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The Role of HR Practices on Perceived Employee Performance: Evidence from Indian Service Organizations

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ABSTRACT

This research study aims at exploring the impact of Human Resources (HR) practices on perceived employee performance in Indian Service Organizations. A total of 105 samples were drawn from registered office of various service organizations in India. Survey questionnaires, were collected and analyzed statistically. The contribution of HR practices was explored including recruitment & selection, compensation practices, training practices, performance appraisal and promotion practices on perceived employee performance. It was found that HR practices have significant association with employee performance. Influence of Recruitment & Selection, Compensation Practices and Promotion Practices was found to be the significant indicators for employee performance. Implication of the findings, potential limitations of the study and direction for future research are also suggested.

Keywords: HR Practices, Recruitment & Selection, Compensation Practices, Training Practices, Performance Appraisal, Promotion Practices, Perceived Employee Performance.

1. INTRODUCTION

Human resources of any organization is said to be one of the critical factor which plays a vital role in attaining standard employee performance. To be successful, a firm must be able to improve performance by reducing costs, creating new products and processes, enhancing quality and productivity, increasing speed to market (Luthans & Sommers, 2005). But unfortunately due importance is not given to these practices related to human capital, specially in Indian context. Indian organizations are trying to add value with the help of HR Practices, whereas in the last decade they were managing HR with the help of personnel department. The

organization have realised that performance of its employees will come down steadily if proper importance is not given to HR section. A number of researchers have reported that HR practices are positively linked with organizational and employee performance (e.g. Guest, 2002; Harley, 2002; Gould-Williams, 2003; Park et. al., 2003; Wright et. al., 2003; Tessema and Soeters, 2006).

HR practices is a medium which provides all employee's a chance to get involved in the organization's policy and work extensively to attain the organization's goals. They need to be identified and implemented economically after reviewing them at regular intervals. Harter etal (2002) suggested that effective management of a firm's human resources would be able to generate and increase knowledge, motivation, synergy, and commitment to achieve competitive advantage for the firm. Standard HR practices do indeed make a difference in terms of organizational effectiveness.

The Indian service industry is being nurtured for an exponential growth. Also service industry is contributing substantially to the growth of Indian economy, which has grown at a healthier rate in the past decade. Today the service industry employs more than million Indians. It is universally acknowledged that HR practices at workplace is perhaps one of the biggest reason for the high performance rate of employees in every organization.

In Indian organizations the role of HR has been limited but in due course it is taking up pace. One of a source of competitive advantage for any business is its human resources (Becker & Huselid, 1998). Service sector has shown tremendous thrust towards increasing employee performance with better HR policies.

HR Practices are a combination of organizational factors that helps in yielding better employee performance. This research study model shows that five factors of HR practices leads to perceived employee performance. The individual factors include recruitment & selection, compensation practices, training practices, performance appraisal and promotion practices. The variation in employee performance occur because of lack of group cohesiveness between different factors of HR Practice. Hence, it becomes imperative to measure the impact of HR practices on employee performance of the service industry in India and to expand the existing knowledge base this study has been undertaken.

