

Impact of HRM on Organisational Performance

Dr. Ch. Varalakshmi¹, Dr. K. Vasudha², Dr. L. Prathiba³

*¹Assistant Professor and HOD, Department of M.B.A, Andhra Loyola College,
Vijayawada, A.P, India.*

*²Assistant Professor, Department of Management Studies, Sri Venkateswara College of
Engineering and Technology, Chittoor, A.P, India.*

*³Assistant Professor, Master of Business Administration, Ashoka Women's Engineering
College, Dupadu, Kurnool (Dist), A.P, India.*

The value of any organisation at any economy is its employee. Human resource is the most valuable and important resource in any organization. To succeed, a business needs to be committed staffs to meet its aims and goals in determined tenures. Staff should be trained and motivated in an organisation to their needs and wants for the management to achieve their potential. It is the responsibility of the human resource department to ensure that recruits are given to correct staffs, and that staff get appropriate training to ensure that the business meets its aim. Human resource management is of key importance in almost all organizations. Human resource management has the opportunity to enable organizations to survive, grow, be competitive and profitable (Werner, 2014). According to Ahmed and Schroeder (2003), human resources are considered the most valuable and important assets of an organization, but very few organizations are able to fully understand its potentials. Today's organizations are highly susceptible to rapid change due to globalization, which has made it mandatory for people to acquire new skills, knowledge, and ideas in order for them to remain relevance in the scheme of things in world. It is fundamental that no system can cope with the magnitude of its responsibility without making adequate outlet for its staff development.

Keywords: competitive, development, growth, human resources, management system, organisational performance, recruitment, staff

1. Introduction

Every organization has its own vision, mission, goals and objectives, and all these goals and objectives are achieved through the effective utilization of the most important resources (Human Resources). Human resources are considered as valuable assets of the organization.

Their happiness and satisfaction is very important for the success of any organization. The importance of manpower can never be over emphasized, even where the standard of recruitment is maintained; there is no way that selected ones would be suitable for the jobs all years, without new skills acquisitions. Therefore, training and development are aspects of human resources management that help to develop skills, introduce new challenges and boost the morale of the staff (Cascio, 2006; and Armstrong, 2006).

It is obvious that no organization can develop without laying down a solid foundation to manage their staff. Human resource (HR) means having the right number of people possessing the right skills at the right time doing the right thing to ensure that goals of an organization are achieved. Organization development is concerned with promoting the well-being of employee that had been drawn from the pool of people from various aspects of life to bring desired success through the accomplishment of corporate goals and objectives. Organization that lacks genuine human resource planning will not be able to survive for long, meet the expected performance, with globalization as a force steering various changes in the world's organizations, this degree of changes that are occurring globally has made effective human resource management a crucial aspect of organisational development. Without effective human resources management, skills, and knowledge gained by employee can easily become obsolete and outdated. Hence, the human resources management practices such as training, development, performance appraisal, promotion and other become paramount for any organization in this era for adaptation and blending with the modern pattern of doing things. Most recently a trend has developed toward justifying the expenditures for and existence of the HR function. HR departments and programs have become an element of the firm's profit equation to be minimized as a cost and maximized as a value-adding component of firm strategy. Consequently, HR practitioners have become preoccupied with demonstrating the value of the HR function, particularly through showing its impact on firm performance (Pfeiffer, 1997; Ulrich, 1997).

Human resource management (HRM) can have a positive impact on organizational performance in several ways, including:

a) Employee satisfaction and commitment

An integrated approach to HRM practices can lead to increased employee satisfaction and commitment, which can improve individual and team performance.

b) Training and development

Training and development programs can help employees improve their knowledge, skills, and abilities, which can lead to better performance.

c) Performance appraisal

Performance appraisal systems can help organizations identify employees' strengths and weaknesses, which can help determine their training and development needs.

d) Company culture

A good company culture can help attract talented job candidates.

e) Competitive advantage

Good HRM practices can give a company a competitive advantage that can help it achieve its goals and sustain itself in the industry.

f) Incentives

HR managers can use incentives and rewards to motivate employees, which can improve organizational performance.

