

# **HRD PRACTICES AND ORGANISATIONAL EFFECTIVENESS IN INDIAN MANUFACTURING INDUSTRY**

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## **INTRODUCTION**

Human Resource Development (HRD) is a vital department of an organization, and this department holds the key to the development, to the aspirations, to the career growth and to the improvement in the human resource potential of the organization. HRD is both a process and a system that includes many series of learning activities which are organized to help create behavioral changes in the human resources in a way that they accomplish a high level of competence for their future as well as the current role in their organizations (Amlaku, 2010). HRD assists the organizations and individuals in such a manner that the overseen environment, culture and workplace perceptions of the employees can be appropriately dealt with. As per Madsen (2012), HRD practices further empower the managerial representatives of an organization to achieve the targets, mission, vision, and objectives of the human resources effectively.

Leonard Nadler introduced the term HRD in 1969. He defined HRD as "those learning experiences which are organized for a definite time period and designed especially to bring about the possibility of behavioral transformations." Human Resource Management (HRM) encompasses many functions; Human Resource Development (HRD) is just one of the functions within HRM.

Two consultants Prof. Udai Pareek & Prof. T.V. Rao from IIM Ahmedabad were approached by L&T in the early seventies for a review exercise of their performance appraisal system. In 1974 the consultants studied the system and made recommendations for improving it. They felt that a development-oriented performance appraisal system might not achieve its objectives unless accompanied by other subsystems like employee counseling, potential appraisal, career planning and development, training, organizational development, etc.

Therefore, Human Resource Development (HRD) as a function was introduced in India indigenously in the year 1975 when L&T conceptualized HRD as an integrated system and decided to separate it from the Human resource function. Since then, most organizations have started new HRD departments or redesigned their personnel and other departments as HRD departments. Today there are high expectations from HRD. For good HRD, organizations require well-structured function, appropriately identified HRD systems, and competent staff to implement and facilitate the change process (Rao et al., 2007).

The significance of management of the employee as a crucial factor in the achievement of the competitive advantage is increasing in importance, as the global economy has become gradually competitive. Organizations today should have the edge over their competitors in the market in terms of business strategy, structure, manufacturing process, and technological acumen. Hence, the organizations are trying to find out how their human resource potential can be utilized in order to have a competitive edge (Dyer & Reeves, 1995). However, this can be possible by having efficient management of the available human resource potential. Such management needs robust HRD systems to develop their workforce capability and make the organization work efficiently.

In the context of HRD, an organization can be made effective not only by augmenting productivity but also by coordinating and developing a system for the efficient handling of the employees who are intensely dedicated to the goal of the organization. Its emphasis on human resource development distinguishes an effective organization. Thus, the effectiveness of an organization depends primarily on the behavior of employees. In an effective organization, things are generally smooth; staffs are content and departments collaborate for optimal performance (Ostroff and

Schmitt, 1993; Cunningham, 1977). Writers such as Argyris (1962), Bennis (1966), Likert (1967), and Beckhard (1969) worked extensively with human resources in organizations and emphasized the connection between human resources and effectiveness.

Human resource development practices are designed to be strategically oriented to organizational development for managing the development of the workforce to contribute to the overall effectiveness of the organization (Werner and DeSimone, 2006). McLagan and Suhadolnik (1989) describe that HRD is the integrated use of training and development, career development and organizational development to improve individual and organizational effectiveness.

## **REVIEW OF LITERATURE**

### ***Human resource development interventions***

The definition provided by Mondy et al., (2005) for human resource development is "through continuous process and planning facilitate employees for their improved performance of tasks, experience, and knowledge through development programs, education, and training."

Harrison (2009) exhibited that HRD practices require significant leadership functionality for directing, introducing and guiding team and individual. From this, it is observed that for effective HRD processes employees' supervision intermediately is indispensable. Further, it exhibited that the HRD process encompasses both individual personal and team for improving their competencies, knowledge, and skills. McLagan and Suhadolnik (1989) describe that HRD is the integrated use of training and development, career development and organizational development to improve individual and organizational effectiveness.

Organizations have used HRD interventions as an important strategic mechanism to stimulate positive behavior in individuals and impact their knowledge, skills and attitudes (KSA's), which can increase productivity and performance (Clardy, 2008). There is an increasing demand to develop effective and efficient HRD interventions to improve the competence of the workforce and for enhancement of OE (Swanson and Holton, 2009). The primary theory of HRD states that HRD influences organizational performance through enhancing employee commitment as well as KSA's (Katou, 2009). Improving employee skills and abilities are expected to generate prospective returns through increased productivity and business performance (Shih et al., 2006). Employee KSA's and motivation are identified as the important motive for the relationship of HRD and employee performance (Tracey et al., 2001).

### ***Organisational effectiveness***

Organizational effectiveness is a complex and controversial concept (Reimann, 1975). This is a term that is more comprehensive than a mere reflection of the excellent performance and productivity of members or financial success measured by assets, acquisitions, and profits on the balance sheet. It reflects how effectively an organization discharges its obligations concerning all its constituencies in its internal and external environment (Sekaran, 2006).