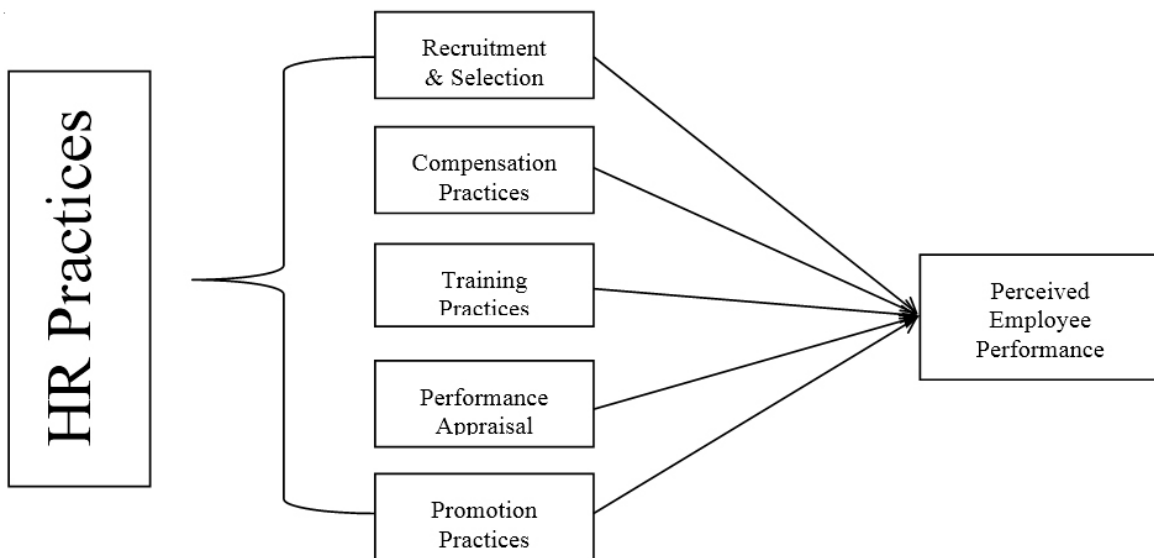


Figure 1: Conceptual Framework

The broad objectives of this research was to arrive at an understanding of the following:

- To identify the role of recruitment & selection to build employee performance in Indian Service Organizations.
- To identify the role of compensation practices to build employee performance in Indian Service Organizations.
- To identify the role of training practices to build employee performance in Indian Service Organizations.
- To identify the role of performance appraisal to build employee performance in Indian Service Organizations.
- To identify the role of promotion practices to build employee performance in Indian Service Organizations.

2. LITERATURE REVIEW

The literature review can be discussed with respect to empirical studies covering relationship between HR Practices and Perceived Employee Performance mainly Recruitment & Selection, Compensation Practices, Training Practices, Performance Appraisal and Promotion Practices. In this research study, HR practices are investigated from the perspective of perceived employee performance.

Indian organizations generally direct their HR efforts towards the development of competencies, culture and effectiveness among employees individually or in groups (Singh, 2000). Khan (2010) revealed that in energetic business atmosphere, there is a need of an approach to achieve better performance, to originate and implement HRM practices. Shikha (2010) examined HRM practices among the employees of Indian commercial banks to study HRM practices which provide a source of sustainable competitive advantage.

Recruitment is the first step then selection and placement comes in the employment process (Rao, 2010). Selection is the process of choosing the appropriate candidate which matches the candidate skills and the job requirements (Bhattacharyya, 2010). Selection process will be lengthy for large organizations and will be wider for manufacturing organizations and it differs from one industry to other (Venkatesh, 2008). Selection in organizations is based on non-job related criteria like attractiveness, goal orientation and interpersonal skills: a general lack of concern for value congruence (Prakash 1994).

Recruitment and selection enables business firms to acquire the appropriate human resources in line with its aims and objectives (Dessler, 2010; Huselid, 1995). Effective hiring also allows firms to respond to market opportunities and threats in a proactive manner in the dynamic markets. Interviews are extensively used. However, over the past decade there has been an increase in the use of objective and standard tests (Dessler, 2010; Andersen, 2000; Aycan, 2001).

Therefore, a pay-for-competence program, enhances productivity and product quality, reduces absenteeism, turnover, and accident rates (Jyothi and Venkatesh, 2006). Kuldeep Singh (2000) has selected 84 organization from business representing all the major domestic industries. When incentives are used properly, they may prove to make important contributions to the survival and growth of an organization (Dessler, 2010; Milkovich and Boudreau, 1998).

Alphonsa V.K. (2000) has conducted training climate survey in a large private hospital in Hyderabad. 50 supervisors from different departments of the hospitals were randomly selected for the study. Githinji Angela (2014), suggested that the training effects the performance of employee among the international civil servants. A survey research design was used for this study 144 staff of the United Nation supports office for the African mission in Somalia involved in this research the finding showed that in general training enhanced employee engagement on change processes.

Organised training schedules for employees at regular intervals provides opportunities to employees to upgrade their skill, knowledge and contribute heavily for better organizational outcomes. Well trained employees, in general, not only require less supervision (Gutteridge et. al., 1993) but also tend to have higher morale and lower levels of attrition. Training is believed to nullify the influence of factors which cause dissatisfaction of employees at work (Xiao, 1996). Thus, employees may be provided with extensive training programs in multiple functions and training on job skills (Ahmad and Schroeder, 2003). In addition to training, employees need to be rewarded and provided with appropriate incentives so as to produce the required levels of performance (Mohinder et. al., 2010; Guest, 1997; Lee and Miller 1999). Incentives also influence the level of employee satisfaction (Lawler, 2000). The HR departments in the Egyptian petroleum sector tend to view training and development efforts as one of their most important tasks.

