

IMPACT OF HRM PRACTICES ON THE PERFORMANCE OF SMALL SCALE INDUSTRIES

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ABSTRACT

Human resource management (HRM) is identified as the productive use of people in achieving the organization's strategic objectives. Human resource is required for an organization to conduct different business activities and they need to be used very efficiently. The main objective of this research was to discover the impact of HRM practices on the organizational performance of the Small Scale Industries. The research used a structured questionnaire to collect the data. Target population of this study was the employees of small scale units of Hyderabad district. Quantitative data analysis was analyzed by using SPSS (Version. 23). The findings of the study showed that HRM practices have significant impact on the organization performance of the small scale industries of Hyderabad district. This research also shows that employees' absenteeism has reduced and sales growth if the organization has improved due to the positive perception of employees regarding HRM practices.

Key words: HRM Practices, Organization Performance, Small Scale Industries.

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1. INTRODUCTION

Human resource management (HRM) is defined as the productive use of people in achieving the organization's strategic objectives. HRM practices enable the shaping of employee's skills, abilities, values, attitudes, beliefs and behaviors through hiring and developing a firm's pool of human. The performance of an organization depends upon the effective use of its human resources. An organization has to forecast its manpower requirements and need to alter its manpower planning accordingly for the development of the organization. Human resource

is very important and needs to be utilized efficiently for the success of the organization. The importance of manpower in business management is rapidly increasing and is getting accepted universally. Human resource is the most delicate factor of production and need to be treated very carefully as their performance influences the performance of the organization. Even though there is very close relationship among the owners/managers and the employee in small scale industries human resource management has become a very sensitive issue here. Human resource management includes different practices such as Recruitment, Selection, Training & development, Compensation, Performance Appraisal and Employee Welfare. If good human resource practices are followed an organization can reduce the employee turnover, and the overall performance of the organization can be increased.

The study of HR practices has gained importance in the literature for the last few years (Becker & Huselid, 1998; Huselid, 1995; ArunaGamage & Yuri Sadoi, 2008) most importantly on the firms performance. The importance of Human Resource has found significant place in Management, Industrial and Organizational, and Industrial Relations (Chandra Mohan Singh, Dr. Ashok Chandra and Dr. Sanjay Sharma, 2016; Gaafar Mohamed Abdalkrim, 2012; Mohinder Chand, Anastasia A. Katou, 2007). Many researchers have found that there is a positive relationship between firms' performance and HRM practices which would enhance the competitiveness of the firms. HRM practices can have a positive impact on increasing the sales and reducing the employee absenteeism of the organization. Huselid (1995) viewed that HRM practices positively impact the skills and abilities, knowledge enhancement, motivation and raise the retention of skilled employees. Cheng Ling Tan, AzzatMohdNasurdin (2011) showed that HRM practices have positive effect on organizational innovation and demonstrated that training and performance appraisal are positively related to knowledge management effectiveness. P.C. Narware (2011) highlights that the use of strategic manpower planning, performance appraisal, welfare and reward system and industrial relations along with the recruitment and selection process enhances the industrial environment and long term success of the small scale industries.

A lot of research has been conducted on HRM practices in different sectors and different parts of the world but there was less research about HRM practices in small scale industries in India and Hyderabad region in particular. Therefore this research aims at finding out the impact of HRM practices on the organization performance in small scale industries with special reference to Hyderabad region.

2. SMALL SCALE INDUSTRIES

The small scale sector plays a vital role in the growth of the country. It contributes almost 40% of the gross industrial value added in the Indian economy. The growth rate of small scale industries has been very impressive over the years. The SSIs accounts for about 40 percent of the country's industrial production 40 percent of industrial exports and 60 percent of employment opportunities. Various policy initiatives undertaken by the government helped the sector in acquiring the status of a major contributor of the growth process. The Government is constantly giving importance to the small scale sector by framing a policy framework to strengthen the economic performance of the sector which helps in building its international competitiveness.

Research scholars have proved that success or failure of the firms depends on the efficient management of Human Resources (e.g., Hueslid, Jackson & Schuler; 1997). Majority of the small scale industries have no rules or policies and efficient HR managers to implement HR

practices effectively. These firms mainly focus on the operational aspect and the HR issues are ignored.

