

LINKS BETWEEN HUMAN RESOURCE MANAGEMENT PRACTICES AND HUMAN RESOURCE OUTCOMES: AN EMPIRICAL STUDY

SUREKHA V. NAYAK & ANJALI GANESH

¹Assistant Professor, Dayananda Sagar Business Academy, Bangalore & Research Scholar, Visvesvaraya Technological
University, Belgaum

²Professor, Department of Business Administration, St Joseph Engineering College, Mangalore

ABSTRACT

Organizations are built and developed by the human resources with the support of technical and material resources. This has led to organizations considering human resources as a high value corporate asset and a source of sustainable competitive advantage. Thus Human Resource Management (HRM) practices play a vital role in deciding the productivity of people as well as the organization. It is crucial that the HRM practices adopted by an organisation lead to positive Human Resource (HR) outcomes. This case study aims to assess the link between HRM practices and HR outcomes in one of the reputed educational institution in Bangalore. The human resource management practices viz., Recruitment, Performance Management and Compensation are studied in terms of three Human resource outcomes viz., Employee satisfaction, Employee commitment and Employee motivation. Data were collected by administering structured questionnaire to the teaching faculty from engineering and post-graduate departments of the case study institution. Overall 96 questionnaires were analysed. The findings of this study suggest that HRM practices play a crucial role in bringing out positive HR outcomes.

KEYWORDS: Human Resource Management Practices, Employee satisfaction, Employee commitment, Employee Motivation

INTRODUCTION

Gone are the days when an organisation could achieve competitive advantage just through its products. Currently, the situation is quite different. It is the people, the organisation's employees, that turns out to be the major differentiating success factor. Effective organisations are increasingly realizing that, of the varied factors that contribute to performance, the human element is clearly the most critical (Jeffery2009). An organisation's human resources are the people it employs to carry out various jobs, tasks and functions in exchange for wages, salaries and other rewards (Angelo & Ricky, 2008). Human resource management deals with people related issue and is defined as "the process of acquiring, training, appraising, and compensating employees, and of attending to their labour relations, health and safety, and fairness concerns" (Dessler & Varkkey, 2008). Organisations in the competitive scenario are continuously faced with the necessity to create and sustain practices that facilitate value creation (Jyothi & Venkatesh 2009). Human resource (HR) practices generally refer to a set of internally consistent practices adopted by firms to enhance the knowledge, skills, ability, and motivation of employees. As these practices support and develop the HR and competencies, they add value to the firm (Wright et al., 1995). However, internal consistency is needed among the HR practices- for example, extensive training

should be complemented by compensation, performance appraisal, and promotion practices that reduce staff turnover in order to be effective (Baron & Kreps, 1999). Considerable research evidence exists supporting the relationship between internally consistent HR practices and organizational performance (Becker & Huselid, 1998; Bowen & Ostroff, 2004; Huselid, 1995), but there is little understanding of the mechanisms through which HRM practices influence performance (Delery, 1998). This has led to researchers referring to the domain between HR strategies and Organisational performance as a “black box” (Becker & Gerhart, 1996; Boselie et al., 2005). The discussion on the black box problem was triggered by Guest (1997) when he stated the need for more theory driven research in the area of HRM, performance and the linkages between the two concepts. Legge (2001) reiterated the ‘need to open up the ‘black box’ of the process that links HRM and organizational performance’. Keeping this as a backdrop, this study attempts to examine the links between HR practices and HR Outcomes.

