

[HOME](#)[Revista ESPACIOS](#)[ÍNDICES / Index](#)[A LOS AUTORES / To the AUTORS](#)

Vol. 40 (Issue 38) Year 2019. Page 3

Industrial relations practices and competitive advantages: a case study of East Coast Railways, Bhubaneswar in India

Prácticas de relaciones industriales y ventajas competitivas: un estudio de caso de East Coast Railways, Bhubaneswar en India

SAHOO, Kalyan K. 1

Received: 19/06/2019 • Approved: 25/10/2019 • Published 04/11/2019

Contents

- [1. Introduction](#)
- [2. Methodology](#)
- [3. Analysis and results](#)
- [4. Conclusions](#)
- [Bibliographic references](#)
- [Annexes](#)

ABSTRACT:

Competitive advantage was gained through factors such as production capacities, research laboratories, financial resources, distribution channels and economies of scale, though these factors are still relevant but not sufficient for success in today's business world. It is commonly acknowledged that employees are the key assets in the new world market and that all other assets are nothing more than commodities that can be purchased at market prices, but only the human asset has potential to learn, grow and contribute to the development and evolution of the East Coast Railways (India).

Keywords: Industrial relations practices, competitive advantage, trade unionism & collective bargaining, effective communication & IR system

RESUMEN:

La ventaja competitiva se obtuvo a través de factores como las capacidades de producción, los laboratorios de investigación, los recursos financieros, los canales de distribución y las economías de escala, aunque estos factores siguen siendo relevantes pero no suficientes para el éxito en el mundo empresarial actual. Se reconoce comúnmente que los empleados son los activos clave en el nuevo mercado mundial y que todos los demás activos no son más que productos que se pueden comprar a precios de mercado, pero solo el activo humano tiene potencial para aprender, crecer y contribuir al desarrollo y evolución de los ferrocarriles de la costa este (India).

Palabras clave: prácticas de relaciones laborales, ventaja competitiva, sindicalismo y negociación colectiva, comunicación efectiva y sistema de IR

1. Introduction

In this dynamic and challenging era, there is a need of an increased level of excellence to find the source that can act as an indispensable tool for the success of any organization. To differentiate the entity from the competitors, incorporation of intangible assets is required, which increases the value of intangible assets and employees as they make them and use them. The strategic role of human resources and industrial relations as emerged. Traditionally competitive advantage was gained through factors such as production capacities, financial resources, and the like, which

shifted the source of competitive advantage to technological and now to human resources and industrial relations. (FitZ-enz,1995)

The biggest, most valuable asset of any company is its people, as all management plans for success enhancement are carried out by people. Every organization is trying to achieve competitive advantage by improving technology, adopting various strategies like cost leadership, quality enhancement, cost reduction and the like. But these can augment the firm operating performance only to a certain extent. To proceed beyond that point, firm has to focus on its most important resource, i.e., human resource and Industrial relations. A firm can have a competitive advantage if it is enforcing a value creating strategy that is not being implemented by its competitors and the same is not duplicated by competitors to gain benefits of the strategy (Barney, 1991). The research analysed how human resource and Industrial relations meet all the criterions of being source of competitive advantage, and thus, help in gaining competitive advantage.

Committed and competent workforce acts as a source of competitive advantage and contributes to the development of company's competitiveness and its sustenance in two ways (Porter, 1985): (i) Either the company is instinctive enough to come up with something which its rivals were unable to imitate, or (ii) The company is fast enough that its rivals are unable to catch up. Among the resources at the firm's disposal, the human resources meet these two conditions, being a source of sustainable competitive advantage as it adds value to the firm, is rare, and cannot be imitated. Therefore, organizations need to continually invest in employee's knowledge, skills, motivation, recruitment, selection, training, development, compensation, retention and constantly strive to improve and implement better HR practices. Someone was nicely quoted, "if you have the right person in the right place, you don't have to do anything else. If you have the wrong person in the job, consequences will be very bad and there's no management system known to man that can save you". Thus, putting more focus on employees will not only improve competency and commitment but also develop more satisfied manpower with employee performance. So, the organisation develops a competitive advantage. Such patterns include hiring highly skilled manpower an effective training and development, infusing right attitude, skills and knowledge; a palatable work climate; an equitable reward system and fringe benefits; better promotion; maintaining good employee relationships, and strong respect to individual dignity. If an organisation is able to go through these practices in an effective manner, such organisation is meant to have committed employees, competent enough to endure organisational performance in a dynamic environment. Thus, it will develop gradually a sustained competitive advantage as it will take years for rivals to reproduce the same level of commitment and trust in its employees.

