

# **IMPACT OF HRM ON EMPLOYEES FINANCIAL PERFORMANCE**

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## **Abstract**

One of the primary goals of Human Resource Management (HRM) is to increase organizational performance. Nonetheless, few studies have specifically discussed the multidimensional complexity of success and related HR activities with different outcomes. This study therefore adds three outcome dimensions to the literature by referring to HR practice: financial, organizational and employee (HR) outcomes. HR is used to describe the people working for a company or agency as well as the group responsible for handling services relevant to the workers. The word "human capital" was first coined in the 1960s, when attention started to be drawn to the importance of industrial relations. HR plays a critical role in helping businesses cope with a rapidly evolving market climate and a higher demand in the 21st century for high-quality workers. Human resource management is a fairly new way of managing people at any organization. For several of the major corporations the idea of social capitalism dealing with staff members has been adopted. Widespread unemployment during the 1930s Great Depression is widely held responsible for curtailment in the planned cooperative climate. Industry-wide deals could push up labor costs to the point that companies were vulnerable to foreign markets in the increasing international competition. They will also examine how HR strategies affect these aspects of performance, concentrating on the mediating role of work satisfaction.

**Keyword:** Human Resource Management, Organizational Performance, Financial, Organizational and Employee (HR) Outcomes.

## **Introduction**

An organization's most valuable resource is its PEOPLE or Human Resource this is an undeniable and mostly accepted fact worldwide. Around the same time much of the company's corporate mission statements and financial reports also show the same message. People are the most valuable resource for business within a company.

Today's new area of Human Resource Management (HRM) is gaining a lot of attention due to its possible effect on the sustainability and success of an enterprise. Today there is a growing perception that if companies want to succeed and thrive in today's talent-based global economy, they need to obtain, develop and implement expertise and strategies in managing human resources world-class. (Under Darwish, 2013). In the last 50 years , higher management has come to the conclusion that people are the key differentiators of every company, not goods, markets, money, buildings or machinery. Every organisation's assets require human intervention to produce their value. Higher management, industrialists and academics, being aware of this realization, have been in a state of constant quest for methods to increase the degree of employee commitment and activities relevant to his / her job, which eventually boost organizational efficiency. (Shaukat et al., 2015) As per (Dessler, 2013).

## **Theoretical Background**

Over several years, there has been proliferation among scholars and practitioners in the assumption that individual employee success has consequences over firm-level results. Nonetheless, interest in this field has recently increased, as academics have begun to argue that collectively workers of a company can also have a unique source of competitive advantage that its rivals find difficult to duplicate. For example, Wright and McMahan (1992), building on the company's resource-based theory of Barney (1991), argued that human resources can be a source of sustainable competitive advantage while meeting four basic criteria.

### **What is Human Resource?**

HR is used to portray both the individuals who perform for a corporation or organization and the department responsible for managing employee-related resources. The term "human resources" was first coined in the 1960s when the value of labor relations began to attract attention and notions such as motivation, organizational behavior and evaluations of selection began to take form.

### **Understanding the Human Resource Department (HRD)**

An HR department presence is an integral component of any company, irrespective of the size of the organization. An HR department is charged with optimizing the efficiency of workers and defending the

company against any issues that may occur within the work force. HR duties include wages and benefits, recruiting, firing and keeping the company and its staff up to date with any legislation that could affect them.

### **Strategic Human Resource Management**

The HRM term has gone through a long journey beginning with a modest start as staff management in which the roles and responsibilities of staff managers were limited to recruiting and selection, keeping payroll records, monitoring promotions and handling certain routine staff issues etc.

In the field of human resource management, however, contemporary development is sprouting and pointing towards strategic human resource management (SHRM). Due to its potential impact on the functioning and hence overall performance of the organizations, SHRM has gathered attention.

### **High Performance Management**

High-performance management seeks to influence the company's output through its people in areas such as profitability, efficiency, customer service rates, growth, income and, eventually, production of increased shareholder value.

High-performance management strategies include robust recruiting and selection policies, comprehensive and applicable training and development programs in management, competitive compensation structures and processes in performance management. High-performance work system features can be described as:

- a) It is a careful and extensive HR functionality of the system, i.e. recruitment, selection, and training.
- b) This is a framework systematically structured to exchange knowledge with the individuals working within the company.
- c) Has a clear design for the job;
- d) It's developing processes of high-level participation.
- e) It involves attitudinal monitoring.
- f) It emphasizes appraisals of daily performance.
- g) It develops properly functioning grievance handling procedures.
- h) It designs and implements policies for recognition and financial reward to high-performing employees for promotion and compensation.

### **Review of literature**

Della-Torre and Solari (2013) identified a positive relationship between the perceived employee and organizational success and successful training practices.

Training and development activities allow organizations to adjust, compete, advanced skills, innovate, develop, enhance the safety of employees, expand service and achieve the goals of the company (Salas et al., 2012).

Medlin & Green (2009) said target setting, employee engagement and high-level workplace motivation collectively boost an organization's individual's performance.

There is increasing concern based on the assumption that human capital should be viewed as an important asset rather than an organizational expense, and as a strategic element that supports and gives sustainable competitive advantage (Delaney and Huselid, 1996; Wright et al., 2001; Sun et al., 2007).

