

Strategic Human Resource Development Practices: An Empirical Study of Steel Manufacturing Industries of Bangladesh

Kazi Nazmul Huda

*Southern University Bangladesh, Bangladesh
knhuda@yahoo.com*

Tahmina Rita Anika

Department of Management Studies, Jagannath University Dhaka

Moslehuddin Chowdhury Khaled

*School of Business, Chittagong Independent University, Bangladesh
moslehuddin.khaled@ciu.edu.bd (corresponding author)*

[Abstract] In modern Human Resource Management (HRM), the concept of "Strategic Human Resource Development" (SHRD) is a relatively new concept. The idea of SHRD is built upon the increasing importance of HR as an essential value-creating component of organization and needs to be studied in details. The central objective is to study empirically the status and scope of SHRD. The investigative objective of this paper is to do it for a manufacturing sector, and here the sub sector is Steel Re-rolling. In this article, first the concept of SHRD is elaborated with the help of an extensive literature review. The study tries to identify the current scenario of SHRD practices in the branded steel mills of Bangladesh by studying the opinions from 62 workers of 6 different steel industries. This was supplemented with interviews of HR executives from 3 different companies. The key discovery of the study is an absence of interactive relationship between workers and management that is quite evident, and the workplace environment is not compliant with required standards to be considered as practicing SHRD. The need and scope to modernize the HR practices along the lines of SHRD concepts and ideas are recommended in detail. There is a long way to go on the way of conceptualizing and actualizing SHRD principles and practices. A paper like this one will help discuss and debate cultural and conceptual changes, which are much needed in these sectors.

[Keywords] strategic human resource development; strategic human resource development systems

Introduction

The rising thought of Human Resource Development (HRD) puts people at the center of development because development is not only by people, it is also for people (Arya & Tandon, 1998). Modern HRD Practices are not only for the individual growth, but also for conquering organizational and national progress (Huda & Karim, 2007). The present situation of the global economic changes is forcing leading organizations to undertake massive business challenges to upgrade, update, and seize new opportunities.

According to Drucker (1999), the most valuable asset of a 21st century institution will be its knowledge workers and their productivity. So, the next generation organizations must focus on HRD to become value driven and innovative for serving customers and stakeholders. The functions of Human Resource Development (HRD) are well thought out in the foremost corporate operations to gain value based on competitive advantage, mostly in the standardized industrial sectors like steel, leather, plastics, etc. To deal with this quickly changing industrial world, the labor intensive manufacturing companies must develop their HR in conformity with the business strategies (Huda & Karim 2007) and must comply with the concepts of Strategic Human Resource Development (SHRD) practices in managing and developing human resources.

Strategic HRD can be viewed as a proactive, system-wide intervention, linked with strategic planning and cultural change (Garavan et.al., 1995). The issue of strategic human resource management (SHRD) is gaining popularity whether service oriented or production oriented, and the performance of any organization depends heavily on the performance of its human resources (Jain, 2005). The conceptual application of SHRD leads to ensure a congenial quality of productive working life for the workforce to implement strategic components of business effectively.

Steel has enabled our modern way of life. It has helped lift societies out of poverty, spurring economic growth, and continues to do so around the world today (World Steel Association, 2012). This industry has long been regarded as a symbol of national strength in many countries (ITIS Program Office, 2007). The Steel industries act as a feeder to many important industries by providing different types of deliberate materials, like rods, bars, sheets, plates, etc. These materials are used as vital inputs to many strategic industries, like infrastructure, housing, marine, power, mechanized transportation, agriculture, etc.

