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An analysis of the relationship between HR professionals' competencies and firms' performance in Malaysia

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An analysis of the relationship between HR professionals' competencies and firms' performance in Malaysia

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This study examines the competencies of human resource professionals in the manufacturing companies of Malaysia. The competencies that are examined in this study are business knowledge, strategic contribution, HR delivery, personal credibility, HR technology and internal consultation. All these competencies will be tested whether or not they are significantly related to a firms' performance. The sample employed here consists of HR professionals from Malaysian manufacturing companies in the southernmost state of Malaysia, Johor. A total of 89 firms responded to the survey exercise. This study uses quantitative methods such as Spearman ρ correlation and multiple regression analysis to test the variables. The finding shows that the top nine ranking HR competency factors are from the domain of personal credibility and HR delivery. The respondents' self-rated competency shows that personal communication, legal compliance, effective relationship and performance management rank above all other factors. Competencies such as strategic contribution, business knowledge, HR technology and internal consultation have significant correlation with firms' performance. Furthermore, it is found that out of all HR competencies, the highest contributions to a firm's performance are strategic contribution and internal consultation.

Keywords: business knowledge; competencies; firms' performance; human resources; internal consultation; strategic contribution

1. Introduction and background of study

Human resource (HR) professionals, by virtue of their knowledge of human performance, are well positioned to exercise strategic leadership and contribute significantly to a firm's competitive advantage. This paradigm shift concerning the value of HR will, therefore, create opportunities for the HR function to develop a more strategic role in a firm's operation (Lawler and Mohrman 2003).

Competing in today's global economy provides additional challenges to the HR function by creating an environment where one must create and sustain competitive advantages. To function constructively and to play more critical roles more effectively, HR professionals must master the necessary competencies, and that mastery of HR knowledge comes only from being familiar with the concepts, language, logic and practices of HR which are the result of research and training. Furthermore, mastery of the

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above abilities comes from being able to apply the knowledge within specific business settings (Brockbank, Ulrich and Beatty 1999).

On the basis of the increased interest in the relationship between HR management (HRM) and organisational performance, many researchers have heightened interest in the kinds of competencies the HR professionals should display in order to add value to their firm's performance (Huselid, Jackson and Schuler 1997; Teo 2002; Boselie and Paauwe 2004). Worldwide socio-economic developments, such as globalisation, increasing speed in the service sector of the economy, changes in workforce demographics, focus on customer loyalty and emphasis on effective financial performance, challenge the HR function in its role as the creator of added value to the organisation. Many high-performing companies have HR professionals involved in business at a strategic level. There are four major factors of competencies related to how well a HR professional contributes in a strategic way to businesses in areas such as strategic decision making, culture management, fast change and market-driven connectivity (Brockbank and Ulrich 2003).

Hiltrop, Despnes and Sparrow (1995 cited in Rozhan and Zakaria 1996) observed that HR professionals in Holland and Italy tend to focus on cost control. This may be due to the predominant finance background of the HR professionals in these countries. On the other hand, many HR professionals and managers in Germany are from legal background and thus more concerned about interpreting rules and regulations. The characteristics of an organisation's HRM practice are to an extent shaped by the competence of the HR professionals.

Many researchers have highlighted the importance of HR competencies (Khatri 1999; Khatri and Budhwar 2002; Selmer and Chiu 2004; Ramlall 2006). A recent study by Pietersen and Engelbrecht (2005) carried out in South Africa shows that there is a positive relationship between business-related competencies and their strategic involvement of the HR professionals. The two variables appear to be interrelated, as both are very important factors that enable HR professionals to contribute to their organisations success.

Nowadays, competencies are used in many facets of HRM, ranging from individual functions such as recruitment and performance management to organisational strategic planning and design of organisational structure and culture. HR competencies are said to be a set of characteristics contributing to the effective HR performance that enables an organisation to carry out its business strategies in a competitive market. However, many HR executives are not invited to the strategic planning table because they have failed to display the required competencies (Barney and Wright 1998). In fact, it is suggested that the competency level of the HR manager has an influence on whether he or she is able to get into the executive board chamber (Selmer and Chiu 2004).

