International Journal of Psychosocial Rehabilitation, Vol. 24, Issue 06, 2020
ISSN: 1475-7192

Strategic HR Practices and Sustainable Competitive Advantage in Manufacturing Firms in Bahrain

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ABSTRACT-- *Recently, strategic human resource (HR) practices have increasingly been recognized as sources of sustainable competitive advantage, and main contributors when it comes to implementing business goals and objectives. Grounded on the theoretical perception of the resource-based view, this article examines the effects of strategic human resource practices on sustainable competitive advantage in large medium, and small-sized manufacturing firms in Bahrain. A cross-sectional survey was applied in this study utilizing a self-administered questionnaire to collect data. The usable questionnaires was 159 and the response rate was 75.4%. The findings indicated that strategic HR practices have significant and positive effects on the sustainable competitive advantage in small, medium and large firms in the manufacturing sector. These findings could help these manufacturing firms to achieve a sustainable competitive advantage by improving and supporting strategic HR practices.*

Keywords*--Sustainable Competitive Advantage, Strategic HR Practices, Resource-Based View, Small, Medium, and Large-Sized Firms.*

I. INTRODUCTION

Sustainable competitive advantage (SCA) has gradually become a mainstream business feature of the leading firms s in today's worldwide business environment (Benn, Dunphy & Griffiths, 2014). SCA focuses on implementing a unique value-creating strategy, the benefits of which competitors are not able to duplicate (Kim, Jeon, Jung, Lu & Jones, 2012). Therefore, practitioners and scholars have debated widely about the sources that allow a business to sustain a competitive advantage (Benn et al., 2014; Kim et al., 2012). For instance, Barney (1991) discussed the linkage between an firms 's resources and its sustainable competitive advantage. Additionally, Barney stated that the potential resources should be valuable, imitable, rare, and substitutable to generate a sustained competitive advantage.

Besides that, practitioners and scholars have progressively recognized the importance of people as a foundation of SCA (Campbell, Coff & Kryscynski, 2012; Pablos, 2004; Perez & Pablos, 2003). From this perspective, Barney and Wright (1997) argued how HR practices can be a strategic partner in achieving a sustainable competitive advantage.

Over time, scholars and practitioners have become significantly aware of the importance of HR as there is a necessity to rethink the role of human capital in producing a SCA (Campbell et al., 2012). Additionally, many

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Received: 22 Sep 2019 | Revised: 13 Oct 2019 | Accepted: 15 Jan 2020

changes in today's business atmosphere have created the need to adjust HR practices in such a way as to make them more strategic in ensuring the competitiveness of employees in order to be able to sustain the competitive advantage of the business (Batarliene, Čižiuniene, Vaičiute, Šapalaite & Jarašuniene, 2017; Collins & Clark, 2003; Hu, 2007). To confirm the above theoretical relationship, this study presents practical facts in terms of determining the effects of strategic HR practices (SHRP) on the SCA in large medium, and small-sized manufacturing firms in Kingdom of Bahrain.

II. SUSTAINABLE COMPETITIVE ADVANTAGE

The concept of SCAhas been extensively debated by researchers. Most of the debates have mainly focused on the factors facilitating an firms 's SCA (Huang, Dyerson, Wu & Harindranath, 2015). Hitt, Ireland and Hoskisson (2009) definite that SCA is accomplished when competitors in the industry cannot duplicate the benefits of an firms 's strategy, and when they do not have enough resources to attempt imitation. Kim et al. (2012) pointed out that SCA is a long-term advantage due to executing a unique value-creating strategy, that rivals cannot implement or duplicate in such a way as to achieve the benefits of the strategy.

Additionally, Barney (1991) indicated that SCA is achieved when competitors are not able to duplicate the benefits of the firm's strategy over an extended period of time. In addition, Barney (1991, 1995) suggested VRIN and VRIO frameworks, where the resources and capabilities must have be value, imitability, rarity, and organization (Saravanan, 2017).

