Chapter II

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In this chapter, an attempt has been made to present a review of literature available in the area of Human Resources Practices and its impact on employee’s performance. The review of literature, albeit, in brief is likely to provide a bird’s eye-view of the work done relating directly or indirectly, to the subject matter of the present study.

The concept of HR, its philosophy and its measures have been popularized by a number of writers on the basis of their experiences in the field of human resource management. There was a time when personnel manager was expected to manage the employees to achieve eventually the overall goals of the organization. But, of late, the practicing personnel managers could perceive wider scope of managing the employees with the basic approach of enlightened self-interest with two way traffic - to manage employees not only for the benefit of organizations but also for the benefit of employees too.

In order to know the effectiveness and the real impact of various measures of managing employees, efforts were made by the scholars and the practicing managers to study all these issues empirically. These efforts were made in the field of the entire human resource management and a part of it relates to HR.

Now days, Human Resource practices became topic of considerable interest to researchers. The purpose of this study was to investigate the HR climate in the professional Institutions. The concept of Human Resource (HR) has been introduced by Prof. Len. Nadlez (1969) in American Society for Training and Development Conference. In India, Larson and Tubro Ltd., a private sector company has
introduced this concept in 1975 in their organization with an objective of facilitating growth of employees, especially people at the lower levels. Among the public sector government companies it was BHEL which introduced this concept in 1980. The older employees want social security benefits, younger employees want cash in hand because they can’t think of sticking to a company for many years and retire from the same company.

There are number of studies concerning the Human Resource (HR) in general. However, specific studies relating to level of HR are not many. Prominent among the studies conducted in India and abroad are elaborated in subsequent paragraphs.

Mayer (1995) state that the organizational setting, mutual trust has the potential to enhance cooperation and increase the sharing of information between employees and managers Spreitzer & Mishra (1999) as well as among organizational units, which may eventually improve organizational performance

Collins & Poras (1997), Sako (1998) Trust that therefore, appears to be an essential intangible resource in organizations, which bonds managers and their subordinates.

Tzafrir & Dolan (2004). Trust is defined as "... willingness to increase one’s resource investment in another party, based on positive expectation, resulting from past positive mutual interactions."

Tzafrir & Dolan (2004) Trust develops through the social exchange process, in which employees interpret managerial practices, procedures, and actions and reciprocate to the organization accordingly Folger & Konovsky 1989,

Gilson, et al. (2005) performance" systems, generally include coherent sets of HR practices that enhance employee skills, participation, and motivation. Vlachos
Pfeffer’s (1998) has explained employment the various practice in his study as security, selective hiring of new personnel, self-managed teams and decentralization of decision making as the basic principles of organizational design, extensive training, comparatively high compensation contingent on organizational performance reduced status distinctions and barriers, including dress language, office arrangements, and wage differences across levels, and extensive sharing of financial and performance information, compensation practices throughout the organization placement practices training practices, employee grievance procedure, performance evaluation practices promotion practices Teseema & Soeters (2006) - recruitment and selection practices pension or social security.


Other practices: Safe, Healthy and Happy workplace, Open House Discussions, And Feedback Mechanisms, Delight Employees With The Unexpected, Open Management Schuler (1992) suggests that Strategic Human

Resource Management (SHRM) has many different components, including policies, culture, values and practices. Strategic business needs of an organization are influenced by its internal (which mainly consist of factors such as organizational culture and nature of business) and external characteristics(consisting of the nature
and state of economy in which the organization is existing and critical success factors, i.e., opportunities and threats provided by the industry), which are influenced by HR activities. Thornhill, Lewis, Millmore, and Saunders (2000) found a potential role for HR-centered strategies to be used to change or realign the culture of an organization.

An organization can change its culture through its recruitment strategy of replacing managers with those from outside, restructuring the organization, downsizing the workforce, training programmes, new reward strategies and performance management to alter employee behaviors or reinforce emergent ones. After the economic liberalization, Indian organizations were under pressure to change from low-cost, indigenous, less efficient and outdated technology to high-cost modern technology and prepare people to use it. This was done to develop and maintain their competitive edge in the larger business environment (Khan, 1999). The potential value of the employees is to be increased by collectively enhancing and linking their skills and capabilities in tune with the contemporary requirements of the market, and to be faster than the competitors. The success of the HRM will be determined by its ability to harness the intelligence and spirit of people by creating a learning climate.

Indian organizations normally direct their HRM efforts towards the development of competencies, culture and effectiveness among employees individually or in groups. 69

AOP 18(4), 2010, ISSN 0572-3043 (Singh, 2003). Organizations may use many mechanisms to achieve their HRM goals as without competent and committed employees, an organization can achieve very little even it has excellent technological and other resources at its command. Such an assertion gains better credibility in the context of developing countries like India, that is, typically in early growth stages in terms of economic development and growing more rapidly than the 'traditional'
developed economies of Japan, North America and Europe. This also includes most South East Asian, South Asian and some Latin American countries.

Selection in organizations is based on non-job related criteria like attractiveness, goal orientation, and interpersonal skills: a general lack of concern for value congruence (Prakash, 1994). The dominant emphasis has been on the universal practice of identifying and improving on existing performance strategies. This practice would require a complete reversal where congruencies of values should find a place in selection and training. Only then would it possible to achieve linkages with the values of the wider socio-cultural context in India. In order to make an organization effective, the values of the society and the cultural milieu should be synthesized with those of the organization and it’s functioning.

Fombrun, Tichy, and Devanna (1984) expanded these premises and developed the model of SHRM, which emphasizes a ‘tight fit’ between the organizational strategy, organizational structure and HR system. Political, economic and cultural forces are responsible for an organization’s mission and strategy. This explains these causal relations, which form the ‘tight fit’ between strategy, organization structure and HR policies and practices. On the basis of mission and strategy, the shape of organization is structured, i.e., people are organized to carry out different tasks to achieve the organization’s mission.

Hendry and Pettigrew (1992) propose that a number of internal factors such as the organizational culture, structure (positioning of HR), leadership, level of technology employed and business output directly contribute to forming the contents of HRM.
HRM could be seen as a menu of strategic choices to be made by human resource executives in order to promote the most effective ‘role behaviors’ that are consistent with the organization’s strategy and aligned with each other (Sparrow and Hilltop, Developments in the Field of Human Resource Management).

