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Utilising SHRM in Capacity Building of Local Managerial Employees in Foreign Businesses in Laos

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Strategic Human Resource Management (SHRM) in capacity building can enhance the capabilities of an organisations' workforce, which is a key value in achieving high levels of productivity. In the Laos Peoples Democratic Republic (PDR), there are numerous foreign investments to assist the country in its economic development efforts. Investors, however, require a competent local workforce to operate their businesses, especially at the management level.

The main aim of this research paper is to determine the problems associated with the implementation of SHRM in capacity building of local managerial employees working in foreign businesses in Laos and how to avoid it. Semi-structured interviews was the main data collecting technique involving eleven participants from seven foreign businesses operating in Laos PDR during 2015.

The findings revealed that capacity building for local managerial employees was not executed effectively. Obstacles preventing the implementation and practice of SHRM in capacity building, include limited budgets, few roles created in HRM at a strategic level, insufficient qualifications of local managerial employees and unsuitable development programmes for capacity building. A model was developed which outlines suitable steps for capacity building of the local managerial employees working in foreign businesses in Laos, to improve their performance and productivity.

Keywords: Management, Human Resource Management, Capacity Building

Introduction

In Laos there is a lack of a skilled workforce and this presents serious problems to the foreign businesses gaining a competitive advantage over their rivals in both the regional and international markets. In order to succeed in building the capacity of the organisational workforce and ensuring the growth of businesses. HR leaders or managers should be involved in their organisation's strategic management board to help design the most appropriate and effective strategies. However, some of the business firms do not fully implement the right strategies to enhance their workforce's capacities, particularly at the management level where there is a paucity of competent local managers or leaders.

The aim of the research is to determine the problems associated with the implementation of SHRM in capacity building of local managerial employees working in foreign businesses in Laos and how they can be avoided.

This research was strongly influenced by a lack of a skilled workforce at the management level. As a result of this potentially serious issue organisations have to recruit expatriates to fill the gaps in managerial positions which leads to high financial expenditure for organisational budget planning. Although the current pools of managerial labour in each Lao organisation have acquired good education backgrounds and experience, they require more support from organisations to increase their competencies in order to improve the quality of work and organisational

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productivity. Hence, the HR department plays a vital role in implementing the best SHRM to enhance the local managerial employees' competencies.

This research will focus on the following objectives:

- To determine the main obstacles that impact on the implementation of SHRM in capacity building of local managerial employees' in foreign businesses in Laos.
- To provide strategies to address the obstacles affecting the implementation of SHRM in capacity building of local managerial employees' in foreign businesses in Laos.
- To investigate whether the implementation of SHRM in capacity building of local managerial employees can increase organisational performance and productivity in foreign businesses in Laos.

Literature Review

Capacity building has been defined in various ways by many researchers over a long period of time. Eade and Ireland (1997) called capacity building 'the approach of developing human capital at three levels namely at individual, institutional and societal level. The aim of this approach is to enhance skills and knowledge of organisational members for achieving sustainable optimal performance and measurable results'. Another way of looking at capacity building is that it consists of systematic and strategic actions that underpin human resources at functional and organisational level to establish effective results that benefit the holistic aims and objectives of organisations (Blumenthal, 2013; Eade & Ireland, 1997; Judge, 2011; Kenny & Clarke, 2010).

Ulrich et al. (2012) point out that HR professionals are capability builders and key people who work towards establishing effective and robust organisations. Human Resource practitioners execute human resource capacity building (HRCB) to scrutinize their organisational capabilities, which demonstrate the institutional strengths and weaknesses. This does not only reflect on the capability of the organisation but also reveals the valuable contribution of the workforce (Ulrich et al., 2012).

Strategic Human Resource Management (SHRM) has been defined as: 'Human Resource Action focused on reaching organisational goals through the implementation of HR strategies and practices to manage a competent and skilful workforce. Harney and Monks (2014) state that the appropriate implementation of SHRM, particularly its practices and design, contribute positively to organisational performance.

Redman and Wilkinson (2013) believe that in certain situations, the SHRM formulation and its implementation can be problematic because of the matching fit between business strategy and the workforce's attitude and behaviour regarding organisational norms. These authors explain that the formulation and implementation of SHRM is designed and executed from the business management perspective which sometimes might disregard social and organisational norms, legal regulations and the attitudes of employees in the organisation. These factors intensely influence

the achievement of integration and application between SHRM and business strategies.

