CHAPTER --- 2\textsuperscript{nd}

LITERATURE REVIEW
AND
CONCEPTUAL FRAMEWORK
INTRODUCTION: In recent years, human resource executives have been extremely interested in the empirical evidence on the relationship between various HRM Practices and measures of organisational performance. This interest has been prompted in many cases by pressure from senior management for solid evidence that their human resource departments are making contributions to the firm's performance.

Most of the research studies drawn are empirical and use statistical techniques to control for other influences that may affect organizational performance.


Human resources are a double-edged sword as these issues can be used as an opportunity for improvement or a chance to gain a competitive advantage. In the negative sense these may be the problems or the shortcomings which must be resolved. As such it is the management of human resources which has resulted in making or marring the organizations. (Walker 1992, Cappellie 1994, Pfeffer 1994)

Many studies throughout the world have shown that positive correlation exists between HRM practices (taken jointly or severally) and organizational performance (Wagner (1994), Milkvoich (1994),
Youndt et al (1996). The studies pertain both to manufacturing as well as service sector (Huselid (1996, 1999), Pfeffer (1994, 1998), McDuffie (1995), Rashid & Anantharaman (1999). However, there is paucity of empirical research in our country to support the assertion that there is positive impact of HRM Practices on organizational performance. Only some studies are of the empirical nature which suggest that investment in human resource does have a positive impact on organizational performance.

**Constituents of HRM Practices**

Any practice that deals with enhancing competencies, commitment and culture building in human resource can be considered an HR Practice. Good HR practices are those that contribute to one or more of the three C's—competency, commitment and culture (Roa, 1999). There is sufficient research available on HRM Practices worldwide. However, the number of HRM Practices studied varies considerably among organizations, countries and different sectors of economy. A summary of various HRM Practices studied by researchers has been presented in the chronological order as follows:-

- Cutcher-Gershenfeld (1991) Problem solving groups/quality circles, Feedback on production goals, Conflict resolution (speed, steps how formal)
- Walton (1992) Team working and undertaking the 'whole task' agreeing performance objectives that stretch people a flat organizational structure with reduced super-vision, co-ordination and communication through mutual influence, involvement and shared goals
group-based reward system, a priority on training; and a joint problem solving approach to employee relations

Arthur (1994)  
Self-directed work teams  
Problem solving groups/quality circles,  
Contingent pay, Hours per year after initial training, conflict resolution (speed, steps, how formal), job, design (narrow or broad-based), supervision, span of control, social events, average total labour cost, benefits/total labour cost

Kochan and Osterman (1994)  
(HPWP's) Self-directed work teams, Job rotation problem solving groups/quality circles, TQM

Roa, (1994)  
Staffing, performance appraisal, compensation, training, motivation efforts, employee relations, management and leadership, HRM structure & function

Pfeffer J. (1994)  
Employment security, selectivity in recruitment high wages, employee ownership, information sharing, participation and empowerment, teams and job redesign, training and development, cross utilization and cross training, symbolic egalitarianism, wage compression, promotion from within, long-term perspective, measurement of practices, overarching philosophy
McDuffie (HPWP,s) (1995) Self-directed work teams, job rotation, problem solving groups, TQM, suggestions received or implemented, hiring criteria, current job v/s learning, contingent pay, status barriers, Initial weeks training for production, supervisory and engineering employees, hours per year after initial training

Huselid, (1995, 1999) Contingent pay, hours per year after initial, training information sharing, job analysis, hiring from within v/s outside, attitude surveys, grievance procedure, employment tests, formal performance tests promotion rules (merit, seniority combination), selection ratio

Hunter L.W. (1995) compensation, training, staffing, hiring & selection workplace governance, work organization

Pil & McDuffie,(1996) Hiring criteria, new training, experienced training contingent compensation, status differentials, flexible automation, log productivity, production worker tenure, managerial tenure, layoffs of production workers & management: early retirement incentives, major addition to the plant, new product introduction

Pfeffer & Veiga (1996) Employment security, selective hiring, team working and decentralised decision making comparatively high pay
Employment security, selective hiring of new personnel, self-managed teams and decentralization of decision making as the basic principles of organizational design, comparatively high compensation contingent on organizational performance, extensive training, reduced status distinctions and barriers, including dress, language, office arrangements and wage differences across levels, extensive sharing of financial and performance information throughout the organisation.

Employment security, selective hiring of new personnel, self-managed teams and high compensation contingent on organizational performance, extensive training and development, continuous improvement in HR programmes, reduced status distinction and barriers, sharing of financial and performance information, trust between management and employees at all organizational levels, communication in global markets, Efficient and effective use of new information technologies.
Paul & Anantharaman, (2001) selection, induction, training, team-based job design, work environment, performance appraisal, compensation, career development, incentives, competence

Kaul & Anantharaman, (2002) Selection, induction, training, team-based job design work environment, performance appraisal, compensation, career development, incentives, competence

Paul et al, (2003) Information sharing, Participation and empowerment Self-managed teams, Training and skill development Wage compression, Promotion from within, Long-term Perspective


Singh & Hannas, (2005) It would be feasible to summarise HRM practices chosen for this study in the light of popular and academic literature in the following pages:

Recruitment and selection: Recruiting has an important symbolic aspect. If someone goes through a rigorous selection process, the person feels that he or she is joining an elite organization. High expectations for performance are created and the message sent is
that people matter (Pfeffer, 1994). Security in employment and reliance on the work-force for competitive success mean that one must be careful to choose the right people in the right way. A number of studies has proved that individual differences matter—the productive employees are as good as the least productive (Frank L. Schmidt and John E. Hunter, 1983, Boston, 1990).

**Training and development:** An integral part of most new work systems is a greater commitment to training and skill development. Note, however, that this training produces positive return only if the trained workers are then permitted to employ their skills. One mistake many organizations make is to upgrade the skills of both managers and workers but not change the structure of work in a way that permits people to do things differently. Under such circumstances, it is little wonder that training has no apparent effect. However, research suggests that the expenses on training do not go waste but results in increased productivity, improved morale, fall in absenteeism, improved quality and suggestions coming from employees (Cooper, 1992).

If people are given more information about operations, they need skills in employing that information to diagnose problems and suggest improvement. That is why training is such an important part of virtually all quality improvement programmes.

The practice of endowing employees with multiple skills and encouraging them to do multiple jobs has a number of potential benefits. Variety in jobs permits a change in pace, a change in activity, and potentially even a change in the people with whom one comes in contact and each of these forms of variety makes work-life more challenging. A second somewhat related benefit is the potential for newcomers to a job to see things that can be improved
that experienced people see, simply because they have come to take the work process so much for granted.

Multi-skilling is also a useful adjunct to policies that promise employment security. By the same token maintaining employment levels sometimes compels organizations to find new tasks for people, often with surprising results. Research studies from Japan and America suggest this (Alster, 1989, Handlin, 1992)

**Job definition:** -Well-defined jobs are critical for employees as well as for the organization in more than one ways. Job-definition is closely related to the decisions like performance appraisals, compensation and training and development.

