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Human Resource Management's Impacts on Corporations' Organizational Performance

Saurabh Tukaram Shinde¹, Prof.Rajendra Jarad², Prof.Dhananjay Bhavsar³, Prof.Mahendra Yadav⁴,
Prof.Praveen Suryavanshi⁵, Prof.Nilambari Mohalkar⁶

Department of MBA, Dr.D.Y.Patil Institute of Technology, Pimpri, Pune, India^{1,2,3,4,5,6}

ABSTRACT: This study examines the relationship between human resource management (HRM) practices and organizational performance within firms. Drawing on a sample of [number] firms across [industry/sector], we investigate how HRM practices such as recruitment and selection, training and development, performance management, and employee relations influence organizational outcomes including productivity, quality, and financial performance. Our results show that HRM practices have a significant positive impact on organizational performance, with high-performance work systems (HPWS) and employee engagement emerging as key mediators. We also find that the relationship between HRM and organizational performance is moderated by firm size, industry, and cultural context. This study contributes to the literature by providing empirical evidence on the HRM-organizational performance link and highlighting the importance of contextual factors in shaping this relationship. The findings have implications for managers and policymakers seeking to improve organizational performance through effective HRM practices.

KEYWORDS: human resource management, organizational performance, high-performance work systems, employee engagement, firm performance.

I. INTRODUCTION

1.1 Background of the Study:-

Human Resource Management is an indispensable function for both the private and public sector organizations. The process deals with several operational objectives such as recruitment, providing proper training to the employee, selection of the employee, assessment of the employee, motivating and maintaining a proper relationship with the employee and maintaining welfare and health for the employees in the organization through laws created by the concerned state and country. The human resource management is a process through which the organization utilizes their limited skilled workforce. The main intention is to make effective utilization of the existing human resource for the organization. Apart from this, human resource management works in the diverse area like conducting of jobs, planning the employee's needs and recruitment, determination of wages and salaries, resolving the disputes and creating better working and safety environment for the employees (Bowen & Ostroff, 2004). The organization uses their human resource management for the proper utilization of their resources. Furthermore, the department plays an important role in the overall development of the employees for encouraging personal and career growth. Alternatively, it helps in improving professional skills and knowledge of the employees. Human resource management provides quality work life for the employees. Therefore, the significance of the Human resource management with respect to the organizational performance is evident. Large number of organizations has established their human resource management department and they understand its need in today's world of business (Cooke, 2005).

The role of the higher performance work practices in the realm of the Human resource management is important. Although literature provides evidence that the Human resource management is crucial for organizational performance, the impact of effective human resource management on organizational performance is relatively less discussed area in the literature. Moreover, little research is available in Saudi Arabian perspective which sheds light on the role of the higher performance practices on the performance of the Saudi Arabian organization.

The higher performance work practices are human resource work practices that aimed at influencing and enhancing the organizational and employee performance. Therefore, the present study has also focused on the



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investigation of the impact of the higher performance work practices on the organizational performance of the Saudi Arabian firms. For that purpose, the bundle of higher performance work practices was evaluated. These higher performance work practices are feedback, performance appraisal, employee suggestion systems and affective job description and specification (Francis, 2015).

The one of the core objective of the human resource management in the organization is to provide quality work life for the employees. The quality of work life can be defined as the activities through which the employees dignity and growth in the organization is developed. It helps the employees to work together in the organization and the actions, changes, and improvements which are necessary for the achievement of goals and improving the quality of life and improving the effectiveness of the organization. In the recent times, the organizational are not only focusing on employees for the work related aspects but also focuses on the holistic well-being of an employee. It is the fact that, if the employees life can't be compartmentalized and the disturbance in the life of the employee will disturb the professional life. Hence, the human resource management works for the overall development of the employee by reducing their stress and creating a healthy atmosphere in the workplace (Bowen & Ostroff, 2004).

The impact of these higher performance work practices will be evaluated on organizational performance on important grounds which are creativity and innovation, core employee retention, customer satisfaction and organizational productivity (Kaufman, 2011). These grounds are considered very important for the organizational performance. Saudi Arabian organizations are also focusing on the implantation of the HR departments in their organization and to change with the changing nature of the business environment.

