

THE ANALYSIS TERM HR PRACTICES INVOLVES VARIOUS ACTIVITIES OF AN ORGANIZATION ENGAGED FOR DEALING WITH THE WORKERS

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ABSTRACT

The term HR practices involves various activities of an organization engaged for dealing with the workers, by ensuring the attainment of its goal by proper use of its human assets (Schuler and Jackson, 1987; Schuler and MacMillan, 1984; Wright and Snell, 1991). Human resource (HR) consists of an organization's "people practices" which comprises of the methods, policies and systems that influence employee's performance. HR impacts employees who work for their organization and also the way they work. The human resources, if well managed, have the potential to be a source of sustainable competitive advantage, contribute to the basic objectives such as quality, profits and customer satisfaction (Noe et al., 2004).

The basic function of HR is to ensure that there is always sufficient supply of manpower for all the position with the idea of right man in right place. The HR policies and systems should be clearly disclosed to the employees. This way misunderstanding and communication gap can be eliminated for the smooth running of the organization. The goal for having good HR practices is that the objectives of the organization should be aligned with that of the employees for maximum gain to both the entities.

HR practices include HR planning, recruitment & selection, compensation, training, performance appraisal and career planning / promotion which need elaboration.

KEYWORD: HR, Financial, Funding, Business, Management, Planning, Industries, Ratio

INTRODUCTION

To fulfil the requirement of human resource, recruitment and selection process is carried to employ eligible and capable persons at a reasonable budget. Though the impact of recruitment & selection on organizational performance cannot be denied but still the general practice by organizations is to casually select sub-standard and unpredictable labour force by following erratic and biased selection process. The selection process can be varying for different organizations but the ultimate objective is to hire appropriate person for the said vacancy. A comprehensive job definition, description and job analysis are primary aspects for drawing up the recruitment & selection methods. The organization can only expect to get closer to fulfil its aim when these processes are integrated and aligned with its objectives. HR planning refers to

the process which involves planning for future manpower requirement and placement of those workforces accordingly. The objectives of business need to be aligned strategically with human resource planning. The target of HR planners is to find out the gap arising out of the existing workforce and requirements for the future and providing viable alternatives and solutions to the organization.

Therefore, managerial activities related to the planning, organization, direction, and control of the finance function constitute the subject matter of financial management. However, owing to the rapidly evolving socioeconomic landscape, this field has gained new dimensions. Financial management studies include cash flow, credit control, dividend policies, budgetary control for measuring financial performance, capital budgeting, earned income planning, management of working capital, and planning for raising capital. In order to facilitate understanding, the following are some definitions of financial management.

According to Solomon Ezra, financial management pertains to the effective utilization of capital funds, which are a significant economic resource.

- "Financial management is the application of the planning and control function of the finance function," according to Howard and Upton.
- According to Wheeler A. H., financial management is the activity that deals with acquiring and managing capital money in order to achieve the overall goal and financial needs of a company enterprise.

Training Practices

The major activity for developing human resource is training. The performance outcome of the employees depends upon the process of training. Since training is an integral part of HR, a dynamic method of training will definitely enhance staff performance and provide the much needed competitive edge to the organizations. There are two way benefits of a proper training program; the employee becomes more knowledgeable and skilful, on the other hand, effectiveness of the organizations is increased. Substantial amount of empirical and theoretical research study is available on how investment in training is desirable and justified. The challenge of technological changes also forced organizations to conduct regular training programs, to cope up with the change. Training means a learning intervention of knowledge and skills provided at regular basis by the employer for improving employee performance. It enables the organization to allocate new and higher responsibilities to its existing employees.

Performance Appraisal

Appraisal is one of the vital components of HR practices. One of the basic functions of appraisals is to fix accountability among organizations. Appraisal is a system to measure employee productivity and also influences the final outcome of their performance. Different appraisal mechanisms are implemented by organizations to monitor the growth and progress of employees and to reward them accordingly. Moreover they become the basis of formulating and modifying the future recruitment & selection and training process so that organizational goals can be met. For the employees the appraisal system provides them with a formal guideline about the job requirements for their advancement in the organization and lay down the path for

continuous improvement.

