CHAPTER- 2
REVIEW OF LITERATURE

2.1 INTRODUCTION

This chapter gives an in-depth and extensive review on existing literature derived out of the studies on the importance of SHRM and its possible impact on employee performance. An effort has been made to review the relevant literature through various sources, i.e., research papers, articles and other materials published in journals, theses available offline and online. Some of the relevant part of literature reviewed is presented as follows in this chapter.

2.2 STRATEGIC HUMAN RESOURCE MANAGEMENT

The SHRM literature is extensive, with the emergence of the body of knowledge beginning to amass during the mid-1980s. Numerous collections of literature provide an overview of the topic, highlighting the growing importance of SHRM and attempting to expand the existing literature Mabey, Salaman and Storey (1998). Jackson and Schuler (1995) brought together a broad range of literature that has great relevance to the SHRM debate and, in particular, this study. This body of literature focuses on the importance of HR evolving toward a more business-oriented focal point and gaining a strategic perspective. As Lawler (1995) pointed out, “all too often, the personnel function adds value primarily through the performance of administrative activities.” Mohrman and Lawler (1999) posed a particularly relevant point by highlighting the view that “the role of business partner is emerging in large part because the issues of organizational performance and HRM are inextricably intertwined. Although processes are being automated, in most companies there has not yet been a major reinvention of the way in which the HR department functions.” Gratton et al. (1999) provided a wealth of in-depth information that aims to uncover the reality of HRM in a number of high profile organizations. Of most relevance to this discussion is their notion to discover “the link between intended business strategy, intended HR strategy, and realized HR interventions” Gratton et al. (1999). The literature found very little evidence of sophisticated HRM practice, even though many HR directors express an
understanding of the need to “match the management of people with the overall strategic direction of the organization” Gratton et al. (1999).

One of the most compelling issues in the SHRM literature is that no single definition or conceptual framework of SHRM emerges as a viable standard in the field. Wright and McMahan (1992) viewed it as “the pattern of planned HR deployments and activities intended to enable the firm to achieve its goals.” Others, such as Schuler (1992) and Craft (1988), placed more emphasis on the interaction or alignment between HRM and the business plan, viewing it as “the set of priorities a firm uses to align available or potentially available resources and its personnel policies and programs with its strategic business plan” Craft (1988). According to Wright and McMahan (1992), competing definitions can have the effect of blurring the distinction between HRM and SHRM. This can cause confusion over whether it is possible, or even necessary, to differentiate between the two concepts. Indeed, what is ultimately realized is that SHRM is a complex idea with a broad range of relevant, though often polarized frameworks and themes. Underlying the notion of SHRM and in line with the resource-based view of the firm is the notion that people are a source of competitive advantage Barney, 1991, 1995; Pfeffer (1994, 1997). Gaining competitive advantage depends on effectively utilizing the firm’s inimitable resources. According to Huselid and Becker (1996), since the “traditional sources of competitive advantage (quality, technology, and economies of scale) have become easier to imitate” there is now an emphasis on the importance of intangible skills, knowledge and the aptitudes of the workforce. There is, therefore, a business case for investing in people because doing so can have an impact on organizational performance Guest (1999); Thompson, (1998); Patterson et al. (1997). It is relevant to the SHRM argument because it emphasizes the importance and financial benefits of linking people management with the strategy and goals of the organization. Competitive advantage can be gained by achieving strategic fit between resource and opportunities and obtaining added value from the effective deployment of resources. Despite the growing interest in HRM by management scholars and the increasing rigor applied to research on this topic, HRM as a theoretical concept is still in its relative infancy Kharti and Budhwar, (2002); Martell & Carroll (1995). Ferris and King (1991) noted that “historically, scientific inquiry in HRM has been decidedly micro-oriented, tending to adopt a psychological perspective...
and proceeding at the individual level of analysis.” While suggestions have been made that adopting an organizational perspective might help to effectively advance theory and research in HRM, there has been little attempt to provide a critical evaluation and integration of such work.

One glaring inadequacy of the field is the lack of a strong theoretical basis for viewing the HRM function within the larger organization Mahoney and Deckop (1986).

