modified until the fit indices achieved an acceptable level. The proposed measurement

model showed that all regression weights were significant ($p < 0.000$). The absolute fit statistics showed a chi-square of 444.461 with 242 (df) was significant ($p = 0.000$) [CMIN/DF = 1.837] with RMSEA = 0.073, RMR = 0.067, CFI = 0.908, GFI = 0.820, and AGFI = 0.777, suggested that the model fit is acceptable. <Figure 1> represents the CFA model.



<Figure 1> Confirmatory Factor Analysis Model for Soft and Hard HR Practices

For testing the convergent validity, composite reliability (CR) of the model along with the average variance extracted (AVE) is calculated. They are calculated using the formula given below :

Composite Reliability :

Sum of SRW Estimate Squared/(Sum of SRW Estimate Squared+Sum of Error Variance)

Average Variance Extracted :

Sum of Squared SRW Estimate/Number of Variable Items

The obtained calculations for CR and AVE are shown in <Table 5>. The value for CR and AVE should be equal to or above 0.60 and 0.50 respectively. From the analysis it can be seen that the desirable values can be seen only for the first three factors, i.e., HR policies, Employee Performance, and Working Environment. The other two factors, Leadership style and Job Security receive a lower value of CR and AVE, which can be due to improper measurement scale used.

<Table 5> Calculation of Composite Reliability and Average Variance Extracted

S.No	Factors	Composite Reliability	Average Variance Extracted
1	HR policies	0.921	0.600
2	Employee Performance	0.925	0.673
3	Working Environment	0.898	0.639
4	Leadership Style	0.195	0.344
5	Job Security	0.064	0.236

5. Discussion

Human resource management models were developed to achieve organizational goals. There always exist questions about what are the “best practices” in a human resource management system that can be implemented by all the firms. The difference in organizational strategy is responsible for the variation in performance across the organizations [Barnett and Burgelman, 1996]. This gave rise to the concept of the two approaches to HRM, i.e. soft and hard HRM model. The HR managers and the strategy formulator should come together to bring out some innovative practices that may or may not be universally applied [Rodriguez Ruiz and Martinez Lucio, 2010]. The strategic orientation of HRM changes

over time. It is a situation based and context-dependent approach. An organization that recruits in a less number follows a hard HRM approach to get the best talent pool, and then following a soft approach by giving autonomy and freedom to those employees to retain their assets [Seeck and Parzefall, 2010]. Little recruitment, job security, and organizational outcomes-oriented leadership style can be seen as hard human resource management practices in the organization [Gooderham et al., 2008; Rodriquez and Ventura, 2003].

Job satisfaction, HRM policies directed towards employee welfare, working environment, leadership style, training and performance, employee benefits, employee development practices, and employee participation are all strategic human resource practices [Truss et al., 1999]. From this paper, it can be seen that the existence of hard human resource practices is in little recruitment, job security, and organizational outcomes-oriented leadership style. Rest of the factors are purely measuring the soft HRM approach practices.

The results from the Confirmatory Factor Analysis provide an insight of the soft and hard HRM variables and their measuring factors. The model is fit to measure the HR policies implemented by the organizations, the performance of employees, and the perception of employees towards their working environment. However, the model does not fit for the measurement of job security and leadership style which is a matter of concern. This result is not as per the previous results obtained by Kidombo [2007]. The reason behind this could be several like the less number of factors used for measurement, not suitable to the sample used for study, or less number of sample size. Based on the analysis of results, it was clear that the organizations

are more oriented towards soft HRM approach as compared to hard HRM approach. The objective of the organization is to achieve performance, growth, and organizational development. These HR practices are the mediators to those organizational goals. The scale used for this study Kidombo [2007] includes 25 items out of which 22 were found to be soft HR practices, and 3 were hard HR practices. There is a slight difference in the items of hard HR practices of this study with respect to Mulabe [2013]. This suggests that employees interpret the hard and soft HR practices similarly over and over again.

After the analysis of results, there were certain measures having a low score. This implies that more measures for the factors should be added to this measurement scale. It was also found that a few questions, in general, were ambiguous to be understood by the employees. There is a possibility of gaining new or different insight to the soft and hard human resource practices on analysing the other existing measurement scales like Gill and Meyer [2011], Truss et al. [1999], Farquharson and Baum [2002], and Jenkins and Delbridge [2013].

6. Conclusion

The results indicate that extensive training, employee participation, high job security, extensive recruitment and extensive reward plans are the measures of Soft HR practices. Tight management control, close direction, limited and informal training, selective recruitment, low job security are the measures of Hard HR practices. The objective of this research was to identify and explore the factors of soft and hard HR practices. The scale used for this purpose Kidombo [2007] highlights the fact that there are certain

limitations on this scale. There were few factors having only two items suggesting that the questions either were not clear to the employees or need more items to support them. Also, it was found that the scale has only three items for the measurement of hard HR approach, which is again a limitation. So there is a need for the modification of this scale. The results have concluded the orientation of the organizations these days towards the soft HR practices in the service industry. The results also indicates the requirement to use another scale for measurement of the soft and hard HRM practices because the scale by Kidombo (2007) cannot be fully considered a good measuring scale as implied from the analysis. Thus a need for future analysis in this area using other measurement scale is desirable.

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