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A Study on HRM Practices and Sales Performance of Small Scale Industries

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Abstract:
Human resource plays a very significant role in the performance of organization. The nature of human resources management practices and the degree to which they are formalized have significant impact on the performance of the organization. Human resource management is identified as the productive use of people in achieving the organization's strategic objectives. Human resource is required for an organization to conduct different business activities and they need to be used very efficiently. The paper focuses on identifying the relationship between HRM practices and its linkage with sales growth in relation to small scale industries. Structural equation model (SEM) using SPSS AMOS version 21 was used to test the path linkage of the HRM practices on sales growth. The findings of the study indicate that the model exhibits a good fit with the data and shows that there is a significant impact of HRM practices on sales growth of small scale industries.

Keywords: HRM practices, sales growth, small scale industries, organization performance.

I. INTRODUCTION

Human Resource Management (HRM) is considered as the backbone of any economy. Human resource management (HRM) is defined as the productive use of people in achieving the organizational objectives.HRM practice is a very important component for employee productivity and industrial relations which influence the organizational performance of small scale enterprises. Small scale sector has gained importance in the industrial policy for its huge potential of providing more employment opportunities and creation of new job markets. With the increased extent of job market a lot of new HRM practices were raised and practiced in India. The effectiveness of HRM practices is the key for the performance of small scale industries. HRM practices deployed by organizations are HR planning, recruitment and selection, training and development, compensation, performance appraisal, safety, health and employee and labour relations. Effective implementation of HRM practices enables the shaping of employees skills, abilities, values, beliefs, attitudes and behaviors, through proper hiring, providing appropriate training and development, performance based high compensation, extensive sharing of information etc., There has been little attention paid to human resource management related aspects and its impact on organizational performance. The present study tries to fill the gap by identifying the impact of HRM practices on employee productivity and in turn the performance of small scale industries. In today's competitive and changing business world organizations need to ensure maximum utilization of human resources to their own advantage and company's success. The organizations need to exploit all of their resources as a means of achieving competitive advantage, due to which the value of human resource management (HRM) to organizational performance has become increasingly popular.

II. REVIEW OF LITERATURE

Most of the researches has demonstrated statistically significant relationships between 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 (Kazlauskaite & Buciuniene, 2008).Koch and McGrath (1996), reported that firms using more sophisticated Human resource, recruitment and selection strategies had higher labor productivity. Illias Vlachos (2009) observed the perception about the links between HR 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. Nazlina Zakaria (2013), opined that the performance of SMEs can be gained by improving the internal strengths of human resource and implementing HRM practices with organizational capability. Manisha Gupta (2014) in her study suggested that the policy makers and managers should focus on creating fair competitive environment, fair compensation, fair work hours which motivates employees and increases the organizational performance. Rajni Khosla & Sharma (2014), in their study found that perception of employers and employees towards training needs must be improved which would impact the attitude and behaviour of employees in the longer course of activities. Seema Sangwan (2015), studied the impact of compensation on employee productivity and the satisfaction levels of employees which enhances the performance of employees which is crucial for the success of an organization. Abhishek Kumar Pandey (2016), observed that standardized HRM practices have significant focus on the employees growth and promotion and further impact the employee's performance.

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.

III. OBJECTIVES OF THE STUDY
- To study the role of HRM practices on the performance of small scale industries.
- To know the impact of HRM practices on employee productivity.
- To suggest appropriate measures for improvement of HRM practices in small scale industries.

HYPOTHESES OF THE STUDY
H_{01}: Recruitment has no significant impact on employee productivity.

H_{02}: Selection has no significant impact on employee productivity.

H_{03}: Training and development has no significant impact on employee productivity.

H_{04}: Compensation has no significant impact on employee productivity.

H_{05}: Performance appraisal has no significant impact on employee productivity.

H_{06}: Employee welfare has no significant impact on employee productivity.

