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Examining Empirically The Relation of HR Practices and Perception of Organizational Performance in Indian Manufacturing Organizations

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Abstract: To begin with, one of the most significant issues that influence the performance of any organization is its human resource. Firms are continuously improving their human resource practices in order to attain competitive advantage by increasing their performance. Therefore, the development of organizational performance needs effective HR practices. These practices include job definition, job analysis, recruitment & selection, compensation, training, performance appraisal, promotion, empowerment, rewards, etc. This research paper undertakes the investigation of three dimensions of HR practice, which includes recruitment & selection, compensation practices and training practices on the perceived organizational performance in Indian manufacturing organizations. The survey procedure was conducted to examine the implementation of three components of HR practices and determine their relationship and impact with organizational performance efficiency in manufacturing organization. Data was collected from 219 respondents representing Indian manufacturing organizations. To identify and analyse the relationship between the independent and dependent variables included in this research study, correlations and regression statistics were used. The results from the study support that independent variables (recruitment & selection, compensation and training) tends to predict the dependent variable (perceived organizational performance) and these are also supported by findings from prior studies. As findings from this study illustrate, human resources practices have an effect on organizational performance both individually and analytically. The findings found new prospects in discussions that support the association of human resources practices in the manufacturing industry with organizational performance.

Keywords: Human Resource Practices, Recruitment & Selection, Compensation Practices, Training Practices, Perceived Organizational Performance

INTRODUCTION

Background of the Study

Since performance has been identified as one the main goal of any organization, most of the research has been directed at explaining and understanding the relationship between human resources practices and firm performance. In the last two decades, an increasing interest in explaining the impact of human resource management strategies on the organization's performance has evolved in the HR research (Arthur, 1994; Becker and Gerhart, 1996; Becker and Huselid, 2006; Bae et al., 2001; Björkman and Xiucheng, 2002; Boselie et al., 2003; Paauwe, 2004).

As manufacturing organizations are labour intensive organizations, the efficiency of HR practices and employee productivity for organizational performance is critical. March and Sutton (1997) stated that explaining organizations' performance variations remain one of the most enduring subjects of HR research.

It has been seen that most of the previous studies pointed out the relationship between HR practices and organizational performance. These studies have mainly targeted the individual factors of HR practice. A number of studies (Welbourne and Andrews, 1996; Hoque, 1999; Harel and Tzafir, 1999; Khatri, 2000) have linked the HR practices to different organizational outcomes such as productivity, quality, turnover, market value, ROI, and profits.

All these concern about the relationship between HR practices and organizational performance is reasonable and for maintaining long term goal of continuous competitive advantage, organizations should boost their human resource through effective HR systems in place and practices as tools to achieve those goals.

This study aims to explore the relationship between HR practices and firm performance and to understand how human resource decisions influence organizational performance.

It is organized as follows. First, the organizational performance and HR literatures are examined to identify various dimensions of HR practices. Relationships between individual factors of HR practices and organizational performance are verified using Pearson correlation. Next the collective impact of recruitment & selection, compensation practices and training practices on organizational performance is examined by regression analysis. Finally, the results of the study have been discussed.

Statement of the Problem

The success of any organization in this modern business world depends upon the ability and skill of its employee's, who works for smoothly carrying the day to day activities of their organization. The method of recruitment & selection for any type of workforce into organization has been an area of constant introspection and needs regular discussion. Each and every organization is always eager to select the best available talent resource in order to translate their collective effort into higher performances. A positive relationship is found by Sang (2005) between the performance of business and recruitment and selection.

Compensation plays a very pivotal role on the psychology of the candidates seeking employment in any organization. Compensation structure is also treated as a mechanism to enhance the organization's image. It is an important element of HR practice in terms of its impact on organizational performance. There are some empirical evidences that there is positive correlation between compensation and performance (Gneezy and Rustichini, 2000; Gardner et al., 2004).

In this fast moving competitive business world, training plays a significant part in the puzzling setup of business. Training is systematic development of the knowledge, skills and attitudes required by an individual to perform adequately a given task or job. Flippo, (1984) “Training is the act of increasing knowledge and skills of an employee for doing a particular job.”

Research Question

The research questions which served as a guide to the study are as follows:

- a. To identify the relation and impact of recruitment and selection practices on perceived organizational performance in Indian manufacturing organizations.
- b. To identify the relation and impact of compensation practices on perceived organizational performance in Indian manufacturing organizations.
- c. To identify the relation and impact of training practices on perceived organizational performance in Indian manufacturing organizations.

