



## **Human Resource Development Practices And Their Impacts- Critical Review**

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### **LITERATURE REVIEW**

#### **1. BRIEF HISTORY OF HUMAN RESOURCES DEVELOPMENT AND ORGANISATIONAL PERFORMANCE:**

Human Resource Development (HRD) is crucial for improving organisational performance. Several scholars have endeavoured to identify the essential elements within HRD Practices. McLagan and Suhadolink (1989) claimed that training and development, organisation development and career development are the primary areas of HRD Practices. The scope of HR has extended from Human Resources (HR) to an independent functional area.

Brockbank (1999) presents the guidance on how HRD practices increase an organisation's competitive advantage through offering a framework containing four quadrants based on operational or strategic and reactive or proactive:

- ❖ Operationally reactive HR focuses on implementing the basics, the day-to-day demands of the business.
- ❖ Operationally proactive HR improves on the design and delivery of the HR basics.
- ❖ Strategically reactive HR focuses on implementing the business strategy.
- ❖ Strategically proactive HR focuses on creating future strategic alternatives.

Ruona and Gibson (2004) offered the following continuum of HRD practices based on Brockbank's framework:

- ❖ Before the late 1970s, operationally reactive HRD practices focused on training and vocational training.
- ❖ Between the late 1970s-late 1980s, operationally proactive HRD practices focused on needs assessment, task analysis, evaluation, Return-On-Investment (ROI), and competency-based learning.
- ❖ Between the 1980s until today, strategically reactive HRD practices focused on training and development, career development, organisational development, performance consulting, and learning services with strategic alignment and more systemic interventions including multi-skilling and cross-training, cross-cultural and global training.
- ❖ Between the mid-1990s-today, strategically proactive HRD practices focused on organisational learning, self-directed learning, informal learning, personalised individual learning and development plans, coaching, and knowledge management systems aligned with globalisation strategies including global sourcing, training, team building, mentoring, career development, learning systems, and culture-work.

Gilley and Gilley (2002) mentioned that HRD practices play transactional and transformational roles. Transactional focuses on an activity's strategy and its cornerstone is training, whereas

transformational prompts a results-driven strategy that is performance and organisationally centred. They concluded that transactional roles primarily include a trainer, instructional designer, needs analyst, and evaluator.

## **1.2. HRD Practices**

Various organisational activities reflecting HRD practices which can be broadly categorized into three domains: transactional, traditional, and transformation. The changing context in the corporate world has contributed to the continuous notable changes noticed in the HRD practices over the past two decades (Garavan, 2007). For instance, HRD research has broadened from its traditional focus on understanding learning by individuals and organisations to examine HRD in an international context.

In this study, the primary aspects of (leadership, employees, strategy, training and development) are examined based on literature review to investigate the relationship between HRDP and OP (profit growth, sales/revenue growth, and employee retention rate).

### **1.2.1 Organisational Performance (OP)**

Armstrong (2006) defines performance as the achievement of quantified objectives, which is not only a matter of what people achieve, but how they achieve them.

More importantly, performance must examine how results are achieved because this provides the required information to be considered what needs to be done to develop those results. Performance management described as a process of establishing and understanding what is to be achieved, as well as an approach to managing and developing people in a way, which increases the achievement of short and long-term objectives. DeCenzo (2005) mentioned that the purpose of performance management by asserting that without proper feedback about an employee's effort and its effect on performance, there is a risk of decreasing the employee's motivation.

### **1.2.2. HRD Practices and Organisational Performance**

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 found positive relationship among HRDP and organisational performance. McLagan's (1989) definition of HRD noted that all HRD practices aim to improve organisational effectiveness.

Swanson (1994) and Tracey (1994) in their definitions of HRD emphasised that the purpose of HRD practices is to improve performance, a sample of 239 employees from eight organisations responded to a questionnaire, which measured the effectiveness of employee development practices and cherished organisational performance. Their study found that HRD practices like potential appraisal and promotion, learning/training; performance guidance and development were positively related to organisational performance of collaboration, creativity, quality, delegation, and humane treatment. However, performance appraisal system, career planning, and contextual analysis variables were negatively associated with values such as trust and creativity.

