

A STUDY EVALUATING THE INFLUENCE OF HUMAN RESOURCE STRATEGIES ON EMPLOYEE MOTIVATION IN MEDIUM-SIZED MANUFACTURING FIRMS

Sonal Pandey, Research Scholar, Department of Management, Sunrise University, Alwar,
Rajasthan, India,

Email-id- sonalpande1976@gmail.com

Dr. Ravi Kumar Singh, Supervisor, Department of Management, Sunrise University, Alwar,
Rajasthan, India

ABSTRACT

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.

KEYWORD: Gross Domestic Product (GDP), Economy, Organization, Automation, Technology

INTRODUCTION

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 insurance, banking, retail, hotel and restaurants, transport, communication, financing, business services, community, social and personal services, and services associated with construction.

India is one of the most populous countries in the world. So, there is an ample supply of employees for both service and manufacturing organizations operating in this country. But, despite having adequate supply of employees, most of the organizations, especially in service and manufacturing sectors have failed to ensure expected performance from employees which are essential for enhancing firms' performance. Many researchers have found positive relationship between HR and

operative performance which ultimately contributes to organizational performance. This perception of researchers leads them to explore the effect of human resource practices on the performance of its employees and their organization in Indian service and manufacturing sectors.

Since in India, service and manufacturing firms are rapidly growing, the degree of competition has compelled them to aggressively compete for highly skilled employees to reach their goals. The impact of HR practices on several individual (job satisfaction, morale, performance, absenteeism, and turnover) and organizational outcome (productivity, turnover, customer satisfaction) variables need to be studied.

Rationale of the Study

A cohesive HR mechanism makes substantial and observable contribution to the organization's performance. However, there is scarcity of practical proofs regarding what and how HR practices are helpful in bringing about change and effectiveness in an organization. While it goes without saying that peoples are the most important assets that leads all other resources for the achievement of the goals of the organization, the relation between HR practices and performance is somewhere deceptive. This study is an effort to fill up this operational gap.

The best and perhaps only way to measure the quality of an organization's human resource practices is to develop benchmarks against which its existing practices can be compared. Becker and Gerhart (1996) stated that researchers have much to learn about what constitutes a high performance HR strategy. While various studies have shown relationships of HR practices and organizational effectiveness, yet very little research study with statistical elaboration is missing to convince about the relation of HR practices and various variables of performance, across Indian service and manufacturing organizations. Earlier review of literature also fails to reveal the existence of detail information about this relationship with employee and organizational performances.

Developing countries which are still in their initial stages of growth like India needs to determine the influencing factors and their intensity for economic advancement. India is gradually transforming itself to an economy which is more industry based thus shifting from agricultural dependency. Hence it is indispensable to find out empirically the involvement of various factors of HR practices towards both employee as well as organizational performances. Few researchers have actually tried to figure out the relation between HR with employee and firm outcome in service and manufacturing organizations separately, especially in India.

This study concentrates on some service and manufacturing organizations of India only. The justifications are based on the significant contribution made by these sectors to employment and market as compared to other sectors in India. In Indian service and manufacturing organizations, the heart of their competitive advantage is their ability to attract, develop and effectively utilize highly knowledgeable and talented people in a way that creates and sustains organizational outcomes (Pfeffer, 1994; Youndt, 1998). "In short, good people and good human resource practices are cornerstones in driving superior performance in these organizations" (Youndt, 1998). The major thrust of the study is to explain the links between HR practices (considered as independent variables)

with employee and organizational performance (considered as dependent variables). This issue is addressed in this study.

Theoretical Framework

On the basis of extensive review of literature, various independent variables i.e. Recruitment & Selection, Compensation Practices, Training Practices, Performance Appraisal and Promotional Practices were selected for the study. Similarly two dependent variables were identified namely Perceived Employee Performance and Perceived Organizational Performance.

The theoretical framework derived from extensive review of literature gave rise to a model to be followed in this study. The above mentioned independent and dependent variables indicated in the derived model are diagrammatically shown below:

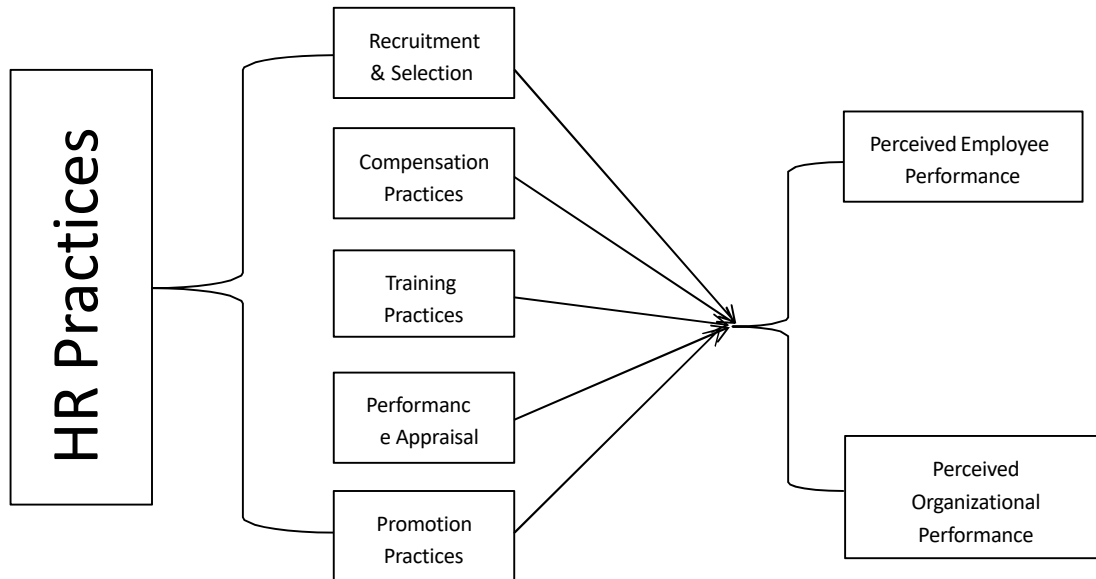


Figure 3.1: Theoretical Model

3.1.1 Dependent Variables

- (i) **Perceived Employee Performance**

The first dependent variable “Perceived Employee Performance (PEP)” targeted various factors related to personal behaviours of employees for e.g., worker quality, creation of idea, appreciation, achievement of targets, improvement in ratio of success, enjoying work, better performance, sensible decision making capacity, communication abilities and matching orientation of employees’ capabilities with organizational aims and objectives.

(ii) *Perceived Organizational Performance*

The “Perceived Organizational Performance (POP)” variable for this study takes into account customer and employee satisfaction, product quality, development of new product, employee’s ability and retaining employee and also about the relationship between

employee and firm. According to the prior literature (Delaney and Huselid, 1996; Harel and Tzafrir, 1999; Singh, 2004), in order to measure POP, respondents were asked to rate their organization’s performance in comparison to the performance of their competitors.

3.1.2 *Independent Variables*

(i) *Recruitment & Selection*

Recruitment & Selection was grouped as independent variable, which was measured by the questionnaire with five items. The significance on numerical basis was collected from the respondents. This variable covered diverse scopes including a well-defined HR system, participation of managerial staffs, adoption of formal testing methods, measurement centres, selection process which are not biased, coordination within selection team, and quality based selection methods.

(ii) *Compensation Practices*

Compensation Practices variable was also measured on the basis of a scale consisting of five-items. Respondents were asked to specify in numbers the link

between performance and compensation practices.

(iii) *Training Practices*

Measurement of variable Training Practices was done on the basis of different items like, training arrangement program, providing equal training opportunities, and assessment process. The survey instrument comprised of five items. Training assessment results were also used for numerous other purposes.

(iv) *Performance Appraisal*

The results derived by employing a scale of five questions on Performance Appraisal process was calculated to show the magnitude of employee performance based on computable responses.

(v) *Promotion Practices*

Promotion Practices were calculated by three item based scale requesting the respondents to provide the extent to which employees were promoted on the basis of measurable grades using the data from performance appraisal questionnaire.

The research methodology includes - i) Sample, ii) Tests / Measures, and iii) Test Administration.

CONCLUSION

To examine whether HR practices are strong predictors of Perceived Employee Performance in Indian Service Organizations, Correlation, Regression and ANOVA were employed and it was found that Recruitment & Selection, Compensation Practices and Promotion Practice are strong predictors of Perceived Employee Performance. Results revealed that three dimensions of HR practices namely Recruitment & Selection, Compensation Practices and Promotion Practices in combination emerged as the significant contributors of Perceived Employee Performance in Indian Service Organisations accepting H5. The correlation coefficients of Recruitment & Selection and Compensation Practices have the strongest significant effect on Perceived Employee Performance. The regression equation, excluding the non significant predictor variables states that:

$$\text{PEP} = .818 + .372 (\text{RS}) + .248 (\text{CP}) + .194 (\text{PP})$$

This result is consistent with (Singh, 2004; Shahzad et al., 2008; Katou, 2008; Qureshi et al., 2009; Tseng et al., 2009; and Budhwar et al., 2010). This means that effective HR practices will lead to increased employee performances in Indian Service Organisations.

The statistical analysis accepting H6 revealed that various factors of HR practices are positively related to better Employee Performance in Indian Manufacturing Organizations. Results revealed that four dimensions of HR practices used in this study emerged as strong predictors of Perceived Employee Performance in Indian Manufacturing Organization. These practices include Recruitment & Selection, Compensation Practices, Training Practices and Performance Appraisal. The correlation of Recruitment & Selection and Training Practices has the highest significance with Perceived Employee Performance. When considering the HR practices in the

model, it indicates 75 % variance in Perceived Employee Performance. The regression equation considering four strong predictors state that

$$\text{PEP} = .305 + .254 (\text{RS}) + .205 (\text{CP}) + .318 (\text{TP}) + .176 (\text{PA})$$

This result is consistent with (Thompson, 1998; Wan et al., 2002; Sels et al., 2003; Singh, 2004; Katou, 2008; Shahzad et al., 2008; and Tseng et al., 2009). This means that effective HR practices like Recruitment & Selection, Compensation practices, Training Practices and Performance Appraisal lead to increased Employee Performances.

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