



# Human Resource Management Practices and Organisational Performance: An Indian Overview

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*Abstract: The link between human resource management (HRM) practices and organizational performance is well researched. With this paper we hope to contribute to a better understanding of the role of human resource practices in creating and sustaining organizational performance, specifically in the Indian context. The structure of the paper is as follows. First we briefly review the dominant perspectives in this field as per the available literature. We note that almost all of the published theory-building as well as empirical research in this area is conducted in societies other than the Indian society. On the other hand, the socio-cultural context of organizations in India is uniquely different. Hence in the next section we propose a framework to examine HR and firm performance linkage suitable for the Indian conditions. In the last section we point out some limitations and propose directions for future research.*

*Keywords: HRM, Socio-cultural, research, future.*

## I. HRM AND ORGANIZATIONAL PERFORMANCE (OP) RESEARCH

It is well understood that human resource management (HRM) decisions and practices are likely to have an important and unique influence on organizational performance. The obvious linkage must be either through improved efficiency or contribution to revenue growth. However, the views on the exact transmission mechanism or model linking the two have undergone much change over time. This change has happened alongside change in the perceptions about human resources themselves from being a cost to be minimized and a potential source of efficiency gains to a source of value creation, or what Hamel and Prahalad termed "numerator management".

Peters and Waterman described and assessed "excellent" organizations. This seminal 1982-work inspired writing of many testimonials to the value of progressive HRM practices and systems of such practices. In particular, employee participation and empowerment and job redesign, including team-based production systems, extensive employee training, and performance-contingent incentive compensation, are widely believed to improve the performance of organizations. The interest in human resources since late 1980s as a strategic lever inspired several works published in the Academy of Management Journal, Journal of Accounting and Economics and Industrial Relations, among others, over the past three decades or so on the theme that HR can have economically significant effects on a firm's bottom line. A developing body of research has reported positive associations between firm-level measures of HRM systems and organizational performance in numerous studies conducted in contexts other than Indian. Marchington and Grugulis, however, emphasize that in order to determine the effectiveness of HR, the context in which HR is practiced must be included in the analysis.

## II. HR PRACTICES AND OP OUTCOMES: THE STRATEGIC HR MANAGEMENT PERSPECTIVE

The relationship between HR practices and firm performance outcomes is discussed best in the SHRM literature. What HR practices are and how they impact on firm performance are the central themes in the discussion of a strategic HR system.

Different HR configurations are needed to achieve a high level of firm performance. Also different types of HR practices generate different firm outcomes. For example, some HR practices are related to financial outcomes, while some others may relate more to staff turnover. Although the literature suggests that the link between HR practices and firm performance is quite positive, it is nevertheless not necessarily a direct relationship. Guest presented a model that provides the theoretical linkages between HR and firm performance. He suggested that there are different types of fit among HR practices. The fit or integration of these practices leads to different HR outcomes and subsequent firm performance. Similarly, others have suggested that in order to have effects on firm performance, there must be a certain alignment of different components of an organization, including different HR practices (as an HR system), the necessary skills and knowledge possessed by employees, a motivated workforce, and a value-added strategy. From a resource-based view, De Saa-Perez and Garcia-Falcon demonstrated that an appropriate HR system creates and develops organizational capabilities that become sources of competitive advantage. Wood reviewed several SHRM studies and noted that previous empirical works focused mainly on the link between HR practices and performance, but not on the mechanisms linking them. In another study of HRM and corporate performance, it was found that although there was an association between HRM and firm performance, the causation effect was not established. We may, therefore, conclude that HR system is likely to contribute to competitive.



### III. A CONCEPTUAL FRAMEWORK FOR HRM AND OP RESEARCH IN INDIA

The conceptual and empirical work relevant to the question of firm-level linkage between HRM and organizational performance in the Indian context has not progressed much. Indeed, in order to provide a convincing explanation of the association between HRM and organizational performance in the Indian context we need to improve our theoretical and analytic frameworks in three key areas. These are the nature of HRM, and especially the rationale for the specific lists of HR practices; the nature of organizational performance; and the linkage between HRM and performance. In this paper we focus on the last linkage. We attempt to synthesize and organize concepts from SHRM literature into a more coherent and relevant framework for the Indian context.

Tiwari and Saxena discuss a framework that indicates how external and internal factors affect HRM practices which in turn generate certain benefits for the organization and ultimately lead to overall corporate performance. The authors list some “innovative” HR practices being followed by seven selected companies, namely J K Lakshmi Cement, Grasim Industries Ltd, Tata AIG General Insurance Co Ltd, Maruti Udyog Limited (MUL), HCL Technologies Ltd., LG India and Pantaloons (India) Ltd. Noting that these companies are performing “well” in their sectors, they attribute their success to these so-called “innovative” HR practices and conjecture that the latter must have helped in building image of the company in the minds of the employees and hence contributed to their respective “good” business performance. Anil K Singh took a sample of 95 respondents from two private sector organizations in India and reported positive correlations between HRM practices and variables of organizational culture.

### IV. CONCLUSION

HRM practices must be married with not just the strategic objectives and market orientation of the organization but also the organizational culture, especially in the Indian context. Reflecting a multidisciplinary interest, we emphasized through this paper looking into the mechanisms by which human resource practices ultimately impinge upon the organizational performance. We derived some propositions and hope that validity of this conceptualization may be verified in the Indian context by future empirical research.

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