There is need to boost the organizational performance with the implantation of the higher performance work practices in the organization. Present study is quite significant in that regard. The study will enhance the literature on the higher performance HR work practice in local Saudi Arabia perspective. The academicians and the researchers will also be in position to get benefit and understand from the study results. The study will evaluate the whether there is positive and significant relationship between performance appraisals and core employee retention in Saudi

Arabian's organizations. Moreover whether there is positive and significant relationship between job descriptions and specifications and organizational productivity in Saudi Arabian's organizations. The study will also evaluate the impact of the performance appraisal on core employee retention in Saudi Arabian's organizations and the impact of affective job descriptions and specifications on organizational productivity in Saudi Arabian's organizations.

1.2 Aim and Objectives

The aim of the present research study is investigate the impact of the higher performance work practices on the organizational performance in Saudi Arabian perspective. The impact will be investigated in the realm of the Saudi Arabian firms. The specific intentions of the firms will be as follows;

RO1: To examine the impact of the feedback on organizational creativity and innovation in Saudi Arabian's organizations?

RO2: To investigate the impact of the suggestion systems on customer satisfaction in Saudi Arabian's organizations?

RO3: To investigate the impact of the performance appraisal on core employee retention in Saudi Arabian's organizations?

RO4: To investigate the impact of affective job descriptions and specifications on organizational productivity in Saudi Arabian's organizations?

1.3 Research Question and Hypothesis

Research questions:

RQ1: What is the impact of the high performance human resource work practices on organizational performances in Saudi Arabian's organizations?

RQ2: Do high performance human resource work practices exist in Saudi firms?

Research hypotheses:-

H1: There is positive and significant relationship between high performance human resource work practices and its impact on organizational performances in Saudi Arabian's organizations



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H2: High performance human resource work practices exist in Saudi firms

1.4 Scope of the Research:-

The scope of the research is restricted to the on the investigation of the impact of the higher performance work practices on the organizational performance of the Saudi Arabian firms. The data can be collected in both form the primary and the secondary data. The present study will collect primary data to acquire the perceptions of the respondent's o high performance human resource work practices. The primary data provides more accurate and authentic up to date information about the topic under investigation. The use of the primary data is thus important and worth considering in order to evaluate the impact of the high performance human resource work practices on the organizational performances.

1.5 Significance of the Research:-

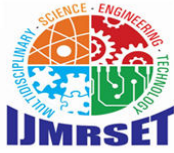
The roles and responsibilities of the human resource management are mainly oriented to the designing, planning, developing and management of the policies for effective utilization of the human resources of the organization. The major objectives of the human resource management are effective utilization; provide a productive environment and individual development. The functional areas of HRM are planning, staffing, and development of workforce and maintenance of the employees. Therefore, the human resource management of an organization has a broader area of functionality.

The human resource planning is the most vital aspect of the management of human resources in an organization. The planning mainly involves designing and formulation of strategies to manage and control the workforce. The planning also determines the number and types of workforce require for the productive output. However, the major part of planning is dominated by the elements which develop the professional aspect of the employees. The professional development is essential for both employees and the organization. The human resources management provides educational programs and training for the workforce, which helps in understanding the task, profession, and career development prospect. Apart from this, the human resources management system provides opportunities for personal and professional growth such as individual higher education, training, and assistance. Apart from this, the HR management department takes initiatives in developing the communication system within the employees. The training programs and interaction in the workspace helps in developing the communication of the employees. In context with the business communication, employees are attains good communication approach which helps in professional development Robertson and Morrison, 1996).

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1.6 Research Methodology:-

The explanatory research design will be followed in the present research. The explanatory research design assesses the causal relationship between the variables. The impact of the independent variable will be investigated on the dependent variable. The nature of the present research study and its objectives also requires that the explanatory research design is most suitable. The causal relationship between the high performance human resource work practices and its impact will be evaluated on the organizational performance of the Saudi Arabians firms. The quantitative data analysis will be employed in order to assess whether the high performance human resource work practices has significant and positive



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impact on organization performance. The nature and the objective of the study also require the implantation of the explanatory research design in that regard. Thus, the quantitative research is best suitable that supports the nature and the objective of the study in that instance.

1.7 Summary:-

Human resource management works for maximum utilization of the resources for the organization. Human resource management develops plans and applies policies and program for the utilization of the organization human resources. The major functional area of the human resource management for the organization is planning, staffing, and employee development and maintenance. The functional area which is focused on the human resource department is the quality of life, career planning and the professional development of the employees. Therefore, the human resources management plays a vital role in managing the workforce with personal and professional development which leads to the overall development of the organization and the workforce.