In relation to the factors mentioned previously, Harney and Monks (2014) also claim that there are some limitations of SHRM implementation which are caused by three aspects namely: (1) imbalance of organisations and employees' interests, (2) financial constraints and (3) employee behaviours. Regarding the first aspect, the organisations often focus their interest on utilising a hard approach of HRM rather than considering a soft approach of HRM in managing their employees' benefits. The second aspect occurs when the majority of organisational strategies are only concerned with the financial outcome which aims to satisfy investors or stake holders without considering their employment relations value. The third aspect, takes place when there are inexplicit indicators of employee behaviours in contributing to the business corporate strategies fulfilment and their behaviours are difficult to motivate and control through intrinsic or extrinsic incentives. These aspects can cause constraints for the implementation process of SHRM capacity building of local managerial employees.

Methodology

The data collection process was conducted in Laos using the interview process. The suitable sample size for phenomenological qualitative research should be at least five people in order to provide adequate data and information for the research study (Wilson, 2014). The foreign businesses in Laos voluntarily agreed to participate in this research project. The objectives of the research were explained to the interviewees and their consent was obtained concurrently. Eleven participants were interviewed. The interviews were transcribed into English from the original Laos language by an accredited translator, for further data analysis and examination of the key findings.

The participants for this research project were 11 HR professionals or practitioners who had achieved a high position in HR such as HR manager, HR superintendent, HR specialist or HR executive from seven foreign businesses. These businesses were randomly selected according to their type of organisation and voluntary participation.

To ensure an effective interview for this research project, a pilot study was conducted prior to the process of the main interview. According to Wilson (2014) the pilot study is a small scale study that aims to conduct the pre-test and refinement of the research study before the primary study commences.

Findings and Discussion

What are the main obstacles that prevent HR managers from practising SHRM in capacity building of local managerial employees?

This question was addressed by interviewing the HR practitioners of the foreign businesses who agreed to take part in the research. The interviews focused on the perceptions of the HR practitioner regarding the obstacles in implementing SHRM for capacity building of local managerial employees in firms.

Firstly, budget management was reported by three participants as the main obstacle that has impeded the practice and implementation of SHRM in capacity building of local managerial employees. The implementation of SHRM in capacity building, particularly, for local managerial employees was costly when compared with other soft skills training programmes. In addition, the budget reduction or insufficient budget was another main issue of ineffective implementation of SHRM in capacity building. This is because the final decision made regarding budget allocations was under the project managers or the top management responsibilities. These financial issues were also supported by Harney and Monks (2014). They believed that one of the limitations of ineffective or inappropriate SHRM implementation is the financial constraints. They added that most organisational strategies are formulated by top management whose only concern is the financial outcome with their main aim to satisfy the investors or owners of the firms without considering the effects on the well-being of the workforce.

Secondly, the competencies of potential local employees was another obstacle that prevented the practising of SHRM in capacity building for local employees at management level. Four participants reported that even though their businesses have strategic training programmes and tools in building capabilities for talented local employees, the competencies of those talents were not qualified to meet the criteria or standard of strategic development programmes. Hence, the postponement of capacity programmes and the basic training programmes that aimed to improve their general skills such as foreign language courses, communication skills courses and computer skills courses, was a serious issue. For instance, a participant reported that: *'The potential local employees need to improve their English and computer skills because all of the specific development courses are in English and run on the intranet computer system as online self-learning systems.'* Those findings were linked to the work of Redman and Wilkinson (2013) who asserted that SHRM formulation and its implementation can be problematic because of the matching fit between business corporate strategies and workforce attitudes and behaviour. The workforce's behaviour and attitudes is a key issue to support the implementation of SHRM which include the qualification, the characteristic, the culture and the beliefs of individuals who contribute to the organisations' performance and its strategies (Armstrong, 2011; Jones, 2010; Nelson & Quick, 2013).

Thirdly, four participants admitted that the perception of line managers was one of burdens that slow down and prevent the implementation of SHRM in capacity building for local managerial employees. To ensure the success in implementing strategic capacity building for local employees at management level, the attitude of line managers should be positive and understand the concepts of this strategy well. Furthermore, apart from the deep understanding toward the concepts of SHRM in capacity building for local managerial employees, the line managers were the key to success of the capacity building strategies. The line managers should not only focus on the effective performance of their department but also act as advisors, mentors and assessors in building up capabilities of their subordinates in capacity building strategies programmes. This is because they are equipped with useful technical skills and knowledgeable experiences that they could share with their teams. As suggested by Mukherjee (2012), Armstrong (2011) and Darwish (2013), to ensure the effective implementation of SHRM in capacity building, especially for local managerial employees, the requirement of cooperation from all stakeholders, namely employees, line managers and top management is essential.