This inadequacy extends to the area of SHRM. Perhaps it is not too surprising given the theoretical linkages with the ambiguous nature of the concept business strategy Dyer (1984). As previously illustrated, there is very little agreement among researchers about the definition of SHRM. Although the vast majority of these conceptual models and frameworks have been used in past research to identify linkages between HR practices and business strategy, certain themes have emerged from past research with enough regularity to begin developing a comprehensive model of SHRM. Due to the applied nature of SHRM, it is very important that the field use theoretical models that allow for both understanding and predicting the effects of HR practices on organizational outcomes Wright & McMahan (1992).

Many writers in the field have adopted a systems perspective, which incorporates HRM within broader organizational systems, affected both by external and internal considerations which alters our perspective about what constitutes effective human resource management Milkovich et al. (1984). This section draws from the HRM literature to analyze the theoretical and systems issues, and provides a holistic conceptualization of SHRM based on the principles of internal contingency Galbraith and Nathanson, (1978).

In the early years of its existence, the Personnel Department had a simple operational role with the primary responsibilities of storing personnel data and providing information to management and executives as needed. With increases in government legislation and the rise of unionization, personnel executives began to take on a managerial role in the mid 1900s. They were responsible for the administration of employment procedures and complying with legal requirements
Fombrun (1984). During this time, the personnel function gained organizational legitimacy and over the next two decades took on more responsibility for strategic implementation.

It was in the broader context of a global recession with increasing competition and scarcity—and a professional, highly educated, and abundant labor supply—that the modern corporation began to address better management of human resources. Since the early 1980s, the personnel function has taken on a strategic role, increasingly participating in decision making with line management Fombrun (1984). With the renaming of Personnel Departments as Human Resource Departments, HRM entered a new stage of development, being transformed from an organizational stepchild to a “premier force in the organization's ability to survive and grow” Nkomo (1984). In their new roles, HR professionals began to take a more active role in the “front end” of business planning and assumed a proactive stance in promoting strategic thinking in the human resources area.

This new approach differs from the traditional approach to HRM in at least four characteristics Dyer and Heyer, (1988): (1) top management takes an active part in formulating the functional strategy; (2) it has a longer term, strategic focus concerned about the organizational rather than individual outcomes; (3) it uses an integrative decision making framework instead of treating each activity in relative isolation; and (4) line managers are responsible for decision making with personnel playing a support role.

Strategic integration is a central feature in this conceptualization of HRM Guest, (1990); Teo, (2000), but evidence indicates that such integration may not be widely prevalent Golden and Ramanujam (1985). Strategic integration can be defined as the ability of the organization to integrate HRM issues into its strategic plans, and ensure that the various aspects of HRM cohere and provide for line managers to incorporate an HRM perspective into their decision making. Essentially, integration focuses on the link or dialogue between HR professionals and those responsible for developing and implementing business planning, while partnership focuses more on the actions of HR professionals. It follows that, in an effort to carry out HR processes that impact business objectives through strategic partnership, a link is required–herein strategic
integration—between HR and those responsible for business planning. This idea of strategic integration is supported by Teo (2000) asserting that the role of the people management function played an important part in ensuring an upward shift in the strategic integration.

Golden and Ramanujam (1985) noted four phases of strategic integration. The first phase, labeled “administrative linkage,” depicts the traditional role of the HR function. There is little support for greater integration between HRM and SBP because senior management regards HRM as primarily a paperwork function Golden and Ramanujam (1985).

In the second phase, one-way linkage, a sequential relationship exists between HRM and strategic planners. When the dominant direction is from SBP to HRM, HR primarily reacts or responds to established objectives rather than assisting in their formulation. The notion of matching managers to strategy Gupta (1986); Thomas, Litschert and Ramaswamy (1991) and designing compensation programs to match the corporate strategic orientation Balkin and Gomez-Mejia (1987); Hambrick and Snow (1989) indicates the importance of a business orientation for the HR function.

A reciprocal and interdependent relationship between HRM and SBP occurs in the third phase, “two-way linkage” Golden and Ramanujam (1985). At this stage of strategic integration development, the HR function begins to gain the respect of line management and exercises significant influence on strategy formulation. Management attitudes regarding human resources change and, as described by Golden and Ramanujam (1985), management “believes them to be an essential and key success factor in the business.” Of the ten firms studied, four were categorized as being in this phase and another four exhibited characteristics of the “one-way linkage” phase.

