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Abstract: The aim of this article is to review the research previously carried out by various researchers in the field of Human Resource Management Practices and Organizational Performance. For the present study, authors have reviewed books, research journals and thesis available on internet. The work includes various major empirical studies based on impact and linkages between HRM Practices and Organizational Performance. From the detailed literature review, we can conclude that various HR practices have positive influence or impact on operational and financial performance of the organization.

Keywords: Human Resource Management Practices, Organizational Performance

I. INTRODUCTION

Thorough literature review of major studies already undertaken is the primary task of any research work included from books, related research articles, thesis, organization literature or any other sources from the internet. Much of research work is previously carried out on HRM for the very basic reason of its importance in managing the firm and the amount of impact it makes on performance of the firm. This research article is comprised of about 50 research studies undertaken in the field of HRM being more specific about HRM practices and Organizational Performance in various sectors. As the performance of a firm is mainly dependent on the combined performance of the people of that organization, HRM is a major area of focus for academic and business researchers. Majority of the research studies included in this article are about various HRM practices like recruitment and selection, training and development, compensation and benefits, performance appraisal are in a way to develop a synergy with organizational performance like efficient HR outcome, financial outcome, increased profitability, reduced operating expenses and positive operational outcome and so on for effective synergic interaction within different work groups as a prime requirement. This research paper is useful for developing the links or association of HRM practices and organizational performance.

II. ORGANIZATION OF PAPER

A. HRM Practices defined

Much of the previous research on the HRM practices has concentrated on only single HR practices such as compensation, selection etc, but, according to Dyer, L., Reeves, T., 1995, p. 657 Human resource practices are said to be bundled when they occur in fairly complete, mutually reinforcing or synergistic sets and adds to growing number of researches which argues for instituting complementary bundles of HRM practices to enhance performance.

HRM practices such as job analysis, recruitment and selection, training and development, work environment and performance appraisal may enhance the competence of employees for high performance apart from interaction with technology and processes, relations with employees working within the departments and the synergy of such effective teamwork decide the operational success as per Barney, J. B. & P. M. Wright (1997). , to achieve better results, effective synergic interaction in the
working group is a necessary requirement. In the view of Dessler, Human resource management (HRM) refers to the practices involved in carrying out the ‘human resource(HR)’ aspects of a management position including human resource planning, job analysis, recruitment, selection, orientation, compensation, performance appraisal, training and development, and labour relations.

As per Noe, R. A., Hollenbeck, J. R., Gerhart, B., and Wright, P. M. (2007), HRM is a combination of the policies, practices, and systems that influence employees’ behaviour, attitude, and performance. Sheldon, M.E. (1971); Porter, L.W., Steers, R.M., Mowday, R.T. and Boulian, P.V. (1974); Romzek, B.S. (1989) – the mis of their work reflects that if individuals and groups extend themselves beyond their limits then can make effective contribution towards better organizational aspirations.

B. Organizational Performance defined

Becker, B.E. and Huselid, M.A. (1998), Horngren, C.T., Foster, G., and Datar, S.M. (2000)- strongly argues that in spite there are many stakeholders in an organization, but prime goal of any business is higher financial performance or maximization of wealth for the shareholders. Curtis, B., Hefley, W.E. and Miller, S. (1995) heavily insist upon operational performance of an organization is the function of people, process and technology and hence its performance depends upon effective operational performance. The more or less same argument is supported by Huselid, 1995 and Barney, J. B. & P. M. Wright (1997) that Human resources in an organization have to be competent enough, with the required knowledge, skill and abilities for effective interaction of people with technology and process, the people in the organization followed by Brooks, F.P. Jr (1987); Wynekoop, J.L. and Walz, D.B. (2000) – as competence of the individual is an important factor that decides operational effectiveness in terms of providing quality products and services within a short time.


