

*Human resource practices and its role in organizational
effectiveness: a Review*

Esha Singh

AKCDS, Amity University
Noida, Sec- 125, UP – India

Abstract: *An organization strategies, practices, rules and regulations are largely determined by the competition prevailing in the global market. Because of this high competitive environment, it has become vital to maintain the human resources of an organization which in turn leads to high achieving quality. And that why, it is absolutely right to say that human resources is a necessity for an organization. HRM department and the practices, principles followed in an organization play a major role in maintaining an efficient environment within an organization. So, this study is majorly dealing with the review of HRM practices and its contribution to the organizational effectiveness, providing key insights regarding implementation of HRM Practices, investigating the relationship between Human Resource Management practices and organizational effectiveness and finally, recommends key HRM Practices that may lead to the improvement in the effectiveness of the organization.*

Keywords: *Human resource management, organizational effectiveness, Human resource practices, Organization strategies, HR principles.*

I. INTRODUCTION

A. HRM practices

Caligiuri (2013) highlighted that the HRM practices effectiveness is based on certain contingencies in multinational companies. It includes the moving parts such as country-level differences and cross-cultural differences in human resource activities which have a great effect on the HRM practices.

Green (2006) identified about “the direct impact of Human Resource Management (HRM) on organizational performance is positive and significant”. It suggested that HRM influences the individual performances positively, job satisfaction and organizational commitment among the employees.

Kim (2005) said that “good employees are supposed to have such characteristics as high satisfaction with their jobs, high commitment towards the organization, high motivation to serve the public and strong intentions to work for the organization willingly and devotedly”. Thus, contributing in the learning of the organization.

Garavan (2000) determined that routine work of HRM and HRD is in the learning organizations building as: encouraging employees utilizing and managing knowledge; demonstrating networks appropriately; also involving learning in a double-loop system.

Johnson (2000) detailed the best practice or high performance work practices are described as HR methods and systems that have universal, additive, and positive effects on organizational performance.

The important variables for HRM Practices are as follows:-

1. Recruitment and Selection
2. Training and development

3. Performance appraisal

4. Compensation and benefits

5. Employee relations

1. Recruitment and selection- Some organizations like public sector adopt centralized recruitment whereas other organizations resort to decentralized system. There can be different sources of recruitment namely internal sources like vacancies, transfers, promotions, retired and retrenched employees, dependents and relatives of deceased and disabled employees or it can be external sources like education and training institutions, search engines, employment exchanges etc. Recruitment technically precedes selection. Selection is the process of matching the qualifications of applicants with job requirements.

2. Training and development- Training is done to increase the skills and knowledge of an individual of doing a job specifically. There are different types of training programs like Orientation training, Job training, Safety training, Promotional training, Refresher training, Remedial training etc. to enhance the skills of employees.

3. Performance appraisal- As defined by Kleiman (2006) performance appraisal is relate to the evaluation of the performances of its employees. It can easily create competitive advantage by the proper application of performance appraisal techniques by establishing performances of the employees at their job in two ways: by directing behaviors of the employees towards objectives of the organization and also ensuring that the objectives are met by controlling and monitoring that behavior.

4. Compensation and benefits- According to Noe (2004), “incentive pay is pay tied to individual performance, profits and other measures of success. Organizations select forms of incentive pay to energize, direct or control employees’ behavior. It is influential because the amount paid is linked to predefined behaviors or outcomes”.

HR Focus (May 2003), has developed a system of pay, which are as follows:

- a) Define pay.
- b) Articulate your compensation philosophy
- c) Develop job descriptions and job value information.
- d) Obtain data.
- e) Establish salaries and ranges.
- f) Periodically review.
- g) Communicate.
- h) Support your policies.

Clark and d’ Ambrosio (2005) identified “small or no salary increase and rising cost of health insurance paid by employees have made total compensation in many institutions less competitive”.

5. Employee relations- The term employee relations are used for both collectively and individually so as to analyze negative impact of human results from an economic perspective.

B. Organizational effectiveness

Richard (2009) delineate effectiveness of the organization is connected with the interior performances outcomes. Organization effectiveness is important to success in any economy. Effectiveness of the organization can facilitate in achieving meant goals through communicative competency and ethics. Organization effectiveness additionally facilitates within the overall development of a company.