The final phase is the “integrative linkage” phase, which describes a dynamic, multifaceted linkage that is “based on an interactive instead of a reciprocal relationship” Golden and Ramanujam (1985). Participating in an interactive relationship with other senior management enables the HR executive to be considered a team member, and the HR executive has the
opportunity to impact the organization over the long term. It should be noted that only one firm among the ten interviewed was categorized as being in this phase.

Some researchers have claimed that the popularity of such terms as “human resource management” and “strategic human resource management” are the result of efforts by personnel executives to seek power within the corporation in view of the decline in unionization and legal compliance requirements Ferris and Judge (1991); Guest (1990). However, there is also evidence to suggest that the desire to integrate HR activities with operational activities is driven by external forces. As Fombrun (1984) pointed out, “in addressing some of the fundamental environmental demands for participation, the motivation of professionals, and the frustrations of competition, the strategic management of human resources is a concern that is likely to remain and spread through successive layers of organizations in the years ahead.”

According to Wright & McMahan (1992), “Although many theories have explained the relationship between HRM and performance outcomes, the leading theory currently used by researchers studying SHRM is the resource based view. The resource based view proposes that competitive advantage comes from the internal resources that it possessed by an organization.” Wernerfelt (1984) advocated the idea that internal resources of an organization can lead to competitive advantage was a significant retreat from former views of strategy which concentrated on the view that the external environment and other such factors as industry, competitors and customers. The Resource Based View gives a theoretical description of how the HR of an organization could contribute to performance and competitive advantage. Few other researchers had explained the concept of the Resource Based View previously also.

Barney (1991) congealed its submission to Strategic Human Resource Management research by delineating how organization’s resources contribute to the sustained competitive advantage of the organization. Resources that are treasured, unusual, unique and non-substitutable will lead to gaining a competitive advantage. If the human resources of a firm meet the desired criteria, they will contribute to gain the competitive advantage of the firm by providing them with a valuable
resource which cannot be easily replicated by competitors. This elevates the question as to which characteristic of the human resources within an organization constitutes a resource.

According to Wright, McMahan, and McWilliams (1994) “It is the actual human resources or human capital of a firm that constitute the resource leading to competitive advantage. From their view, HR practices or HR systems could easily be duplicated (or imitated) by other firms and only the knowledge skills and abilities possessed by individuals within a firm would meet the criteria outlined by Barney (1991)”.

Lado and Wilson (1994) on the other hand took an alternative point of view arguing that HR practices combined into an overall HR system can be unique and difficult to imitate and constitute a resource meeting the conditions necessary for sustained competitive advantage. While both views seem to be accepted in the literature, most SHRM researchers using RBV as its theoretical framework have focused on the HR system or overarching HR philosophy as a resource functioning to develop the human capital of the firm Boxall (1998). In addressing the criticisms of Wright, McMahan and McWilliams (1994) that HRM practices or systems could be easily duplicated by competitors and thus could not be a source of sustained competitive advantage, Becker and Gerhart (1996) outlined two different reasons why HR systems of successful firms could not be easily duplicated. First, causal ambiguity implies that the exact manner in which human resource management contributes to the competitive advantage of the firm is either unknown or sufficiently ambiguous so as to be difficult or impossible to imitate.

According to Becker and Gerhart (1996), the ability to replicate a successful HR system would require an understanding of how all of the elements of this complex system interact, an understanding which is still elusive to HR researchers and practitioners alike. Second, the path dependency of HR systems makes their understanding and replication extremely difficult if not impossible. HR systems are developed over time. Take for example a single HR practice such as the use of a variable pay system for management compensation. The development and implementation of this single HR practice takes place over time including time to solicit management input and buy-in, work out discrepancies, and align the practice with current
strategies as well as firm culture and needs. The end result would be a practice that reflects the philosophies and culture of the firm and its management created to solve the specific needs of the organization. Compound that single HR practice with a whole system of practices each with its own history and evolution specific to a particular firm, its philosophies and current situation and you have an HR system that cannot be bought or easily replicated without a significant investment both of time and financial resources. The RBV with its focus on the internal resources possessed by a firm has given the field a theoretical understanding of why human resource systems might lead to sustained competitive advantage. The application of the RBV in SHRM research has allowed the SHRM field to move away from individual HR functional areas and practices to focus more on the HR system and how this system of HR practices or philosophies contributes to competitive advantage. This in turn has opened the door for further development of the field by answering questions about HRM and firm performance such as whether the relationship between HRM and performance is causal and if so, by what mechanisms does HR lead to performance or what variables might moderate that relationship? These questions built around the RBV are questions that the field of SHRM is currently attempting to address.