According to, Dyer, L., Reeves, T., 1995, Katou, A. A., and Budwar, P. S. (2007) - the challenge for any organizational performance is generally indicated by the effectiveness of an organization to achieve its objectives and efficiency to use the resources properly, satisfaction of employees and customers innovation, quality products and services, and thereby ability to maintain unique human pool.

C. Empirical views on HRM Practices and Organizational Performance

I. Impact of HRM Practices on Organizational Performance:

Arthur (1990, 1992, 1994), in his studies of effects of Human Resource Systems on Manufacturing Performance and financial Turnover of the organization and collected data from 30 US strip mills to assess impact on labour efficiency and scrap rate by reference to the existence of either a high-commitment human resource strategy and found that firms with a high commitment human resource strategy had significantly higher levels of both productivity and quality. Moving towards same direction in order to know the impact of human resource management practices on turnover, productivity and corporate financial performance, Huselid (1995) with the objective to study and evaluate the links between High Performance Work Practices (HPWP) and Firm Performance and to indicate that these practices are economically and statistically significant on immediate employee outcome and long-term corporate financial performance and the systems of high performance work practices may diminish turnover and increase productivity and corporate financial performance and Employee turnover and
productivity may mediate the relationship between high performance work practices and corporate financial performance. Analysed the responses of 968 US firms to a questionnaire exploring the use of high performance work practices, the development of synergies between them and the alignment of these practices with the competitive strategy and found that productivity is influenced by employee motivation; financial performance is influenced by employee skills, motivation, and organizational structures. The study also provides the support for the hypothesis that investments in high performance work practices are associated with lower employee turnover, greater productivity, and corporate financial turnover as well as higher levels of high performance work practices lead to lower turnover and greater employment security, and also the impact of HPWP on financial performance is due to its influence on employee turnover and productivity.

Extension of the same work done by Becker, B. E., Huselid, M. A., Becker, B. E., & Huselid, M. A. (1998), for exploring the synthesis and managerial implication for high performance work systems and firm performance, with the aim that strategic role of human resource management (HRM), and its influence on a firm's HRM system and its financial performance, is actually limited to changing market demands and organizational structures, and thus the strategic importance of a skilled and motivated workforce as firms move away from centralized command and control management structures, HPWS should be able to provide a significant, source of value creation within this context, a firm's workforce, and its systems for managing people, are seen as an investment rather than a cost to be minimized. By including different branches of banking sector as cases Sue Hutchinson, Nick Kinnie, John Purcell (2001) studied whether HR Practices and Business Performance makes a difference and does it influences business performance. The focus of the study was to explore the importance of discretionary behavior by employees and managers and the effect of variations in this behavior on business performance. At the end they concluded that for sure there is clearly a strong association between employee attitudes on a wide variety of job design and HR practices, employee views on the quality of HR management applied to them, especially in the opportunity to participate, and branch performance.

Patrick M. Wright, Cornell University, Timothy M. Gardner, Brigham Young University, Lisa M. Moynihan also started their research to know the impact of HR practices on the performance of business units with the specific objective that organizational commitment positively reflects operating performance and profitability of business units. With the intention to prove HR Practices clubbed with Organizational Commitment and its impact on operating performance, which in turn has an impact on expenses, then it should subsequently be related to profitability. The interesting fact came out at the end of process is that when employees are managed with progressive HR Practices, they become more committed to the organization and this commitment leads them to exhibit proper behavior and not to engage in dysfunctional behavior which ultimately gets reflected in reduced expenses, reduces operating expenses and increased profitability. Similar to organizational commitment is organizational citizenship behavior and whether it clubbed with sound HR practices gives positive firm performance, moving towards this Babaei, D., Ahmad, A., Idris, K., Omar, Z., & Rahimian, H. (2012) aimed at examining the mediation effects of organizational citizenship behaviors on the relationships between selected human resource practices and firm performance, wanted to know whether there is a positive relationship between performance appraisal practices and OCBs and positive relationship between reward practices and OCBs. The findings of this study suggest that human resource practices play a critical role in enhancing employees' organizational citizenship behaviors and firm performance. Organizational citizenship behaviors mediate the effects of reward and performance appraisal practices on service quality. To improve service quality, employers should improve reward and performance appraisal practices since these practices have an impact on employees' organizational citizenship behaviors which in turn would affect service quality.

