

THE IMPACT OF HRM PRACTICES ON ORGANIZATIONAL PERFORMANCE

Mayank Kumar Rai*

ABSTRACT

In the present scenario the organizational performance become more and more important role play in the development of organization, especially in a market with greater competition and dynamic changing. Organizational performance is measured through different indicators. It gives guarantees of the organization to become a competitor in global market place. Normally, the implementation of performance of the organization. It is necessary to manage tragically the human resource and to adapt its strategy with organization strategy. The aim of this study is focus on the impact of strategic management of human resource management and its practices on the organizational performance. This study is based on organization appear competitive in the market through achieving the performance indicators, and important is the management of human resource in achieving organization performance. So, through the skills, behavior and attitude would be expected by human resource to achieve the required performance in the organization.

KEYWORDS: Effective management, organizational performance, strategic HRM, and HR outcomes.

* Research Scholar, Department of Commerce and Business Administration, University Of Allahabad, Allahabad.

INTRODUCTION

Organizations are seeking to create much competition between them, cover more market, more customers, more sales, etc. in the globalization world rapidly change advance of information system and other factors have caused high competition. Many organizations are driven by the market to set their goals in their performance. Some of the goals are: cost reduction, achieving sales levels, increasing the number of customers, increasing the market percentage, improving productivity and quality, innovative products. The realization of these goals will be achieved through the human resources management in organizations. Workforce, as the key to success, will enable the achievement of organizational performance. Human resources are regarded as one of the most important source of today's firms. Human resource management is more important than other competitive sources because these people use other assets in organization, create competitive and realized objectives. Thus firstly the organizations must understand the expectations of their workforce in order to achieve the desired performance. The realization of the expectations of employees will enable the desired behavior of employees in the organization. Some of the desired outcomes of the organization in manage their workforce are: competence, co-operation of employees with managers, co-operation of employees between them, showing the capabilities of employees, motivation, commitment and satisfaction, attitude and presence, employee behavior.

The purpose of strategic human resource management is to improve business performance through people management. The organizations need to manage their human resources effectively and efficiently to achieve the desired goals and objectives. The achievement the goals and objectives translate also in better performance.

LITERATURE OF REVIEW

The achievements of organizational objectives can be different in different organizations. The studies emphasize the impact of HRM on organizational performance. Basically, and other studies in this area, point out that it is necessary to achieve organizational objectives and management of human resources should be strategic. Also, the strategies of human resource management should be integrated with the overall organizational strategy in the context of achieving the required performance. There has been much research on strategic human resource

management that affects organizational performance. The discussions and definitions will be divided in two parts of speech: the strategic management of human resources and organizational performance.

Strategic HRM concept

Strategic HRM is a process that involves the use of overarching approaches to the development of HR strategies, which are integrated vertically with the business strategy and horizontally with one another. These strategies define intentions and plans related to the overall organizational considerations, such as organizational effectiveness, and to more specific aspects of people management, such as; resourcing, learning and development, reward and employee relations. Strategic HRM focuses on actions that differentiate the firm from its competitors.

According to Hendry and Pettigrew (1986) describe the seven meanings:

1. The use of planning
2. A coherent approach to the design and management of personnel.
3. System based on an employment policy and workforce strategy.
4. Often underpinned by a 'philosophy'
5. Matching HRM activities and policies to some explicit business strategy.
6. Seeing the people of the organization as a strategic resource.
7. Achievement of competitive advantage by "Armstrong in 2006".

According to "Brewster in 2007, Schuler and Jackson (1987):

described that: relevant configurations of practices vary across organizations depending on several dimensions, the focus being mostly set on divergences in management and distinct competitive advantages, that are in turn mirrored in different organizational strategies (a brief recent discussion on the topic can be found in distinguish among organizational strategies founded on either cost reduction, quality improvement or innovation activities. The authors argue that employees are required to play different roles depending on the type of strategy and thus the best HR practices would be those that are most suitable to serve the purpose.

The reported evidence for the US “Gerhart in 2005:

suggests that labor productivity and organizational performance are positively related to diverse features of HR management systems such as recruitment and selection ,training programs, performance evaluation, compensation and benefits and innovative practices Similarly, some research has shown that firms characterized by the use of the above practices outperform those that display inflexible HR strategies within the same economic sector even in the case of small and medium-size units have made comprehensive reviews of the seminal work on the relationship between HRM practices and firm performance.