Significance of the Study

A research study of this type will benefit different manufacturing organizations in India to implement latest techniques in regard to HR practices and progress in relation to recruitment and selection, training and compensation practices.

This investigation may add to the prevailing literature and is expected to help in identifying the regular problems faced and then drafting HR policies after testing their methods with the given model. It will also reveal the importance of a separate HR section in every organization.

REVIEW OF LITERATURE

Ability to attract, retain and motivate skilled workforce help firms to improve their performance. Organizations have admitted to effectively managing their HR activities such as recruiting, selecting, hiring, safety, wellness, training, organization development, communication and rewarding personnel to ensure that they help positively in their financial growth and meet their challenges in a regularly changing business environment. A highly committed and competent workforce helps organization succeeding in implementing these strategies and gain competitive advantage as long as these strategies are well communicated and the employees are involved in both its formulation and application phases.

Over the years, researchers have suggested many HR practices that have the potential to improve and sustain organizational performance (Ahmad & Schroeder, 2003).

Many researchers believe that a set of HRM practices and matching policies are difficult to configure, therefore could not bring desired organization performance (Delery & Doty, 1996; Katou & Budhwar, 2007).

Delaney and Huselid (1996) found positive associations between human resource management (HRM) practices, such as training and staffing selectivity, and perceptual firm performance measures (using the sample of = 590 for-profit and non-profit firms). Delery and Doty's (1996) used finger-grained analyses to look at individual practices separately. Findings show that HR practices as an amalgamated and selected

individual practices, explained substantial amounts of variance in two economic performance outcomes in branches of bank.

Pfeffer (1998) has proposed seven HRM practices that are expected to enhance organizational performance: (1) employment security; (2) selective hiring of new personnel; (3) self-managed teams and decentralization of decision making as the basic principles of organizational design; (4) comparatively high compensation contingent on organizational performance; (5) extensive training; (6) reduced status distinctions and barriers, including dress, language, office arrangements, wage differences across levels; (7) extensive sharing of financial and performance information throughout the organization (Ahmad & Schroeder, 2003).

Jayaram et al. (1999) examined relationships among various dimensions of human resource management practices and manufacturing performance of first tier suppliers to the Big 3 in North America. The study found support for the proposed framework, suggesting that human resource management practices can be grouped into five distinct factors, four of which are associated with specific manufacturing competitive dimensions (quality, flexibility, cost and time).

Several human resource management practices have been reported as key factors affecting both manufacturing performance and competitive advantage. Jayaram et al. (1999) conducted a study on top management commitment, communication of goals, employee training, cross functional teams, cross training, employee autonomy, employee impact, broad jobs, open organizations, effective labor management relations.

Cho et al. (2006) investigated the relationship between the use of 12 human resource management (HRM) practices and organizational performance measured by turnover rates for managerial and non-managerial employees, labor productivity, and return on assets. The results of regression analyses indicated that companies implementing HRM practices such as labor management participation program, incentive plans, and pre-employment tests are more likely to experience lower turnover rates for non-managerial employees.

Recruitment and Selection: As explained by Opatha (2010) recruitment is the process of finding and attracting suitably qualified people to apply for job vacancies in the organization. It can be termed as a group of activities introduced by any organization to attract better probable employees with standard abilities and attitudes.

According to Bratton and Gold (2007), recruitment is the process of generating a pool of capable people to apply to an organization for employment and selection is the process by which managers and others use specific instruments to choose from a pool of applicants the person(s) most likely to succeed in the job(s), given management goals and legal requirements. Companies using a good selectivity in the hiring process ensure getting the right skilled and qualified people for the right job (Pfeffer, 1994; Huselid, 1995).

Researchers found a positive relationship between effective recruitment and selection practices and top-class performance (Harel & Tzafirir, 1996; Delany & Huselid, 1996); training and development (Bartel, 1994; Fey et al., 2000).

Compensation: A significant body of previous research has reported positive associations between HR practices and organizational performance. These studies focus on the impact of several specific HR practices,

such as compensation (Gerhart & Trevor, 1996, Gomez-Mejia, 1992), training (Bartel, 1994) or performance management systems (McDonald & Smith, 1995).

Compensation and reward (Chie et al., 2002; Batt, 2002). Compensation is an essential part of HR practice which helps in inspiring the employees and improving organizational performance. According to Bob, (2011) compensation processes are based on compensation philosophies and strategies and contain arrangement in the shape of policies and strategies, guiding principles, structures and procedures which are devised and managed to provide and maintain appropriate types and levels of pay, benefits and other forms of compensation.

