CHAPTER – 5

5. DISCUSSION AND CONCLUSION

5.1 DISCUSSIONS

This research work is conducted in the Indian context for testing the causal relationship between vital components of Human Resource Practices and its role on Perceived Organizational performance and Perceived Employee Performance through SEM framework. This study also tested the mediating role of Satisfaction, Commitment and Turnover Intention on the said dependent variables. From the results, the linkage of Human Resource Practices and Organizational and Employee performance in the Indian context can be very well understood. Thus, the contribution of this study is two-fold, first on the analytical level, adopting a more sophisticated method of analysis, and second on the conceptual level, introducing an HR Practices - Performance linkage model.

Generally, the success of any firm depends on continuous updating of the latest concepts and trends of best practices existing in the business and development of required competence and implementation of effective practices to improve the overall performance of the organization.

To conclude, the results of the hypothesis testing using SEM shows that the ten out of forty one hypothesized relationships were not significant,
remaining are significant at the 0.01 level and that the available data aptly fit into the proposed conceptual model. It should however be noted that statistical significance and the fitness of the data set into the model will not make any research work complete in all aspects. The results of the study need to be compared with results of earlier studies undertaken in different countries with different cultural background and different Human Resource Management dimensions, to arrive at meaningful inferences. This shall lead to good indulgent of the subject matter under examination and detection of some new underlying relationships.

The first research question was about relationships of different demographics such as age, gender, education, experience, type of bank, and Performance of bank variables with perceived organizational and employee performances. The employees perception of organizational performance, highly diverse and influence by the demographic variable education. It may be inferred as the expectation and measure organizational performance varies among employees in terms of their education qualification. Employees differ in their perception of individual performance based on their gender. It shows the male and female expection and measure of their own performance is differs. Employees have similar opinions on the organizational as well as employee performance in terms of other demographic factors. The analyses reveal that some demographic variables had significant relationship with perceived organizational performance and with Employee performance indicators.

In spite of rigorous procedures, standardized test and strong merit criteria followed by commercial banks to select the candidate, the Recruitment & Selection process does not have a direct relationship with both dependent
variables Perceived Organizational Performance and Perceived Employee Performance. This study reveals that Recruitment and Selection Process not play any significant and direct role in improving the organizational and employee performance. In recent years bank have a common platform for recruiting their employees, this may taken as a cause for that the employees do not consider it as an influencing factor in deciding their organizational and individual performance. This result is consistent with the previous studies by Paul (2002) and contradicts with the findings of Guest (2001) and Shih et al. (2006). However Recruitment and Selection process mediates through the Satisfaction, Commitment and Turnover Intention develops an indirect influence on the organizational and employee performance.

Training & development programs followed by commercial banks based on need assessment, performance appraisal, custom-made and pragmatically applicable with talent imparting competence are demonstrating a strong positive direct causal relationship with Perceived employee performance and Perceived Organizational Performance. The training & development process not only have direct influence over the dependent variable it also has strong and positive relationship with the mediating variable which tells us the effective training will impart good knowledge and self confidence among employees and improves their satisfaction, commitment and reduces turnover intention by investing loyalty among them. These results were similar to the findings of (Russell, et al. 1985; Arthur, 1994; Huselid, 1995; Wan, et al. 2002; Patrick, et al. 2003; Sels, et al. 2003; Singh, 2004; Katou, 2008; Tseng, et al. 2009). These studies supported the argument that training was an expensive activity, but it could give different advantages, i.e. improved employee performance, increased productivity and employee development.
Commercial Banks pursue a Performance Appraisal process which has good counseling, feedback, unbiased and transparent system provided a direct significant strong causal relationship with Perceived organizational Performance but the significant level falls to medium in case of perceived employee performance. It is because nowadays employees have wide exposure and knowledge of the human resource practices followed in the organizations and understand the value behind the performance appraisal and tend accept it as part of the healthy environment. These results are consistent with the previous findings of (Thompson, 1998; Wan, et al. 2002; Sels, et al. 2003; Singh, 2004; Katou, 2008; Shahzad, et al. 2008; and Tseng, et al. 2009, Tahir, 2010). Though it seems Performance Appraisal hinders the employee performance, it has some positive role in improving the individual performance and leads to overall organizational performance.

There is a consistent positive relationship between the Career Planning System and Perceived Organizational and Employee Performance. This proves banks following career planning system with good career ladder, transparent internal hiring and guidance to improve individual skills will definitely result in improved organizational and employee performance. The findings are similar to the previous studies of Heckman & Oldham (1980), Denisi & Kiuger, (2000), and Baruch, (2006).