According to Walton in 1985 says that:

HR managerial strategies displayed by firms seeking to improve organizational performance have been classified in two broad types depending on their intrinsic character being oriented towards the increase of human resources’ skill-levels or else of the degree of involvement of workers in the organizational strategy and the performance of the firm. These two categories are discussed in the literature under different denominations, such as control and commitment-oriented practices efficiency and strategy related HRM activities or calculative and collaborative HR practices.

Organizational performance concept**According to “Ronan and Prien 1971, and Campbell’s 1999:**

Performance as behavior or action relevant to the attainment of an organization’s goals that can be scaled, that is, measured. Moreover, job performance is defined as what one is paid to do, or what one should be paid to do. The theory states that the measurement options, be they ratings from a supervisor, peer, or self, a simulated work sample, or hard criteria besides being valid, reliable, and not deficient should be free of contamination from sources of variation that are not under the control of the individual (e.g. differences in technology impacting a person’s performance). Situational enhancers or constraints, if not taken into account in an appraisal, can contaminate the mean, variance, or both with regard to an individual’s performance. Observation and interpretation hold the key to the establishment of effective criteria. Yet, an ongoing problem in appraising people is the lack of reliability in the observation of their behavior.

According to Alchian and Demsetz in 1972:

Organizational performance is one of the most broadly and extensively used dependent variables in organizational studies today, and yet, at the same time, it remains one of the most imprecise and loosely-defined constructs. In the strategy literature, the focus of attention on this construct has been concerned almost entirely with financial measures of performance. Conceptually, organizational performance has been defined as the comparison of the value produced by a company with the value owners expected to receive from the company.

According to Janssens and Steyaert in 2009 says that:

The literature reveals that studies into the HRM performance have not determined a specific and precise meaning for the organizational performance construct. Some studies have used subjective measures to evaluate firms' performance, such as employee satisfaction, customer satisfaction, executives' perceptions about the company's performance, absenteeism, employee commitment, and other behavior aspects. Other studies reference various objective measures for evaluating firms' performance, such as financial and market indicators. As a result, there is no common theory concerning organizational performance, and researchers utilize different indicators or variables to measure this construct. For this reason, there is also a call for a precise theory of organizational performance and HRM researchers and professionals might give crucial and special consideration to filling such a gap.

RESEARCH METHODOLOGY

The aim of this study is mainly focus on the impact of human resource in achieving organizational performance. My study is based on two major source of research. This study was conducted through the collection and analysis of various publications on this field. The secondarysourcerefers various publications that have been made in their area about empirical studies, various academic debates and analysis the different findings. These publications have been published in various journals, conference and books.

Objectives

1. To Relationship between HRM policies and organizational performance.
2. To achievement of organizational performance.

3. Incentives significantly moderate the relationship of HR practices and organizational performance.
4. To observe the importance of these strategies in the organization and in their performance.

STRATEGIC HRM AND PERFORMANCE

Research between strategic HRM and business performance has dominated the academic and practitioner debate for more than two decades. However, most studies and publications in the field of HRM have defined the concept in terms of individual practices. According to Noe et al. (2007), refers HRM practices and policies that influence behaviors, attitudes and performance of employees. They are focused on several important practices which, in turn, can positively impact organizational performance, such as human resource planning, recruitment, selection, training and development, compensation, performance management and employee relations. Pfeffer reshapes these practices into seven HRM practices; these practices are expected to enhance organizational performance and enable the organization to gain a competitive advantage.

Boxall, Purcell and Wright, 2007 discuss this theory is:

1. Employment security.
2. Selective hiring of new personnel.
3. Self-managed teams and decentralization of decision-making as the basic principles of organizational design.
4. Comparatively high compensation contingent on organizational performance.
5. Extensive training.
6. Reduce status distinctions and barriers, including dress, language, office arrangements, and wage differences across levels.
7. Extensive sharing of financial and performance information throughout the organization.