2. Review of the literature

2.1 Competency skills of HR professionals

As one of the main barriers for HR professionals being able to play a more strategic role in an organisation is their lack of certain competencies (Aitchison 2007). In general, competency is defined as a personnel-related concept referring to a set of behavioural dimensions of one's effective performance at work. Some authors suggest more precise definitions that describe competencies as the work-related personal attributes; knowledge, skills and values that individuals draw upon to do their work well (Selmer and Chiu 2004). These elements, at the same time, are the factors that enable assessment, feedback, development and reward for individuals to take place (Kochanski 1996).

There are several major studies available on HR competencies. One study surveys 3000 HR professionals, consultants, line executives and academicians. That study reports that line executives thought that computer literacy was the most critical HR competence, whereas academicians argue that a broad knowledge of and a clear vision for HR were the most important issues, and consultants believe that ability to change things is the most important factor in the excellence of HR performance (Khatri and Budhwar 2002). Another study, examining 300 HR professionals from various sectors, establishes a set of core HR competencies consisting of leadership style, management intuition, functional abilities and personal attributes (Schoonver 1997). Finally, a third and the most extensive of the HR competency surveys suggests that HR professionals need to be more knowledgeable about financial management, external competition and customer demands (Ulrich, Brockbank, Yeung and Lake 1995).

Ulrich and associates (1995) define competency as the ability to add value to the business; it must focus on the processes leading from changing business conditions to achieving sustainable competitive advantage. Their HR model combines various aspects of competencies which are divided into four domains: knowledge of the business, personal credibility, HR functional expertise and management of change. They argue that the management of change is critical, as an organisation's external rate of change must be matched by an internal rate of change if the organisation is to remain competitive. The second most important element, personal credibility, deals with the extent to which HR professionals embody the values of the firm and act with proper attitudes when dealing with HR issues in their efforts to create results (Ulrich and Eichinger 1998). Therefore, competent HR professionals will have personal credibility coupled with the knowledge and behaviours that will ensure that HR practices align with and accomplish business goals.

2.2 The HR competency study: the Brockbank and Ulrich model

The survey data of the HR competency study (HRCS) were collected in 2003 under the initiative of the University of Michigan. The study was carried out online (web based). The respondents of the European HRCS were HR professionals and line managers of multinational companies located in Europe (Boselie and Paauwe 2004).

In the first two rounds, three competency categories were uncovered: business knowledge, HR functional capability and change management. In 1997, two additional categories were added: culture management and personal credibility. In 2002, the HRCS Michigan research team and its associated partners around the globe performed research in four continents: North America, Latin America, Asia and Europe. In this survey, five domain factors emerged as making a difference in terms of performance. The domains are as follows.

2.2.1 Strategic contribution

High-performing companies have HR professionals involved in the business at a strategic level. These HR professionals manage the culture, facilitate rapid change and are involved in the strategic decision making and create market-driven connectivity of the operation (Boselie and Paauwe 2004).

These comprehensive HR competency studies were done in collaboration with SHRM and the University of Michigan Business School in 2003. As mentioned above, Brockbank and Ulrich (2003) conducted the study that involved more than 27,000 HR professionals

and line managers. Most notably, the strategic contribution of HRs accounted for 43% of the total impact on business performance in high-performing organisations (Brockbank and Ulrich 2003). In this competency area, culture management, rapid change efforts and a business partner role along with customer focus emerged as important factors for HR professionals, making their impact on their organisations' financial performance significant. Indeed, the financial performance of the organisations improved by approximately 10% over the last 3 years when HR professionals demonstrated these core competencies compared with the improvement of their major competitors (Brockbank and Ulrich 2003).

Ulrich (1998) and Brockbank et al. (1999) reiterated that strategic contributions account for a significant portion of the total impact of HR on business performance. However, in a recent study by Ramlall (2006), it was found that HR professionals are clearly lacking in this area. Furthermore, in another recent study, strategic contribution is the only domain out of the other four tested which reveals a positive relationship with the financial competitiveness of a firm (Boselie and Paauwe 2004).

2.2.2 *Personal credibility*

HR professionals must be credible to both their HR counterparts and the business line managers whom they serve. They need to promise and deliver results and establish a reliable track record. Furthermore, working well with others by building good relationship is vital in developing the ability to work together with others effectively. In addition, HR professionals must have effective writing and verbal communication skills (Boselie and Paauwe 2004).