Lastly, the specific detail of a development programme was urged by one out of the eleven participants and this was another difficulty for the implementation of SHRM in capacity building for local managerial employees. The design and formulation of SHRM in capacity building, particularly the strategic development programmes that are suitable to the organisational behaviour and characteristics, should be realised by HR professionals (Armstrong, 2011; Harney & Monks, 2014; Jones, 2010; Nelson & Quick, 2013). Interestingly, a participant mentioned the aspects outlined above during the finding process as: *In my opinion, the design of development programmes, especially, the specific details of capacity building strategies are the most difficult issues for our firm. This is because our company is a multi-business company in which each business industry is totally different. For instance, we have dealer operations, heavy agriculture equipment and rental and food services business divisions. The formulation of the appropriate strategies in capacity building, which can apply across all businesses, is very challenging.* Each organisation had a typical behaviour and characteristic, similarly to the formulation of SHRM in capacity building of each firm that were different. According to Armstrong (2011), the alignment and integration of SHRM and business strategies is based on the subjective situation, organisational conditions and characteristics. According to the contingency approach, the HR professionals are able to implement SHRM practices to confront organisational circumstance effectively (Armstrong, 2011; Boxall & Purcell, 2011; Martin, 2010).

Strategies to address the obstacles to the implementation of SHRM in capacity building of local managerial employees.

HR managers were asked how the obstacles to the implementation of SHRM in capacity building of local managerial employees could be addressed.

From the findings, emphasising the importance of capacity building strategies to top management was the first aspect that two participants stated as a suggestion to reinforce the implementation of SHRM in capacity building of local managerial employees. The HR professionals play a crucial role in communicating the benefits and importance of the implementation of SHRM in capacity building to top management. This strategy would not only improve the capabilities of their workforce, but would also led to better performance to achieve organisational competitive advantage. Furthermore, as a business partner, HR practitioners need to address and emphasise the importance and benefits of the implementation of SHMR in capacity building of local managerial employees to the top management. This could contribute to a change in management's attitude and prevent the unsupportive action namely budget reduction. To be successful on that suggestion, the HR professional should be seen as a strategic partner. According to Armstrong (2011) and Ulrich et al. (2012) being in the strategic partner role, HR professionals need to be equipped with broader business perspectives which would able them to formulate and execute effective SHRM. This strategic role could assist the management team to achieve business goals through the integration of HRM processes, practices and systems and business corporate strategies. To formulate and implement the long-term strategic business plan effectively, a HR professional could advise top management regarding planning, recruiting, employing, developing, retaining and evaluating talented and potential employees for this critical position to support business objectives (Vogelsang et al., 2012). The strategic partner role also addresses and enhances the importance of human resource development, particularly in capacity building, at the management level and where human resource development can contribute to gaining organisational

competitive advantage through having a capable workforce (Armstrong, 2011; Darwish, 2013; Reilly & Williams, 2012).

To assist in the effective implementation of SHRM in capacity building for local managerial employees, two participants suggested that local managerial employees needed specific knowledge and skills that link to their future work and capacity building strategy and its development programmes. They should therefore consider bringing in the foreign technical advisors from the parent organisation. These foreign technical advisors would be equipped with broader experience, new knowledgeable ideas and skilful backgrounds that could be transferred to the talented employees using capacity building development programmes. These suggestions were linked to the knowledge management strategy that was aimed at improving the skills and knowledge of the workforce through expertise.

On the other hand, reinforcing the cooperation from line managers was also a vital solution to enhancing the effective implementation of SHRM in capacity building for local employees at management level. To ensure the effective implementation of capacity building strategies for local employees, HR professionals must address and deliberate the benefits and the importance of SHRM in capacity building in order to have effective cooperation from line managers. This was because they are the key people in formulating capacity building programmes in their department and fitting employees' needs, as well as facilitating the programmes as a mentor, an advisor and an assessor. To support those aspects, Harney and Monks (2014) state that the implementation of SHRM in capacity building will not function effectively if the sole focus is on organisational interest rather than considering the subordinates' development, especially at departmental level. Line managers tend to concentrate on productivity, instead of simultaneously focusing on improving the workforce's capacity.

