Business Transformation through Human Resource Transformation: Empirical Study with regard to Tea Industry in Kandy District

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Abstract
Today, HR is considered as an important resource than ever before since the business leaders and decision makers have identified that HR is the only resource that could make a significant difference at the end of the day since the modern business context is very competitive as well as challengeable. In such conditions any kind of a business should be aware that they should be much more innovative and flexible to be stable in such a dynamic environmental conditions. Therefore, transformation of business is crucial based on the timely need. The concept of business transformation is very much new to the business context especially in a country like Sri Lanka, since the relevant knowledge, awareness and readiness is very little. Thus, this study was focused on the impact of human resources in terms of employee knowledge, skills, attitudes, and competencies towards successful business transformation of the tea industry in Kandy District. This was an empirical study where a sample of 100 managerial and executive level officers of selected tea factories was tested based on the convenient sampling method using a self-administrated questionnaire. Findings suggest that HR indeed has a significant impact on successful transformation of business transformation. In fact, human knowledge, skills, attitudes, and competencies do contribute to transform the tea industry in Kandy District where employee attitudes and competencies were found to be more significant compared to employee knowledge, and skills. There should be continuous efforts taken to maintain and upgrade the level of business transformation while considering the need and availability of factors other than HR

Keywords: Human Resources, Business Transformation, Knowledge, Skills, Attitudes, Competencies

Introduction
“HRM is critical in running organizations smoothly and improving them further in order to enhance the standard of living of people” (Opatha, 2009). An organization means a formal group of two or more people who function in an official structure that was set up purposefully to accomplish a certain goal or common goals. Success of a nation highly depends on successful functioning of organizations which also should be a progressive success. The progressive success highly depends on an organization’s capability and therefore it’s a big challenge for the organizations. Management is a process by those challenges is being faced, that is through efficient and effective utilization of resources.
Unlike other resources HR is very different in appearance and its value addition due to many reasons.

Since the study focuses on how the business is transformed through the HR transformation with regard to the tea industry, the researcher think that it’s worthwhile to have a look at the importance and contribution of the tea sector to the economic development of Sri Lanka. Sri Lanka’s contribution is around 8% to 9% to the global production of tea and Sri Lanka has an export share around 14% to 15% which has declined in recent years. As stated in the Economic and Social Statistics report (Central Bank of Sri Lanka 2013). The tea sector still continues to occupy an important place in the economy, even though the relative contribution has declined in recent years (Ganewatta and Edwards, 2000). According to the economic and social statistics of central bank of Sri Lanka (2013), the contribution of tea as a percentage of the GDP is 1.3% in 2012 which has declined from 1.6% in 2010. There are also issues such as comparatively low yields, High cost of production, Declining competitiveness and Inability to engage in multi-origin blending with regard to production of tea in Sri Lanka (Ram Ratings, 2010).

Many researchers have studied transformation of business and HR transformation in an organization. For example According to Ulrich, et.al (2009), a true transformation is an integrated, aligned, innovative, and business focused approach to redefining how HR work is done within an organization so that it helps the organization deliver on promises made to customers, investors and other stake holders. In this study it was found that knowledge, skills and competencies of an employee contribute to the business transformation.

There are many researchers carried out in the world with regard to human resources knowledge, and skills, attitudes and competencies of employees contribution to business improvement. There are very few studies in Sri Lanka except this paper which focused in this area of study. As the global tea industry is very competitive, the slow market growth means each producer faces the challenge of maintaining their position. Researchers found that there is a vast prospect for Sri Lanka to grow in the tea sector and for that there is a necessary for changing the system for enhancing the knowledge, skills, attitudes and competencies of employees. Business transformation through HR transformation has not been studied in Kandy district where one popular district for tea. This study definitely helps the tea industry enterprises in the district to improve their business. Therefore, the objective of this study is to identify up to what extent does the Tea producers in the Kandy District utilizes HR in order to transform their business.

Theoretical Framework
Technology is changing rapidly more than ever before, political situations are unpredictable due to several reasons, economy of any country is always fluctuating so there is always some changes in the environments which are due to occur. So, it is indeed crucial to pay attention on transforming the HR in order to react accordingly. As explained by Long & Ismail, (2010), cited from Sims, (2002), the transformation means an overall change in how things are done. Thus, role of HR also has to change from time to time.