Career Planning

How an organization strives to help employees to learn their strengths and to match these strengths, aptitudes, preferences, and abilities to future work? The answer is career planning. Career is an individually perceived sequence of attitudes and behavior associated with work related experiences and activities over the span of the person's life (Douglas T. Hall, 2002)." Career planning is an ongoing process through which an individual sets career goals and identifies the means to achieve them. The process by which individuals plan their life's work is referred to as career planning. Through career planning, a person evaluates his or her own abilities and interests, considers alternative career opportunities, establishes career goals, and plans practical developmental activities. Career Planning gives guidance to the employee about the possible developments in his career within the organization. For a Successful career planning it is required that every individual should realize his goals, determine the strengths and weakness in his job performance and develop his skills through training.

Promotion Practices

Promotion means when an employee is proposed to the next level in the organizational hierarchy, which gives them with more monetary benefits and responsibilities. A proper merit based promotion system in an organization improves the performance of its employees. The satisfaction of the employee is one of the deciding factors in determining employee satisfaction. The primary idea is to internally promote or upgrade a worker to fill up a vacancy. It is directly related with superlative performance of an employee which provides to progress with experience and performance. Promotion also helps to retain high performing employees and if visible and equitable reward is implemented it may act as a tool for motivating employees.

Outcome variables

There are two outcomes of HR practices; individual and organizational. Individual outcome includes employee performance, employee morale, employee turnover etc. Organizational outcomes include organizational performance, turnover, customer satisfaction etc.

Individual Outcome

The individual outcome consists of the following factors:

Employee Performance

Employee performance means the contribution of each worker in terms of quantity and quality as per the expectation of the organization. The attitude and behaviour of the staff is an indication towards their performance. There are various criteria for measuring the performance of its employees and it includes production, sales, etc. The relationship between lower, middle and top management also improves employee performance. To inspire and motivate employees for superlative performance, their professional progress and skill development must be integrated with their scope of work. The work environment should be flexible and acceptable to the labour force. The performance of employees is monitored regularly and they are given definite guideline on the basis of which it is executed.

Employee Turnover

Employees' turnover intention is one of the problems to pay attention by the human resources department (Peterson, 2004). Turnover intention is the behavior of employees' intent to leave the current job. Mobley (1979) stated that turnover is the termination of a membership between an individual with company who was employed by the company. Price (2001) mentioned that turnover intention is the form of withdrawal of individual from an organization. Turnover intention also can be defined as conscious and willingness to search for other opportunities of employments (Tett and Meyer, 1993). According to Jaros (1997), there have three signals which show the employees' turnover intention. The three signals are – (i) whether employee thinks to quit, (ii) searches for other employment opportunities and (iii) forms an intention to leave. Bigliardi, Petroni and Ivo Dormio (2005), also commented that intention to leave is employees' thinking to leave or to stay in the current employer organization.

Organizational Outcome

The organizational outcome involves mainly the following parameters:

Organizational Performance

The performance of an organization is derived from the value added. Sales volume and number of employees is a good indicator of measuring organizational performance. Profits and share value are the financial components for finding organizational performance. Organizational performance is assessed by calculating the projected output of the firm with the actual results. It affects various stakeholders like investors, policymakers, process section, legal etc.

Customer Satisfaction

In the modern organisations-both manufacturing and service, customer satisfaction is a key factor contributing to organizational success. The collective attitudes and behaviors of the workforce in these organizations have great potential to impact customer satisfaction. By managing the boundary between the customer and the firm, employees mainly in service organisations are providing jobs to influence competitive advantage by shaping customer loyalty and buying behavior (Heskett, Sasser and Schlesinger, 1997).