Ortiz American state Guinea (2005) delineate that an effectiveness of the organization is once however booming associate degree organization is in terms of satisfaction with the work and therefore the impact of it on the people and therefore the organizations.

Mintzberg (1991) recommended that effectiveness of the organization can occur once the interaction of seven basic forces; direction, efficiency, proficiency, innovation, concentration, cooperation/culture and competition/politics is managed effectively. Effectiveness of the organization is measured in terms of 4 indicators; client orientation, worker satisfaction, commitment within the organization and monetary and growth performance.

Initial indicator: Client Orientation- Marketing is obtaining nice importance for the corporations day by day that facilitate them to extend their profits. The market familiarized corporations perform serious analyses for the selling construct.

Deshpande (1993) outlined “customer orientation is that the set of beliefs that puts the client into the middle, whereas not excluding those of all different stakeholders like house owners, managers, employees, so as to develop a long-run profitable enterprise”. Therefore, the organizations use the client data to forecast the long run desires of them.

Second Indicator: Worker Satisfaction- Lawler (2003) argued that “a firm’s hour strategy ought to be focused on developing skills and guaranteeing motivation and commitment”. During this statement, guaranteeing the motivation’ worries with the worker satisfaction. That’s why; the satisfaction of the workers takes on other importance.

Third Indicator: Organization Commitment- It is wide accepted that structure commitment is that the psychological strength of the linkage of a member to his organization within the literature. In step with Meyer associate degreed Allen “a worker will at the same time be committed to the organization in an affection, normative, and continuance sense, at varied levels of intensity”.

Fourth Indicator: Monetary and Growth Performance- The monetary performance is that the live of a firm’s monetary health and therefore the growth performance is said with the rise within the volume of sales, variety of workers and new product compared to previous periods. The monetary and growth performance may be a concrete indicator that informs regarding the strength of a firm.

II. OBJECTIVES

The following are the objectives of this study:

1. To review HRM practices and its contribution to the organizational effectiveness.
2. To provide key insights regarding implementation of HRM Practices.
3. To investigate the relationship between HRM practices and organizational effectiveness.
4. To recommend key HRM Practices that may lead to the improvement in the effectiveness of the organization.

III. REVIEW OF LITERATURE

A. *HRM Practices and organization Effectiveness*

Jahanian and Nawaz (2012) examined the result of HRM on the productivities of the organizations manner otherwise Human Resources variables help a company to attain its objective in a good way. Here, the main focus is on seven basic variables of HRM that embody incentive pay, achievement and choice, work teams, employment security, versatile job assignment, skills coaching and communication. The target of the analysis is to search out however these variables operate among four completely different banks chosen; 2 personal sector banks and 2 public sector banks. Workers have opinions regarding different variables; but, the variables that contribute most to the productivity are achievement and choice, skills coaching and job security, that results in the effectiveness of the organization.

Chee Hong and Zheng (2012) known that a good HRM practices specifically worker authorization, coaching and development, appraisal system compensation becomes the most issue for the success of a company on the retention of the staff that is a very important issue for the effectiveness in a company. For this study, Quantitative knowledge was collected victimization the non-probability self-administered form. It absolutely was found that, coaching and development, appraisal system compensations are vital to worker retention except worker authorization.

Dyer and shafer (1998) based that in recent years, strategic human resource management (SHRM) has return a protracted method. Also, the domain incorporating and connecting human resource strategy (HRS) and structure effectiveness (OE) is important as a theoretical and empirical "black box". They need done Associate in Nursing current analysis on people in a company that is agile in nature thus on peer into this "black box" and draw implications for future analysis. Re-conceptualizing of OE, incorporating of the structure capabilities, having a way broader read of HRS, and assessing the vertical and horizontal alignment of activities consistently were a number of the most recommendations.

Gilmer's (1960) discussion of situational variables explicated the importance of matching personnel strategies with organizational strategies. Further, Gilmer invited researchers to design measures to assess the relationship between "individual personalities" and "company personalities" (1960 as cited in Ferris et al., 1999).

