

HRM Practices on Employee Performance with respect to Small-Scale Industries

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Abstract

Human Resources Management practices play a prominent role in the performance of the employee as well as the organization irrespective of whether it is a small scale or large-scale industry. The present study is aimed to identify the impact of HRM practices on employee performance with respect to the small-scale industries. A random sampling technique with a 30-item questionnaire was distributed among 328 employees taken from manufacturing and service sectors of randomly selected small-scale industries. Pearson correlation and regression analysis was used to understand the association between HRM practices and employee's performance. The results indicated that HRM practices Recruitment and Selection, Training, Compensation, Performance Appraisal and Employee involvement have a positive impact on employee's performance.

Keywords: Compensation, Recruitment, Selection, Training, Performance Appraisal, Employee involvement, employee performance.

1. Introduction

Many studies conducted by the researchers in the past determined the relationship between Human Resource Management (HRM) practices and employee performance. Majority of these studies focused mainly in the telecom sector, banking, textile sector, IT sector, public sector. There is a great need to identify the relationship between HRM practices and employee's performance.

The present study is to evaluate the relationship between HRM practices and employee performance in the small-scale industries of India. The most appropriate HRM practices Recruitment and Selection, Training, Compensation, Performance Appraisal and Employee involvement have been selected for the study. The sampling techniques Correlation and Regression were used to analyse the data. The results of the research findings provided the active most relevant HRM practices of the small-scale industries and their impact on employee's performance. The results of the present study also provide suggestions to the HRM professionals of small-scale industries to increase the performance of employees by implementing the HRM practices.

Implementing HRM practices appropriately will benefit the small-scale industries to achieve its goals by developing effective and efficient workforce.

2. Literature Review

2.1 HRM Practices

HRM practices and firm profitability (Arthur, 1994; Huselid, 1995) and confirmed the assumption that human resources and their management serve as a strategic asset to the organization (Kazlauskaitė & Buciuniene, (2008) Iliias Vlachos (2009) observed the perception about the links between HRM practices and firm growth and demonstrated that compensation policy was the strongest predictor of sales growth of the firm. Narware (2011) says that HR is a highly productive corporate asset and the performance of the companies depends on the effective utilization of human resources which enhances long term success of the small-scale industries. Saira Hasan (2016), conducted a study to check the association between HRM practices and employee performance and indicated that HRM practices have a positive impact on employee's performance. Abhishek

Kumar Pandey (2016), observed that standardized HRM practices have significant focus on the employee's growth and promotion and further impact the employee's performance.

2.2 Recruitment and Selection

The first stage of the recruitment process is developing a sound recruitment strategy which would likely meet the desired objectives set by an organization (Braugh and Starke). Recruitment and selection are majorly influenced by external factors like gender difference, family stress, physical breakdown competition and so on. The adoption of updated technology affects the recruitment and selection process in the organization (Mun 2010), Several authors studied the reasons behind the factors influencing the recruitment and selection process (Devaro and Morita 2013, Hussein, Manthorpe and Stevens, 2010)

2.3 Training

Training provides knowledge and skills to the employees to achieve their tasks effectively and also improves their behaviour (Armstrong, 2006). Training provides the necessary skills in the employees required to perform the job (Dessler, 2008). Training develops the employees with the necessary skills and competencies that are required for the present as well as future needs to increase the employee's performance (Jackson and Schuler, 2000). Training programs play a prominent role in achieving organizational goals (Dobson and Tosh, 1998). Employee performance can be changed significantly by providing them proper training (Huselid, 1995)

2.4 Performance Appraisal

Systematic evaluation of the employees' performance in his assigned task to increase motivation and employee self-esteem is identified as performance appraisal. According to Sels et.al (2003) says that performance evaluation helps to increase the productivity of the employee which in turn increases organizational performance. A transparent approach of performance evaluation enhances the motivational levels of the employees and enables to achieve the organizational objects (Singh, 2004). Wan et al. (2002) opined that employee's motivation and commitment highly depends on merit-based performance appraisal system which shows significant effect on the

performance of the organization. The success of an organization mainly depends on the interest of the employees to involve in an extra role (Ahmad and Schroeder, 2003). The turnover and absenteeism of the employees will be low when they are satisfied.