A indication of standard performance appraisal structure in any organization is that their employees are regularly reviewed and should be unbiased. Pettijohn et. al (2001) conducted a survey of sales personnel in US retail industry and found that if an explicit and transparent performance appraisal system is present in an organization where the results of the process are discussed openly then it would result in job satisfaction and organizational commitment as it enhances the perceptions of fairness among employees. Employee performance appraisal is an effective tool or vehicle for assessment of employee performance and implementation of strategic initiatives for the improvement of employee performance (Lawler and McDermott, 2003). Ahmed et. al (2010) reported in Semi Government Organizations (SGO's) of Pakistan that a better Performance appraisal system which is aligned with the HRM policies increases job satisfaction and reduces the intentions of turnover among workers which in turn enhances the organizational performance.

Promotion leads to the rise of an employee to the next level with higher responsibilities and compensation. Empirical studies reveal that around 75% of vacancies are filled by promotions from within the organization (Baker et. al., 1994; Chan, 1996; Lazear, 1992; Wholey, 1985). Pergamit (1999) also found that there is a positive relationship between promotion and employee job satisfaction, when he studied the data of 1989-1990 waves of the NLSY. In another study, promotion has significant impact on job satisfaction and its expectation for employees in organizations (De Souza, 2002). Promotion systems affect almost all aspects of organizational lives which is evident from studies of human resource management (HRM) (Fuller and Huber, 1998) and internal labor markets (Baker and Holmstrom, 1995; Barron and Loewenstein, 1985). Teseema & Soeters (2006) suggested that both employee performance and promotion have positively correlated. Synergetic systems of HR practices (including merit promotion decisions) lead to higher performance of an organization (Park et. al., 2003).

Perceived Employee performance: Organizations are challenged to ensure that their employees are producing optimally (Nzuve & Singh, 1992). Marwat et. al., (2009) explored contribution of human resource

management practices in telecom sector on perceived employee performance in telecom sector in Pakistan. Results highlighted that all the tested variables are positively correlated but correlation of compensation and training are highest respectively.

In a recent study, Baloch et. al., (2010) measured the impact of three HR practices which are compensation practices, promotion practices and performance evaluation practices on perceived employee performance. The results of correlation indicated a significant relationship between compensation practices and perceived employee performance, promotion practice and perceived employee performance and performance evaluation practices and perceived employee performance. Collins et. al., (2005) investigated the small businesses and found that effective HR practices impact employee outcomes significantly. Teseema & Soeters (2006) have examined the relationship between employee performance and eight human resource practices. Researcher Huselid (1995) examined the relationship among employee performance and eleven HR practices.

Baldwin (2008) defines employee performance as a means of carrying out actions efficiently and effectively by the employees in order to achieve the predetermined objectives of an organization. According to Armstrong and Baron (2004) employee performance is the development of capabilities of both individuals and teams in order to harness their potential contributions towards the achievement of the organizational and personal goals. Kelleher (2011) argued that there is an inseparable link between employee and corporate performance. Such returns are determined numerically through the Key Performance Indicators (Kelleher, 2011). In order to manage employee performance well, there is need to evaluate and understand how a number of factors come into play in determining employee performance (Aguilera, 2005). There are a number of approaches and activities involved in managing employee performance. This however is depended on the overall strategy that the firm employs (Arthur, 2001). This is however met with a number of challenges that make it necessary to explore several ways through which performance can be enhanced. One such way is looking at how performance determinant factors can be taken care of in order to stimulate and sustain good performance (Burlacu, 2012).

Measures of Employee Performance involves all aspects which directly or indirectly affect and relate to the work of employee. Armstrong (2009) says that performance measures are agreed when setting the objectives. Performance measures need to show that the required result has been achieved and that the employee has achieved what is expected. This forms a basis for establishment of feedback that will be used by management for monitoring performance. Griffin, Neal and Parker (2007) defines three core performance measures dimensions namely proficiency, adaptively and proactively which they classified at three levels (individual, team and organization).

3. METHODOLOGY

This research study was conducted to examine the effect of Human Resource (HR) Practices on Perceived Employee Performance in Service Organizations of India. The association of five components of HR Practices (Recruitment & Selection, Compensation Practices, Training Practices, Performance Appraisal, Promotion Practices) and Perceived Employee Performance has been established and discussed. The nature of this study is predictive, as the factors of HR Practices are employed to ascertain employee performance.

Method

Sample: The sample consisted of respondents representing 60 service organizations working in bank (public & private) and insurance companies. The sample (n=180) was divided further into 60 each for top, middle and lower management HR professionals.

