A Study on Impact of HR Practices on Organisational Performance

Diana F. R. I. M.  
PG Student  
Department of Commerce and Management  
Mount Carmel College, Autonomous, Bangalore, India

Abstract:  
The purpose of the study is to examine the impact of human resource practices on organizational performance. Human resource practices are the means through which human resource personnel can develop the leadership of their staff. Human resource practices include Recruitment and Selection, Training and Development, Compensation, and Performance appraisal. Organizational performance refers to the actual output or the results of an organization which is measured against its intended results. Researches over years had the positive outcome that there is a significant impact of human resource practices on organizational performance. Human resource practices have a significant impact on organizational performance as organizational performance is dependent on human resource practices for positive outcome or results. Questionnaires related to the human resource practice and organizational performance, Google forms using the Factorial analysis and Regression analysis were carried out in the study, with the sample size of 103 respondents from the organization to find out the impact of human resource practices on organizational performance at a Pvt Organization.

Keywords: Human Resources Practices, Organizational Performance, Recruitment and Selection, Training and Development.

I. INTRODUCTION

Organizations worldwide are under pressure today to continually improve their performance. The major trends behind these competitive pressures are globalization, advances in information technology, and increasing deregulation of global markets. Human resources today in modern times have become the most important resource for the firms to obtain strategic advantage over the firms. This is because managers in both the private and public sector organizations regard the human resources of their organization as its major source of sustaining competitive advantage by having best of the best human resource systems in place for recruiting, selecting, motivating, and effectively managing their people. Among all the organizational factors which contribute to organizational performance the human resources are now regarded as the most fundamental factor. Recent researchers on HRM show a strong and positive relationship between HRM practices and organizational performance. It is vital for managers to have a better understanding of role of HRM in order to create successful organizational performance.

II. LITERATURE REVIEW

1. Muhammad Habib Rana, Muhammad Shaukat Malik:  
This article is titled as “The impact of HR Practices on Organisational Performance”. The purpose of the paper was to set up the effect of human asset (HR) rehearses on authoritative execution and directing impact of Islamic standards on the effect in Pakistani business associations. It targets discovering adequacy of HR rehearses just as the job of Islamic lessons in business. Five broad categories of HR practices: selection, training, compensation, performance appraisal and employee participation, have been taken as independent variables and their impact has been assessed on organizational performance: dependent variable. HR practices, including selection, training, compensation, performance appraisal and employee participation, have been found to be significantly and positively related to organizational performance.

2. Moazzma Mehmood, Muhammad Awais, Muhammad Moiez Afzal, Iram Shazadi, Usman Khalid:  
This paper is titled as “The impacts of HR Practices on Organisational Performance”. The purpose of the study was to examine the impact of HR Practices on organizational performance. A total number of 90 employees from both public and private universities comparing of both academicians and supporting staff were involved in the research and the responses were collected by these academicians and supporting staff. Hence the study revealed that there is a significant impact of HR Practices on organizational performance.

3. Hojjat Taheri Goodarzi and Rouhallah Bazgir:  
The article is titled as “The impact of Human resource practices on organisational performance”. The study showed that attraction and recruitment have significance impact on organizational performance. The study was conducted at Lorestan University in 2014 and the population included was up to 220 employees. The sample size was 140. The authors states not only attraction and recruitment but also training and development has a significant impact on organisational performance.

III. STATEMENT OF PROBLEM:

Impact of human resource management practices on organizational performance has been a widely researched area. Results of studies, from developed countries to developing countries have been time and again showing that HR practices
have significant impact on organizational performance. Although, it was accepted that HRM is positively related to organizational performance. There is a great need for additional evidence to support the HRM performance relationship from different contexts. This study would assess the impact of HR practices on organizational performance and investigates the impact Lance soft India private Limited’s four HR practices ((Recruitment& Selection, Training & Development, Compensation and Performance Appraisal) on organizational performance.

IV. SCOPE OF THE STUDY:

The study helps by providing the feedback about the HR practices and the impact of the HR practices on the organizational performance. It helps the employer to take major decisions as to how the involvement of HR practices in the organization would help the organization to have positive and significant impact on the performance of the organization. The recruitment process will be based on the skills and desired knowledge and on merit basis. Compensation will be directly connected to the work performed by the employees, training and development helps the employees to understand the flow of the company, performance appraisal meets some but not all possible requirements.

OBJECTIVES OF THE STUDY:

• To identify HRM practices in the organization.
• To study the impact of HR practices (Recruitment& Selection, Training & Development, Compensation and Performance Appraisal).

HYPOTHESIS:

Ho: There is no significant relationship between HR practices and organizational performance.
H1: There is significant relationship between HR practices and organizational performance

DATA ANALYSIS AND INTERPRETATION:

Objective 1:

To identify the human resource practices in the organization.

Table 1. Showing analysis of the KMO and Bartlett’s test

<table>
<thead>
<tr>
<th>KMO and Bartlett’s Test</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaiser-Meyer-Oklin Measure of Sampling Adequacy</td>
<td>.736</td>
</tr>
<tr>
<td>Bartlett’s Test of Sphericity</td>
<td></td>
</tr>
<tr>
<td>Approx. Chi-Square</td>
<td>428.179</td>
</tr>
<tr>
<td>Df</td>
<td>136</td>
</tr>
<tr>
<td>Sig</td>
<td>.000</td>
</tr>
</tbody>
</table>

Inference:

From the above table it can be inferred that as the significant value of the data was 0.000 which is less than alpha 0.005 and the KMO value is 0.736, the variable is exactly suitable for factorial analysis. The factor loads on the basis of EIGEN values and the variants percentage and obtained through validity and reliability analysis.