Management is now well documented in the literature (see Legge, 1995; Schuler, 2000; Schuler and Jackson, 1999; Sisson and Storey, 2000). As firms are entering into a more dynamic world of international business and as the globalization of world markets continue apace, comparative HRM issues appear to be gaining momentum. Both practitioners and academics in the Field of HRM are increasingly aware of the need to examine and understand the HRM system suitable to different parts of the world. They are also interested in finding relevant HRM policies and practices for different types of organizations (for example, public/private sector, manufacturing/service sector) around the globe. HRM practices are central to improving the quality of Shikha N. K services offered by the governments. In the words of Pfeffer (1994), ‘having good HRM is likely to generate much loyalty, commitment or willingness to expend extra effort for the organization’s objectives.’ Moreover, Stone (1998) remarks that ‘HRM is either part of the problem or part of the solution in gaining the productive contribution of people. The above quotes suggest that organizations need to effectively manage their human resources if they are to get the maximum contribution of their employees. But the question is, how and when HRM affects performance.’

Recently, the dominant focus on HRM literature has been to demonstrate the importance of effectively managing human resources of organizations. Management scholars and practitioners alike have become increasingly interested in learning more about HR practices to enhance employee and organization performance.
In particular, the last ten years have seen an increasing research interest in the HRM-performance relationship, although the focus of the research is in the developed world as well as in the manufacturing industry. The current study aims to test empirically the impact of eight HR practices on employee performance in a developing country: Indian commercial banks. This is crucial for developing appropriate management practices. It can also become an important training tool for expatriate managers. The increased probability of having to manage in an international situation demands the conduct of more comparative HRM research (Boxall, 1995; Brewster et al., 1996; Budhwar and Debrah, 2001; Budhwar and Sparrow, 2002). Barney (1991) felt that firms could develop strategic capability and for attaining this, the strategic goal will be to create firms, which are more intelligent and flexible than their competitors. The human resource management function has emerged as one.

The researcher, therefore, made an attempt here to review the prominent literature readily available on HR. This study is not the first attempt to be undertaken by the researcher. Several researchers have undertaken researches in the field of HR in general and a very few of them have also undertaken researches relating to HR practices in LIC. There are many studies which show that HR has got direct linkages to employee’s productivity and organizational performance.

Pareek and Rao (1977) Larsen & Toubro a prominent Engineering Company in India had appointed two consultants from the Indian Institute of Management, Ahmadabad to study the performance appraisal system and make recommendations for improving it. The two consultants (Pareek and Rao, 1975) studied the system through interviews etc, and suggested a new system. They recommended that "... Performance Appraisal, Potential Appraisal, Feedback and Counseling, Career
Development, Career Planning and Training and Development get distinct attention as unique parts of an integrated system which we call the Human Resources Development System" This system was proposed as a separate system with strong linkages with Personnel (Human Resources) system. In their second report of the Human Resources system in L&T recommended that the personnel function be viewed as Human Resources Function (HRF) and suggested a trifurcated function: Personnel Administration, HR and Worker Affairs. Adding Organization development also to the HR Function, the consultants recommended that…” Since OD is being added now, it is necessary to strengthen that part of HR.

Silvera (1988) builds a core for HR, based on experiences of dynamic result oriented companies. The work under reference is an attempt at sharing about companies which have created healthy workplace environments, conducive to initiate, fair play and self development. It provides panoramic view of the HR practices in dynamic and growth oriented companies in the Indian context. The work includes quality circle, democracy at workplace, discipline management, managing change through mentoring, organization development and so on. The work has been organized in a way that it can give an overall perspective of the philosophical and conceptual issues involved in HR.

Rao, Verma, Khandelwal and Abraham (1988) entitled ‘Alternative approaches and strategies of Human Resource Development’, various mechanisms of HR like performance appraisal, potential appraisal exercise, performance feedback and counseling systems, career planning and development, role analysis, OD interventions and training etc. have been highlighted. The work contains twenty seven articles on various aspects of HR.
T.V. Rao and D.F. Pereira (1988) edited a book entitled ‘Recent experiences in HR’ which is based on the papers presented in a national seminar held in Mumbai in February 1985. The seminar was jointly organized by Larsen and Tourbo Ltd. and the HR centre of XLRI Jamshedpur in which experiences of twenty five different organizations on HR were shared. In his paper entitled, ‘Integrated Human Resource Development System,’ T.V. Rao opines that HR is a process, not merely a set of mechanisms and techniques. The mechanisms and techniques such as performance appraisal, counseling, training and organization development interventions are used to facilitate initiative and promote this process in a continuous way. In his paper entitled “Human Resource Development Climate in Indian Organizations” has referred to the existence of an optimal level of development climate as a pre requisite for facilitating HR systems in the organization. Development climate constitutes three variables:

According to Rao and Abraham a general supporting climate is important for HR if it has to be implemented. They believe that successful implementation of HR involves taking an integrated look at HR and making efforts to use as many HR mechanisms as possible.

T.V. Rao and Abraham (1989) surveyed the HR practices of 68 Indian organizations and measured various elements of the HR profile of these organizations including performance management practices, training, career planning, promotions, rewards etc., and the HR climate. Abraham constructed an index of growth of the company profitability as a measure of organizational performance. He found that the perception of the HR climate of the company was more important than the HR practice itself. His study also indicates that HR culture is a powerful intervening variable in translating HR practices into profit.
B.L. Mathur (1990) in his work entitled "Human Resource development. Strategies approaches and experience, expresses the view that the philosophy of HR is based on the fact that individuals in an organization have an unlimited potential for growth and development which can be developed and multiplied through appropriate and systematic efforts. The work under reference seeks to examine strategic approaches and experience in HR. It identifies and analyses the various key issues confronting Human Resource Development. It brings together the thought of eminent experts on approaches and experiences of HR.

T.V. Rao (1991) HR function has gained a lot of momentum in the last decade. An earlier survey conducted in 1984 indicated that a number of HR sub-system were being initiated in Indian industry. A detailed questionnaire was developed covering 94 different activities or tasks the HR staff or those in-charge could undertake in any organization. This questionnaire was administered to 61 HR staff from public sector and private sector organizations. The questionnaire assessed how well each of the 94 activities/tasks is being performed as perceived by the respondents. Their assessment indicates there are more similarities than differences in the way the HR function is being performed in both public and private sector organizations. The study also indicates that conducting human process research, mobilizing unions and associations to play a role in HR and effective monitoring of HR implementation are perceived as being performed inadequately in these organizations. Overall, while HR function has caught up, it has a long way to go near to the "excellence".

K.Prasannasai (1993) is of view that HR has come to occupy the proactive function of human resource management. HR is not a onetime activity but it is a continuous process built on the edifice of concern for people and organization
achievement. It calls for proper co-ordination and co-operation of the HR policy, mechanisms among the members of the organization. The author strongly believes that HR should be for the organization as a whole and not merely for some new level of personnel. Regarding the functions of the HR department, in fifty five organizations which responded to the questionnaire, training and development function, performance appraisal, human resource planning and staffing received the highest preference in HR mechanisms. While career development, organization development and employee assistance received rating, role analysis and personnel research received the lowest rating.