2. LITERATURE REVIEW

There is lot of literature which is in favour of HRM practices and its positive impact on organizational performance (Huselid, 1995; Cecily G. Wamuru, Denis MuchangiJamleck ,2016; Sundar K, P. Ashok Kumar,2012; P.C. Narware, 2011; Ayesha Aslam, AmnaGhaffar, TahleelTalha, HinaMushtaq, 2015; RajniKhosla, P.K. Sharma,2014; Choi Sang Long, Musibau Akintunde Ajagbe, Tan Owee Kowang, 2013; Schneider & Bowen, 2009; Tsai, 2006; Lam and White 1998). From the above studies it is evident that majority of the scholars have worked on effective implementation of HRM practices in small scale industries would enhance organizational productivity, reduces absenteeism and enhances sales growth of the organization and leads to increase the overall performance of the organization.

3. RESEARCH GAP

Various studies have been carried on Human Resource Management practices in relation to organization performance. While some studies showed the link between HRM practices and firm performance, few attempted to show the relationship between HR practices and employee job performance. Further, no such study has been carried out in the state of Telangana in general and Hyderabad Region in particular. Thus the present study sought to fill the above gap by examining the impact of HRM practices on employee absenteeism, employee productivity and sales growth with focus on the small scale industries of Hyderabad Region of Telangana State. The study would seek to answer the question: How would be the impact of HRM practices on employee absenteeism, employee productivity and sales growth of the small scale industries?

4. OBJECTIVES OF THE STUDY

- To assess the integration of HRM practices with perceived opinion on the rate of employee absenteeism, employee productivity and sales growth.
- To suggest for the improvement of HRM practices in Small Scale Industries.

The study primarily aims at HRM practices in SSIs. The key practices like Recruitment, Selection, Training and Development, Compensation, Performance Appraisal and Employee welfare have been taken for the study. The influence of the above factors on the performance of the organization is measured on the select SSI units.

5. HYPOTHESES

H₀₁: There is no significant impact of HRM practices on Employee Absenteeism.

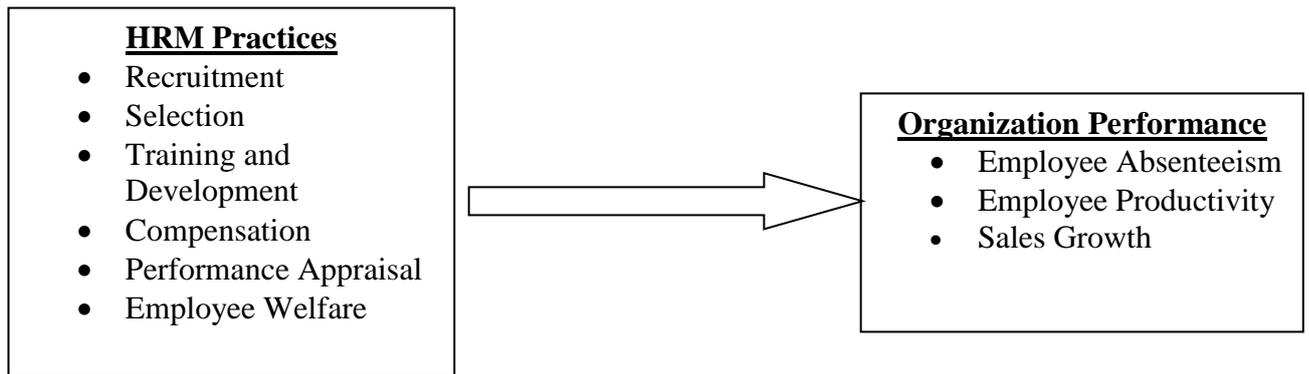
H₀₂: There is no significant impact of HRM practices on Employee Productivity.

H₀₃: There is no significant impact of HRM practices on Sales Growth.

6. RESEARCH METHODOLOGY

This study proposed a conceptual framework to analyze the relationship among HRM practices and organization performance.

6.1. Conceptual Framework



6.2. Construct Measurement

6.2.1. Independent Variables

In this study the researcher has taken six different HRM practices. These are Recruitment, Selection, Training and Development, Compensation, Performance Appraisal and Employee Welfare. Five point Likert scale has been used for these practices ranging from strongly disagree (1) to strongly agree (5).

6.2.2. Dependent Variable

The researcher has taken one dependent variable i.e. organization performance taking into consideration three items to measure them which are employee absenteeism, employee productivity and sales growth. The respondents were requested to judge the firms performance with respect to these three items through Likert scale ranging from very low (1) to very high(5).