In their study Ahmad, S., & Schroeder, R. G. (2003) of impact of human resource management practices on operational performance to recognize country and industry differences aimed to generalize the efficacy of seven HRM practices proposed by Pfeffer in the context of country and industry, focusing primarily on the effects of these practices on operations, wanted to hypothesize that organizational performance is positively related to each of the following seven HRM practices suggested by
Pfeffer. After controlling for the industry and country effects to the degree of dissimilarity between an organization’s existing HRM system and the ideal-type of HRM system will be negatively related to the organizational performance, and the present study investigates the mediating effect of organizational commitment which helps better understand the nature of the relationship between practices and organizational performance. Lastly, they empirically validated an ideal-type HRM system for a manufacturing plant. The findings of this study were expected to help operations and human resource managers recognize the potential of these seven HRM practices and assist them in designing. A.K. Paul and R.N. Anantharaman (2003) in their study of Impact of people management practices on organizational performance focused on analysis of a causal model aimed to develop and test a causal model linking HRM with organizational performance through an intervening process, wanting to prove HRM practices with intervening variables like employee competency, teamwork, organizational commitment and customer orientation has positive effect on operating performance which is directly linked with organizational financial performance. The study has found that not even a single HRM practice has direct causal connection with organizational financial performance. At the same time, it has been found that each and every HRM practice under study has an indirect influence on the operational and financial performance of the organization. Further, HRM practices such as training, job design, compensation and incentives directly affect the operational performance parameters, viz., employee retention, employee productivity, product quality, speed of delivery and operating cost.

Further at Bangladesh the study of Absar, M. M. N., Nimalathasan, B., & Jilani, M. M. A. K. (2010) addressed the linkage between HR practices and organizational performance. In search of whether HR practices have significant association with organizational performance, HR practices have significant impact on organizational performance and/or Recruitment and selection, training and development, compensation, performance appraisal have positive influence on organizational performance, found that the highest positive value of correlation between PA and OP clarifies that the authorities of selected manufacturing firms are required to give main focus on PA for getting fabulous organizational performance. In the sector of ITES Vlachos, I. (2008) worked on effects of human resource practices to demonstrate the various HR initiatives and their significant role in firms growth for which In-depth interviews were conducted with key decision makers prior to designing a pre-test. The questionnaire was pre-tested with randomly selected firms. Results provide overall support for all HR practices except of job security. Eventually, selecting, training, and rewarding employees as well as giving them the power to decide for the benefit of their firm, contribute significantly to firm growth. In another field of fertilizer, Hussain and Rehman worked for HRM Practices and its impact on fertilizer industry to explore that sound HRM practices increases the retain ability factor of employees, reduces cost and thereby increases profitability. The result of the study explored that HRM practices viz-a-viz: person-organization fit, employment security, communication and training and development are contributing strongly in developing the employees’ intentions to stay with organization. Further, strong positive inter-relationships were found between HRM practices and employees’ retention and such practices enhances employees’ retain ability of organizations. Once again Huselid and along with Becker (1997) contributed towards exploring the impact of HPWS, implementation effectiveness and alignment with strategy on shareholder wealth in order to estimate the impact of high performance work system and its effectiveness and alignment with firm's competitive strategy and shareholder's wealth aimed at proving the Presence of High performance work practices are positively associated with corporate financial performance, found that there is an emerging consensus that high performance work system will have an economically positive and significant effect on firm performance and it also suggests the top management and process to focus on increasing importance of HR as strategic role.