Dandekar, Karnik and Sathye (1994) during their study on the Maharashtra State Electricity Board, stressed that the most important requirement for improvement in the performance of these Public Sector Undertakings is the development of Human Resources available in the organizations. Looks at the man-man interface of the service sector where service consists almost exclusively of interaction between human beings, the role of HR becomes virtually synonymous with improvement in services, shift from technology driven or product driven to being market driven and the role of HR in making tremendous gains in productivity and efficiency for the organization.

Huselid and Becker (1997) found that a qualitative improvement in HR system index was associated with an increase in shareholder wealth of $41,000 per employee. He discussed eleven HRM practices in his study which are personnel selection, performance appraisal, incentive compensation, job design, grievance procedures, information sharing, attitude assessment, labor management participation, recruitment efforts, employee training and promotion criteria. It also provides a systematic explanation of investment in human capital and associated productivity, wages, and mobility of workers. Such investment not only creates competitive advantages for an
organization, but also provides innovations and opportunities to learn new technologies and improve employee skills, knowledge and firm performance. In fact, there is an increasing awareness in organizations that the investment in training could improve organizational performance in terms of increased sales and productivity, enhanced quality and market share, reduced turnover, absence and conflict.

Cascio (1998) defines performance appraisal as a process to improve employee’s work performance by helping them realize and use their full potential in carrying out the organization’s missions and to provide information to employees and managers for use in making work related decisions. He goes onto define EPAS as an exercise in observation and judgment, a feedback process and an organizational intervention. It is a measurement process as well as an intensely emotional process. Cascio states, it is an inexact, human process that is utilized differently in almost every organization regardless of industry.

T.V. Rao (1999) in his book entitled “HR audit” provides both the framework and a detailed methodology of HR audit so as to enable corporations to conduct an internal audit of their human resource functions themselves. A unique feature of this book is the HR score card which has been developed and tested by Dr. Rao. It assigns a four letter rating to grade four critical dimensions of HR which contribute vitally to organizational performance, HR systems maturity, HR competencies, HR culture and values, and HR linkages to business goals. Many corporations have invested a good deal in HR. They have started new human resource development, given top level positions to human resource persons, created reasonable budgets and expect the HR function to give a strategic advantage to their corporations.

Sharma and PoojaPurang (2000) in their study Value Institutionalization and HR Climate: A Case Study of a Navratna public sector organization, found a positive
relationship between value institutionalization and HR climate in a large public sector organization, meaning thereby that a better and more ethical environment of the organization shall lead to a better HR climate for the organization.

B.S. Bhatia and G.S. Batra (2001) is of view that the survival of business organizations in the post liberalization era of change and uncertainties will, to a large extent depend on the performance of their human resources. This means that it is in the long interest of organization to invest in this asset. A well known economist Alfred Marshall stated that “the most valuable of all capital is that invested in human beings.” This book deals with Human Resource Development. Keeping in view the global business challenges, growing complexity of the business and increased competition, Human Resource Management has become one of the important parts of the policy framework of any corporate enterprise.

Alphonse (2001) analyzed the HR climate in a hospital by assessing the top management's belief in HR, superior-subordinate relationship, personnel policies, team-spirit, employee development, training, employee initiatives and management encouragement. It reported the existence of a reasonably good climate with an average score of 3.46 in the HR climate assessment scale.

T.V. Rao (2001) used the HR Climate Scale regarding the HR climate in 41 organizations revealed that the general climate in the organizations is average. A general indifference on the part of the employees towards their own development was found to be the reason for this. The lack of support to the employees post training is a major hurdle in applying what they had learnt. This in turn affects the career development of the employees. It was noted that the top management in most of the organizations is doing routine things. The other impediments of HR highlighted in the study are the lack of opportunities for transfer of training skills and career
development. Yet, the same study suggests that the employees in these organizations were serious about the training, the performance appraisal system was objective and the management was concerned about human resources.

T V Rao, Raja Rao, and Taru Yadav (2001) examine the current status of structuring of the HR function and HR subsystems in India against this "Integrated HR Systems" framework. The researcher also comments on the recent approaches to HR. Data from HR audits of 12 Indian organizations indicated that HR function is not well structured, is inadequately differentiated, poorly staffed, and fails to meet the requirements of this framework. In the light of these experiences of Indian organizations in implementing this framework, it has been points out the prerequisites for success of other HR frameworks in India. The HR subsystems, however, have evolved and matured to a substantial degree, specially the performance management system, and training and development system. OD and feedback and counseling are in the next level of maturity. Potential appraisal and career planning and development are the least developed and used subsystems.

Mishra and Bhardwaj (2002) reported that the managers in a private organization perceived the HR climate as favorable. The top management's commitment to HR, integrated HR system, well defined personal policies and culture of openness are listed to be the strengths of HR in that organization.

Mishra and Kavita (2002) in his thesis “A study of ‘HR practices in LIC of India’ concludes that HR practices are just using an average level in LIC. It has a large reservoir of competent manpower should take steps to reorient its methods of organization of work and evolve suitable manpower development programme so that all the employees are given opportunities to utilize their knowledge, qualifications, experience and skills in their development. It would go a long way in removing the feeling of frustration at present prevailing among the employees and improving the overall staff morale and staff productivity.
Kuldeep Singh (2003) in his study "Strategic HR Orientation and Firm Performance in India" concludes that the strategic alignment of HR planning, selection, performance evaluation, compensation, development, staffing policies results in better organizational performance. The aim of the present study was to find out the relationship between the human resources management practices and firm level performance. The study conducted on 82 Indian firms indicates that there is a significant relationship between the two human resources practices, namely, training and compensation, and perceived organizational and market performance of the firm.

Singh (2004) found that there was a positive relationship amongst several HRM practices like selection (r = 0.32), performance appraisal (r = 0.32), training (r = 0.32), compensation system (r = 0.32) employee participation (r = 0.32) with firm performance. Out of these practices only Training (r = 0.37, 0.39) and Compensation system (r = 0.41, 0.43) had positive impacts on perceived general and market performance of the firms, indicating that an addition of (1) unit in training will enhance (0.37) the firm’s performance and (0.39) in the firm’s market performance, secondly, an increase of (1) unit in compensation will increase (0.41) in the firm’s performance and (0.43) in the firm’s market performance. On the other hand two practices, namely job definition (r = -0.21) and career planning system (r = -0.15) had a negative and an insignificant impact on perceived firm performance.

Charles Moseley (2004) in the study "The Human Resource Dimension and Reform" concludes that only by empowering employees, to accept the responsibility and to make decisions as fully active participants in the life of the organization, can organizations hope to create the kind of responsiveness needed to meet the changing needs of customers in today's business environment.
Teseema & Soeters (2006) used eight HR practices in their research paper which are recruitment and selection practices, placement practices, training practices, compensation practices, employee performance evaluation practices, promotion practices, grievance procedure and pension system. According to them these HR practices can affect the employee performance.