Compensation system is believed to be a key for all performance outcomes in the context of Human Resource Management. According to this study the compensation system has direct influence only with Perceive Organizational Performance, and it develops a significant causal relationship
with only two mediating variables Satisfaction and commitment respectively. The compensation does not have direct influence over the Perceived Employee Performance and mediating variable commitment. This result gives a different dimension that compensation can influence at the group or organizational level and it is also plays supportive role in employee satisfaction and turnover intention. But when comes to employee (i.e., individual) performance and employee commitment there is an absence of compensation system in the perception of employees. This expels the same result of Jensen and Murphy, (1990) who found a weak relationship between pay and performance.

Traditional Human Resource Management believes that the Employee participation in the management would improve the organizational and employee performance. But the result revealed by this study is contradicted with the above belief, it failed to create a direct influence on both the organizational and employee performance and also it does not hold any role in employee satisfaction. The result shown contradiction with previous studies of various authors such as Walton, 1985; Pfeffer, 1994; Wagner, 1994; Verma, 1995; Strauss, 1998; Gallie, et al. 2001; Wan, et al. 2002; Sels, et al. 2003; Singh, 2004; Kessler, et al. 2004; Cox, et al. 2006. It also be noted that the authors do not give clues to the direct influence of employee participation in improving the performance of the organization as well as employees. Many authors agreed that employee participation will have an impact on the organizational performance when it is associated with other employee practices in the organization.

In the banking context Job analysis and Design is not supported with positive results and it unable to make an impact on the perceived employee performance. Bank employees perceive that their roles and responsibilities not
clearly defined since it has a rotation in nature. But this system helps to improve the influence.

While the above discussions dedicated to exploring the relationship between Human Resource Practice variables and Perceived organizational and employee performance, the following will be concentrated on exposing the mediating effects of Human resource outcome variables between the independent and dependent variables.

One of the important outcomes of the Human Resource Practices in any organization is said to be employee Satisfaction which is treated as first mediating variable in this study. From the result, the study tries to interpret causation intervened by the mediating variable satisfaction between the Human Resource Practices and perceived organizational performance. Six out of seven human resource practices have shown a positive and significant path relationship with the satisfaction except employee participation. Satisfaction generates a partial mediation between the Human Resource Practices TD, PA, CPS, CS, JD and Perceived Organisational Performance. These variables also shown direct relationships with the Perceived Organisational Performance. Recruitment and Selection (RS) does not have a direct relationship in improving the organizational performance, but it has a strong influence over the mediator Satisfaction which in turn creates an indirect causal relationship between RS and POP.

When comes to identify the mediation effect of Satisfaction between Human Resource Practice and Perceived Employee Performance, the direct relationship of Satisfaction on a dependent variable itself is a question mark. The study reveals that satisfaction has a weak effect on the perceived employee performance, but it is improved while mediated through other outcome variable
commitment. Six out of Seven variables shown a positive relationship on satisfaction with respect to testing the effects on Perceived Employee Performance. A special result revealed that satisfaction act as a complete mediator between compensation system and perceived employee performance. The introduction of satisfaction as a mediator completely removes the causal path directing from Compensation towards employee performance. The result may be interpreted as a satisfaction will improve employee performance irrespective of the organization’s compensation practices.

Satisfaction also work as an independent variable in defining the other HR outcome variable Commitment. The direct and strong positive relationship between satisfaction and commitment interprets that in banking sector employee commitment can be improved by improving the employee satisfaction which in turn improve the individual performance in the organization.

Many authors and researchers identified and supports the role of employee commitment in improving the organizational and employee performance. Hence the commitment which is the outcome of the Human Resource practice is treated as mediator between the independent variables and dependent variable targeting performance.

The results of the study confined to the banking sector contradicts with views of the majority of authors and failed to make any mediation between three out of seven independent variables HR practices and Organisational performance. It is hard to know that the important practices in banks such as performance appraisal, Career planning system and compensation system does
not influence the commitment which means in banking sector employee commitment is not caused by these three practices but with other practices. On the other side these variables are mediated through satisfaction and influence the commitment, hence commitment can be achieved not by improving compensation, career ladder and appraisal process but by improving the satisfaction the employees.

In improving the organisational performance, commitment act as an indirect variable or mediator between Recruitment & Selection and Employee participation in influencing the performance. Commitment also plays a partial mediation role in improving the organizational performance through Training and Development (TD) and Job analysis and Design (JD). Hence the effective training programs and clear job description not only directly improve the organizational performance, but also improves the employee commitment which in turn improves the organizational performance.