In the major survey conducted by Purcell J., Kinnie N., Hutchinson S., Rayton B. and Swart J a longitudinal study of 12 companies to establish how people management impacts on organizational performance, and found that the most successful companies had what the researchers called ‘the big idea’. The companies had a clear vision and a set of integrated values which were embedded, enduring, and collective, measured and managed. Clear evidence existed between positive attitudes towards HR policies and practices, levels of satisfaction, motivation and commitment, and operational performance. Patrick M. Wright, Cornell University, Timothy M. Gardner, Brigham Young University, Lisa M. Moynihan in their work of impact of HR
practices and organisational commitment on the operating performance and profitability of business units, used a predictive design with a sample of 50 autonomous business units within the same corporation, their work revealed that both organisational commitment and HR practices are significantly related to operational measures of performance, as well as operating expenses and pre-tax profits. Further Akhtar, S., Ding, D. Z., & Ge, G. L. (2008), studied strategic HRM practices and their impact on company performance in Chinese enterprises, and examined the factorial validity of strategic human resource management practices and their effects on company performance in a sample of 465 Chinese enterprises. The findings indicate that a valid set of strategic HRM practices comprising of training, participation, results-oriented appraisals, and internal career opportunities affect both product/service performance and financial performance. Employment security and job descriptions contribute uniquely to product/service performance, whereas profit sharing contributes uniquely to financial performance.

In the electronics and communication sector, Thompson, M (1998b) conducted the study on impact of High performance work practices such as team working, appraisal, job rotation, broad-banded grade structures and sharing of business information in 623 UK aerospace establishments, and concluded that the number of HR practices and the proportion of the workforce covered appeared to be the key differentiating factors between more and less successful firms supported by Guthrie, J. (2001) who examined the impact of HRM practices on turnover and firm productivity among a sample of Firms in New Zealand and noted that HR practices had an impact on turnover, and that the relationship between retention and productivity was positive when firms implemented high-involvement HR practices, but negative when they did not.

III. Human Resource Management Practices and Its Association with Organizational Performance:

Many of the researchers conducted major studies to know the association of Human Resource Management Practices with Organizational Performance, and to begin with Rizov, M., & Croucher, R. (2009) researched Human Resource Management and Performance in European Firms to test how far collaborative types of human resource management (HRM) practices, including group-based forms, are associated with improved firm performance in European countries. Marching ahead towards proving collaborative forms of HRM practice are more strongly associated with superior firm performance than calculative forms, and concluded that collaborative forms of HRM practice are more likely to enhance the labor extraction process and firm performance than calculative alternatives group-based practices might also generate improved employee-employer relationships and performance. The findings here are more mixed, but confirm and extend contextual analyses Group-based practices were expected to give positive results in countries where they were strongly supported by the context and again. Again to know the same association but in public sector, Kuipers, B., & Steijn, B (2008) studied Human Resource Management and Performance of Public Organizations and being more specific towards Employee Attitude and Behavior and Public Service Quality of Dutch Municipalities to gain insight into the relationship between HRM and the quality of public service in order to help public organizations improve their performance by means of better HRM policies. They hypothesized that in organizations with a more performance oriented HRM system employees have a more positive attitude and behavior towards their job, and Organizations, in which employees show a more positive attitude and behavior towards their job will reach better organizational performance, and concluded that there appears to be some positive relation between front line service provider job satisfaction and the relation between front line service provider job satisfaction and the quality of the transaction moment in terms of customer satisfaction. This supports the idea that it is irrelevant to focus on HRM to influence employees’ attitude and behavior and subsequently the organizational performance. However, in the research, job satisfaction appears to have both a positive and a negative influence on organizational performance i.e. more satisfied employees seem to have a negative influence on organizational performance in efficiency terms (waiting time increase), but a positive influence on customer satisfaction with respect to service delivery (customers’ satisfaction with respect to employee’s empathy increase). Sudin, S. (2004) in their work of associating HR Practices and Organizational Performance aimed at providing an overview of SHRM Practices and Organizational Performance, and to provide a research framework of SHRM Practices-Mediating Mechanisms-Organizational Performance and concluded his study by positively focusing integrated HRM practices and its impact on Organizational Performance.
Measuring or analyzing the investment in HRM practices and the return of Organizational Performance is also very important and hence in their work of measuring organizational performance in Strategic Human Resource Management, Rogers, E. W., & Wright, P. M. (1998) aimed at A major challenge for Strategic Human Resource Management research in the next decade will be to establish a clear, coherent and consistent construct for organizational performance. Their work also describes the variety of measures used in current empirical research linking human resource management and organizational performance. Their work demonstrated implications for future research as discussed amidst the challenges of construct definition, divergent stakeholder criteria and the temporal dynamics of performance. The concept of performance information markets that addresses these challenges is proposed as a framework for the application of multidimensional weighted performance measurement systems.