Victoria (2006) conducted a study on “Teacher Evaluation Practices and Teacher Job Satisfaction” under the Faculty of the Graduate School, University of Missouri-Columbia. The purpose of this study was to determine the relationship between teacher evaluation practices and teacher job satisfaction as measured by the Teacher Evaluation Profile and one subscale of the Teacher Job Satisfaction Questionnaire. The quantitative study was conducted administering the Teacher Evaluation Profile and the Teacher Job Satisfaction Questionnaire to all certificated teachers in a rural, mid-size school district located in the mid-west. The data from both instruments were analyzed using the Pearson product-moment. Demographic data pertaining to gender, years of teaching experience, and teaching assignment grade level were collected and were used as predictors for multiple regression analyses. A significant relationship was found to exist between the Teacher Evaluation Profile subscale Evaluator Perceptions and the Teacher Job Satisfaction Questionnaire subscale Work Itself. No significant difference resulted from the multiple regression analyses using the predictors of gender, years of teaching experience, and teaching assignment grade level.

Wright (2006) have argued that an employee will exert discretionary effort if proper performance management system is in place and is supported by compensation system linked with the performance management system. Job definition is combination of job description and job specification. It clearly outlines duties,
responsibilities, working conditions and expected skills of an individual performing that job. While much of the research on the relationship between HR practices and performance has somewhat consistently revealed a significant relationship, some recent debates have emerged regarding the value of different approaches to studying this phenomenon. Debates have arisen regarding the proper sources for gaining the most valid reports of HR practice measures, the proper level of analysis and proximity of performance measures, and the timing of measurement.

Narayan and Rangnekar (2008) found that both organizational climate and HR climate along with job involvement was significantly influenced the managerial effectiveness. They measured organizational climate variables as Results, Rewards and Interpersonal relations, Organizational process, Role clarity and problem sharing and HR climate variables as Experimentation, Trust, Openness, Facilitation, Transparency and Reward system. The job involvement was measured as identification with the job and job centricity.

Venu Gopal (2008) General Secretary, All Indian insurance Employees Association rid the demand for 40% wage hike is quite justified, as both LIC and GIC had the capacity to pay “and the operative expenses of LIC are the lowest in Industry at 5.54% against 23.111% of private companies.” He said salaries of LIC staff were much lower in comparison to wages of the private insurance companies’ staff. However, there is not much attrition and only 4-5% of the LIC staff is leaving jobs to join private companies. The demand for wage hike is therefore quite reasonable. Even internationally, the accepted norm is that 6% of the premium income be allocated to salaries of the staff and LIC was only paying 4.6% or so, he explained.
Subhash C. Kundu, Divya Malhan (2009) studied that competitive advantage of a company can be generated from human resources (HR) and company performance is influenced by a set of effective HRM practices. In this study, researcher intended to assess the HR practices in insurance companies. Primary data based on 218 respondents from four insurance companies (two multinational-branches and two Indian-7 branches) were analyzed to assess HR practices being practiced by insurance companies in India. Six factors from factor analysis were further analyzed. ‘Training and benefits’ was found highly in practice in the insurance companies. Further, ‘performance appraisal,’ ‘selection and socialization of employees,’ and ‘HR planning and recruitment’ were moderately practiced in insurance companies. ‘Workforce diversity and contemporary HR practices’ and ‘competitive compensation’ were also practiced to some extent. Anova results showed that Indian companies did not practice workforce diversity. Compensation practices were found more competitive or performance based in Multinational insurance companies than in Indian ones. The gender effect showed that only competitive compensation was perceived significantly differently by male and female employees/executives. Interactive effects were significant on workforce diversity and contemporary issues, training and benefits, and selection and socialization of employees.

Subrahmanian, Anjani (2010) found that in Automobile Industries, the counseling is basically given for helping and supporting the employees, who have been reported for reasons such as behavioral changes, poor attitude, lack of interest in work, high absenteeism, alcoholism, job miss, increased accidents and reduced production. The counseling is provided by the respective Section Heads, IR Coordinators to the specific employees who show the sign of misconduct. According to the study, manufacturing and automobile industries face serious issues amidst their
employees, which arises due to various reasons and have a direct impact on the productivity, which is considered as a loss to both organization and individual. Taking into account the affecting factor of the above said reasons, counseling is considered to be a vital procedure that has to be given weight age and studied. Descriptive research design has been adopted in this study. A total of 200 NEX employees from various automobile industries were selected for the study in Chennai City.

Subrahmanian, Anjani (2010) found that the success of any organization is highly dependent on how it attracts recruits, motivates, and retains its workforce. Today's organizations need to be more flexible so that they are equipped to develop their workforce and enjoy their commitment. Therefore, organizations are required to adopt a strategy to improve the employees 'quality of work life' (QWL) to satisfy both the organizational objectives and employee needs. This article reviews the meaning of QWL, analyses constructs of QWL based on models and past research from the perspective of Textile and Engineering employees in Coimbatore District of Tamil Nadu. The Constructs of QWL discussed are Job satisfaction, Compensation, Human Relation, Working Condition, Grievance, competency development, Stress and well-being. The article concludes that QWL from the perspective of Textile and Engineering employees is challenging both to the individuals and organizations.

Anil Kumar Singh (2010) found that this study is in the light of the liberal global Indian economy that has led to a competitive environment. In a changing scenario of the global business environment with a highly competitive market economy, the HRM practices and organization culture will provide an edge to an organization. This study revealed that the HRM practices and organizational culture are strong predictors of the managerial effectiveness of the public sector organizations surveyed. This study was based on the framework that the HRM practices shape the
pattern of interactions between and among the managers and employees. Further, the organizations generally organize human resource practices that are consistent with their organization culture (Osteman 1987). This study clearly indicates that the HRM practices along with organization culture play a significant role and affect the managerial effectiveness of the organization. Training and development, self-realization, career management and socio-economic support were strong prerequisite of managerial effectiveness in the public sector organizations. The findings of this study are indeed significant for the HR practitioners. However, these results cannot be generalized considering the size of the sample, but they show a definite direction. Human resource management practices are a potentially powerful lever for shaping the culture of the organization and along with the organization culture; they are a strong predictors of managerial effectiveness.

Vikas Agarwal (2011) found that Human Resource is the most vital resources for the reason that is the only resource which has got brain. Even the computer brain which has been developed has human brain behind it. Development is a systematic process of learning and growth by which managerial personnel gain and apply knowledge, skills, attitudes and insight to manage the work in their organization effectively and efficiently. Present study emphasis the attitude of employees towards Training and Development programmes affect their performance. To achieve this objective primary data is collected with the help of questionnaires as well as Interview method. The questionnaires were filled up by 100 employees. In this research paper the hypothesis taken up for conducting the research was true and training and development programmes adopted by LIC help in improving employee’s performance. The result derived from this survey proved that the hypothesis taken up for conducting the research was true and training and development programmes adopted by LIC help in improving employee’s performance and simultaneously fulfill organizational objectives.
Employee Productivity (EP)

Arthur (1992) identified significant relationship between HRM practices and steel mills performance. These authors, by their studies suggested that proper implementation of HRM practices increased organizational performance manifold. However, linkage amongst HRM practices, employee performance and organizational performance needs to be tested by researchers.