LITERATURE REVIEW

HR Practices and Employee Commitment: Researchers have associated HR practices and organizational performance through HR outcomes such as employee commitment, employee satisfaction, employee motivation, organizational culture, etc. Edgar and Greare (2005) identified that HRM practices had a significant impact on employee attitudes such as job satisfaction, organizational commitment and organizational fairness. Paul and Anantharaman’s (2004) study of software professionals showed that HRM practices had a significant positive relationship with organizational commitment. HRM systems have also been found to relate to commitment in samples of frontline employees from car rental, retail, and hospitality organizations in South America (Browning, 2006). Payne and Huffman (2005) found in a longitudinal study that organizational commitment mediated the relationship between mentoring, an HRM practice in the organization studied, and employee turnover over time. In a unit-level study, Wright, Gardner, & Moynihan (2003) found a positive relationship between HRM practices and organizational commitment in a study of 50 business units from a large food service corporation. Lamba and Choudhary (2013) revealed that HRM practices provide an edge to employee’s commitment towards an organization goal in the global competitive market. The study concluded that HRM practices has significant effect on organizational commitment and are associated with superior organizational performance.

HR Practices and Employee Satisfaction: Many researches have demonstrated that HRM practices and employee satisfaction are the key factors for employee performance. Katou (2008) conducted a study to measure the impact of HRM practices on organizational performance in manufacturing sector of Greece. The results indicated that the relationship between HRM practices under study and organizational performance is partially mediated through HRM outcomes (skills, attitudes, behavior), and it is influenced by business strategies. Awang et al (2010) examined the impact of job satisfaction of university lecturers on their commitment towards academic activities. The study found that promotional opportunities, workload and relationship with colleagues significantly affect job satisfaction of lecturers. The study also confirmed that there is a significant relationship between job satisfaction and work commitment. In a study of the public sector universities of Pakistan, Padala (2011) conducted a study to identify the various parameters for employee job satisfaction and organizational commitment. The study revealed that employees have a positive inclination in their intensity of commitment towards their organization. Hock (2011) carried out a study to examine the impact of human resource practices on foreign workers job satisfaction in PCSB group of companies in Malaysia. The results of the study found that the independent variable, compensation was found to have an impact on foreign workers job satisfaction. Martin (2011) conducted an investigation to find out the influence of HRM practices on job satisfaction, organizational

commitment and influence on intention to quit. The result of research found a significant relationship between perceptions of human resource practices and intention to quit, mediated by organizational commitment and job satisfaction. Majumder (2012) conducted a study on bank employees to gain an insight into the current HRM practices and its impact on employee's satisfaction on the private banking sector in Bangladesh. The study revealed that most of the employees are dissatisfied with compensation package followed by reward and motivation, career growth, training and development, management style, and job design and responsibilities. Iqbal et al (2013) evaluated the relationship between HR practices and employee's job satisfaction among the employees of manufacturing and service sector of Pakistan. The results of study revealed that supervisor role has strong positive effect on job satisfaction.

HR Practices and Employee Motivation: Relationships between human resource management practices and employee motivation have been studied from diverse perspectives. Motivation has been viewed as both an independent and a dependent variable. As an independent variable, various theories have been put forward to explain motivation. Atkinson (1964), for example, defines motivation as the contemporary (i.e. immediate) influence on direction, vigour, and persistence of action; while Vroom (1964) defines it as a process governing the choice made by an individual among alternative forms of voluntary activity. Pinder (1998) describes work motivation as a set of energetic forces that originate both within as well as beyond an individual's being that initiate work-related behavior, and determine its form, direction, intensity, and duration. As a dependent variable, motivation has been defined as 'intention to behave' (Jansen, 2002). Notwithstanding all the different theories and definitions, according to Landy and Becker (1987), there is general agreement that motivated behavior consists of any or all of the following behavioral elements: initiation, direction, persistence, intensity, and termination.

The above literature review shows that there have been several studies on HRM practices and HR outcomes. In India, however, there is a research gap in this area especially in educational institutions. Hence, the study is undertaken.

Objectives of the Study

In the light of the literature review, the main focus of this study is to find out the association of three key human resource practices – recruitment, performance management and compensation with three human resource outcomes – employee satisfaction, employee commitment and employee motivation. This study looks to answer the following questions:

- Whether the employee satisfaction is based on the HR management practices followed in the case study institute.
- Whether the employee commitment depends on the HR management practices followed in the case study institute.
- Whether the employee motivation depends on the HR management practices followed in the case study institute.