IV. RESEARCH METHODOLOGY

The conceptual framework to study the impact of HRM practices on the employee productivity is represented in the figure1.
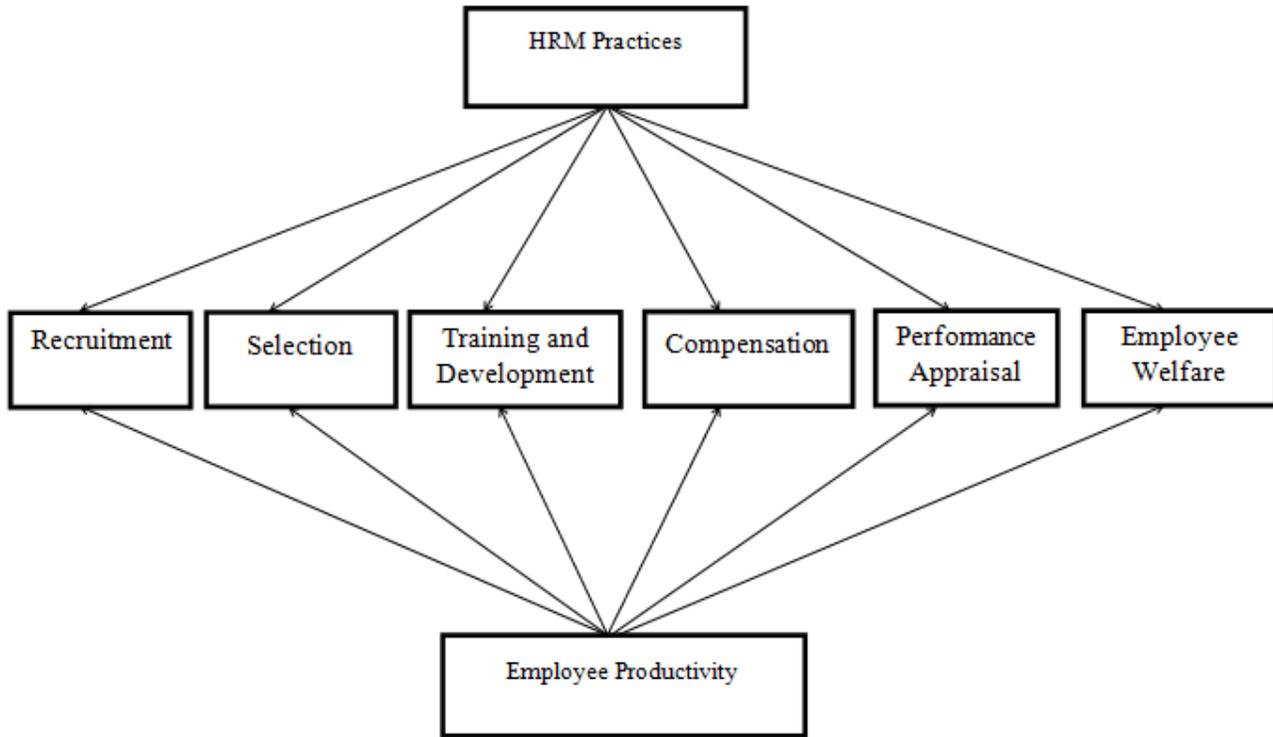

Figure.1. Conceptual framework

V. RESEARCH DESIGN

The study is done taking six human resource management practices to identify their impact on the employee productivity in small scale industries.

VI. RESEARCH METHODS

The researcher has taken both the primary and secondary data for the study. The primary data is collected by administering a structured questionnaire to the employees of the selected small scale industries. The secondary data is taken from the text books, company manuals, annual reports, journals and magazines.

V. RESEARCH TOOL
The questionnaire has been given to all the employees of the selected small scale units taken for the study. Structural Equation Model (SEM) is used with the help of SPSS AMOS 21 version

to test the goodness of fit indices of the hypothesized model and their significant impact on the structured model.

VI. DATA ANALYSIS AND INTERPRETATION

The researcher has used structural equation model to test the hypotheses and the path coefficients and their significance to the structured model. The model included items recruitment, selection, training and development, compensation, performance appraisal and employee welfare as independent variables showing the impact on the dependent variable, employee productivity. Table 1 given below shows the significance and identifies that the model is a good fit. The figure 2 given below shows the standardized path coefficients and their significance in the structural model.