The steel sector of Bangladesh is considered as one of the strongest emerging sectors. It has been growing steadily over the last few of years, despite lacking experience, technology, and human resources (Uddin et. al., 2007) and at the other side the steel industry has been getting continuous investment due to steady demands in the domestic market (Hossain, 2009). Bangladesh consumes 4 million tons of steels per annum and per capita consumption is 25 kg. At present, more than 400 steel mills of different categories and sizes currently operate in the country (Hasan, 2013). According to the statement of the Bangladesh Automatic Re-rolling and Steel Mills Association (BARSMA), 38 re-rolling mills have been supplying 80 percent of the national demand of MS Rods and with the government patronage to the sector; they will be able to export MS Rods after meeting the domestic demand (Asia Pulse, 2011). Steel is one of the core inputs of the fastest growing construction industries in Bangladesh with a yearly consumption of steel rod of around 250,0000 tons at a value of 10 billion BDT (Hossain, 2009). At present, a good number of steel industries, like Bangladesh Steel Rerolling Mills (BSRM), Kabir Steel Rerolling Mills (KSRM), Ratanpur Steel Rerolling Mills (RSRM), GPH Steels, KDS steels, Abul Kahir Steels (AKS), etc., are doing aggressive branding and launching of innovative value added steel products like Billets –MS Angle, 40 – 60 grade deformed bar, 500 W extreme bar, TMT bar, etc.

The aforementioned facts and figures depict the degree of domestic demand for steel products in the Bangladeshi market. Bangladesh is deemed to be a labor-intensive industrial economy. According to the survey of the Bangladesh Bureau of Statistics (BBS), a total 293,011 male workers and 178 female workers is currently employed in this sector, and there is a potential to double that in the upcoming years (Table 01). The sector seems to have an immense potential, and the industry must grow with the sufficient Strategic HRD interventions (Table 02) to bring efficiency in capacity utilization, productivity improvement, and value creation with greater financial strength and sustainability. The study focuses on Strategic Human Resource Development (SHRD) as a prospective corporate practice to facilitate a proactive approach in meeting business challenges in the steel manufacturing industries of Bangladesh. The article takes a comprehensive review of two major area of SHRD systems (SHRDS) and tries to discover the present trend of practicing SHRD in the steel manufacturing industries of Bangladesh by doing primary survey research among the rerolling factories in Chittagong city.

Rationale of the Study

The human resource is the most important asset for any organization, and it is the source of achieving organizational competitive advantage (Tiwari & Saxena, 2012). An organization develops its competitive advantage by developing its core competencies and production skills; R&D, design etc. are considered as the most important core competencies for an organization (Prahalad & Hamel, 1983). The development of core competencies helps an organization rise with effective competitive advantage over others, and to develop competitive advantage through core competencies, an organization must engage in human resources development activities at all levels of operation. It is evident that an organization with better learning, training, and development systems, reward and recognition, and information systems promotes a

favorable human resource development climate (Tiwari & Saxena, 2012), and that climate finally leads to an effective practice of SHRD in an organization facilitating a competitive view of developing human resources aligned with the strategic competency development.

However, the evidence from available research suggests that many organizations all around the world do not implement a total strategic type HRD (Garavan et al., 1995) and the scenario of strategic thinking in Bangladesh is rarely present in the domestic corporate culture. Most of the steel manufacturing industries in Bangladesh have emerged from the background of traditional trading companies. So, logically, the practice of SHRD in most of the Bangladeshi steel industries is in a form of traditional training and development approaches just to comply with the practices of personnel management or HRM. It is also noted that the extent of industrial training at the organizational and institutional level is extremely inadequate, and workforce development is conducted mostly on the job. So, to cope with the competitive situations of highly uncertain business changes, the developing organizations demands a new set of skills, knowledge, and attitudes for the next generation workforce in addition to new technological and marketing interventions.

Objectives of the Study

The broad objective is to understand SHRD practices and the imperatives for the future with respect to the manufacturing sector in Bangladesh. Specific objectives may be stated as follows: 1) To develop a theoretical framework for understanding SHRD and its Systems (SHRDS) to be applied to manufacturing sector; 2) To discover the current scenario of the Strategic Human Resource Development Practices in Bangladeshi steel manufacturing industries; 3) To suggest useful recommendations for Bangladeshi steel manufacturing industries to gain competitive advantage through developing an enabling environment of SHRD Practices.

Literature Review

Human Resource Development (HRD)

HRD is made up of organized learning experiences provided by the employer in a specified period of time for the purpose of increasing job performance and providing growth for individuals (Nadler & Nadler, 1989). It is one of the major functions of employee development through designing need-based productivity improvement training, employee motivational program, ensuring good quality of the working life, organizational change management, etc., that leads to job satisfaction and employee retention. HRD acts as a triggering mechanism for the progression of other HRM policies that are aimed at recruiting, retaining, and rewarding employees (Bratton & Gold, 1994).