However, there must be a match between firm's competitive strategy and industrial relation practices. So, firm has to take care about both human capital advantage and industrial relations process advantage (Unionism, cooperation and communications).

As the competent and committed employees with better processes are more satisfied, thus it leads to fewer accidents, improved efficiency and productivity, lower labour turnover and obviously better customer service and satisfaction. Therefore, there is vital needed to study and investigate this aspect in fiercely competitive business environment, particularly in service industry, specialy Railways.

1.1. Gaining Competitive Advantage through Industrial relations practices

Organizations that have superior human resources are expected to gain competitive advantage because high quality workforce enhances the processes and outcomes of organization and thus contribute to the success of organization as it is the human resources who put other resources to use.

Literature Review

Studies have been carried out by the organization to achieve the competitive advantage through the manpower resources. Schuler, 1984 identified major HRM practices like human resource planning, staffing including recruitment, selection and socialization, appraising, compensation, training and development, union management relationship that must be followed to manage the human resources effectively. The result of effectively managing human resources is an enhanced ability to attract and retain qualified employees who are motivated to perform, and the results of having the right employees motivated to perform are numerous. They include greater profitability, low employee turnover, high product quality, lower production costs, and more rapid acceptance

and implementation of corporate strategy. These results, particularly if coupled with competitors who do *not* motivated to perform, can create a number of competitive advantages through human resource management practices. For example, according to Glenn Bailey, Chairman of Bairnco Corporation, compensation tied to performance is a powerful spur to management hustle. Under a system where officers with a salary of \$100,000 a year can make that much again in bonuses linked to performance, the Kaydon bearing division of Baimco has increased sales from \$270 million in 1981 to \$442 million in 1983.

Faugoo, 2009 denoted that the ability to attract the talent, select the best, developing and upgrading skills, motivating innovation and retaining the valued employees will be the key practices for a firm's success in today's global environment. According to her opinion, competitive advantage and human resource practices are highly positively co-related to organizational performance.

Pfeffer, 1994 has issued sixteen practices lead to competitive advantage through human resources. These are employment security, incentive pay, participation and empowerment, symbolic egalitarianism, long-term perspective, selectivity in recruitment, employee ownership, teams and job re-design, wage compression, measurement of practice, cross utilization & cross training, high wage, information sharing, training and skill development, promotion from within, overarching philosophy.

Bartlett and Ghoshal (2002) reported that if any company wishes to flourish in this new era it has to recognize the value of people and suggested that human resource managers must see employees as talent investors. Boxall (2003) examined the theory and research on the advantage through human resource in the service sector and suggested that in order to reap the greater benefits in productivity firm should imply high and consistent investment in its human resources, which will thus create high performance work system. Schuler and Jackson (1987) shown that there is linkage between HR practices, competitive strategy and performance. Their study is concerned with how the competitive strategies and human resource practices are linked and needed a role behaviours as per the strategies.

The above studies review a paradigm for competitive advantage towards human resources in today's world. The industrial relation practices or human resource practices can grow and contribute to the organization. These studies were short of expectations to know how such competitive advantage is developed. The current study intends to reflect the case as industrial relation practices really help the East Coast Railways to achieve the competitive advantage. So we have undertaken to analyse the relationship of industrial relation practices and competitive advantage in East Coast Railways, Bhubaneswar, Odisha.

