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HRM practices and its impact on organisational performance in India

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Abstract

In the present economic development age the role of human resource is a significant source of competitive advantage to ensure the managerial effectiveness and organizational performance by having competent & motivated employees and to sustained competitive advantage through facilitating the development of competencies. The subject of the paper is a well-researched topic, hopefully this paper contribute to a better understanding and implementation of the HRM practices in creating and sustaining organisational performance specifically in the Indian context. The knowledge and understanding of this topic will enable the HR managers to design programmes that will bring forth better operational results and competitive advantage. The review of literature has identified that major chunk of research in India emanates from descriptive data and experience sharing. The methodology employed a sample of 50 respondents of various manufacturing and service sector top level and middle level employees by conducting a series of group discussions. In the conclusion the study has shown a positive, significant and meaningful relationship between HRM practices OP and HRM practices influence the firm's organisational performance outcomes through effectiveness of the HR system and Employee Commitment and Employee performance. HRM practices have also impact on Organization culture, Strategic objectives and Market orientation of the organisation which is ultimately linked to the Organizational Performance. No doubt there is a scope of future research and hopefully the future empirical work will provide better and more meaningful tests of the theoretical framework developed here.

Keywords: HRM (Human resource management), SHRM (Strategic human resource management), OP (Organizational performance), HRMS (Human resource management system)

1. Introduction

These days the highly volatile business environment organisations are facing emerging challenges in form of acquisition and optimization of human resource. The challenges of Human Resource Management practices would be to create an environment of resilience, which can accommodate and assimilate successfully changes in system, structures, technologies, methods etc. At the organization level the function of HRM is normally to have competent and motivated employees to ensure managerial effectiveness and growth of the organisation. Being valuable and scarce capabilities, human resources are considered as a source of sustainable competitive advantage. Khan (2010) revealed that in energetic business atmosphere, there is a need of an approach to achieve better performance, to originate and implement HRM practices. In considerable and insubstantial extent the organisations need to invest in such practices to get a competitive advantage. (Appelbaum 2001) HRM practices is the management of people within the internal environment of organisation, comprises the activities, policies and practices involved in planning, obtaining, developing, utilizing, evaluating, maintaining and retaining the appropriate numbers and skill mix employee to achieve the organization's objectives. Presently organizations are competing through implementing the unique HRM practices and due to the globalization organizations adopt the most up to date HRM practices in order to accomplish the organizational goals. Best HRM practices are advantageous for both employee and employer; it plays an important role in constructive growth of the organization. HRM has emerged and evolved as one of the most important areas of organizational science and practice. It has not been developed in isolation, but rather in the context of industrial change and economic development. The uniqueness of the human resource approach requires a totally different type of attention from managers. The HR has characteristics that provide the greatest challenge as well as opportunity. A company's HR is fragile with delicate relationships along with unpredictable contributions and permanency is uncertain (Guest, 1991).

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2. Organizational Culture and HR

Culture and Climate are the integral part of an organisation, this idea of Organizational Culture has been acknowledged since Lewin, Lippitt and White's research on creating social climate. Organization culture refers employees with clear understanding of the way things are done in that organisation. Organizational culture is the perceived, subjective influence of formal system, the informal style of managers and other significant environmental factors on the Attitudes, Beliefs, Values and Motivation of the people in a particular organization (Litwin and Stringer, 1968). Organization culture performs a number of functions within an organization; it creates a distinction between one organization and another. It conveys a sense of identity for role incumbents. Finally, culture sells as a sense-making and control mechanism that guides and shapes the attitude and behaviour of employees. Siehl and Martin (1990) elaborate his view on culture-performance link and suggest that culture may serve as a filter for factors that influence the effectiveness of the organization. These factors may differ between organizations. A more thorough understanding of the mechanisms at play is essential for research on the culture-performance link. Wilderom and Van den Berg (1998) did discover that a significant zero order relationship exists between culture and performance. The presumption is that more effective systems of HRM practices, which simultaneously exploit the potential for complementarity or synergies with organizational culture, lead to better performance and enhanced effectiveness. Indian organizations are embedded in Indian culture, which influences and is influenced by the economic, political and social factors subjected to global influences. In 1994 Sinha and Sinha found self-realization and inventive values as the highest form of work values in Indian Culture. Organizations appreciate corporate core values of self-realization and inventive values as they encourage and recognise innovation, creativity and achievement.

3. Contribution of HRM for Competitive Advantage

The concept of competitive advantage was formulated by Michael Porter. Porter emphasized the importance of differentiation, which consists of offering a product or service that is perceived industry-wise as being unique, and focus-seeing a particular buyer group or product market 'more effectively or efficiently than competitors who compete more broadly'. He then developed his well-known framework of three generic strategies- cost, leadership, differentiation, focus-that organizations can to gain competitive advantage. Porter's widely accepted view suggests that the industrial environment determinants affect a firm's performance. Resource-based view on the other hand, asserts that the basis for a competitive advantage of a firm lies primarily in the application of the bundle of valuable resource at the firm's disposal. On the other hand the resource based view suggests that HR practices can contribute through facilitating the development of competencies. And some other view differs from the environmentally focused strategic management paradigm in that its emphasis is on the links between the internal resources of the firm, its strategy and its performance for competitive advantages.