Demographic Characteristics of the Sample: The demographic characteristics include Age, Gender, Level of Job, Educational Qualification, and Tenure at the current organization.

Individual Characteristics

Gender: Respondents were asked to mention their gender. Majority of the respondents were male (n = 90) representing 85.80% of the sample, while females were (n = 15), 14.20% only.

Age: Age distribution of respondents is 41.67 % (44) in Age category of 41-50, followed by 30.86 % (32) in the Age group of 51-60 and 27.47 % (29) in Age category 30-40.

Level of Job: Level of job was measured on the basis of top (6.79%), middle (79.32%) and lower (13.89%) management. Most of the respondents were from middle management (n=83) and some were from lower management (15). Few of them were from top management (7).

Educational Qualification: Respondents were asked to indicate their highest educational qualification. Collected data on Graduation is 79.32% (83), Master's 13.88% (15) and 6.80% (7) for higher qualification.

Tenure (Experience in Years): Tenure of experience was measured in years, which ranged from 5 to 35 years. As a percentage, 55.86 % (59) have more than five years of service in the present organization and 33.96 % (36) have more than fifteen years of service and very few around 10% (10) have twenty five years of service.

Organizational Characteristics

Number of Employees: Responses of total number of employees in all organization were collected. The selected organizations had a minimum of 1000 employees and maximum was about 25000 of employees. The group 1001-5000 consisted of 69.44% (73), followed by group 5001-15000 with 25.93% (27) and 15001-25000 with 4.63% (5).

Measures: This research study has used primary data, which was collected through two questionnaires (Demographic and HR variables Questionnaire) earlier used by Mussie Teclmichael Tessema & Joseph L. Soeters, (2006), Snell & Dean (1992), Boselie et. al., (2001), Singh (2004), Laka (2004) and Qureshi et. al., (2007). The above tests were reported as highly reliable and valid in Indian context.

Questions were asked using Likert scale with options from strongly agree to strongly disagree. Each option was assigned a scale starting from very high to very low. 5 = Very High, 4 = High, 3 = Moderate, 2 = Low, 1 = Very Low to measure the HR practices. So respondents could indicate the 'agreement level' of their perception for Recruitment & Selection, Compensation Practices, Training Practices, Promotion Practices and Employee Performance. The questionnaire was organized so that general information was asked first then moving to questions on deeper aspects of HR practices and performance.

Test Administration

The data collection was undertaken by administering all the self-report scales on 180 respondents representing 60 service organizations from India. Responses from 105 HR professionals representing service organizations were received.

Hypothesis 1: Perceived Employee Performance (PEP) depends on different Individual Demographic Variables (Age, Gender, Level of Job, Qualification, Tenure) and Organizational Demographic Variables (Number of Employees) in Service Organizations of India.

Hypothesis 2: Perceived Employee Performance (PEP) depends on HR Practices in Service Organizations of India.

4. RESULT AND ANALYSIS

The analysis of data was done with the help of IBM Statistical Package for Social Sciences (SPSS) 20. Chi-Square test was performed for categorical variables and for continuous variables Correlation, AVOVA and Regression Analysis was applied.

Demographic variables comprising of both Individual, (Gender, Age, Level of Job, Educational Qualification, Tenure) Organizational (Number of Employees) and Independent variables HR practices (Recruitment & Selection, Compensation Practices, Training Practices, Performance Appraisal, Promotion Practices) with performance variable (Perceived Employee Performances) was considered for this study which are given below:

Table 1
Description of variables

<i>Independent Variables</i>		
1	RS	Recruitment & Selection
2	CP	Compensation Practices
3	TP	Training Practices
4	PA	Performance Appraisal
5	PP	Promotion Practices
<i>Dependent Variable</i>		
6	PEP	Perceived Employee Performance
<i>Demographic Variables</i>		
<i>Individual Characteristic</i>		
7	GEN	Gender
8	AGE	Age
9	LJ	Level of Job
10	QL	Qualification (Educational)
11	TE	Tenure (in years)
<i>Organizational Characteristic</i>		
12	NOE	No of Employees

Data analysis was divided into Descriptive Analysis and Hypothesis Testing

The nature, characteristics and properties of scores received by survey data collection are shown in descriptive analysis. Mean, standard deviation, range, minimum and maximum score, for all independent and dependent variables is also calculated and shown in service organizations.

The descriptive statistics of the data are given below in Table 2 – 5.

