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# Role of HRM practices in performance of organization

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**Abstract**--The goal of this article is to look at the effect that human resource management methods have on an organization's performance. Human resource management methods are crucial to employee retention and organizational performance improvement. This paper establishes a conceptual framework that is then validated by a panel of researchers. Nowadays, a significant deal of research is being undertaken on human resource practices. Though research on performance in human resource management strategies is few, it is gaining popularity in other fields.

**Keywords**--HRM practices, organizational performance, employee retention.

## Introduction

According to De Cieri et al. (2008), human resource management refers to the policies, practices, and procedures that influence employees' behaviors, attitudes, and performance. Thus, human resource methods involve establishing human resource requirements, creating pools of applicants, screening them, and then training, compensating, and evaluating them. Additionally, they are concerned with labour relations, health and safety programs, and justice (De Cieri et al., 2008). Dessler's 2007 review of human resource practices corroborated the earlier assessment. Delery and Doty, 1996 define strategic human resource management practices as "those that are tentatively or empirically related to an organization's overall performance" and cite seven examples from the literature, including career opportunities, formal training programs, evaluation methods, profit sharing schemes, job security schemes, and voice mechanisms.

Thus, effective human resource management is crucial for organizations to build a competitive edge and has a positive link with company performance (Ordonez et al, 2008). According to Paré and Tremblay (2007), human resource strategies that consider people as investments and recognize their contributions reflect an organization's commitment to and support of its employees. There is empirical evidence that human resource procedures can help retain personnel. For

example, Paré and Tremblay (2007) discovered that four of the five human resource practices had a strong inverse relationship with turnover ratio.

### **Literature Review**

Numerous studies have been conducted to explore the relationship between human resource management practices and organizational performance, with generally favorable results. Indeed, prior research in this field has evolved away from evaluating the association between specific Human Resource Management practices and organizational performance and toward examining the processes by which Human Resource Management practices affect organizational performance. Boselie et al., 2005 express a similar sentiment.

Collins and Smith (2006) also examined the aforementioned connection. Hailey et al. (2005) discovered the same thing. However, the approach used in current research on the relationship between human resource management techniques and organizational performance is uneven (Wall & Wood, 2005). These studies argue that it is premature to establish a definitive positive relationship between human resource management practices and organizational performance and that additional research employing more extensive research approaches may be done. When viewed through the lens of social interaction, employees respond to the organization's actions by continuing to be a part of it. Human resource practices have been scientifically proven to increase employee retention. Paré and Tremblay (2007), for example, discovered that four of the five human resource practices evaluated were significantly associated with a low turnover ratio.

Druker (1995) also believes that if human resources wish to add value to the organization through improved quality and service, it must first satisfy its employees, compensate them, conduct their appraisals, maintain open communication systems, and finally provide feedback on the organization as a whole. These tasks can help ensure that the firm can presently satisfy its employees, hence moving the organization forward. For years, human resource experts have held that human resource practices are crucial for employee productivity and loyalty, as the way an organization treats its employees has a direct impact on the overall success of the organization. Huselid (1995), for example, observed that human resource strategies have an effect on a business's turnover ratio, overall profit, and financial success. Human resource processes, according to Huselid and Delaney (1996), have a substantial impact on how a firm's performance is perceived.

Pfeffer and Veiga (1999) and Pfeffer (1998) concur that an organization's performance is contingent on how it treats its employees. Additionally, they identified seven human resource strategies that, when combined, help a business fulfill its goals, attain profitability, and preserve its existence. Barney and Wright (1998) suggest that one strategy for achieving a distinctive edge is to establish unique methods for attracting, retaining, and motivating people; consequently, their argument is primarily focused on specific human resource tactics for competitive advantage. According to Yoon and Thye, 2002, company practices are concerned with employees' feelings and thoughts, which contribute to employee commitment, meaning that employees scrutinize the organization's activities

pertaining to employee issues. Sheppeck and Militello (2000) assert that human resource management concerns are typically quantified in terms of how businesses treat their human resources, with a strong emphasis on operational tools and metrics.

Human resources are a key asset for every business, and it requires a great deal of devotion, loyalty, and financial incentives to keep individuals committed to the organization (Armstrong, 2006). Birdi et al. (2008) investigated the link between human resource practices and financial success of a business. Arthur conducted another investigation in 1994.