Thus far HR transformation and its significance were discussed comprehensively. Transforming HR is one of the key factors that every organization should keenly focus if it has an idea of transforming the business. According to Durkovic (2009), more than ever before, human resources are being placed in the center of all researches and of practices of developed countries as the only real competitive advantage of an enterprise and investing into their development is increasingly considered to be the key factor of difference.
between successful and unsuccessful enterprises. So, it is better to make sure that the employees are prepared to accept and contribute towards the success of the transformation of the business. The human resource can contribute to transform the business in terms of human knowledge, skills, competencies, and moreover through a positive frame of mind (attitude). Contribution of Human Resources towards Business Transformation with regard to all these sub categories will be discussed separately in order to better understand how each of these factors contribute towards the success of the transformation.

Transformations of Human Resources
According to Ulrich, et.al (2009), real HR transformation begins by responding to the general business conditions and specifically serving key stakeholders. If each and every organization starts thinking in this pattern, they will realize that there is a real need of HR transformation and the success is lying over there, and they will indeed want to transform despite the traditional thoughts about HR.

Moving on to HR transformation, according to Lissak, et.al (2009), a transformation begins with understanding both the execution expectations and the strategic requirements of the business. This is the main differentiator of the new approach. Further it is explained that strategically thinking with the end in mind, engaging the business up-front to identify the main business drivers behind the transformation, and ensuring business leadership commitment and support for the transformation.

For tea producers in the Kandy district, knowledge, skills and capabilities of employees are taken into considerations and are related to firm business transformation. The relationship between independent variables and dependent variables are explained below.

Knowledge
Human knowledge plays a vital role since it is one of the most important factors which contribute to the end result or outcome of any work or process. It is very important to be aware of the surroundings of what are the changes that are happening, so that the managers can learn about what needs to be done in order to successfully adapt to these environmental changes. Durkovic (2009), reveals that, Nowadays, enterprises are turned to the intangible and invisible capital, named intellectual capital. Productive tangible assets like raw materials, basic assets, and even managerial knowledge are not seen any more as resources that create new and prosperous enterprises. Instead, knowledge, innovation and cooperation are becoming the three basic elements of the new infrastructure necessary to create prosperity in the new economy. Furthermore she states that, Enterprises need to be able to create new knowledge instead of relying on the existing. The dynamics of development is increasingly complex and therefore knowledge quickly becomes obsolete and there is need for new and higher quality one. The ability of actual business systems to keep the level of success and to advance further depends on human resources and their permanent development. It is indeed very clear that knowledge is crucial for a business to develop which should be updated frequently.

Knowledge is also termed as one of the infrastructure necessary to create prosperity in the new economy by which the fact can be understood that knowledge is a key element to the entire economy of the world. Further, Tan and Nasurdin (2011), state that HRM practices can generate increased knowledge, motivation, synergy, and commitment of a firm's employees, resulting in a source of sustained competitive advantage for the firm. This statement by and large provides a point that increased knowledge of employees through good HRM practices will also help to create a sustainable competitive advantage.
which is very important factor strategically, when transforming a business. Further they reveal that it is believed that HRM practices have significant and positive relationship on organizational innovation via knowledge management. This means proper management and utilization of knowledge will lead to successful organizational innovation which is also one of the outcomes that is expected through business transformation. Creating new knowledge is important. How can new knowledge be created? It can be done by self or with the help of others. Considering the organizational context generally knowledge is gained through sharing with one another. It is the responsibility of the organization to create opportunities for its people to gain knowledge.

Overall, knowledge plays a key role for successful business transformation in any firm; the achievement of organizational strategies is possible only if the employees possess knowledge and skills necessary to implement those strategies (Durkovic 2009), as Durkovic through her article once more proves the above statement.

Transformative HR with regard to ‘employee knowledge’ can be defined as what is needed to be known in order to carry out any operation and how can new knowledge be created which will help transforming the HR thereby the business, since HR is the resource that can make decisions utilizing their knowledge. Thus, researcher hypothesize that,

**H1:** Employee knowledge has a significant impact on business transformation.

**Skills**

Human skill or employee skill is also equally important as knowledge within an organizational context. A skill of an employee answers the question of how to do a task, where in most of the cases skills are tied together with knowledge whenever they take it into consideration. It is practical as well because always first we acquire knowledge and then a skill of in what way the knowledge that is gained should be utilized. According to Durkovic (2009), the new economy depends largely on the employees’ skills and knowledge, to a larger extent than the traditional industrial economy. So, we can understand that skills also play an important role in modern business culture. According to Kochan and Chalykoff (1986), in recent years there have been growing signs that human resource executives have increased their influence within organizations and that they have been moving into higher levels of executive decision making, which emphasizes that HR is involved in decision making which is also a very important skill.