Table 2
Descriptive Statistics of HR Practices (Independent Variables) in Service Organizations

	<i>Descriptive Statistics</i>				
	<i>N</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Mean</i>	<i>Std. Deviation</i>
RS	105	2.31	4.99	4.07	.619
CP	105	2.47	4.95	4.01	.609
TP	105	2.00	4.98	4.08	.661
PA	105	1.65	4.99	4.06	.665
PP	105	1.00	5.00	2.80	1.224
Valid N (list wise)	105				

Table 3
Descriptive Statistics of Perceived Employee Performance (Dependent Variable) in Service Organizations

	<i>Descriptive Statistics</i>				
	<i>N</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Mean</i>	<i>Std. Deviation</i>
PEP	105	2.75	4.89	3.87	.655
Valid N (list wise)	105				

Testing of Hypothesis with Statistical Tools

H1: Perceived Employee Performance (PEP) depends on different Individual Demographic Variables (Age, Gender, Level of Job, Qualification, Tenure) and Organizational Demographic Variables (Number of Employees, Industry Type) in Service Organizations of India.

In Hypothesis 1 dependent variable Perceived Employee Performance (PEP) is tested with five individual demographic variables and one organizational demographic variable.

On the basis of median value, Perceived Employee Performance (PEP) scores are divided into low performance (PEPL) and high performance (PEPH) for three Age groups. Each Age group’s frequency count for low performance and high performance was considered. Chi-Square test was performed to ascertain the impact on PEP by testing of six sub-hypothesis (H1(a), H1(b), H1(c), H1(d), H1(e), H1(f) for Age, Gender, Level of Job, Qualification, Tenure and Number of Employees respectively are given below.

H1(a): Perceived Employee Performance (PEP) depends on ‘Age’.

The result of Chi-Square test exhibits a value which is very high (1.055) with a degree of freedom of 2 and level of significance of .590, which is higher than 0.05. It may be concluded that in Indian Service Organizations in regard to dependent performance variable, Perceived Employee Performance (PEP) is independent of age group. **Hence H1(a) is rejected.**

Table 4
PEP with Age

			<i>Perceived Employee Performance (PEP)</i>		<i>Total</i>
			<i>PEPL</i>	<i>PEPH</i>	
Age Group	30-40	Count	16	13	29
		Expected Count	15.7	13.3	29.0
	41-50	Count	21	22	43
		Expected Count	23.3	19.7	43.0
	51-60	Count	20	13	33
		Expected Count	17.9	15.1	33.0
Total		Count	57	48	105
		Expected Count	57.0	48.0	105.0

Chi-Square Tests

				<i>Value</i>	<i>df</i>	<i>Asymp. Sig. (2-sided)</i>
Pearson Chi-Square				1.055 ^a	2	.590
Likelihood Ratio				1.058	2	.589
Linear-by-Linear Association				.216	1	.642
N of Valid Cases				105		

H1(b): Perceived Employee Performance (PEP) depends on ‘Gender’.

Table 5
PEP considering Gender

			<i>Perceived Employee Performance (PEP)</i>		<i>Total</i>
			<i>PEPL</i>	<i>PEPH</i>	
Gender	Male	Count	52	38	90
		Expected Count	48.9	41.1	90.0
	Female	Count	5	10	15
		Expected Count	8.1	6.9	15.0
Total		Count	57	48	105
		Expected Count	57.0	48.0	105.0

Chi-Square Tests

				<i>Value</i>	<i>df</i>	<i>Asymp. Sig. (2-sided)</i>
Pearson Chi-Square				3.096 ^a	1	.078
Continuity Correction ^b				2.189	1	.139
Likelihood Ratio				3.113	1	.078
Fisher’s Exact Test						
Linear-by-Linear Association				3.066	1	.080
N of Valid Cases				105		

Since the value of significance is .078 therefore, Perceived Employee Performance (PEP) is independent of demographic variable ‘Gender’ in Indian Service Organizations, which leads to the **rejection of hypothesis H1(b)**.

H1(c): Perceived Employee Performance (PEP) depends on ‘Level of Job’.

Table 6
PEP considering Level of Job

		Perceived Employee Performance (PEP)		Total	
		PEPL	PEPH		
Level of Job	TOP	Count	3	4	7
		Expected Count	3.8	3.2	7.0
	Middle	Count	48	35	83
		Expected Count	45.1	37.9	83.0
	Lower	Count	6	9	15
		Expected Count	8.1	6.9	15.0
Total		Count	57	48	105
		Expected Count	57.0	48.0	105.0

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.022 ^a	2	.364
Likelihood Ratio	2.020	2	.364
Linear-by-Linear Association	.336	1	.562
N of Valid Cases	105		

There is no significant difference between various groups of ‘Level of Job’ of employees, for Perceived Employee Performance (PEP) in Indian Service Organizations as the value obtained by Chi-Square is 2.022, which is significantly high. Also the significance level is .364. It leads to the **rejection of H1(c)**.