The traditional organizational hierarchy serves at least two functions: it provides monitoring and supervision and it provides co-ordination across interdependent tasks. Even with more empowered workers the need for co-ordination remains, as for the need for monitoring and discipline. Organisations are, after all, interdependent systems, and autonomy can not mean that people do whatever they decide to do and whenever they decide to do it.

**Employment security:**-Security of employment signals a long-standing commitment by the organization to its work force. Norms of reciprocity tend to guarantee that this commitment is repaid, but conversely, an employer that signals through word and deed that his employees are dispensable is not likely to generate much loyalty, commitment, or willingness to expend extra effort for the organization’s benefit (Pfeffer, 1994, 1998).

One concern that managers sometimes express is that guaranteed employment will foster a ‘civil service’ mentality and a lack of emphasis on performance. This is probably loss of a problem than is sometimes thought. In any case, it is not likely to be an issue if
employment security is coupled with financial incentives for excellent performance, work organization practices that motivate employee effort and capture the benefits of know-how and skill, work is organized in teams so that there is a degree of peer monitoring and pressure and there are rewards for performance, employment security will probably have more positive than adverse motivational consequences (Pfeffer, 1994)

*Compensation:* High wages tend to attract more applicants, permitting the organization to be more selective in its hiring. This selectivity is important in finding people who are going to be trainable and who would be committed to the organization. Paying more makes turnover less likely, as there is less chance that someone would be able to increase his or her income by changing the employer. Perhaps most important, higher wages send a message that the organization values its people, particularly if these wages are higher than paid in the industry, employees can perceive the extra income as a gift and as a result work more delightfully (George Akerlof, 1983). Organizations often try to economise by paying lower wages under the mistaken assumption that lower wages entail lower labour costs. However, it is not mostly true, for labour costs are importantly affected not only by what people are paid but also by how productive they are.

David I. Levine (1992) found that workers whose wages were higher than might be predicted, based on standard demographic and human capital factors expressed higher levels of job satisfaction, were less likely to quit and indicated that they would work harder. In another study, Levine (1994) found that the increase in productivity from an increase in wages was approximately large enough to pay for itself.
Handlin (1992) observes that Lincoln Electric pays bonuses up to 100% of the regular salary, pays wages on the basis of four important aspects of dependability, quality, output and ideas and co-operation. Merit pay made on individual basis is controversial, with some people believing it actually harms performance. Companies spend all this time and energy on merit programmes and all they do is make employees angry. W.E.Deming (1992) believe that, “the merit rating nourishes short-term performance, annihilates long-term planning, builds fear, demolishes teamwork and nourishes rivalry politics”. However, it is possible and indeed desirable to reward performance, if not at an individual level, then on the basis of performance by groups, subunits, or even the entire organization.

Roger T. Kaufman (1992) observes that one particular gain-sharing programme IMPROSHARE, rewards all covered employees equally whenever the actual number of labour hours used to produce output in the current week or month is less than the estimated number it would have taken to produce the current level of output in the base period.

A comprehensive review of literature on profit-sharing, which includes gain-sharing concluded that profit-sharing and productivity are positively correlated......most case studies show improved performance when there is profit-sharing or gain sharing”(Weitzman and Douglas,1990)

Sharing of gains of increased performance may motivate greater work effort, but at a minimum, it fulfills employees’ expectations for deriving some benefits from outstanding work.

**Performance appraisal:** -Performance appraisal is believed to have a positive relationship with individual and organizational
performance. Performance appraisal is closely related to important decisions such as promotion, job rotation, compensation, discipline, training and development. Delery and Doty (1996) in a study of various banking organizations found that results-oriented appraisals have a positive impact on ROA. Periodic documented appraisals of substandard performance provide a proof against possible litigation and consequent financial loss. Performance appraisal systems do not reflect the performance of employees either because of subjective appraisal systems or improper implementation of standard ones. In view of these limitations, some advanced appraisal systems like 360-degree feedback approaches are being increasingly used by organizations now.

Information sharing/open book management: Sharing information is a necessary precondition to another important feature found in many successful work systems: encouraging the decentralization of decision-making and broader work participation and empowerment in controlling their own work process. Pfeffer (1994) cites many examples. According to him at Nordstrom, the written philosophy states, “We also encourage you to present your own ideas. Your buyers have a great deal of autonomy and are encouraged to seek out and promote new fashions at all times. Nordstrom has a strong open door policy and we encourage you to share your concerns, suggestions and ideas...”

The basic rule of Nordstrom states, “use your good judgement in all situations. There will be no additional rule (Pascale, 1991). At Lincoln Electric, every worker must be a manager and every manager a worker. In self-management is found the true measure of efficiency because nothing increases overhead as quickly and non-productivity as extra layers of management (Handlin, 1992).
Pfeffer (1994) has cited different examples of information sharing with employees, for example, at Lincoln Electric, "information is shared with all employees regarding financial and market position of the organization, using both oral and written media" (Handlin, 1992).

Pfeffer (1994) cited another example when Robert Beck was head of human resources for the Bank of America. He perceptively told the management committee, reluctant to disclose the bank's strategy and other information to its employees, that the competitors certainly knew the information already; typically, the only people in the dark are the firm's own employees.

The evidence suggests that participation increases both satisfaction and employee productivity and satisfaction (Levine and Tyson, 1992).

Autonomy works best when it is coupled—— as it is in many, although not all, of these cases—— with rewards for the increased performance that autonomy can bring as well as training in the skills necessary to take true responsibility for one's own work process. And assurance of job security helps ensure that the increased productivity does not result in job loss.

Promotion and career planning: Promotions from within is a useful adjunct to many of the practices described. It encourages training and skill development because the availability of promotion opportunities within the firm binds workers to employers and vice versa. Promotion facilitates decentralization, participation and delegation because it helps promote trust across hierarchical levels. Promoting from within means that supervisors are responsible for coordinating the efforts of people whom they probably know quite well. By the same token, those being coordinated personally know
managers on higher positions. This contract provides social basis of influence so that formal position can loom less important. Promotion from within also offers an incentive for performing well and although tied to monetary rewards, promotion is a reward that also has a status-based non monetary component. Perhaps most important, it provides a sense of fairness and justice at the workplace. If people do an outstanding job but outsiders are being brought in over them, there will be a sense of alienation from the organization. Another advantage of promotion from within is that it tends to ensure that people in management positions actually know something about the business, the technology and the operations they are managing. There are numerous tales of firms managed by those with little understanding of the basic operations, often with miserable results (Halberstam, 1986)

**Value-added incentives:** -Not only have the salary but also other monetary and non- monetary benefits had a positive effect on the performance of the employees as well as organisation. One of the important benefits_ employee ownership/ESOPS has been widely researched. Joseph and Douglas (1991) have cited the example of 1000 listed companies in which more than 4% stock are held by employees.

