

**HUMAN RESOURCE MANAGEMENT PRACTICES  
–A CRITICAL REVIEW****N.SRIDHAR**

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**ABSTRACT**

*The today's office which is dynamic and competitive in nature, expect managers and employees of all levels to constantly improve and achieve the organizational objectives. The organization needs to continuously improve its human resource management practices such as reward management, human resource development, recruitment and selection and quality working life among others which have great effect on the organization's performance. However, going by the current empirical literature available, this has not been achieved. Many researchers have only looked at the independent variables that influence organizational performance without taking into consideration the independent variables. Using a description approach, this paper compares and contrasts structures theories and related to the relationship between Human Resource Management practices and organizational performance in existing theoretical frameworks and findings of empirical studies in order to open the black box so as to get a better understanding of the relationship which would help in guiding organizations to attain their objectives and achieve high performance. This study was based on four supporting theories to develop a conceptual framework where the factors that are influencing, independent relationship between the Human resource management and organizational performance are proposed. The independent variable was HRM practices (reward management, training and development, recruitment/selection and quality working life) while the dependent variable was organizational performance. These were mediated by employee behavioral outcome which is an element of Human resource management practices. Leadership is the intervening variable. The study confirmed that there is a significant direct/positive relationship between the Human resource management practices and organizational performance. It further identified motivation as one of the factor which link between the two variables.*

**Key Words:** Competitive, leadership, quality work life, reward, recruitment

**INTRODUCTION**

In global perspective the organizations face competing pressures which consist of the need to deliver high quality services to citizens and businesses and at the same time improve efficiencies and reduce costs. Ivancevich, (2007), states that public service efficiency in delivery of results/services has been a challenge in the world and particularly in the third world countries. Hence, governments across the world are putting in considerable effort in making the public service effective and get value for tax payer's money.

In the year 2003, there was a push and feeling that things must be done in a better way due to the environmental changes which included globalization. The interpretation of high

performance workplace was that the employees would demonstrate greater commitment, be more receptive and prepare for change; better informed; offer ideas; dedication and support to the business; glimpse how they fit into the organization and the contribution they are making, feel appreciated and so give their best, increase productive and reduce absenteeism.

Consequently, in today's contemporary office which is dynamic and competitive in nature, expect managers and employees of all levels to constantly improve and achieve the organizational objectives while in turn, organization need to continuously improve its human resource management practices such as reward management, human resource development, recruitment and selection and work life balance among others which have great effect on the organization's performance. It remains true that little is known about the mechanisms by which HRM practices translates into competitive success. Due to lack of understanding on mediating variables and their effect on Human Resource Management performance linkage, there is an existing gap in explaining this linkage which is referred to as black box.

### **HUMAN RESOURCE MANAGEMENT PRACTICES**

Schuler and Jackson (1987) defined Human Resource Management practices as a system that attracts, develops, motivates, and retains employees to ensure the effective implementation and the survival of the organization and its members. Minbaeva (2005) viewed Human Resource Management practices a set of practices used by organization to manage human resources through facilitating the development of competencies that are firm specific, produce complex social relation and generate organization knowledge to sustain competitive advantage. In reference to these definitions, it is clear that Human Resource Management practices relate to specific practices, formal policies, and philosophies that are designed to attract, develop, motivate, and retain employees who ensure the effective running and survival of the organization.

Human Resource Management activities play a major role in ensuring the organization's continuity and prosperity. The organization's effectiveness or ineffectiveness is described through certain criteria and components for example, performance, legal compliance, employee satisfaction, absenteeism, turnover, training effectiveness and return on investment among others. In order for a firm to survive, prosper and earn a profit, reasonable goals in each of these components must be achieved (Lawler, 2005).

### **ORGANIZATIONAL PERFORMANCE**

Organizational performance comprises of actual output or results of an organization as measured against its intended outputs. According to Richard et al. (2009) organizational performance includes three specific areas of outcomes that is, financial performance product market performance (market share and sales,); and optimized shareholder return (economic value added and total shareholder return).

### **STATEMENT OF THE PROBLEM**

Every organization sector aspires to achieve its goals, objectives, or set targets efficiently and effectively. For these to be achieved, the organization has to focus on best practices in various human resource management practices including reward management, training and development, recruitment/selection and quality working life among others. However, while above human resource practices are considered to have a positive influence on service

delivery, they too may have a negative effect on staff performance leading to staff turnover if they are not well planned and managed hence causing organizations to perform poorly. According to a report by Institute of Economic Affairs on Institutionalizing Social Accountability in devolved governance (2015), there has been a growing concern regarding delivery of public services at the county levels in Kenya. This is a clear indication that the performance of county governments is not up to standard and hence a need for improvement if the citizens' expectations are to be met.