II. LITERATURE REVIEW

2.1 Introduction

According to several scholars like Barney (1991) and Wilson (1994) management of human resources is much more difficult than capital management or technology management. The definition of Human resource management (HRM) evolved in the later period of twentieth century. In the current day world, survival of an organization depends on the development of new capabilities; as a result organizations are facing critical challenges in all over the world. New challenges like globalization, investment in human capital, growth, change management etc. are emerging and organizations from all over the world needs to manage and find opportunities through these challenges. Among these challenges the management of human capital has gained added importance, as organizations are realizing the importance of people or human resource as assets of strategic importance. According to Hartel, Fujimoto, Strybosh and Fitzpatrick (2007) Human resource management does not merely deals with the rational administration but looks after the job satisfaction of the employees and also focus on, how to motivate them for better results, as a result it is making the best utilization of each individual human power for achieving the objectives of an organization. Human resource management is also an important fact considered by organizations from all over the world, because human resource is the resource that has the capability of converting the other source like capital, technology, methods, material, machine etc. into product or service. So the need of a sound Human Resource Management system is very much necessary, in today's world.

2.2 Concept of Human Resource Management:-

Before the evolving of the definition of Human Resource Management the management process dealing with the similar kind of subject was known as personnel management. It emerged during the 1920s. It was concerned about a single department and its activities. The department it was concerned about was the human administration department, and its main function was recruitment and selection for the organization. The other functions carried out by this management were related to development, grievance handling, registration, appraisal, reward, retirement etc. But the negative fact about this system was that its formation was in the bureaucratic set up and it gave importance to the organization and its administration. By the late 1970s organizations from all over the world started facing increase in competitive pressures due to the factors like deregulation, fast growing technological change and globalization. So the need for a more efficient management system emerged and in response the Human Resource Management was developed. According to Khatri (1999) Human capital is one of the key factors that provide flexibility and adaptability to the organization. According to Rundle (1997) the people or the human resource are the adaptive mechanism not the organization or firm that determines the response of the organization towards the competitive environment.

On current structural background Human Resource Management can be defined as systematic process by which human capital or human resource are recruited and managed in such a way that it helps the organization to achieve its objectives. Human Resource Management is concerned about not only the organization but also about the wellbeing of the human capital involved, so it gives consideration not only towards recruitment and selection but also towards the motivation factors, development and maintenance of human resources. Human Resource Management helps to select the right person, for the right job, at the right time and at right position in a changeable surrounding.



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According to Schuler & Jackson (1987); Schuler & Macmillan (1984); and Wright & Snell (1991); Human Resource Management comprises of the activities of an organization directed towards the management of the human resources and taking care of the facts that the resources are appointed at the right place and time for the right purpose for the fulfilment of the goals of the organization.

III. RESEARCH METHODOLOGY

3.1 Introduction:-

This study is aimed at examining the HRM practices of four rural banks and the impact of such practices on the organizational performance of these banks. This chapter discusses the research design, target population, sample, sampling techniques sources of data, and data collection procedures used in obtaining the required data. This section also gives a brief overview of banks under study.

3.2 Research Design:-Research design embraces the methodology and procedures employed to conduct scientific research. The design defines the study type; data collection methods and statistical analysis plan. This study took an explanatory research design since it seeks to establish the impact of HR practices on organizational performance. This is a case study research work that used a selected number of HRM practices to get empirical data on HRM practices and how they affect organizational performance.

The research strategy used for the research was a survey approach in order to collect quantitative data which was analysed using descriptive statistical tools. The use of a survey enables generalisation to be conducted using findings generated from a sample size which is representative of the whole population.

3.2 Sources of Data:-The data for this study was drawn from two main sources; primary and secondary data sources.

3.2.1 Primary Data:-The primary data sources were those original data collected and analysed by the researcher from the field. These were mainly obtained from the responses of respondents to self-completion questionnaires, semi structured interviews and participant observation recordings.

3.2.2 Secondary Data:-

The secondary sources of data refer to data collected by a person or researcher other than the user of the information. This kind of previously collected information is not case-specific but it can be relevant to the studied problem(Lindstrom et al 2010) This study to a significant extent depended on information about rural banks in the KSA and their HRM practices relevant materials from the and other documented relevant information.Available handbooks, annual reports, performance reports, employment policies, relevant information from the organizations" website, blogs, journals, newsletters and other documented materials made up the secondary data used by the researcher. The data obtained from these sources were scrutinised for reliability, validity, adequacy and suitability in answering research questions. The use of multiple independent sources of data was to establish the truth and accuracy of any claim; thus it is expected to enhance the reliability and validity of the study.