The following value are found in our study for each parameter to test model fit

Table.1. Model Fit Summary

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	13	22.215	15	.000	1.481

Based on Structure Equation Model using SPSS Amos 21 it is found that Chi-square(CMIN) = 22.215, Degree of freedom(DF) = 15 and probability level is about 0.000 This shows that the hypothesis is significant at the 0.05 level. CMIN/DF is the minimum discrepancy which is 1.481< 5 indicates that the model is a reasonable fit according to Wheaton et al (1977).
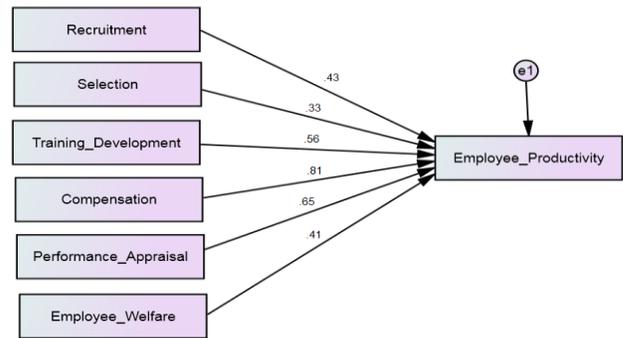

Figure 2. Standardized path coefficients of the structural model

Table .2. Standardized Regression Weights: (Group number 1 - Default model)

Dependent Variable		Independent Variables	Estimate	P	Label
Employee Productivity	<---	Recruitment	.432	0.000	Significant
Employee Productivity	<---	Selection	.332	0.000	Significant
Employee Productivity	<---	Training Development	.558	0.000	Significant
Employee Productivity	<---	Compensation	.813	0.038	Significant
Employee Productivity	<---	Performance Appraisal	.654	0.000	Significant
Employee Productivity	<---	Employee Welfare	.414	0.000	Significant

The P value is less than 0.05 shows that all independent variables recruitment, selection, training and development, compensation, performance appraisal and employee welfare have significant impact on the dependent variable employee productivity.

Table .3. Goodness of fitness indices of the Hypothesized model

Name of the Parameter	Value	Decision
Goodness of Fit Index (GFI)	0.953 > 0.900	Accepted
Adjusted Goodness of Fit Index (AGFI)	0.965> 0.900	Accepted
Normed Fit Index (NFI)	0.968 > 0.900	Accepted
Comparative Fit Index (CFI)	0.964 > 0.900	Accepted
Tucker-Lewis Index(TLI)	0.910 > 0.900	Accepted
Incremental Fit Index(IFI)	0.969 > 0.900	Accepted
Relative Fit Index(RFI)	0.904 > 0.900	Accepted
Root Mean Square Error of Approximation (RMSEA)	0.048 <0.05	Accepted

Based on various studies conducted by Bentler and Bonett (1980), Jöreskog, and Sörbom (1974), Bollen's(1989) and Bentler (1980) it was suggested that if the Index value is greater than 0.9 and if RMSEA values is less than 0.05 it indicates model is fit and accepted.

VII. FINDINGS OF THE STUDY

The study has taken into consideration six HRM practices to observe their impact on the employee productivity of small scale industries. The results of the study indicated that the model is a good fit. The Chi-square value = 22.215, at d.f.=15 and the p value is 0.000 which shows that the hypothesis is significant at 0.05 level. All the variables are significant where compensation has the highest impact of 0.813 and then performance appraisal with an impact of 0.654 and then training and development with 0.558 on employee productivity. Recruitment and employee welfare has a little less impact of 0.432 and 0.414 respectively and finally selection has the least impact of 0.332 on employee productivity.

VIII. CONCLUSION

The above study reveals that Human resource management practices have significant impact on the employee productivity of the small scale industries. Thus small scale industries are suggested to implement HR practices effectively and focus on systematic manner of recruitment and selection practices which can improve the employee productivity as well as the overall performance of small scale industries.

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