



The Correlation Between Human Resources And Organizational Practices

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Abstract

This study examines the effect and relationship among Human Resources Development Practices HRDP through selected four variables; (Leadership, employees, Strategy, training & Development) and Organisational performance OP with selected three measurable variables (Profit Growth, Sales/Revenue Growth, and Employee Retention Rate). So, the purpose of this study is to analyse four specific HRD practices based on the literature review to determine if and up to what extent the adoption of such practices affects organisational performance. In this regard, feedback is very important. Communicating the results of the activities of employees to them would help identify their strengths and weaknesses so that they may improve on their performance. For that reason, human resources development became more responsible to improve and develop the organisations. The contributions of this study can support the theoretical domains of human resources development practices and organisational performance. Recommendations based on research findings will offered for professional practice and for future research.

1. INTRODUCTION

1.1 BACKGROUND OF THE STUDY

A focus on human resources development and providing a stable workforce is a key in change initiatives. Working to develop a high performance workforce allows an organisation to adapt to and embrace change. The study of Maimunah & Lawrence, (2008) showed that the workforce diversity is one of the important tools for organizational performance. Therefore, no organisation in this era of globalization would survive without workforce diversity. By creating a diverse workforce, it is more capable in dealing with diversity within the organisation and in seeing clients of various demands to achieve the high targets and improve the organisational performance. On the other hand, the employees should not only see their job as work, but also consider themselves to be as owners. Being an owner gives employees the right to speak their opinions and improve the organisation environment. In addition, Njanjal, Maina, Kibet, & Njagi (2013) concluded that cash bonuses had no significant effect on employee performance. Those who had received and those who had not received perceived it to affect their performance the same. Hence, it did not have a significant effect on performance. In addition, Maund (2001) mentioned that Human Resource managers in any organization have to design reward systems for their employees. This is vital for the organizations to achieve their strategic goals. The top management in the organization can include awards and other forms of promotions, reassignments, recognition, and non-monetary bonuses like simple appreciation letter or vacations. When employees are rewarded, they get work done. Employers get more of the behavior they reward, not what they assume they will automatically get from employees. Thus, when employees achieve their target or exceed it, they have to be rewarded immediately as a

way of encouraging and motivating them. By doing this, employees will work with high motivation and the organization can achieve good performance.

1.2. RESEARCH GAP AND PROBLEM STATEMENT

Various studies measured the organisational performance based on employee’s satisfactions (Zu, 2009; Cooke, 2013), and financial as well as non-financial performance indicators (Sila, 2007; Wildford, 2007; Chassin, 2013).

Furthermore, lack of performance improvement for some organizations might be due to:

- ❖ The employees’ insufficient awareness about their job descriptions.
- ❖ The employees’ insufficient training to improve their skills, knowledge, and qualifications.
- ❖ The organisations’ strategies do not match with the vision and the mission of the organisation.

Organisations without proper knowledge and experience can fail to achieve the organisation targets. Furthermore, this study will examine the direct effects of Human Resources Development Practices HRD Practices (leadership, employees, strategy, training and development) and Organisational Performance OP (Profit Growth, Sales/Revenue Growth, and Employee Retention Rate). However, HRD Practices are not used as a direct variable in past researches. This research can fill the gap in the literature review.

1.3. RESEARCH QUESTIONS

Based on the research problem, the following research questions formulated:

- 1- What is the relationship between HRD Practices and OP?
- 2- What is the relationship between Leadership and OP?
- 3- What is the relationship between Employees and OP?
- 4- What is the relationship between Strategy and OP?
- 5- What is the relationship between Training and Development and OP?

1.4. RESEARCH HYPOTHESES

This study includes one main hypothesis and four sub-hypotheses formulated to investigate the research questions and examine the relationship among HRD Practices and OP:

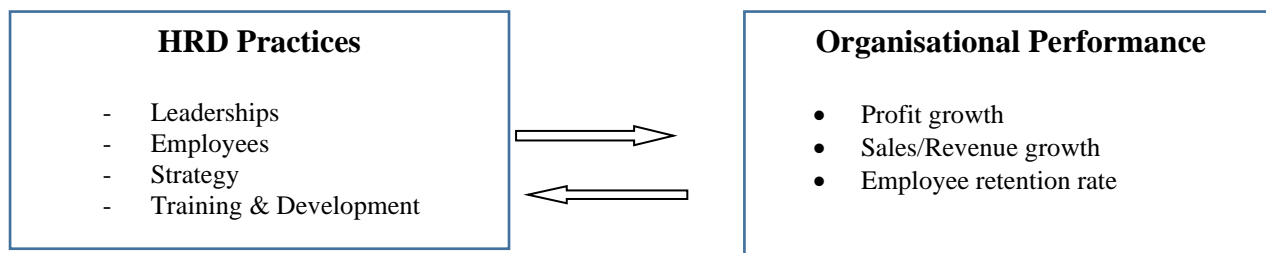
- H1 There is significant positive relationship between HRD Practices and OP.
- H1a There is a significant positive relationship between Leadership and OP.
- H1b There is a significant positive relationship between Employees and OP.
- H1c There is a significant positive relationship between Strategy and OP.
- H1d There is a significant positive relationship between Training and Development and OP.

1.5. RESEARCH OBJECTIVES

The main objective of this study is to identify the relationship between the HRDP and OP. The specific objectives of this study are:

1. To identify the nature of relationship existing between HRDP and OP.
2. To assess the direct relationships existing among Leaderships and OP.
3. To assess the direct relationships existing among Employees and OP.
4. To assess the direct relationships existing between Strategy and OP.
5. To assess the direct relationships existing among Training, Development and OP.

The model used in this study, as shown in the following figure 1.1 is based on the reviewed literature and the research questions.



FIGUER 1.1 THE RESEARCH MODEL

1.6. SIGNIFICANCE OF THE STUDY

This study examines the relationship between HRD Practices and OP and contributes to new knowledge development in the following ways:

1. Development of a new model after analysing the relationship between HRD Practices (leadership, employees, strategy, training and development) and organisational performance (Profit growth, Sales/Revenue growth, Employee retention rate).
2. Contribution to new knowledge development in HRD and OP theories.
3. Assisting the managers and decision makers in organisations to get valuable insights on the significance of HRD Practices for improving performance based on the findings from the literature review conducted in this study, and thereby developing new policy decisions.

1.7. SCOPE OF THE STUDY

As mentioned previously, this study examines the relationship between HRD Practices and OP by measuring how HRD Practices (Leadership, employees, strategy, training and development) influences the organisational performance that measured based on three objective criteria: (profit growth, sales/revenue growth, and employee retention rate).

IMPLICATIONS FOR THEORETICAL CONCLUSIONS, CONTRIBUTIONS, PROFESSIONAL PRACTICE AND FUTURE RESEARCH

2.1. CONCLUSIONS:

Based on the above analyses, hypothesis (H1) is developed stating that there is significant positive relationship between HRDP and OP. Furthermore, there are a lot of positive implications for organisations that adopt human resources development practices. As indicated in some previous studies such as Khan (2010), Oladipo and Abdulkadir (2011), found the benefits accruable to a firm that adopts essential human resource development principles as indicator to improve the organisational performance. Some literature review showed positive relationship existing among the following variables:

H1 There is significant positive relationship between HRD Practices and OP.

H1a There is a significant positive relationship between Leadership and OP.

H1b There is a significant positive relationship between Employees and OP.

H1c There is a significant positive relationship between Strategy and OP.

H1d There is a significant positive relationship between Training and Development and OP.

The relationship at the organisational level was found to exist between HRDP and organisational performance. The results obtained from this study showed significant positive relationship exists between HRDP and OP which supported hypothesis (H1) and is consistent with most studies. For instance, Sheehan et al. (2013) and Maura (2014) illustrated that HRDP is found to positively influence employee engagement, leadership, manager's motivation to learn, the promotion of a learning culture, and social capital developments all of which are positively associated with innovation and organisational performance. The relationship between HRDP and organisational performance is built on the premise that better deployment and use of HRDP should correlate with better organisational performance (Ulrich, 1997).

A great number of empirical studies showed that the best practices of Human Resource Development have a positive relationship on firm performance and can be the source of sustainable competitive advantage to the organisation (Bjorkman & Fan, 2002; Collins & Clark, 2003; Wright, Gardner, Moynihan, & Allen, 2005; Gooderham et al., 2006; Othman, 2009). In addition, in investigating the relationship between HRDP and organisational performance, some studies found significant positive relationships between HRDP and OP (Gooderham et al. 2006; Zheng et al. 2007).