The Transition Authority report, (2015) indicates that, after the transfer of management of human resources for devolved functions was affected in January 2014, a number of problems/challenges have been observed which includes discrimination, nepotism, tribalism and victimization in the recruitment and selection of county staff, continued recruitment by County Government for posts already filled by seconded staff creating parallel offices/duplication; blatant violation of the law in the recruitment of staff, glaring disparities in remuneration and promotion between the staff with the newly appointed staff and those of the defunct local authorities enjoying better remuneration and job grades. There is no doubt that all these problems, among others, cause poor performance by the county governments.

While numerous studies have been carried out on relationships between human resource management practices and organizational performance, (Theriuo and Chatzoglou (2009) and (Boselie et al 2005), there is little understanding of mechanisms through which HRM influences performance. This is supported by a study by Saraneviciute and Stankerciciute (2010) who state that little is known about the mechanisms by which human resource management practices translates into competitive success. Due to lack of understanding on both mediating and intervening variables and their effect on human resource management performance linkage, there is an existing gap in explaining this linkage which is referred to as black box. It is important to bridge this research gap because if county governments are to achieve their respective visions and for Kenya to achieve the vision 2030 that aims at creating a globally competitive and prosperous country with high quality life by 2030, proper management of human resource is critical which can be achieved by proper understanding of the mechanisms through which human resource management influences performance.

## **OBJECTIVES**

- (i) To establish the mechanisms through which Human Resource Management practices like reward management, training and development, recruitment/development and quality working life influence organizational performance
- (ii) To assess the impact of employee behavioural outcome as the moderating variable on the relationship between Human Resource Management practices like reward management, training and Development, recruitment/development and quality working life and organizational performance
- (iii) To examine the role of leadership as the intervening variable on the relationship between Human Resource Management practices like reward management, human resource development, recruitment/selection and quality working life and organizational performance
- (iv) To analysis the relationship between Human Resource Management practices like reward management, training and Development, recruitment/development and quality working life and organizational performance in the presence of employee behavioural outcome as a moderating variable and leadership as an intervening variable

**HUMAN RESOURCE MANAGEMENT PRACTICES****Review of Key Theories**

The study is based on four theories namely; equity theory, social exchange theory, expectancy theory and need theory.

**EQUITY THEORY**

According to Graham and Bennett (1998), the equity theory of motivation asserts that an employee's own assessment of whether he or she is being fairly treated is a major factor influencing motivation. However, this theory is based in the idea that individuals are motivated by fairness, and if they identify inequities in the input or output ratios of themselves and their referent group, they will seek to adjust their input to reach their perceived equity. Adams suggested that the higher an individual's perception of equity, the more motivated they will be and vice versa, that is, if someone perceives unfair practices in the organization, they will be demoralized.

The most common way equity theory can work, and probably impact employees, is when employees compare the work they do to someone else that gets paid more than them. Equity theory is at play anytime employees say things like, so and so gets paid more than me, but he/she does not do quite as much work as I do or I get paid a lot less than so and so, but this organization cannot operate without me. In such scenarios, someone is comparing his/her own effort to compensation ratio to someone and is losing motivation in the process. Equity Theory is based on the premise that employees will put forth a particular level of work effort that they feel compares fairly to the rewards they will receive. It comes down to a straight forward formula input must equal output and when balance is achieved, it believed employees are more willing, motivated to work harder toward higher levels of productivity but when it comes to fairness workers rely heavily on perception namely; what do they perceive to be fair and equal. When a reward is perceived as equitable to the level of effort that is exerted, then there is positive outcome and a higher level of motivation should be expected but, the reverse is also true that is, the perception of less fairness, begets less motivation, begets less outcome. However, the equity theory goes on to evaluate the outcome to input ratio comparison process and the cognitive and behavioral mechanisms to restore perceptions of equity (Stecher & Rosse, 2007). It also looks at ways to reduce inequity by such means as employees changing their inputs to a level that matches their outcomes and attempting to change their outcomes to a level that matches their inputs. There is evidence that supports the theory's prediction that people respond to inequity by reducing work effort or increase effort to match the outcome (Stecher & Rosse, 2007).

