

**AN EMPIRICAL STUDY ON THE RELATIONSHIP
BETWEEN HUMAN RESOURCE PRACTICES AND SUPPLY
CHAIN MANAGEMENT IN SELECTED PRIVATE SECTOR
ORGANIZATIONS IN SRI LANKA**

By

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The work described in this thesis was carried out by me under the supervision of Dr. (Mrs.) Bhadra J.H. Arachchige and a report on this has not been submitted in whole or in part to any university or any other institution for another Degree/Diploma.

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ABSTRACT

The human dimension of the supply chain needs more attention in years to come, which contributes to solve many unsolved problems of the effective implementation of supply chain management. Extant researches have established that human resource practices have an impact on supply chain management. The purpose of this study is to identify the relationship between selected human resource management practices that facilitate supply chain management. Hence, this study focuses on empirically testing the relationship between selected relationship based human resource management practices and supply chain management. Further, the mediating effect of supply chain orientation in Sri Lankan context.

The study uses positivist paradigm. Sample of the study comprises of 45 best brand holding organizations in Sri Lanka. Correlation analysis, Linear regression analysis, Baron and Kenny method of testing mediating effect and Sobel Test were carried out using SPSS 14 and Sobel Test Macro software package. Results revealed that there is a statistically significant positive correlation between the relationship based human resource management practices on supply chain management. Further, supply chain orientation revealed a mediating effect on relationship based human resource management practices and supply chain management. Hence, it was recommended to use relationship based human resource practices to enhance the implementation of supply chain management. Limitations and the future recommendations of the study were developed based on the findings of the research study.

Chapter 1

Introduction

1.1 Background to study

Globalization, short product life cycles, mass customization, life time customer value focus, time and quality based competition, profound improvements in information technology and the emergence of the knowledge economy have drastically changed the business practices in today's business world (Mentzer, 2004; Perez and Martinez, 2007). The relationships among the upstream and downstream partners of a focal firm, irrespective of the location, are vital for its success. The long term sustainable development lies in collaborative relationships among the business partners (Mentzer, 2004). Organizations are moving towards collaboration as a strategy for competition (Meyer, 2011). Thus it is argued that competition in today's business environment is not among individual organizations but among the supply chains (Christopher, 2010). Research embarking on creating effective and efficient supply chain management is becoming a popular theme for contemporary research (Wang, Heng and Chau, 2007). Ballou (2007, p.05) states that supply chain encompasses all activities associated with the flow and transformation of goods from the raw materials stage (extraction), through to the end user, as well as the associated material and information flows both up and down the supply chain. Supply chain management refers to the integration of all these activities, through improved supply chain relationships, to achieve sustainable competitive advantage. Different researchers identify different aspects as components of supply chain management (Mentzer, et al, 2001). However implementation of supply

chain management includes activities of agreed vision and goals, information sharing, risks and rewards sharing, cooperation, process integration, long term relationships and agreed supply chain leadership among the supply chain members (Mentzer, et al., 2001). Supply chain orientation refers to implementation of supply chain management within a focal organization. Previous research argues supply chain orientation as a precondition to supply chain management and as a two different concepts (Min and Mentzer, 2004; Min, Mentzer and Ladd, 2007).

Much research has been conducted on supply chain process, technology and its relationship to the organizational performance and competitiveness in different industries around the world. It was revealed by many researchers that still supply chain management is a mere pipe dream in many countries around the world (Basnet, Corner, Wisner and Tan, 2003; Moberg, Thomas and Thomas, 2003; Bohme, 2009). This may be due to extant researchers' less focus on the real barriers to the supply chain management and human impact on supply chain orientation and supply chain management (McAfee, Glassman and Honeycut, 2002; Gowen and Tallon, 2003; Fawcett, Magnan and McCarter, 2008).

Supply chain management is a human centric philosophy (Myers, Griffith, Daugherty and Lusch, 2004). Graham (2011) has found out that the human resources and supply chain management have a natural link. Competent human resources base is considered as a sustainable means to achieve competitive advantage as it is difficult to imitate by others (Optaha, 2009). According to Barney, Wright and Ketchen (2001) sustainable competitive advantage can be derived from resources and capabilities of a firm that are valuable, rare, imperfectly imitable and not substitutable. Human resource practices trigger competent human resources base and their capability enhancements

continuously. Human capabilities in nature are valuable, rare, imperfectly imitable and not substitutable.

Early theorists have found that a certain mix of human resource management practices would lead to high performance of the organizations over other human resource practices (Lee and Kim, 2010). Based on the universalistic perspective that a certain set of human resource practices will always lead to higher performance regardless of the contexts (Kalleberg, 2000 cited in Lee and Kim, 2010). Those effective human resource practices are interchangeably referred to as high performance human resource practices, commitment based human resource practices (Lee and Kim, 2010), relationship based human resource practices (Deadrick, McAfee and Glassman, 1997; McAfee, Glassman and Honeycut, 2002; Gowen and Tallon, 2003; Shub and Stonebraker, 2009) and innovative human resource practices (Som, 2007) within organizational and supply chain phenomena. Human resource management practices affect the attraction and retention of competent, qualified human resources to an organization.

Relationship based human resource management practices refer to a combination of human resource practices that are focusing on creating a long term trusted employee base (Deadrick, McAfee and Glassman, 1997; Shub and Stonebraker, 2009). Researchers have found out that relationship based human resource management practices are having positive relationship with supply chain orientation and supply chain management (Deadrick, McAfee and Glassman, 1997; McAfee, Glassman and Honeycut, 2002; Gowen and Tallon, 2003; Shub and Stonebraker, 2009).

The existing theoretical and empirical knowledge suggests that there is positive relationships between the relationship based human resource management practices on supply chain orientation and also supply chain orientation on supply chain management.