Singhal, N. et al. (2012) explores corporate concern for sustainable development from economic perspective considering different industries such as banking and finance, IT industry, manufacturing sector, power sector, shipping industry, real estate sector, and insurance sector.

2.3 DEFINITIONS OF STRATEGIC HUMAN RESOURCE MANAGEMENT

Numerous definitions of SHRM have ascended over the past several years. A collection of definitions of SHRM is presented in Table 2.1, which divulges substantial disagreement among academicians as to what establishes SHRM. While some definitions clearly advocate a reactive role for HRM. Craft (1988); Miller (1987), others perceive a reciprocal or fully integrated relationship between HR and Business strategy. However, these authors agree that these
definitions include the subsystems that compose the HRM functions - staffing, training and development, performance appraisal, rewards and industrial labor relations.

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<th>Authors</th>
<th>Study</th>
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<tr>
<td>Beer, Spector, Lawrence, Quinn, Mills &amp; Walton (1984)</td>
<td>“The development of all aspects of an organizational context so that they will encourage and direct managerial behavior with regard to people”</td>
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<td>Craft (1988)</td>
<td>“The set of priorities a firm uses to align available or potentially available resources and its personnel policies and programs with its strategic business plan”</td>
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<td>Dyer (1983)</td>
<td>“The pattern that emerges from a stream of important decisions about the management of human resources, especially those decision that indicate management’s major goals and the means that (are) used to pursue them”</td>
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<td>Miller (1987)</td>
<td>“Those decisions and actions which concern the management of employees at all levels in the business and which are related to the implementation of strategies directed toward creating and sustaining competitive advantage”</td>
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<td>Schuler (1992)</td>
<td>“A set of processes and activities to ensure that HR management is fully integrated with the strategy and strategic needs of the firm, and those HR policies cohere both across policy areas and across hierarchies.”</td>
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<td>Schuler &amp; Walker (1990)</td>
<td>“A set of processes and activities jointly shared by human resources and line managers to solve people-related business problems”</td>
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<td>Wright &amp; McMahan (1992)</td>
<td>“The pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals”</td>
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Based on Hofer and Schendel’s (1978) work on defining the boundaries of the strategy construct, De Bejar and Milkovich (1986) identified HR strategy as comprising four distinct components: domain scope, resource deployments, synergy and competitive advantage. In the strategic management literature, it is now believed that synergy and competitive advantage are the result of competitive scope and resource allocation decisions (Chrisman, Hofer & Boulton, 1988). Importing evidence from strategic management, it can be argued that HR strategy may be captured by its scope (organizational level and target group) and resource deployment decisions.

Acknowledging that strategy making is not a completely rational process and that strategic intentions need not always translate to realized strategy, Mintzberg (1978) offered a macro definition of strategy that has become well accepted among researchers. He suggested that
strategy is a “pattern in a stream of decisions about an organization’s possible future domains.” Dyer (1983) extended Mintzberg’s definition to SHRM and included the consideration of goals and means in defining HR strategy. His macro definition will be utilized in this research: “SHRM is a pattern in a stream of major and minor decisions regarding the acquisition, allocation, utilization and development of human resources, especially decisions concerning HR goods and the means chosen to attain them.”

In comparison to all other models, the resource-based view best fits the conceptualization of SHRM advanced in this dissertation. This conception of SHRM serves as the guiding framework for all organizational members in their people-related dealings. Consistency in strategic choice regarding HRM subsystems is expected to result in competitive advantage similar to the way in which the resource-based view predicts that effective utilization of resources available to the company can lead to superior performance. However, the competitive advantage is retained only until other firms discover the causal relationship between firm level factors like human resources or technology and performance. Similarly, new arrangements with employees may provide competitive advantage for a period of time before other competitors attempt to duplicate the innovation. Due to imperfect imitability Barney, (1986); Lippman & Rumelt (1982), they may not challenge the competitive advantage of the first firm.