Strategic Human Resource Development (SHRD)

Strategic Human Resource Development is a system of strategic development and utilization the peoples working efficiently in the organization to cope with the environmental changes in business, competently managing the business challenges, and to gain competitive advantage (Huda & Karim, 2007). A strategically-oriented HRD function can make a significant contribution to the success of an organization, and this will manifest itself in the organization's ability to innovate, the quality of its strategic decision making, individual performance and productivity, and how closely the skills of the organization are aligned with its strategic mission and plans (Garavan, 1991). SHRD is functionally a strategic management of training, development, and management/professional education interventions aimed at facilitating the achievement of organizational goals while ensuring the full utilization of the knowledge and skills of employees (Garavan, 1991).

The organizational responses vary depending on the nature and culture, but the most common strategic responses by the organizations are *Portfolio Related Strategic Responses*, *Process Related Strategic Responses*, and *Structure Related Strategic Responses* (Kandula, 2004). As an emerging strategic viewpoint, SHRD has improved significantly upon these responses for adjusting the environmental changes, and it is widely acknowledged that the integration of HR strategy with the

business strategy is vital for organizational success (Huda & Karim, 2007). So, formulating a bond between HRD and the business strategy can efficiently attain the competitive advantage through effective SHRD actions/interventions (Table 2).

Strategic Human Resource Development Systems (SHRDS)

SHRDS consists of comprehensive and integrated sets of arrangements, which are called as *SHRD practices* and *SHRD facilitators*. These systems (Figure 01) are interdependent and affect each other. The fundamentals of SHRD are similar to those of Herzberg's hygiene factors, and initiatives are the motivators for successful HRD in the organization (Huda & Karim, 2007).

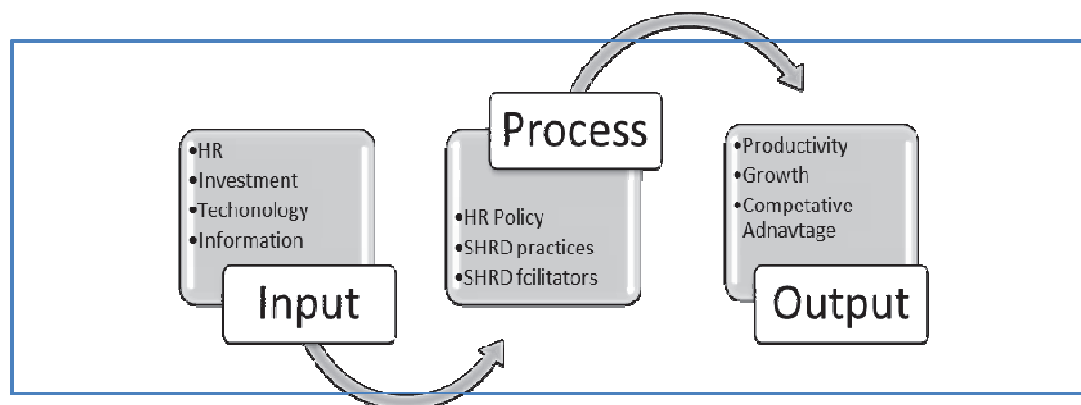


Figure 1. Strategic Human Resource Development System (SHRDS) (Source: Authors)

SHRD Practices

These include development of fundamental elements of SHRD like compensation, working environment, welfare, and departmental functions of HRD, which have to be strong enough to ensure a congenial atmosphere in an organization for implementation of SHRD initiatives, like training, performance appraisals, job enrichment, career planning, communication, involvement and empowerment (Kandula, 2004).

SHRD Facilitators

A number of factors, such as concerns of top management, trade unions, front line officers/supervisors, and individual workers, regarding development issues(the industrial relations scenario, labor statutes, trainability, employment externalization, and downsizing) are believed to play a vital role in facilitating and inhabiting strategic HRD practices in the organization (Kandula, 2004). The awareness and adequate devotion of the above factors help an organization grow smoothly and respond to business changes promptly. This study will mainly cover the SHRD practices as part of SHRD systems.