The empirical evidence to find out the relationship between HR practices and customer satisfaction is based almost entirely on correlational studies in manufacturing firms (e.g. Arthur, 1992; MacDuffie, 1995; Ichniowski, et al., 1997; Snell and Dean, 1992; Youndt, Snell, Dean and Lepak, 1996). However, more attention to service firms and customer satisfaction, a key performance outcome, is warranted because services are a rapidly expanding part of the new economy and because of their proximity to customers, employees in service firms are better able to influence customer satisfaction.

Manufacturing Organizations of India

Manufacturing sector in India is the source of high employment in India. It contributes about 24% of the Gross Domestic Product (GDP). The indicator of a healthy economy is the development of this sector for any country. The liberalization of the economy has opened new windows of opportunity for manufacturing sector. In manufacturing units raw materials are converted to finished products after applying human and machine process, which are then sold to consumers or customers. This huge process creates opening for large number of workforce with variable sets of skills. To align the job requirement with the human asset is the primary objective of HR practices. Manufacturing organization are engaged in manufacturing of machinery and equipment, electrical and metal

products, cement, building and construction material, rubber and plastic products and automation technology products.

Service Organizations of India

Services sector is the largest sector of India. As per the latest GDP data service sector contributes about 58%. The contribution of service sector industry towards the development of a country is immense. It can be termed as the backbone of development - both social and economic. Service organizations are huge source of employment generation which, in turn, is dependent on HR. Progressive HR practices helps them to achieve their target smoothly. The services sector is the key driver of India's economic growth. India's services sector covers a wide variety of activities such as India's services sector covers a wide variety of activities such as insurance, banking, retail, hotel and restaurants, transport, communication, financing, business services, community, social and personal services, and services associated with construction.

Review of Literature

Human resource practices have evolved over period of time due to globalization, changing needs & requirements, privatization/deregulation and competition. These external forces have exerted companies to implement innovative HR practices for sustained and improved organizational and employee performance (Gurbuz, 2009). For the last few years the term human resource practices have been regularly used. Earlier it was known as personnel management. Dessler (1991) made no differentiation between personnel management and HR and saw that the latter as a modern expanded version of traditional personnel management due to technological change in the work environment and shift in societal values. Torrington and Hall (1998) explained the differences between personnel management and HR by mentioning that personnel management is considered as workforce centered while HR as resource-centered. Guest's (1987) conception of HRM is not as an alternate to personnel management but as a particular form of personnel management which stressed the strategic issues of employee commitment, flexibility, quality and integration. Human resource practices are defined as those activities an organization uses to acquire, develop and motivate its employees (Lado and Wilson, 1994). Their goal is to enhance organizational effectiveness and satisfy the needs of the individual workers (Noe, Hollenbeck, Gerhart and Wright, 1994). HR practices may be broadly defined or understood to be a single concept or more precisely as distinct practices. Tsui and Milkovich (1987) factor analyzed 101 activities related to human resource work to come up with eight dimensions. Those dimensions are: staffing/planning, organization/employee development, employee support, legal requirements/compliance, labor/union relations, administrative service, compensation/employee relations and policy adherence.

Meaning and Objectives of Financial Statement :

Financial statement is the end product of the financial accounting process. These statements are nothing but the presentation of financial information about the firm in concise and capsule form. The financial information is that, information which relates to the financial position at a moment in time and the results of a series of activities over a period of time. Thus, "Financial statements refer to the statement that shows the financial position and results of business activities at the end of the accounting period." These statements reveal the gross and net profits

of the business carried on during a certain period and the financial position at the end of that period.

Financial statements form part of the process of financial reporting. A complete set of financial statements normally includes a balance sheet, a statement of profit and loss (also known as income statement), a cash flow statement and those notes and other statements and explanatory material that are an integral part of the financial statements. They may also include supplementary schedules and information based on or derived from, and expected to be read with, such statements, such schedules and supplementary information may deal, for example with financial information about business and geographical segments, and disclosures about the effects of changing prices. Financial statements do not, however, include such items as reports by directors, statements by the chairman, discussion and analysis by management and similar items that may be included in a financial or annual report.

