

ESTIMATING THE IMPACT OF HUMAN RESOURCE MANAGEMENT PRACTICES ON ORGANIZATIONAL PERFORMANCE

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Abstract

The study aims to determine the key human resource management practices used by IT organisations in the Chennai region, as well as their impact on organisational performance. The researcher used a descriptive research design to conduct the investigation. A total of 81 IT organisations participated in the poll, which included team leaders, middle level, and higher-level managers. Data was collected from 486 respondents from the 81 companies chosen, with the sample size reduced to 462 after excluding unengaged respondents and missing datasets. The information was gathered through the use of a structured questionnaire and a basic random sample technique. Using the analysis performed, it was understood that the majority of the respondents were holding management positions at the bottom level in IT companies, also most respondents holding management positions were male. Furthermore, the factors herein considered for the study were found to be reliable for current and futuristic studies. The result of the analysis indicates there is no significant difference in the human resource management practices adopted by the IT companies in Chennai. The performance appraisal, selection & training and rewards & recognition system were found to be the important human resource management practices adopted by the IT companies in the Chennai region. Also, the result indicates there is no significant difference in the organizational performance among the IT companies in Chennai. The increased Profit, Development of New Products & Services and better productivity were important organizational performance resulting out of Human result management practices adopted by the IT companies in the Chennai region. The result of the regression illustrates that furthermore, factors need to be considered to forecast the organizational performance. But, the coefficient significance value exemplifies that there is a significant influence of Human Resource Management Practice on Organizational Performance a regression analysis is performed by transforming the dataset. Also, the path analysis performed exemplifies that important human resource management practices such as performance appraisal, selection & training and rewards & recognition system significantly influence the organizational performance by contributing to the development of new products and services as well as increased productivity, which would result in increased profit and better prospects of the IT Companies.

Keywords: Human Resource Management Practices, IT Industry, Organizational Performance.

INTRODUCTION

Human resource management (HRM) decisions and practises are well recognised to have a significant and distinct impact on organisational performance. Many studies indicated human resource has greater contribution to revenue and

growth of an organization with an evident linkage (Al Adresi, A., et al., 2017). However, opinions on the specific transmission mechanism or model that connects the two have shifted dramatically throughout time (El-Ghalayini, Y., 2017). This shift has coincided

with a shift in attitudes toward human resources, which have shifted from a cost to be minimised and a possible source of efficiency gains to a source of value creation (Abdalkrim, G. M. 2012). Employee partaking and empowerment, as well as redesign of job, such as team-based production processes, intensive training for employee, and incentive based on performance, are widely thought to boost organisational success (Moideenkutty, U., et al., 2011).

To accomplish a high degree of business performance, different HR preparations are required. Various sorts of HR practices also result in different consequences for businesses (Delaney, J. T., et al., 1996). Although the evidence implies that there is a favourable association between HR practises and company success, this is not always the case (Ling, T. C., et al., 2010). Different HR outcomes and consequent business performance are influenced by the fit or integration of various approaches (Shahnawaz, M. G., et al., 2006). Other literature has stated that in order to have an impact on business performance, different organisational components, such as HR practises, the requisite expertise and information possessed by employees, a motivated environment for workforce, and a strategy that adds value, must be aligned (Trehan, S., et al., 2014). An suitable HR system produces and develops organisational capabilities that develop a sources of competitive advantage, according to a resource-based perspective (Delery, J., et al., 2016).

Literature Review

Different indicators, including as organisational effectiveness and decision-making, absenteeism and turnover, and perceived organisational performance in contrast to other similar organisations, have been examined in studies examining the link between HRM and organisational performance (Aguta, U. I., & Balcioglu, H. 2015). Several studies questioned employees as part of a review for service provision to assess the influence of HRM practises on organisational effectiveness and decision-making. The study included staffing and recruitment, training and development, worker involvement, pay and benefits, flexibility, decision-making involvement, and communication as independent factors.