Some researchers have proposed that evaluations of effectiveness should be based on financial measures (e.g., profit) and for years, human resources issues have been secondary to such measures. Today, many CEOs agree that profit alone is not enough to hold the enthusiasm and loyalties of employees or to call attention to the vital elements of a business that must receive attention if it is to perform effectively (Watson, 1991 as cited in Zellars & Fiorito, 1999). Under the threat of exit (Hill & Jones, 1992), organizations now recognize that they must fulfil responsibilities to many constituencies (Baumhart, 1968; Clarkson, 1991 as cited in Zellars & Fiorito, 1999), including employees.

Mohrman & Lawler III, (1997) advocates that an organization is created in which the human resource management practices of the past no longer fit. Organizations are faced with a situation that cries out for new solutions to the thorny challenges of integrating business and people needs.

Acquaah (2004) states that human resource management practices enhance organizational effectiveness and performance by attracting, identifying, and retaining employees with knowledge, skills, and abilities, and getting them to behave in a manner that will support the mission and objectives of the organization. Thus, the effectiveness of HRM practices depends on how it engenders the appropriate attitudes and behaviors in employees, in addition to its implementation.

Studies at the last decade (e.g., Arthur, 1994; Delery & Dory, 1996; Huselid, 1995; Huselid & Becker, 1996; Huselid, Jackson & Schuler, 1997 as cited in Dyer & Shafer, 1998) have reported rather large effects on such outcomes as employee turnover, productivity, quality, profits, and even stock prices. Trouble is, for a variety of methodological reasons - including unreliable measures of HRM and OE, common method variance, poorly specified models, and cross-sectional rather than longitudinal research designs - these estimates strain credibility to the point of incredulity (Becker & Gerhart, 1996 as cited in Dyer & Shafer, 1998).

Over time, employees who feel neglected will seek alternatives and may withdraw either through increased absenteeism and turnover or decreased commitment. This may threaten the firm's survival or at least hinder its success as other sources of competitive advantage such as scale economies and protected markets wane – "what remain as a crucial, differentiating factor is the organization, its employees, and how they work" (Pfeffer, 1994, p.14 as cited in Zellars & Fiorito, 1999).

It is important that a firm adopt HRM practices that make best use of its employees. This trend has led to increased interest in the impact of HRM on organizational performance, and a number of studies have found a positive relationship between so-called "high-performance work practices" (Huselid, 1995) and different measures of company performance. Furthermore, there

is some empirical support for the hypothesis that firms, which align their HRM practices with their business strategy, will achieve superior outcomes (Bae & Lawler, 1999).

Denison (1990 as cited in Schneider et al., 2003) measured employee attitudes in 34 publicly held firms and correlated aggregated employee attitudes with organizational financial performance for 5 successive years after the attitude data were collected. He found that organizations in which employees reported that an emphasis was placed on human resources tended to have superior short-term financial performance.

Recent years have witnessed burgeoning interest in the degree to which human resource systems contribute to organizational effectiveness. Pfeffer (1994, 1998 as cited in Datta, Guthrie & Wright, 2005), for example, argued that success in today's hypercompetitive markets depends less on advantages associated with economies of scale, technology, patents, and access to capital and more on innovation, speed, and adaptability. Pfeffer further argued that these latter sources of competitive advantage are largely derived from firms' human resources.

An organization needs to adopt specific HR policies and practices for different strategies. Thus, to be effective, an organization's HR policies must be consistent with other aspects of the organization. By having appropriate HR policies and practices in place, organizations can elicit employee behaviors that are consistent with an organization's strategy (Rose & Kumar, 2006).

It is obvious that HR management practices should be an important part of the strategy of any large corporation. Yet researchers basing their views on a behavioral psychology perspective have argued that human resource management practices could contribute to competitive advantage as long as they reinforce the skills, attitudes and behaviors that result in lowering costs and enhancing product differentiation. Therefore, the important role of human resources practices in contributing to a firm's competitive advantage overlaps with the concept of efficiency as a human resources strategy for effective performance (Ozcelik & Ferman, 2006).

IV. CONCLUSION

With the advancements in information technology, increasing globalization of the economy, Organizations are also changing at a faster pace in terms of their HR practices, procedures, and policies and how the human resources are being managed. Hence, there is a lot of competition in the business environment. And thus, it is important for an organization to manage its employees effectively enough so as to have an edge over the competitors and it is essential for organizational success and effectiveness.