Korey, Katherine, and Karen (1986) observe, although employee ownership is no panacea and its impact largely depend on how it is implemented, the existing evidence is consistent with the view that employee ownership has positive effects on various dimensions of firm performance.

Jones and Kato (1993) report that in 1988, of the firms listed on the eight Japanese stock exchanges, 91% had employee stock ownership plans, and in firms with such plans, almost 50% of the workforce
participated. A study of the incidence and effects of employee stock ownership concludes that these plans have favourable effects on employee incentives and enterprise productivity. In Japan ESOPS reduced both employee quit rates and the cost of capital (Jones and Kato, 1993). Employee ownership together with life time employment and internal labour market are the important part of the reason for the persistent success of many Japanese firms.

Som (2007) quoted Narayan Murthy, Chief Mentor of Infosys as, “My employees seek challenging opportunities, respect, dignity and the opportunity to learn new things. I keep telling them that my assets are not this building, the business of foreign contact. My assets, in 2001—all 8000 of them—walk out the gate every evening and I wait for them to come back to me in the next morning”.


**ORGANISATIONAL PERFORMANCE**

After some background information regarding various HRM Practices, it becomes equally important to have an insight into the conceptual understanding of organizational performance. The concept of organizational performance as has been discussed in popular research by various researchers and scholars has been deliberated upon in following few pages.

Pattanayak (2000) has suggested a model for corporate excellence. Corporate excellence is the combination of people, systems, products and marketing excellence. Ten dimensions of corporate excellence are identified. These are purpose, perspective, positioning, politics, partnership, plans, products, principles, people and performance. These are described as:-
- Purpose is the goal, vision, and business aim of the organization.
- Perspective is the direction, a mental view of the relative view of things.
- Positioning is the image of the company.
- Politics is the judicious and expedient behaviour of people in the organization.
- Partnership is the state of being a partner, to be a part of the organization.
- Plans are the plan of action.
- Product is the innovative, augmented cost effect output.
- Principles are the set of value, culture and philosophy.
- People are challenging, ethical, committed, high performers and self-driven.
- Performance is the result.

Huselid (1995), while studying the effects of human resource management practices on organizational performance has identified three variables of performance, viz., turnover, productivity and corporate financial performance.

Singh (2000), in a study of 68 Indian organizations has also used the same criteria of turnover, productivity and financial performance.

Rashid and Anantharaman (1999), in a study of one of the largest furniture factories of Asia in Malaysia, studied the organizational performance on the basis of perceived organizational performance and perceived market performance.

Huselid (1999), in another study has used the criteria of organizational performance as market value, accounting profits, gross rate of return on assets, sales per employee, staff turnover.
Joshi (1987), while compiling the proceedings of the Tenth Bank Economists Conference held in Bangalore during August, 1987 summarized the contents of performance as follows:

- deposit growth;
- credit management;
- social banking;
- compliance with reserve requirements;
- customer service;
- profitability.

Galagedera and Piyadasa (2005), in a study of Performance of Indian Commercial Banks (1995-2000), have used the performance indicators of 'return on average equity' and 'return on total assets'.

Anand and Garg in a book titled, "Human Resource Management and Accounting", while commenting on 'performance of business performance criteria' have criticized the traditional accounting information such as return on investment (ROI), return on equity (ROE), earning per share (EPS), and growth in sales and assets base. They have advocated the concept of economic value added (EVA) as a measure of business performance. EVA is defined as the excess of a company's after net operating profits over the required minimum rate of return investors could get by investing in securities of comparable risk. This concept has been pioneered by Joel Stern, managing partner of M/s Stern Stewart. Stern (1997) has claimed that EVA as a tool of financial management is neither just a US phenomenon nor is it limited to 'for-profit' organizations. EVA has been put to use for both management performance evaluation (linking it with incentive compensation); in improving scarce capital allocations; and in valuation of target company at the time of acquisition. The US postal workers have entered into new
arrangement whereby they will receive bonus for improvements in EVA on sustainable basis. The mathematical formula for calculating is as follows:

\[
\text{EVA} = \text{Net Operating Profit} - (\text{Economic Book value} \times \text{Weighted average cost After tax (NOPAT) of Assets in place of capital (KW)})
\]

The net operating profit after tax (NOPAT) represents annual after tax cash flows of an enterprise. It is the sum of profit after tax (PAT), depreciation and after tax interest on long-term debt. The economic book value (EBC) of assets in place is obtained after making certain adjustments to book value. These are:

(a) Emphasis on economic substance over legal form in financial reporting (e.g., capitalized leases, convertible financial instruments, factoring of receivable, sale and lease back);

(b) Capturing goodwill (brand equity, human potential, R&D; and

(c) Writing back provisions for deferred tax, doubtful debts.

The proponents of EVA prefer market value weights to book value weights in computation of weighted average cost of capital. They use cost of equity as captured in the Capital Asset Pricing Model (CAPM) framework.

Rao (1999), in the book titled, 'HRD Audit', has suggested that ideal design of performance can be to study organizational performance on the basis of parameters like financial, market share, growth, customer satisfaction, etc.) with another control group.

**RELATIONSHIP OF HRM PRACTICES AND ORGANISATIONAL PERFORMANCE**

In recent years, human resource executives have been extremely
interested in the empirical evidence on the relationship between various HRM Practices and sound measures of performance. This interest has been prompted in many cases by pressure from senior management for solid evidence that their human resource departments are making contributions to the firm's performance (Greer, 2004).

During the last more than one decade there has been a substantial research going on the issue of 'impact of human resource management (HRM) practices on organization level performance. Most of the research studies are coming from U.S.A and a lesser number of studies from U.K, though the topic as such is being researched in different countries. U.S. companies have been urged to adopt a variety of performance-enhancing or progressive HRM practices to improve their competitiveness in the global market place (U.S Department of Labour, 1993).

The impact of human resource management practices on organizational level outcomes, such as productivity and profitability has gained dominance as a research issue in the HRM field and some of studies conducted recently have shown encouraging results (Kleiner, 1990; Boudreau, 1991; Jones & Wright, 1992; Dyer and Reeves; 1995; Becker and Gerhart, 1996; Guest, 1997). Empirically, most work has been undertaken to study the relationship between HRM practices and firm level outcomes like productivity, employee turnover and market value (Becker and Gerhart, 1996; Becker et al, 1997). Further most such studies have been conducted in the U.S.A and little empirical research to test the relationship between HRM practices and organizational level outcomes has been conducted in other settings.
The literature includes studies that focus on the performance effects of specific HRM practices, such as training (Bartel 1994, Knoke & Kalleberg 1994) and information sharing (Kleiner & Bouillion 1988, Morishima 1991) and research that examines the influence of systems of such practices on organizational outcomes (Huselid & Becker, 1994; Ichnioski et al 1994; McDuffie, 1995). Although many studies have reported a positive association between various HRM practices and objective and perceptual measures of firm performance, some authors (Levine & Tyson 1990, Wagner 1994) have expressed concern that results may be biased because of methodological problems. In addition, in the absence of widely accepted measure of the 'progressive' or 'high performance' HRM practices construct makes it difficult to compare findings across studies (for example of different approaches, see Appelbaum and Batt 1994; Cutcher-Gershenfeld (1991); Huselid(1995); Ichnioski et al 1994 and MacDuffie(1995). Nonetheless the literature can be generally categorized as optimistic concerning the potential for progressive HRM practices to enhance the performance of employees and organizations.