On the other hand, Huselid (1995) studied 968 publicly traded firms and found that a one standard deviation increase (about 25%) in work performance reduces turnover by 7.05% on a per employee basis and increases productivity by 16% as measured by sales per employee. Osman, Ho, & Galang (2011), found that human resources development practices is not limited to effective workforce training and development; recruitment and selection; performance appraisal and internal communication. These practices capitalize on the strength of the human capital for sustained competitive advantage (Jackson, & Schuler, 2000), and help to enhance organisational performance.

In addition, Delery & Doty (1996) adopted seven best practices. Their study covered such essential aspects as training, participation, employment security, job description, result-oriented appraisal, internal career opportunities, and stocks/profit sharing. The results of their study

showed positive relationships between seven practices and firms performance. These results are interestingly consistent with the study findings of Shipton, Fay, West, Patterson, and Birdi (2005). Akhtar et al. (2008) also found all these aspects to be significantly determining organisational performance.

Quite a number of studies have ideally recognised the likely positive relationship between HRD and organisational performance. However, a dearth of empirical works exists on exploring the mechanisms through which HRD leads to organisational performance. Filling this lacuna was the objective of the paper by Katou (2009) which investigated the hypothesised relationship between HRD and organisational performance via a structural equation model. The findings of the study Sinaga, Et al., (2019) concluded that implying the training education immensely boosts up the level of performances of employees within the tourism industry in Indonesia.

Based on the above analyses hypothesis (H1) is developed stating, "There is significant positive relationship between HRDP and OP"

### **1.2.3 Employees and Organisational Performance**

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 (Osman, 2014).

The organizational effectiveness lies in human resources quality and human resources development practices have the potential to improve employee competences (Kareem & Hussein, 2019). On the other hand, the employees should not only see their job as work, but also consider themselves to be owners. Being an owner gives employees the right to speak their opinions and improve the organisation environment (Yong & Wilkinson, 2003). 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.

Keisu et al., (2018) mentioned that Human Resource managers in any organisation have to design reward systems for their employees. This is vital for the organisations to achieve their strategic goals. The top management in the organisation 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 behaviour they reward, not what they assume they will automatically get from employees. Thus, when employees achieve their target or exceed it, they have to reward immediately as a way of encouraging and motivating them (Singhvi, A. S., & Sharma, P. P., 2018). By doing this, employees will work with high motivation and the organisation can achieve good performance (Janeckova, H., & Jirkovska, B., 2019).

In addition, the study of Sanchez, R. T., & Guillen, J., (2018). Mentioned that the diversity among employees is an essential element since it affects the level of knowledge, adeptness and skills they contribute to their organisations. Neville et al. (2014) explained that managing innovation teams effectively can be counted on to generate creative solutions to problems. In addition, the empirical analyses found statistically significant positive relationship between employees and OP as a direct relationship, which supports the sub-hypothesis H1b.

Based on the above analyses sub-hypothesis (H1b) is developed stating, "That there is a significant positive relationship between employees and OP".

### **1.2.4 Strategy and Organisational Performance**

Increasing competition from businesses across the world has meant that all businesses must be much more careful about the choice of strategies to remain competitive. Everyone (and everything) in the organisation must be doing what they are supposed to be doing to ensure that strategies are implemented effectively (Zink & Schmidt, 1998).

The top management have to understanding where gaps are exist in organisation strategy and specify the areas of improvement and build a plan of action for important change. Zairi and

Sinclair (1995) analysed results from 22 organisations with a focus on strategic planning and the outcomes, and found positive effects on firms' outcomes.

To achieve sustained success, an organisation needs strong leadership and clear strategic directions.

**Based on the above analyses sub-hypothesis (H1c) is developed stating, "There is a significant positive relationship between Strategy and OP".**

#### **1.2.5 Training & Development and Organisational Performance.**

The purpose of HRD practices (current and past, long-term or short-term skill training programs) is to develop organisational capacity in innovation, creativity, and productivity (Fang, 2013).