The findings of the study by Boselie and Paauwe (2004) correspond with the those of prior research by Kelly and Gennard (1996), who found that that the personnel directors require professional competence in social skills to develop effective interpersonal relations with other board directors. This is one of the competencies of personal credibility.

HR professionals need to evince behaviours that convey competence, integrity, accountability, confidentiality and related ethical qualities if they are to earn the trust and respect of line managers and employees. A record of quality and performance helps earn credibility, but so do the more personal attributes of character (Heisler 2003).

A study by Brockbank and Ulrich (2003) found that personal credibility was rated as the most critical competency for HR professionals. The need is for HR professionals to develop a relationship of trust with their clients, i.e. management, and to instill confidence. For example, it is important to line managers that HR leaders be trustworthy, conscientious with sensitive information, and offer valuable and credible insights into the organisations' leadership. Personal credibility, therefore, is the foundation for an HR professional if he or she is to become intimately involved at the strategic level in an organisation. Without this foundation of trust, HR practitioners may very well find themselves excluded from the strategy table.

2.2.3 *HR delivery*

HR professionals deliver both traditional and operational HR activities to their business in four major categories. First, by designing developmental programmes and challenging work experiences, which is done by offering career planning services, and facilitating internal communication processes. These efforts include both individual development and

organisation-wide development. Second, by structuring and HR measurement: restructuring the organisation, measuring impact of HR practices and managing global implications of HR practices. Third, by attracting, promoting, retaining and out-placing appropriate people. Finally, by performance management in terms of designing performance-based measurements and reward systems and providing competitive benefit packages (Boselie and Paauwe 2004).

Huselid et al. (1997) suggest that HR practices or activities are either strategic or technical in nature. Strategic HR practices are used to develop employees who support the firm's business needs, whereas technical HR practices are more focused on traditional personnel management practices (e.g. recruitment, selection and training). The difference between technical and strategic practices essentially rests with how they are used. That is, if technical HR practices are used to accomplish organisational objectives such as enhancing quality or developing leadership skills, they may be deemed strategic.

Traditional HR practices are used to manage workers and the work context, and they tend to be more administrative and serve a supportive role in the operating infrastructure. Mainstream HR practices such as recruitment, selection, training, performance appraisals, compensation and the like are all practices that tend to focus explicitly on acquiring, supporting, guiding and rewarding the actions of workers. A study conducted by Wright, McMahan, Gerhart and Snell (1997) found that one of the major components of HR practices is represented by traditional HR services such as the compensation function, staffing, training, development, communications and labour relations. Similarly, Carrig (1997) conceptualised traditional HR practices as policy-related practices, such as performance appraisal, training and compensation. Finally, transformational HR practices are oriented towards contributing towards more macro or strategic organisational objectives.

2.2.4 *Business knowledge*

To become key players in the organisation, HR professionals must understand the business or industry of the company they serve. Key areas of knowledge include applied understanding of the integrated value chain (how the firm horizontally integrates) and the firm's value proposition (how the firm creates wealth). The labour factor, representing institutional constraints such as labour legislation, is the third factor that constitutes the domain of business knowledge (Boselie and Paauwe 2004).

HR professionals must understand how their business or agency operates. This includes the organisation's strategy, how the organisation makes money or achieves its primary purpose, its technological processes and organisational capabilities, etc. Therefore, HR professionals should develop their knowledge of areas such as finance, marketing, operations and general management. Expertise in these areas helps HR professionals create value by enabling them to link their actions more effectively to the organisation's strategy (Heisler 2003).

Huselid et al. (1997) identified two broad competencies that help HR managers to develop effective HRM systems. These are professional HRM capabilities and business-related capabilities. Business capabilities reflect an understanding of the business and implementation of competitive strategy. Huselid et al. (1997) conclude that the business-related capabilities of HR managers are not only underdeveloped with most firms, but they also represent the area of greatest economic opportunity.