2.5 Compensation

Compensation is a systematic approach is to provide monetary value to employees in exchange for work performed. Compensation is a tool used by management for a variety of purposes to further the existence of the organization. It may be adjusted according to the business needs, goals, and available resources. It includes Basic Pay, Overtime, Bonuses, Travel/Accommodation Allowance, Medical Allowance, Commissions, Stock options, Travel/Meal/Housing Allowance, and other benefits including, insurance, vacation, leaves, retirement, takes and so on. A research study showed that more than 20% of the employees change from their current positions in at least five to six years. Employee retention plays a significant role in the organization performance. There is a positive relationship between compensation and organization performance stated by (Frye, 2004). Employees are rewarded on the basis of performance-based compensation (Collins and Clark, 2003). There is a significant relationship between compensation and employee performance a study by (Huselid, 1995). Employee recruitment, turnover and productivity are highly influenced by compensation practices from the perspective of the employer.

2.6 Employee Involvement

Creating a good and healthy work environment helps the employees to get involved in jobs and are empowered to make their decisions and take actions relevant to their jobs. According to (Locke et al., 1997) employee involvement increases the level of job satisfaction and motivates the employees. Employees will remain committed and contributes significantly to the success of the organizational goals (Mullins and Peacock, 1991). Involving the employees in decision making helps the organization to increase productivity, reduces the gap between supervisor and subordinates and encourages the spirit of teamwork among the workers and contributes to the success of the organization.

2.7 Employee Performance

Majority of the researches conducted showed a significant impact of HRM practices on employee performance and found that HRM practices are directly linked with employee performance and further with the performance of the organization. Several research studies revealed that HRM practices are applied by the line managers on a daily basis and showed a positive impact on the employee's perception. Pfeffer (1994) says that to become successful in the present global environment organizations need to hire the most efficient and skilled personnel. The success or failure in implementing HRM practices depends mainly on the skills of the managers.

2.8 Research Objectives

1. To study the effect of Human Resource Management (HRM) practices on employee performance.

2. To understand the status of HRM practices in Small Scale Industries.

3. To evaluate the relationship between HRM practices and Employee's Performance.

3. Research Methodology

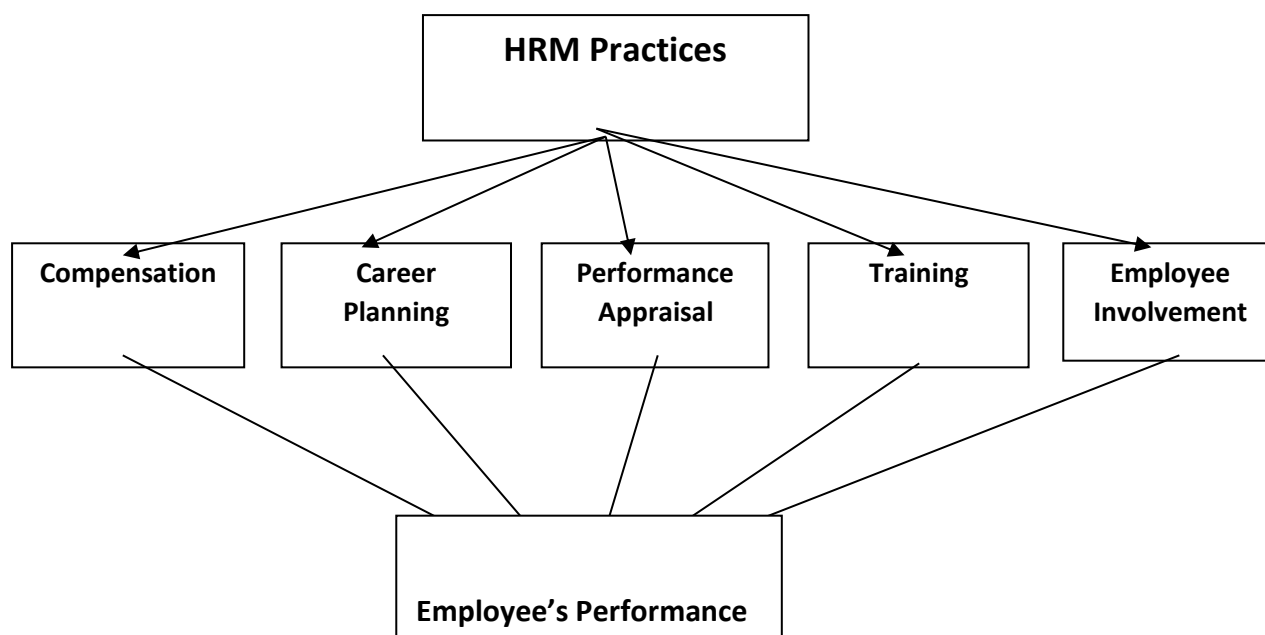
3.1 Research Design

A descriptive research design was used for the study to evaluate the impact of HRM practices on employee performance.

