

## **A STUDY OF IMPACT OF HRM PRACTICES ON PERFORMANCE OF EMPLOYEES**

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### ***Abstract:***

Studies on HRM practices at different levels have been an area of interest for researchers for several decades because of the expansion of the industries and innovative practices which enable an organization to retain and utilize the Human resource effectively. As the 21st century has seen a tremendous growth in the corporate sector where it is crucial for the organizations to retain and care for their employees and to improve their competitive advantages. Hence this study was undertaken to identify the impact of HR practices (Training, Compensation and employee participation) on employee performance. Samples were collected using questionnaire from 50 employees in order to test the hypothesis. Regression analysis was done using SPSS to find out the impact of independent variables on employee performance. It was found that there was a significant relationship and impact of training and compensation plans on employee performance whereas employee participation had less impact on employee performance.

***Keywords:*** Human resource Management, Training, compensation, employee participation

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### **INTRODUCTION**

Impact of human resource management practices on organizational performance has been a widely researched area for years. Results of studies, from developed countries to developing countries, have been time and again showing that HR practices have significant impact on organizational performance (Delaney & Huselid, 1996; Katou & Budhwar, 2007; Sing, 2004; Tzafirir, 2006). But unfortunately, very insufficient numbers of studies have been conducted in this area among the developing countries. In view of this, understanding the human resource practices that will improve employee performance and also contribute to their retention is serious issue as employee turnover will be high as there is high demand for their services. Human resource practices are organizational tools that can be used to attract and retain the best brain in order to achieve organization objectives. In this scenario, this research examined the impact of certain HR practices on employee performance.

### **Research objective:**

The main purpose of the study was to identify the impact of HR practices on Employee performance.

### **Literature review:**

The impact of human resource management on the performance of a company has come into limelight and as such it has become an area that requires paying more attention to in the field of (HRM). According to few studies, some human resource practices will have a positive impact on a company's performance while numerous researchers suggest that more conceptual and practical approach is important on these works (Delery & Shaw, 2001; Von Krogh, Ichijo, & Nonaka, 2000; Wright & Boswell, 2002). Although, recently employees in an organization are seen as the most important asset possessed by an organization however, their impact are felt by only a few organizations (Davenport & Pruzak, 2000; Schein, 2006; Syed-Ikhsan & Rowland, 2004).

There has been an increase in the experimental studies that examines the influence of some practices of (HRM) on performance of employees (Becker & Huselid, 2006; Bowen & Ostroff, 2004). One can come across various HR practices that can influence the performance of an organization on their own or when merged with others. However, the result cannot be easily interpreted (Ahmad & Schroeder, 2003). In order to examine the influence of HR practices on performance of employees, which is also related to organizational growth, it may be necessary to recognize the HR practices that are recommended by Pfeffer (1998) in which the literature explains that one can expect its influence on employee performance.

### **Training and Employee development**

Training is done to create change by initiating a new employee into the culture of the organization. It involves new employees acquiring new skills or improving their skills in order to implement change that is needed by an organization. Training is not sufficient enough to motivate work force. But, it is an important tool that an organization can use to achieve its long term goals (Laird, Holton III, & Naquin, 2003).

Training given to employees is done as an agreement to maintain culture of the organization and also to be productive which in turn will result in earning reward and awards. Training

also plays an important role in employee performance as the skills acquired during the training will be the major part of the employee life-cycle in an organization (Cardon & Stevens, 2004). Training as a tool will help an employee to upgrade his knowledge and technicality and improves his performance in the organization (Castilla, 2005). Training plays an important role in motivating employees to take part in organized projects, to willingly support programs that will improve the organization and to do their best in order to see that organizational goals are achieved (Bolman & Deal, 2011). When employees are trained, it will be easy for organizations to achieve their set goals (Linderman, Schroeder, Zaheer, & Choo, 2003).

H1: There is a significant relationship between training and development practices and employee performance.

### **Performance Appraisal**

Performance appraisal is used by organizations to evaluate employees' efforts so as to reward them for the efforts (Collins and Clark, 2003). Performance appraisal was found to have both direct and indirect effect on administrative performance of employee and the feedback obtained from performance appraisal activities, usually conducted at least once annually can help to improve administrative processes (Collins and Clark, 2003).