Training: To respond to customer's requirements and move forward, organizations must manage their staff and help them achieve special skills as they are viewed as an important source of competitive advantage.

Training is seen as a tool to enhance organizational performance by augmenting efficiency and effectiveness of workforce (Cook, C. W., and Hunsaker, P.L. (2001). Insufficient training equipment and non-availability of skilled training staff cause low performance (Paauwe, J. (2004). Paul, A.K. and Anantharaman, R.N. (2003) highlighted that capacitated and sincere training management helps to improve job performance.

Training can be defined in simple terms as the methodical acquisition and improvement of the skills and abilities required by employees to satisfactorily accomplish an assignment to increase performance. In essence, training employees increasingly improves their job performance (Arthur, 1994; Ashkenasy et al., 1995).

Perceived Organizational Performance: After reviewing lot of literature on HRM & HR practices it becomes equally important to have an insight into the conceptual understanding of organizational performance. Performance is a set of financial and nonfinancial indicators which offer information on the degree of achievement of objectives and results (Lebens & Euske 2006 after Kaplan & Norton, 1992). Organizational performance is generally indicated by effectiveness (whether an organization can achieve its objectives), efficiency (whether an organization uses resource properly), satisfaction of employees and customers, innovation quality of products and services and ability to maintain a unique human pool (Delaney and Huselid, 1996; Dyer & Reeves, 1995; Guest 2001; Katou & Budhwar 2007). The ultimate goal of a business organization is higher financial performance or maximisation of wealth for stake holders (Becker & Huselid, 1998; Horngren, Foster, & Datar, 2000). Nonetheless, attaining the organization's goal depends upon the extent to which its organizational performance is reached (Katou & Budhwar, 2007).

Recruitment & Selection and Organizational Performance

Finding competent workers is an important organizational challenge (Deshpande & Golhar, 1994; Atkinson & Storey, 1994), with the difficulty centring on recruiting and selecting employees with the correct qualifications to help achieve goals (Priyanath, 2006). Priyanath (2006) further states that this problem is compounded by the lack of systematic method for recruiting and selecting employees.

A systematic recruitment process according to Gamage (2014) involves identifying vacancies, job analysis, job description, person specification and advertising. As against informal process for recruiting

and selecting employees, a systematic selection process involves the recruiting process, gathering information about qualified applicants, evaluating the qualification of each applicant and making decisions about employment (Gamage, 2014).

A positive relationship is found by Sang (2005) between the performance of business and recruitment and selection. Wright et al. (2005), Husien (2012), Katou and Budhwar (2006), and Ichniowski and Shaw (1999) also highlighted related positive findings between performance and recruitment and selection in Iraq, New Zealand, Finland and Canada.

Compensation and Organizational Performance

Probably the most fundamental tenet in the compensation literature is that compensation makes a difference in individual and organizational outcomes (Heneman, 1973; Milkovich, 1988). Markham (1988) examines the pay for performance relationship at both the individual and group levels of analysis. Zenger (1992) states that performance based pay is beneficial because it increases effort and attracts talent.

Training and Organizational Performance

A substantial body of research has examined the impact of training on perceived organisational performance. It has been proven on countless occasions that, there is a strong link between various training and development practices and organisational performance (Delery and Doty, 1996; Becker and Huselid, 1998). For enhancing performance training modules should be configured and aligned with organizational objectives and goals. A study by Evans and Lindsay (1999) reveal that organisations that are committed to quality investment in training and development of its employees receive an exponential growth in customer delights, profitability and overall economic growth of those organisations.

Conceptual Framework

Based on the detail review of literature, a conceptual model which is supposed to be appropriate for organizations has been made. For the purpose of this research study, only three factors of HR practice (recruitment & selection, compensation practices and training practices) have been taken into consideration as independent variables to indicate HR practice. The framework of this concept is suggested above to clarify the relationship between HR practices and perceived organizational performance, in India's manufacturing sector through a direct relationship. Prior studies have helped in identifying the components of HR practice. The model shows that the Indian manufacturing sector should accept the practices of HR which would improve the performance of the worker and therefore the performance of the organization.

After reviewing the literature extensively in this area the following hypothesis was formulated:

- H 1: Recruitment & Selection will be positively related with POP (Perceived Organizational Performance).
- H 2: Compensation Practices will be positively related with POP (Perceived Organizational Performance).
- H 3: Training Practices will be positively related with POP (Perceived Organizational Performance).