Methodology and Scope of the Study

Strategic Human Resource Development provides a long overdue and thorough critique of what has been done in organizations over time under the name of change, and human resource development and proposes a different approach (Grieves, 2002). The present study on SHRD practices in the steel manufacturing industries of Bangladesh is an outcome of a survey-based research and desk study. The survey collected data through structured questionnaire. A pilot survey was conducted before the finalization of the questionnaire. The data were collected through the direct interview method by the researchers. Open ended discussions with three (5) HR managers of different steel industries were held at the time of interviewing, and the output of the discussions was recorded in a notebook.

The size of the samples is 06 (six) steel manufacturing industries located in the greater Chittagong division of Bangladesh where the number of industrial workers are 200 and above. The principal cause of

limiting the study to 6 (six) plants was due to the time constraints of the researchers. A total 62 workers of different steel industrial plants were interviewed randomly using a closed-end questionnaire that recorded the responses using a 5-point Likert scale. The respondents were mostly male workers who were directly involved in steel production with a minimum of five years working experience. The questionnaire contains 16 questions that represent the factors of strategic HRD practices (adopted from Kandula S, 2004). Data are recorded and analyzed in Table 3 and Table 4, and the survey was carried out during 1st September – 30th November 2013.

Findings

On the issue of "Workers' allowances in the organization are attractive," 23% and 20% respondents scaled it as "disagree" and "strongly disagree"; according to the importance of factors, it is ranked in the 8th position. So, it is clear that workers allowances are somewhat unattractive. On the issue of "Multi skill training of workers is common in the organization," 45% and 43% respondents scaled it as "disagree," and according to the importance of factors, it is ranked in the 14th position. It means the career path of the workers is not defined and de-motivating and may result in non-optimization of production. Again, on the issue of "Feedback based on performance appraisal is not given to workers," 39% of the workers agreed with the statement and 40% strongly disagreed; according to the importance of factors, it is ranked in the 9th position. This implies that workers performance evaluation system exists in the organizations but not exercised regularly. At the issue of "Workers wages in proportion to rise in cost of living," 31% agreed and 24% respondents moderately agreed with the statement; according to the importance of factors, it is ranked in the 5th position. This indicates that the steel workers are struggling to maintain a standard of living in accordance with the rising cost of living (Table 3 and 4).

On the issue of "Workers counsel for their problems to improve performance," 21% and 26% responded "strongly agree" and "agree" with the statement, but 27% and 15% "disagreed" and "strongly disagreed" with it; its importance factor ranked in the 7th position. This implies that workers' performance development counseling exists in the organization but is not accomplished regularly. While the issue of "Scheme providing medical facilities to workers' families," it was found to be almost non-existent in most of the cases (74%), and according to the importance of factors, it ranked in the 16th position. When asked about whether HR Department was well trained or not, none of the respondent strongly agreed with the statement and closely spiked to scale 3 and 2 (31% and 29%), and according to the importance of factors, it was ranked 12th. One of vital jobs of HR is "retaining the existing workers" for which the maximum number of respondents replied to the scale of 5, 4 and 3, and according to the importance factors, it ranked 6th. So, it is obvious that there is a severe absence of an employee retention strategy in the steel industries. This is very normal on the part of workers to understand the skill required to get promoted to upper levels, which is not the case, as the maximum number of workers scaled it between 5 and 4 (39% and 24%); according to the importance of factors, it ranked 4th position (Table 3 and 4).

To facilitate a good production environment "less noise" is expected, which is the case with 39% of the respondents who "strongly agreed" and 26% who "agreed" that their workplace is noisy; according to the importance of factors, it is ranked 2nd. In response to the sufficiency of the number of toilets, washrooms, and water coolers, 44% workers "agreed" regarding the adequacy of those, and 27% "disagreed"; according to the importance of factors it ranked 3rd. On the issue of presence of family social activities in the organization, a big majority scaled it 2 and 1, and according to the importance of factors, it is ranked 15th. This illustrates that social activities among the workers are infrequent. Fifty-five percent of the workers responded that direct interaction with the top management is discouraged and according to the importance of factors, it ranked 1st. Here, the relationship gap among the management and the workers is severe, and it might be because of the social status gap. The majority of the respondents opined that their opportunity for creativity on the job is present in this sector and scaled their responses between 3, 2, and 1; according to the importance of factors, it ranked 13th (Table 3 and 4).