3.2 Sample Size

A random sampling technique with 30-item questionnaire was taken and used among 328 employees of manufacturing and service sectors of small-scale industries.

3.3 Research Framework



3.4 Data Collection and Sampling Techniques

Data is collected from the employees of selected small-scale units by distributing a structured questionnaire on a 5-point Likert scales range from strongly disagree to strongly agree. The questionnaire includes two parts, first is the Demographic information of the respondents and second part is about the HRM practices and its performance on the employee's.

Data Analysis

Correlation and regression analysis was performed to determine the association between HRM practices and employee's performance.

4. Findings of the Study

Table 1. Correlation Analysis

Correlations							
		Ave_C	Ave_CP	Ave_PA	Ave_T	Ave_EI	Ave_EP
Ave_C	Pearson Correlation	1	.827**	.858**	.803**	.829**	.775**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	67	67	67	67	67	65
Ave_CP	Pearson Correlation	.827**	1	.871**	.884**	.907**	.796**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	67	68	68	68	68	66
Ave_PA	Pearson Correlation	.858**	.871**	1	.816**	.873**	.790**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	67	68	68	68	68	66
Ave_T	Pearson Correlation	.803**	.884**	.816**	1	.797**	.781**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	67	68	68	68	68	66
Ave_EI	Pearson Correlation	.829**	.907**	.873**	.797**	1	.876**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	67	68	68	68	68	66
Ave_EP	Pearson Correlation	.775**	.796**	.790**	.781**	.876**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	65	66	66	66	66	66

** . Correlation is significant at the 0.01 level (2-tailed).

The analysis of the data reveals that there is a positive relationship between compensation, career planning, performance HRM practices. The correlation for Employee Performance with Compensation is 0.775, career planning is 0.796, with Performance appraisal is 0.790, with training is 0.781 and employee involvement is 0.876

respectively. All the variables are statistically significant at ($p < 0.05$)

The ANOVA table shows ($F < 0.05$), which is significant, thus the model is treated as statistically significant.

Table 2. Regression Analysis (ANOVA)

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.790	5	4.758	46.239	.000 ^a
	Residual	6.071	59	.103		
	Total	29.862	64			

a. Predictors: (Constant), Ave_EI, Ave_T, Ave_C, Ave_PA, Ave_CP
b. Dependent Variable: Ave_EP

Table 3. Model Summary Regression Analysis

Model Summary ^b									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.893 ^a	.797	.779	.32078	.797	46.239	5	59	.000

a. Predictors: (Constant), Ave_EI, Ave_T, Ave_C, Ave_PA, Ave_CP
b. Dependent Variable: Ave_EP

From the above table the coefficient of determination R square value (0.797) shows that there is 79% of variation in employee's performance. The studied HRM practices Compensation, Career Planning, Performance Appraisal, Training and Employee Involvement have a positive impact on the performance of the employees.

5. Conclusions and Discussions

The study clearly indicates that there is a significant relationship between studied HRM practices and employee's performance. The study also revealed that employee's performance would provide an opportunity to the employees make effective decisions. The results of the study are congruent with the research studies of (Munjuri, 2011), (Tabiu and Nura, 2013) and (Khalid, et.al., 2014) which showed that there is a positive relationship between HRM practices and employee's performance and also revealed that there is significant impact of HRM practices on the employee's performance and influence the perception of employees about performance.

6. Recommendations

The study recommends that Human Resource Management practices considered showed that there is a positive impact on the employee's performance, and thus the organizations are recommended to implement these practices to realize the desired goals. The organizations are also recommended to use different types of reward and recognition programs which impact the behaviour and helps in achieving high job

performance of the employees. Further, job performance should be considered as one of the important factors to determine the compensation of the employee's performance. Management also needs to value the thoughts shared by the employees and empower them to maximize their individual talent in order to make effective decisions. Organizations are suggested to revise their HR policies as it is evident that HRM practices (Compensation, Career Planning, Performance Appraisal, Training and Employee Involvement) play a significant role in increasing employee performance and help in the attainment of targeted goals of the organization.

7. Future Scope of the Study

The current research work is limited to the small-scale industries, which can be further extended to different sectors and also different cities to obtain more significant results. This study was carried with only five human resource practices, thus there is a significant scope to extend the study further considering other human resource practices like competence, rewards and recognition, collaborative team work, employee welfare etc., which would help in determining employee performance more significantly.

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