Human Resource Management Practices: A study at Glance

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Abstract

     Human Resource is the most important asset for any organization and it is the source of achieving competitive advantage. Managing human resource is very challenging as compared to managing technology or capital and for its effective management, organization requires effective HRM system. HRM system should be backed up by sound HRM practices. HRM practices refer to organizational activities directed at managing the pool of human resources and ensuring that the resources are employed towards the fulfillment of organizational goals. This paper has been designed to review the existing literature available on HRM Practices. The purpose of this paper is to develop an understanding of HRM Practices and to examine the unique HRM practices implemented by different companies. After reviewing the existing literature on HRM practices, the researchers have found that HRM practices get affected by external and internal factors and directly or indirectly affect other variables such as employee's attitude, employee employer relations, financial performance, employee productivity etc. and ultimately contribute to overall corporate performance. On the basis of the literature reviewed, a normative framework has been developed showing how HRM practices lead to overall corporate performance.

Introduction

     Human resources are the source of achieving competitive advantage because of its capability to convert the other resources (money, machine, methods and material) in to output product/service). The competitor can imitate other resources like technology and capital but the human resource are unique. According to Khatri (1999), people are one of the most important factors providing flexibility and adaptability to organizations. Rundle (1997) argues that one needs to bear in mind that people (managers), not the firm, are the adaptive mechanism in determining how the firm will respond to the competitive environment.

     Several scholars have noted that managing people is more difficult than managing technology or capital (Barney, 1991; Lado and Wilson, 1994). However those firms that have learnt how to manage their human resources well would have an edge over others for a long time to come because acquiring and deploying human resources effectively is cumbersome and takes much longer (Wright et al., 1994).The effective management of human resources requires sound Human Resource Management systems. Storey (1995) defines HRM as a distinctive approach to employment management which seeks to obtain competitive advantage through the deployment of a highly committed and skilled

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workforce, using an array of techniques.

     HRM can help firms improve organizational behavior in such areas as staff commitment, competency and flexibility, which in turn leads to improved staff performance (Koch and McGrath,1996).In order to develop a sound HRM system, the organization should have effective Human Resource Management practices. HRM practices refer to organizational activities directed at managing the pool of human resources and ensuring that the resources are employed towards the fulfillment of organizational goals (Schuler & Jackson, 1987; Schuler &MacMillan, 1984; Wright & Snell, 1991). HRM practices may differ from one organization to another and from one country to another.

HRM Practices

     Many researches on HRM practices have been conducted from time to time and researchers have identified different practices by different names. As quoted in (Kok Jan deet al.,2003), researchers variously refer to certain sets of HRM practices influenced by the HRM profession as "best practice," or "high-performance" (Huselid, 1995), "formal" (Aldrich andLangton, 1997; de Kok and Uhlaner, 2001; Heneman and Berkley,1999), "sophisticated" (Golhar and Deshpande, 1997; Hornsbyand Kuratko, 1990; Goss et al., 1994; Wagner, 1998) or as "professional" (Gnan and Songini, 2003; Matlay, 1999). Pfeffer(1994; 1998), argued the most appropriate term is "Best HRM Practices". But according to Chandler and McEvoy

(2000) , one of the lingering questions in HRM research is whether or not there is a single set of policies or practices that represents a 'universally superior approach' to managing people . Theories on best practices or high commitment theories suggest that universally, certain HRM practices, either separately or in combination are associated with improved organizational performance. Researchers have also found that those well-paid, well motivated workers, working in an atmosphere of mutuality and trust, generate higher productivity gains and lower unit costs (Boxall, 1996; Lowe and Oliver, 1991; feffer, 1994).Several attempts have been made from time to time by different researchers to identify the type of HRM practices indifferent sectors. Initially feffer (1994) identified 16 practices which denote best practice.