Peter Hosie, Nick Forster & Peter Sevastos (2004). Today’s market place and companies in every industry are packed with competitors. This, in turn, has a negative effect on the health and comfort of workers. This results as an issue of high cost to business (MacDonald, 2005). The present state of social system poses many problems for the working class, like balance between work, family and life satisfaction. This situation demands effective implementation of HRM practices (Cooper & Robertson, 2001).

The workforce as a competitive weapon now has become a necessity for every organization. Edgar & Geare (2005) found that work related attitude of employees was the function of a number of HRM practices. Furthermore they conclude that HRM practices had the potential to yield the greatest performance outcome for both, employee and employer. Managers who helped employees’ progress in their careers and encouraged their professional development, supported subordinates through professional development by providing feedback about performance were likely to stimulate employee performance. They also argued that investments in human capital development could result in effective and positive results in the performance of the firm, so each company should understand the link between HRM and employee satisfaction (Wan, 2007).
Datta et al. (2005) include two primary perspectives; a universal approach and a contingency approach have been used to model the link between the HRM and firm effectiveness. Those using the universal approach have posed a positive relationship between ‘Best practice’ HRM and firm performance. In contrast, the contingency model has proposed the extent (or even direction) of the effect of the HRM on the firm performance will depend on the firm’s environmental conditions. This study also observed significant contingency effects, with industry characteristics influencing the degree of the high performance of the HRM practices impact on labour productivity.

Huselid (1995), who examined the relationship between HR practices and corporate turnover, profitability and market value. He surveyed senior HR executives in a sample of 968 publicly traded corporations in the US regarding the percentage of employees who were covered by a set of HR practices generally considered representative of a high-performance work system (HPWS). After controlling for a number of variables, he found that his HR index was significantly related to the gross rate of return on assets (a measure of profitability) and Tobin’s Q (the ratio of the market value of a firm to its book value). This study provided the foundation for much of the research that followed. He also stressed on importance of training as complement of selection practices through which the organizational culture and employee behavior can be aligned to produce positive results.

Guest (2001) found investments in HRM practices benefit employees and proper use of HRM practice resulted in increasing the level of commitment of employees. He further elaborated that HRM was only concerned with the effective utilization of employees. Research exploring the relationship between HRM practice and positive employee attitudes showed a strong association (Guest & Conway, 2002).
Wan et al. (2002) examined the relationship between HRM practices and firm performance. HRM practices were creating a positive effect on organizational outcome. Results calculated through regression suggested that effective implementation of key HRM practices increased organizational performance. Hierarchical regression results reflected a possibility that different aspects of performance could be effected by different HRM variables. For companies promoting financial performance, the performance appraisal appeared to be the most important issue to tackle. While the companies interested in enhancing HR performance emphasized the need for empowerment and training.

Deepak et al. (2003) concluded that organizational performance and competitiveness could be enhanced by using the high performance work system. Based on universalistic and contingency approach they conducted regression analysis and found the value of \((r = .189,)\) which is significant at \((p < .05)\). It has been identified that relative use of HRM practices displayed stronger association with organizational performance. Supporting the same arguments (Arthur, 1994) found that steel mills using HRM had higher productivity levels.

Daniels (2006) describes that people look for jobs in an organization that match with their personality, and provide motivators that meet their needs. In this respect, key HRM practices like, work life balance and satisfaction etc, have become of great importance for both employees and organizations. As a result employers have embraced the issue of creating an acceptable work life balance for employees through flexibility and introducing a wide range of working patterns to fit the needs of the workforce. Flexibility relates to different aspects, work timings and work place HRM practices are getting importance because companies are trying hard to survive. They cannot perform successfully if their employees are not in an excellent state of health and wellbeing (MacDonald, 2005).
Baptiste (2007) drew findings from his research study that, the implementation of HRM practices would promote commitment, trust, support and positive relationship. By promoting employee wellbeing at work at all levels, within an organization, the managers can contribute to develop a workforce which is more committed, satisfied with jobs, has work-life balance and is more positive towards enhanced performance, reduced absenteeism and turnover. A multitude of studies examined the relationships between HRM practices and firm performance. But, research of employee performance and HR policies is relatively not to a great extent explored in literature. Human Resource activities are often recognized as playing an essential role.

Adnan Riaz1 & Dr. Jameel Qazi (2007) this study was conducted to investigate the impact of HRM practices on perceived organizational performance. Total six HRM practices such as training, performance appraisal, job definition, compensation, selection, career planning, were taken as independent variables while perceived organizational performance as dependent variable. Through questionnaire survey a response of 223 employees working in different telecom organizations were collected, which showed that HRM practices are being implemented and the key contributor to the enhanced organizational performance in the telecom sector while training and selection were found significantly related with perceived organizational performance. Managerial implications and conclusions are presented based upon these results.

A.A. Katou (2008) the purpose of this paper is to measure the impact of HRM on organizational performance in the context of Greece. Data were collected from 178 organizations using a questionnaire survey in the Greek manufacturing sector, and analyzed using the ‘structural equation modeling’ methodology. The results indicated
that the relationship between HRM policies (resourcing and development, compensation and incentives, involvement and job design) and organizational performance is partially mediated through HRM outcomes (skills, attitudes, behaviour), and it is influenced by business strategies (cost, quality, innovation). Thus, the contribution of this study for academics and practitioners is that HRM policies associated with business strategies will affect organizational performance through HRM outcomes.

Seeck & Parzefall (2008) demonstrates that an active role played by employees in constructing employment relationships, rather than simply responding to employer behavior, are not often considered in the highly management centered perspective. HRM practices enable companies to gain a competitive advantage. Effective Human Resource Management enhances the ability of organizations to attract and retain quality employees, who can be motivated to perform. This result in greater profitability, low employee turnover, high product quality, lower production costs, and more rapid acceptance & implementation of corporate strategy, particularly when competitors do not have the right people such practice can create a number of competitive advantages for the organization.

Shahzad et al. (2008) posted three significantly positive relationships of HRM practices i.e., compensation (M = 3.26, r = .44), promotion practices (M = 3.32, r = .56), and performance evaluation (M = 3.17, r = .15) with employee performance. He conducted longitudinal study on 12 organizations and discovered clear evidence of association between positive attitudes towards HRM policies, practices and operational performance. The results indicated that HRM is a vital element in linking people management practices to business performance.
Aguinis (2009) described that “the definition of performance does not include the results of an employee’s behavior, but only the behaviors themselves.