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Organizational effectiveness is not a one-dimensional concept that can be precisely measured by a single, clear-cut criterion (Cameron, 1981; McFarland, 1979). There is an almost unanimous agreement today that organizational effectiveness requires multiple criteria to evaluate different characteristics of different organizational functions as well as considering both means (process) and ends (outcomes) (Robbins, 2003). There are five important approaches for measurement of organizational effectiveness developed in the literature of organization, and every approach considers its assumptions, limitations and has a unique pattern for measuring criteria of organizational effectiveness:

1. Goal attainment approach (Etzioni, 1960; Pfeffer, 1977);
2. System resource approach (SRA) (Wolfe and Putler, 2002);
3. Internal process approach (IPA) (Papadimitriou and Taylor, 2000; Sowa et al., 2004);

4. Strategic constituency approach (SCA) (Connolly et al.,1980; Trieschmann et al., 2000);
5. Competing values approach (CVA) (Price, 1968; Quinn & Rohrbaugh, 1981).

*The goal model approach* is the most widely used to measure effectiveness, and it appraises the effectiveness of an organization in terms of its accomplishment in recognizing its goals (Weese, 1997). *The system resources model* defines effectiveness as the ability of the organization, in either absolute or virtual terms, to utilize its environment in the attainment of limited and valued resources (Yuchtman and Seashore, 1967). *Internal process model* emphasizes the internal logic and steadiness among the throughput processes of the organization since they convert an organization's inputs into the desired level of outputs (Pfeffer, 1977 & Chelladurai et al., 1987). *In strategic constituency approach* organizational effectiveness can be observed by forming several different effectiveness statements which reflect the criterion sets of various individuals and groups we shall refer to as constituencies about the central organization (Connolly et al., 1980). *The competing values approach* and its effectiveness criteria came out from the judgments of organizational effectiveness in profit organizations. The competing value approach is the most meticulous and influential multidimensional approach which builds the five frameworks of organizational effectiveness given by Quinn and Rohrbaugh (1981; 1983).

**OBJECTIVES OF THE PRESENT STUDY**

The present study examines the impact of HRD practices namely training & development, career development, performance appraisal, counselling on the organizational effectiveness in public and private sector manufacturing organizations in India.

**METHOD**

Samples for the research were drawn with the help of ‘Non-Probability- Incidental sampling’. Incidental sampling is that type of non-probability sampling in which a researcher picks up data or information from those who are present at the time of research. It continues the process until the completion of the sample size. The sample size was obtained at the middle and senior level of management on the expectation that they possess an accurate and comprehensive perception of HRD practices employed and responsible for HRD practices implementation.

The total number of participants consisted of 326 management personnel from two major private and public sector organizations. The respondents included employees from all the major departments of the organizations. The data was collected through a comprehensive self-administered questionnaire. The respondents from private sector organizations were 151, whereas respondents from public sector organizations were 175.

**MODEL**

Moderated or interactive relationship model was used to study the impact of HRD practices on organisational effectiveness. This model entails that moderation or iteration could be said to exist if returns from one practice (e.g. HRDP) varied across the other practice (e.g. organisational effectiveness) at all levels.

HRDP variables has been defined and measured in terms of: career development (CD), training & development (TD), performance appraisal (PA), counselling (CL) i.e.

$$OE = f (HRDP).....Equ. 1.1$$

Assuming linear model we have

$$OE = \alpha + \beta HRDP + \epsilon .....Equ 1.2$$

Equation 1.1 explained the normative additive model when two factors were entered together into the equation. In these equations, a regression coefficient estimates the effects of the independent variable (factor) on the dependent variable, across the levels of the other independent variable (s). It means that  $\beta$  reflects the trends of change in OE (Organisation Effectiveness) with changes in HRDP (HRD practices).

DISCUSSION

This study explored the relationship between HRDP variables and organisational effectiveness in public and private sector organisations. From 1, it is evident that there is a significant influence of training & development on organizational effectiveness in public and private sector manufacturing organizations in India. In line with the present study, research done by Geethu and Siby (2014) identifies that a trained team of employees will bring the growth and effectiveness of the organization to a higher level. Furthermore, Nassazi (2013) has also revealed that training of employees boosts their performance which in turn makes an effective organization. Similarly, the study of Shaheen et al. (2013) shows that the training of employees impacts the overall performance of the organization positively. Besides, Amadi (2014) proved that development and training has a positive impact on organization performance.

