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A REVIEW PAPER ON 'EFFECTS OF HUMAN RESOURCE STRATEGIES ON BUSINESS ORGANISATION'

Mr. S. V. Jagatap¹ and Dr. B. S. Sawant²

¹Research student, Dept. of Commerce and Management, Shivaji University, Kolhapur.

² Research Guide, Principal, KBPIMSR, Satara.

ABSTRACT:

This is a review paper on 'Effects of Human Resource Strategies on Business organisation' Explores the effect on all sides of business organisation. The researcher collected previous articles and research papers and reviewed for uniting information about to check all sides of business organisation can be effected by human resource strategies. Here he evaporated human resource and employee outcomes, HR strategies and operational outcomes, HR strategies and financial outcomes, and HR strategies and performance relationship. All these operational, financial and employee performance can change and improve the organisational performance with the proper linkage of human resource strategies with business strategies.



KEYWORDS: Human Resource Strategies, operational, financial and employee performance.

INTRODUCTION TO HUMAN RESOURCE STRATEGY

HR strategies specify what the organization intends to do about its human resource management policies and practices and how they should be integrated with the business and corporate strategy. Strategic actions and reactions, either in a form of overall or specific HR Strategies are called as human Resource Strategy.

Richardson and Thompson (1999) suggested: "A strategy whether it is an HR Strategy or any other kind of management strategy must have two key elements: there must be strategic objectives and there must be plan of action."

HR strategy means a system of human resource practices for a particular job or collection of jobs aimed at the best employee performance possible to meet the firm's ultimate goals. It means HR strategy is a plan of action by which an organization wants to meet their objectives.

REVIEWS:

HR STRATEGIES AND EMPLOYEE OUTCOMES

Batt, R. (2002) explained that the relationship between human resource practices, employee quit rates and organizational performance in the service sector is examined. Lower quit rates and higher sales growth were found in organizations that focused on high relative pay and employment

security. The relationship between human resource practices and sales growth was partially mediated by quit rates. The customer segment served also moderated these relationships.

Collins, C. J., & Smith, K. G. (2006) evolved that the effect of human resource practices on the organizational social climate conditions that facilitate knowledge exchange and combination as well as the resultant firm performance was developed and tested. Commitment-based human resource practices were positively related to the organizational social climates of trust, cooperation and shared coded language in a study of technology companies. A firm's social climate was related to the firm's capability to exchange and combine knowledge. This relationship predicted sales growth and revenue from new products and services.

Guest, D. (2002) discussed in his article reviews criticisms of HRM strategies, mainly that they exploit workers to the benefit of the corporation. It examines a number of studies demonstrating positive reactions to high-performance/commitment HR strategies and then presents additional data showing how many of these practices are positively related to both work and life satisfaction.

Tsui, A. S., Pearce, J. L., Porter, L. W., & Tripoli, A. M. (1997) explained four approaches to the employee- organization relationship are defined from the employer's perspective. In an empirical study of employees from 10 companies, support was found for the hypothesis that four different types of relationships exist. An overinvestment or mutual investment relationship led employees to perform better on core tasks, demonstrate more citizenship behavior and express a higher level of affective commitment compared with those who worked in a quasi- spot-contract or underinvestment relationship. Controlling for several variables that could affect performance and attitudes led to the same results.

Whitener, E. M. (2001) in his article stated that the relationships among human resource practices, trust in management and organizational commitment are explored relying on a cross-level paradigm and social exchange theory. Analysis from a sample of credit union employees demonstrates that trust in management does have an impact on the relationship between perceived organizational support and organizational commitment. Human resource practices have an effect on the relationship between perceived organizational support and organizational commitment or trust in management, as indicated by cross-level analyses using hierarchical linear modelling.

HR STRATEGIES AND OPERATIONAL OUTCOMES

Arthur, J. B. (1994) has identified two types of human resource systems, one using control and the other commitment. They were tested using specific combinations of policies and practices that are useful in predicting differences in performance and turnover. Commitment systems led to higher productivity, lower scrap rates and lower employee turnover than control systems. The relationship between turnover and manufacturing performance was moderated by human resource systems.

