



A STUDY OF THE IMPACT OF HUMAN RESOURCE MANAGEMENT ON ORGANIZATIONAL PERFORMANCE

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Abstract

The goal of this discussion paper is to figure out how Human Resource Management and Organizational Performance are related. HRM policies and practises (sophisticated selection based on human resource planning, human resource involvement and commitment, reward planning, and training and development) and organisational performance are thought to be linked through HRM outcomes (employees' behaviour, skills, and attitudes), which are influenced by organisational strategies (standard and quality, cost, creativity and innovation). As a result, both academics and HRM practitioners will profit from this research, which will add to the notion that HRM policies connected with organisational strategies will have a positive impact on organisational performance through HRM outcomes.

Introduction

The subject of how Human Resource Management has contributed to organisational performance is still being asked today, which is both shocking and difficult to believe. "HRM looks to be a field of endeavour that has consistently justified itself," writes Tyson in 2006. Unlike other managerial responsibilities, it is difficult to discern between the people management activity of line managers and supervisors and the particular activities that HR Departments engage in that effect performance." Many scholars have conducted studies to determine the relationship between human resource management and organisational performance, and they have come to a variety of results. Over the previous ten years, significant progress has been made in determining the relationship between Human Resource Management and organisational success. However, there are still significant gaps in our understanding of the causal ordering of the variables involved in the HRM-performance link (Purcell, Kinnie, Hutchinson, Rayton, and Swart, 2003) Many models have been established to explore the influence of Human Resource Management on organisational performance, and each HRM-performance linkage model developed complements the others by adding variables, constructs, or relationships. While there is a growing amount of theory and research, there are disagreements. Further study in this area is needed to demonstrate links between HRM policies, collective employee

qualities, and corporate outcomes. Furthermore, while it is widely believed that HRM is favourably linked to organisational performance, more evidence is needed to support the HRM-performance relationship from various perspectives.

Research Methodology

This paper is totally based on secondary data. Secondary data has collected from various book, journals, government reports and articles. Researchers has taken Impact of Human Resources Management on Organizational Performance for study purpose.

Objectives of the Study

1. To study theoretical aspects of Human Resource Management.
2. To study HR Practices in an organization.
3. To study Impact of HRM on Organizational Performance.

Theoretical Background

Organizational Effectiveness

The Chartered Institute of Personnel and Development defined high performance working as having the following characteristics: achievement of organisational goals, quality and customer satisfaction innovation, customer and continuous improvement focus, viewing the workplace as a source of added value, clear links between training and development and organisational goals, support for organisational and individual learning, and use of technology. (John Martins, 2010 citing Stevens and Ashton, 1999) Employers who invest in their staff are more effective, efficient, and adaptable.

Organizations should strive for a positive 'fit' between work, personnel, information, and technology; this will improve employee loyalty and motivation, effectiveness, efficiency, talents, and abilities, as well as positively affect firm performance. Staff participation and empowerment, as well as intensive employee training and related HRM practises, according to Delaney and Huselid (1996), can increase organisational performance. Employee participation in organisational issues will have a favourable impact on innovation and employee loyalty.

Return on sales, customer loyalty, volume of sales, employee productivity, profit per employee, pace of expansion, and other objective performance indicators can be used to evaluate an organization's performance.

This research issue will be presented in terms of various models produced by various researchers.

HRM and organisational performance are linked in this operational model.

1. Organizational Effectiveness
2. Output of HRM
3. Human Resource Management Policies
4. Strategies for business
5. The HRM-performance linkage model in operation

The model is based on Paauwe and Richardson's (1997) argument that HRM outcomes mediate the relationship between HRM activities and firm performance, and that HRM outcomes link HRM policies to business performance. It also assumes that HRM policies and business strategies are separate. HRM policies can help an organization's human capital pool grow by fostering the development of its rare, unique, and non-substitutable internal resources (resource-based view). Human resource management policies, according to the resource-based view, have a direct impact on employee qualities such as skills, attitudes, and behaviour, or HRM outcomes, which are then translated into enhanced organisational performance (Boxal & Steeneveld, 1999). Controls may influence the adoption of business strategies and HRM policies, and may have a good or negative impact on HRM outputs and organisational performance (Huselid, 1995). This diagram illustrates the basic relationship between HRM and organisational performance; this will be investigated further. HRM was created in order for an organization's goals to be fulfilled through human resources. Most organisations feel that how people are managed determines how successful the organisation will be, i.e. that

people management is a critical aspect in achieving organisational success.