Therefore, to ensure the effective implementation of the SHRM, all stakeholders such as employees, line management and top management should collaborate in selecting the appropriate SHRM implementation. (Armstrong, 2011; Du Plessis et al., 2015; Nel et al., 2014).

Interestingly, the utilization of the existing tools in designing the capacity building strategies for local employees was addressed by four participants that could assist the implementation of SHRM in capacity building for local managerial employees. An internal survey for designing the critical features of capacity building strategy and its development programmes should be executed in order to ensure the effectiveness of the implementation of SHRM in capacity building. This survey should aim to finalise any key issues of the core value of SHRM in capacity building for the department and the workforce and needs to be aligned with business corporate objectives and organisational desire. Furthermore, implementing the existing development tools such as on the job training, job secondment or job rotation are also an optional back up plan in case the main capacity building strategy was not executed as planned.

According to (Armstrong, 2010) and (Harney & Monks, 2014) businesses can attain effective implementation of SHRM in capacity building through the right measurement of development programmes' needs from the organisational and individual lens. The development programme formulations should be aligned with organisational corporate strategies, as well as training needs that are related to the employees' jobs in order to ensure the effectiveness of SHRM in capacity building (Armstrong, 2011;

Darwish, 2013; Härtel & Fujimoto, 2015; Hollenbeck et al., 2014). In addition, the active internal training resources utilization, referred to as an 'in house training tool', is one of the alternative solutions that assists the capacity building strategy implementation to function effectively (Harney & Monks, 2014; Redman & Wilkinson, 2013; Reilly & Williams, 2012).

Perspective of HR professionals regarding the benefits of implementing active SHRM in capacity building of local managerial employees to improve organisational performance and productivity.

The perceptions of HR professionals were addressed regarding the links between the implementation of SHRM in capacity building for local managerial employees and the improvement in organisational performance and productivity. This question aimed to explore the relationship of those aspects.

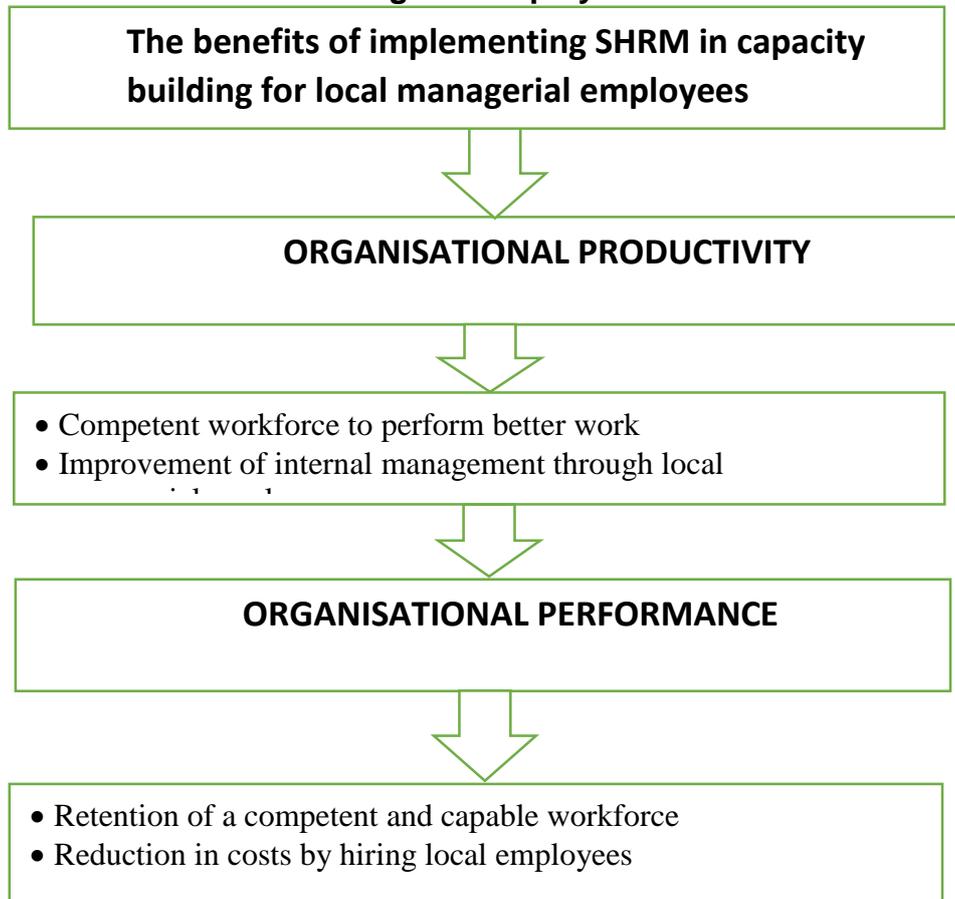
The findings showed that all participants totally agreed that when employing SHRM in capacity building for local managerial employees, their firms could perform better through a competent and capable workforce which contributed to the increase in organisational productivity. Undoubtedly, the organisational performance would improve when the active implementation of SHRM in capacity building for local managerial employees was executed (Armstrong, 2011; Darwish, 2013; Harney & Monks, 2014; Mello, 2014). This was because, by equipping those with skilful and knowledgeable abilities through capacity building strategies, workers could perform better and contribute to the augmentation of organisational productivity; and these findings were supported by four foreign businesses and four participants working in those foreign businesses. To support the participants' points of view, Krishnaveni and Sripirabaa (2008), and Yamoah,(2014) indicate that a SHRM capacity building strategy is the process that develops the knowledge, skills and attitudes of individuals and groups of people in organisations relating to the establishment, management, development and maintenance of the organisational systems and operational procedures. These aspects would increase organisational performance effectively by means of having a competent and capable workforce (Armstrong, 2011; Harney & Monks, 2014; Ulrich et al., 2012). Furthermore, the organisational working environment could improve significantly under the management of local managerial employees because of their local experience and knowledge in regards to the local language and culture (Armstrong, 2011; Ashkenas & Schaffer, 2007; Harney & Monks, 2014; Vogelsang et al., 2012; Workforce, 2015). In addition, the local managerial employees' comprehension of the local culture would facilitate the performance of tasks with local customers or suppliers, more effectively. This was supported by four interviewees from four foreign businesses.