2.2.5 HR technology

HR professionals need to be able to leverage technology for HR practices and use e-HR/web-based channels to deliver value to their customers (Mukherjee 2001). Mukherjee (2001) further argues that the pace of technological innovation will continue to accelerate. HR can take advantage of these changes by automating HR processes and becoming more effective in communicating with its internal /external customers. More importantly, by absorbing the latest technology, HR can project a forward-looking image that will help it earn the respect of sceptical colleagues.

According to a recent survey by Society for HRM, the top workplace trend identified was technology (Mondy and Noe 2005). Some of these trends include increased Web-connected workplaces, outsourcing of functions to individuals and firms throughout the world, virtual workplaces (such as online meetings, web conferences and videoconferencing), using analytical tools to measure the success of HR practices and to predict future results and contingency planning such as planning for disaster. A major commitment among forward-looking organisations is being made to increase the use of e-HR (Mondy and Noe 2005).

Web portals are one of the HR technologies that offer tremendous advantage in learning and knowledge management, business process support and employee self-service opportunities. The web has revolutionised the way HR services are offered to employees. Internet- and Intranet-enabled HR services have facilitated data capture and retrieval and freed HR executives from the shackles of personnel administrative details and allowed them to concentrate more on HR strategy and employee's well-being. Through web-enabled HR services, an organisation can now move rapidly towards a paper-less office, where Personal Files, Leave Forms, Appraisal Forms will become a thing of the past (Mukherjee 2001).

The research on HR competencies clearly points to important tenets for HR professionals. These competencies are relevant regardless of business size, industry, job titles, hierarchical level or functional responsibilities (Walker and Reif 1999; Stemberger 2002; Brockbank and Ulrich 2003). The key for HR professionals is to understand the importance of the strategic nature of their job and to tie the HR system clearly to the organisational strategy. To do this effectively, HR professionals must learn to approach their work from a business perspective, not solely from the HR perspective.

2.2.6 Competency in internal consultation for HR professional

The above HR Competency model by Brockbank and Ulrich (2003) suggested the importance of competencies such as strategic contribution, business knowledge, personal credibility, HR delivery and HR technology to be taken into consideration. However, this model did not highlight the internal consulting skills needed by all HR professionals. Consulting skills are a combination of diagnostic and behavioural skills that enable professionals in support functions to collaborate with line managers to develop solutions to business performance problems (Green 2008).

Like external consulting, the role of internal consultant exposes you to a range of projects and business activities with assorted clients. Only in this instance, the 'clients' will be other departments and teams within the same company. There will almost certainly be a transformation, change agent or business partner dimension to the role. As an internal consultant, HR professionals have a real chance to enhance their professional standing by using your expertise to make a valuable contribution to the functioning of other departments, solving problems and delivering enhanced performance. As the role will be

more stimulating and challenging, and once HR professionals start to notch up successful outcomes, it could mark them out for rapid career progression (Scott 2008).

Scott (2008) further listed the skills needed to be acquired by HR professionals to enable them to be competent as an internal consultant. The skills include:

- (a) awareness of internal politics, and do not allow to get drawn into other people's power games.
- (b) 'self-selling'. This is key because HR professionals need to convince people that they are expert in key areas and can help deliver successful outcomes.
- (c) facilitator or coach. People 'buy' from internal consultants first and foremost, so HR professionals need to continually demonstrate credibility by questioning, listening, presenting and contracting. Internal consultant must play a role as a facilitator, or even a coach helping people develop their capabilities. Therefore, coaching skills are vital for HR professionals.
- (d) excellent communication skills, both oral and written, so people know what you are talking about. To make things happen, you also need to be able to connect with the right people, win commitment and build bridges and relationships at all levels.
- (e) most importantly, the knowledge of project management. HR professionals must be able to identify the need for the project. Whatever the project's intended outcome, ensure that there is a solid business case for it. Ability to set budget and timescales is also vital in this area because to ensure the projections do not overrun those of an external consultant. Finally, once the project plan has been agreed, HR professionals have to put together all resources available to ensure the project end in success.

2.3 The relationship between HR competencies and a firm's performance

Researchers in the field of strategic HRM have emphasised that HR practices may lead to higher firm performance and be sources of sustained competitive advantages (Wright, Dunford and Snell 2001). Competing in today's tumultuous global economy provides additional challenges to the HR function in creating the expected value to create and sustain competitive advantages. To function effectively, HR professionals must master the necessary competencies, and that mastery of HR knowledge comes from knowing the concepts, language, logic, research and practices of HR (Brockbank et al. 1999). Furthermore, mastery of these abilities comes from being able to apply that knowledge to specific business settings.