Human Resources and Business strategies

Many studies and HRM experts have attempted to describe and explain the connections between HRM and organisational objectives. Human resource management is defined as a system that links company aims to societal demands and back to human resource activities, according to the Harvard model devised by Beer et al. (1985), as quoted by Shaun Tyson (2006). The term 'Business Strategy' refers to an organization's strategy, which includes a portfolio of interests that the organisation wishes to acquire or retain, as well as financial ratios such as return on investment, return on sale, and return on capital employed, which are used to assess the organization's performance. "Organizational performance and personal results are interrelated," according to Porras and Robertson (1991), as referenced by Pilbeam and Corbridge (2002). One cannot be reached without the other in the long run, and prioritising one at the expense of the other will produce neither." Human resources strategies must be developed in accordance with the needs of the organisation or business, demonstrating that business strategies have a significant impact on how firms are managed. "The attempt by people who govern an organisation to identify ways to position their company/organization objectives so that they can utilise the planning environment and maximise the future usage of capital and human assets," according to the definition of organisational or business strategy. Shaun Tyson cites Johnson and Scholes. The significance of this concept for HR is that it explains how to maximise the use of human assets in order to achieve a business goal and a competitive advantage as a result of the human assets that an organisation owns. The link between HRM policies and organisational performance is favourably determined by a standard and innovative business strategy. Strategic HRM is often defined as a process of aligning human resources and human behaviour more closely with the organization's strategic and operational goals. Strategic HRM is concerned with aligning human activities as closely as possible with the organization's direction, purpose, and objectives in order to gain a competitive edge. (2010, John Martin)

HRM Policies and practices

There is a collection of key human resources and development policies and practises at the organisational level that support human resource management, seek to shape a new

employment relationship, and aid in the pursuit of horizontal and vertical integration, including sophisticated selection based on proactive human resource planning, human resource involvement and commitment, performance management, reward management, training and development. According to Pilbeam and Corbridge (2002), if policies relating the aforementioned are adequately harnessed, organisational performance will improve. HRM policies can help an organization's human capital pool grow by fostering the development of its unique, inimitable, and non-substitutable internal resources (resource-based view). Human resource management policies, according to the resource-based view, have a direct impact on employee qualities such as skills, attitudes, and behaviour, or HRM outcomes, which are then translated into enhanced organisational performance (Boxal & Steeneveld, 1999).

Recruitment & Selection

Recruitment and selection, which is a primary action in HRM, is the first step in becoming a member of an organisation, and from there, all other employment needs flow. "Good recruitment and selection is important because well thought out, agreed and communicated policies, procedures and practises can significantly contribute to effective organisational performance, ineffective recruitment and selection may lead to poor work performance," Pilbeam and Corbridge (2002, p. 114) write.

Management of performance

According to Armstrong and Baron (2000), performance management is "a strategic and integrated approach to delivering sustained success to organisations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors," as cited by Pilbeam and Corbridge (2002).

Management of rewards

To different people, the term reward means different things; it can also be referred to as recompense or salary, and it is fundamentally tied to what employees contribute and what they receive in return. According to Kressler (2003, p.113), regardless of individual and cultural differences, rewards, as well as the tactics and procedures associated with them, are an important aspect of a company's personnel policy. It can appeal to employees' material and non-material values. Entrepreneurs and managers see compensation plans as a unique challenge and chance to maximise what people can provide and receive in return, hence

increasing the net product's potential. Employees' incentive prospects involve more than simply compensation; they also include various benefits and a pension. There should be a reward scheme in place that meets the needs of both employees and the company.