Performance is about behaviour or what employees do, not about what employees produce or the outcomes of their work”. Perceived employee performance represents the general belief of the employee about his behavior and contributions in the success of organization. Employee performance may be taken in the perspective of three factors which makes possible to perform better than others, determinants of performance may be such as “declarative knowledge”, “procedural knowledge” and “motivation”. HR practices have positive impact on performance of individuals.

Karunesh Saxena & Pankaj Tiwari (2009) the study of HR climate is very important for all the organization and the banking sector is not an exception, especially in the present situation of financial recession. The present study is an attempt to find out the type of HR climate that is prevailing in public sector banks in Ahmedabad. The researchers have also tried to find out the difference in the perception of employees regarding HR climate on the basis of age, gender, designation, qualification. The researcher collected the data from the employees of selected public sector banks using structured HR climate questionnaire. The data were analyzed using several statistical tools such as mean, standard deviation, percentiles, Z test. The result shown that the HR climate in public sector banks is average and the perception of employees regarding the HR climate does not differs significantly on the basis of gender, qualification and designation but it differs significantly on the basis of age . The paper ends by offering useful suggestions to the management involved in the operations of the banks.
Budhwar et al. (2010) using correlation identified that there is a significantly positive relationship between different HRM practices, compensation and employee involvement with organizational performance. Katou (2008) Identified significantly positive correlation of HRM practices namely selection (r = .73), training (r = .76), performance appraisal (r = .75), compensation (r = .84) and participation (r = .89) with organizational performance.

Shikha N. Khera (2010) This study is an attempt to investigate the extent to which Commercial Banks of India differ on aspects of human resource management practices and the key Human Resource Practices contributing to employee productivity from a sample of 184 respondents from three commercial banks of India (one foreign sector, one private sector and one public sector bank). The results of this study strongly support the research question as there is significant relation of employee productivity with human resource practices including selection, employee benefits, compensation, training and staffing practices.

Sohrab Ahmadi and Khurram Shahzad (2011) this study investigated the impact of three HR practices on the perceived performance of university teachers in AJK. Responses from113 respondents were used to analyze the impact of selected HR practices (compensation, performance evaluation, and promotion practices) on the employee’s performance. Pearson correlation and regression have been used to find the association among variables and impact of three independent variables on the dependant variable of perceived performance of university teachers. The result of the study showed that the compensation practices in relation to the employees’ performance are significantly positively correlated whereas the performance evaluation and promotion practices have insignificant relationship with the performance of university teachers in AJK Pakistan. Adjusted R2 depicts the model
that the independent variables explaining 6.1% of variation in the performance of university teachers. P value is 0.019, which depicts the significance of the model. This implies that if we enhance compensation then the performance of university teachers will go up.

Ajay Solkhe & Nirmala Chaudhary (2011) the present study attempts to analyze and determine the relationship, further the impact of HR Climate, OCTAPACE Culture on Job Satisfaction as an Organizational Performance measure in the selected public sector enterprise. The study is based on the responses sought from 71 executives from various departments and different hierarchical levels of a public sector undertaking located in North India. and the findings indicate that HR Climate has a definite impact on Job Satisfaction which in turn leads to the increased organizational performance. The analysis showed that there exists a positive relationship between different components of HR Climate and Job satisfaction. The correlation coefficient was .734 (General Climate), .693 (JHR Mechanisms) and .695 (OCTAPAC Culture) respectively. This proves that HRC is a contributing factor to increase the level of job satisfaction of the employees.

To attract, retain and add to shareholder value innovative Human Resource Management practices are required to be implemented. In today’s knowledge organizations where value is locked in the heads of the work force, best HR practices only can ensure continued success of business organizations. In developing economies like ours, best Human Resource practices are a recent phenomenon.

Most of the firms follow Human Resource practices to the level of compliance of the law of the land. Human resources are the source of achieving competitive advantage because of its capability to convert the other resources (money, machine, methods and material) in to output (product/service). The competitor can imitate other resources like technology and capital but the human resource are unique.
Human resource management (HRM) refers to the policies and practices involved in carrying out the ‘human resource (HR)’ aspects of a management position including human resource planning, job analysis, recruitment, selection, orientation, compensation, performance appraisal, training and development and labor relations.

HRM is composed of the policies, practices and systems that influence employees’ behavior, attitude and performance. The presumed link between individual performance and organizational performance has been well established in business literature. Aware of such a fact, organizations have been in a state of constant search for leverages of employee performance.

The leverages are the factors that promote or enhance the level of employee effort and activities related to his/her work, which ultimately improve organizational performance. The search for the leverages or factors that enhance employee performance has always been a big concern for industrialists and researchers. Taylor's prescriptions which looked for the 'one best way' of production attached to a reward package which enabled 'economic man' to maximize income were an early attempt to couple employee motivation with productivity and output.

Aguinis regard HRM as “involving all management decisions that affect the relationship between the organization and employees, its human resources”. Human resource management (HRM) practices, in any firm, are a moderator among the strategy and policies of HRM and HRM outcome. HRM practices include job analysis, orientation, performance appraisal, human resource planning, labour relations, selection, recruitment, compensation and training and development.
HR practices and job satisfaction are studied widely in different parts of the world. It is assumed that HR practices are closely associated with job satisfaction. Because many scholars and practitioners believe that sound HR practices result in better level of job satisfaction which ultimately improves organizational performance.

Some researchers focus on the overall job satisfaction or even life satisfaction of employees [9] whereas some others underline a variety of satisfaction facets such as satisfaction with pay, promotion, supervisor, or co-workers.

**Employee Satisfaction:**

Employee satisfaction is a “function of the perceived relationship between what one wants from one’s job and what one perceives it as offering” on the other hand, mentions that employee satisfaction is positively correlated with motivation, job involvement, organizational citizenship behavior, organizational commitment, life satisfaction, mental health and job performance and negatively related to absenteeism, turnover and perceived stress and identify it as the degree to which a person feels satisfied by his/her job. Cranny, *et. al*, (1992) suggests that employee satisfaction encompasses a lot of different facets.

Rousseau (1978) identified three components of employee satisfaction: they are characteristics of the organization, job task factors and personal characteristics. Personal characteristics can be regarded as non-work factors of job satisfaction. The most referred definition of job satisfaction was offered by Locke (1976) who defined job satisfaction as a pleasing or positive emotional state resulting from the evaluation of a person’s job.
Employee Performance:

According to Mac Duffie (1995), there are basically three types of employee performance data available, which include qualitative (customer complaints, number of errors) or quantitative (customers served, units produced), measures of time (absence, lost working time, lateness and failure to meet deadlines) and financial indicators that consists of a large array of possibilities. Researchers should be aware of the range of types of data that might be collected to indicate performance, including “the „hard? measures, followed by behavior, followed by reports or ratings”

For this study, the measures for employee performance will be adopted from established empirical studies linking HRM practices and employee performance. Human resource management researchers and practitioners have increasingly stressed the utility of HRM in meeting the strategic goals of the organization. Organizations that invest in "best" HRM practices often increase firm productivity and profitability.