Policy Implication

In light of the findings from the survey, insights from the open-ended discussion and desk research, the following recommendations can be made:

Interaction and Communication: This industry should capitalize this strength as a strategic advantage and may elevate the level of interaction between the two key stakeholders – management and workers -- by adopting the following interventions:

- Effective informal communication between workers and management should be developed immediately to create better social association among them.
- Workers should be empowered through involvement and participation at the policy level decision.
- Social and family friendly programs (picnics, fun clubs, festivals, etc.) should be promoted to strengthen human bonding at the workplace. Observing various religious and cultural festivals will create an informal and harmonious relationship among workers and rejuvenate them towards loyalty;
- Workers' participation, as mentioned in Bangladesh Labor Code 2006 (2013), should be followed to avoid unwarranted labor relation problems.
- Cordial and sympathetic behavior by the top management towards the bottom workers will be valued as good managerial practice and will be praised by the customers and society.
- Practice of quality circles could be organized to develop democratic norms of workers participation at policy making stages. This practice will also foster creativity and innovation among the workers.

Sound HRM and HRD: To promote sound human resource management and development, the following initiatives maybe helpful:

- Workers' wage plans should be subject to inflationary adjustment to match real income and monetary income.
- Workers and staffs should be provided regular and emergency medical facilities, as the industry is very hazardous in nature.
- Workers' family's medical facilities could be provided to increase motivation and loyalty. This will help ensure a quality of working life (QWL) intervention in the organization and may act as an effective retention strategy.
- Workers group insurance could be a top priority intervention along with the provision of family-health insurance.

Training for workers' skill development: Industry could ensure quality training program by adopting the following approaches:

- Ensure the practice of training needs assessment by the HR / training department.
- Training of the trainers or HR staffs must be regularized.
- Multi-skill training could be arranged through on-the-job training and job rotation programs or job enlargement. .
- Skill-development training must complement the performance appraisal of the worker.
- Retraining facilities could be developed to upgrade the workers with new knowledge, skills, and behaviors.
- Useful steps could be taken to build up an industrial academy for training in association with the Bangladesh Automatic Re-rolling and Steel Mills Association (BARSMA).

Congenial physical environment: A pleasant working environment leads to productivity and motivation and ensures healthy life of the workers. The following approaches will be helpful in this regard:

- Developing a sound-pollution free working environment could be a top priority project in the steel sector. Sufficient personal protective equipment (PPE) should be provided to the workers at noisy work stations to minimize the hazards of noise.

- A sufficient number of toilets, washrooms, and water coolers should be made available and easily accessible to the workers.
- Every factory should build a mini-library with a sufficient collection of newspapers, newsletters, house magazines, and literature. This practice of on-site recreation will help release the physical stress of the workers.

Effective performance appraisal: Appropriate performance feedback helps a worker develop and sustain individual performance and, also, helps workers to be aligned with organizational objectives. The steel industries could ensure effective performance appraisals by adopting the following approaches:

- Designing result-oriented performance appraisals rather than behavioral performance appraisals.
- Performance feedback should be provided immediately to reinforce good and rectify bad performance.
- Regular and objective counseling services should be provided by the supervisors to assist better performance.

Conclusion

Human resources are a key factor to be considered in organizational development and must be emphasized in responding to the micro and macro-environmental changes and challenges of modern businesses. Any organization's excellent performance is the living result of its people's efficiency, effectiveness, commitment, and potential (Jain, 2005). It is evident that SHRD practice by the steel manufacturers of Bangladesh will ensure the growth of this sector through human resource development interventions. The key point of the study is that there is a lack of an interactive relationship between workers and management, and the workplace environment is not compliant with required standards to be called as practicing SHRD. The needs and scope of modernizing HR practices along the line of SHRD concepts and ideas have been recommended in detail. The recommendations include implementing basic compliance to advancing SHRD components. The steel industries of Bangladesh are expected to be cautious about identifying and coping with the changing economic environment by considering SHRD as a success factor and should implement the SHRD facilitating programs in the steel industries of Bangladesh. There is a long way to go on the way of conceptualizing and actualizing SHRD principles and practices. A paper like this one will help discuss and debate the cultural and conceptual change much needed in these sectors.

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