Methodology and Research Design

For the research, the data was collected from faculties of one of the renowned institution in Bangalore. The respondents are teaching faculty of the engineering and management departments of Campus - 2 of the case study institution. Data was collected through structured questionnaire consisting of five parts. First part was relating to recruitment practices, second part was about performance management practices; third part consisted of compensation practices; fourth was about HR outcomes i.e., employee satisfaction, employee commitment and employee motivation, and

the fifth part was about demographic questions including gender, age, designation and department. The first four parts of the questionnaire was measured using 5 point Likert scale.

Questionnaires were distributed to 150 faculty members of which 96 usable questionnaires were received with a response rate of 64%. The demographic analysis indicates that majority of the respondents are female i.e., 79%. About 34% of the respondents are at least 35 years old. 51% of the respondents are from the Engineering Department and 49% are from the Management Department. The respondents are well qualified holding master's degree/doctorate in various academic fields. However, the demographics data has not been used for analysis in this study.

Concept of Research Model

Figure 1 represents an operational model linking HR practices and HR outcomes. The proposed operational model assumes that the HR practices (viz., Recruitment practices, Performance Management practices and Compensation practices) implemented by an organization impacts the HR outcomes (viz., employee satisfaction, employee commitment and employee motivation).

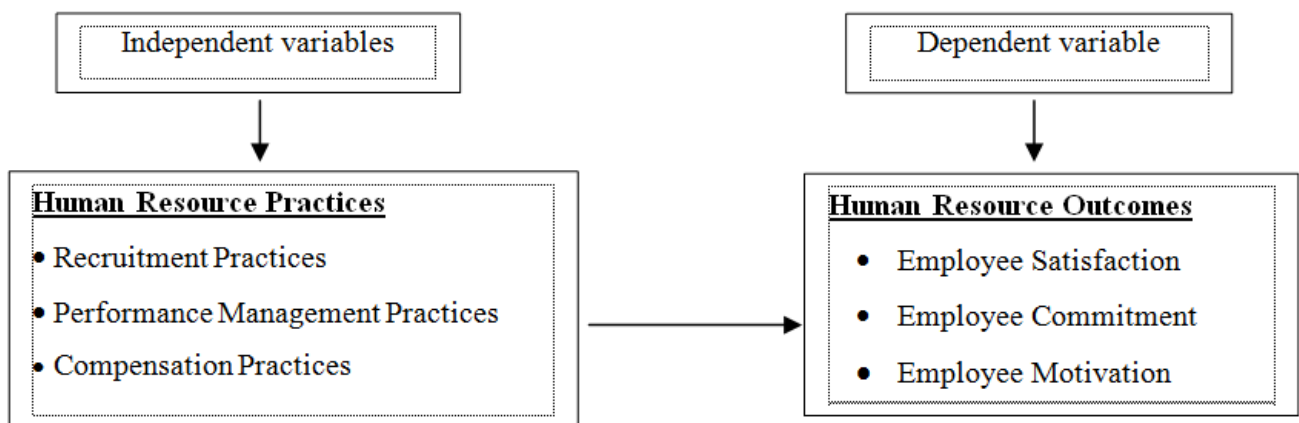


Figure 1: Research Model

Results and Analysis

Reliability and Validity of Data

Cronbach's alpha is used in this study to check the reliability. If the Cronbach Alpha is high (0.80 or higher), then this suggests that all of the questionnaire items are reliable and the entire test is internally consistent. The Cronbach Alpha for the survey instrument was found to be 0.802, indicating its reliability.