Research Hypotheses

Understanding study, the hypotheses formulated for the study are:

Hypothesis I

H₀: There is no significant relationship between Industrial relations and Competitive Advantage in East Coast Railways.

H_a: There is significant relationship between Industrial relations and Competitive Advantage in East Coast Railways.

Hypothesis II

H₀: There is no significant impact of Industrial relations and Competitive Advantage in East Coast Railways.

H_a: There is significant impact of Industrial relations on Competitive Advantage in East Coast Railways.

Objectives:

In consequence, the objectives of the study were as follows:

I. To study the industrial relation practices to gain competitive advantages in East Coast Railways, Bhubaneswar.

II. To ascertain how the East Coast Railways gained competitive advantage through its industrial relations.

1.2. East Coast Railway (ECoR), Odisha

East Coast Railway is one of the "blue chip" zones of Indian Railways, which came into existence in its present form with effect from the 1st April, 2003. Since then, the zonal railway headquarter has been functioning at Bhubaneswar, the capital city in the state of Orissa. The geographical jurisdiction of the railway is however extended over three states encompassing almost all parts of Orissa along with parts of Srikakulam, Vizainagaram & Visakhapatnam districts of North Eastern Andhra Pradesh, and the Bastar & Dantewada districts of Chhatisgarh State. As such, these regions, with a long coastal line, are rich in mineral and other natural resources, and are on the threshold of an industrial upsurge.

2. Methodology

2.1. Simpling and sample size

An empirical study was conducted to achieve the objectives. Convenience sampling method was followed. The study was conducted on 574 respondents.

2.2. Survey instrument

Well-structured questionnaire was developed for conducting the study. Questionnaire included statements. Respondent had to just encircle the appropriate choice.

Where 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly Agree.

2.3 Respondent's demographic profile

The demographic profile of the sample respondents is reported in the table 1:

Table
Demographic profile of sample espondents.

Gender			Age		
Group	No.	%	Yrs.	No.	%
Male	527	91.8	1	32	5.6
Female	47	8.2	2	168	29.3
			3	283	49.3
			4	91	15.8
Total	574	100		574	100

2.4. Methodological tool

Factor analysis was used as statistical tool to analyze the collected data. A measure of sample adequacy, as a Bartlett's test of sphericity and KMO value, were applied to check the suitability of the data for factor analysis (Nargundkar, 2005). There are two basic methods to [factor analysis](#): principal component analysis (PCA) and common factor analysis (CFA). Overall, factor analysis involves techniques to help produce a smaller number of linear combinations on variables so that the reduced variables account for and explain most the variance in correlation matrix pattern. Principal component analysis is a technique to do factor analysis, which considers the total variance in the dataset that is unlike common factor analysis, and transforms the original variables into a smaller set of linear combinations. The diagonal of the correlation matrix consists of unities and the full variance is brought into the factor matrix. The factor matrix is the matrix that contains the factor loadings of all the variables on all the factors extracted. The terms 'factor loadings' are the simple correlations between the factors and the variables. It is recommended when the researcher's basic concern is to determine the minimum number of factors that will account for the maximum variance in the data in use in the particular multivariate analysis, like in

Delphi studies. While conducting principal component analysis, the researcher can get well versed with terms such as standard deviations and eigenvalues. The eigenvalues refer to the total variance explained by each factor. The standard deviation measures the variability of the data. The task of principal component analysis is to identify the patterns in the data and to direct the data by highlighting their similarities and differences. Under PCA, the rotation method of varimax with Kaiser normalization was used where (a) rotation converged in 9 iterations and (b) only cases from East Coast Railways.

3. Analysis and Results

Factor analysis is used to identify latent or underlying factors from an array of seemingly important variables. The study variables, as factors, are identified, numbered and reported in table 3. Measures of sample adequacy such as Bartlett’s test of sphericity for approx value of chi-square was 4598.051, degree of freedom was 276, significance was (0.000) and KMO value (0.647) showed that data were fit for factor analysis.