Typically, the literature shows that the sources of SCA resources are capabilities, core competencies, competencies, , and distinctive competenciesn (Bryson & Ackermann, 2007; Caldwell, 2008; Mahdi, 2015; Sirmon, Hitt, Ireland & Gilbert, 2011; Vivares-Vergara, Sarache-Castro & Naranjo-Valencia, 2016; Wheelen & Hunger, 2012). In specific, capabilities are the main factor which deploys resources and converts them into the final goods and services produced by the firms (Hafeez, Zhang & Malak, 2002). In association with this, a package of capabilities should be transformed into competencies to make them more valuable and essential in terms of offering new patterns of product and delivering customer benefit (Hafeez et al., 2002; Ljungquist, 2008). Hitt, Ireland and Hoskisson (2009) suggested that valuable, rare, costly in terms of being imitated, and non-substitutable capabilities, are competencies. Accomplishing a SCA also wants the firm to promote the competencies that are core and distinctive, and which provide the firm with a potential competitive edge (Kimani & Ogutu, 2017; Sengupta, Venkatesh, & Sinha, 2013).

III. STRATEGIC HUMAN RESOURCES PRACTICES

Wright and McMahan (1992) indicated that SHRP as a pattern of planned HR activities that enable the firm to achieve its goals. These two researchers highlighted two views that differentiate strategic practices from traditional practices. Firstly, strategic practices are linked to the strategic management process of the firm . Secondly, strategic practices have internal harmonisation and congruence. Additionally, Dessler (2014) defined SHRP as the construction and implementation of HR policies and practices that lead to the creation of employees' competencies, and encouraging behaviors which support the firm in terms of achieving its strategic goals.

Becker and Huselid (2006) showed that SHRP should focus on organizational performance, and on the solutions to business difficulties, rather than individual performance. In addition, they mentioned that strategic HR is about structuring SCA and creating an above-average financial performance (Becker & Huselid, 2006). According to Lengnick-Hall, Lengnick-Hall, Andrade and Drake (2009), SHRP were likely to achieve a better performance if they were to fit with and match the organizational objectives, conditions, and strategic interests. Additionally, these practices should create strategic contributions rather than focus on managing people (Lengnick-Hall et al., 2009).

IV. UNDERLYING THEORY

The literature debates how the firm gains and sustains competitive advantage, and why some firms are more successful than others in building this competitiveness (Royer & Baradely, 2010). From this perspective, a resource-based view (RBV) became the most dominant theory in terms of explaining's practices and resources that generate a SCA(Barney, Ketchen, & Wright, 2011; Gupta, Tan, Ee, & Phang, 2018). The principle behind this theory is that firms can obtain a SCA by creating and deploying strategic resources that are heterogeneously distributed among firms and imperfectly mobile (Barney et al., 2011; Ferreira & Fernandes, 2017; Gupta et al., 2018; Newbert, 2008).

The RBV has been developed in many stages. Initially, this theory was based on the work of Edith Penrose who suggested the theory of the growth of the firm in 1959. Edith Penrose indicated the importance of resources for the growth of the firm (Barney, Ketchen & Wright, 2011). Subsequently, Barney (1991) suggested the VRIN framework as a key step to sustaining competitive advantage. Later on, Barney (1995) proposed the four attributes of the resources in a new framework known as VRIO. Barney (1995) showed that these resources and capabilities must have four characteristics; valuable (V), rareness (R), imitability (I), and organized (O). Two years later, Barney and Wright (1997) recommended that HR could be a source of SCA

V. STRATEGIC HR PRACTICES AND SUSTAINABLE COMPETITIVE ADVANTAGE IN BAHRAIN

In the last four decades, Bahrain economy focused on manufacturing rather than trading in natural resources. During 1970s, Bahrain began to custom natural gas to support aluminum smelting and the petrochemicals industry by providing the feedstock and energy. The manufacturing sector has grown in size and diversity, presenting a significant contribution to GDP, particularly in the production of crude oil (Oxford Business Group, 2011). The manufacturing sector has become the third largest contributor to the economy after hydrocarbons and financial services. This growing sector incorporates many industries such as petrochemicals, aluminum, steel, and metal products (World Trade Organizaion, 2014).