Organisations can adopt various HRM practices to enhance employee skills. First, efforts can focus on improving the quality of the individuals hired, or on raising the skills and abilities of current employees, or on both. Employees can be hired via sophisticated selection procedures designed to screen out all but the very best potential employees. Indeed, research indicates that selectivity in staffing is positively related to firm performance (Becker & Huselid, 1992; Schmidt, Hunter, Mckenzie & Muldrow 1979). Second organizations can improve the quality of current employees by providing comprehensive training and development activities after
selection. Considerable evidence suggests that investments in training produce beneficial organizational outcomes (Bartel, 1994; Knoke & Kalleberg, 1994; Russell Terborg & Powers, 1985). The effectiveness of skilled employees will be limited, however, if they are not motivated to perform their jobs. The form and structure of an organization’s HRM system can affect employee motivation levels in several ways. First organizations can implement merit pay or incentive compensation systems that provide rewards to employees for meeting specific goals. A substantial body of evidence has focused on the impact of incentive compensation and performance management systems on firm performance (Gerhart & Milkovich, 1992). In addition, protecting employees from arbitrary treatment, perhaps via a formal grievance procedure, may also motivate them to work harder because they can expect their efforts to be fairly rewarded (Ichniowski et al, 1999). Finally, the way in which a work place is structured should affect organizational performance to the degree that skilled and motivated employees are directly involved in determining what work is performed and how this work gets accomplished. Employee participation systems (Wagner, 1994), internal labour markets that provide an opportunity for employees to advance within a firm (Osterman, 1987) and team-based production systems (Levine, 1995) are all forms of work organization that have been argued to positively affect firm performance. In addition, it has been argued that provision of job security encourages employees to work harder. As Ichniowski and his associates noted, “workers will only expend extra effort……if they expect……a lower probability of future layoffs” (1994). Because it is also unlikely that rational employees will identify efficiency-enhancing changes in work structures if such
changes would eliminate their jobs, the provision of job security should encourage information sharing (Levine, 1995).

Recent conceptual work has also argued that complementarities, or synergies, both among a firm’s HRM practices and between a firm’s HRM practices and its competitive strategy, can have an additional positive impact on firm performance (Baird and Meshoulam, 1988; Milgroms and Roberts, 1995). The notion of complementarities is intuitively appealing, but it is not easily measured. Consequently, recent work evaluating this concept (Huselid, 1995; Ichniowski et al 1994; MacDuffie, 1995) has employed divergent measures of HRM complementarity and the empirical results have been mixed.

There has been considerable evidence to suggest that investment in training produces beneficial organizational outcomes (Youndt et al, 1996) incentive compensation systems (Gerhardt and Milkovich, 1992) employee participative system (Wagner, 1994), promotions from within (Osterman, 1987) and team-based, production systems (Levine, 1995) have positive relationship with organizational productivity-----Delaney et al (1996), Huselid (1995) and Youndt et al (1996) have reported positive correlation between progressive HRM practices and performance of the organization.

Walton (1985) argued persuasively that HRM model was composed of policies that promoted mutual goals, influence, respect, rewards and responsibility between employees and the organization. The theory was that the resultant reciprocal positive attitude would lead to enhanced commitment on the part of employees, and that this would in turn lead to increased economic performance of the organization.

A scientific study has been made by Abraham (1989) who surveyed the HRD practices of 68 Indian organizations. He measured various
The elements of HRD profile of these organizations include performance management practices, training, career planning, promotions, rewards, etc. and the HRD climate (openness, collaboration, trust, authenticity, pro-action, autonomy, confrontation). Abraham also constructed an index of growth of the company profitability as a measure of organizational performance. He found that while the HRD profile did not correlate with the company performance, the HRD programme did. He found that the perception of the HRD climate of the company was more important than the HRD practice itself. This study also indicates that HRD culture is a powerful intervening variable in translating HRD practices into profit. The HRD manager matters a lot in this regard alone with line managers and top management. This evidence is sufficient to indicate that good HR practices do matter. However, the relationship between good HR practices and organizational performance is not so simple. HR practices can lend a competitive advantage to a corporation if other things are equal.

MacDuffie and Krafcik (1992) studied 70 automotive plants representing 24 companies and 17 countries worldwide. This study indicated that manufacturing facilities with 'lean production systems' are much higher in terms of both quality and productivity than those with 'mass production systems'. For example, those with lean systems took 22 hours to produce a car and with a quality benchmark of 0.5 defects, while those with mass production systems took 30 hours and 0.8 defects for 100 vehicles. The HR strategy of a mass production system was to create a skilled, motivated and flexible workforce that could continuously solve problems. The study concluded that the success of the lean production system depended on high commitment of employees, decentralization of
production responsibilities, broad job classification, multi-skilling practices profit/gain-sharing, a reciprocal psychological commitment between firm and employees, employment security and a reduction of status barriers.

Arthur (1994) studied the impact of two different management approaches on the productivity of steel mills. His study of the 30 of the 44 existing steel mills in the U.S at that time differentiates the 'control' approach to human resource management (HRM) from that of the 'commitment' approach. In the control approach the goal of HRM is to reduce labour costs or improve efficiency by enforcing employee compliance with specified rules and procedures and basing employee rewards on some measurable output criteria. In the commitment approach the HR systems are intended to shape desired employee behaviors by forgoing psychological links between organizational goals and employee goals. The focus is on developing committed employees. After statistically controlling for age, size, union status and business strategy of the mills, the results showed that using a commitment strategy was significantly related to improved performance in terms of labour hours and scrap rate. Mini-mills using the commitment approach required 34 per cent fewer labour hours to produce to produce a ton of steel and showed a 63 per cent better scrap rate.

A number of studies spanning different organizations operating in various service industries provide evidence for a positive relationship between employee attitudes, customer service and satisfaction and profits (Pfeffer 1998). Schneider and Browen (1985) reported in a study of bank branches that when the branches had sufficient numbers and quality of people to perform its tasks (called the service imperative) customers reported receiving higher levels of
service. In another study Schneider (1991) found that customer perceptions and attitudes were affected by what employees experienced. Organisational practices that are both service related and human resources related seem to provide clues to customers to evaluate bank’s service.