HR professionals become strategic partners by asking questions and designing HR practices that effectively and efficiently align themselves with the strategy of the business (Long & Ismail, 2010, cited from Ulrich &Eichinger, 1998; Ulrich, 1997). The role of HR has changed and the leadership skill is one of the most important skills today, since most of the researches argue that HR manager is indeed a strategic partner which is also crucial in transforming a business. It makes easier for the organization to transform its business if they have skilled employees with potential, because the employees themselves will be sure that they can face the transformation since they know that they are skilled, thus, they will automatically push the organization towards transformation.

Transformative HR with regard to ‘employee skills’ can be defined as how must human knowledge be applied in the practical scenario. HR is the only resource that can make things happen by utilizing their skills efficiently and effectively which led to form a hypothesis as follows;

**H2:** Skills of employees are positively related towards transformation of business.
Attitudes
Attitudes of people play an important role with regard to affairs of individuals than it is anticipated. It is argued in this way because human attitude directly relates to or links with psychology which we can call as mind games. These mind games are not as easy or simple as all of us perceive. Actually, it’s totally a different ball game. Based on their research Yeung and Berman (1997) stated that Employee attitudes and behaviors impact the level of customer satisfaction and retention. In turn, customer attitudes and behaviors influence shareholder satisfaction and retention. Finally, shareholder satisfaction affects employee satisfaction through bonuses, stock options, or further investment in employee growth and development.

In organizations, most problems and challenges are generated by competition, advanced technology, mergers, expansion, product quality maintenance, or enhancing employee efficiency on the one hand and rapid growth, new business ventures, exciting opportunities, innovations, and new leadership and management approaches on the other (Shah and Irani 2010, cited from Madsen et al., 2005). In such adverse environment, employee attitudes and behaviors to accept organizational change is considered important for management and change agents for successful organizational change (Shah and Irani 2010, cited from Armenakis et al., 1993; Bernerth, 2004). They further reveal that, it affects employee attitudes and behaviors because of transferring a situation from the known to the unknown which can build up uncertainty, strain and anxiety among employees. If any organization positively motivate an employee the organization can achieve the ultimate objective/s which they expect through the transformation since employees will willingly engage in organizational activities and support the changes as it is clearly explained by Shah and Irani (2010), they state that eventually, relationships between employee and employer may be developed on the basis of the work environment that can stimulate the individual to utilize his/her abilities, efforts, experiences and skills. Further, they add saying that Employee could develop their attitudes and behaviors on the basis of supervisor and peer relations.

Transformative HR related to ‘worker attitude’ is very crucial which can be explained as how an employee perceives the people and the environment surrounding him or her and what are those important changes that are taking place. The positive attitude of a worker is one of the most important factors which decide the successiveness of an organization. Based on the above factors the researcher formed a hypothesis as,

H3: Worker attitude has a high influence in successful transformation of business.

Competencies
The role that competencies has to play, or the way how competencies of an employee/s support the business transformation is very essential. It is always better to understand what is really meant by competencies. According to Abbas and Asghar, (2010), cited from Gruban, (2003), the competence is an ability to manage knowledge and other skills and capabilities. Further, Abbas and Asgher revealed the competences that leadership should possess for effective change management.

As it has been realized, transformation of business is inevitable in the current business context and HR makes a huge difference to make it happen since modern HR is viewed as a strategic factor of competitive advantage. Also it is important to state that these types of new studies will help the continuous growth and development of a sector like tea in Sri Lanka, which will in return contribute towards the economic development of the nation.
Transformative HR related to ‘competencies’ of employees can be explained as an ability to utilize the knowledge, skills, and capabilities in an effective way by ensuring correct skill, capability is used in a correct way, where it is needed. Again, employees (HR) are the ones who work, related to management of resources in an efficient and effective way out of what they have. So, the following hypothesis was formed based on those facts.

\[ H_4: \] Employee competencies are positively related towards transformation of business.

Business transformation

Business transformation can be defined as a change that occurs in how the business is been conducted specifically with the intervention of the top management who drives the change through moderating human knowledge, skills, attitudes, and competencies.

Having explained the variables and its relationships, the research model is given as under.