RESEARCH METHODOLOGY

This section deals with the methodology adopted in conducting the research study. The section is organized as follows; research design, sources of data, details of sample and data, measures, test administration.

Research Design

The research is based on assessing recruitment and selection, compensation and training practices of some manufacturing organizations of India and their relation with the organizational performance as perceived by its employee's. The effect of synergies is also to be tested. The design was a detailed study which used both quantitative and qualitative techniques to ascertain the HR practices adopted by various manufacturing organizations in India. The study was based on the use of survey questionnaires. These approaches were employed since they were verified and tested measures for collecting responses from the sample population to examine the objectives for this study.

Sources of Data

Only primary data was used for conducting this research study.

In gathering data there were several approaches available to collect data. Employees from the HR section of all the organizations were contacted for reliable and valid responses. The method used in collecting the data was survey questionnaire.

The idea of using survey questionnaire was to identify and evaluate the effectiveness of recruitment & selection, compensation and training practices on organizational performance of Indian manufacturing organizations. A open ended survey questionnaire was prepared. Multiple choice questions were asked with Likert scales so respondents could indicate the level of agreement of their perception towards each HR practices as well as organizational performances. The Likert scale was designed on five points with options from strongly agree to strongly disagree (coded: 1= strongly disagree, 5 = strongly agree). The survey is based on questionnaires used by Mussie Teclmichael Tessema & Joseph L. Soeters (2006) (All alphas range from .71 to .92), Snell & Dean (1992), Boselie et al. (2001), Singh (2004), Laka (2004), Qureshi et al. (2007). A detailed copy of the questionnaire is presented in appendix.

Sample Population

A total of 150 manufacturing organization in India like automobile units, pharmaceutical, paints, fertilizer, and metal was selected for the study. Organization who had a minimum 1000 employees in the last three financial years in an average was only included. The population of this study consisted of employees, one each from top, middle and lower management level (HR professional). They were approached to respond to the questions. In the first phase preliminary required information was collected with the approval from the section heads. The email addresses of the registered offices of these companies and HR professionals were also obtained from their official websites.

Administration of Instrumentation

Copies of the questionnaire were distributed to respondents at work places. After some time, the researcher went back and collected the answered questionnaires. The researcher explained the questions to the respondents thoroughly after copies of the questionnaire were given to them. The purpose of this was to

help the respondents to understand the purpose of the research, and to do away with suspicions, partialities and also to be able to provide their independent opinions on the questionnaire items given to them. To have a valid and reliable data, the researcher ensured that the questions were well formulated which allows error minimization. Demographic information includes age, gender, level of job, educational qualification, and tenure at this organization

DATA ANALYSIS

The collected data were analysed statistically, using the software Statistical Package for Social Sciences software (SPSS) 20.0 Results were demonstrated in the form of charts and tables to ensure easy and quick interpretation.

Results & Findings

Responses received were automobile organizations (response 54; response rate 60%), pharmaceuticals companies (response 42; response rate 47%), 90 to paint companies (response 39; response rate 43%), fertilizer organizations (response 36; response rate 40%) and metal organizations (response 48; response rate 53%). Total response rate is 51 %.

Demographic Details

Gender

Respondents were asked to mention their gender. According to Table 1, there are 219 respondents, out of them 31 are female and 188 are male respondents. That is, sample consists of 85.80% of female respondents and 14.20% of male respondents.

Table 1
Respondents' Gender

Gender Type	Frequency	Percent	Valid %	Cumulative %
Male	188	85.80	85.80	85.80
Female	31	14.20	14.20	100.00
Total	219	100	100	

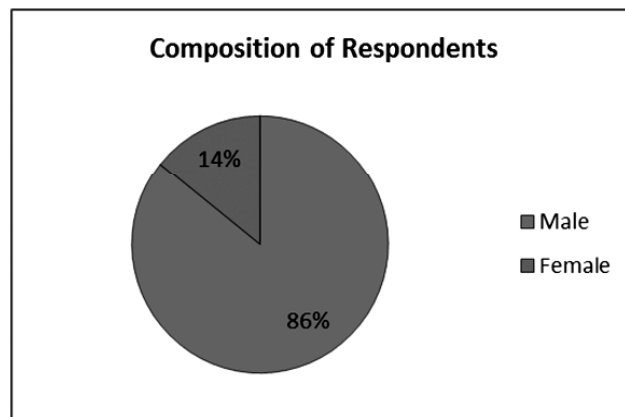


Figure 1: Compositions of Respondents

Age

Respondents were requested to give their age in years. Age distribution of respondents is presented in Table 2. It shows that most of respondents are in age category of 41-50. That is, 41.67 % of respondents are from this group followed by 30.86 % in the age group of 51-60 and 27.47 % are in age category of 30-40.