Table 2
KMO and Bartlett's test.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy .647		
Bartlett's Test of Sphericity	Approx. value of Chi-Square	4598.051
	Degree of Freedom	276
	Significance	.000

Table 3
Factor identification and respective loadings-survey results.

Factors	No.	Statements	Factor Loading
Organizational Climate	16	I am satisfied with my organisation as a whole	.864
	15	I am happy with the working conditions	.735
	17	I am committed to my organisation	.711
	13	Workmen lacking competence in doing their jobs are helped to acquire competence rather than being left unattended	.703
	18	The personnel policies of the ECoR facilitate employee/workmen development	.679
	14	I am satisfied with the ECoR’s HR/IR policy	.553
Trade Unionism and Collective Bargaining	9	Collective bargaining agreements support the workers’ interest	.707
	5	The ECoR supports multiple trade unions, freedom of choosing union as member	.661
	19	The ECoR supports the PNM, FNM and JCM to facilitate the collective bargaining process smoothly	.534

	12	The ECoR and its Unionism discourages political affiliation, interference and inter-union rivalry	.490
Workers Participation and Empowerment	1	The ECoR offers a healthy work climate	.635
	3	Managers/supervisors are also good leaders who motivate workmen/employees to achieve peak performance	.583
	6	Workmen and their representatives have right to participate in decision-making	.439
Effective Communication and IR System	11	The ECoR and Union supports open communication and a sound industrial relation system	.769
	4	Supervisors/Managers foster a work environment that is low on personal conflict, surprises	.623
	10	Trade Unionism and collective bargaining process discourage the strikes, and lockout	.623
Recruitment and Reward System	8	The ECoR has proper dismissal policy	.702
	7	The ECoR recruits and retains outstanding employees/workmen	.595
	2	The ECoR has fair wage and reward system	.534

Five factors were retained on the basis of Eigen values and explained variance. Thus, five factors have been extracted which cumulatively explained 59.45% of the total variance. All the statements with factor loadings greater than 0.40 were considered in the corresponding factor. The name of the factors, variable labels and factor loadings are summarized in table 3.

Table 3 clearly depicts that Factor 1 represents a linear combination of variables number 16, 15, 17, 13, 18 and 14. Factor 2 is a linear combination of variables number 9, 5, 19 and 12. Factor 3 is a linear combination of variables number 1, 3 and 6. Factor 4 is a linear combination of variables number 11, 4 and 10. Factor 5 is a linear combination of variables number 8, 7 and 2. After the number of extracted factors was decided, the next task was to interpret and name the factors. This has been done by the process of identifying the factors that were associated with which of the original variables. The rotated factor matrix is used for this purpose. Table 4 explained the detail principal component analysis of exploratory factor analysis where Initial Eigen values, Extracted Sums of Squared Loadings and Rotation Sums of Squared Loadings are shown. From Extraction of Principal component analysis and below mention table 4 and 5 Eigen values are drawn.

Factor Analysis

Table 4
Total explained variance

Item No.	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	4.017	21.144	21.144	4.017	21.144	21.144	3.439	18.102	18.102
2	2.159	11.362	32.506	2.159	11.362	32.506	2.298	12.093	30.195

3	2.052	10.799	43.305	2.052	10.799	43.305	2.042	10.746	40.941
4	1.653	8.699	52.004	1.653	8.699	52.004	2.033	10.698	51.639
5	1.414	7.445	59.448	1.414	7.445	59.448	1.484	7.809	59.448
6	1.202	6.324	65.772						
7	.921	4.846	70.618						
8	.777	4.088	74.707						
9	.739	3.889	78.596						
10	.726	3.821	82.416						
11	.598	3.146	85.563						
12	.548	2.886	88.449						
13	.504	2.654	91.104						
14	.435	2.292	93.395						
15	.357	1.881	95.276						
16	.289	1.522	96.798						
17	.258	1.358	98.156						
18	.189	.997	99.153						
19	.161	.847	100.000						

Extraction Method: Principal Component Analysis.