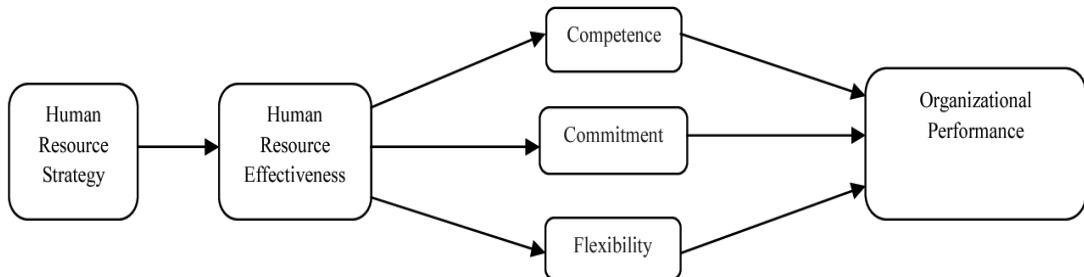


Figure 1: A conceptual model based on Micheal Armstrong (2006)

Concept of Human Resource Management

Human resource management is the function within which an organization focuses on recruitment of employees and providing direction for the people who work in an organization. Human Resource management can also be performed by line manager. Human resource management is the organisational function that deals with the issues related to employee working in an organization this includes compensation, hiring, performance management, organization development, safety, wellness, benefits, employee motivation, communication, administration and training (Susan 2012). Human resource management is also a strategic and comprehensive approach in managing people, and the work place, culture, and environment. Human resource management enables employees to contribute effectively and efficiently to the overall objective of the company, and the accomplishment of the organization's goals and objectives (Susan 2012).

A company is able to better manage its intellectual capital and improve organisational performance by properly implementing human resources Management System (HRMS) (Khalid, Salim, Loke & Khalid, 2011). The advent of "knowledge - intensive era" has turned human resources into a company's most important core resource, and an appropriately implemented HRMS helps an organization develop internal human resources, build competitiveness intellectual capital, and eventually buster it's operating performance and enterprise value (Moorhouse & Cunningham, 2010). Competitive advantage for the organization lies not just in differentiating a product or service or in becoming the low cost leader but is also being able to tap the company's special skills or core competencies and rapidly respond to customer's needs and competitor's moves (Kaiser, 2011). Human resources management can play a role in identifying and analyzing external opportunities and threats that may be crucial to the company's success.

Recruitment and Selection in organization

Qureshi and Ramay (2006), noted that HR practices are positively correlated with employee's performance whereas selection and training have more effecting on performance than other

practices. Chand & Katou (2007) demonstrated that recruitment and selection, strongly correlate with profitability and suggests that management of an organization must focus on these HRM practices (recruitment and selection) resulting in an improved organisational profit. According to Bratton and Gold (2007), recruitment is ‘the process of generating a pool of capable people to apply to an organization for employment and selection, is the process by which managers use certain approach to select from a pool of applicants the person(s) most likely to succeed in the job(s), given management goals and legal requirements. Companies use good selectivity in the hiring process to ensure that they get the right skilled and qualified people for the right job (Pfeffer, 1994; Huselid, Jackson & Schuler, 2007). Budd and Bhawe (2010) maintained that the recruitment exercises remain the power of the management in any organization to ensure proper starting of employee in their firms. Recruitment remains one of the ways to get things right in the firm by ensuring that the most competent and qualified applicant gets the job.

Frequency of Use of Different Measures of Firm Performance

To assess the different types of measures of firm performance that have been used in strategic HRM research, we examined the published literature linking HR practices to organizational-level measures of performance. Studies were gathered from the three special issues noted above, along with other studies of a similar calibre that have appeared in top level HR journals. We limited our search to published studies because we felt it important to examine only those measures used in research studies which have passed a refereeing process. We recognize that this may skew the results if studies using certain types of measures are being systematically rejected (i.e., it is the referee process, and not the research designs which have limited the types of measures). However, if that were the case, the implication might only be that our suggestions regarding performance measures might apply more to reviewers than to researchers.

Training and Development in Human Resources

Training and development are the formal activities undertaken by an organization to help employees acquire the skills and experience needed to perform current or future jobs (Mondyet al, (2005). In general, training and development activities are designed to help employees continue to make positive contributions in the form of good performance by obtaining new knowledge, skills, and abilities (Ivancevich, 2001; Berge et al., 2002). Mookherjee (2010) expressed that on-the-job training is one of the commonly used type of training. Also, Mookherjee (2010) expressed further that off-the-job- training is a type of training that can be given in a number of ways. Off-the-job-training consist the development of employee away from the field of the job through lectures, conferences, group discussion, case studies, and programmers instructions, etc. This method is normally used by government and public organisation. According to Ojo (2009) training is the act of increasing the knowledge and skill of an employee for doing a particular job, irrespective of the years spent so far in the service or the qualification attainment of the workers, the trends in the services will always protrude towards development in the societies and changes in tastes of customers, which organization must promptly responded to by training their employees with the latest techniques, tools, and approaches. Peretomode (2001) pointed out that training is a planned organisational effort or activities concerned with helping an employee acquire specific and immediately usable skills,

knowledge, concepts, attitudes, and behavior to enable him/her perform effectively and efficiently on his present job.