H1(d): Perceived Employee Performance (PEP) depends on ‘Qualification’.

H1(d) is accepted, since the significance or *p* value is .030, which is lower than 0.05. It can be said that Perceived Employee Performance (PEP) in Service Organizations is highly influenced by different ‘Educational Qualification’ groups.

H1(e): Perceived Employee Performance (PEP) depends on ‘Tenure’.

Table 7
PEP considering Educational Qualification

		Perceived Employee Performance (PEP)		Total	
		PEPL	PEPH		
Qualification		Count	40	43	83
		Expected Count	45.1	37.9	83.0
	Masters	Count	12	2	14
		Expected Count	7.6	6.4	14.0
	Higher	Count	5	3	8
		Expected Count	4.3	3.7	8.0
Total		Count	57	48	105
		Expected Count	57.0	48.0	105.0

Chi-Square Tests

	<i>Value</i>	<i>df</i>	<i>Asymp. Sig. (2-sided)</i>
Pearson Chi-Square	7.032 ^a	2	.030
Likelihood Ratio	7.766	2	.021
Linear-by-Linear Association	3.482	1	.062
N of Valid Cases	105		

Table 8
PEP considering Tenure

			<i>Perceived Employee Performance (PEP)</i>		<i>Total</i>
			<i>PEPL</i>	<i>PEPH</i>	
Tenure	5-15	Count	33	26	59
		Expected Count	32.0	27.0	59.0
	16-25	Count	19	17	36
		Expected Count	19.5	16.5	36.0
	26-35	Count	5	5	10
		Expected Count	5.4	4.6	10.0
Total		Count	57	48	105
		Expected Count	57.0	48.0	105.0

Chi-Square Tests

	<i>Value</i>	<i>df</i>	<i>Asymp. Sig. (2-sided)</i>
Pearson Chi-Square	.171 ^a	2	.918
Likelihood Ratio	.171	2	.918
Linear-by-Linear Association	.170	1	.680
N of Valid Cases	105		

The high value of Chi-Square obtained, and .918 value of level of significance predicts that Perceived Employee Performance (PEP) is not impacted by variable ‘Tenure’. The hypothesis **H1(e) is rejected**.

H1(f): Perceived Employee Performance (PEP) depends on ‘Number of Employees’.

Table 9
PEP and Number of Employees

			<i>Perceived Employee Performance (PEP)</i>		<i>Total</i>
			<i>PEPL</i>	<i>PEPH</i>	
No of Employees	1001-5000	Count	37	35	72
		Expected Count	39.1	32.9	72.0
	5001-15000	Count	17	10	27
		Expected Count	14.7	12.3	27.0
	15001-25000	Count	3	3	6
		Expected Count	3.3	2.7	6.0
Total		Count	57	48	105
		Expected Count	57.0	48.0	105.0

Chi-Square Tests

	<i>Value</i>	<i>df</i>	<i>Asymp. Sig. (2-sided)</i>
Pearson Chi-Square	1.107 ^a	2	.575
Likelihood Ratio	1.119	2	.572
Linear-by-Linear Association	.365	1	.545
N of Valid Cases	105		

It can be predicted from the above Table 9 that Perceived Employee Performance (PEP) in Service Organizations is independent of various groups of total ‘Number of Employees’, as the Chi-Square value is very high (1.107), **H1 (f) is rejected.**

Since the Chi-Square value is not significant for most individual demographic variables like Age, Gender, Level of Job, Tenure, and Organizational demographic variable like ‘Number of Employees’ hence, **H1 is rejected.**

Finally it can be concluded that dependent variable Perceived Employee Performance (PEP) is independent of Age, Gender, Level of Job, Tenure and Number of Employees but dependent on Level of ‘Educational Qualification’ in Indian Service Organizations.

H2: Perceived Employee Performance (PEP) depends on HR Practices in Service Organizations of India.