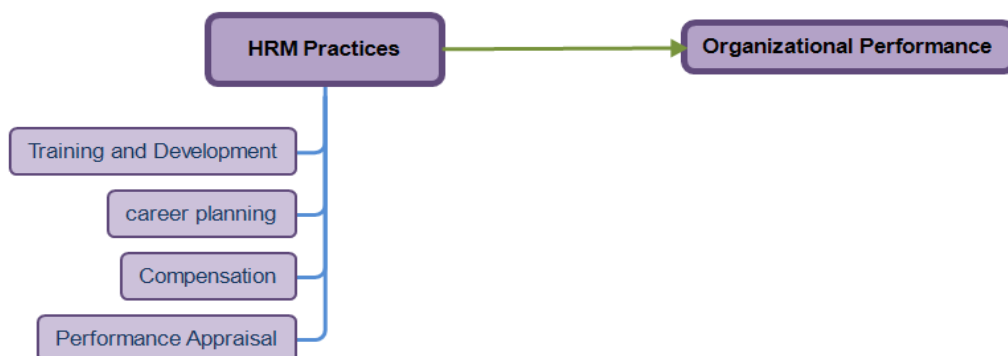
Strategic human resource management researchers depend heavily on firm-level data to study the impact of human resource practices on a business's success (Wright et al, 2001). However, theoretical research on long-term human resource management suggests that human resource practices can enhance a firm's performance and serve as a source of competitive advantage because they are frequently unique, causally ambiguous, and difficult to imitate (Lado & Wilson, 1994). However, Wright et al. (2001) argued that human resource strategies can be used to achieve a lasting competitive advantage when they are oriented toward resources or skills that add value to the organization. Thus, Wright et al., 2001 and other academics have emphasized the value of SHRM research in identifying essential resources that contribute to a firm's competitive edge. Training and development comprises all strategies used by businesses to equip new and existing (employed) employees with the skills, knowledge, and other abilities essential to perform their jobs effectively (DeNisi& Griffin, 2001).

### Research Objective

The proposed study's purpose is to:

- Analyze the impact of human resource management practices on an organization's performance.
- Determine the relationship between human resource management practices and organizational performance.

### Conceptual Model



### Analysis and Interpretation

Table –I Regression Analysis

Predictors	R square	F	$\Delta$ R square	Sig of F	B- value	t- value	Sig -t
Constant	0.985	941.35	0.972	0.001	-0.364	-4.084	0.001
Training & Development					0.068	3.759	0.001
Career Planning					0.068	8.525	0.001
Compensation					0.123	11.282	0.001
Performance Appraisal					0.031	2.5342	0.016
Organizational performance					-.030	-4.153	0.001

Table 1 summarizes the model's statistical significance and R square value. This indicates that the model is statistically significant at a 0.01 confidence level. The t-test for independent variable significance reveals that all variables are significant at the 0.01 level except Performance Appraisal. The variable Performance Appraisal is significant at the 0.06 level. Correlation refers to a large set of statistical relationships that involve reliance. The purpose of this study was to establish the degree to which two quantitative variables, human resource management practices and organizational performance, are connected.

Table – II Correlation between HRM Practices and Organizational performance

	Mean	SD	HRM Practices	Organizational performance
HRM Practices	3.73	1.172	1	0.973
Organizational performance	3.83	1.043	0.973	1

The correlation coefficient between human resource management practices and organizational performance is 0.973. It establishes a 0.01 level correlation between human resource management practices and organizational performance. The practices of human resource management have the largest overall impact on an organization's success.

### Discussion and Conclusion

As a result, one may claim that human resource practices are critical for staff retention and organizational performance improvement. Different sorts of organizations (for example, corporations and government agencies) are increasingly recognizing the potential for human capital to provide a competitive edge. Developing a competitive edge through human capital requires paying special attention to the most effective methods for leveraging these assets. As a result, during the last decade, there has been a rise in research examining the

impact of human resource management methods at the organizational level (see e.g. Delaney and Huselid, 1996; Wrigh et al, 2003).

Numerous studies have discovered that human resource practices have a positive effect on both employee and company performance. The earlier studies concentrated mostly on industrialized nations. However, only a few studies have been undertaken in emerging countries such as India to evaluate the relationship between human resource performance and economic growth. According to Aycan et al., Pakistan was much behind the curve in 2000 when it came to research in the field of human resource management approaches. According to Heneman III and Milanowski (2007), private sector research has established a link between human resource practices and organizational success, implying that the human resource management system possesses significant strategic potential for propelling an organization to new heights.

All components except Performance Appraisal are significant at the 0.01 level, as shown in Table – I. The variable Performance Appraisal is significant at the 0.06 level. Human resource management strategies are associated with positive outcomes in areas like as training and development, career planning, remuneration, and performance review. However, human resource management strategies have a detrimental effect on company performance. Table II illustrates the total positive relationship between organizational performance and human resource management methods.

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