This was later refined to the following seven practices:
1. Employment security
2. Selective hiring
3. Self-managed teams/team working
4. High compensation contingent on organizational performance
5. Extensive training
6. Reduction in status difference
7. Sharing information

In one another study, Redman and Matthews (1998) identify an 'HRM bundle' of key practices which support service organizations quality strategies, these being:

1. Careful recruitment and selection, for example, 'total quality recruitment', 'zero defects recruitment', 'right first time recruitment'.
2. Extensive remuneration systems, for example, bonuses available for staff willing to be multi-skilled.
3. Team working and flexible job design, for example, encouraging a sense of cohesiveness and designing empowered jobs.
4. Training and learning, for example, front line staff having enhanced interpersonal and social skills.
5. Employee involvement, for example, keeping employees informed of key changes in the organization.
6. Performance appraisals with links to contingent reward systems, for example, gathering customer feedback to recognize the work by employees over and above their expected duties, which in turn is likely to lead to a bonus for staff.

Recently, Saxena and Tiwari (2009) examined the HRM Practices implemented by leading IT Companies such as TATA, Infosys and Wipro in India. They developed the 3c TIER Framework of HRM practices and identified Training and Development, Employer-Employee Relations, Recognition through Rewards; Culture building, Career Development, Compensation and Benefits as important HRM Practices.

Factors affecting HRM Practices

HRM practices differ from one country to another and the factors which affect the HRM practices include external and internal factors. As quoted by Ozutku and Ozturkler (2009), external and internal factors affecting HR practices differ significantly across countries. Some of the major potential influences are as follows:

External Factors

Kane and Palmer (1995) opine that external factors affecting HR practices are those pressures on firms that cannot be controlled and changed in a favorable way in the short run. These factors include the following:

Economic Changes:

Satow & Wang (1994) found that as a result of development of the global economy, the international dimension of HR practices has become more and more significant. The focus of HR practices has shifted from traditional topics such as internal selection and rewards to concepts such as globalization and international competition.

Technological Changes

Technology affects HRM to a greater extent because of high degree of interaction between technology and HR. Technology changes the way we work, the roles we undertake and the interactions through which work gets done (DeFillippi, 2002). Verkinderen and Altman (2002) argued that technology facilitates the growth of a multinational enterprise but generates simultaneous problem of "unpluggedness" among a geographically dispersed workforce. Garavan et al. (2008) suggested that technology lies at the heart of manufacturing industry. It provides a series of business advantages. Technological developments alter the context of HR practices and the way they are implemented.

National Culture

Chandra kumara and Sparrow (2004) found that culture has crucial importance in organizations preferences in developing appropriate structure and methods for HR practices affectivity. Industry/Sector Characteristics: Organizations can be classified into manufacturing and service organizations for the purpose of analyzing the HRM practices. The idea behind this classification is the fact that different production processes necessitates different HR practices.

Legislations /Regulations

Legislations and regulations are frequently cited as having a direct impact on HR practices (Kane and Palmer, 1995). Every country has developed a set of regulations for the management of human resources, so, the HRM practices have to be designed or modified according to these regulations.

Globalization

As a result of globalization, the whole world has become a single market, the companies have crossed the boundaries of their country of origin and opened their operations in other countries. This has created a challenge for the organization in terms of management of human resources, some companies have tried to transfer the HRM practices from one country to another but it has been found that some practices can be transferred across nations almost without any change but some must be modified to become workable in another setting and some are more deeply culture-specific and may not always be transferable. The findings of the study conducted by Tayeb (1998) support the argument that multinational companies' HRM practices are more prone to local cultural influences than are their overall policies and strategies. Moreover, some of the practices which the company had imported from abroad had to be modified to make them workable, given its local cultural and non-cultural contexts.

Internal Factors

The Internal environment of organizations strongly affects their HR practices. According to (Milkovich and Boudreau, 1991) researchers have compiled a lengthy list of organizational characteristics related to HR practices. The important internal factors are as follows:

Organizations' Size

According to (McPherson,2008)evidence suggests that there is a large number of small firms that do not institute formal HR practices in large organizations , foreach functional level there may a need for a different HR department(Jackson et al.,1989; Kaynak et al., 1998).