A study by Johnson, Ryan and Schemit (1994) at the Ford Motors credit revealed the attitudes concerning workload, teamwork, training and development, job satisfaction, and satisfaction with the company were all related to customer satisfaction. Schmidt and Allscheid (1995) found that customer satisfaction and perceptions of service quality were significantly related to measures of employee attitudes about the fairness of pay, whether management was concerned about employee welfare and treated people fairly and whether supervisors encouraged an open and participative environment. Employee attitudes are in return related to profits. For example in a study of an eye care company a significant relationship was found between employee attitudes and profit (Moelter and Schneider, 1986).

Roa (1994) in an exploratory study of human resource management practices in India has studied the HRM Practices of ten organizations including MNCs, PSEs, and private sector belonging to both manufacturing and service sectors. In the background of competition arising out of liberalization, privatization and globalization, possible effects were studied and results revealed deviations among the organization in so far as the HRM Practices are concerned. The study witnessed the increased pace of development of international HRM Practices of productivity and efficiency in local private and public sector organizations to compete with MNCs at the global level.
Kohli and Singh (1994) in a study of a particular private sector banking organisation in India has tried to study the importance of linking performance to people in the backdrop of opening of the financial sector in India. The study has stressed the need to link performance to people for the survival and development of banking industry in India in the wake of competition from foreign companies and international debt and equity markets.

Ostroff (1995) developed an overall HR quality Index based on the aggregate ratings of all HR activities of a firm. On the basis of this index, firms were grouped into four categories. The firms that scored higher on the HR quality index consistently outperformed those with a lower index on four financial measures: market/book value ratio, productivity ratio (i.e. sale/employees), market value and sales.

MacDuffie (1995, cited by Pfeffer, 1998) observed from his studies that innovative HR practices are likely to contribute to improved economic performance only when:

- Employees possess knowledge and skills managers lack
- Employees are motivated to apply this skill and knowledge through discretionary effort
- When employees contribute to such effort.

Huselid (1995) used two scales-one to measure employee skills and organizational structure and the second to measure employee motivation. The first scale included a broad range of practices intended to enhance employee knowledge, skills and abilities and provide mechanisms to use those for performing the roles. The second scale measured how well-designated the appraisal systems were and how well they were linked to compensation and merit decision in the corporation.
Huselid (1995) found that in a sample of 3452 firms representing all kinds of industries, one standard deviation increase in management practices was associated with increases in sales, market value and profits. A subsequent study by Huselid and Becker (1997) found that a one standard deviation improvement in HR system index was associated with an increase in shareholder wealth of $41000 per employee.

Macduffie (1995), in a study of 70 automotive plants representing 24 companies from 17 different countries, the traditional mass production system with a control-oriented approach to managing people was contrasted with a flexible production system that placed emphasis on people and their participation. In the traditional system of management practice the emphasis was on control-oriented approach to manage people, building inventories to maintain production volumes against uncertainties and inspection and control to ensure quality. In contrast, in the flexible system, the emphasis was on teams, employee involvement and the reduction of inventories to highlight production problems that could be remedied. The results revealed that quality and productivity were much higher in the flexible rather than in the mass production system and the two systems differed substantially on how they managed their people— in terms of emphasis on training, use of teams, reduction of status differences, and the use of contingent performance-related compensation.

In a study of five-year survival rates of newly quoted companies Wellbourne and Andrews (1996) found a correlation between company survival and HRM practices. When factors such as size, industry and profits were statistically controlled the survival rates varied by 20 per cent with a standard deviation shift in the index of
the value the firm placed on human resources. The difference in probability of survival between those organizations in line with best practice on employee rewards and those most distant from best practice was 42 per cent.

Welbourne and Andrews (1996) studied the survival rate of 136 non-financial companies that initiated public offerings in the US Stock market in 1988. The firms studied were drawn from various industries ranging from food service retailing to biotechnology and varied in size from less than 110 people (about 50% of them) to 700 or more (about 20% of them). They developed and used a scale to measure the value of the firm placed on human resources. This scale used five items:

- Whether the company's strategy and mission statement cited employees as constituting a competitive advantage
- Whether the company's critical publicity material mentioned employee-training programmes
- Whether a company's official was charged with the responsibility for human resource management
- The degree to which the company used full-time employees rather than temporary or contract workers
- The company's self-rating on office—employee relations.

A second scale measured how the organization rewarded its people, i.e., whether through stock options, gain sharing, profit sharing, etc. The study indicated that with the other factors, such as the size, nature of industry and profits controlled the human resource scale and the rewards scale was significantly related to the probability of survival.

Delery and Doty (1996) in a study of 192 banks found that differences in HR practices accounted for large differences in
financial performance. Huselid concluded that prior empirical work has consistently found that use of effective human resource management practices enhances firm performance (Huselid).

This research has been supported in the United Kingdom, where Patterson et al. (1997) found strong linkages between the acquisition and development of skilled people, job design, stressing autonomy, flexible problem solving and positive employee attitudes and performance. They found that HRM practices correlated with 18-19 per cent variation in productivity and profitability, with good HR practice leading to increases and lack of good HR practice leading to decreases in performance. Similarly, a strong link has been found between employee commitment and financial success of the business in the German banking sector (Benkhoff, 1997).

In order to draw attention to some of the emerging areas and issues relating to HRM effectiveness, Roa (1996), undertook an analysis of HRD award-winning companies and individuals in the last many years to see whether their HR strategies continued to be effective. He found that 90% of these companies show that they have the wherewithal to withstand all kinds of turbulence including the onslaught of globalization after having been in a protected environment for several years. They seem to be doing as well as 'In search of Excellence' companies of Peters and Waterman fame in the U.S. Most of them have the capability to cope well with liberalization, leadership changes, challenges of customer-orientation and quality consciousness, evolved as learning organisations, managed their human resources effectively and efficiently, initiated changes and heavily invested for human resource development.
Yeung and Berman (1997) point out that HR practices can play three major roles. These are:

- Building critical organizational capabilities
- Enhancing employee satisfaction
- Improving customer and shareholder satisfaction

Pfeffer (1998) has reviewed considerable evidence on the effectiveness of good HR practices on business performance. Some of it is summarised below:

Pfeffer (1998), after examining evidence from a large number of studies linking strategy with HR strategy, concludes, “I have come to believe that the strategic fit argument is sometimes mustered by managers and organizations that do not want to acknowledge that the way they manage their people is less than optimal and that they should change. They find it easier to say, “even though we are not doing what some firms have found to be effective, which is all right because we are pursuing a different strategy.” This rationalization should be challenged by asking a simple question: wouldn’t our existing strategy, whatever it is to be better implemented if our people were more involved, committed and better skilled?”