Resource Based View of the firm

The Resource Based View of the firm (RBV) has also been applied to the HRM-performance link. RBV is a general way of theorising about how competitive advantage can be achieved through the possession of valuable and rare resources that are hard to imitate by other competitors (Takeuchi et al., 2007). When applied to the HRM-performance link, one is to consider the employees as a resource similar to other organisational resources, where the main goal for the HR practices is to build up the human capital and stimulate the kind of behaviour that creates advantages for the organisation (Boxall og Steeneveld, 1999).

Performances Appraisal in Human Resources

The measurement of employees' performance allows the company to provide compensation fairly to the deserving individuals according to certain predetermined criteria like employee competency, teamwork ability, initiative, soft skills and ethics (Lillian, Mathooko and Sitati, 2012). Performance appraisal is a process used to identify measure, evaluate, improve, encourage and reward employees for their performance (Mondy et al, 2005). Specifically, performance appraisal is a formal system used by an organization to periodically review, and evaluate employees' performance. In other words, performance appraisal is the process of evaluating how well employees perform their tasks compared with a set of standards or organization's expectations. Internal communication boosts productivity by streamlining employees' roles and duties in organizations (Benner and Tushman, 2003). Employee commitment and productivity can be improved with performance appraisal system. Brown et al. (2005) states that performance appraisal is enhanced by complementary human resource management practices like formal training and incentive pay and performance appraisal leads to greater influence of employees' productivity.

Compensations and Benefits in Human Resources Bratton and Gold (2007: 358) state that reward refers to 'all the monetary, non-monetary and psychological payments that an organization provides for its employees for the work they perform either as teamwork, units, department or individual'. Motivating employees through a good reward system constitutes a difficult and challenging task for general managers as it can positively affect employees' behavior toward their jobs and increase their commitment and thus their performance. Madsen, Miller and John (2010) states that reward strategies are an important part of an organization's human resources strategy and should be bundled with other human resources strategies so that they complement and reinforce one another. Golden and Veiga (2008) and Huselid et al. (2007) respective found in their studies that motivation through a good reward system can lead to an increase in employees' productivity as well as improving their commitment towards organisational goals.

Adeleye (2011) opined that the advantages of employee development include not only the obvious benefits of increased productivity. Closely allied to a low turnover rate is the feeling that the employee is part of the establishment. Once an establishment makes an investment in an employee it gives him a feeling of belonging, and the general impression that the organization values him. Each training course that he gets as well as benefits that come his

way reinforces his belief in the organization, and himself as he moves from general familiarization with his tools to master the working of the machinery, to obtain the technical knowledge required for doing minor repairs. Improvement in staff ability will automatically improve their chances of being promoted from junior to senior staff with all its benefits.

A trained employee not only gains skills, a correct attitude, and the knowledge required for success in the organization, but he becomes an asset in that he saves management time. Because of his training, management has better control of him, for he performs as expected with minimum supervision, as his work becomes reliable extra tasks can be assigned to him. Management can then concentrate on other tasks. The ability of employees to perform their duties can help to reduce turnover rate. A trained employee is less likely to leave his job than one who is untrained. Inability to perform one's task creates a feeling of inadequacy and fear. An employee who cannot successfully overcome this feeling of inadequacy often resigns out of frustration (Adeleye, 2011). Human resource development remains a vital strategy for the improvement of employees to attain organisational goals of enhanced productivity as well as service delivery, for the survival and growth of any enterprise either in public or private sector (Riordan, Vandenberg & Richardson, 2008; Rodrigues & Chincholkar, 2010). According to Meyer et al. (2014) human resources development is the process of increasing the knowledge, skills, and capabilities of all people in a given society or organization. According to them, is done through the process of formal education on the job and informal training programme. And also for self-development on the part of the individual employee through personal initiative, arising from his/her willingness to acquire new ideas for higher productivity.