Lawler and Mohrman (2003) have convincingly argued that HR professionals need to become more effective strategic business partners. Ulrich (1998) argued further that HR professionals must make the transition from being strategic business partners to becoming contributors in their organisations. Several studies have shown a positive relationship between certain HR competencies and firm performance (Huselid et al. 1997; Wright et al. 2001; Boselie and Paauwe 2004; Ramlall 2006). And Losey (1999) has stated that there is an emerging group of HR professionals who see the opportunity to turn human capital strategy into a long-term competitive advantage. They observe that in the 1990s there was a wake-up call for the HR profession. More than ever, organisations now seek greater creativity and productivity from people. Part of the strategy in being creative and maximising productivity is to possess the necessary competencies for enabling these outcomes.

The research by Brockbank et al. (1999) showed that HR activities positively impact business performance by approximately 10% (defined as the financial performance of the

business over the last 3 years compared with that of its major competitors). Strategic contribution accounts for 43% of HR total impact on business performance which is almost twice the impact of any other domain. These are all reasons why competencies are being discussed by academicians and practitioners alike as ways of creating sustainable competitive advantages.

A Study by Boselie and Paauwe (2004) indicates that the domain of strategic contribution is positively correlated with financial competitiveness, whereas the domain of HR technology is negatively correlated with this performance outcome. This is not completely in line with the global HRCS findings. In Europe, the study found only one domain (strategic contribution) to be positively related to financial competitiveness, in contrast to the global results that suggest four out of five domains to be positively linked to financial competitiveness. Fourth, all domains reveal relatively high correlations with each other.

Baill (1999) emphasises that the challenge that comes with HR taking on a more critical role at the management table is that the expectations for its contributions have increased. This challenge is made even greater because the requirements are not only changing, but are also growing. In addition to traditional HR disciplines, the HR function is now looked to for expertise in designing organisations and organisational systems and for managing major changes to increase competitiveness. Such outcomes require competency in strategic contribution and ability to deliver HR services.

In the study by Huselid et al. (1997), the researchers identified two broad competencies that help HR professionals to develop effective HRM systems. *Professional HRM capabilities* were related to the delivery of traditional HRM activities such as recruiting, selection and compensation. In contrast, *business-related capabilities* reflected an understanding of the business and the implementation of competitive strategy. Both contributed to HRM effectiveness, which in turn had a substantial positive effect on several measures of a firm's financial performance (Huselid et al. 1997).

3. The study

The purpose of this study is to attempt to understand better the HR professional's competencies in the manufacturing sector of Malaysia. Furthermore, these finding will be tested in order to determine if they are linked to a firm's performance. In this research, the tool of HRCS, which has been designed by Brockbank and Ulrich (2003), is adopted to be used to assess HR competencies among the HR professionals. HR professionals need to endure and overcome many barriers to reach the ultimate goal of becoming a strategic partner in his/her organisation. Furthermore, the study by Lawler and Mohrman (2003) confirmed that HR department played a major role in influencing business strategy only in cases where HR management was a full strategic partner. A finding that suggests that HR executives who understand the business strategy are more likely to develop HR processes and systems to support the implementation of that strategy. It is hoped that by making this examination, we will be able to develop a realistic picture of the competencies of the HR professionals in the manufacturing firms of Malaysia.

4. Research methodology

4.1 Sample

The sample employed here consists of HR professionals from Malaysian manufacturing companies. All respondents work for manufacturing companies in the southernmost state

of Malaysia, Johor. The list of firms in the manufacturing sector was drawn from the 'FMM directory of Malaysian Manufacturers 2007.' Out of the entire list in the directory, the research focused on a sample population in the Southern region of Malaysia (State of Johor). A total of about 307 firms were included in the list for this area.