Table 2
Respondents' Age

<i>Age in Years</i>	<i>Frequency</i>	<i>Percent</i>	<i>Valid %</i>	<i>Cumulative %</i>
30-40	59	27.47	27.47	27.47
41-50	92	41.67	41.67	69.13
51-60	68	30.86	30.86	100.00
Total	219	100	100	

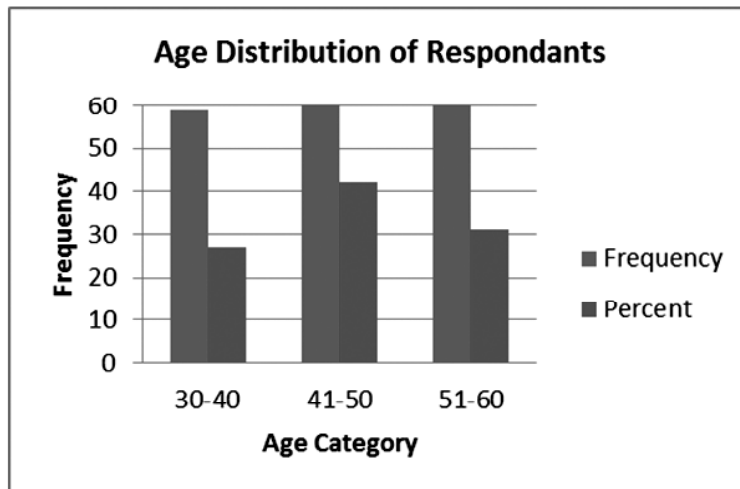


Figure 2: Age Distribution of Respondents

Level of Job

Level of job was measured on the basis of top management, middle management and lower management. Most of the respondents were from middle management and some were from lower management. Few of them were from top management.

Table 3
Level of Job

<i>Level of Job</i>	<i>Frequency</i>	<i>Percent</i>	<i>Valid %</i>	<i>Cumulative %</i>
Top Management	15	6.79	6.79	6.79
Middle Management	173	79.32	79.32	86.11
Lower Management	31	13.89	13.89	100.00
Total	219	100	100	

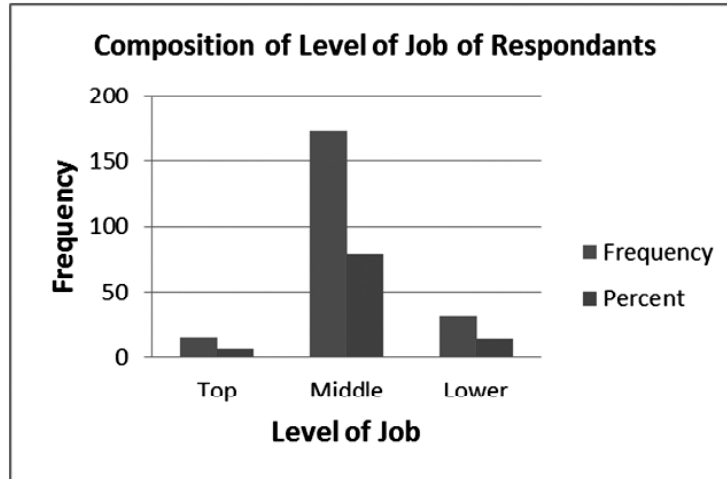


Figure 3: Compositions of Level of Job Respondents

Educational Qualification

Respondents were asked to indicate their highest educational qualification. Collected data on the highest educational qualification is presented in Table 4. According to the given data, most of the respondents in the sample, i.e. 173 employees have passed bachelor’s degree. Qualification was measured on the basis of graduation, masters and higher qualification. Some of them even had higher qualifications.