Correlation Analysis

The result of correlation analysis is shown in the table 1

Table 1: Links between Human Resource Practices and Human Resource Outcomes

Hypothesis	Variables	Spearman's rho Correlation	Sig. (2- Tailed)
H1	Recruitment Practices and Employee Satisfaction	0.004	.967
H2	Recruitment Practices and Employee Commitment	-0.071	.491
H3	Recruitment Practices and Employee Motivation	0.084	.415
H4	Performance Management Practices and Employee Satisfaction	0.502**	.000
H5	Performance Management Practices and Employee Commitment	0.219*	.032
H6	Performance Management Practices and Employee Motivation	0.410**	.000
H7	Compensation Practices and Employee Satisfaction	0.637**	.000
H8	Compensation Practices and Employee Commitment	0.017	.870
H9	Compensation Practices and Employee Motivation	0.679**	.000
** Correlation is significant at 0.01 level (2-tailed)			
*Correlation is significant at 0.05 level (2-tailed)			

Table 2: Summary of Hypothesis Testing

Research Question	Expected Outcome	Result
Is there a correlation between Recruitment Practices and Employee Satisfaction	There is a positive correlation between Recruitment Practices and Employee Satisfaction	The null hypothesis must be accepted. There is no significant relationship between recruitment practices and employee satisfaction
Is there a correlation between Recruitment Practices and Employee Commitment	There is a positive correlation between Recruitment Practices and Employee Commitment	The null hypothesis must be accepted. There is no significant relationship between recruitment practices and employee commitment
Is there a correlation between Recruitment Practices and Employee Motivation	There is a positive correlation between Recruitment Practices and Employee Motivation	The null hypothesis must be accepted. There is no significant relationship between recruitment practices and employee motivation
Is there a correlation between Performance Management Practices and Employee Satisfaction	There is a positive correlation between Performance Management Practices and Employee Satisfaction	The null hypothesis must be rejected. Performance management practices and Employee satisfaction are moderately correlated in the positive direction.
Is there a correlation between Performance Management Practices and Employee Commitment	There is a positive correlation between Performance Management Practices and Employee Commitment	The null hypothesis must be rejected. Performance management practices and Employee commitment are positively correlated.
Is there a correlation between Performance Management Practices and Employee Motivation	There is a positive correlation between Performance Management Practices and Employee Motivation	The null hypothesis must be rejected. Performance management practices and Employee motivation are moderately correlated in the positive direction.
Is there a correlation between Compensation Practices and Employee Satisfaction	There is a positive correlation between Compensation Practices and	The null hypothesis must be rejected. A statistically significant, moderately strong positive correlation was found

	Employee Satisfaction	between compensation practices and Employee satisfaction
Is there a correlation between Compensation Practices and Employee Commitment	There is a positive correlation between Compensation Practices and Employee Commitment	The null hypothesis must be accepted. There is no significant relationship between compensation practices and employee commitment
Is there a correlation between Compensation Practices and Employee Motivation	There is a positive correlation between Compensation Practices and Employee Motivation	The null hypothesis must be rejected. A statistically significant, moderately strong positive correlation was found between compensation practices and Employee motivation.

Discussion and Implications: The study hypothesized that human resource outcomes viz., Employee satisfaction, Employee commitment and Employee motivation is positively related to human resource practices viz., recruitment practices, performance management practices and compensation practices. The results of the correlation analysis indicated that there was a positive impact of performance management practices on HR outcomes. Also, compensation practices have an impact on employee satisfaction and employee motivation. However, there is no significant relationship between recruitment practices and HR outcomes. Interestingly, compensation practices also did not impact the commitment of employees,

CONCLUSIONS

Limitations: Small sample size was one of the major limitations of the present study. Moreover, the study did not take into account all the HR practices of the surveyed educational institution. In addition, the results of this research must be viewed with caution since it is a case based study. As such the results of this study cannot be generalized. However, this study could be used as a reference to find out the links between human resource practices and human resource outcomes.

Directions for future research: In order to validate the findings of this study, future research may be carried in other industries. Future research with larger sample sizes would be productive to provide a support for the present findings. Additionally, the results of this study can be retested in other educational institutions, so that the results can be generalised to other economic sectors.

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