Questionnaires were sent to the HR managers or the person in-charge of HR functions in each of these firms. The cover letter accompanying the questionnaire clarified that in organisations not having a HRM department, the questionnaire was to be answered by the most senior manager responsible for HR affairs. The survey form was e-mailed and sent to the person in-charge after consent was given by the person in-charge of the organisation by telephone. The researcher met with the respondent if it was so requested, so that the contents of the survey form could be explained. The completed survey forms were returned to the researcher through e-mail or were collected personally from the respondents. Out of 307 firms invited to participate in this survey, 103 firms responded. However, 14 of the received survey forms were incomplete and needed to be discarded. This left us with only 89 forms for analysis.

4.2 The instrument

The data collection instrument used in a research is the quantitative methodology with a survey instrument developed based on the six competency domains and 21 competency factors adopted in the *HRCS* (Brockbank and Ulrich 2003). A Likert scale was used on the questionnaire with the following ratings: 1, strongly disagree; 2, disagree; 3, moderately agree; 4, agree and 5, strongly agree. The respondent was asked how well they performed the competencies identified in the questionnaires. The 21 items in the instrument were arranged in groups of six competency domains.

Firm performance was measured by the self-reported rating of the respondents concerning the indicators of financial and operational performance, sustainability of profits, staffs turnover and the opportunity for growth of staff. A Likert scale was used on the questionnaire with the same rating scale as above. However, for negative questions, the rating procedures were opposite. The respondent was asked to choose the number that accurately represented their firm's performance. There were five items in this section that assessed a firm's performance. The research used three negative questions to ensure reliability.

No researcher can completely eliminate measurement error, but he or she can reduce it in several ways, such as by conducting a pilot study. If the measurement error was reduced, the reliability of the measurement technique was increased (Frey, Botan and Krep 2000). Therefore, a pilot study was done to test the research instrument in this study. The researcher of this study used the Cronbach α coefficient method for this purpose. The result of the reliability test shows that the α value base in each domain of the instrument is between 0.61 and 0.86. Components that were tested are strategic contribution ($\alpha = 0.83$), personal credibility ($\alpha = 0.61$), HR delivery ($\alpha = 0.64$), business knowledge ($\alpha = 0.78$), HR technology ($\alpha = 0.86$), internal consultation ($\alpha = 0.83$) and firm performance ($\alpha = 0.83$). According to Kerlinger (1973), any measurement instrument should have a reliability value of more than 0.60. Frey et al. (2000) stressed that a measurement instrument can be considered reliable if the results are consistent from one time to another and that the reliability value is 0.70 or greater. Therefore, from the α value obtained, we can conclude that the research instrument is reliable and consistent.

5. Analysis

Table 1 shows that the top nine ranking HR competency factors are from the domain of personal credibility and HR delivery. The respondents' self-rated competency shows that personal communication, legal compliance, effective relationship and staffing rank above all other factors. This shows that respondents are most competent in these areas.

As shown in Table 2, not all HR professional competencies (strategic contribution, business knowledge, personal credibility, HR delivery, HR technology and internal consultation) have significant correlation with a firm's performance. Competencies such as strategic contribution, business knowledge, HR technology and internal consultation have significant correlation with firm performance. These competencies obtained Spearman's ρ value at 0.558 ($p < 0.01$), 0.433 ($p < 0.01$), 0.463 ($p < 0.01$) and 0.501 ($p < 0.01$). However, no correlation was found between personal credibility and HR delivery in assessing a firm's performance. Both of these competencies obtained a Spearman's ρ value at 0.085 and 0.037.

This result partially supports the earlier research from Boselie and Paauwe (2004). A study by Boselie and Paauwe (2004) indicates that the domains of strategic contribution, business knowledge, personal credibility and HR delivery are positively correlated with financial competitiveness, although there is no correlation between HR technology and financial performance.

This result is also supported by a study done in Singapore by Khatri and Budhwar (2001). Khatri and Budhwar (2001) similarly found that one of the most critical competencies for HR managers is business knowledge and visionary skills. Therefore, the HR professionals can be reliably said to need business-related competencies that give positive impact to a firm's performance.

Table 1. Rank order of means of HR competency factors in each domain.