Pfeffer (1998) presents the following rationale to explain this relationship:

- Performance increases because people work harder.
- People put in effort and show greater commitment if they have greater control over their environment, see their effort as related to compensation and pressure activated from self-managed teams.
- Training job rotation and such other practices help people to work smarter also. High commitment to work also saves direct and indirect costs of labour.
Trained, multi-skilled, self managed and motivated employees save on a variety of administrative costs including the cost of management, thus reflecting in profits.

In spite of all this research evidence, as Pfeffer (1998) observes, even in countries like the U.S. and the U.K., the spread of the practices is not as rapid as one might expect. Research by Ichneowski (1992) has indicated that only 16 per cent of the US businesses have at least one innovative practice in each of the four major HRM policy areas: flexible job design, worker training, pay for performance compensation and employment security.

Pfeffer (1998) has identified seven practices (mentioned earlier in this chapter) of successful organizations on the basis of his review of various research studies, related literature, and his own personal observations and experience. These seven dimensions seem to characterize most if not all of the system-producing profits through people.

Becker and Huselid (1999), surveying research findings, state that high performance HRM systems have now become a source of competitive advantage. In a major study in the United States covering more than 2400 firms, Becker and Huselid (1998) found that considerable differences in organizational performance were attributable to the implementation of the bundle of high performance HRM practices. They devised an index including 24 items of HRM systems and measured the correlation of this against various indicators of organizational performance. The general finding was that good HRM practice was positively correlated with increased performance. In particular organizations placed 1 standard deviation higher than the norm on the HRM system index showed differences in performance measures as follows:
Watson Wyatt study (1999 and 2001) using their Human Capital Index (HCI) found companies with high HCI had a more significant Total Return to shareholders (TRS) than those firms having low HCI. Significant improvements in 30 key HR Practices (recruitment excellence, clear rewards and performance accountability, flexible workplace, communication integrity, etc.) were associated with a 30% increase in market value. In a later study in 2001 they found that companies with low HCI score companies 39% and high HCI score companies 64% increase of return of TRS over a five years period.

Singh (2000) in a study of 84 organisations across different industries has found very encouraging results so far as the assertion that investment in human resources contributes to organizational performance. A total of ten HRM Practices of selection, performance appraisal, compensation, job description, career planning, information sharing, organizational surveys, employee participation, training and promotions and rewards with organizational performance parameters of labour turnover, productivity and financial performance have been studied and the results found positive correlation between the HRM Practices and organizational performance. The results were found to be encouraging both on objective and perceived basis.

Larry W. Hunter (2000) in an exclusive study of seven retail banking organizations in United States has suggested that practices
associated with high performance workplaces may become more common if they can be shown to create capabilities that banks value.

John P. Morgan (2001), while commenting on the competitiveness of Australian organizations has suggested the adoption of complementary and strategically best HR practices in Australian organizations can alone lend the sustainable competitive advantage locally and globally.

Paul and Antharaman (2002) in an analytical study of impact of HRM Practices on competence of software professionals in India found that HRM Practices such as rigorous selection process, team-based job design, development-oriented appraisal system and value-added incentives help the organisation enhance the competence of the software professionals.

Edward E. Lawler III (2003) in his book entitled, “Treat people right”, on the basis of his vast research background has suggested the creation of a virtual spiral based on seven principles. Accordingly, for an organisation to be competitive must attract and retain highly talented, high performing individuals, encourage people to develop the skills and knowledge that the organisation needs in order to perform effectively, must motivate them to perform their work well, to commit themselves to create an organizational design and leadership capability that lead to effective organizational performance. The seven principles suggested for treating people right and creating a virtual spiral are attraction and retention, hiring practices, training and development, work design, mission, strategies and goals, reward systems and leadership.

Bae et al (2003) in a cross country study of Pacific Rim Countries of Korea, Taiwan, Singapore and Thailand have examined the impact of high performance work system techniques on organizational
The study based on data collected from 700 companies in the region comprising of MNCs (American, Japan and European) and locally owned firms, revealed that HPWSs worked effectively, even under tremendously variable conditions. Most interesting finding of the study is that locally-owned firms have marginally greater impact on firm performance than when used in MNC subsidiaries.

Singh (2004) in a comprehensive study has found that there is a significant relationship between two human resource management practices namely training and compensation and perceived organizational performance and market performance of the firm. Singh (2004) in another longitudinal study of 82 organisations across various industries has found that there is a significant relationship between two human resource practices namely training and market performance of the firm. The relationship of HRM Practices of selection, job definition, training, performance appraisal, compensation, career planning, employee participation with organizational performance variables of product quality, customer satisfaction, new product development, ability to attract employees, ability to retain employees and relations between management and employees. However, the results were found to be positive with variations among organizations across different industries.

Venkatapathy and Priyadarshani (2005), in a study entitled, "performance and HRD—A study of various types of banks, suggests that human resource being the most important, has an important bearing on the performance of individual banks and their competitive edge in banking industry lies in the competitiveness of the human resource.
Katou and Budhwar (2006) have conducted a comprehensive study of 178 organisations from the Greek manufacturing sector to test the mediating factors (called the 'black box') between HRM systems and organizational performance. The study not only supports the hypothesis of positive relationship of HRM systems of resourcing-development and reward-relations with organizational performance but also explains the mechanism (skills, attitudes and behaviours) through which HRM systems improve organizational performance and does so in a non-US/UK context.

Sushil Kumar and Shalindra Singh (2006) conducted an analytical study entitled, "Indian Nationalised Banks: An empirical study on factors influencing competitiveness", on major nationalized bank. They studied four components of competitiveness consisting of—quality, efficiency and governance, economic efficiency, social responsibility and performance stability with three groups of predictors of organizational culture, HRM Practices and strategy. The empirical findings indicate that all the four components of competitiveness are influenced significantly by different factors of organizational culture, HRM Practices and strategy.

Commenting on the effects of SHRM Practices on perceived firm financial performance in Australia, Anderson, Cooper and Zhu (2007) have found that strategic integration and development of HRM were practiced to a moderate extent in the firm sampled and the degree of alignment of HRM with business objectives and strategies had a positive relationship with perceived firm financial performance.

**PERFORMANCE IMPACT OF INDIVIDUAL HRM PRACTICES**

On the basis of available empirical literature, Greer (2004) has summerised the impact of individual HRM practices on firm
performance. After making a comprehensive review, he has found that individual HRM Practices of compensation, employment security, internal labour market, performance appraisal, selection and training have very positive impact on ROA, ROE, profits, sales growth, labour productivity, survival, quality of products and services, customer satisfaction, financial performance, operational productivity and overall organizational performance of the organization.

**LIMITATIONS OF INDIVIDUAL PRACTICES**

Delaney and Huselid (1996) found that simple relationship between individual HRM practices and measures of firm performance overstate their contributions because when additional practices are added to multiple regression equation, the size of their co-efficients (magnitude of contribution decreases and may even become statistically insignificant).

