

## HR Practices – and its effect on Individual’s Performance

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### Abstract

This paper seeks to review the literature on HR Practices and its effect on employee’s performance in an organization. It aims to explain the importance of Human Resource (Personnel) and how its effect the performance of the individuals and as well as an organization. The paper intends to provide a conceptual review of the past literature in the areas of evolution of HR Practices and its impact over all organization. The main limitation of this review is that the study is completely based on secondary source of review and no primary study is done. Thus, the study also provides empirical evidence to support the literature of the article. All the provided literature is written based on the findings gained from the previous studies. This study can increase the knowledge to strengthen the HR Practices by using of few methods/ways to improve the performance of employees and control the conflicts, build the trust among the individuals and best human recourse practices.

This will help in the formulation and implementation of Strategies for formulation of Best HR Practices in any organization which will in turn enhance the effectiveness of the organization as a whole. This in turn can help the organization to operate at high efficiency. The study helps the scholars orient their research in HR Practices by providing them a better understanding of the construct. Also provides a ray of direction in which the field is going and what are the existing gaps.

The organizational status, with the onset of globalization, liberalization and privatization, has drastically changed, especially in terms of the economic front. In this perspective, the organizations are expected to make an objective assessment of existing status of their HR policies and practices that would help to generate a need based virtual HR Agenda for the future. For effective human resource utilization Human Resources becomes very essential. The current day requirement of the organization is to develop human resources to maximum possible extent. The process of developing human resources is continuous and it includes the aspects of sharpening the skills, knowledge of the people. This is a strategy adopted by all the organizations. There is an in depth necessity for the development of human resources in the most efficient manner which would in turn yield growth and prosperity to the organization and the society as a whole. It is hence taken for granted that the expenditure incurred on the development of human resources has a good return on investment. The present study lays a foundation to it by giving a concrete base and direction through literary evidence from various studies conducted pertaining to the status of HR practices and their relation to employee’s productivity in the organization. It is suggested that a research on earlier researches and case studies would give appropriate platform to formulate action strategies for the future.

### Introduction

According to Šikýř (2013), every organization has got the time to think about the world it wants to build with the kind of product it generates. When the product seems hostile to the customers, the organization simply melts down under the shine of a new product from another company that suffices the necessity of the customer. It is the human resources of the organization that plans, designs and generates these products, which are either good or bad in the customer perspective. They need to understand the consumer pulse before being able to do any of the above processes. Imbibing this skill of understanding the requirement in the employees is the major responsibility of the employer than working on any other task. Hence the organization has to develop its best-fit strategies to woo the employees perform better towards the organizational goal. The strategies should focus on the development of the human resources because a skilled labour force will be more than ever central in organizational as

well as national economic success. In today's employment frayed social fabric we are only beginning to address the complex human performance needs of people globally (Wright et. al. 1994).

These needs are fulfilled by various HR practices being followed in the organization. The practices include recruitment and selection, performance appraisal, training and development, employee welfare and motivation, maintaining labour- management relations, and addressing the employee grievances.

### **1. Recruitment and Selection:**

In the face of current economic realities, all the business organizations are in search of ways to remain competitive to sustain in this market. This created a demand for increased recognition to the people in the organizations, as it is a matchless source of competitive advantage. Recruitment and selection is the first step in obtaining this matchless resource. The commitment of employees has become an important issue in the recent years because of the perceived benefits (i.e., in terms of improved performance and reduced labour turnover) that are assumed to flow from it (Kalleberg and Moody, 1994).

One of the most important jobs of HR departments is to recruit the best people for the organization. The quality of an organization is of crucial importance for its success. The success of recruiters and employment specialists generally is measured by the number of positions they fill and the time it takes to fill those positions. The recruiters have a great work to do in terms of developing the workforce prescribed by the employer. The job postings are advertised; candidates are sourced, applicants are screened, preliminary interviews are conducted. Finally they need to coordinate hiring efforts with managers responsible for making the final list of selected candidates.