Table 10
Pearson Correlation between HR Practices and Perceived Employee Performance (PEP)

		<i>Correlations</i>					
		<i>PEP</i>	<i>RS</i>	<i>CP</i>	<i>TP</i>	<i>PA</i>	<i>PP</i>
PEP	Pearson Correlation	1	.737**	.706**	.645**	.674**	.664**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	105	105	105	105	105	105
RS	Pearson Correlation	.737**	1	.835**	.836**	.944**	.528**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	105	105	105	105	105	105
CP	Pearson Correlation	.706**	.835**	1	.774**	.791**	.498**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	105	105	105	105	105	105
TP	Pearson Correlation	.645**	.836**	.774**	1	.856**	.542**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	105	105	105	105	105	105
PA	Pearson Correlation	.674**	.944**	.791**	.856**	1	.537**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	105	105	105	105	105	105
PP	Pearson Correlation	.664**	.528**	.498**	.542**	.537**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	105	105	105	105	105	105

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

Table 10 shows the inter-correlations between the observed variables. The correlation matrix revealed significant correlation among independent and dependent variables. It proved significant positive correlation between human resource practices and perceived employee performance. The correlation value derived from Table 10 is, .737 for Recruitment & Selection, .706 for Compensation Practices, .645 for Training Practices, .674 for Performance Appraisal and .664 for Promotion Practices. All the five independent variables are strongly correlated with Perceived Employee Performance (PEP).

The highest correlation can be found between Perceived Employee Performance (PEP) and Recruitment & Selection followed by Compensation Practices, Performance Appraisal, Promotion Practices and Training Practices.

The objective is to examine whether the independent variables are capable of effectively estimating employee performance. Regression analysis for predicting Perceived Employee Performance (PEP) by HR Practices is as follows:

Table 11
Model Summary of Perceived Employee Performance (PEP) and HR Practices
Model Summary

<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>
1	.822 ^a	.675	.659	.38295

^aPredictors: (Constant), PP, CP, TP, PA, RS

The combined effect of HR Practices on Perceived Employee Performance (PEP) in Indian Service Organizations has been substantiated. In Indian Service Organization 67.5% of Perceived Employee Performance (PEP) can be attained by one unit of HR Practices. The minimum difference between the R square value and the adjusted R Square value also confirms the data.

Table 12
ANOVA – Perceived Employee Performance (PEP) and HR Practices
ANOVA^a

<i>Model</i>	<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
1 Regression	30.175	5	6.035	41.152	.000 ^b
Residual	14.518	99	.147		
Total	44.693	104			

^aDependent Variable: PEP

^bPredictors: (Constant), PP, CP, TP, PA, RS

The analysis of variance table shows that the overall model is proven significant when the independent variables: the HR practices (Recruitment & Selection, Compensation Practices, Training Practices, Performance Appraisal and Promotion Practices) were entered into the regression equation. The results proved support for the effect in hypothesis 2 (Overall model: F=41.152, df =5, p < 0.001; R=.651, R2 = .675, adjusted R2 = .659). R- Squared measures the proportion of variance in the dependent variable that is explained by changes in all of the explanatory variables. In the full model, the impact of the HR practices on perceived employee performance is supported. The test assures that five factors of HR Practices have the ability to explain the variation in the dependent variable perceived employee performance. Thus, there

is enough evidence that HR practices are significantly related to and have a significant impact on perceived employee performance (Tables 11-13).

Here it can be concluded that HR practices explain significant amount of variation in the Perceived Employee Performance. Hence **H5 is supported**.

Table 13
Coefficients – Perceived Employee Performance (PEP) and HR Practices
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.818	.272		3.007	.003
RS	.698	.205	.660	3.399	.001
CP	.251	.117	.233	2.149	.034
TP	-.018	.117	-.018	-.152	.879
PA	-.318	.186	-.323	-1.712	.090
PP	.205	.037	.382	5.509	.000

^aDependent Variable: PEP

This analyses show how HR Practices is related to Perceived Employee Performance (PEP). As per Table 13 it can be concluded that one extra unit of Recruitment & Selection (RS), Compensation Practices (CP) and Promotion Practices (PP) increases Perceived Employee Performance (PEP) by .698, .251 and .205 respectively. Similarly one extra unit of Training Practices (TP) and Performance Appraisal (PA) reduces PEP by .018 by .318 respectively.

McElroy (2001), selective hiring is another HRM practice that sends a clear message to employees that people matter.