In addition, SHRM in capacity building of local employees did not only improve the skills and knowledge of their workforce but it would also develop talented managerial employees for supporting strategic positions (Armstrong, 2011; Beardwell & Claydon, 2010; Boxall & Purcell, 2011; Harney & Monks, 2014). SHRM practices could also generate desired results for organisational effectiveness such as increasing productivity and improving internal resources for supporting business corporate strategies (Reilly & Williams, 2012). This could provide a competent workforce for strategic planning and assist the organisational sustainability in running the business effectively and was supported by two foreign businesses and two employees working in them. Further to this, two out of eleven participants said that the retention of a

capable workforce was also a vital benefit for implementing the SHRM in capacity building for local managerial employees. As suggested by Maconick (2002), through the implementation of active SHRM in retaining a competent and capable workforce, the organisation can benefit from possessing highly skilled human resources to support corporate organisational strategies. Moreover, SHRM in capacity building provides more benefits to the business in terms of reducing the cost and expenditure of employing foreign employees and in possessing a local capable workforce who are equipped with skilful and knowledgeable abilities to perform their jobs (Armstrong, 2011; Blumenthal, 2003; Darwish, 2013; Gwin, 2005; Harris, 2003). This appeared from the findings of two participants who said that when their local managerial employees were competent and capable, it was not necessary to hire expatriate workers which could save the employment budget and reduce the number of excess staff. This can result in effective cost management in term of reducing expenses.

As a result of the findings regarding the key benefits of implementing active SHRM in capacity building of local managerial employees to improve organisational performance and productivity, Figure 1 below was developed by the researchers of this paper. .

Figure 1: The key benefits of implementing SHRM in capacity building for local managerial employees



Source: Developed by the researchers based on this research study.

Conclusions

In concluding: What are the main obstacles that prevent HR managers from practicing SHRM in capacity building of local managerial employees?

There were four main obstacles that impeded the implementation of SHRM in capacity building of local managerial employees and included: budget management, competencies of potential employees, perception of line managers and specific details of development programmes. The key obstacle here was insufficient budgeting or reduced funding thus preventing effective implementation of SHRM in capacity especially for local employees.

In concluding: To what extent would SHRM in capacity building of local managerial employees assist in increasing organisational performance or productivity?

In regards to the organisational performance, two key strategies were raised and included having a competent workforce and the improvement of internal management using local managerial employees.

In relation to organisational productivity the two key strategies were established that included: the retention of competent and capable workforce and the reduction of costs by hiring local employees instead of expatriates and who have a better working ethic.

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