Furthermore, Swanson and Arnold (1996) illustrated many ways in which HRDP can improve performance at the individual, process, and organisational levels. Swanson (1998) investigated the financial benefits of HRDP for organisational performance by using 15 studies at different historical stages. The results of five studies conducted between the 1940s and 1970s showed very high returns on investment - an ROI of 8:1 or more in a year. This result corroborates with the findings of this study, which showed that there is a statistically significant positive

relationship between HRDP and OP (H1). Results of this study are consistent with the findings from other five studies conducted by Swanson (1998) between 1980s and 1990s, which demonstrated very sound financial forecasts and returns on investment.

On the other hand, Fey et al. (2000) found that there is a positive relationship between HRDP and organisational performance. For instance, they opined that variables such as the training, high salaries and promotions based on merit will have a direct positive impact on organisational performance among the managers. Furthermore, Ngo et al. (1998) illustrated that different variables in HRDP have influence strong relationship with the organisational performance, for instance, the study found that firms providing more structural training and development create more new products, have more satisfied employees, achieve higher sales and thereby improve organisational performance.

2.2. IMPLICATIONS FOR THEORETICAL CONTRIBUTIONS

This study has enhanced present knowledge on successful organisational performance by supporting that the organisational success is closely linked with the human resources development practices. The theory based on the view that no single macro-level organisational structure will lead to good performance for all organisation tasks under all environmental situations. Based on this theory, the tasks should be externally and internally.

In addition, this study contributed to organisational management theory and practice in the area of organisational performance using three exclusive indicators to measure the organisational performance; profit growth, sales/revenue growth, and employee retention rate. Overall, the research objective found the relationship between the HRDP and OP based on the research framework and literature review.

The specific objective of this study is to investigate the dimensions in human resources development practices (leadership, employees, strategy and training & development) and find the relationships between these variables and organisational performance.

In addition, the results of this study contribute to human resources theory by concluding the positive relationship exists between HRDP and OP and found based on the literature review a positive direct relationship between HRDP and OP.

2.3. IMPLICATIONS FOR PROFESSIONAL PRACTICE

Based on the findings of this study, the following implications for professional practice are suggested:

- a) The organisation decision making can use the findings from this research to concentrate on the human resources develop dimensions (leadership, employees, strategy and training & development) to increase the organisational performance based on positive relationship between these dimensions and OP.
- b) Organisational managers can assess the impacts of the HRDP (leadership, employees, strategy and training & development) and OP (profit growth, sales/revenue growth, and employee retention rate).
- c) Based on the findings of this research, organisations can make relevant decisions for implementing appropriate HRDP for developing and increasing the organisational performance.
- d) This research has developed a model which can be used by private and government organisation leaders and managers to improve their organisations' performance.
- e) This study can provide a useful reference for researchers and eventually benefit managers attempting to improve organisational performance.
- f) This study showed that there is a relationship between training & development and organisational performance. In addition, the study showed that there is positive relationship between the people trained and organisational performance.
- g) This research could be a stepping-stone for conducting further studies in related fields of studies. In addition, the contribution of this study can be add to the literature review.

2.4. IMPLICATIONS FOR FUTURE RESEARCH

Based on the findings, this study thus recommends the following for future researches:

- a. Future studies maybe taken up to cover some wider dimensions of the human resources development practices, that are not covered in this study.
- b. Future research can be done as an empirical study, collected data from organisations through survey and statistical analyses the relationship between HRDP and OP.
- c. This study developed a new model after analysing the positive relationship between HRD Practices (leadership, employees, strategy, training and development) and organisational performance (Profit growth, Sales/Revenue growth, Employee retention rate).

2.5. RESEARCH LIMITATIONS

The present study has some limitations. Among several variables, only four out of several possible HRDP selected for this study (leadership, employees, strategy and training & development). Furthermore, only three variables out of many indicators selected to measure organisational performance (profit growth, sales/revenue growth, and employee retention rate). The relationship between these variables examined based on literature review and the research questions. Finally, since this is the first study done to examine the relationship between HRDP with selected variables and organizational performance, hopefully this study will trigger more research interest for future studies in this field.

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