**SOCIAL EXCHANGE THEORY**

Social exchange theory identifies the circumstances under which people feel they are required to respond or give back when they benefit from an individual or organization actions. This theory is used to understand the link between employees, employers and in promoting performance through employ behavioural outcome. According to Gundlach, et al (1995), this theory explains how successful relationships can be developed using communication, attraction, expectation formation and norm development, to encourage and maintain staff loyalty to the organization. Specifically, the influence of human resource management

practices on the organization against employee social exchange is most likely to be proofed in their aggregate use, perceived availability and value.

According to Wright & McMahan (2011), HRM researchers have constantly used social exchange theory to explain how HR practices stimulate crucial employee attitudes and behavior. However, this theory explains the reciprocity of exchange where what one gives must be perceived to be of similar value to what one receives for example organizations that successfully manage Human Resource practices benefit from positive exchange relationships that encourage employees to reciprocate by portraying attitudes and behavior such as affective commitment and employee job satisfaction that are paramount in pursuit of organizational goals. Likewise, organizations that are not able to manage HR practices well get negative exchange relationships that discourage employees to reciprocate by portraying attitudes and behaviors such as absenteeism, turnover, low employee performance that prevent the organization from achieving its goals thus having low organizational performance. Rousseau (2006) concludes that employment relationships are transactional and are showcased by short term exchanges where employees act to fully maximize the total value of the exchange.

### **EXPECTANCY THEORY**

The expectancy theory of motivation explains why individuals choose one behavioral option over others. The basic idea behind the theory is that people will be motivated because they believe that their decision will lead to their desired outcome (Redmond, 2010). Expectancy theory proposes that work motivation is dependent upon the perceived association between performance and outcomes and individuals modify their behavior based on their calculation of anticipated outcomes (Torrington, 2009). This has a practical and positive benefit of improving motivation because it can, and has helped leaders create motivational programs in the workplace. This theory is built upon the idea that motivation comes from a person believing they will get what they want in the form of performance or rewards. Although the theory is not all inclusive of individual motivation factors, it provides leaders with a foundation on which to build a better understanding of ways to motivate subordinates (AETC, 2008). Expectancy theory emphasizes on individual perceptions of the environment and subsequent interactions arising as a consequence of personal expectations. This theory point out that people will be motivated when they believe their efforts will lead to the outcome they desire. Expectancy theory represents a cognitive approach to motivate and describe how people will adjust themselves when they perceive their efforts may obtain outcomes that are consistent with their expectations. The assumption is that people calculate costs and benefits in determining course of action .

### **NEED THEORY**

This theory complements the expectancy theory by exploring the depth at which outcomes motivate people to contribute valuable inputs to a job and perform at high levels. Need theory is based on the understanding that motivation comes from an individual desire to fulfill or achieve a need or want. However, unsatisfied needs are responsible for motivating human beings and certain lower needs must be satisfied before higher needs can be satisfied. The basic principle of the need theory is that employees are motivated to obtain outcomes at work that will satisfy their needs. Likewise, if the employees have no needs or rather the



organizations have nothing to offer to the employees that will satisfy their unmet needs, the employees will not be motivated to work which will result to low employee performance and hence low organizational performance.

The management must establish what needs the person is trying to satisfy at work and ensure that the person receives outcomes that help to satisfy those needs when the person performs at a high level and helps the organization achieve its goals. The motivation employees experience to fulfill their needs either comes from internal or external factors. Employees who experience internal motivation are influenced by factors that cause a sense of accomplishment and pleasure while those externally motivated are commonly influenced by factors controlled by others, such as money and praise.

### **HUMAN RESOURCE MANAGEMENT PRACTICES AND ORGANIZATIONAL PERFORMANCE**

The equity theory recognizes that individuals are concerned not only with the rewards they receive for their efforts, but also compare their rewards with what others receive. The theory is founded on people perception of fairness or equity which is usually subjective. According to Spector (2008), equity theory assumes that employees seek to maintain equity between the input that they bring into a job such as education, time, experience, commitment and effort and the outcome they receive such as promotion, recognition and increased pay against the perceived inputs and outcomes of other employees. Equity theory suggests that employees who perceive themselves as under rewarded or over rewarded will experience distress, and that this leads to efforts to restore equity within the organisation. However, failing to find equity may make them behave in ways that will harm the organisation.

The retaliatory measures by employees who think they are unfairly rewarded may include, withholding effort and reducing work inputs, displaying feelings of hostility to coworkers and the organisation itself, and seeking salary increases, challenging superiors about tasks assigned, as well as quitting the job and seeking an alternative elsewhere. All these options have implications for an organisation and can ruin the overall performance of the organization which includes lowering productivity of the entire organization. If high performers leave an organisation due to demoralized caused by inequality among others aspects, the organisation is likely to lose its productive talent and competitive advantage thus affecting organizational performance negatively.