Theoretical evidence on the relationship of HR practices with organizational effectiveness indicates that HR practices influence employee attitudes, behaviors, perceptions, organizational climate and other HR performance measures which lead to organizational effectiveness. It is clear that, HR practices and innovations therein, impact both organizational outcomes as well as the employee outcomes. However, empirical evidence on the mediating role of employee commitment and other employee attitudes such as job satisfaction etc. between HR practices and organizational effectiveness is still not forthcoming.

The significance of human resources (HR) as the greatest asset of a business enterprise has increased since Human Resources constitute an organization's intangible, irreplaceable and, un-imitable resources. This being so, the effective
management of human capital, not physical capital, may be the ultimate determinant of organizational performance. The impact of human resource management (HRM) policies and practices on employee performance is an important topic in the fields of human resource management, industrial relations and industrial and organizational psychology.

An increasing body of work contains the argument that the use of High Performance Work Practices, including comprehensive employee recruitment and selection procedures, incentive compensation and performance management systems and extensive employee involvement and training, can improve the knowledge, skills and abilities of a firm's current and potential employees, increase their motivation, reduce shirking and enhance retention of quality employees while encouraging nonperformers to leave the firm.

The contribution of even a highly skilled and motivated workforce will be limited if jobs are structured, or programmed, in such a way that employees, who presumably know their work better than anyone else, do not have the opportunity to use their skills and abilities to design new and better ways of performing their roles. Brady (1990) proposes that utilitarianism and formalism be viewed as two sides to ethical theory that can be applied to ethical decisions in a business setting.

Strategic human resource scholars have argued that companies can effectively influence the interactions, behaviors and motivation of employees through different human resource (HR) practices. In this regard, two HR practice alternatives have emerged in the literature: transaction-based HR practices, which emphasize individual short-term exchange relationships and commitment-based HR practices, which focus on mutual, long-term exchange relationships.
To that end, a growing body of evidence suggests that commitment-based HR practices are more positively related to firm performance than are practices that are transaction-based. For example, researchers have found a positive relationship between more commitment-based HR practices and firm performance in manufacturing firms, in service organizations and in a diversified sample of businesses. Although the specific HR practices applied vary across studies, companies following a commitment-based approach implement practices that collectively demonstrate a long-term investment in their employees.

The literature suggests that commitment-based HR practices create an organizational social climate that motivates employees to act in the best interests of their firm rather than only in their individual self-interest. This view closely matches the perspective of research on strategic human resource management (SHRM), which suggests that commitment-based HR practices affect firm performance by creating an organizational environment that elicits employee behaviors and capabilities that contribute to firm competitive advantage.

Some initial empirical research suggests that positive employee relations affect firm performance by creating positive employee attitudes. Studies (e.g. Burke and Day, 1986) indicate that training positively influences the level of performance of managers. Similarly, Bartel (1994) found that investment in training boosts employee morale and increases performance. In general, training allows employees to acquire greater competencies that are needed to perform their jobs efficiently and effectively.
Selection:

The HR work system includes tight division of labor and narrowly designed and specialized jobs. In such a system, limited employee participation exists and personnel policy specifies detailed rules concerning career progression and compensation. One of the clearest expositions of this theme was given by Schuler and Jackson (1987). In their model, HRM is viewed as a menu of strategic choices to be made by HR executives intended to promote the most effective role behaviors that are consistent with the organization strategy and are aligned with each other.

The model has built on the generic competitive strategies outlined by Porter (1980) - i.e., quality enhancement, innovation and cost leadership or reduction. For each strategy, Schuler and Jackson developed a set of ‘needed role behaviors’ which vary across a number of dimensions and then recommended a set of human resource practices that are needed to bring about these behaviors.

In the simplest terms, they must either improve efficiency or contribute to revenue growth. Human resources, both as labor and as a business function, have traditionally been viewed as a cost to be minimized and a potential source of efficiency gains. Very seldom have HR decisions been considered a source of value creation. This new strategic role for HR has attracted interest in the subject beyond the traditionally narrower boundaries of human resource research.

Reflecting this multidisciplinary interest, the mechanisms by which human resource decisions create and sustain value are complicated and not well understood. Early efforts, such as utility analysis, sought to quantify the dollar value of improvements in employee selection and other human resource activities.
Performance Appraisal:

Research has also found that employees develop more positive attitudes when they receive favorable outcomes. For example, the level of extrinsic rewards (e.g., amount of pay) employees receive has been found to be negatively related to turnover levels.

The level of social rewards individuals receive has also been found to positively influence job attitudes. For instance, the level of social support individuals receive from coworkers has been shown to positively influence their job satisfaction [36]. Management's attempt to implement a classic control system for reducing labor costs by unilaterally increasing performance standards and maintaining wages and benefits is likely to be met by strong resistance from a unionized work force. Resistance in the form of strikes, high grievance rates and adversarial labor relations has been found to be extremely costly to firms in terms of productivity and quality.

Companies can influence employees' perceptions of the fairness and favorability of pay in their workplace by developing "a written reward strategy that asserts the importance of fair, non-discriminatory pay" and by training managers to be as open and honest as possible when communicating information about rewards.

Employee Participation:

HR professionals must focus on continuous innovation by responding positively to new ideas and constantly keeping track of new trends. Innovative HR interventions, designed to ensure that people respond spontaneously to the critical demand of the organizations, have tremendous potential to build healthy and successful organization. Today, the organizations that simply follow the traditional approaches to managing people, obsessed with the in-place HR systems that they have, appear to be destined to perform at a mediocre level or worse.
Organizational support is defined as "the extent to which employees perceived that the organization valued their contribution and cared about their well-being". The support that is provided by the organization is directly related to employees' performance. Employees exchange their genuine effort for greater care, concern and support they received from their organization. Similarly, DeCotiis and Summers (1987) reported that when employees were treated with consideration, they displayed greater levels of commitment.

**Career Planning:**

Some studies have revealed that developing a sense of justice on employees can increase satisfaction, commitment, effort and performance. According to Chatterjee and Pearson (2000), HR practitioners currently espouse practices that are in keeping with individual wants as well as the firms' requirements.

The logic that the human resource policies and practices of the firm have implications for the creation of competitive advantage by providing the organization with a unique source of talent that is difficult to replicate has been prevalent for many years. This view has been recognized and followed up by academics and practitioners. For example, Bailey (1993) argued that human talent is often 'under-utilized' and that organizational efforts to elicit discretionary effort from employees are likely to provide a source of competitive advantage that cannot be easily replicated by competitors.

