

INFLUENCE OF HR PRACTICES ON ORGANISATIONAL PERFORMANCE

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Abstract: *The article pursues to address the relationship between influence of HR practice on organisational performance. It is a known fact that HR practices could play a vital role in enhancing the competencies of employees. It also seeks to analyze in depth of profiteering human resource management towards increased organisational performance. HR practices such as Recruitment and Selection, Training and Development, Compensation and Performance appraisal are either directly or indirectly related to motivation or enhancing of employee competencies. To achieve the objective of the study a structured questionnaire was used as a major tool for collection of primary data from a sample of 75 respondents. The results reveals that the HR practices have a significant and positive effect on improving organisational performance.*

Keywords: *HR practices, Competence and organizational performance.*

1. INTRODUCTION:

The success stories of organisations revolve around the fact that efficient and effective application of the indispensable and most valuable factor the human resource. Analyzing the basic factors makes the organisation capable of innovation, competition and survival. The increased organisational performance is lead by implementing the latest developments and technological advancement in HR practices and Competencies. The organisations highly depend on the most important factor which is the creative human force than all the other factors. Attracting the most creative and talented individuals to adapt to changes and to face current challenges and future employment needs leading to improved organisational performance. Competitive edge over the competitors of an organisation can achieve by quantitative and qualitative performance in the long run.

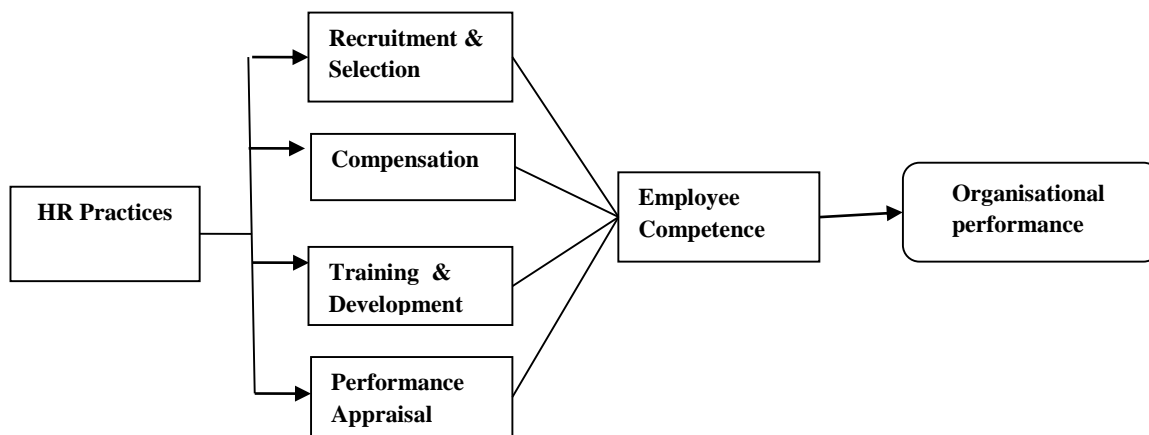
2. THEORETICAL FRAMEWORK:

HR Practices

In line with preceding HR studies, the objective of current study is to highlight the importance of various HR practices and competence in organisational performance. Soomro, Gila and Jatoi (2011) admit that c are explored in empirical studies on HR practices. Marwat, et al., (2009); Aggarwal and Bhargava, (2009); Namazie and Frame, (2007); Chiang, Shih and Hsu, (2013) bestow that employee competence in the organisation is influenced by recruitment and selection, compensation, training and performance appraisal. Dessler (2000) confer that HR practices subsist of recruitment and selection, training and development and compensation.

Competence:

Competence is characterized by Parry (1996) as a group of related attitudes, skills and job knowledge. Competencies of employee are treated as one of the factors that contribute for increased organisational performance Cummings and Worley, (2001); Vathanophas, (2007). Nowadays it is needed to assert the imperative values of competencies, as it is widely used construct of HR studies. Overall, the researchers consider these competencies as facilitator for future organisational success, McClelland,(1973); Rodriguez et al., (2002).



Recruitment and Selection:

To enable an organisation to attain competitiveness and improved organisational performance, the most important component is identifying, managing and developing staffs is done by the strategy of recruitment and selection Rowland (2011). This strategy is established by captivating competent employees who are able to attain the objectives of the organisation through their consistent expertise and abilities towards their work. Zingheim and Schuster (2009) confer that employee competence can be attained by proper recruitment and selection practices. Vazirani (2010) in his study reveals that recruitment and selection practices leads to competence of employees which gives support for this study.

Compensation:

According to Park et al., (2003), in his research reveals that their exist a positive relationship between compensation practice and employee competence. It was found that employees reluctant for hourly wages were attracted by compensation practices for competent employees, Lazear (2000;1996). In prevailing situation the average output of an employee rises as a result of compensation practices. Added on, Katou (2011) in measuring the impact of HR on organizational performance in Greece’s context found a positive relationship between compensation and employee competencies. Fey et al., (2008) bestow that employees work related ability and motivations are positively affected by compensation practices.

Training and Development:

An organisation can procure employee competence when they embrace skill training practices. As insisted by Wright and Snell (1991) an intense training practices lead to employee competence. The outcome of the research of Katou (2011) express that there is a positive relationship between employee competencies and training practices, it also measures the impact of HR on organisational performance. Conducting better training practices at the organisational level leads to attaining employee competence, these training practices establish as the use of competence gap to determine training and development needs. Zingheim and Schuster (2009) pinpoints that training and development is the most common practices for attaining employee competence.