6.2.3. Design of Questionnaire and Sampling

As the population is large a sample of 15 SSIs units operating in the IDA Nacharam area of Hyderabad district were selected for the study. By using simple random sampling all the employees of these 25 SSIs (about 450) respondents were considered for data collection. Out of 450 questionnaires distributed 300 filled in questionnaires were returned, which comes to 67% which is identified as reasonable sample for the study. Questionnaires were distributed among common employees to know about different HRM practices exercised in their firms and its impact on the organization performance. A 46 –item questionnaire was developed to measure the HR practices on the organization performance. It is divided into two parts HRM practices and Organization Performance of the firm.

7. HRM PRACTICES

HRM practices included items about Recruitment (9 items), Selection (9 items), Training and Development (7 items), Compensation (9 items), Performance Appraisal (7 items) and Employee Welfare (5 items). The respondents were asked to respond to these items on five point Likert scale ranging from 1 to 5 (Strongly disagree to strongly agree). The combined Cronbach's alpha of these six variables was 0.837 which is satisfactory.

7.1. Organization Performance

Organization performance was measured taking (3 items) Employee absenteeism, employee productivity and sales growth and the respondents were to rate their opinion on five point Likert scale ranging from 1 to 5 (Very low, low, undecided, high and very high).

Pearson correlation was applied to know about the variables of HRM practices (above table) show positive inter-correlations between its different variables taken for the study.

For statistical purpose SPSS (version. 23) was used to test the hypothesis. Regression Analysis was applied to know the effect of independent variables on dependent variables. The study used primary data for analysis. A questionnaire was distributed among the employees of small scale industries to get the perception of employees about the prevailing HRM practices and its impact on the organizational performance of small scale industries.

8. ANALYSIS AND RESULTS

Table 1 Showing Regression Analysis conducted on three dependent variables

No	R square	Independent Variables	Beta	Dependent Variables	F Statistic	Sig
1	.320	Recruitment Selection Training and Development Compensation Performance Appraisal Employee Welfare	-.369 -.174 -.202 -.033 .122 .037	Employee Absenteeism	42.547	.000
2	.134	Recruitment Selection Training and Development Compensation Performance Appraisal Employee Welfare	-.276 -.030 .192 -.082 .282 .034	Employee Productivity	13.959	.000
3	.075	Recruitment Selection Training and Development Compensation Performance Appraisal Employee Welfare	-.010 -.020 .237 .148 .019 -.149	Sales Growth	7.385	.000

8.1. Employee Absenteeism

The above table shows that R^2 (coefficient of determination or explained variance) is 0.320. It shows that 32.0 % variability has been caused in the employee absenteeism by the six items of HRM practices. It also shows that F statistic is 42.547 and significance level of 0. It means that there is significant relation between employee absenteeism and HRM practices.

8.2. Employee Productivity

The above table shows that R^2 (coefficient of determination or explained variance) is 0.134. It shows that 13.4 % variability has been caused in the employee productivity by the six items of HRM practices. It also shows that F statistic is 13.959 and significance level of 0. It means that there is significant relation between employee productivity and HRM practices.

8.3. Sales Growth

The above table shows that R^2 (coefficient of determination or explained variance) is 0.075. It shows that 7.5 % variability has been caused in the Sales growth by the six items of HRM practices. It also shows that F statistic is 7.385 and significance level of 0. It means that there is significant relation between sales growth and HRM practices.

8.4. Impact on Organization Performance

The research showed that HRM practices have positive impact on organization performance of the small scale industries. There is significant impact of performance appraisal and employee welfare on employee absenteeism. The study concludes that effective implementation of HRM practices is likely to reduce employee absenteeism. It is also revealed the significant impact of some HRM practices on employee productivity. It was found that training and development, performance appraisal and employee welfare are having impact on employee productivity. The research has also found a significant impact of HRM practices on the sales growth. Among the different independent variables training and development, compensation and performance appraisal are having significant impact on organization performance.

9. CONCLUSIONS

The result of the above study concludes that HRM practices have positive impact on organization performance of small scale industries. Small scale industries need to implement HRM practices if they want to improve their performance. It should improve training and development, compensation, performance appraisal and employee welfare practices which are influencing organization performance significantly.

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