Internal labour markets that provide an opportunity for employees to advance within a firm, and team-based production systems are all forms of work organization that have been argued to positively affect firm performance. In addition, it has been argued that the provision of job security encourages employees to work harder. HRM practices have a positive "main effect" on firm-level outcomes.
Compensation:

Industrialists and researchers have been in constant search for the factors that affect employee performance. In his early attempt, Taylor had suggested prescriptions which looked for the 'one best way' of production attached to a reward package which enabled 'economic man' to maximize income in return for his/her great effort. This was an early attempt to couple employee motivation with productivity and output.

Intrinsic paybacks, in terms of rewards and compensation, do enhance the employees' in-role performance to some degree. However, when organizations set goals of improving their effectiveness, as well as efficiency, it requires that its members take up extra role activities and perform them to the best of their abilities. Extra role performance by the employees is an indicator of positive individual contribution to overall organizational effectiveness.

Altarawmneh and Al-Kilani (2010) state that “employees are motivated when there are financial rewards directly tied to their performance”. Fulmer (2003) investigate the association between compensation and work performance and found positive association between them. Compensation has a significant correlation with worker performance outcomes.

Moreover, a significantly positive relationship has been identified by Teseema and Soeters (2006) between compensation practices and employee performance. An examination of the literature on gender differences in pay raises suggests two different reasons why women may receive higher raises than men. Reduced stereotyping is one possible reason for women receiving higher pay raises. Specifically, Gerhart (1990) suggested that women had lower base pay, but higher pay increases, due to differences in the amount of information available to the decision-maker.
As Tosi and Einbender (1985) argued, when managers have limited information about job performance or capabilities, they tend to make stereotypical judgments.

**Job Definition:**

Current trends of HR practices suggest that HR managers are more customer-oriented. For example, HR practitioners view coworkers as internal customers and outsiders as external customers. This suggests that the contemporary HRM viewpoint is consistent with the definition of organizational culture where employees strive towards internal integration and external adaptation.

Romero (2004) indicated that the organizations that are traditionally looked upon as great places to work are also better performers. Consequently, an increasing priority is being placed upon high performance work systems (HPWS)... The acceptance of HPWS by firms in India suggests that at present organizations are concerned with developing and putting into practice such selection procedures, performance management methods and employee development programmes that are consistent with the firms' general strategic and cultural focus.

Guest (2002) has argued that the Impact of HRM on performance depends upon worker’s response to HRM practices, so the impact will move in direction of the perception of HRM practices by the employee. Wood (1999) and Guest (2002) has stressed that a competent, committed and highly involved work force is the one required for best implementation of business strategy. Hustled (1995) have found that the effectiveness of employees will depend on impact of HRM on behavior of the employees.
Patterson et al (1997) while discussing impact of people management practices on business performance has argued that HR practices in selection and training influence performance by providing appropriate skills. Their research has found that Practices have powerful impact on performance even if measured as productivity.

Huselid (1995) stressed that by adopting best practices in selection, inflow of best quality of skill set will be inducted adding value to skills inventory of the organization. He also stressed on importance of training as complement of selection practices through which the organizational culture and employee behavior can be aligned to produce positive results.

Cooke (2000) has included efficiency and effectiveness as ingredients of performance apart from competitiveness and productivity. S (he) further argued that training is the tool to develop knowledge and skills as means of increasing individual’s performance (efficiency and effectiveness). Singh (2004), whose observations are more relevant in our cultural context, argues that compensation is a behavior aligning mechanism of employees with business strategy of the firm.

Career planning is a tool that aligns strategy with future HR needs and encourages employee to strive for his personal development (William et al, 1996). By increasing employee participation, the firm will benefit from increase in productivity of the employee due to increased commitment of the employee. Financial participation schemes were more beneficial for the organizations than the associated cost (Summers & Hyman, 2005). Use of best HR practices shows a stronger association with firm’s productivity in high growth industry (Datta et al, 2003).

Wright et al (2003) have argued that an employee will exert discretionary effort if proper performance management system is in place and is supported by
compensation system linked with the performance management system. Job definition is combination of job description and job specification. It clearly outlines duties, responsibilities, working conditions and expected skills of an individual performing that job (Qureshi M Tahir, 2006).

Ichniowski (1995) while observing productivity of steel workers have found that complementary HR practice System effects workers performance. Majority of previous research has verified significant relationship between HR practices and Employee Outcomes (Sels, 2006)Collins (2005) in a research of similar nature targeting small business have found that effective HR practices impact employee outcomes significantly (employee outcomes used by them were different than ours).

Cohen et al. (1997) had summarized problems of HR in developing countries: low levels of salary, deficiency of useful performance values, lack of ability to fire people, small number of incentives for excellent performance, employment measures that do not catch the attention of properly skilled people, promotion guidelines based more on seniority than on actual performance of employees, deliberate promotion and lack of compensation against hard work, deficient and uncomforting management by supervisors and lack of motivating tasks.

Budhwar and Debrah (2001) revealed that many developing countries face unintentional barriers in the way of development due to outdated and unproductive human resource management (HRM) systems. In recent times, the major focus on HRM writing has been to elaborate the significance of efficiently administrating human resources of enterprises (Ahmad and Schroeder, 2003; Delaney and Huselid, 1996; Ichniowski et al., 1997).
Many researchers have recognized numerous HR organizing practices that significantly influence performance. Pfeffer (1994) supported the employ of sixteen HRM-related implementations to attain better performance. Delery and Doty (1996) classified seven human resource interconnected practices.

Most of researchers have resulted that cluster of HR practices had significant effect on performance than those individual practices functioning in segregation (Arthur, 1994; Baron and Kreps, 1999; Huselid, 1995; MacDuffie, 1995). In other words, an effective employment of those particular practices fallout in high performance transversely all nature of organizations or state. As will be explained, in this study, researchers” utilize three HR practices that they presume influence employee performance.

Paauwe (1998) and Guest (1997) found that performance is a comprehensive and multipart observable fact. Tessema and Soeters (2006) have conducted study on eight HR practices consist of staffing and assortment procedures, selection practices, guidance, reward, promotion, and employees’ performance, complaint procedure and allowance or social security in relative with the perceived performance of employees. Qureshi et al. (2006) conducted research related to Pakistan regarding impact of human resource practices on organizational performance and concluded that HR practice system influence business performance through outcomes of employees.

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Promotion constantly go with a remuneration increase, either it is made within a grade or to the superior grade. A continuous procedure, which totally relies on the span of service and professional “competency”, is accepted at the moment of promotion to higher step in the job within a grade promotion. Tessema and Soeters (2006) concluded that there is a positive association between promotion practices and employee performance.