Recently, the manufacturing sector has obtained increasing support from Bahrain government due to its sustainability, innovation, and diversity. Therefore, several industrial parks have been established, such as Salman Industrial City, Khalifa Bin Salman Port, Bahrain International Investment Park, and Hidd Industrial Area (Oxford Business Group, 2011).

Although it was the first country in the Gulf region to discover oil, Bahrain is the least oil-dependent nation compared to its peers in the region (Hasan, Tanwar, & Shah, 2009). Therefore, Bahrain Vision 2030 aims to enhance the manufacturing sector and cope with the oil industry's decline. National efforts in Bahrain have seen an attempt to increase the level of SCA of the manufacturing sector. Simultaneously, these efforts have attempted to support SHRP by filling the skills gaps that have become apparent in the Bahraini labour force, and to make Bahrainis the preferred choice on the part of employers (Allen Consulting Group, 2009; Bahrain Economic Development Board, 2008, 2013; Moovala et al., 2013; Hasan et al., 2009; Oxford Business Group, 2011; Tamkeen, 2015; World Trade Organization , 2014). Although these national efforts have been implemented, the competitiveness of the manufacturing sector has not seen any remarkable advancement and has shown a degree of weakness in resisting the gas and oil decline over the last few years (World Trade Organization , 2014). Additionally, manufacturing sectors still face a lack of both quality employees and suitable national skills (World Trade Organization , 2014).

In particular, the Market Gap Study (2010) showed a clear decline in SCA in Bahrain's main industries; food and beverages, aluminum, petrochemicals, pharmaceuticals, chemicals, plastic and rubber, garment and engineering. The SCA is negatively affected by the limited availability of resources, and low effectiveness in cost management(Tamkeen, 2010).

Regarding national human capital and the role of SHRP, the World Trade Organization (2014) showed that the contribution of Bahrainis in the labor market is comparatively low. According to an Allen Consulting Group report (2009), there are labor trends in the manufacturing sector that should be considered. The first issue is the stable decline in manufacturing employment, while the second issue is the growing skills shortage. The report indicates that the number of Bahraini males dropped from 16,557 in 2002 to 13,290 in 2007 (a decrease of 19.7%). Likewise, the number of Bahraini females fallen from 4,144 in 2002 to 2,817 in 2007 (a decrease of 32%). Another report showed that the total number of Bahrainis reached 12,409 (9,629 males and 2,780 females) while non-Bahrainis accounted for 54,940 (Labour Market Regulatory Authority, 2015).

Moreover, there is a lack of a qualified labour force, a low alignment between the required industrial skills and the output of educational organisations, low compensation, a lack of developing capabilities, and low level employment attraction policies (Allen Consulting Group, 2009; Tamkeen, 2010). Furthermore, many firms still do not have good HR systems, particularly in terms of compensation and performance systems (Moovala, 2014). Eventually, these consequences indicate the weakness in SHRP with regard to utilizing the national labor force (Allen Consulting Group, 2009; Moovala, 2014; Tamkeen, 2010)

Generally, earlier studies have indicated the weakness of SCA and have shown that low level SHRP operate separately, without examining the direct relationship between them (Allen Consulting Group, 2009; Bahrain Economic Development Board, 2008, 2013; Moovala et al., 2013; Oxford Business Group, 2011; World Trade Organization , 2014).

Therefore, this study is motivated to address this gap and to contribute to Bahrain's national efforts in terms of sustaining competitive advantage, and finding out which resources are possessed and controlled by Bahraini industrial firms and are likely to be a source of SCA.

Based on the above discussion, it is hypothesized that SHRP have significant effects on SCA. In particular, the following hypotheses are proposed:

H1: SHRP have a significant effect on the SCA in all manufacturing firms.

H1a: SHRP have a significant effect on the SCA in small-sized manufacturing firms

H1b: SHRP have a significant effect on the SCA in medium-sized manufacturing firms

H1c: SHRP have a significant effect on the SCA in large-sized manufacturing firms.