Performance Appraisal:

The preceding studies have vested the relationship between performance appraisal and employee competence on organisational performance. Katou (2011) deliberates that organisational performance is influenced by HR practices and the outcomes of the research reveals that there is a significant relationship between employee competence and performance appraisal. In the same way Wright (2004) wrap up that core practices of performance appraisal have positive effect on employee competence. Reinke (2003) ceases that positive relationship exists between performance appraisal practices and competence of employees.

3. METHODOLOGY:

Positioned on the theoretical framework the research characterizes the sample of the study, measurements, statistical tools used to test the validity and reliability of data collected and hypothesis employed to understand the relationship between HR Practices and organisational performance.

A set of questions were framed to probe the details of respondents with regard to their demographics and also to calibrate them to evaluate on HR practices and its relationship with organisational performance in a structured questionnaire using 5 point Likert scale. The Likert scale anchors from strongly agree (=1) and strongly disagree (= 5).

The various constructs used in the of the study are organisational performance, competence and HR practices which include Recruitment and Selection, Compensation, Training and Development and Performance Appraisal. The study sample of 75 respondents consists of employees from different organisations. The following table shows the demographics of the samples.

Table: 1 Demographics of the Sample

Variable		Frequency	%
Gender	Male	44	59%
	Female	31	41%
Age	Below 40 years	49	65%
	Above 40 years	26	35%
Qualification	Under Graduate	29	39%
	Post Graduate	46	61%
Designation	Junior Manager	33	44%
	Senior Manager	42	56%

The demographic samples and their frequencies are shown in the above table, 41% of the respondents are female and 59% of them are male. The largest group of respondents of 65% belongs to the age group of below 40 years and 35% of the respondents belong to the age group of above 40 years. With regard to qualification 61% of the respondents are Post graduates and 39% of the respondents are Under Graduates. 44% of the respondents hold the designation of a Junior Manager and 56% of the respondents are designated as Senior Managers.

Table: 2 Mean and SD of factors of HR Practices and Organisational Performance

Factors	Mean	SD
Recruitment and Selection	4.073	.765
Compensation	4.116	.722
Training and Development	4.044	.835
Performance Appraisal	4.136	.848

The above table reflects the mean and standard deviation of various factors in HR practices and organisational performance. The table shows the highest mean score of 4.136 in performance appraisal, the training and development factor has the lowest mean score of 4.044.

Table: 3 Mean and SD of factors of HR Practices and Employee Competence

Factors	Mean	SD
Recruitment and Selection	4.126	.846
Compensation	4.027	.895
Training and Development	4.073	.763
Performance Appraisal	4.116	.722

The above table infers the mean and standard deviation of various factors in HR practices and organisational performance. The table shows the lowest mean score of 4.027 in Compensation and highest mean score of 4.126 in recruitment and selection.

HYPOTHESIS I

Null Hypothesis: There is no significant difference between mean ranks towards HR Practices and Employee Competence.

Table: 4 Friedman test for significant difference among mean ranks towards HR Practices and Employee Competence

Factors of HR Practices influencing employee competence	Mean Rank	Chi-Square Value	P value
Recruitment and Selection	3.27	88.602	.001**
Compensation	2.71		
Training and Development	3.29		
Performance Appraisal	2.59		

Note: ** Denotes significant at 1% level

The table shows that training and development dimension in HR practices is ranked high (3.29) and performance appraisal is ranked the least (2.59). The Friedman test repeated measures analysis of variance by ranks. Respondents were asked to rank the factors of HR practices with rank 4 as least important and rank 1 as most important. The chi square value at 88.602 has a P value of .001 which is less than .01. The null hypothesis is rejected at 1% level of significance, since P value is less than 0.01.

HYPOTHESIS II

Null Hypothesis: There is no significant difference between mean ranks toward HR Practices influencing organisational performance

Table: 5 Friedman test for significant difference among mean ranks towards the factors of HR practices influencing organisational performance

HR practices factors	Mean Rank	Chi-Square Value	P value
Recruitment and Selection	2.12	182.634	.001**
Compensation	2.21		
Training and Development	2.58		
Performance Appraisal	3.09		

Note: ** Denotes significant at 1% level

The table shows that performance appraisal construct in HR practices is ranked high (3.09) and recruitment and selection is ranked the least (2.12). The Friedman test repeated measures analysis of variance by ranks. Respondents were asked to rank the factors of HR practices with rank 1 as most important and rank 4 as least important and. The chi square value at 182.634 has a P value of .001 which is less than .01. The null hypothesis is rejected at 1% level of significance, since P value is less than 0.01.

4. DISCUSSIONS:

The study reflects the fact that the HR practices is based on the performance appraisal to motivate the employees to work. Employee’s competence is stimulated by good performance appraisal practices. The organisations have to identify the training needs and develop their professional capabilities of competent employees.

The study shows that 59% of the respondents are male, 65% of the population belong to below 40 years of age. The result of the study shows that the respondents possess master’s degree is the largest category with 61% according to the variable of the academic qualification and 56% of the respondents hold senior manager position. The impact of various factors of HR practices is reflected in overall organisational performance and their exists high degree of positive relationship between the variables.

5. CONCLUSION:

Overall, the augmentation of the study has been to prove the relationship between HR practices and employee competence. This is manifested from previous studies, such as Fey et al., (2000), Ghebregiorgis and Karsten (2007) and Zingheim and Schuster (2009) and which established positive and significant relationship between the various HR practices and employee's competence with organisational performance. To conclude it can be stated that that organisations should heed to innovators at early stage, support and recognize their hard and soft skills that helps to increase the employee competence through improved organisational performance.

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