It is well understood that an organization objectives and goals can only be achieved if your workforce is dedicated to the organization. Human resource practices must be efficient enough to make the employees work productively for the overall benefit of the organization. Employees or Human resources are the most valuable assets of an organization. They are vital for the organization; therefore effective human resource management is the key to success for an organization.

As observed it is clearly stated in a specific study conducted in different banks, that the Human resource management plays a vital role in the effectiveness of the organization. As per the study, Human resource practices may include seven basic variables which are salary, pay and incentives, employee's achievements and choice, working in a team, job security or of an employment, different assignments related to the job is given driving out versatility in an employee, skills coaching and communication. Although, there were different opinions of the employees and it varied to a greater degree but the variable which is having maximum influence on the employee are employee's achievements and choice, skills coaching and job security. These variables were responsible for having maximum productivity from the employees in the benefit of the organization, eventually resulted in the effectiveness of the organization.

Also, various studies have revealed that the success of an organization is largely determined by its retention capacity i.e. to how much extent the organization is able to manage the staff and to how much extent employees stay with the organization for longer periods, which is achieved through perfect Human resource practices of coaching and development of the employee, employee authorization and appraisal system or compensation to the employees. Amongst them, appraisal system and compensation provided to the employee plays the major part in the effectiveness of the organization because when a good compensation structure is defined for the employee, he/she tends to join with the company and wants to stay forever. Eventually, the employee becomes loyal towards the organization and tends to meet with the expectation of the organization. In the whole process, the effectiveness of the organization is achieved. It all depends on the best Human resource practices wherein they not only identifies the intellectual employees but also capable of retaining them and influencing them to work for the vision and mission of the organization. This is ominous for the organization if it fails to retain its employees, as then the employee feels isolated and disconnected with the organization. The absenteeism rate and the turnover of the employees will be increased or commitment will be decreased, gradually the organization success or its mere existence is at stake.

Earlier, it was often misunderstood that the organization success solely depends on the financial status of the organization and what is the profit or earnings of an organization periodically. But in today's competitive and fast changing environment, it has been observed that profits in terms of finances are not enough for organizational effectiveness but it also have to take into consideration the human resources as a vital element for achieving their organizational targets and long term goals. Therefore, it can be said that financial measures are of least importance for the organizational effectiveness. Also, various critical studies have revealed that if the emphasis is placed on the human resources, it tends to increase the financial performance of an organization.

It is also proved through various researches that the organization effectiveness depends largely on the innovation, adaptability and speed, which are the parameters of the erudite employees within an organization.

V. RECOMMENDATION AND SUGGESTION

After careful observation, it is highly recommended that HR functions have to be more strategic, so as to maintain its place in a highly competitive environment. To stand out amongst its competitors, it is essential for an organization to have best of the Human resource practices within the organization. Elaborating on the same issue, studies have also revealed that a strategic fit must be maintained between people needs and organization needs, posing a major challenge in front of the organization. Because the situation has so much changed that the past HRM practices do not fit with today's scenario. Human resource practices have a major impact on the outcomes like productivity, profits, employee turnover which poses a direct impact on the effectiveness of the organization. So, it is expected from an organization that it should have policies and procedures in favor of its employees, keeping in my mind their needs which are then automatically gets linked to organizational needs. Eventually, the ultimate objective of an organization that is just to say at top, come true with ease.

An employees training, testing and motivation level must be checked on regular basis, so as to have an understanding of what actually are the needs of its human resources. Because it is important to indulge with a workforce who not only works for the organization but also is loyal towards it and completely dedicated towards the organization, only then the effectiveness of an organization is maintained. Previous Studies have also revealed that the effectiveness of an organization largely depends on how its human resource practices are dealing with the attitudes and behaviors of its employees.

It is also recommended that a feeling of rejection or neglecting must not thrive within an employee because then he/she will seek to expurgate the organization either by showing increased absenteeism or decreased commitment or this may lead to turnover. So, Organization Human resource practices must make best of use of their employees in the benefit of the organization. Ultimately, it is the organization and its human resources and an amalgamation of both which is responsible for an organization effectiveness and long term success.

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