Rodrigues and Chincholkar (2010) describe human resource development as process of improving, molding and changing skills, knowledge, creative abilities, aptitude, attitude, values, commitment, based on present and future jobs and organisational requirements for improved productivity in the workplace. In the same vein, Bakare (2009) describes human resources development "as the formal and explicit activities that will enhance the ability of all individuals to reach their full potential" (Moorhouse & Cunningham, 2010). Emphasizing the importance of human resources development on employees' improved performance; Riordan et al (2008), argued that appropriate, ongoing training enables employees to develop the knowledge required for effective performance in an organization for higher productivity. More so, Paprock, Yumol and Atienza (2010), posited that evidence abound from the public and private sectors about the unique role of human resources development in bringing about the competent employees in an organisation for improved performance.

Challenges Facing Organizations on Human Resource Management

Winning the fierce competition businesses is rather easier through organisational capabilities such as speed, responsiveness, agility, learning capacity, and employee competence. Boudreau and Ramstad (2005) argued that as organizations increasingly compete through talent, their investments in human capital will determine their competitive positions. They noticed that not all the organizations are getting it right when come to manpower management or management of human resources. Yuliarini et al. (2012) maintained that successful organizations will be those that are able to quickly turn strategy into action; to manage processes intelligently and efficiently, (Olson, 2005; Mohammed, 2009). Uche (2009) argued that many business organizations lack right people and adequate talent to take up the leadership positions,

according to Uche (2009) filling the leadership post with inexperience candidate is the genesis for the poor human resources development noticeable in many organizations.

Relationship between Human Resource Management and organisational Performance

Acquaah indicated that HRM practices advance organisational effectiveness and performance by attracting, identifying, and keeping employees with knowledge, skills, and abilities, and acquiring them to behavior in the manner that will support the missions and aims of the organization. In this way, the efficacy of HRM practices depends on how it comprehends the appropriate attitudes and behavior in employees, in addition to its implementation (Acquaah 2004, p. 118-151). Some researchers have recommended that evaluations of performance should be based on financial indicators (e.g, profit), and for years, human resources issues have been secondary to such indicators. Nowadays, many researchers acknowledge that profit alone is not sufficient to hold the exhilaration and adherence of employees or to pay attention to the important elements of a business that has to get attention if it is to perform adequately.

Stanton and Nankervis pointed out that organisational performance can be improved, especially through raised productivity and employment elasticity, by ranging entire employees' performance outcomes with wide strategic business and HRM obligations. In this way, the management of remarkable employee's performance, and their unified contributions to whole impressiveness, has possibly become the most significant actual HRM function in all organization (Stanton & Nankervis 2011, p. 69). It is important that a firm embraces HRM practices that make the best use of its employees. This trend has led to an increased interest in the impact of HRM on organisational performance, and a number of studies have found a favorable relationship between the alleged high-performance work practices and different measures of company performance (Huselid 1995). Also, there is some empirical support for the hypothesis that firms, which arrange their HRM practices with their business strategy, will achieve ascendant outcomes (Bae & Lawler 1993, p. 502- 517).

2. Conclusion

The HRM activities purposeful for recruiting people into an organisation and to ensure retention and long-term employment, and increase organisational performance through motivation, HRM practices are able to increase organisational effectiveness by ensuring profitable experiences for employees. For instant when people employ into an organization, well orientation programs help them to learn about the organization and its values to increase organisational performance. Human resource management (HRM) is a key function for an effective and efficient organization.

References

1. Adeleye I. The diffusion of employment flexibility in Nigeria's banking industry: Its nature, extent and causes. *International Journal Business and Management*. 2011; 6(4):150-160.
2. Armstrong M. *A Handbook of Human Resource Management Practice*. London: Kogan Page, 2006.
3. Bakare OM. The unethical practices of Accountants and Auditors and the compromising stance of professional bodies in the corporate world: Evidence from corporate Nigeria. *Journal of Nanotechnology Perceptions* Vol. 20 No.7 (2024)