Table 4
Respondents’ Educational Qualification

Qualification	Frequency	Percent	Valid %	Cumulative %
Graduation	173	79.32	79.32	79.32
Masters	31	13.88	13.88	93.20
Higher	15	6.80	6.80	100.00
Total	219	100	100	

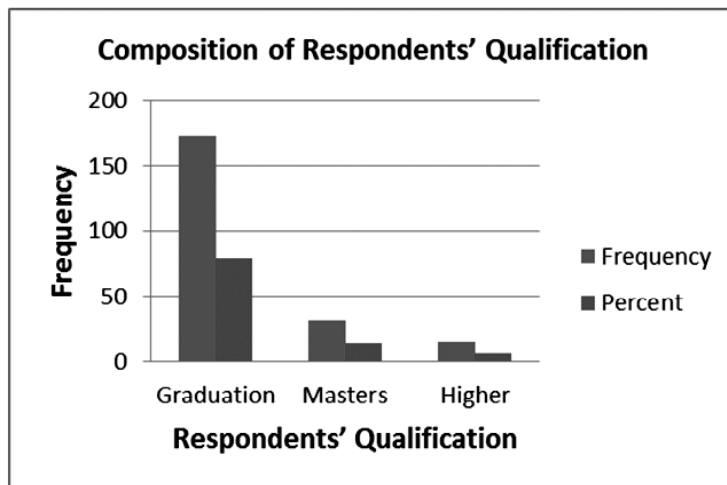


Figure 4: Compositions of Respondents Educational Qualification

Tenure (Experience in Years)

Tenure of experience in this organization was measured in years, which ranged from, (5 to 35) years. The majority of the respondents were in the middle of their professional careers. Table 5 indicates that most of the respondents (123) have more than five years' experience in the present organization. As a percentage, 55.86 % have more than five years of service in the present organization and 33.96 % have more than fifteen years of service and very few around 10% have more than twenty five years of service. Graphical presentation of this information is presented in Figure 5.

Table 5
Respondents' Tenure in this Organization

Tenure in years	Frequency	Percent	Valid %	Cumulative %
5-15	123	55.86	55.86	55.86
16-25	74	33.96	33.96	89.81
26-35	22	10.18	10.18	100.00
Total	219	100	100	

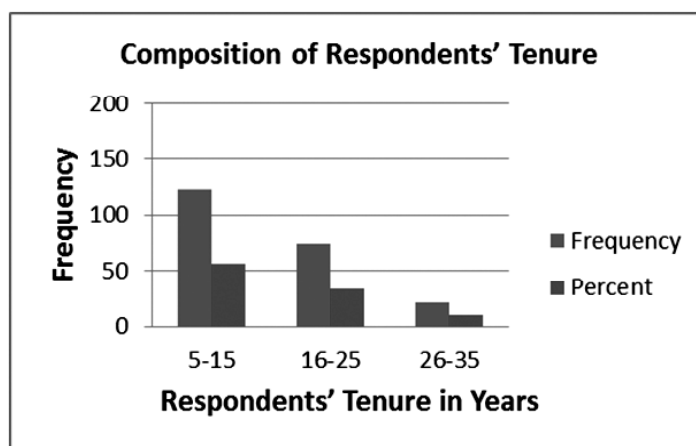


Figure 5: Compositions of Respondents Tenure in Years

Number of Employees in the Organization

Responses of total number of employees in each organization were collected. The selected organizations had a minimum of 1000 employees and maximum was about 25000.

Table 6
No of Employees

Employees	Frequency	Percent	Valid %	Cumulative %
1001-5000	151	69.44	69.44	69.44
5001-15000	57	25.93	25.93	95.37
15001-25000	11	4.63	4.63	100.00
Total	219	100	100	

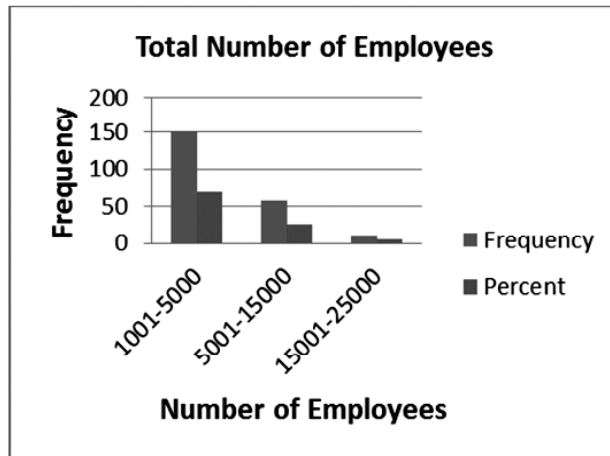


Figure 6: Total Number of Employees in Organization

Reliability Analysis

Cronbach’s alpha was used to measure the reliability of items in this study. It measures internal consistency of items to the concept. This coefficient varies from 0 to 1, and a value of 0.6 or less generally indicate unsatisfactory internal consistency reliability (Malhotra & Dash, 2011).