(Aldamoe, F. M., et al., 2013). Employee security and wellbeing was employed as a metric of organisational effectiveness for organisational performance. Employee wellness was assessed using three factors: job satisfaction, employee commitment, and work-life balance, which are all factors that contribute to employee happiness at work (Tan, C. L., et al., 2011). HRM methods encourage attitudinal qualities among workforces in the form of employee wellbeing, according to bivariate inter-correlations results from data analysis (Vlachos, I. et al., 2008). As a result, Employee well-being mediates the indirect relationship between HRM and performance. Using various factors, other studies have utilised a similar technique to link HRM to organisational level performance. Similar studies were carried out in Quebec to investigate the adoption of HRM methods in the IT sector, using economic performance as the primary metric (Çalışkan, et al., 2010).

The majority of research on HRM's effects on distinct workforce outcomes has focused on estimating the effects of HRM practises, suggesting that the connection between HRM and performance is positive benefits. The HRM practises on employee attitudes, knowledge, and abilities have resulted in better organizational performance (Absar, M. M. N., et al., 2010). HRM refers to a set of management rules and practises that are applied within a company in order to achieve the intended employee outcomes. In the public sector, researchers found a substantial link between organisational commitment and HRM practises (Osemeke, M., 2012). While some studies have utilised diverse variables as the intermediary connexion between practise and performance to highlight the effects of HRM on performance in public companies, others have taken a comparative approach to look at the differences between public and private businesses. Many research in India have looked at the effects of HRM on employee behaviours and performance in both private and public firms (XING, et al., 2020).

Objectives

The research aims to determine the key human resource management practises used by IT organisations in the Chennai region, as well as their impact on organisational performance.

Methodologies

To conduct the study, the researcher had adopted a descriptive research design. The survey was taken from the team leaders, middle level and higher-level managers belonging to 81 IT companies. From the selected 81 companies data was collected from 486 respondents, among which on neglecting unengaged respondents and missing datasets, the sample size was scrutinized to 462. The information was gathered through the use of a structured questionnaire and a simple random sample technique.

Demographic Profile		Frequency	Percentage
Gender	Male	284	61.5
	Female	178	38.5
	Total	462	100.0
Designation	Bottom level management	167	36.1
	Middle-level management	156	33.8
	Top-level management	139	30.1
	Total	462	100.0

Source: (Primary_data)

Analysis and Interpretation

The demographic profile of the respondents considered for the study was depicted in the table below using percentage analysis.

Table No.1: *Percentage Analysis – Demographic Profile*

Through the percentage analysis performed, it was understood that the majority of the respondents were holding management positions at the bottom level in IT companies, Also most respondents holding management positions were male.

Below depicted the analysis illustrating the reliability of the factor “Human Resource Management Practice” considered for the study.

Table No. 2: *Reliability Statistics – Human Resource Management Practice*

Reliability Statistics				
Cronbach's Alpha		N of Items		
.795		5		
Item-Total Statistics				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Rewards and Recognition System	16.0325	4.765	.757	.779
Career Management	16.1991	5.184	.614	.878
Performance Appraisal	15.9589	5.007	.727	.803
Human Resource Planning	16.2208	5.569	.546	.919
Selection and Training	15.9957	5.054	.720	.808

Source: (Primary_data)

The estimated reliability statistics value using the Cronbach Alpha test is 0.795 for the factor named “Human Resource Management Practice”, which is greater than 0.7 [Std. Value]. Therefore the factor and its variables are having a significant amount of internal consistency also reliable for current and futuristic research.

The analysis displayed below demonstrates the reliability of the factor "Organizational Performance" used in the study.

Table No. 3: *Reliability Statistics – Organizational Performance*

Reliability Statistics				
Cronbach's Alpha		N of Items		
.852		5		
Item-Total Statistics				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Employee Retention	16.2359	5.734	.722	.850
Productivity	15.9524	5.247	.758	.770
Development of New Products and Services	15.9372	5.091	.698	.745
Profit and Prospects	15.9069	5.104	.709	.740
Customer Satisfaction	16.2186	5.863	.698	.762

Source: (Primary_data)

The estimated reliability statistics value using the Cronbach Alpha test is 0.852 for the factor named “Organizational Performance”, which is greater than 0.7 [Std. Value]. Therefore the factor and its variables are having a significant amount of internal consistency also reliable for current and futuristic research.

A Multivariate test is used to determine whether there is a significant difference in the human resource management practices used by IT organisations in Chennai.