Financial statements serve as horoscopes of a business as they enable readers to measure financial position of concern. Such statements contain sufficient valuable information about various aspects of business that can be useful for business decisions. As stated by the Accounting Standards Board of India that, "The objective of financial statements is to provide information about the financial position, performance and cash flow of an enterprise that is useful to a wide range of users in making economic decision." The various objectives of such statements are summarized below:

- To provide financial data on economic resources and obligations of a concern.
- To reveal implications of operating profit on the financial position of a concern.
- To provide sufficient and relevant information to various parties interested in financial statements.
- To present true and fair view of the business.
- To serve as the basis of future operations.

Ideas and Interpretation of Financial Appraisal

Financial appraisal is the process of scientifically making a proper, critical and comparative evaluation of the profitability and financial health of an enterprise through the application of the techniques of financial analysis. Financial analysis is a preliminary step towards final evaluation of the result drawn by an analyst or management accountant. According to R. D. Keenedy and S. Y. Mcmillen, "Analysis of financial statements attempts to unveil the meaning and significance of the items composed in profits and loss account and balance sheet so as to assist the management in the formation of sound operating financial policies." Financial appraisal is a scientific evaluation of the profitability & financial health of a business concern. According to Robert H. Wessel. "Financial appraisal is a process of synthesis and summarization of financial and operative data with a view to getting an insight into the

operative activities of a business enterprise. It is a technique of X-raying the financial position as well as the progress of a company.”

It is obvious that where the financial analysis ends, financial appraisal begins. In other words financial appraisal is the end of continuous cycle which starts with classification recording, summarization presentation and analysis of data and ends with the interpretation of results obtained from critical analysis thereof and it is a summarization of financial data in the form of profit and loss account and balance sheet ends. Appraisal of these financial statements probably started with bankers & financiers, who wanted to assess the solvency of credit worthiness of their clients, before retending credit. But the significance of analyzing financial statements has increased over time with the growing interest of investor & share holders in the state of affairs and prospects of public companies.

The need for a summary of the accounts of a business enterprise was appreciated from the beginning of Accounting. Luca Pacioli, the author of the first published accounting treatise (published in 1494) insisted for the preparation of summaries, which he called ‘ inventory.’ In the sixteenth century the summary of the accounts was made an integral part of the ledger in the form of a balancing account. When the business enterprises were operating on a small scale, the summary contained in the balancing account was sufficient to show the results of operations which were referred to by the proprietors or partners. As the business enterprises assumed larger proportions during the latter part of the Nineteenth century and corporations began to have many investors, it became necessary to make copies of accounting summaries for distribution to all the shareholders, and so the balancing account was developed into the contemporary balance sheet. The forms used today for preparation of the financial statements were developed in the beginning of the twentieth century.

CONCLUSION

The main objectives of the research were (i) to find out the role of demographic variables on Perceived Employee and Organizational Performances, and (ii) to investigate the impact of HR practices like Recruitment & Selection, Compensation Practices, Training Practices, Performance Appraisal and Promotional Practices on Perceived Employee and Organizational Performance in the context of both Service and Manufacturing Organizations in India.

To carry out this research study, a set of five HR practices from prior relevant research literature were identified. These factors are essential for drafting effective and efficient HR policies in an organization. Then, a conceptual framework/model was formulated where these set of five HR practices were used as independent variables to influence the two dependent variables like Employee and Organizational Performances. Survey questionnaires were administered to collect the data from 324 HR managers working in 60 service and 150 manufacturing organizations in India. Eight hypotheses were formulated and tested by using Chi-Square, Correlation, Regression analysis and ANOVA test. The empirical findings confirm most of the theoretical and hypothetical arguments presented in the earlier literature.

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