3.3 Study Population:-Investigating, for example a problem will almost certainly require a research project in the academic sense. Researchers often have interest in particular groups of people or items this is referred to as study population. Population is the total members of a defined class of people, objects, places or events selected because they are relevant to one's research questions. In this study, the target population which is the entire set of units for which the research data would be used to make inferences or generalisation is the managers and non-managerial employees of rural banks in KSA.

On the average, the staff strength of these rural banks as at the time the researcher was obtaining preliminary data stood at twenty-two (20) at the head offices and eleven (9) at the branches. The figure for the head office is made up of five (5) management staff, four (4) supervisors for different departments, eleven (11) junior staff. At the branch level are one branch manager, one operations officer, two back office staff, one customer service personnel, two tellers, one relationship/credit officer and two microfinance officers. These members of the target population had characteristics



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and experiences that were capable of producing the responses the researcher needed.

3.4 Sample and Sampling Techniques:-

A sample is a selection of a group of people or events from a population to be able to find out true facts about the sample that will be true of the population. This becomes necessary as the entire population cannot be studied due to the size, inaccessibility, time and financial constraints. This study had an estimated population size of one hundred and eighty eight (188) people and this large size made it impossible for the researcher to test every individual members of the population. As such, a sample size of one hundred and forty (150) respondents, representing 79.78% of the population was chosen as a true reflection of the population for the study. Based on non-probability sampling procedure, purposive or judgemental and convenience sampling techniques were used for selecting respondents for managerial employees and non-managerial employees respectively. The purposive sampling technique is done with a predefined group in mind. The subjects are handpicked from the accessible population and matched against the criteria for being in the sample. This means that people whose opinions are relevant to the study are chosen for the researcher's data collection exercise. Here, sampling for proportionality is not the primary concern; rather the judgment of the researcher in sampling experts relevant to the study is significant. The purposive sampling technique was chosen in sampling for managerial employees because they had to meet a criterion of belonging to the predefined group of top level managers. Again, the convenience sampling technique was used so that any non-managerial employee could participate as a respondent. The convenience sampling technique suited the non-managerial employees better due to their relative ease of access and the fact that any employee belonging to this group is a potential respondent. A period of three weeks was allowed for respondents to attend to questionnaires and collection was done after the three week period. Out of the sample size of 150, forty (40) were top management staff of managers and supervisors, and the remainder of 110 respondents were a combination of non-managerial members constituting middle and lower level employees.

IV. CONCLUSION AND RECOMMENDATION

This chapter provides the summary of the findings of the study, conclusions drawn from findings and recommendations based on the findings. Conclusions drawn will be deduced from analysis and objectives set for the research. The area for further research was also suggested in this chapter. The study examined the HRM practices of rural banks and its impact on organizational performance of these banks in the Ashanti region. Responses from both managerial and non-managerial staff indicate similar and in some cases divergent views on HRM practices of rural banks. Though research has established concretely that HRM practices have positive impact on employee productivity leading to improved organizational performance, rural banks, from evidence gathered are yet to benefit from the proper management of their human resources and even when they do, it is just minimally. It is evident from the research findings that rural banks recruit from two sources; internal and external sources. Recruitment from external sources though very often is given little advertisement or none at all. External recruitment is done through personal recommendations from top management who usually choose candidates for their friendship and blood relationships. On the other hand, internal recruitment which requires filling vacancies through promotions, transfers and upgrading is used by these banks as a means of selecting employees to fill vacancies. These activities are centralized and line managers have little or no role to play in the recruitment and selection process of these rural banks. The rural banks however, make it point to have formal induction, orientation and familiarization process for new recruits which are very important and rewarding practices. It is worth noting that most appointments are based on merit in these organizations. Managers claimed that as a practice, employees are rewarded based on performance, but the research proved otherwise. Pay for performance as a driver for improved performance, is gradually seeping into the compensation and rewards practices of rural banks. Research findings prove that this has been incorporated into profit sharing and bonus payment structure of some of these rural banks. This aspect of HR is a centralized activity carried out at the head office. Training and development programs are meant to add value to employees and improve employee performance. However, this research revealed that training practices of rural banks minimize the benefits and rather create adverse effects on employee performance leading to reduced organizational performance. Most rural banks do not have training strategies and coherent training programs and therefore give „wholesale“ training programs to their employees and this means that training and development programs do not incorporate the interest of individual employees. Training needs are neither identified through formal performance appraisal nor discussed with employees and thus training needs identified is mostly unrealistic and not based on business strategy.



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