4. Review of literature

In order to examine the relationship between HRM practices and organizational culture the researchers, academicians and policy makers have investigated several studies in different time periods. Many researchers have demonstrated that HRM

practices are the key factors for the organizational performance and organizational culture. In this paper an attempt has been made to assess the relationship between HRM practices and its impact on organizational performance with special reference to Indian industries. Katon (2008) conducted a study to measure the impact of HRM practices on organizational performance in manufacturing sector of Greece. The result indicated that the relationship between HRM practices (resourcing and development, compensation and incentives, involvement and job design) and organizational performance is partially mediated through HRM outcomes (skills, attitudes, behaviour), and it is influenced by business strategies (cost, quality, innovation). The study concluded that HRM practices are associated with business strategies will affect organizational performance through HRM outcomes. Shikha (2010) examined HRM practices among the employees of Indian commercial banks to study HRM practices which provide a source of sustainable competitive advantage. Study revealed that instead of spending resources on training and development, organization should emphasize on long term commitment towards human resource. Martin (2011) conducted an investigation to find out the influence of HRM practices on job satisfaction, organizational commitment and influence on intention to quit. HRM practices include recruitment & hiring, compensation & benefits, training & development, and supervision & evaluation. The result of research found a significant relationship between perceptions of HR practices and intention to quit, mediated by organizational commitment and performance. Hendry and Pettigrew (1992) propose that a number of internal factors such as the organizational culture, HR structure, leadership, level of technology employed and business output directly contribute to forming the contents of HRM.

Indian organizations generally direct their HR efforts towards the development of competencies, culture and effectiveness among employees individually or in groups (Singh, 2003). Organizations may use many mechanism to achieve their HRM goals as without competent and committed employees, an organization can achieve very little even it has excellent technological and other resources at its command. Such an assertion gains better credibility in the context of developing countries like India, that is typically in early growth stages in terms of economic development and growing more rapidly than the traditional developed economies of Japan, North America and Europe. Selection in organizations is based on non-job related criteria like attractiveness, goal orientation and interpersonal skills: a general lack of concern for value congruence (Prakash 1994). The dominant emphasis has been on the universal practice of identifying and improving on existing performance strategies. This practice would require a complete reversal where congruencies of value should find a place in selection and training. Only then would it possible to achieve linkages with the values of the wider socio-cultural context in India. In order to make an organization effective, the values of the society and cultural milieu should be synthesised with those of the organization and its functioning.

5. Methodology & Work

The present study is to examine the HRM practices working in India and its impact on the organizational performances. HRM practices are viewed in terms of planning, recruitment, selection, training and development, performance evaluation, career management and rewards. We conducted a series of

focus group discussions with 25 top level and 25 middle level employees of various manufacturing and service sector organizations. On the basis of our literature review and discussions I came on conclusion that HRM practices influence the Firm's organisational performance outcomes through effectiveness of the HR system and Employee Commitment and Employee performance. HRM practices have also impact on Organization culture, Strategic objectives and Market orientation of the organisation which is ultimately linked to the Organizational Performance.

HR practices in this model refers to the three sets are (1) Training focused (2) Performance & Reward based and (3) Term development. Organizational performance outcomes are the ultimately dependent variables in the model.

Proposition 1a: The selected set of HRM practices positively impacts the (employees') perceived effectiveness of the firm's HR system.

Proposition 1b: The selected set of HRM practices positively impacts the Organizational culture of the firm.

Proposition 1c: The selected set of HRM practices positively impacts on the employee's commitment and performance.

Proposition 1d: The employee's commitment and performance positively influence the desired OP outcome through the mediating role of HRM practices and organizational culture.

Proposition 1e: The selected set of HRM practices positively influence the organizational performance and output of the firm.

Proposition 1f: The selected set of HR practices positively influence the desired OP outcome through the mediating role of the firm's strategic objectives.

The above firm-level conceptual framework is proposed for explaining how the HRM practices direct and indirect effects the organizational output and organizational performance. And how HR is related to performance of firm with special reference to Indian firms are examined by considering the integration and perceived effectiveness of three complementary HRM practices as an HR system, HRM practices with organizational culture and HRM practices as well as its business and operative strategy.

6. Conclusion

This paper has shown a significant positive and meaningful relationship between HRM practices and organizational performance, organizational culture, employee's commitment & performance not only but the working environment & output of the firm. Since it is clearly understood from the academic research that human resource are the sustained competitive advantage. The way an organization manages its HR has a significant relationship with the organizational performance. Although the published research generally reports positive statistical relationship the HRM practices and organizational performance, but we should consider that many other factors besides HRM practices could influence organizational performance. The knowledge of relationships between HRM practices and organizational performance will enable the HR managers to design programmes that will bring forth better operational results to attain higher organizational performance. The Human resource management should understand the organizational performance processes and design HR practices that influence outcome variables. Through this research paper propositions are derived and hope that validity of this conceptualization may be verified in the Indian context by future empirical research.

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