Table 5
Rotated component matrix (a, b).

Item No.	Items	Factor Loading				
		1	2	3	4	5
1	The ECoR offers a healthy work climate			.635		
2	The ECoR has fair wage and reward system					.534
3	Managers/supervisors are also good leaders who motivate workmen/employees to achieve peak performance			.583	.431	
4	Supervisors/Managers foster a work environment that is low on personal conflict, surprises				.623	

5	The ECoR supports multiple trade unions, freedom of choosing union as member		.661			
6	Workmen and their representatives have right to participate in decision-making.			.439		
7	The ECoR recruits and retains outstanding employees/workmen					.595
8	The ECoR has proper dismissal policy.					.702
9	Collective bargaining agreements support the workers' interest		.707			
10	Trade Unionism and collective bargaining process discourage the strikes, and lockout		.480		.623	
11	The ECoR and Union supports open communication and a sound industrial relation system				.769	
12	The ECoR and its Unionism discourages political affiliation, interference and inter-union rivalry		.490	.416		
13	Workmen lacking competence in doing their jobs are helped to acquire competence rather than being left unattended	.703				
14	I am satisfied with the ECoR's HR/IR policy	.553		.538		
15	I am happy with the working conditions	.735				
16	I am satisfied with my organisation as a whol	.864				
17	I am committed to my organisation	.711				
18	The personnel policies of the ECoR facilitate employee/workmen development	.679		.456		
19	The ECoR supports the PNM, FNM and JCM to facilitate the collective bargaining process smoothly		.534	.461		
Extraction Method: Principal Component Analysis.						
Rotation Method: Varimax with Kaiser Normalization.						
a. Rotation converged in 9 iterations.						
b. Only cases for which ECoR Understudy = ECOR are used in the analysis phase.						

Description of factors

All the factors have been received appropriate names according to the variables that have been loaded on each factor. The five factors are discussed below:

Organizational climate

The rotated matrix has revealed that respondents have perceived this factor to be the most important factor, with the highest explained variance of 18.102%. Six out of nineteen service features load on significantly to this factor. This factor has been named as "Organizational climate" as it includes statements like employee said as "I am satisfied with my organization as a whole"; "I am happy with the working conditions"; "I am committed to my organization"; "workmen lacking competence in doing their jobs are helped to acquire competence rather than being left unattended"; "the personnel policies of the ECoR facilitate employee/workmen development" and, "I am satisfied with the ECoR's Industrial Relations policy". It is a very important factor for the ECoR to maintain a healthy climate, in order to have committed and efficient employees.

Trade unionism and collective bargaining

It has been revealed to be the second most important factor with an explained variance of 12.093%. Four features were loaded on to this factor. It has been named as "Trade unionism and collective bargaining" as it includes statements like "collective bargaining agreements support the workers' interest"; "the ECoR supports multiple trade unions, freedom of choosing union as a member"; "the ECoR supports the Permanent Negotiating Machinery, Functional Negotiating Machinery and Joint Consultative Machinery to smoothly facilitate the collective bargaining process; and the ECoR and its unionism discourages political affiliation, interference and inter-union rivalry.

Workers participation and empowerment

Three statements load on this factor and together accounted for 10.746% of the variance. This factor includes statements such as the "ECoR offers a healthy work climate"; "managers/supervisors are also good leaders who motivate workmen/employees to achieve peak performance"; and "workmen and their representatives have right to participate in decision-making". Thus, this factor is being named as "Workers participation and empowerment".

Effective communication and IR system

This is the next important factor, which accounts for 10.698% of the variance. Three statements were loaded on to this factor, like "the ECoR and the union supports open communication and a sound industrial relation system"; "supervisors/managers foster a work environment that is low on personal conflict or surprises"; and "the trade unionism and collective bargaining process discourage the strikes, and lockout".