Macduffie (1995) and Ichniowski, Casey, Kathryn Shaw, and Giovanni Prennushi (1993), found that individual HRM Practices tend to be highly inter-correlated as a result of which it is easy to overestimate their actual impact on performance. Simple correlation co-efficients of individual HRM practices give misleading interpretation because several other HR practices are simultaneously contributing to performance.

While the individual practice perspective has limitations, it seems reasonable to infer that decisions about the adoption of HR practices may occur; at least on occasion, on an individual practice basis. Indeed, until recently, much of the human resources literature focused on the impact on individual practices, Delaney and Huselid, (1996). Furthermore, human resource practices are not developed and implemented overnight but appear to evolve. Brain Becker and
Barry Gerhart (1996) have concluded that, "HR systems are path
dependent. They consist of policies that are developed overtime and
can not be simply purchased in the market by competitors".

SYSTEMS OF HIGH PERFORMANCE HUMAN RESOURCE
PRACTICES

A practical implication of the limitations of individual practices and
their high inter-correlation is that it is unusual to find a firm that
employs only one or two such practices. The more common
situation is one in which the firm employs several such practices or
systems of these practices. The literature has asserted that such
human resource systems should produce superior performance
because of such compatibilities or synergies, Huselid (1995).

Mark J Huselid (1995) has conducted one of the most comprehensive
studies of the financial effects of such system. The study examined
two separate systems of highly inter-correlated practices, the first
being employee skills and organizational structures and the second
being employee motivation and hiring selectivity. The skill system
included the following practices:

- information sharing,
- use of formal job analysis,
- promotion from within,
- use of attitude surveys of the workforce,
- use of quality of the work life programmes,
- profit sharing or the gain sharing,
- employee training,
- employee excess to grievance procedures,
- use of selection tests,
- The second system of motivation practices was up of the
  following:
- compensation based on performance appraisals
- use of formal performance appraisals
- merit-based promotions
- hiring selectivity

This comprehensive study found very strong evidence that systems of human resource practices have a positive impact on firm performance. In dollar terms the impact of HRM practices was captured in Huselid's (1995) study as follows:

"The magnitude of the returns for investments in High Performance Work Practices is substantial. A one-standard-deviation increase in such practices is associated with a relative 7.05 percent decrease in turnover and, on a per employee basis, $27044 more in sales and $18641 and $3814 more in market value and profits, respectively. These internally consistent and economically and statistically significant values that firms can indeed obtain substantial financial benefits from investing in the practices studied here."

Charles R Greer (2004), has summed-up the findings of a large number of studies after a comprehensive literature review as regards the system of hr practices and their impact of firm performance and reached the conclusion that HRM Practices have a positive impact on firm performance only when provided as bundles or systems of practices. He has categorized different HRM systems as commitment-oriented system, human-capital enhancement system, human resource administrative system, motivation and commitment system, motivation and hiring selectivity, skills and organizational structures and reviewed the positive performance effects of each of these systems.

**INDIVIDUAL BEST PRACTICES V/S SYSTEMS OF PRACTICES**
Delaney and Huselid (1996) in a study, based on 590 profit and non-profit organizations from the National Organizational Survey, used perceptual measures of organizational performance. These measures were relative in the sense that survey respondents reported on how the performance of their — organizations compared with others in the industry. As noted in the discussion of individual practices, the results indicated that several such practices were significantly related to performance. Nonetheless, tests of whether systems of complementary practices provided greater performance found the following results: “our results do not support the assertion that complementarities among HRM practices enhance firm performance”.

The evidence on the superiority of the approaches is mixed with neither perspective clearly dominant in its performance effects. For the individual best practices perspective, there are some practices, such as selective staffing, that have very strong effects. Such practices can be expected to produce performance effects even in the absence of a complementary system of supporting practices, such as practices that help motivate and maintain a workforce. Nonetheless, the adoption of single practice or a single ‘silver bullet’ practice is seldom a good means for increasing and sustaining firm performance. The fact that high-performance human resource practices tend to have high inter-correlations provides good evidence that firms tend to maintain systems of high performance human resource practices. While they may adopt such practices incrementally and begin with only one such practice, over time the better performing firms are likely to develop supporting systems of high performance practices.
Before the impact of systems can be determined, the manner in which their components fit together within the context of the firm must be better understood. Effective systems are not likely to be collections of un-complementary practices. Gerhart and Becker (1996:765) have put it as follows:

It is difficult to grasp the precise mechanisms by which the interplay of human resource practices and policies generate value. To imitate a complex system, it is necessary to understand how the elements interact. Are the effects additive or multiplicative, or do they involve complex nonlinearities----- researchers are a long way from understanding the precise nature of these interactions.

**UNIVERSAL PRACTICES V/S CONTINGENCY PRACTICES**

The universal approach maintains that there are several best practices than can have positive performance effects in nearly any organizational context. Furthermore, the approach applies to both individual best practices as well as system of best practices. This approach maintains that the performance effects of such practices or systems are direct and that their effects are so general or robust that they increase performance regardless of other organizational conditions or circumstances. While human resource scholars have pointed out the lack of common agreement on which practices constitute best practices, some recurring themes among various studies emerge. One group of researchers has offered this tentative description of best practices: 1. employee skill enhancement by selective staffing, training, and development; and 2. enhanced teamwork, empowerment, and worker involvement in problem solving through the mechanisms of job redesign, use of group-based incentives, and the progression to all salaried work forces.
The contingent or fit perspective maintains that firms should adopt systems of human practices that fit their human resource strategies. This perspective maintains that the performance effects of such practices are realized through their application in appropriate organizational circumstances. Thus, a company could obtain the greatest increase in performance from selective staffing practices when it simultaneously pursues a business strategy of differentiating itself from its competitors by producing the highest quality products. Selective staffing practices would enable the firm to hire employees having enough talent to manufacture such high-quality products.

The contingency approach is consistent with the principles of strategic human resource management. These principles maintain that the practices or systems of practices used to implement the firm's human resource strategies should fit with or confirm to the firm's competitive business strategies. Porter (1985) has provided a framework that specifies three strategies for competition: 1. cost leadership as the low-cost product or service provider; 2. differentiation, such as by superior quality or service; and 3. focus or niche strategies that concentrate on a narrow area of differentiation. Thus, the contingency view would maintain that if a firm has adopted a cost leadership strategy, then it should have human resource practices consistent with this strategy. With cost leadership, a firm would probably not have a compensation system that extensive perks for executives nor would it pursue a practice of wage leadership. Furthermore, the compensation system also should fit the firm's organizational culture, and additional matching will be required when the firm has several cultures.
One approach for determining the superiority of the universal practices or contingency approach involves a comparison of the performance effects of external or internal fit. Such fit should be absent with a universal approach but present with a contingency approach. External fit (vertical fit) is defined as the degree to which a firm's systems of human resource practices are complementary with its competitive strategies, such as cost leadership, differentiation and focus. In contrast, internal fit (horizontal fit) is defined as the degree to which individual human resource practices are complementary with each other. Huselid's (1995) comprehensive study examined whether external or internal fit would result in improved firm performance. However, the study found little support for superiority of their type of fit over the effects of individual best practices. Huselid concludes:

"But despite the strong theoretical expectation that better internal and external fit would be reflected in better financial performance, on the whole the results did not support the contention that either type of fit has any incremental value over the main effects associated with High Performance Practices".