VI. METHODOLOGY

The target population for the study was 466 manufacturing firms in Bahrain (62 large-sized firms, 164 medium-sized firms, and 240 small-sized firms) listed in the Industrial Companies Directory (Ministry of Industry Commerce and Tourism 2015). After referring to the Sekaran (2003) technique, the sample size of the study was 211 firms (45.27%) which were chosen randomly from the targeted population.

A cross-sectional survey was conducted using a self-administered questionnaire. The questionnaire was divided into two parts. Part A measured SHRP as the independent variable, while Part B measured SCA as a dependent variable. The measurement scale used with regard to SHRP included 10 items which developed by Chen and Huang (2009). The measurement scale when it comes to SCA was adapted from Mahdi (2015) and Barney (1991, 1995). This scale used 20 items to measure SCA. To serve as an interval scale, a 5-point Likert scale was employed in the last three sections. These scales ranged from "Strongly Agree" to "Strongly Disagree". The questionnaires were addressed to the top level management of the manufacturing firms rather than to lower-level employees, with the CEO or the Managing Director or Managers being chosen to complete the questionnaire.

After review of the returned questionnaires, 15 were excluded and 5 questionnaires were classified as outliers. Therefore, the total number of completed and usable questionnaires were 159 indicating a response rate of 75.4%. These questionnaires were collected from 38 large-sized firms (23.9%), 55 medium-sized firms (34.6%), and 66 small-sized firms (41.5%). The collected data were analyzed via SPSS and SmartPLS software.

VII. RESULTS AND DISCUSSION

7.1 Demographic Profile

Female respondents made up 13.8% of the total, while males made up 86.2% of the respondents. Regarding to the age, 6.9% of the respondents were less than 26 years of age, 17.6% were 26 to 30 years, 20.1% were 31 to 35 years, 24.5% of the respondents were 36 to 40 years of age, 13.8% were 41 to 45 years old, 17% were more than 45 years of age. About the educational level of the respondents, the results showed that 1.3% of the respondents had a Ph.D, 22.6% had a Masters degree, 55.3% had a Bachelor degree, and 20.8% had a secondary or diploma level of education. Regarding to the respondents' working experience in the current firm, 24.5% had more than 15 years experience, 23.9% had 11 to 15 years experience, 27% had 6 to 10 years experience, 24.5% had less than 6 years experience. Finally, the result shows that 31.4% of the respondents were CEO or Managing Directors, 68.6% were managers and.

7.2 Data Normality and Descriptive Analysis

The skewness and kurtosis of all 30 items of the variables came between ±2 and ±7 respectively. Henceforth, the data set of all studied items are well-modeled by a normal distribution curve. Moreover, the researcher made

use of descriptive analysis as illustrated in Table 1 to summarize the overall trends in the collected data, and to give a clear understanding of the variables, where the means, standard deviations, minimum, and maximum values were measured on a 5-point Likert scale.

Table 1: Descriptive Statistics for Variables

Constructs	Mean	Standard Deviation	Minimum	Maximum
SHRP	3.611	0.870	1.3	4.9
• Recruitment	3.776	1.091	1	5
• Employee Development	3.626	1.031	1	4.8
• Compensation & Rewards	3.459	1.162	1	5
SCA	3.623	0.852	1.6	4.8
• Resource	3.727	1.068	1	4.8
• Capabilities	3.668	1.051	1	4.8
• Competencies	3.527	0.996	1.3	4.8
• Core Competencies	3.581	1.098	1	4.8
• Distinctive Competencies	3.628	1.052	1	4.8

The means, according to the above table, range between 3.459 and 3.776. The findings indicate that the mean values of all constructs are above their mid-point level point of 3. These findings mean that the respondents' perceptions with regard to the study's variables were above the average.

7.3 Validity and Reliability

Validity and reliability were measured for the study's constructs. The validity indicates that the respondents' scores from the questionnaire are significant (Creswell, 2012). In terms of validity, the Average Variance Extracted (AVE) was measured by dividing the sum square of the standardized factor loading by the factor loading number (Hair et al., 2010). The reliability shows that the findings are constant when the instrument is employed multiple times at different times (Creswell, 2012). The reliability was measured through Cronbach's alpha and composite reliability (CR). Cronbach's alpha provides a measure of the internal consistency of the scale (Tavakol & Dennick, 2011). The CR value is extracted from the square sum of factor loading and the sum of error variance term for a construct (Hair et al., 2010).