As suggested by Youndt and Snell 1995), there is a great impact of this recruitment and selection process on the revenue growth and the profit margins of a company as compared to other tasks of employment, as it shows a major impact on the employee performance. Mostly, there is inadequate recruitment (excess or shortage) of employees in any organization. This can be because of the excess time, money and effort being spent by the HR departments on managing the already recruited employees. When the hiring needs are not fulfilled, it leads to various issues. When the employees are excess in number, then the organization will suffer a loss as the cost of maintaining that department increases in comparison to its earnings. On the other hand, if a key position is left vacant then that causes losses too as it directly results in reduced corporate revenue. There is a need for a shift in the present day's scenario, from the traditional concept of hiring that treats all job vacancies equally to one that prioritizes each vacancy depending on criticality. When this is not measured, the employee performance and its impact on the organizational performance cannot be measured.

A competitive HR management always starts with a competitive recruitment process. The organization builds the competitive advantage with its employees. The recruitment process determines the best sources available in the market. These best sources are very important to the organization as it critically impacts the performance of an organization. Khatri (2000) explained that the recruitment process brings in employees with different levels of performance. If the recruited employee is a poor performer, then it has an impact on the overall performance of the organization. If the recruited person is a good performer, it positively impacts the organizational output. While it is understood and accepted that poor recruitment decisions continue to affect employee performance which in turn affects organizational performance and limits goal achievement, it is taking a long time for the recruiters of various organizations to identify and implement new, effective hiring strategies. Acquiring and retaining high-quality talent is critical to organization's success. In the recent past, due to redundancies and retirements many organizations are faced with the problem of identifying and selecting the best staff to fill vacancies left. There are many studies on the

aspects of recruitment practices and their affects on the performance of employees in organizations. A positive relationship is traced out between the recruitment and performance of a firm as suggested by Ichniowski and Shaw (1999).

## **2. Performance Appraisal:**

As suggested by Lazear (2000), once the employees are recruited, the HR Department has to review their performance on a regular basis through proper performance appraisals. It is the process of obtaining, analyzing and recording information about the relative worth of an employee. Performance appraisal has its main focus on measuring and improving the actual performance of the employee and also the future potential of the employee. The ultimate target is to measure what an employee does. With the results obtained from this appraisal, the HR Department will set up an action plan for each employee. If the analysis reveals the need for any training program, relevant measures are taken.

Though very old, the process of performance appraisal is yet to obtain its perfection. Any important decision regarding the personnel of the organization needs to emphasize on performance appraisal. It is a formal exercise which is necessary for all important decisions relating to such as placement and promotion, remuneration and reward. One of the major objectives of performance appraisal is “Human Resource Development”. In one of their studies, Ichniowski et.al. (1997) showed Performance Appraisal as one of the HRD sub-systems. It was also identified that performance appraisal is quite useful in improving individual and organizational efficiency and productivity.

Most of the organizations use the appraisal data for work planning, strengthening superior-subordinate relationship etc. Similar results have been indicated in the study conducted by Leckie (2001). It can be concluded that the Indian organizations are using appraisal systems for various objectives indicated above. The appraisal systems are being revised by many organizations to make it more effective.

For achieving high performance goal of organization performance appraisal is very important component of human resource management.

Performance appraisal doesn't benefit only employees. Organizations that use the results of performance appraisal to identify areas of strength and opportunity can benefit as well. Performance appraisal can provide an indication of areas of training need as well as direction for leadership development, performance improvement and succession planning.

### **Identifying Areas of Strength**

As suggested by MacDuffie (1995), the results of performance appraisal can be helpful in identifying the areas of strong performance amongst all employees, by department or by demographics. When the performance assessments are standardized, the companies will be able to aggregate, calculate and analyze results to show where performance is strong. The identified domains of strength can serve as benchmarks and opportunities for sharing of best practices for other areas of the organization.

### **Identifying Training Needs**

The evaluation of the results of performance appraisal can provide managers, human resources departments and organizations with an indication of where additional training and development may be necessary. For instance, results may indicate that employees collectively are scoring low on items related to use of technology or customer service. Based on these identifications, the training programs can be created and implemented to build up employee competence and performance. The achieved results of the training programs can be evaluated at the individual, departmental and organizational levels (Ramsay et.al. 2000).