While the study tries to identify the mediation effect of commitment in improving the employee performance the result replicate the same result with the case of the organizational performance. Commitment causes no mediation between performance appraisal, career planning, compensation practices in improving the employee performance. Though there is the absence of direct relationship in improving employee performance from Recruitment & Selection, Employee participation and job analysis and design, they are indirectly driven through the mediator commitment.
The reverse side of employee retention said to be employee turnover intention which is treated as a direct dependent variable in different human resource studies by authors. With the intention of identifying the causal relationship of Human Resource practices in improving the performance of the employee as well as the organization, this turnover intention is here treated as mediating variable.

Though the study reveals the negative relationship from other variables with Turnover intention it is a good sign for the organization. The negative effect reveals that improvement in the practices will definitely reduce the employee's intention to leave the organization.

Turnover intention is influenced by all the human resource practices and it plays a partial mediation between TD, PA, CPS, CS and JD in improving the organizational performance. Recruitment and selection, and employee participation have an indirect relationship with organizational performance through the mediator Turnover intention. In deciding the employee performance, employees believe that organizational compensation, employee participation practices and job description may not directly affect but mediated through turnover intention which causes the deviation in the employee performance.

The comparison of banks in different sectors on the basis of a causal model gives a clue to understand their perception on Human Resource practices in improving the performance. Banks have different belief towards the human resource practices causing the organizational performance. Public and New Private Banks are showing similarities in their perception towards deciding the
factors improving the organizational performance. The old private sector banks completely differ from the other banks in approaching the organizational performance. The study tries to explain that the difference in perception towards organizational performance causes because of every banks to believe that they follow unique practices to improve the overall performance of the organization.

Banks in all the sectors have common agreement, whether accepting or rejecting the factors causing the employee performance. Banks believe when comes to employee performance they too tend to follow the universal Human Resource practices. Banks, trust that employee commitment will influence the employee performance in the organization, but they reject another mediator employee satisfaction in causing the employee performance.

5.2 MANAGERIAL IMPLICATIONS

The assessment of the role of human resource practices on organizational employee performance gives a comprehensible idea for the practitioner to concentrate the key issues in HRM to improve the performance of their employees as well as organization. Not only the human resource practices, but also their outcome have significant influence on the performance, therefore it helps the Human Resource Managers to devise a strategy to extract the maximum output by accelerating the process. The study has established the facts that even some of the Human Resource Practices does not have any direct linkage on the organizational and employee performance it could indirectly influence them. Therefore, it would be a crucial mistake to depend only on the practices that had a direct influence over the outcome. The conceptual model arrived in this research would give a greater insight to the Human Resource Professionals and Managers to improvise their process to link with the organizational and employee performance.
5.3 LIMITATIONS OF THE STUDY

Though the study has been carried out on essential and scientific principals, it is not free from limitations. As it is essential to present a clear picture about the scope of the study, a few of the limitations of the study are listed below:

- The study applies only to the districts of Tamil Nadu State and not anywhere else.
- Most of the respondents were reluctant due to their sensitive nature, it was a little bit difficult for the researcher to get answers to sensitive queries; hence responses may not be unbiased.
- The information provided by the employees was purely based on their perception only. The quality and reliability of the data collected were the actual expression of responded.
- The total number of respondents was limited to 1004.
- The selection of the banks was on cluster sampling whereas the employees were on the basis of Random sampling.
- Secondary data were also used in the study and so the limitations of the secondary data apply to this research also.
- The weights and scores used for calculating the financial performance are based on the relative importance of the variable as assessed by the researcher.
- In the absence of universally accepted measures of financial performance, the categorization of banks as high performing as low performing is based on their relative position within the group.

The availability of time at the disposal of the researcher has also acted as a limitation in making an in-depth and an exhaustive study.
5.4 DIRECTION FOR FUTURE RESEARCH

This study investigated with established Human Resource Practices and their outcome as variables, and it measured the performance outcome in the form of qualitative measures. Hence, future researcher may take following direction in their research:

- Need to include some other variables in different aspects accordance with the current situation.
- Longitudinal study would probably give better results and implication
- Future research may include other sector banks in the study and test this model with different banks.
- Organizational and employee performance can be measured with a quantitative measure to deliver a strong and authenticate result. The customer’s perception of banks and its employee’s performance can also be measured and included in the model.
- Future research may test this model and dimension with other industries which may evolve new paradigm in the model and generalization of Human Resource Practices Performance linkage.

5.5 CONCLUSION

Banks having effective and goal oriented training and development programs, clear definition of career planning and Job design would bring them high performance and achievement. These would also attract both the customers and internal customers (i.e., Employees) and helps the economic growth of the country. Hence the Human Resource outcome variables playing a mediating role between the practices and performance, improvisation of these variables would definitely improve the organizational performance through employee performance.