According to Armstrong and Baron (2006), Buchanan (1987) and Steven (1998) suggested the high performance HR practices as drivers for corporate performance. According to their analysis SHRPMS can impact corporate performance when management clearly defines its operating procedures i.e. what it needs in the methods of working and the results expected from their introduction. This helps employees understand their roles (role clarity). Management then sets goals and standards for success which are clearly communicated to all employees. Management then allows decision making to be devolved to those closest to the customer so as constantly to renew and improve the offer to customers. People capacities are developed through learning at all levels, with particular emphasis on self-management and team capabilities to enable the support of performance improvement and organizational potential. Performance, operational and people management processes are aligned to organizational objectives to build trust, enthusiasm
and commitment to the direction taken by the organization. This high performance HR strategy impacts corporate performance.

According to Pil and McDuffie (1999), although the existence of universal best HR practice may be denied, there are a number of lists of good or high performance people management practices which have been used to demonstrate the relationship between practice and performance. Researchers such as Pil and McDuffie (1999), argue that SHRM can positively impact organizational performance where there is high employee involvement. Employees must be members of multi-disciplinary work teams that are empowered to make decisions about working process in order to achieve their objectives. Employee involvement activities and problem solving groups are at the center of the organization. Such teams have a higher degree of job rotation which helps in the multi skilling of employees hence increasing their effectiveness.

Guest (1997) has written that, at present the studies report a promising association between HRM and outcomes, but not yet in a position to assert the cause and effect. However, he suggested that the expectancy theory of motivation provides a possible basis for developing a more coherent rationale about the link between HRM practices and performance. He cites remarks by MacDuffie (1995), as indicating an approach close to expectancy theory as follows: “Innovative human resource practices are likely to contribute to improved economic performance only when three conditions are met i.e. when employees possess knowledge and skills that managers lack; when employees are motivated to apply this skill and knowledge through discretionary effort; and when the firm’s business or production strategy can only be achieved when employees contribute such discretionary effort. Guest (1997), comments that expectancy theory proposes that high performance at individual level depends on high motivation plus the necessary skills and abilities and an appropriate role.

2.4 MODELS OF STRATEGIC HUMAN RESOURCE MANAGEMENT

Several researchers attempted to introduce a strategic perspective by establishing the link between specific HRM practices and organizational strategies. Table 2.2 summarizes some major
contributions made by this stream of research. Fewer studies have considered training and appraisal issues under the strategic perspective.

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<th>Author(s)</th>
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<td>Kerr (1982)</td>
<td>“In a study of 20 firms, performance evaluation systems varied systematically with diversification strategies. The process of diversification has a stronger effect on evaluation that does the degree of diversity. The author concludes that an organization’s control process, and thus its evaluation system, does not remain static but evolves over time.”</td>
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<td>Olian &amp; Rynes (1984)</td>
<td>“Using a 5-stage model of staffing—choice of selection criteria, selection of recruitment method, development of marketing strategy, choice of selection techniques and final decision—coupled with Miles and Snow (1978) typology, they developed tentative propositions about the likely compatibility of certain staffing practices with organizational strategy.”</td>
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<td>Schneider &amp; Konz (1989)</td>
<td>“Defining strategic job analysis as the specification of the tasks to be performed and the knowledge, skills and abilities required for effective performance for a job as it is predicted to exist in the future, they outline the steps involved to conduct the proposed “multi-method job analysis.””</td>
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<td>Slocum, Cron, Hansen &amp; Rawlings (1985)</td>
<td>“Based on their study of effective and ineffective plateaued salespersons in a Defender and an Analyzer (Miles and Snow, 1978) firm, they found that the strategic type had a significant effect on the incidence of plateauing and on the performance of the plateaued person.”</td>
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<td>Sonnenfeld &amp; Peiperl (1988)</td>
<td>“Realizing the need for a strategic focus in HRM research, they proposed a four-cell typology of career systems with assignment flow and supply flow as the two orthogonal dimensions. Their typology of Baseball Teams, Clubs, Academics, and Fortresses corresponds to Miles and Snow’s (1978) Prospectors, Defenders, Analyzers and Reactors.”</td>
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<td>Sutton &amp; Louis (1987)</td>
<td>“Recruiting and interviewing job applicants can be a valuable form of environmental scanning; regardless of whether the interviewing firm reevaluates its own strategic direction as a result of this information, it could nonetheless incorporate that knowledge into its external environmental data base.”</td>
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SHRM influences the employees which in turn effect the operations which would then in turn influence financial performance and further organizational performance.
Mak and Akhtar (2003) and Dyer (1984) asserted, the litmus test is whether or not human resource management strategy produces superior outcomes than the alternatives in a given organizational setting. Most research, as articulated earlier, has focused on establishing the differences in HRM practice across different strategic contexts. Based on the review of literature reported previously, two important weaknesses of extant research have been identified: (1) Past research has failed to answer the “what if (there is a match between business strategy and HR practices)?” question, while they seem to attempt to find answers to questions like “When (integration is necessary)?” or How (to integrated HR strategy with organizational strategy)?” and (2) While there is agreement about the need to study the performance implications of internal consistency within the HRM system, no study has yet attempted to test this important proposition.