Table 7
Reliability Analysis for Three HR Practices

(Cronbach’s Alpha)	(α) Values
Recruitment & Selection	(α) = .706
Compensation Practices	(α) = .721
Training Practices	(α) = .741

Table 8
Reliability Analysis for Organizational Performances

(Cronbach’s Alpha)	(α) Values
Perceived Organizational Performance	(α) = .708

Inter item consistency reliability or Cronbach’s alpha reliability coefficients of three independent and one dependent variables were obtained, they all were above ($\alpha = .70$). Cronbach’s alpha calculated is given in Table 7 & 8. As the coefficients get closer to ($\alpha = 1.0$) the better is reliabilities and coefficients, and less than ($\alpha = .60$) are considered poor. Recruitment & selection was measured by 5 items and had a Cronbach’s alpha of ($\alpha = .706$), Compensation practices scale contained 5 items with ($\alpha = .721$) Cronbach’s alpha value, Training scale contained 5 items with ($\alpha = .741$) and dependent variable perceived organizational performance was also measured by 6 and 4 items scale with Cronbach’s alpha value of ($\alpha = .708$).

Descriptive Statistics

Descriptive statistics given in Table 9 consists of mean and standard deviation of independent variables recruitment & selection (RS), compensation practices (CP) and training practices (TP) that can increase the

Table 9
Descriptive Statistics of HR Practices

	<i>Descriptive Statistics</i>		
	<i>Mean</i>	<i>Std. Deviation</i>	<i>N</i>
POP	3.83	.802	219
RS	3.78	.812	219
CP	3.82	.827	219
TP	3.86	.791	219

performance of the organization in the manufacturing sector. The mean scores of RS, CP and TP are 3.78, 3.82, and 3.86, respectively. These are very close to neutral (mid-point). The mean score of above three variables represents the respondents are neutral about these HR practices.

Correlation Analysis

Table 10
Correlation of HR Practices and POP

		<i>Correlations</i>			
		<i>POP</i>	<i>RS</i>	<i>CP</i>	<i>TP</i>
POP	Pearson Correlation	1	.954**	.953**	.959**
	Sig. (2-tailed)		.000	.000	.000
	N	219	219	219	219
RS	Pearson Correlation	.954**	1	.925**	.936**
	Sig. (2-tailed)	.000		.000	.000
	N	219	219	219	219
CP	Pearson Correlation	.953**	.925**	1	.912**
	Sig. (2-tailed)	.000	.000		.000
	N	219	219	219	219
TP	Pearson Correlation	.959**	.936**	.912**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	219	219	219	219

** . Correlation is significant at the 0.01 level (2-tailed).

The correlation matrix (Table 10) shows that recruitment & selection, compensation practices and training practices has a significant relation with perceived organizational performance in the manufacturing organizations in India with the value of 0.954 (**), .953 (**), .959 (**), $p < 0.01$ respectively. These findings are also supported by the findings of Shahzad et al. (2008) and Teseema and Soeters' (2006).

Regression Analysis

Regression analysis (Table 11) was also used to analyse the impact of HR practices on perceived organizational performance which also reinforces our finding as in the correlation analysis. HR practices with three independent variables overall represent the 96.2% variance in the perceived organizational performance. F

Table 11
Model Summary of HR Practices on POP

Model	Model Summary			
	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.981 ^a	.962	.961	.15773

a. Predictors: (Constant), TP, CP, RS

Table 12
ANOVA of HR Practices and POP

Model		ANOVA ^a				
		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	135.031	3	45.010	1809.207	.000 ^b
	Residual	5.349	215	.025		
	Total	140.380	218			

a. Dependent Variable: POP

b. Predictors: (Constant), TP, CP, RS

Table 13
Coefficients of HR Practices and POP

Model		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error			
1	(Constant)	.010	.053		.187	.852
	RS	.249	.043	.252	5.798	.000
	CP	.348	.036	.359	9.634	.000
	TP	.401	.041	.395	9.771	.000

a. Dependent Variable: POP

value is significant at 0.000 which also verifies that 96.2% variance in the perceived organizational performance is due to the above variable. The regression analysis also shows that all variables have a significant impact on perceived organizational performance. The higher value of beta and t value in the training practices, compensation practices and recruitment & selection shows that these three variables have significant impact on perceived organizational performance because these three variables are properly considered in the manufacturing sector of India.