Convergent validity has been employed to analyze the first-order constructs in the SHRP and SCA. Regarding the SHRP, the analysis comprises three constructs: recruitment (REC), employee development (ED), and compensation and rewards (CR). As shown in Table 2, the analysis indicates that the factor loadings are positive. Consequently, the correlations and weights between each variable and factor are highly relevant in defining the factor's dimensionality (Torres-Reyna, 2010). These factor loadings range between 0.9 and 0.936. Since the factor loading values of all items are above the suggested cut-off of 0.6 (Hair et al., 2010), no items were deleted from the model.

Table 2: Convergent Validity and Reliability of SHRP

Construct	Item	Factor Loading	Average Variance Extracted (AVE)[a]	Composite Reliability (CR)[b]	Internal Reliability Cronbach Alpha
Recruitment (REC)	REC1	0.936	0.856	0.947	0.916
	REC2	0.918			
	REC3	0.921			
Employee Development (ED)	ED1	0.924	0.835	0.953	0.934
	ED2	0.924			
	ED3	0.907			
	ED4	0.900			
Compensations and Rewards (CR)	CR1	0.939	0.889	0.960	0.937
	CR2	0.943			
	CR3	0.947			

a: AVE= $\sum \lambda i\ 2/\ n$

b: CR = $(\sum k_i)\ 2\ /\ [(\sum k_i)\ 2 + (\sum 1- k_i2)]$

To confirm the above validity, the values of AVE were measured. The findings came higher than the cut-off of 0.5 (Chin, 1998; Fornell & Larcker, 1981). Regarding the reliability of the SHRP, the values of internal reliability using composite reliability (CR) and Cronbach Alpha were assessed. The result indicated that the values are greater than 0.6. These values indicate the adequacy of internal consistency (Bagozzi & Yi, 1988; Hair et al., 2010; Hair, Hult, Ringle & Sarstedt, 2014).

Regarding the SCA, the validity and reliability were assessed. The results are displayed in Table 3. The values of the factor loadings of all items clearly range between 0.891 and 0.935, and are set above the cut-off value. Concerning the validity, all values of AVE were above 0.5. Additionally, all Cronbach Alpha values and composite reliability are above 0.6. Accordingly, all items remained in the model.

Table 3: Convergent Validity and Reliability of SCA

Construct	Item	Factor Loading	Average Variance Extracted (AVE)[a]	Composite Reliability (CR)[b]	Internal Reliability Cronbach Alpha
Resource (RES)	RES1	0.920	0.845	0.956	0.939
	RES2	0.915			
	RES3	0.913			
	RES4	0.928			
Capabilities (CAP)	CAP1	0.928	0.843	0.956	0.938
	CAP2	0.914			
	CAP3	0.910			
	CAP4	0.921			

Received: 22 Sep 2019 | Revised: 13 Oct 2019 | Accepted: 15 Jan 2020

Competencies (CO)	CO1	0.917	0.818	0.947	0.926
	CO2	0.908			
	CO3	0.891			
	CO4	0.902			
Core Competencies (CCO)	CCO1	0.927	0.850	0.958	0.941
	CCO2	0.918			
	CCO3	0.919			
	CCO4	0.925			
Distinctive Competencies (DCO)	DCO1	0.935	0.847	0.957	0.940
	DCO2	0.900			
	DCO3	0.915			
	DCO4	0.930			

a: AVE= $\sum \lambda i\ 2/\ n$

b: CR = $(\sum k_i)\ 2\ /\ [(\sum k_i)\ 2 + (\sum 1- k_i2)]$

7.4 Direct Effects of Constructs

To test the direct effects of SHRP on SCA, the coefficient parameters were assessed. The path coefficients and the results of examining the hypothesized direct effects are illustrated in Table 4.