Recruitment and selection are among the HRMPs that are most relevant. It is a method of finding, assessing, and getting the right people in the right job. A positive relationship has been recorded among recruitment, selection, and other procedures that are effectively used to select applicants who have a major impact on the income of the companies (Hausdorf and Duncan, 2004).

Historically, the field of human resource management has been concerned with the study of particular HR functional areas often defined by the field of industrial and organizational psychology Boxall and Purcell (2001) as selection, preparation, evaluation and compensation; The study of these different HR functional areas as means and ends within themselves was included in past studies.

Evidence on SHRM suggests that HR strategies will boost company efficiency when they are strategically coordinated to handle staff in a manner that contributes to Delery and Doty's (1996) competitive advantage. In addition, the appropriateness of a collection of HR practices can depend on the competency a organization is attempting to establish.

### **Research Methodology**

The present research is largely focused on the review of collected primary data through a well-designed survey method. Considering that the respondents were globally dispersed, it was not feasible to interview them all in order to obtain the information needed for this report. As a result, the most adequate way to collect primary data for this purpose was adopted, and a test was undertaken using a pre - tested questionnaire over a sample population. In administering the research, to fill in the survey questionnaire, employees from different power sector PSUs at different levels were approached personally or via mails.

The survey was structured using the Likert scale and the primary data collected using the questionnaire, using proper equipment, was analyzed using the statistical package. One way ANOVA has been used to check the hypothesis was to figure out how much the discrepancy between two sample means is important or not.

**Objectives of Study**

- The study articulates about the relationship between the working climate of the organization and the employee’s performance.
- The study articulates about the relationship between promotions, career development and performance of the employees.
- This study articulates about the conceptual framework of HRM and performance of the employees.

**Sample size- 408**

**Hypothesis**

**H01:** Selection has no major impact on the output of the employees

**Data analysis**

The hypothesis testing method decides whether independent variables for each independent factor significantly affect the dependent variables for this study using ANOVA (Analysis of Variance). Illustration. 5.6 Highlights significant phases in ANOVA procedure.

**Table 1.1 Selection**

<b>H<sub>01</sub></b>	<b>Sum of Squares</b>	<b>Df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
<b>Between Groups</b>	<b>370.641</b>	<b>10</b>	<b>37.064</b>	<b>7.394</b>	<b>0.000</b>
<b>Within Groups</b>	<b>1990.152</b>	<b>397</b>	<b>5.013</b>		
<b>Total</b>	<b>2360.792</b>	<b>407</b>			

**H01:** Selection has no major impact on the output of the employees

Interpretation: Table 1.1 shows the effects of the variance analysis ( ANOVA) between selection policies and output of the employees. Selection is the independent variable while the dependent variable is Employees Efficiency. The value of the number of squares among the Selection groups is 370.641 with 10 degrees of freedom (DFM) and the sum of squares inside the groups is 1990.152 with 397 degrees of freedom (dfr). Hence the mean squares (MSM) value between the groups is  $370.641/10 = 37.064$  and the mean squares (MSR) value for the groups is  $1990.152/397 = 5.013$ . The resulting value of the F ratio (MSM / MSR) is  $37.064/5.013 = 7.394$ , which is highly important at 5 per cent meaning level with  $p=.000$  ( $P<.05$ ). Thus, hiring policies impact employee efficiency significantly. And our null hypothesis (H01) is denied.

**Conclusion**

The study finding establishes HRM’s connection to the success of employees. The three stages of HRM, namely formulation, implementation and assessment, were brought together by this study. HRM has emerged as a strategic partner today; organizations need to look at the three phases as complex processes and devise supporting processes, and promote productivity mechanisms.

Today, as companies are working hard to maintain and stay competitive, they look to Human Resources and SHRM strategies have shown to be closely correlated with employee engagement, thereby contributing to organizational productivity through improved employee performance. Research literature on Strategic Human Resource Practices (SHRM) indicates that the conduct of workers is substantially affected by SHRM activities (Koys, 2001; Lam, Chen, & Takeuchi, 2009; Wright, Gardner, Moynihan, & Allen, 2005), analyzed in this review.

Researcher has found that SHRM activities have an effect on outcomes such as production, performance, financial benefit, but unique to this research, but it cannot be assumed that the general conclusion is about the same. This study contributes to the future scope of SHRM research especially in larger scale Indian PSUs.

It offers a guide to HR managers and top management about what shapes employee opinions regarding policies and practices in HRM. Further research on the topic can help to better and deeper understanding of HRM’s involvement in employee performance and organizational efficiency. It was analyzed that HR strategies and procedures can be used to provide consistent and detailed packages of HR.

**Recommendations**

The major recommendations of this study are illustrated below:

- Considering that business practices and HRM policies are not inherently exclusive, organizations should develop HRM policies with respect to the business strategies they adopt are given the key recommendations based on the findings of the report.
- Organizations will have HRM divisions and board level oversight in those divisions to accomplish this.

- Employee performance is highly dependent on HRM outcomes such as skills, attitudes and behavior. Consequently, the focus on designing HRM policies and business plans will be geared towards optimizing these HRM outcomes
- Participation, participation, rewards, benefits, communication, promotion, training and development, performance evaluation, job design and selection that constitute the important aspects of the HRM strategy in a descending order.
- Performance, creativity and cost can constitute the important aspects of the business strategy in a downward order.

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