Due to this reason Indian manufacturing organization are more concerned with these three HR Practices . It can also be stated that the employees are not only concerned with the HR Practices which has the monetary benefit as compared to any other variable but they are also in favour of enhancing their skills.

Table 12 shows that the model is significant at $P < 0.00$. The table shows that 96% change in the dependent variable (perceived organizational performance) is due to the independent variables (recruitment & selection,

compensation practices, training practices. Beta value also exhibits the positive rate of change due to independent variables in the dependent variable (0.252), (0.359), (0.395) the value is significant at (0.000 > 0.01). Therefore the higher value of R square proved that the impact of HR practices is more significant.

DISCUSSION & CONCLUSION

The research study was carried to explore the significance of HR practices in the manufacturing sector of India. Unfortunately very few studies are available to perceive the impact of HR practices on perceived organizational performance in the manufacturing sector. It means that manufacturing sectors in India are trying to improve their performance without improving their HR process. The decisions are made on the basis of past experience which is a wrong practice as Soni (2004) stated that public sector should focus on the HR issue instead to rely on the past approaches to resolve the latest issues. The imposing policy of HR section into their employees is also not bringing the expected results.

The most important impact on organizational performance is due to modernised training programs and performance based compensation system because in the manufacturing sector the employee's performance is more dependent on these two dimensions of HR. The projected relationship between organizational performances with recruitment & selection, compensation and training practices are explained. This justified the investment in these three factors of HR practices in the manufacturing sector in India.

The impact of recruitment and selection practices on perceived organizational performance in Indian manufacturing organization.

The analysis realized that with the Beta value of .252 which was significant at .000 level the respondents were of the opinion that recruitment & selection practice were very effective as the most competent persons are always employed. The correlation of .954 with perceived organizational performance also proves the hypothesis 1 as positive.

Randall, (1987) believes that recruitment, as a human resource management function, is one of the activities that impact most critically on the performance of an organization. Bad decision in regard to the recruitment & selection process will definitely affect organizational performance and restrict goal achievement.

The impact of compensation practices on perceived organization performance in Indian manufacturing organization.

The analysis realized that with the Beta value of .359 which was significant at .000 level the respondents were of the opinion that recruitment & selection practice were very effective as the most eligible persons are always employed. The correlation of .953 with perceived organizational performance also proves the hypothesis 2 as right.

The impact of training practices on perceived organizational performance in Indian manufacturing organization.

The analysis realized that with the Beta value of .395 which was significant at .000 level the respondents were of the opinion that recruitment & selection practice were very effective as the most eligible persons

are always employed. The correlation of .959 with perceived organizational performance also allows accepting hypothesis 3.

It was also revealed that greater orientation and subsequent job training had added to their stock of knowledge of most employees which help them effectively carry out their duties.

Limitations and Future Study

The limitation of the study is that it has a small sample size; also, the study was made only in the manufacturing sector and its comparison was not made with other sectors. In future the comparative study of manufacturing and service sector may be conducted to check the impact of HR practices on employee performance also. In future some other HR practices like promotion, performance appraisal, job definition, employee participation, career planning etc. may also be tested in regard to manufacturing organization of India which have not been tested in this research study.

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APPENDIX

Questionnaire

Measurement of items

Respondents are asked to indicate the degree to which they agree or disagree with the following items related to different HRM issues. All the items will be measured on a five point scale ranging from 1, ‘strongly disagree’ to 5, ‘strongly agree’

I Recruitment and Selection Practices

- 1 Presence of written and operational recruitment and selection policy
- 2 Presence of clear job description and specification
- 3 Presence of attractive salary scales that can attract qualified applicants
- 4 High role of merit in recruitment and selection exercise
- 5 Presence of a good image that attract qualified applicants

II Compensation Practices

- 1 Presence of attractive compensation system
- 2 Presence of equitable internal salary

- 3 Presence of equitable external salary
- 4 Presence of salary that reflects performance
- 5 Presence of salary that encourages better performance
- III Training Practices
 - 1 Presence of clearly written and operational training policy
 - 2 Presence of continuous training needs assessment
 - 3 Presence of written & operational trainee-selection procedure
 - 4 Presence of linkages of training to other HR programmes
 - 5 Continuity of monitoring and evaluation of training programmes
- IV Perceived Organizational Performance
 - 1 Quality of products or services
 - 2 Development of new products or services.
 - 3 Ability to attract employees
 - 4 Ability to retain employees
 - 5 Satisfaction of customers or clients
 - 6 Relations between management and employees