**Figure 1. Conceptual Framework**

Methodology

This study was quantitative in nature. The research was conducted among tea business firms in the Kandy district of Sri Lanka. Primary data was used for this study 75 tea manufactures were issued questionnaire consisting of personal information and items on Knowledge, Skills, Attitudes and Capabilities. Further, the researcher focus was on the top and middle level management where the researcher selected a sample of 100 respondents representing top and middle level management from selected organizations based on convenient sampling method. Factor analysis was carried out and found items in the communalities have more than 0.5 extraction value and items which had less than 0.5 value of communalities were removed and re factorized.

Reliability Analysis

Pilot study was conducted with 20 respondents of tea producers s in the region. Reliability analysis was carried out in order to test the internal consistency of the questionnaire. The Cronbach's Alpha value of questions with regard to knowledge was 0.617 while questions with regard to employee skills recorded a Cronbach's Alpha value of 0.85. The Cronbach's
Alpha value of questions with regard to attitude was 0.849, where the Cronbach's Alpha value of questions with regard to employee competencies was 0.733. The Cronbach's Alpha value of Questions related to business transformation was the highest which was 0.867. The questions regarding all the variables were proven to be reliable based on the above results.

Results and Discussion
In descriptive measures, the mean values for each of these sub variables shows that the respondents generally agree to the statements. Accordingly knowledge has a mean value of 3.8725 with a standard deviation of .38789, where even all the other mean values are well above 3.50. The overall average mean value of HR is around 3.86 while the mean value of business transformation is 4.01 with a standard deviation of .4512, which indicate that respondents generally are satisfied with the levels of their human resources and transformation of their business.

Correlation Analysis
The correlation between knowledge and business transformation is r=0.652 with 0.00 significant which is strong positive specially emphasizing the fact that employee knowledge plays a key role in transforming a business successfully. The key factors such as generating new knowledge, continuous learning, and knowing the importance of having relevant knowledge has contributed towards successful business transformation. Employee skills are also strong positively correlated with business transformation with a value of r=0.571, with 0.00 significant which indicates that the practical application of the acquired knowledge is a must to succeed in transforming any business since only learning want help unless it is brought into practice. Moving on with correlations, employee attitude is very crucial which indicates a correlation value of r=0.71 with 0.00 significant with business transformation. The mindset of people to agree upon and work for the achievement of the business transformation is crucial since creating a positive attitude within the employees is much more difficult than anticipated. Thus, the strong positive correlation results related to worker attitude and business transformation indicates an overall success of the tea sector transformation. The employee competencies, has the strongest correlation with business transformation with a correlation value of r= 0.801 with 0.00 significant, which again indicates that the overall ability of employees is very supportive towards transformation of the tea industry in Kandy district.

Regression Analysis
The regression result shows that HR has much influence on successfully transforming businesses which also indicates that well transformed HR helps to transform any business successfully.

According to the regression results the model fit explains that r² value is .68, which indicates 68% of business transformation can be experienced through proper HR transformation which emphasizes the fact that HR makes a higher impact on successful transformation of businesses.
Table 1. Regression Analysis

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Hypothesis Testing

Considering the first hypothesis, “Employee knowledge has a significant impact on business transformation”, it is very clear that this can be proven to be correct based on the descriptive and correlation statistics that has been revealed already. Employee knowledge, with a mean value of 3.8725 suggests that respondents are by and large satisfied with the levels of their employees’ knowledge. The correlation value between knowledge and business transformation is 0.652 at 0.00 significant level which also gives us an indication that there is a positive relationship between knowledge and business transformation. So, it can be said that H1, “Employee knowledge has a significant impact on business transformation”, is proven to be correct.

Moving on to the second hypothesis, “skills of employees are positively related towards transformation of business”, again the stats indicate that the preformed hypothesis is correct, where the mean value is 3.9587 and correlation is positive between skills and business transformation with a value of 0.571 at 0.00 significant level.

The hypothesis three, “Worker attitude has a high influence in successful transformation of business”, looks as certain from the outset, since the attitudes of individuals significantly impact on their behaviour. The response is positive towards the worker attitudes with a mean value of 3.5688, and Worker attitude is high positively correlated with business transformation, where the value is 0.71 at 0.00 significant level.

The final hypothesis which is “Employee competencies are positively related towards transformation of business” can also be proven correct since the stats indicate a mean value of 3.9478, for questions that were tested with regard to the employee competency level. Furthermore, the correlation value is high positive which is 0.801 at 0.00 significant level, which is also the highest out of the lot. Overall, all the preformed hypotheses were very clearly proven to be correct with justification through the data that were collected and analyzed.