Organizational Structure

A firm's strategy and structure are important in determining HR practices flexibility and integration. There are important structural differences among firms that affect the way in which HR practices are designed and implemented (Garwin, 1986; omer,1995;Hudson et al.,2001).Business Strategy: To gain competitive advantage, firms use different competitive strategies .These strategies are more productive when they are systematically liked with human resource management practices Companies can improve their environment by making efficient choices about human resource practices that consistently support their chosen strategy (Milkovich andBoudreau,1991;Schuler,1992).

Human Resource Strategy

HR strategy is an important determinant of both intensity and diversity of HR practices (Gravan et al., 2008). As a rule HR practices are shaped in accordance with HR strategy.

History, Tradition and past practices

A number of closely related factors, such as history, traditions and past practices tend to generate resistance to change in most organizations (Kane and Palmer, 1995; Pardo and Fuentes, 2003).

Top Management

The influence of top management on HR practices is acknowledged by most writers, even if only to the extent of advising that top managements support should be present (Ondrack and Nininger, 1984; Kane and Palmer, 1995)in designing and implementing HR policies.

Line Management:

Line Management participation in designing and implementing HR activities is the key to organizational success. Since line managers are responsible for creating value, they should integrate HR practices in their work (Okpara and Wynn, 2008; Alas et al., 2008).

Power and Politics

Tsui and Milkovich (1987) found that organizational power and politics as exercised by various constituencies are crucial determinants of HR practices.

Academic and Professional influence on HR Practices

HR staffs are often involved in the decision making process about HR policies and practices. Their knowledge about alternative HR practices may represent important variables in their own right (Kane and Palmer, 1995).

HRM Practices & Competitive Advantage

HRM practices help the organizations to achieve competitive advantage. According to the resource based view of the firm (Penrose 1995; Barney 1991), competitive advantage can be developed and sustained by creating value in a way that is rare and difficult for competitors to imitate and the quality the human resource within is difficult to imitate.

HRM Practices & Employee-Employer Relationship

Employee-employer relations can be made improved if the organization implements effective HRM practices. Tzafrir etal. (2004) conducted a survey to find out the consequences of effective human resource management practices on employees trust. The result indicated a positive and significant influence of empowerment, organizational communication and procedural justice as determinants of employees trust in their managers. The result also indicated that procedural justice mediates the impact of employee development on their trust in their managers. The HRM practices help the organization to increase mutual understanding between the employees and the employer. Guzzo and Noonan (1994) considered HRM practices as a communication channel between employer and employees. Rousseau and

Greller(1994) proposed HRM practices as contract-shaping events.

HRM Practices and Trust

Vanhala and Ahteela (2011) in their study found that employee trust in the whole organization is connected to perceptions of the fairness and functioning of HRM practices. Such practices can therefore be used in order to build the impersonal dimension of Organizational trust HRM Practices & Effective utilization of employees Bailey (1993) presented an argument for the application of promoting HRM practices on the grounds that human resources are frequently underutilized. Employees often perform below their potential. Bailey points out that HRM practices may have an influence on employee skills and motivation. HRM practices influence employee skills through the acquisition and development of a firm's human capital. Recruiting procedures and selection regimes will have an influence over the quality and type of skills new employees possess.

HRM Practices & Service Quality

Researches provide evidence to show that HRM practices help the organization to improve the quality of services Tsaura and Lin (2004) empirically explored the relationship among human resource management practices, service behavior and service quality in the tourist hotels. The results indicated that HRM practices had partially a direct effect on customer perceptions of service quality and an indirect effect through employees' service behavior. This means that service behavior only partially mediates the relationship between human resource management practices and service quality.