- Accounting Forum. 2009; 31(3):277–303.
4. Bae J, Lawler JJ. Organizational and HRM strategies in Korea: Impact on firm performance in an emerging economy, “Academy of Management Journal”, 1991, 43(3).
 5. Boudreau J, Ramstad P. Talentship, Talent Segmentation, and Sustainability: A new HR decision science paradigm for a new strategy definition. In M. Losey, S. Meisinger & D. Ulrich (Eds.). The future of human resource management. Hoboken, New Jersey: John Wiley and Sons, 2005.
 6. Budd JW, Bhavé D. The Employment Relationship. In A. Wilkinson, T. Redman, S. Snell, & N. Bacon (Eds.), The SAGE Handbook of Human Resource Management, 2010, 51-70. Los Angeles: SAGE.
 7. Cascio WF. Managing Human Resources: Productivity, Quality of Life, Profits. McGraw-Hill Irwin, 2006.
 8. Choo S, Bowley C. Using training and development to affect job satisfaction within franchising. Journal of Small Business and Enterprise Development. 2007; 14(2):339– 352.
 9. Elwood F, Holton B, Trott D. Trends toward a close Integration of Vocational Education and Human Resource Development. Journal of vocational and Technical education. 2006; 12(2):23-79.
 10. Gberville DE. Nigerian federal civil service: Employee recruitment, retention and performance. Journal of Science and Sustainable Development. 2010; 3(1):113-126.
 11. Grant T. Corporate Social Responsibility: A Necessity Not a Choice. Bangkok: Author, 2008.
 12. Huselid MA, Jackson SE, Schuler RS. Technical and strategic human resource management effectiveness as determinants of firm performance. Academy of Management Journal. 2007; 40:171-189.
 13. Huselid MA. The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance, “Academy of Management Journal”, 1995, 38(3).
 14. Jost JT, Nosek BA, Gosling SD. Ideology: Its Resurgence in Social, Personality, and Political Psychology. Perspectives on Psychological Science. 2009; 3(2):126-136.
 15. Kaiser S. Creating Balance? International Perspectives on the Work-Life Integration of Professionals. Berlin: Springer, 2011.
 16. Khalid K, Salim HM, Loke S, Khalid K. Demographic profiling on job Satisfaction in Malaysian Utility sector. International Journal of Academic Research. 2011; 3(4):192- 198.
 17. Lillian K, Mathooko H, Sitati N. Procedural justice in performance evaluation: The role of instrumental and non-instrumental voice in performance appraisal discussions. Journal of Management. 2012; 21(4):57–69.
 18. Madsen SR, Miller D, John CR. Readiness for organizational change: Do organizational commitment and social relationships in the workplace make a difference? Human Resource Development Quarterly. 2010; 16(2):213-233.
 19. Mohammed IA. Personnel performance evaluation: A conceptual index for the management and development of Nigerian oil and gas industry. Petroleum Training Journal. 2009; 3(1):24-31.
 20. Mookherjee D. Decentralization, Hierarchies and Incentives: A Mechanism Design Approach. Journal of Economic Literature. 2010; 44(2):367-390.
 21. Moorhouse L, Cunningham P. Permanently in process: the intersection of migration, work identity and the reality of human resource development in the South African context. Journal of Human Resource Development International. 2010; 13(5):587–597.
 22. Ojo O. Impact assessment of corporate culture on employee job: Journal of Business Intelligence. 2009; 2(2):389-370.
 23. Okiki ENM. Corporate governance in Nigeria: The status quo. Corporate Governance. 2007; 15(2):173-193.
 24. Olson T. A powerful weapon in the war for talent. National Underwriter/Life Health Financial Services. 2005; 107(25):5–9.
 25. Paprock KE, Yumol B, Atienza TV. National human resource development in transitioning

- societies in the developing world: The Philippines. *Journal of Human Resources*. 2010; 8(1):46–61.
26. Peretomode V, Peretomode O. *Human Resource Management*, Lagos Obaroh and Ogbinaka publishers limited, 2001.
 27. Pfeffer J. *Competitive advantage through people: unleashing the power of the work force*. Boston: Harvard Business School Press, 1994.
 28. Preuss L, Haunschild A, Matten D. The Rise of CSR: Implications for HRM and Employee Representation. *The International Journal of Human Resource Management*. 2009; 20(4):953-973.
 29. Riordan CM, Vandenberg RJ, Richardson HA. Employee Involvement, Climate and Organizational Effectiveness. *Human Resource Management*. 2008; 44(4):471-488.
 30. Rodrigues LLR, Chincholkar Az. Benchmarking the HR practices of an engineering institute with public sector industry for performance enhancement. *International Journal of Training and Development*. 2010; 9(1):6-20.
 31. Saffold G. Culture Traits, Strength and Organizational Performance beyond Strong Culture. *Journal of Academy and Management*. 2009; 13/4:546-558.