Factor load affecting individual human resource practices.

Factor 1: This factor consists of five variables explaining 25.819% of the total variants. Variable composing the factor contain the Compensation & Incentives [Is the organization providing other benefits apart from Salary].757. Compensation &Incentives [Is the performance directly linked to the pay of the salary]. 692. Compensation & Incentives [Good job is noticed and rewarded]. 593. Training & Development [Are training programs provided for employees in all aspects].452 Training & Development [I have training opportunities to learn and grow].

Factor 2: This factor consists of five variables explaining 10.823% of the total variants. Variable composing the factor contain the Recruitment & Selection [The Recruitment is done according to skills and desired knowledge].710. Recruitment & Selection [Is there formal induction at the Intermediate level].750. Recruitment & Selection [Appointment in this organization is based on merit]. 705.Compensation & Incentives
[My Salary is market competitive] 499. Compensation & Incentives [Are you satisfied with the salary you get] 554. In addition, core value of the factor is found as 3.218.

**Factor 3:** This factor consists of four variables explaining 8.019% of the total variants. Variable composing the factor contain the Training & Development [Are training programs relative to my Day to Day job] 782. Training & Development [Did training give the full knowledge about the process and the company flow] 741. Performance Appraisal [Does your performance exceeds position requirements] 477. Performance Appraisal [Performance is consistently superior and significantly exceeds position requirements] 603. In addition, core value of the factor is found as 2.603.

**Factor 4:** This factor consists of two variables explaining 7.476% of the total variants. Variable composing the factor contain the Performance Appraisal [Performance frequently exceeds position requirements] 693 Performance Appraisal [Meets some but not all the position requirements] 698. In addition, core value of the factor is found as 1.391.

**Factor 5:** This factor consists of one variable explaining 6.681% of the total variants. Variable composing the factor contain the Training & Development [Did you face any issues which was not a part of training] 788. In addition, core value of the factor is found as .788.

**Objective 2:** To study the impact of human resource practices (recruitment & selection, training & development, compensation, performance appraisal) on organizational performance.

**Hypothesis:**
Ho: There is no significant relationship between HR practices and organizational performance.
H1: There is significant relationship between HR practices and organizational performance.

**Regression**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.165*</td>
<td>.027</td>
<td>.018</td>
<td>.405</td>
</tr>
</tbody>
</table>

*a. Predictors: (Constant), HR_practices_total*

R square is if any changes in organizational performance or any variance in organizational performance is explained by human resource practices to an extent of 2.7%

**Table 3. showing ANOVAa values**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>.466</td>
<td>1</td>
<td>.466</td>
<td>2.841</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>16.563</td>
<td>101</td>
<td>.164</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>17.029</td>
<td>102</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*a. Dependent Variable: 14. Are you satisfied with the organisational performance*

*b. Predictors: (Constant), HR_practices_total*

Significance value falls above 0.05 hence the null hypothesis is accepted, and alternative hypothesis is rejected. The df value is calculated by taking the \( \sqrt{\frac{1.64}{.405}} \).

**Table 4. showing the coefficients values**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>1.395</td>
<td>.418</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HR_practices_total</td>
<td>.167</td>
<td>.099</td>
<td>.165</td>
<td>1.685</td>
</tr>
</tbody>
</table>

*a. Dependent Variable: 14. Are you satisfied with the organisational performance*

**IMPACT OF HUMAN RESOURCE PRACTICES ON ORGANISATIONAL PERFORMANCE:**

Y=a + bx

Organizational performance = a+ b * HR practices
Organizational performance = 1.395 + 0. 167 (HR practices)

Therefore, the significant value is .095 and does not fall under 0.005. Hence, null hypothesis is accepted, and the alternative hypothesis is rejected.

**FINDINGS:**

1. Identified various departments of the organisation such as Finance, HR, IT, MIS, scientific department.
2. Identified various designation of the employees and what type of work they are held with.
3. Identified what type of employment basis an employee is in the organisation such as intern, permanent and contract.
4. Identified HR practices in the organisation (Recruitment & selection, training & development, compensation, performance appraisal).
5. It is found that recruitment is done on the basis of skills and desired knowledge.
6. Recruitment has formal induction at the intermediate level.
7. It is found that appointment of the employees in the organisation is on merit basis.
8. Compensation that is given to employees are market competitive.
9. It is found that performance is directly linked to the pay of the salary.
10. It is found that there is no significant impact of HR practices on the organisational performance.

V. CONCLUSION:

The overall process of the study has given more knowledge and helped to achieve the objective to identify the HR practices and the impact of HR practices on the organizational performance at the Lance Soft India Pvt Ltd. With the cooperation of the organization and the employees’ feedback the impact of HR practices on organizational performance has been understood. With the usage of SPSS, the analysis has been made using frequencies calculating mean, media, mode, standard deviation and variance along with the percentage analysis has been conducted. For the hypothesis for estimating the relationship between a dependent variable and one or more independent variable null hypothesis has been identified proving. Hence the objective proved and achieved.

VI. REFERENCES:

[1]. Muhammad Habib Rana, Muhammad Shaukat Malik
International Journal of Islamic and Middle Eastern Finance and Management ISSN: 1753-8394 Publication date: 19 June 2017

[2]. Moazzma Mehmood, Muhammad Awais, Muhammad Moiez Afzal, Iram Shahzadi, Usman Khalid

[3]. Hojjat Taheri Goodarzi and Rouhallah Bazgir

[4]. https://en.wikipedia.org/wiki/Human_resource_management

[5]. https://www.answers.com/Q/What_are_Human_Resource_Practices