Datta, D. K., Guthrie, J. P., & Wright, P. M. (2005) has been conducted little research to support the growing interest in the contribution of human resource systems to organizational effectiveness. This study examines the effect of industry characteristics on the importance and value of high-performance work systems. Results suggest that industry capital intensity, growth and differentiation influence the impact of the human resource systems on productivity.

Gelade, G. A., & Ivery, M. (2003) was examined the relationships between human resource management, work climate and organizational performance in the branch network of a retail bank. Previous research on group-level climate-performance and HRM-performance relationships is extended. The manner in which climate and HRM function as joint antecedents of business unit performance is examined. Work climate, human resource practices and business performance all have significant correlations. The common dependence on HRM factors cannot explain the correlations between climate and performance, according to study results, and work climate partially mediates the effects of HRM practices on business performance, as consistent with a mediation model.

Ichniowski, C., Shaw, K., & Prenzushi, G. (1997) was conducted study of steel finishing lines. The productivity effects of innovative employment practices were investigated using a sample from steel production lines. Lines that used innovative work practices, including incentive pay, teams,

flexible job assignments, employment security and training, realize considerably higher levels of productivity than lines using the traditional approach that includes narrow job definitions, strict work rules, hourly pay and close supervision. These results are consistent with other recent theoretical models that stressed the importance of complementarities on work practices.

Jayaram, J., Droge, C., & Vickery, S. K. (1999) in research article 'The impact of human resource management practices on manufacturing performance' collected data from Big 3 suppliers were used to propose and test a human resource management analysis framework. Human resource management practices and manufacturing performance relationships are examined. The proposed framework suggesting that human resource management practices can be grouped into five distinct factors, four of them associated with specific competitive manufacturing dimensions of quality, flexibility, cost and time, was supported. These four HRM factors are significantly related to their manufacturing performance dimensions. The fifth HRM factor is generic.

Youndt, M. A., Snell, S. A., Dean, J. W., & Lepak, D. P. (1996) explored the alternative views regarding the HR-performance relationship in manufacturing settings of universal and contingency. According to results, a contingency approach to human resource management is supported. While a human-capital-enhancement- focused HR system was directly related to multiple dimensions of operational performance (employee productivity, machine efficiency and customer alignment), further analysis showed this main effect was mainly the result of linking human-capital- enhancing HR systems together with a quality manufacturing strategy. The HR-performance relationship was also moderated by other manufacturing strategies.

HR STRATEGIES AND CUSTOMER OUTCOMES

Rogg, K. L., Schmidt, D. B., Shull, C., & Schmitt, N. (2001) investigates the impact organizational climate and the relationship between human resource practices and customer satisfaction in small businesses in the same industry. The hypothesized mediated relationship was supported by the results. The direct effects of HR practices on customer satisfaction were not significant and near zero; however, the indirect effects were significant and large. The results supported a social context model demonstrating the impact of human resource practices on organizational outcomes. Study limitations and future research implications are also discussed.

HR STRATEGIES AND FINANCIAL OUTCOMES

Bae, J., & Layler, J. J. (2000) developed a model and tested to examine the effects of organizational strategic variables, such as management values regarding human resource management and sources of competitive advantage. Companies whose scores suggested they valued HRM and people as a source of competitive advantage also had a higher probability of having high-involvement HRM strategies. Organizational strategic variables positively affected firm performance.

Becker, B., & Gerhart, B. (1996) described the reasons human resource management decisions influence organizational performance in an important and unique way. They hope research on the link between HRM and organizational performance will be advanced by this research forum. Key questions that have not been resolved are identified and suggestions are made that are intended to assist researchers who are investigating these questions to build a larger body of knowledge that will have implications in theory and practice.

Bhattacharya, M., Gibson, D. E., & Doty, D. H. (2005) believed that flexibility of employee skills, employee behaviors and HR practices is an important component of HR flexibility and is related to high firm performance. Perceptual measures of HR flexibility and accounting measures of firm performance were used to support their prediction. Skill flexibility was the only component that contributed to cost efficiency, while skill, behavior and HR practice flexibility were strongly associated with firm financial performance.