Training & Development

This has to do with providing the necessary skills, knowledge, and competence to the workforce in order to maximise performance. "Training in a work organisation is fundamentally a learning process," according to Shaun Tyson (2006), "in which learning opportunities are actively constructed by management, HR, and training personnel working in collaboration, or by external agents acting on their behalf." The process' goal is to "build in the organization's personnel the knowledge, skills, and attitudes that have been identified as necessary for effective execution of their work and, as a result, the attainment of the organization's goals and objectives." Employers rely on the quality of their employees' performance to fulfil organisational goals and objectives, as evidenced by this.

Output of Human Resources Management

Following the implementation of systematically developed HRM policies and procedures, high-quality output is expected in the following areas of HRM: motivation, satisfaction, collaboration with management, collaboration with employees, commitment, retention, and competence, to name a few.

Human Resources Management and Organisational Performance

According to the Human Resources Management and Organizational Performance Study, no one process can predict organisational achievement and success; rather, most studies have found that groupings of processes or policies are the elements that drive organisational growth and progress.

There is evidence that employee work happiness is linked to customer satisfaction in retail company contexts, and that this can result in greater and improved sales/turnover, which can lead to increased profitability and organisational success, either directly or indirectly.

Measuring the effectiveness and efficiency of organisational policies

We must distinguish between effectiveness and efficiency studies while analysing HRM. Efficiency refers to a policy's technical efficiency as well as the policy's cost-to-budget or cost-effectiveness. The types of measurements utilised are shown in the table.

The extent to which the HR department is able to achieve organisational objectives through HR policy is best characterised as effectiveness.

1. Recruitment
2. Cost per hire, labour turnover, and selection ratio rollback
3. Selection
4. Rates of employee turnover and retention, probation reports, and training costs
5. Development
6. Promotion rates, days of training per employee, training expenditures as a percentage of compensation, cost of errors,

and assessment reports are all factors to consider.

7. Retention
8. Benchmarked pay rates, budget, actual, overtime percent, incentive impact ratio, and compa ratio are all productivity/output indicators.
9. Relationships
10. Employee turnover, strike days, absenteeism, sickness, morale surveys, grievances, and tribunal cases are all factors to consider.
11. Communication

The estimated model using LISREL (Joreskog and Sorbom, 2004)

Competence	Cooperation with Management	Incentives	Promotion
Business Strategies	Cost	Involvement	Quality
Commitment	Development	Motivation	Retention
Communication	Effectiveness	Organizational Performance	Satisfaction
Compensation	Efficiency	Participation	Selection
Competence	HRM Output	Performance Appraisal	Training
Cooperation with employees	HRM Policies	Presence	Work design

Conclusion

While previous research has found a link between HRM policies and organisational performance, HRM is viewed as an input and organisational performance is viewed as an output, taking into consideration that HRM policies are influenced by external factors such as business strategies. Furthermore, it asserts that HRM policies are intricately, directly, and inextricably linked to organisational performance. Furthermore, it is assumed that corporate strategy impact HRM policy. Recognize that HRM policies and business strategies are not mutually independent, and that an organization's HRM policies should be created around the business strategies it follows when measuring the impact and contribution of HRM on organisational performance. In conclusion, while previous research has found a link between HRM policies and organisational performance, the link is mediated by HRM outcomes such as behaviour, attitude, and skills, which are influenced by business goals, organisational context, and other factors. As a result, this article not only agrees that HRM policies have a positive impact on organisational performance, but it also explains how HRM has contributed to organisational performance through employee training and development, reward management, and other methods, all of which have a positive impact on employee loyalty and customer service.

Recommendation

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According to the operational model used in this study, HRM policies have a direct impact on HRM outcomes such as attitudes, collective skills, and behaviours, and as a result, HRM outcomes boost organisational performance. All organisations should have HRM departments and personnel representing these departments at the management level in order to achieve this improvement and growth.

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