**Table 1: Influence of Training & Development on Organizational Effectiveness**

		Unstandardized Coefficients		Standardized Coefficients	R-Square	t value	p value
		B	SE	Beta			
Public	(Constant)	2.454	0.443		0.105	5.538	0.000
	Training & Development	0.438	0.097	0.324		4.507	<b>0.000**</b>
Private	(Constant)	1.761	0.236		0.446	7.459	0.000
	Training & Development	0.599	0.055	0.668		10.954	<b>0.000**</b>

Dependent Variable: Organizational Effectiveness, \*\*p<0.01

OE (public) = 2.454 + 0.438 TD

OE (private) = 1.761 + 0.599 TD

Also, the R-square value (0.105) revealed that 11% of organizational effectiveness changed due to the effect of training and development in the public sector but in the private sector 44.6% organisational effectiveness changed due to impact of training & development. So, training and development is a strong predictor of organisational effectiveness in private sector organisations.

This study found that career development has a significant positive relationship with Organisational effectiveness. Another study was done by Otoo, F. and Mishra, M. (2018) who argued that the implementation of individual career management process significantly enhances employee competency and improved individual performance that contribute, in aggregate to Organisational Effectiveness. Also, the R-square value (0.323) revealed that 32.3% of organizational effectiveness changed due to the effect of career development in the public sector but in the private sector 54.8% organisational effectiveness changed due to impact of career development.

**Table 2: Influence of Career Development on Organizational Effectiveness**

		Unstandardized Coefficients		Standardized Coefficients	R-Square	t value	p value
		B	SE	Beta			
Public	(Constant)	1.836	0.289		0.323	6.349	0.000
	Career Development	0.569	0.063	0.569		9.095	<b>0.000**</b>
Private	(Constant)	0.911	0.255		0.548	3.572	0.000
	Career Development	0.765	0.057	0.740		13.449	<b>0.000**</b>

Dependent Variable: Organizational Effectiveness, \*\*p<0.01

OE (public) = 1.836 + 0.569 CD

OE (private) = 0.911 + 0.765 CD

Furthermore, from table 4.5.5.3, it is evident that there is a significant influence of performance appraisal on organizational effectiveness in public and private sector manufacturing organizations in India. These empirical results verified the results obtained by some researchers such as Ramamoothie (2013), Iqbal et al. (2013) and

Warokka et al. (2012). According to Munap et al. (2013), organizational rewards after the performance appraisal being done do have a significant positive relationship with organizational effectiveness. Study findings of Ghafoor (2014) are consistent with the previous studies and suggested that there is a moderate, positive significant correlation between appraisal and efficiency of the organization. These results are also consistent with earlier researchers' study results (Begum et al., 2015; Coens & Jenkins, 2002; Lillian et al., 2011; Whitman et al., 2010). In contrast to the results of this study, Brefo-Manuh et al. (2017) showed a significant positive relationship between organizational effectiveness and performance appraisal system in the private sector but insignificant positive effect in the public sector.

**Table 3: Influence of Performance Appraisal on Organizational Effectiveness**

		Unstandardized Coefficients		Standardized Coefficients	R-Square	t value	p value
		B	SE	Beta			
Public	(Constant)	4.172	0.343		0.114	12.162	0.000
	Performance Appraisal	0.058	0.073	0.060		0.792	<b>0.009**</b>
Private	(Constant)	2.684	0.318		0.149	8.438	0.000
	Performance Appraisal	0.357	0.070	0.386		5.101	<b>0.000**</b>

Dependent Variable: Organizational Effectiveness, \*\*p<0.01

OE (public) = 4.172 + 0.058 PA

OE (private) = 2.684 + 0.357 PA

Present study results reveal that there is a significant influence of counseling on organizational effectiveness in public and private sector manufacturing organizations in India is accepted (table 4). Similarly, a study done by Izzat (2014) identified the significance of workplace counseling on organizational efficiency. The results of the study exposed a significant positive relationship between workplace counseling and employee performance of the organization. Likewise, a study done by Sharar et al. (2012), the result of evaluating the workplace effects of counseling revealed that workplace counseling had a positive impact.

**Table4: Influence of Counseling on Organizational Effectiveness**

		Unstandardized Coefficients		Standardized Coefficients	R-Square	t value	p value
		Beta	SE	Beta			
Public	(Constant)	2.480	0.379		0.136	6.544	0.000
	Counseling	0.437	0.084	0.368		5.213	<b>0.000**</b>
Private	(Constant)	0.969	0.257		0.536	3.774	0.000
	Counseling	0.775	0.059	0.732		13.126	<b>0.000**</b>

Dependent Variable: Organizational Effectiveness, \*\*p<0.01

OE(public) = 2.480 + 0.437 CL

OE (private) = 0.969 + 0.775 CL

**CONCLUSION**

This study clearly indicates that HRD practices play a significant role and do affect the organizational effectiveness in Indian manufacturing industry. Thus, the available body of knowledge on the subject has amply demonstrated the influence of HRD Practices on organization effectiveness.

Further, the association between HRD practices and organizational effectiveness has been examined. The results of this study reveal that HRD practices implemented in the selected organizations have a significant positive relationship with the organizational effectiveness in both private and public sector organizations. Moreover, the findings of this study also reveal that the HRD practices have more influence on organizational effectiveness in private sector firms than public sector organizations.

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