HRM Practices and Employee Commitment

The implementation of HRM practices in the organization leads to enhanced employee commitment. Maheshwari et al. (2005) conducted a study to find out the commitment of health officials and its implications for HR practices in Maharashtra. The study suggests that the district health officials do not share a strong emotional bond with their department. The state needs to reform its Human Resource Management practices to effectively strengthen the functioning of the health system. The study also suggests that investing in development of multiple strategies for the growth and career development of health professionals is required. Similarly, Smeenk et al. (2006) examined the factors which affect organizational commitment among Dutch university employees in two faculties with different academic identities (separatist versus hegemonist,). The analysis of data reveals that in the separatist faculty decentralization, compensation, training/development, positional tenure and career mobility have significant effects. Age, organizational tenure, level of autonomy, working hours, social involvement and personal importance significantly affects the employees' organizational commitment in the hegemonist faculty.

Participation, social interactions and job level are factors that are important in both faculties. Shahnawazand Juyal (2006) compared various HRM practices in two different organizations—a consultancy/research based organization and a fashion firms. The study also aimed at assessing how much of commitment in the two industries can be attributed to HRM practices.

HRM practices were found significantly different in two organizations and mean scores on various HRM practices were found more in the fashion organization. Regression results showed that various HRM practices were significantly predicting organizational commitment in both organizations and also when they were combined. Performance appraisal and 'attitudes towards HRM department' were the significant predictors of organizational commitment in both the organizations. In an another study, Chewand Chan (2008) examined the impact of HR practices on permanent employee's organizational commitment and their intention to stay and found that organizational commitment was positively affected by person-organization fit, remuneration, recognition, and an opportunity to undertake challenging employment assignments. Intention to stay was significantly related to person-organization fit, remuneration recognition, training and career development. Further, he found that training and career development was not significantly related to organizational commitment and challenging assignments was not significantly related to intention to stay.

HRM Practices and Organizational Performance

HRM practices enhance organizational performance. Rondeau and Wager (2001) examined the relationship between HRM practices, workplace climate and perceptions of organizational performance, in a large sample of Canadian nursing homes and found that nursing homes, which had implemented more 'progressive' HRM practices and which reported a work place climate that strongly valued employee participation, empowerment and accountability tended to be perceived to generally perform better on a number of valued organizational outcomes. Chand and Katou (2007) conducted a study to investigate whether some specific characteristics of hotels affect organizational performance in the hotel industry in India; and to investigate whether some HRM systems affect organizational performance. They found that hotel performance is positively associated with hotel category and type of hotel and hotel performance is positively related to the HRM systems of recruitment and selection, manpower planning, job design, training and development, quality circle, and pay system. Joseph & Dai (2009) found that there are significant connections between HRM practices and firm performance; that the strategic alignment of HRM is also a driver for firm performance. In the study conducted by Nayaab et al (2011), it has been found that HRM practices contribute to the enhanced banks performance. Further, the result

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indicated that HRM practices like training, employee participation in decision making was found significantly related with banks performance. Further, Osman et al (2011) found that the effectiveness of implementing HR practices in a company does indeed have a major impact towards a firm's performance. The findings also show that HR practices have an impact of nearly 50 percent on firm performance.

HRM Practices and Employees Productivity

Some studies show that certain HRM practices, such as working in teams, greater discretion and autonomy in the work place and various employee involvement and pay schemes, do motivate workers and generate higher labor productivity (Cullyet al. 1999; Boselie and Wiele 2002). Employees' involvement in terms of delegation of responsibility and systems of collecting proposals from employees may have a positive impact on productivity (Arthur 1994, Wallace 1995). Cross functional teams, job rotation, quality circles and integration of functions may all contribute positively to labor productivity. (Banker et al., 1996).HRM activities providing informal and formal training as well as recruitment and selection have also shown to have an impact on productivity and market value.(Huselid 1995, Delery and Dotty1996).