### **Developing the Leadership Qualities and designing the Succession Planning**

According to Huselid (1995), the identification of leadership potential or leadership development needs can be done through performance appraisal. In both cases, the manager and HR department then can develop programs and interventions to either offer employees an opportunity to exercise their leadership competencies or build skills.

The succession planning process can be done through performance appraisal which will help in identifying the employees who have a specific set of competencies which are useful to the organization for future growth and development of the organization.

The concept of performance appraisal improves the employee performance in various facets. It helps the employee to identify his own abilities and areas which need to be developed. Unless the employee identifies himself to be strong or weak in a particular domain, he would not make himself ready to perform better or learn to be better in that domain respectively. Hence, appraising the performance of an employee is helpful in making better contributions to the organization by focusing on improving the employee performance in required areas.

### **3. Training and Development:**

There is a constant watch over the organizational employees by the HR department. Any minor or major improvement in the efficiency level of employees requires the employees to undergo training and development programs. It is the HR department which takes care of all trainings and development needs are carried out by this department. The training might be either on the job or off the job training.

The tools necessary for the employees' success must be provided by the employer. In most of the cases, this means giving new employees extensive orientation training to help them transition into a new organizational culture. The employees are also provided with leadership training and professional development by the HR Department (Huang, 2001).

As suggested by March and Sutton (1997), regardless of individual differences and whether a trainee is being trained, he learns a new skill of acquiring knowledge of a given topic. After the process of learning, the person should be given opportunity to practice what is being taught. Practice is also essential after the individual has been successfully trained. There are two aspects of practice – active practice and over learning. Active learning allows the trainees to perform the task repeatedly or use the knowledge being learned. When trainees are given the opportunity to practice far beyond the point where the task becomes 'second nature', it is said to be 'over learned'. Thereby, training and development is beneficial not just for the organization itself but also to the individual employees. On the one hand, training and development leads to improved profitability and/or more positive attitudes toward profit orientation, improves the job knowledge and skills at all levels of the organization, improves the morale of the workforce and helps the employees identify with organizational goals. On the other, training and development benefits individual employees through helping them make better decisions and effective problem solving, assisting in encouraging and achieving self-development and self-confidence, helping an employee a person handle stress, tension, frustration, and conflict, increasing job satisfaction and recognition and moving the person toward personal goals while improving interaction skills (Fey et. al., 2000).

With so many benefits arising out of training and development, the employees start performing better at the organization. The "knowledge, skills and abilities" (KSAs) of the employees are developed from the existing to the expected levels that would help the organization in achieving its short-term and long-term goals. If the employee is not trained, the KSAs become stagnant and there would be no growth in the employee. This would stagnate the growth at group/ departmental levels and finally stagnates the overall organizational growth. The gap between the existing and expected KSAs of the new and old employees recruited into the organization is a major task amongst the HR perspectives. The gap, if not filled, makes the organization vanish in the light of competition.

#### **4 Employee welfare and motivation:**

It was suggested by Fesser and Willard (1990) that happy employees mean a healthy organization. It is one of the HR practices which include employees get together, annual staff parties etc. A motivated person has the awareness of specific goals that must be achieved in specific ways; therefore he/she directs its effort to achieve such goals. It means that motivated person is best fit for the goals that he/she wants to achieve, as he/she is fully aware of its assumptions.

The role of managers, therefore are assumed to successfully guide employees towards the organizational agenda of achieving its objectives, then it is very important for them to educate and understand those psychological processes and undertakings that root cause the stimulation, direction of destination, determination and persistence of voluntary actions.

According to the Herzberg's two-factor theory, work itself is a motivator. While performing a job, a worker derives a sense of self-worth in the process of performing it and he derives a sense of accomplishment upon completion of that job. Studies have shown that satisfied workers are more productive. In dealing with today's knowledge workforce, managers need to design jobs that are both challenging and satisfying. Most of the jobs in the workplace are apparently not very challenging. In such situations, managers can set goals and objectives through which employees know what is expected of them (Patterson et. al. 1997).

To have the most motivating effect, these goals and objectives need to be specifically stated. Once clarity is established with respect to the goal, a previously routine job becomes more of a challenge. With this view, the worker becomes more motivated in order to achieve that goal. Whether the job is by design or by goal setting, a highly motivated worker is likely to be one who has the necessary skills and supplies to accomplish the job.