Table 4: Examining Results of the Hypothesized Direct Effects between SHRP and SCA

Firms al Size	Path Coefficient	Standard Error	T-value	P-value	Hypothesis Result
Overall	0.286***	0.034	8.518	0.000	H1 is supported
Small	0.411***	0.028	14.92	0.000	H2.a is supported
Medium	0.279***	0.031	8.942	0.000	H2.b is supported
Large	0.678***	0.020	34.09	0.000	H2.c is supported

*p< 0.05 , **p< 0.01, ***p< 0.001

After referring to the above table which presents the results of the direct effects of the constructs, the P-values of the path between the independent variable and the dependent variable are below the standard significance level of 0.05. At the same time, the path coefficient of SHRP to SCA range between 0.279 and 0.678. Consequently, the hypotheses H1, H1a, H1b, and H1c are all supported.

H1: SHRP have a significant effect on the SCA in all manufacturing firms

Table 4 illustrates that the t-value and p-value of SHRP in predicting SCA are 8.518 and 0.000 respectively in all manufacturing firms. It means that the probability of getting a t-value as large as 8.518 in absolute value is 0.000. In other words, the regression weight for SHRP in the prediction of SCA is significantly different from zero

at the 0.000 level (two-tailed). Therefore, H1 is supported. The path coefficient is 0.286, indicating a positive relationship. This means when SHRP go up by 1 standard deviation, the SCA goes up by 0.034 standard deviations.

H1a: SHRP have a significant effect on the SCA in small manufacturing firms

The t-value and p-value of SHRP in predicting SCA are 14.92 and 0.000 respectively in the small manufacturing firms. This means that the probability of getting a t-value as large as 14.92 in absolute value is 0.000. In other words, the regression weight for SHRP in the prediction of SCA in the case of small firms is significantly different from zero at the 0.000 level (two-tailed). Accordingly, this hypothesis is supported. The path coefficient is 0.411, indicating a positive relationship. This means that when SHRP go up by 1 standard deviation in the case of small firms, the SCA goes up by 0.028 standard deviations.

H1b: SHRP have a significant effect on SCA in medium manufacturing firms

The results indicate that the t-value and p-value of SHRP in predicting the SCA in the medium manufacturing firms are 8.942 and 0.000 respectively. Hence, Hypothesis H1b is supported. The path coefficient is 0.279 and indicates a positive relationship between the above variables. This means that when SHRP go up by 1 standard deviation, the SCA goes up by 0.031 standard deviations.

H1c: SHRP have a significant effect on SCA in large manufacturing firms

According to the results in Table 4, the t-value and p-value of SHRP in predicting the SCA in the large manufacturing firms are 34.09 and 0.000 respectively. These results indicate that the probability of getting a t-value as large as 34.09 in absolute value is 0.000. The path coefficient is 0.229, indicating a positive relationship between SHRP and SCA in the case of large firms. Therefore, this hypothesis is supported. Additionally, when SHRP go up by 1 standard deviation, the SCA goes up by 0.020 standard deviations.

VIII. CONCLUSIONS AND IMPLICATIONS OF THE STUDY

This study was conducted to examine the effects of SHRP on the SCA of manufacturing firms in Bahrain. Depending on 159 questionnaires answered by the top management of these firms, the effects were assessed using SPSS and SmartPLS. The findings indicated that SHRP have significant and positive effects on SCA, both in small manufacturing firms and in medium and large firms. These results support the arguments of scholars who pointed out the importance of SHRP as one of the most important sources of SCA (Hu, 2007; Martin, Farndale, Paauwe & Stiles, 2016; Mazur, 2015; Offstein et al., 2005).

This study has several implications for researchers and the manufacturing sector in Bahrain. Firstly, the study contributes significantly to the existing literature in terms of HR management and SCA. Secondly, the valuable findings include many implications for further research on the part of researchers who are interested in either strategic HR management or SCA. Finally, given that this study presents evidence that SHRP are sources of SCA, decision-makers in these manufacturing firms should direct their attention to supporting SHRP and policies as a significant approach to sustaining the competitiveness of their firms.

Received: 22 Sep 2019 | Revised: 13 Oct 2019 | Accepted: 15 Jan 2020

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