In addition, the top management in successful organisations has to implement HRD practices and provide training to engage employees in continuous quality improvement efforts. However, Sugrue (2004) mentioned that the money spent on employee training was found to be a positive contributing factor in predicting an organisation's stock price. Osman-Gani and Jacobs (2005), also noted that implications of investment in training may have on staff motivation. It is likely that the staff increases in organisational commitment and as such willing to be retained upon the completion of the training program.

The study of (Manresa et al., 2019) suggested that not all the training practices have the same impact on firm performance. Consequently, the company should be clear about their main aim to obtain the highest performance.

For all of above reasons, this study considers the training as a main factor in HRDP because of believing that the organisations with high level of trained employees seems more close to achieve the targets and improve the organisational performance.

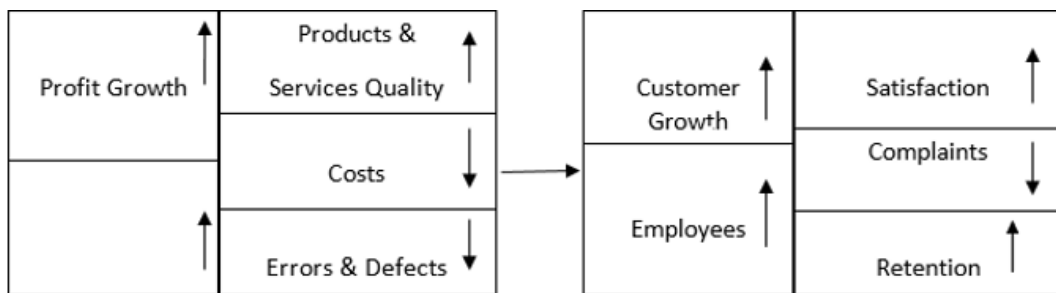
Team members, feeding off the ideas generated collaboratively and bringing in information from other areas of the organisation, can achieve more together than any individual could. As recognised in the organisational literature, a team is productive when it has clear goals, when its members have complementary skills, and when the team is empowered to make meaningful decisions. Under these conditions, teamwork can be harnessed to drive innovation (Neville et al., 2014).

Furthermore, Osman-Gani and Jacobs (2005) advocated for the increment in the budgetary allocations for staff training. These researchers further recommended that such training should be viewed as an asset rather than an expense, because it should be viewed as something valuable, which holds great future benefits rather than a one-time expenditure that is written-off against profit. In this case, evaluation of the returns on investment for staff development can be linked to organisational performance over time.

#### **1.2.6 Measurement of Organisational Performance**

However, there are many ways to measure organisational performance rather than financial output or profit. Modern measurements focus on the essential activities, resources and other factors - many less intangible than traditional indicators - that impact on final outputs.

The arrow directions in Figure 2.1 can explain the positive indicators of the organisational performance. For instance, less employees' retention and increased employees' satisfaction are indicators of improved profit growth and increase the organisational performance. On the other hands, reduce errors, defects, costs and increase products and services quality can improve the organisational performance.



**Figure 1** Organisational Performance Measurements  
**Source:** adapted from Gawankar, et al., (2015)

**1.3 SUMMARY OF RESEARCH HYPOTHESES**

Based on the research framework and literature reviews, one main hypothesis and four sub-hypotheses formulated to investigate the research questions. The main hypothesis is H1 and the four sub-hypotheses are (H1a, H1b, H1c, and H1d) were investigated through the literature review and find that there is a positive relationship between HRD Practices (leadership, employees, strategy, training and development) and organisational performance (Profit growth, Sales/Revenue growth, Employee retention rate), as shown in the following table 2.

**Table 2** Summary of Research Hypotheses

Research Hypotheses	
<b>H1</b>	There is significant positive relationship between HRDP 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 & Development and OP.

From all above, the organisations without good employees with the role model of the top management trained and qualified with perfect strategy could not be able to delivered good products/services, or good customer relationships cannot maintain. Therefore, human resource executives around the world are taking a proactive approach to show the contributions and results from investing in people.

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