<i>Competency</i>	<i>Factors</i>	<i>Mean</i>	<i>Std. deviation</i>	<i>Rank</i>
Strategic contribution	Culture management	3.15	0.95	20
	Fast change	3.31	0.94	17
	Strategic decision making	3.16	0.78	19
	Market-driven connectivity	2.98	0.90	21
Personal credibility	Achieving results	4.02	0.72	9
	Effective relationships	4.45	0.58	3
	Personal communication	4.54	0.57	1
HR delivery	Staffing	4.40	0.67	4
	HR development	4.18	0.91	7
	Organisation structure	4.30	0.85	6
	HR measurement	4.13	0.71	8
	Legal compliance	4.51	0.69	2
	Performance management	4.29	0.74	5
Business knowledge	Value chain knowledge	3.28	1.00	18
	Value proposition knowledge	3.39	0.87	15
	Labour knowledge	4.00	0.92	10
HR technology	User of technology to deliver HR services	3.38	0.81	16
	Strategic HR technology	3.48	0.96	14
Internal consultation	Handling assignment/project	3.70	0.80	12
	Coaching ability	3.93	0.74	11
	Solution provider	3.54	0.80	13

Table 2. Relationship of HR competencies to firm performance.

	<i>Spearman's ρ analysis</i>	<i>Firm performance</i>
Strategic contribution	Correlation coefficient	0.558*
	Sig. (two-tailed)	0.000
	<i>N</i>	89
Personal credibility	Correlation coefficient	0.085
	Sig. (two-tailed)	0.382
	<i>N</i>	89
HR delivery	Correlation coefficient	0.037
	Sig. (two-tailed)	0.913
	<i>N</i>	89
Business knowledge	Correlation coefficient	0.433*
	Sig. (two-tailed)	0.000
	<i>N</i>	89
HR technology	Correlation coefficient	0.463*
	Sig. (two-tailed)	0.000
	<i>N</i>	89
Internal consultation	Correlation coefficient	0.501*
	Sig. (two-tailed)	0.000
	<i>N</i>	89

*Correlation is significant at the 0.01 level (two-tailed).

The above result shows an F value at 8.319 ($p < 0.01$) and indicates that the combination of these variables (HR competencies) significantly ($p < 0.01$) predicts the dependent variable (firm performance). Table 3 also shows that this analysis obtained an R -value of 0.615. This means there is a moderate linear correlation among the independent variables. The adjusted R square of 0.333 indicates that 33% of the variance can be predicted from the independent variables. The β value shows that out of all HR competencies, the highest contribution to a firm's performance is strategic combination and internal consultation. This result supports the research by Brockbank et al. (1999),

Table 3. Multiple regression analysis of HR competencies in a firm's performance.

<i>Independent variables</i>	β value	<i>R</i>	<i>adj R sq</i>		
		0.615	0.333		
Strategic contribution	0.279				
Personal credibility	-0.102				
HR delivery	0.036				
Business knowledge	0.122				
HR technology	0.064				
Internal consultation	0.260				
ANOVA ^a					
Model	Sum of squares	df	Mean square	<i>F</i>	Sig.
Regression	19.573	6	3.262	8.319	0.000 ^b
Residual	32.155	82	0.392		
Total	51.728	88			

^aDependent variable: firm performance.

^bPredictors: (constant), internal consultation, HR technology, HR delivery, personal credibility, strategic contribution and business knowledge.

which showed that strategic contribution accounts for 43% of HR's total impact on business performance. This is almost twice the impact of any other domain. This also supports the study by Green (2008) stressing that in order to successfully make HR department a strategic partner, the organisation must embark on a comprehensive and sound plan for developing and transitioning the HR professionals to a consultative role.

6. Implications of this research

On the basis of these empirical findings, this study has been able to provide greater detail concerning the HR competencies of a HR professional in Malaysian manufacturing companies. The study also identified the main factors of HR competencies that contribute to firm's more effective performance. Moreover, with the use of quantitative research methods, the results of this study have attained a higher degree of consistency due to the reliability of its research instrument. This allows this study to yield a better understanding of what level of HR competencies is exhibited by HR professionals and the variables that influence a firm performance.

In addition to this contextual contribution, this study was able to identify two further implications, those for the CEOs of the organisation and those for HR professionals.

6.1 Implications for the CEOs of organisations

This study indicates that HR professionals in the Malaysian manufacturing sector are still very weak in business-related competencies. Indeed, HR professionals in a manufacturing company in Malaysia often lack knowledge and competencies that would allow them to play a more strategic role in the organisation.