Delery and Doty (1996) in a study of HRM practices in the banking industry examined the impact of the universalistic and contingency approaches. The researchers tested the universalistic approach by examining the direct firm performance effects of several individual human resource practices on the position of loan officers. These practices included (1) internal career opportunities, (2) extensive training, (3) result-oriented performance appraisals, (4) employment security, (5) participative decision making, (6) clear job descriptions, and (7) profit sharing. Firm performance was measured with two accounting ratio: return on assets (ROA) and return on equity (ROE). For tests of contingency approach, the researchers used a
product /market innovation instrument to categorize the banking firms into the Miles and Snow strategic types: prospectors (emphasis on innovation), analysers (imitators of innovators and focused operations), and defenders (low-cost producers).

Results of the universalistic approach revealed that result-oriented appraisals, profit-sharing and employment security all had a positive impact on ROA while profit-sharing also had a positive impact on ROE. In order to test the contingency approach, the researchers examined the incremental impact on performance of the strategy interactions with each of the human resource practices. Results for the contingency approach indicated that for banks in the prospector strategic category, the use of results-oriented appraisals produced higher ROA and ROE. In contrast, when appraisals were less results-oriented, the banks in the defender category had higher ROA and ROE. Interestingly, defender banks that allowed loan officers to participate in decision-making had better ROA and ROE. Conversely, prospector banks performed better with less participative decision making. In addition, more internal career opportunities produced positive impacts on ROA and ROE in prospector banks while the reverse held for defender banks. The study observes:

"The results of this study provided relatively strong support for a universalistic perspective and some support for the contingency perspectives. Three individual HR practices, profit sharing, results-oriented appraisals, and employment security, had relatively strong universalistic relationship with important accounting measures of performance. Contingency relationships between strategy and three HR practices—participation, results-oriented appraisals, and
internal career opportunities—explained a significant portion of the variation in the same performance measures”

LIMITATIONS OF THE STUDY

The present study has been conducted in an unexplored but a fascinating field of research. This study has been conducted against the very scarce research background on the concerned topic in the Indian context. The study should be viewed and analysed in the light of following limitations;

The studies attempted so far have chosen the only HR Head as the single respondent from an organization, while the sample included organizations across different industries from service and manufacturing sectors. In the present study, a deviation has been made to include the respondents in the form of Branch Heads from different organizations of the same industry. Respondent bias may have set in the form of downward or upward reporting of the measures and variation in results may have occurred.

The HRM Practices and measures of organizational performance were selected on the basis of discussions with various experts. However, there may be some other practices which if included would have altered the results of the present study.

The sample for the present study included only private sector and public sector and left the co-operative sector, RRBs and foreign sector untouched. So, the results as such can not be generalized for the whole industry since the structure, form, process, operations, nature, history of these other sector is different from the ones selected in the sample.

Since the studies conducted so far have longitudinal nature as these include both manufacturing and service industries, the present study has been conducted with reference to only a single industry
covering a total of four organization two each belonging to public sector and private sector.

Random sampling error in measurement of HR Practices may have influenced the correlation.

There is possibility that some important variable which co-varies with HRM Practices and measures of organizational performance may have been omitted in the collection and analysis of data, as a consequence of which the results presented, would have been different.

All the HRM Practices as well as parameters of organizational performance of the organizations under study have not been included in the study. The results may have been different, if all the HRM Practices as well as measures of organizational performance would have been included in the study, as only a limited number of HRM Practices and perceptual measures of organizational performance have been included in this study.

Though the current study has explored links and found some evidence in the Indian industry it should be considered largely as exploratory in nature and the findings may require confirmation in future studies.

The conclusions can not be generalized for all banks in India as the survey has a small territorial coverage of only four banks. The value of the study can not be stretched beyond a doctoral dissertation.

**SCOPE FOR FURTHER RESEARCH**

In spite of limitations, the study makes some important contribution. It tests the theoretical assumptions in smaller firms and in a non-USA/UK context.

The present study has used the perceptual measures of HRM Practices and parameters of organizational performance. The future
research can be undertaken with objective measures of HRM Practices and parameters of organizational performance and more accurate results will be possible in that case. Control variables may be used to isolate the effects of other variables other than HRM Practices on organisational performance. Considering the limitations of the study, the scholar proposes path for future research. Specifically in this study it has been tried to explore the question of simple causal perceived relationship. However, the field would benefit from some time series studies in future as the causality of relationship can be tested with data collected at different points of time.

Concluding remarks
The current research based on sound methodology has confirmed the earlier reports that many HRM Practices have a substantial impact on several measures of performance individually or as systems of practices. The objective measures as well as perceptual measures of performance have been found to take positive impact from HRM Practices, though objective measures are preferred to perceptual measures. There is another element in the current research by which HRM Practices are supposed to have greater impact on organizational performance, if properly configured with organizational culture, context and strategies.

RESEARCH GAPS
Though a number of studies has been conducted to explore the relationship between HRM and organizational performance in India and abroad. However, most of the studies, especially in the Indian context suffer from one limitation or the other and as such can hardly be considered as comprehensive and exhaustive. The previous research has been limited so far as the respondents of
various research studies are concerned, i.e. only the Chief Executives and HR Heads of organizations are called upon to fill up the questionnaire and take part in discussions as reported by Laura Hall (2004). The present study has moved down the line to take the Branch Heads as respondents of the study.

Most of the research studies are either longitudinal to cover various industries pertaining to manufacturing as well as service sectors or mostly to manufacturing sector. The present study has been confined only to banking industry of the financial sector.

The research in this area has taken up for more than a decade now, yet the research done so far has not been in a position to provide a universally acceptable model. The models have been regularly designed, reviewed and revised.

Mostly the research has used secondary data relating to listed and blue chip companies; while as the primary data is the base for the present study.

The major part of the research on the topic has taken the empirical work on only on a few HRM Practices; while as the present study has included ten HRM Practices with eight measures of perceived organizational performance.

"Science and technology are man’s outstanding success, Human Relations his outstanding failure. In some kind of human relation, our moral delinquency is less extreme than in others. We are at our least bad in our personal relations—the relations between husband and wife, friend and friend, parents and children. We are at our worst in our impersonal relations, in which we deal each other not directly, but indirectly through the dehumanizing medium of institutions/organizations"

Arnold Toynbee