In order to measure HRM and organizational performance the concepts, issues, and framework, Singh, S., Darwish, T. K., Costa, A. C., & Anderson, N. (2012), aimed at providing the perfect model for HRM policies and practices and organizational operating performance framework. Their study provided the theoretical framework with the objective to measure the HRM-OP nexus. Whilst the majority of the extant literature on HRM has focused mainly on internal factors, the authors suggested that the domain of the internal factors considered thus far needs to be widened and external factors need to be acknowledged explicitly. They provided a schematic model portraying the intricate nature of internal and external factors. They subsequently provide an integrated framework of factors in order to measure HRM practices' effects on OP.

Another major study of Japanese multinational companies was undertaken by Rose, R. C., & Kumar, N. (2006) in order to explore the influence of organizational and Human Resource Management Strategies on Performance, which aimed at examining the relationship between HRM practices and performance. They also explained the importance to assess the effectiveness of these techniques and how great the impact is on firms’ performance with the objectives to examine the relationship between organizational strategies and HRM and their impact on firm performance, to identify which organizational and HR policies and practices might lead to better firm performance and to provide some practical implications of HRM strategy on firm performance for managers and practitioners as a conclusion, all the major variables tested in the study, ranging from organizational strategy (management HRM values), sources of competitive advantage (differentiation and speed), SHRM (training, empowerment, selective staffing, performance evaluation, and performance-based pay), and firm performance are significantly related.

Ngo, H. Y., Lau, C. M., & Foley, S. (2008), examined strategic human resource management (SHRM) and human resource practices in the People’s Republic of China to assess the impact of these practices on firm performance and the employee relations climate. They also tested whether firm ownership moderates the above relationships. Empirical results from a sample of Chinese firms from various industries and regions showed that the levels of adoption of SHRM and HR practices were lower in state-owned enterprises (SOEs) than in foreign-invested enterprises (FIEs) and privately owned enterprises (POEs). Both SHRM and HR practices were found to have direct and positive effects on financial performance, operational performance, and the employee relations climate. However, the moderating effect of ownership type was significant for financial performance only.

In their study of Human Resource Management Practices on Corporate Performance, Boohene, R., & Asuinura, E. L. (2010) aimed at assessing whether human resource management practices, particularly recruitment and selection, performance appraisal, remuneration, and training and development practices influence its performance. The results revealed that, from the perceptions of the respondents, there exists a positive relationship between effective recruitment and selection practices, effective performance appraisal practices and corporate performance. Though their research did not gather sufficient evidence to conclude on how remuneration, training and development practices influence the performance, the study recommends that the
management continues to ensure that the company’s HR policy, effective recruitment and selection practices, as well as effective performance appraisal practices are upheld.