Table No. 4: *Multivariate Test - Human Resource Management Practice*

Multivariate Tests						
Effect		Value	F	Hypothesis df	Error df	Sig.
Gender	Pillai's Trace	.001	.119 ^a	5	452	.988
	Wilks' Lambda	.999	.119 ^a	5	452	.988
	Hotelling's Trace	.001	.119 ^a	5	452	.988
	Roy's Largest Root	.001	.119 ^a	5	452	.988
Designation	Pillai's Trace	.009	.397	10	906	.948
	Wilks' Lambda	.991	.396 ^b	10	904	.949
	Hotelling's Trace	.009	.396	10	902	.949
	Roy's Largest Root	.008	.713 ^c	5	453	.614
Tests of Between-Subjects Effects						
Source		Type III Sum of Squares	df	Mean Square	F	Sig.
Gender	Rewards and Recognition System	.031	1	.031	.035	.851
	Career Management	.470	1	.470	.485	.486
	Performance Appraisal	.094	1	.094	.119	.731
	Human Resource Planning	.013	1	.013	.015	.904
	Selection and Training	.004	1	.004	.005	.942
Designation	Rewards and Recognition System	.644	2	.322	.366	.693
	Career Management	.362	2	.181	.187	.830
	Performance Appraisal	.143	2	.071	.090	.914
	Human Resource Planning	1.169	2	.585	.660	.517
	Selection and Training	.598	2	.299	.383	.682

Source: (Primary_data)

The calculated significance value of Pillai's Trace Statistics is greater than 0.05, which means that the null hypothesis is true. Using a Multivariate test, this suggests that there is no significant difference in the human resource management practices used by IT companies in Chennai.

Now that it has been determined that there is no substantial variation in the human resource management practice used by IT companies in Chennai, a Multivariate test has been conducted. Rank Analysis was performed to identify the important human resource management practices adopted by the IT companies in the Chennai region.

Table No. 5: *Rank Analysis - Human Resource Management Practice*

Rank Analysis	N	Mean	Rank
Rewards and Recognition System	462	4.0693	3
Career Management	462	3.9026	4
Performance Appraisal	462	4.1429	1
Human Resource Planning	462	3.8810	5
Selection and Training	462	4.1061	2

Source: (Primary_data)

Using the rank analysis made using the mean score, it can be interpreted that the performance appraisal, selection & training and rewards & recognition system were the important human resource management practices adopted by the IT companies in the Chennai region.

A Multivariate test is used to determine whether there is a significant difference in organisational performance across IT companies in Chennai.

Table No. 6: *Multivariate Test – Organizational Performance*

Multivariate Tests						
Effect		Value	F	Hypothesis df	Error df	Sig.
Gender	Pillai's Trace	.019	1.794 ^b	5	452	.113
	Wilks' Lambda	.981	1.794 ^b	5	452	.113
	Hotelling's Trace	.020	1.794 ^b	5	452	.113
	Roy's Largest Root	.020	1.794 ^b	5	452	.113
Designation	Pillai's Trace	.042	1.965	10	906	.334
	Wilks' Lambda	.958	1.969 ^b	10	904	.334
	Hotelling's Trace	.044	1.972	10	902	.333
	Roy's Largest Root	.035	3.166 ^c	5	453	.308
Tests of Between-Subjects Effects						
Source		Type III Sum of Squares	df	Mean Square	F	Sig.
Gender	Employee Retention	.020	1	.020	.023	.880
	Productivity	.104	1	.104	.123	.726
	Development of New Products and Services	.109	1	.109	.127	.721
	Profit and Prospects	4.995	1	4.995	6.146	.014
	Customer Satisfaction	.008	1	.008	.010	.922
	Designation	Employee Retention	4.057	2	2.029	2.328
Productivity		4.050	2	2.025	2.401	.092
Development of New Products and Services		.629	2	.315	.367	.693
Profit and Prospects		1.605	2	.803	.988	.373
Customer Satisfaction		3.794	2	1.897	2.231	.109

Source: (Primary_data)

The calculated significance value of Pillai's Trace Statistics is greater than 0.05, meaning that the null hypothesis can be accepted. This indicates there is no significant difference in the organizational performance among the IT companies in Chennai using a Multivariate test is performed.

Now, having found that there is no significant difference in the organizational performance among the IT companies in Chennai using a Multivariate test is performed. Rank Analysis was performed to identify the importance of the organizational performance among the IT companies in the Chennai region.