Recently in the study conducted by Soomro et al. (2011), it has been found that HRM practices (training, selection, career planning, employee participation, job definition, compensation, performance appraisal) were correlated positively with the employee performance. Further respondents gave highest importance to performance appraisal and then to compensation among individual HRM practices.

HRM Practices and Effective Management of Employees

Tripathy and Tripathy (2008) found that the majority of the IT companies sampled, institute such HRM practices that are complex in nature and a majority of the IT companies do follow such HRM practices which can be termed as adaptive in nature. They suggested that offering job plus education referral recruitment, online and open house tests (in case of recruitment& selection), flexible training choice, skills & project centric training (in case of training & development) and lastly, transparent appraisal systems, above average salary, more non salary benefits, flexi timing and opportunity for growth are some of the selective practices which, if followed with rigor, would help managing enhance human resources of an IT company.

HRM Practices and Growth and Innovations

Panayotopoulou and Papalexandris (2004) found that HRM has a more significant influence on growth / innovation indices as opposed to financial performance. Li et al (2005) examined the relationship between HRM, technology innovation and performance in China and found that employee training, immaterial motivation and process control have positive effects on technological innovation, while material motivation and outcome control have a negative influence on technological innovation. It is also found that technological innovation is positively related with performance.

HRM Practices and Technology

HRM practices and Technology affects each other. On one side HRM practices affect implementation of the technology because the success of information technology (IT) projects is highly dependent upon the end-users' behaviour. Whether end-users are able and willing to work with newly introduced software applications is fundamental. Hence, a key issue is supporting targeted employees of newly introduced software applications in their proper utilisation.HRM practices have the potential to provide such support (Bondarouk and Ruel, 2008).On the other side Lawler & Mohrman, (2003) argued that with the growth of information technology, much of the administrative aspects of human resource management can be accomplished through technology solutions hosted by the company or outsourced. As technology frees up HR from some of its routine tasks, there is a greater opportunity for HR professionals to become a strategic partner (Ulrich, 1997).

HRM Practices and Job Satisfaction

HRM practices also affect the level of job satisfaction of the employees. Petrescu and Simmons (2008) examined the relationship between HRM practices and workers overall job satisfaction and their satisfaction with pay.

1. The result indicated that several HRM practices raise workers overall job satisfaction and their satisfaction with pay
2. Due consideration should be given to link the HRM practices with the long term objectives and the strategies of the organization.
3. The HRM practices should be evaluated from time to time by conducting a survey among the employees and the provisions should be made to incorporate changes from time totime.
4. The traditions of the organization and the past practices should be kept in mind while designing and implementing HRM practices.
5. The top management should provide fullest possible support (financial as well as moral) to the HR department in designing and implementing the HRM practices.
6. The HR managers should keep themselves up to date with state of art HRM practices.
7. The HRM practices differ from one country to another and from one organization to another, so due consideration should be given to the organization and the country's specific environment. The line managers should be involved

in the process of the design of the HRM practices because line managers are the people who deal with the employees in their department and they can provide valuable insights.

8. There is a need to critically examine the actions of the competitors because it directly or indirectly affects the organization.

9. The power centre and the politics that is prevailing in the organization should be properly studied.

10. If trade unions exist in the organization, then the proper opportunity of representation should be given to them.

Conclusion

The review of the literature on HRM practices have shown that, to effectively manage the human resources the organizations have to implement innovative HRM practices. The organizations which implements such practices with dedication, remains ahead of their competitors because such practices affects other variables such as competitive advantage, job satisfaction, financial performance, employee turnover, service quality, employee commitment etc. in a positive manner and leads to overall corporate performance. While designing and implementing such practices, one important thing is to be kept in mind that the HRM practices should be analyzed from time to time and it should be updated accordingly. Line managers should be involved in designing HRM practices and survey should be conducted among employees to know their opinion about HRM practices. This will help the organization to take corrective actions at the right time.

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