To overcome the above problem, this research suggests that the following action be taken by CEOs:

- (a) Get HR personnel involved in the operation meetings in order to enable them to understand more fully the operational needs of the company.
- (b) Allocate funds to upgrade HR personnel competencies, especially in the area of business-related knowledge such as marketing skills, financial accounting skills and operations management knowledge.

6.2 Implications for HR professionals

HR professionals need to be proactive and flexible in their mind set. They should not think that they play only a supportive role but should also think that their contribution can give impact to an organisation performance. One major finding of this study is that HR professionals often lack the competencies related to business. It is clearly shown that competencies such as culture management, market-driven connectivity, strategic decision making, rapid adaptability, value-chain knowledge and HR technological know-how are lacking and are among the weakest abilities of HR professionals in the Malaysian manufacturing sector.

This research further suggests that the following action be taken by all HR professionals:

- (a) Volunteers to participate in operation meetings. HR professionals needed to be proactive with respect to their involvement in operation matters. This will enable them to understand more fully the operational issues and assist line managers by executing those relevant HR strategies that will improve the efficiency of the operation.

- (b) Continue to acquire knowledge of the business, such as the key business disciplines, understanding of the internal and external customers, knowledge of the competitors, the products, the technology and sources of competitive advantage.
- (c) To understand the importance of HR technology and conduct comprehensive research into the possible investment in the HR software that will best suit the organisation's needs. All HR professionals must not only be competent in using HR systems but must also be capable of measuring the effectiveness of HR systems and practices.
- (d) HR professionals should fully understand the key process skills required for product-service realisation and delivery. These skills can be acquired from the relevant line managers. Therefore, HR professionals must start learning and work effectively with other department managers in order to achieve the organisation's common financial goals.

7. Limitations of this research

This study involved 89 manufacturing companies located in only a few industrial estates in the city of Johor Bahru, Malaysia. Therefore, the findings cannot be generalised to reflect all HR professionals in Malaysia. The number of respondents does not fully represent the thousands of HR managers employed by manufacturers in Malaysia. The number of respondents is small because of the hesitancy among HR professionals to complete the questionnaires. Several reasons why majority of the manufacturing companies were unwilling to participate in this survey exercise are as follows:

- (a) Not able to get approval from the management.
- (b) Too busy to reply to the researcher's request.
- (c) Not able to disclose the information.
- (d) Able to participate in this survey but require a longer time to complete the questionnaires.
- (e) Agreed to participate in the survey but did not respond due to unknown reason.

Even though the findings cannot be used to reflect the overall HR competencies of HR professionals in Malaysia, it does serve as an exploratory study that can be expanded on a larger scale.

This study measured firm's performance by self-report ratings of the respondents. In general, companies are reluctant to supply relevant financial information, and published financial data are available only for larger companies and at the corporate level. Therefore, the reliability of information regarding the performance of responding firms depends largely on how accurate the respondents answer the questionnaires.

8. Suggestions for further research

Similar studies could be carried out especially on manufacturing companies in central and northern Malaysia. A comparative study could be done based on companies in several regions. Furthermore, foreign-owned manufacturing companies may differ in the roles played by their HR departments and so they might usefully be compared with the locally owned companies.

Other comparative studies might be conducted across various industries. Comparisons among different industries can help us to understand better the HR competencies among different work environments. A possible study could be done to compare the manufacturing and service industries.

Further research in this area might include non-HR managers. Information from CEOs of a company, for example, could be obtained based upon their perceptions of the HR competencies of their HR manager. This information would be vital, especially when taking into account the gap in the perceptions of both HR managers and their CEOs. This type of research would help HR professionals to look more perceptively into the possible expectations from their CEOs concerning their role as HR practitioners. This kind of gap analysis would be similar to the study done by Simpkins (2006).

9. Conclusion

The findings of this research show that HR professionals in the manufacturing companies of the southern region of Malaysia are lacking in business-related HR competencies. This is one of the main barriers to be surmounted if local HR professionals are to become strategic partners in their organisations. As this study has shown, these competencies contribute to a firm's effective performance.

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