Conclusion, Managerial Implication and Limitations

There are many key areas which should be taken into consideration and discussed based on the findings with regard to personal and variable information which were analyzed. Considering the personal information, 36% of respondents are between 30-40 years, and 30% of them are above 50 years, which shows that people who are in managerial positions are much experienced while younger people too are interested to take over the challenge where 15% of managers are below 30 years. Though the non-managerial positions of the industry are dominated by females, in contrast traditionally most managerial positions are dominated by males. Thus, 96% of the respondents were males. Approximately only 4% of the respondents were first degree holders, while 37% were G.C.E A/L qualified. There were around 12% who were done with diploma and certificate courses. More importantly 59% of respondents were only G.C.E O/L qualified. The major reason behind this may be
the ownership of the business is circulating within a family and so there are not much concerned about the education. Another major reason is people who have the capital initiate or takeover these business and they run it with their own experience. Thus, the educational qualifications are not much prioritized when the tea industry is considered.

Only 19% of the respondents can be considered as less experienced while the remaining 81% were experienced with a service period of more than 10 years. As the findings suggests, since more people are between 45 to 60 years of age and there is a family or traditional ownership, most of the managers are at least 10-12 years experienced people which also has led to the success of the industry. When the variable information is considered, as it can be observed, though all the stats proves that HR transformation leads to successful business transformation for a higher extent, where stats suggests that almost 68% of businesses are successfully transformed through HR transformation, if each question under each variable is critically analyzed, there are some important facts that should be discussed.

Considering employee knowledge, around 34% of managers were dissatisfied with the current knowledge levels of the employees, organization efforts on generating new knowledge, being concerned about employee potential, and effectiveness of using the knowledge that is gained. Furthermore, around 67% of managers are not happy with areas such as organizational opportunities, new experiments, employee guidance, self-confidence of employees, and utilization of new learning’s which are some of the factors related with employee skills. Moving on with employee attitudes, again, around 63% of managers are disappointed with factors such as employee positive thinking, employee counseling, overall organizational environment, opportunities given to express employee problems, and fair decision making with regard to employee issues. Employee competencies also have some sort of a drawback where 52% of managers are doubtful with regard to employee capabilities.

Business transformation related satisfaction is also proven to be agreeable with a mean value of 4.01. But, when we focus specifically some managers are not entirely satisfied with certain areas which were tested. Based on the findings 67% of managers are not satisfied with efforts to be flexible, efforts to revise work practices, employee commitment to face the changes, be self-motivated, level of adaptation to new technologies, and their belongingness towards the organization which helps to implement changes successfully. So, it is very clear that even though the overall results suggests high mean values, and HR is positively correlated to business transformation, there are some important factors to consider which should be improved to make business transformation success through HR transformation which have been discussed so far based on the findings.

The correct utilization of younger employees is crucial to succeed in business transformation. Thus, the Ceylon tea board and other relevant bodies can conduct programmes to attract, retain, and develop younger generation’s knowledge, skills, attitudes, and competencies which will in return help to increase efficiency, effectiveness, and productivity of the workers which will also make the transformation of business easier and stronger. The educational qualifications play a vital role in transforming any business. Thus, the relevant authorities can enter to mutual agreements with state universities, or professional bodies to provide some education to senior level managers, where they can study ways to develop the business. Utilizing the experience of the managerial employees to good effect is very important because the younger employees can be guided and even pools of junior employees can be selected to be train for higher levels or positions. The
experience is a valuable asset which can be used for the betterment of the tea industry’s future.

The managers together with the Sri Lanka tea board should deeply focus on generating new knowledge through finding different kinds of employee potentials and to move along with modern technologies where it allows the employees to use their knowledge effectively. Further, allowing employees to learn through their mistakes, guiding them correctly, motivating them, and creation of opportunities to learn new skills are important from the organizational as well as individual’s perspective.

Another important area is shaping up the employee attitude and morale, through creating better organizational values, culture and climate. Focusing on the current and future environmental trends, it is also crucial to build a flexible, multi skilled, self-motivated, and a committed workforce in order to overcome the challenges in the future in a diversified and competitive environment. This study was focused on how transformative HR supports for transformation of business in tea sector. But, the researcher particularly focused on an employee’s perspective with regard to employee knowledge, skills, attitude, and competencies. But, if HR is considered there are so many areas of human resources management functions. So, in future different areas can be focused. Further, in the industry point of view, areas such as employee job satisfaction, job security, can be chosen as worthier topics in the future. Apart from the tea industry, some other industries such as apparel, agricultural, and tourism also can be tested under the same concept.

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