Combs, J., Youngmei, L., Hall, A., & Ketchen, D. (2006) evolved different things. Despite growing evidence that high-performance work practices (HPWPs) affect organizational performance, previous research has led to findings that vary, making it difficult to estimate the size of the overall

effect. This study uses meta- analysis to estimate effect size as well as determine if the effects are larger for HPWP systems versus individual practices, operational versus financial performance measures, and manufacturing versus service organizations. Four suggestions are offered that intend to shape future research to answer questions that are emerging.

Delaney, J. T., & Huselid, M. A. (1996) were find out positive associations between human resource management practices, such as training and staffing selectivity, and perceptual firm performance measures using the National Organizations Survey. Methodological issues for further consideration in examining the relationship between HRM systems and firm performance were suggested.

Delery, J. E., & Doty, D. H. (1996) explored conceptual foundation for strategic HRM. Many believe the field of strategic human resource management does not have a solid theoretical foundation. Strategic HRM literature uses three dominant modes of theorizing: universalistic, contingency and configurationally perspectives, as described in this article. The authors identified seven key strategic human resource practices and developed theoretical arguments consistent with each perspective. According to the results, each perspective can be used to develop theoretical arguments that explain significant variations of financial performance.

Huselid, M. A. (1995) find out the connection between high- performance work practice systems and firm performance is investigated in this study. HPWPs have a financial and statistically significant impact on both intermediate employee outcomes (turnover and productivity) and short- and long-term measures of corporate financial performance, according to results from a national sample. The impact of HPWPs on firm performance is partially contingent on interrelationships, and links with competitive strategy received limited support.

Snell, S. A., & Youndt, M. A. (1995) examined the relationship between human resource management controls that executives use and the changes that occur in the financial performance of their firms was studied. Firm performance was higher when the approach to HRM was based on behavior control and executives had complete knowledge of cause-effect relations, according to the results. Output control HRM had neither a direct nor a moderating effect on firm performance. An HRM approach based on input control with ambiguous standards of desirability led to higher performance. Executives need to be aware of a number of unforeseen events that could influence their decision on their options of HRM and the effect these decisions will have on the firm performance, according to the findings of this study.

HR STRATEGY-PERFORMANCE RELATIONSHIP

Guest, D. E., Michie, J., Conway, N., & Sheehan, M. (2003) evolved that objective and subjective performance measures and cross-sectional and longitudinal data were used to explore the relationship between HRM and performance. Lower labor turnover and higher profit per employee were found to be associated with the greater use of HRM, while higher productivity was not as determined by objective measures of performance. The association is not significant after controlling for prior year's performance. Subjective performance estimates suggest there is a strong association between HRM and productivity and financial performance. The association between HRM and performance was confirmed by this study, but it does not demonstrate that HRM causes higher performance.

Wright, P., Gardner, T., Moynihan, L., & Allen, M. (2005) in his study examined the extent to which measures of HR practices and organizational commitment predict future performance more strongly than past performance predicts them. Using a sample of business units from a large food service firm, more than 3,000 employees in core jobs across over 40 business units reported the HR practices used in their jobs and their organizational commitment. These measures were related to past, simultaneous and future measures of operational and financial performance taken from company archives. However, they were also strongly related to past performance, and when past or simultaneous performance measures were controlled for, the correlations between these measures and future performance were significantly reduced. These authors argue that their results do not prove reverse causation, but that they call into question the assumption that HR drives business performance.

CONCLUSION

The conclusion of the study is the overall performance can be managed by the human resource strategies. Human resource is the blood of organisation, and it must be powerful through the different human resource strategies. All these operational, financial and employee performance can change and improve the organisational performance with the proper linkage of human resource strategies with business strategies. The Employee retention, work experience and job satisfaction can be maintained positively through HR strategies. The operational side is directly connected with the human resource and controlled by HR strategies. If the performance level of individual is increased automatically there is an improvement in organisational performance and side by side financial outcomes.

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