According to Becker and Huselid (1998), it is revealed that the employees enjoy not only the satisfaction of their jobs but also various facilities given by the firms. The labour extends their maximum support for the improvement of the company. It is the responsibility of the management to provide all the health, safety and welfare facilities to the employees that will help to produce better performance in the work and working environment. In a study, it is found that most of the welfare facilities like medical, canteen, working environment, safety measures etc., are provided by the company and most of the employees are satisfied with the welfare facilities adopted by the company towards the employee's welfare.

The employee welfare and motivation makes the employee happier and this happiness at work makes him a more productive employee. A happy employee is more productive employee. The employees increased productivity leads to improved performance at workplace.

#### **5. Labor management relations:**

According to Purcell (2003), it is crucial to have good labour management relations for the smooth operation of any organization. There are certain objectives set for itself by every organization that it wants to achieve, and these objectives cannot be achieved without an effective cordial relationship between labour and management. The success of an organization is not only measured by the amount of profit the company can make, but also by the degree of industrial peace and harmony that can be maintained. Therefore, the employers of an organization have to pay more attention to the needs of labour, so as to maintain high performance. Management having been entrusted with the day running and administration of the organization, should regard and treat employees as a vital and essential asset of the organization; employees on the other hand should try to appreciate the effort of management in trying to protect the interest of investors and shareholders.

As suggested by Rogers and Wright (1998), if the organization has to survive, Management must relate with labour. The absence of this relation will robe the organization of the workers

loyalty and high performance. When management and labour are integrated into group, they will work harmoniously and productively for economic benefit and social satisfaction of all.

The problem of low performance in an organization occurs when there is no cordial relation between management and its workers. This brings about lack of understanding thereby preventing management and workers from achieving their goals. In such a situation there is usually low productivity, no staff morale, low pay, lack of promotion and no maintenance culture.

This lack of morale and motivation leads to a non-productive employee by reducing his performance at work.

### **6 Addressing employee's grievances:**

According to Zhu (2004), amongst the HR practices, redressing the grievances of employees is one of the major tasks. HR department is the link between the workers and the management. Employees' grievances related work environment are usually entertained and resolved by the HR Department. In every organization, grievances occur and handling them properly is important for maintaining a harmonious and productive work environment. Grievance management is all about how well the problems are addressed (and solved). It is very essential in the present world. In the current scenario, there are many companies who declare that their human resources are their most important assets. But, their major focus is on the human capital.

As suggested by Becker and Gerhart (1996), the grievances of all these employees are managed to improve their commitment towards the organization. When the employee commitment improves, it improves the performance levels of the employee. The ability of an employee to carry out and accomplish acceptable standards of work is called performance. These standards are set and can be measured against what is achieved. Performance is defined as the ability to discharge skills, acceptable work or task. Employee performance cannot be isolated from grievance administration. This is because performance is affected regardless of any nature of grievance.

As explained by Wright et. al. (2003), when the employee work-related concerns and grievances which are not promptly and effectively resolved can result in:

- Lost productivity and lower quality work, products and customer services;
- Distraction from corporate goals and loss of confidence and communication between employees, managers and supervisors;
- Low morale and job satisfaction which can lead to industrial problems, increased absenteeism and increased staff turnover; and
- Loss of reputation to the employee and lost working time of everyone involved.

Hence, the organization needs to manage the employees by redressing their grievances at the appropriate time, to improve the performance of the employees. Maintenance of employer-employee relations with utmost care, by using grievance redressal management as an effective mechanism for it, would help the organization achieve its objectives.

### **Conclusion:**

The study indicates that firms which adopt a suite of high performance HR practices experience a lift in their profitability, productivity and market share relative to their rivals. The HR practices appear particularly important. There are systematic differences in the types of firms that adopt high performance HR practices. Younger firms, large firms, and high-tech services firms are most likely to adopt high performance HR practices. One reason is that high performance HR practices are more likely to have an impact on firm performance in some industries than in others.

Our study is relevant to understanding the impact of HR practices on employee performance. It indicates that adoption of a suite of high performance HR practices impacts on different measures of employee performance. Hence all the employees can perform well with the implementation of appropriate HR practices.

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