Human Resource Management Practices, Organizational Performance and Employee behavioral Outcome Social exchange theory is a behavioural science that conceptualizes mutual exchanges between the employer and the employees. This study seeks to find out the link between human resource practices and organizational performance in the presence of and employees behavioural outcome and leadership. As suggested by Paaue (2009), employee perceptions of Human Resource Management practices rather than individual practices may be relevant for determining employee attitudes and behaviors. The social exchange theory provides an explanatory framework to clarify how employee perceptions of HRM practices are linked to employee behavior such as turnover intentions. This theory is based on norms of reciprocity within social relationships. According to Armstrong and Taylor (2014), employees will reciprocate their contribution to the organization if they perceive that the organization has treated them well. As noted by Hang and Cheung (2010), Human Resource Management practices are viewed by employees as a personalized commitment to them by

the organization which is then reciprocated back to the organization by employees through positive attitudes and behavior.

However, an optimistic aspect of social exchange theory is that, it has clarifying influence as it forecast that employees reduce costs and maximize motivation within their relationships. Allen et al., (2013) note that this theory has the clarifying influence because, it predict that when outcomes are perceived to be greater, employees outdo themselves and showcase extra effort in their work. Social exchange theory suited this study because it is clear that employees who have positive perception of their Human Resource Management practices exhibit more positive behavior and are less likely to quit their organizations. It best explains the relationship among human resource management practices.

### **Human Resource Management Practices, Organizational Performance, Employee Behavioural Outcome and Leadership**

The basic idea behind the expectancy theory is that people will be motivated because they believe that their decision will lead to their desired outcome (Redmond, 2010). It is built from the idea that motivation comes from a person believing they will get what they want in the form of performance or rewards. As it is proposed by this theory, work motivation is dependent upon the perceived association between performance and outcomes and individuals modify their behavior based on their calculation of anticipated outcomes. This has a practical and positive benefit of improving motivation because it can, and has, helped leaders create motivational programs in the workplace. Although the theory is not all inclusive of individual motivation factors, it provides leaders with a foundation on which to build a better understanding of ways to motivate subordinates. Expectancy theory emphasizes on individual perceptions of the environment and subsequent interactions arising as a consequence of personal expectations. Expectancy theory suited this study because it is clear that employees' motivation comes from the persons believes that he/she will fulfill his or her needs after getting a rewards for a well done job or performance. However the relationship among human resource management practices, leadership, employee behavioural outcome and performance is clearly explained in this theory.

### **Human Resource Management Practices**

This study consider incentives for performance, pay structures and job evaluations variables to measure the relationship between reward management as one of the Human Resource Management practices and organizational performance in the presence of employee behavioral outcome as a moderating variable and leadership as an intervening variable in the relationship. Development need analysis, succession planning and career progression were used to measure human resource development in the presence of employee behavioral outcome as a moderating variable and leadership as an intervening variable in the relationship. Recruitment/selection was measured through recruitment/selection, committees, methods of recruitment and human resource planning while the study used study assistance (time off for study and financial assistance), flexible work arrangement and social relevance of work as aspects to measure quality working life in the presence of employee behavioral outcome as a moderating variable and leadership as an intervening variable in the

relationship. Questions related to these aspects helped to get the linkage in the relationship between the independent, dependent and control variables.

### **Organizational Performance**

Organizational performance variable covers aspects like, customer satisfaction, efficiency at work and financial viability ability. These aspects were used to measure the relationship between the Human Resource Management practices and organizational performance in the presence of employee behavioral outcome as a moderating variable and leadership as an intervening variable in the relationship. Questions related to these aspects helped to get the linkage in their relationships.

### **RECOMMENDATIONS**

The study recommends that both employers and employees should use collective efforts in identifying an ideal mix of benefits that matches employee needs, developing a supportive culture respecting individual needs/values, and the continuous evaluation and improvement of organizational work life programmes, to bring in fruitful gains to individual employees as well as organizations. It is evidenced that rewards strengthen behavior when employees see a strong connection between a specific behavior and a certain reward. In order to get the best results, the study recommends that managers need to clearly identify good performance in behavioural terms and reward those employees who engage in these specific behavior.

It is further evidence that there is both a direct and indirect link between training and business strategy and goals. This means that training can help employees develop skills needed to perform their jobs, which directly affects the business performance. The study further evidenced that with proper facilitation, the employees will be able to use and apply the knowledge to improve efficiency, and solve problems.

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