H2: There is a significant relationship between Performance Appraisal and employee performance.

### **Employee Participation**

Tata and Prasad (2004) Pointed out that employee will be more committed to the organization as a result of team work and decentralization of decision making, with active participation, employees will feel like a part of the organization and this will have a positive impact on the organizational performance. Working together as a team and making joint decisions is of utmost importance at this point in order to be able to achieve the set objectives of the team and the organization as a whole. According to Pfeffer, 1998; Wagner, 1994; Yeatts and Hyten, 1998; Singer and Duvall (2000) a number of studies have established that success of high-performance HRM practices depend on decentralization and self-managed team. Jayaram et al., (1999) also establish that a team that is decentralized can positively

influence time and flexibility, which are two dimensions of performance. In another study by Collins and Clark (2003) it was observed that human resource processes and procedures play important role in terms of allowing organization to take competitive advantage and ensure bringing HR practices and organizational performance closer, using employee network procedure of high level management practices.

H3: There is a significant relationship between employee participation and employee performance.

### **Data collection:**

The data is collected through survey questionnaire. As this study is about the HRM and performance to understand the impact Quantitative approach was adopted. Rational for the selection of close-ended questions instead of conduct interviews is to find the relationship between variables and comparisons between the respondents (Brayman& Bell, 2007).

The data used for the study were obtained from both Primary and Secondary Data sources. The Primary sources include direct information collected through administration of questionnaires in order to gain insight into the research topic. The secondary data sources include journals, textbooks and other related publication both online and offline. Data were gathered through administering of questionnaires to employees of Telekom Malaysia from the two provinces (Kuala Lumpur and Selangor). The entire questions in the questionnaires were structured and some of the questions were intended to test hypothesis that were previously formulated in the study.

The questionnaire designed for this study has two sections which include; the first section that consists of normal scale questions which involve demographic information of respondents. The information was later converted into percentage to ease analysis. And the second section that consists of 5-point Likert Scales questions with 5 options to choose from. The options are provided for respondents to show the rate at which they agree or disagree with the questions. The options answer provided for the questions start with 1 – which stands for “Strongly Agree”, followed by 2 – which represents “Agree”, the next is 3 – which stand for “Neutral”, followed by 4 – which represents “Disagree” and ends with 5 – that stand for “Strongly Disagree”.

### **Population:**

It is almost impossible to conduct survey on all the companys' employees. Hence, this study adopted a convenient sampling method to select sample from the total population to conduct the research. The sample size for the study was 50 employees employed in corporate sector of Nawanshahr District. The respondents were chosen based upon their willingness and convenience to respond to the survey and the sample size was arrived after rejections on incompleation.

### **Data analysis:**

The data gathered was analysed using the statistical analysis software. The Statistical Package for Social Sciences (SPSS) version 21 was used to analyse the data collected. The SPSS software was used to perform descriptive statistics such as correlation analysis, regression analysis, and to compare the differences in the regression coefficient. Pearson's Correlation Co-efficient was adopted for data analysis approach. The method was used to test the relationship between HR practices and performance of employees.

### **Demographic Analysis:**

51% of the respondents are female for as compared to male (49%). This shows that there are more females workers in corporate sector compared with the male workers. The average age of respondents is above 40 years old accounted for 2.0%, fewer than 25 years old accounted for 23.5%, above 25 years old accounted for 50.0%, and above 36 years old accounted for 24.5%. The highest qualification is Master degree and only 3.9% of the respondents got that. Bachelor degree holders are the highest respondents with 43.1%, follow by Diploma with 34.3%, HSC/SPM 15.7% and HSC/STPM 2.9%. Respondents who have spent less than 1 year at work accounted for 35.3%, above 3 years accounted for 40.2%, above 4 years accounted for 22.5%, above 7 years accounted for 1.0% and more than 10 years also accounted for 1.0%.

**Hypothetical testing:**

**H1: There is a significant relationship between training and development practices and employee performance.**

Model		Sum of Squares	D F	Mean Square	F	Sig.
1	Regression	6.002	1	6.002	8.667	.004 <sup>a</sup>
	Residual	69.253	100	.693		
	Total	75.255	101			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.476	.374		3.952	.000
	Training	.303	.103	.282	2.944	.004

a. Dependent Variable: Employee Performance

b. Independent variable: Training

In the ANOVA table, the significance was found to be 0.004.