In another major studies of MacDuffie, J.P. (1995) for developing organizational Logic for Human Resource Bundles and its effect on organizational performance for auto industry to examine the relationship between HR practices and firm performance found that the HR practice ‘bundles’ measured were related to quality and productivity on auto assembly lines and Pollitt, D. (2004), found that the HRM practices of Nokia played vital role in helping the company in reaching its 40% percent share of the global handset market, and industry leading profit margins of 20%-25% at a time of unmatched change and competition while

Pawar and Budhwar (2007) through an in-depth study on 178 manufacturing firms of Greece found that HR practices such as recruitment, training, promotion, incentives, benefits, involvement, and safety and health were positively related with the elements of organizational performance such as innovation and satisfaction of stakeholders, and Ngo, H. Y., Lau, C. M., & Foley, S. (2008) examined SHRM (Strategic Human Resource Management) practices in China to assess the impact of these practices on firm performance and employee relation climate and found that SHRM practices have direct and positive effects on financial performance, operational performance, and the employee relations climate.

V. LINKAGES BETWEEN HUMAN RESOURCE MANAGEMENT PRACTICES AND ORGANIZATIONAL PERFORMANCE

In their study of explaining the link between HRM and organizational performance Harter, J. K., Schmidt, F. L., & Hayes, T. L. (2002) with the motive of set out the findings of the ‘black box studies’ into the nature of the link between HRM and superior business performance explained the significance of the recent Gallup Studies into employee engagement. By defending how exactly HR activity can have a positive influence on an organization’s performance, found that when an organization has in place a bundle of what are often called ‘progressive’ or ‘high performance’ HR policies and practices there is a positive response from employees (expressed in terms of job satisfaction, motivation or organizational commitment’ which leads them to work harder and to strive to improve their performance, In such circumstances ‘discretionary effort’ results, meaning that employees tend to work beyond contract, going the extra mile without having to be coerced into doing so.

Anastasia A. Katou (2013) in their study developed the link between HR practices, psychological contract fulfillment, and organizational performance intended to demonstrate employee’s attitude acting as a mediating variable towards linking positive HRM practices and organizational performance. The study provided the proof that the employee attitudes of satisfaction, commitment and motivation, constitute a nested mediating epicenter of the HR practices – organizational performance relationship, meaning that employee attitudes are positively influencing employee promises fulfillment and organizational performance and being positively influenced by employer promises fulfillment and HR practices.

Lambooij, M., Sanders, K., Koster, F., & Zwiers, M. (2006), researched Human Resource Practices and Organizational Performance to link the same to explain the cooperative behavior of the employees, and addressed the question as to whether the linkage between HRM and organizational performance can be explained by the effect of the internal and strategic fit of HRM on the cooperative behaviors of employees with the motive to defend The more employees show cooperative behavior towards their supervisor and towards co-workers within an organization, the higher the organizational performance, and better the internal fit within an organization, also more the employees show cooperative behavior towards their supervisor and towards their colleagues better are financial results. At the end they explored good internal and strategic fit results in more cooperation from employees and that this, in turn, results in better organizational performance. No evidence to support the idea that the fit measures generated more cooperation. Found some indications that cooperation affects non-financial organization performance. Therefore, future research may aim at clearly distinguishing between the different effects of the HRM measures and their separate effects on various employee behaviors.
Bowen, D. E., & Ostroff, C. (2004) by studying and understanding the links between HRM practices and organizational performance and to know the “strength” of HRM system, ended with the mark that in order to make HR practices more than isolated acts, managers and HR professionals must master the theory behind HR work; they need to be able to explain conceptually how and why HR practices lead to their outcomes . . . Regardless of the preferred theory, managers and HR professionals should abstract from it a higher level of reasoning for their day-to-day work and thus better explain why their work accomplishes its goals.

VI. CONCLUSION

The research article is mentioning the reviews of different researchers from books, research articles, thesis, and other literature available on internet. It includes various perspectives and perceptions of various researchers regarding the relationship between HRM practices and Organizational Performance. They found that there exists a link or association between different HRM practices and organizational performance. Thus this is a well-researched and well-discussed topic worldwide.

References


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