Table No. 7: *Rank Analysis - Organizational Performance*

Rank Analysis	N	Mean	Rank
Employee Retention	462	3.8268	5
Productivity	462	4.1104	3
Development of New Products and Services	462	4.1255	2
Profit and Prospects	462	4.1558	1
Customer Satisfaction	462	3.8442	4

Source: (Primary_data)

Using the rank analysis made using the mean score, it can be interpreted that the increased Profit, Development of New Products & Services and better productivity were important organizational performance resulting out of Human result management practices adopted by the IT companies in the Chennai region.

By transforming the dataset, a regression analysis is performed to see if there is a significant impact of Human Resource Management Practice on Organizational Performance.

Table No. 8: *Regression Analysis: Impact of Human Resource Management Practice on Organizational Performance*

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.530 ^a	.281	.280	.46787		
a. Predictors: (Constant), Human Resource Management Practice						
ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	39.433	1	39.433	180.138	.000 ^b
	Residual	100.695	460	.219		
	Total	140.127	461			
a. Dependent Variable: Organizational Performance						
b. Predictors: (Constant), Human Resource Management Practice						
Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.806	.166		10.889	.000
	Human Resource Management Practice	.549	.041	.530	13.422	.000
a. Dependent Variable: Organizational Performance						

Source: (Primary_data)

The R-value, which is assessed to be 0.530, shows a 53 percent correlation between human resource management techniques and organisational success in Chennai-based IT firms. Furthermore, the derived R-Square value of 0.281 indicates that the regression equation's forecasting accuracy is 28.1 percent, implying that additional elements must be addressed for estimating organisational performance. Also, the coefficient significance value is found to be less than 0.05, this exemplifies that there is a

significant impact of Human Resource Management Practice on Organizational Performance using a regression analysis performed by transforming the dataset.

The regression equation is given by;

$$\text{Organizational Performance} = 1.806 + [0.549 \times \text{Human Resource Management Practice}]$$

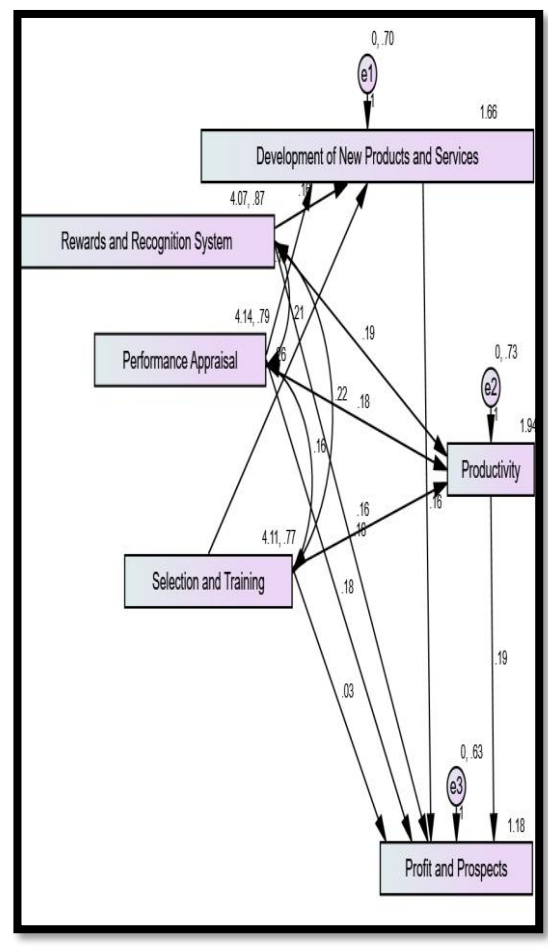
Herein analysis was performed to comprehend whether the important Human resource management practices identified will influence the IT companies Profit and Prospects through the development of new products and services and increased productivity.