This can be interpreted as the relationship between training and employee performance is significant. This result proves that there is relationship between employee training and employee performance. This result was in line with the findings from Phillips (2009) in his study the effect of training on teacher performance in secondary education. The study established that there is a relationship between training and employee performance. This result is reasonable in that people get better with better training and additional skills.

Employee performance will increase by 0.303 for every one unit increase in training. That is, whenever employees are been trained, their performance will increase by 30.3%. The beta coefficient in regression is 0.282 positive. Thus it is evident that training has 28.2% influences on employees' job performance. Hence the hypothesis one was proved to be significant.

**H2: There is a significant relationship between Performance Appraisal and employee performance.**

#### ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	10.981	1	10.981	16.635	.000 <sup>a</sup>
	Residual	66.010	100	.660		
	Total	76.990	101			

#### Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.424	.239		10.136	.000

Performance					
Appraisal	.372	.091	.378	4.079	.000

The value of significant of the model from ANOVA is 0.000. This shows that the relationship between performance appraisal and employee performance is statistically significant.

The coefficient value for performance appraisal and employee performance, using the regression equation  $y = b_1x_1 + A$ , will be: Employee Performance = 0.372 (Performance Appraisal) + 2.424. This indicates that employee performance will increase by 0.372 for every one unit increase in performance appraisal

The beta coefficient for performance appraisal and employee performance is 0.378. The value of beta indicates the level at which independent variable (performance appraisal) can influence the variations in the dependent variable (employee performance). The higher the value of beta the higher is the influence of independent variable on dependent variable and vice versa. Performance Appraisal has 37.8% influences on employee performance. The percentage of influence is moderate. This proves that performance appraisal has moderate influence on employees' performance.

**H3: There is a significant relationship between employee participation and employee performance.**

**ANOVA**

Model		Sum of Squares	D F	Mean Square	F	Sig.
1	Regression	.051	1	.051	.060	.807 <sup>a</sup>
	Residual	85.292	100	.853		



Total	85.343	101			
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**Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	3.062	.282		10.863	.000
Employee Participation	.026	.105	.024	.245	.807

a. Dependent Variable: Employee Performance

b. Independent variable: Employee participation

From the ANOVA Table, the significance in the relationship between employee participation and employee performance is tested. It can be deduced from this result that there is no relationship between the independent variables (Employee Participation) and dependent variable (employee performance). Both the independent and dependent variables are not comparable and fit.

The coefficient value for employee participation and employee performance, using the regression equation  $y = b_1x_1 + A$  which can be expressed as: Employee Performance =

0.026 (Employee Participation) + 3.062. This model estimating that employee performance is expected to increase by 0.026 when employee participation increase by one unit and employee performance is expected to be 3.062 when incentives are zero.

The beta coefficient is positive 0.024. The beta percentage is 2.4% which can be considered to be very low. This proves that the level of influence of employee participation on employee performance is comparatively low. Hence the H3 was proved to be non- significant.

### **Conclusion:**

This study was undertaken with the basic objective of identifying the impact of HR practices on employee performance. Three major HR practices were chosen for study after review of literature and conducting a study on HR practices. Three hypotheses were developed which focused on identifying the impact of Training, performance appraisal and Employee participation on employee performance. The findings of the regression analysis proved that there was a significant relationship between training on employee performance. It was found that Performance appraisal has moderate influence on the performance and employee participation in decision making has least influence on the performance.

This study results match with Tahir (2006) findings where he revealed that training, compensation and performance appraisal are highly significant in employees' efficiency and effectiveness. Likewise the findings from this research are in line with the results from Singh (2004) where it is revealed that Training and compensation have significant influence on organization and employees' performance. This finding is also relates with this study results. This study results is also the same with the findings revealed by Sultana et al. (2012) where it is showed that employee training helps to develop organization performance, take a vital role in improving employee performance as well as increasing productivity and eventually helps to place organizations in the best position to face competitive challenges and stay on top.

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