T-values related to standardized beta coefficients and their respective tolerance limits have been reported in the above Table. The t-value for significant predictors of Perceived Employee Performance (PEP) include Recruitment & Selection (RS), ($p < 0.001$), Compensation Practices ($p < 0.34$), and Promotion Practices (PP) ($p < 0.000$). Since t-value of Training Practices (TP) (0.879) and Performance Appraisal (PA) (.090) is higher. Therefore it is stated that TP and PA is not having a substantial effect on Perceived Employee Performance (PEP) in Indian Service Organizations. So in the following regression analysis, TP and PA are excluded.

Table 14
Regression Analysis of Perceived Employee Performance (PEP) with
HR Practices Excluding Non-Significant Variables
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.814 ^a	.663	.653	.38602

^aPredictors: (Constant), PP, CP, RS

ANOVA^a

	<i>Model</i>	<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
1	Regression	29.642	3	9.881	66.309	.000 ^b
	Residual	15.050	101	.149		
	Total	44.693	104			

^aDependent Variable: PEP

^bPredictors: (Constant), PP, CP, RS

Coefficients^a

<i>Model</i>		<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	<i>t</i>	<i>Sig.</i>
		<i>B</i>	<i>Std. Error</i>	<i>Beta</i>		
1	(Constant)	.818	.270		3.028	.003
	RS	.372	.114	.352	3.258	.002
	CP	.248	.114	.231	2.179	.032
	PP	.194	.037	.363	5.300	.000

^aDependent Variable: PEP

The **Regression Equation** for Perceived Employee Performance (PEP) in Indian Service Organization from Recruitment & Selection (RS), Compensation Practices (CP) and Promotion Practices (PP) is **PEP = .818 + .372 (RS) + .248 (CP) + .194 (PP)**.

5. DISCUSSION AND LIMITATIONS

In modern era, because of regular changes and upgradation in organizations, it has become very obvious for all organizations to provide opportunities and means by which their employees can become efficient. The objective of the current study is to examine the relationship between HR practices and Employee performance. This study has focussed mainly to examine the impact of HR practices on Employee performance in service organizations of India.

Service industry is one of the fastest growing industries in India. It is proven to be potentially providing growth opportunities for large workforce. Therefore, developing an effective full proof HR Practice policy and implementing it is vital to nurture the talent this industry offers. The foundation of succeeding in meeting organization goals is a solid HR base which is transparent, free from bias and which motivates employees to work hard. It is high time that uniform and un-biased HR system is developed and followed for better results which should only be result oriented.

The present study examined the influence both individually as well as in combination of recruitment & selection, compensation practices, training practices, performance appraisal and promotion practices on employee performance. The study of relationship of HR practices with employee performance is important for today's management because the modern organizational trends requires more efficiency, accuracy and effectiveness in less time and cost and this can be achieved only through design, development and deployment of excellent HR programs in the organization.

To analyze the data Correlation and Regression analyses are used which exhibit the relationship between HR practices and Employee performance. It can be seen that Recruitment & Selection (.737) is significantly correlated with Perceived Employee Performance, followed by Compensation Practices (.706), Performance Appraisal (.674), Promotion Practices (.664) and Training Practices (.645). It is evident that in combination the HR practices yields strong regression ($R^2 = .675$). ANOVA helps to find out the F value which is 41.152. Consistent with the previous research, the findings of the study suggest that HR practices have impact on employee performance as supported by Singh (2004). More attention is to be paid to HR practices for better employees's outcome.

6. LIMITATIONS

Some limitations are mentioned below:

- Only perceptual measure has been considered for this study.
- Small sample size for service firms in India was surveyed.
- All dimensions of HR Practices has not been considered.
- The sample consists of supervisors only

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Annexure-1

HR Survey

Part I

Name of the Organization: _____

Phone: _____

Email: _____

Address: _____

Demographic Information

Organizational Characteristics

Total Number of Employees in The Organization: _____

Industry Type: _____

Individual Characteristics

Age: _____

Gender: _____

Level of Job: _____

Qualification: _____

Total Number of Years in Present Organization: _____

Part II

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. Performance Appraisal Practices:

1. Presence of written and operational EPE
2. EPE results has a lot to do with salary
3. EPE results has a lot to do with personnel decisions
4. Provision of feedback of EPE results
5. EPE is considered as important task by superiors

V. Promotion Practices:

1. Presence of written and operational promotion policy
2. Provision of priority to merit in promotion decision
3. Provision of priority to seniority in promotion decision

VI. Perceived Employee Performance:

1. My performance is better than that of my colleagues with similar qualifications
2. My performance is better than that of employees with similar qualifications in other organizations
3. The performance of my organization is better than that of other organizations