Recruitment and reward system

The fifth factor accounts for 7.809% of the variance. Three statements were loaded on to this factor, like "the ECoR has proper dismissal policy"; "the ECoR recruits and retains outstanding employees/workmen"; and "the ECoR has fair wage and reward system".

4. Conclusions

Competitive advantage depends on employee's attitudes, skills and competencies with satisfaction and commitment. This research revealed that the East Coast Railways achieves competitive advantage by developing resources, which add unique and rare value that cannot be copied, by hiring and developing talented workforce and synergizing their contribution within the resource pool. After the analysis, we come to conclude that the ECoR has followed sound IR practices and they are doing a lot to recruit and retain their employees. Compensation and reward system like efficiency shields, East Coast Railways's General Manager awards, and others, act as a reinforcement to employees, so employees have been committed, motivated and satisfied at all levels. The ECoR is also administering a variety of training aimed at increasing and maintaining each individual job's related skills and providing them opportunities to develop and grow. The East Coast Railways is also promoting a healthy culture, where employees are empowered to take decisions and there is an environment of trust. The ECoR is thus gaining competitive advantage through its industrial relation practices and has a relationship, significant impact of Industrial relations on Competitive Advantage in East Coast Railways.

Bibliographic references

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99-120.

Fitz-enz J.(1995). How to measure Human Resource Management. New York: McGraw-Hill.

Bartlett, C.A. & Ghoshal, S. (2002). Building competitive advantage through people. *Sloan Management Review*, 43(2), 34-41.

2	The ECoR and its Unionism discourages political affiliation, interference and inter-union rivalry					
3	Collective bargaining agreements support the workers' interest.					
4	The ECoR supports the PNM, FNM and JCM to facilitate the collective bargaining process smoothly.					
5	Trade Unionism and collective bargaining process discourage the strikes, and lockout.					

B. Recruitment and Reward System

S.No.	Items	SA	A	U	D	SD
6	The ECoR targets and attracts potential recruits.					
7	Efforts and Performances are reviewed periodically.					
8	The ECoR has fair wage and reward system.					
9	Effective performance is rewarded in ECoR.					
10	The ECoR recruits and retains outstanding employees/workmen.					
11	The ECoR has proper dismissal policy.					
12	The top management is willing to invest a considerable part of time and other resources to ensure the development of workmen.					
13	The supervisors use positive reinforcement (rewards) to maintain high levels of performance.					

C. Workers participation and empowerment

S.No.	Items	SA	A	U	D	SD
14	The personnel policies of the ECoR facilitate employee/workmen development.					
15	Managers/supervisors are also good leaders who motivate workmen/employees to achieve peak performance.					
16	Workmen and their representatives have right to participate in decision-making.					
17	The ECoR offers a healthy work climate.					
18	Workmen lacking competence in doing their jobs are helped to acquire competence rather than being left unattended.					

D. Organisational Climate

S.No.	Items	SA	A	U	D	SD
-------	-------	----	---	---	---	----

19	I am satisfied with the ECoR's HR/IR policy.					
20	I am happy with the working conditions.					
21	I am satisfied with my organisation as a whole.					
22	I am committed to my organisation.					

E. Effective Communication and IR System

S. No.	Items	SA	A	U	D	SD
23	Supervisors/Managers foster a work environment that is low on personal conflict, surprises.					
24	The ECoR and Union supports open communication and a sound industrial relation system.					

1. PhD, MBA(Topper), MJMC (Gold Medalist) , Vice – President (Academic affairs), African University College of Communications (AUCC), Accra, Ghana. kalyan46@rediffmail.com

Revista ESPACIOS. ISSN 0798 1015
Vol. 40 (Nº 38) Year 2019

[\[Index\]](#)

[In case you find any errors on this site, please send e-mail to [webmaster](#)]