Table No. 9: Path Analysis – Influence of Human Resource Management Practice on Organizational Performance

CMIN					
Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	26	2.143	1	0.000	2.143
Saturated model	27	0	0		
Independence model	12	370.69	15	0	24.713
Baseline Comparisons					
Model	NFI	RFI	IFI	TLI	CFI
	Delta1	rho1	Delta2	rho2	
Default model	0.946	0.185	0.948	0.193	0.946
Saturated model	1		1		1
Independence model	0	0	0	0	0
Parsimony-Adjusted Measures					
Model	PRATIO	PNFI	PCFI		
Default model	0.967	0.963	0.963		
Saturated model	0	0	0		
Independence model	1	0	0		
NCP					
Model	NCP	LO 90	HI 90		
Default model	19.143	8.084	37.613		
Saturated model	0	0	0		
Independence model	355.69	296.662	422.142		
FMIN					
Model	FMIN	F0	LO 90	HI 90	
Default model	0.044	0.042	0.018	0.082	
Saturated model	0	0	0	0	
Independence model	0.804	0.772	0.644	0.916	
RMSEA					
Model	RMSEA	LO 90	HI 90	PCLOSE	
Default model	0.004	0.132	0.286	0	
Independence model	0.227	0.207	0.247	0	

Notes for Model (Default model)	
Computation of degrees of freedom	
Number of distinct sample	
Number of distinct parameters	
Degrees of freedom	
Result (Default model)	
Minimum value	
Chi-square value	
Degrees of freedom	
Probability	

Regression Weights: (Group number 1 - Default model)						
			Estimate	S.E.	C.R.	P
OP2	<---	HRMP1	0.188	0.045	4.173	***
OP2	<---	HRMP3	0.176	0.047	3.768	***
OP2	<---	HRMP5	0.163	0.047	3.442	***
OP3	<---	HRMP3	0.181	0.046	3.929	***
OP3	<---	HRMP5	0.264	0.047	5.678	***
OP3	<---	HRMP1	0.156	0.044	3.519	***
OP4	<---	OP2	0.188	0.043	4.346	***
OP4	<---	OP3	0.156	0.044	3.538	***
OP4	<---	HRMP1	0.163	0.043	3.769	***
OP4	<---	HRMP3	0.184	0.045	4.106	***
OP4	<---	HRMP5	0.033	0.046	0.723	0.47



Source: (Primary_data)

Herein from the above table and depicted diagrams:

- The goodness of fit statistics
 - o Chi-square value ($p > .05$) – Whose value is not fulfilled
 - o $CMIN/DF > 3$

- Absolute fit measures
 - o The goodness of fit index >.9
 - o Root mean square error of approximation <.07
 - o Standardized root mean residual <.08
 - o Normed chi-square <3
- Incremental fit indices
 - o Normed fit index >.9
- Non-normed fit index
 - o Comparative fit index >.9
 - o Relative fit index >.9
- Parsimony fit indices
 - o Parsimony normed fit index >.9
 - o Adjusted goodness of fit index >.9

The constructed model has fulfilled more than 5 criteria, therefore the constructed path model can be considered as a valid model for this and futuristic studies.

Also, the estimated degree of freedom is 1, which is positive, this indicates the model is over-fit.

From the regression estimates, it was interpreted that important human resource management practices such as performance appraisal, selection & training and rewards & recognition system significantly influence the organizational performance by contributing to the development of new products and services as well as increased productivity, which would result in increased profit and better prospects of the IT Companies.

Findings and Conclusion

Using the analysis performed, it was understood that the majority of the respondents were holding management positions at the bottom level in IT companies, also most respondents holding management positions were male. Furthermore, the factors herein considered for the study were found to be reliable for current and futuristic studies. The result of the analysis indicates there is no significant difference in the human resource management practices adopted

by the IT companies in Chennai. The performance appraisal, selection & training and rewards & recognition system were found to be the important human resource management practices adopted by the IT companies in the Chennai region. Also, the result indicates there is no significant difference in the organizational performance among the IT companies in Chennai. The increased Profit, Development of New Products & Services and better productivity were important organizational performance resulting out of Human resource management practices adopted by the IT companies in the Chennai region. The result of the regression illustrates that furthermore, factors need to be considered to forecast the organizational performance. But, the coefficient significance value exemplifies that there is a significant impact of Human Resource Management Practice on Organizational Performance a regression analysis is performed by transforming the dataset. Also, the path analysis performed exemplifies that important human resource management practices such as performance appraisal, selection & training and rewards & recognition system significantly influence the organizational performance by contributing to the development of new products and services as well as increased productivity, which would result in increased profit and better prospects of the IT Companies.

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