According to Michael Armstrong (2006):

in the center of this model is the performance as a function of the Ability + Motivation + Opportunity (AMO). Development of human resources strategy comes after is crafted business strategy. But before the drafting and formulation of business strategy should have

analyzed competences of the staff, the way how they motivate, the types of skills and knowledge employees. It is precisely this workforce that will achieve the performance indicators. So, the realization of business strategy comes through integration of workforce opportunities, their expectations and other factors that influence inside and outside the organization. So, it is easier tracking of a human resources strategy and adaptation strategies with previous practice and practice to be followed for the implementation of performance. The performance will be implemented successfully to achieve organizational performance satisfaction from reaching employees, their motivation, effective management of HR by production high quality products.

Incentives significantly moderate the relationship of HR practices and organizational performance.

HRM policies may play an important role in building the organization's human capital pool by developing its rare, inimitable and non-substitutable internal resources (resource-based view). According to the resource-based view, HRM policies have a direct impact on employee attributes such as skills, attitudes and behavior, the so-called HRM outcomes, which are subsequently translated into improved organizational performance. However, according to the contingency theory, it may not be always like this, because of the influence of external factors. Nevertheless, theoretical and empirical work in the field of HRM suggests that according to the AMO perspective the HRM system of employees' "ability to perform" (e.g., selection, training, performance appraisal) influences their "skills" (competence, including cooperation), the HRM system of employees' "motivation to perform" (e.g., compensation, promotion, incentives) influences their "attitudes" (motivation, commitment, satisfaction), and the HRM system of employees' "opportunity to perform" (work design, participation, involvement, communication) influences their "behavior" (retention, presence).

Importance strategies in the organization and in their performance.

The strategic of human resource management is "the creation of linkage or integration between the overall strategic aims of business and the human resource strategy and implementation. In principle, the processes and people within the company are managed in such a way as to foster the aims of the business strategy and create an integrated approach to

managing the various human resource functions, such as selection, training and reward so that they complement each other”.

Strategic human resource management may bring a number of benefits to the organization:

1. Contributing to the goal accomplishment and the survival of the company,
2. Supporting and successfully implementing business strategies of the company,
3. Creating and maintaining a competitive advantage for the company,
4. Improving the responsiveness and innovation potential of the company,
5. Increasing the number of feasible strategic options available to the company,
6. Participating in strategic planning and influencing the strategic direction of the company as an equally entitled member of top management,
7. Improving cooperation between the HRM department and line managers.

SHRM's spreading popularity owes much to the promise of greater organizational effectiveness achievable, through the development of internally consistent bundles of human resource strategies which are properly linked to business strategies.

CONCLUSION

Organizations are trying to create as much competitive in the market, reaching to manage their human resources in achieving organizational performance required. Some of the goals are cost reduction, achieving sales levels, increasing the number of customers, increasing the market percentage, increasing product quality, innovative products, improve Productivity. Human resources are playing an important role in achieving these performance indicators. But before that, organizations should realize the expectations required from employees and so the employees show their skills, be motivated and behave in the manner required by the organization to achieve performance. Strategic HRM is a detailed process for human resource management throughout the organization that it's integrated with the organization's overall strategy. It enables the organization having employees with the right skills and putting them in positions according to the level of their qualification and skills. Different authors have tried to give different definitions for organizational performance. In general, organizational performance is related to the achievement of the objectives

required by the organization. The achieving organizational performance is a result of the behavior of employees in the organization. Policies and practices of organizations motivate employees and they give impact on organizational performance. Some of these are: human resource planning, recruitment, selection, training and development, compensation, performance management and employee relations.

REFERENCE:

- 1) Pfeffer, Jeffrey, (1994). Competitive Advantage Through People: Unleashing The Power of Workforce, Harvard Business School, USA, p.6.
- 2) Armstrong, Michael, (2008). Strategic Human Resource Management: A Guide to Action, 4th Edition, Kogan Page, London, p.11.
- 3) Alchian, A. A., &Demsetz, H. (1972). Production, information costs, and economic organization. American Economic Review, 62 (December), 777-795.
- 4) Armstrong, M. (2006). A Handbook of Human resource management practice. 10thedition. Cambridge University Press.
- 5) Armstrong, M. (2006). Performance management: key strategies and practical guidelines.3thedition. Kogan Page Limited.
- 6) Armstrong, M. (2006). Strategic human resource management: A guide to action. 3th edition. Thomson-Shore, Inc.
- 7) The Impact of Strategic Human Resource Management on Organizational Performance by Luftim CANIA in *Economia. Seria Management* Volume 17, Issue 2, 2014.