2.5 HRM PRACTICES AND EMPLOYEE PERFORMANCE

The ultimate goal of a business organization is higher financial performance or maximisation of wealth for stakeholders, Becker and Huselid (1998); Horngren, Foster and Datar (2000). Nonetheless, attaining the organization’s goals depends upon the extent to which its organizational performance is reached Katou and Budhwar (2007). Organizational performance is generally indicated by effectiveness (whether an organization can achieve its objectives), efficiency (whether an organization uses resources properly), satisfaction of employees and customers, innovation, quality of products or services, and ability to maintain a unique human pool Delaney and Huselid (1996); Dyer & Reeves (1995); Guest (2001); Katou and Budhwar (2007).

There is broad agreement that strategic human resource management (SHRM) has made great strides for a few years. Several factors as economic, technological and demographic changes contributed to it while pushing companies to reconsider the place of HR, as well as to carry out a change of their mode of management and especially of their HRM practices. Weakening institutional constraints also contributed to the development of HR flexible practices.
Historically, the field of human resource management has been concerned with the study of specific HR functional areas often categorized as selection, training, appraisal and compensation by the field of industrial and organizational psychology Boxall and Purcell (2001). Past research involved the study of these specific HR functional areas as means and ends within themselves. For example, training was studied in isolation from other functions with an emphasis on the inputs processes and outputs or outcomes specific to the training function. Not much research attention was given to how training might work in combination with other HRM functions such as compensation or selection or how individual level HR functions might impact firm level performance. This focus on specific HR functional areas led to knowledge about specific HR functions evolving in isolation from each other without much coordination between different functional areas Wright & McManan, (1992). The rise of the concept of strategy and strategic management Miles and Snow (1984); Porter (1985) created an increased interest in how firms can position themselves strategically to compete. This was followed closely by an increased interest in how HRM might contribute to that process Wright and McManan (1992).

Initial studies addressing HRM and its relationship to business strategies continued to focus on specific HRM functional areas such as compensation and its individual impact on the accomplishment of business strategy. The findings from these initial studies suggested that HRM functions such as training or compensation could be aligned with firm strategy and proper alignment between these individual HRM functional areas and strategy contributed to sustainable competitive advantage Schuler and Jackson (1987); Miles & Snow (1984). Russel, Terborg and Powers (1985), for example, examined human resource training at an organizational level and linked training to organizational performance. While this research addressed the issue of individual HR practices and performance as well as aligning specific HR practices with strategy, it did not address the alignment of individual HR practices with each other or the impact of the entire HRM system on firm performance.

Traditionally, HRM function was in charge of primarily administrative management of human resources, controlling them to minimize their costs. Partisans of SHRM disagree with this vision. They consider that human capital is a resource in which it is necessary to invest by mobilizing a
set of strategic practices. These practices contribute to attract, to develop and to retain the 
competences that improve firm performance.

Researchers in the field of strategic human resource management (SHRM) have increasingly 
relied on the resource-based view of the firm to explain the role of human resource practices in 
firm performance. Indeed, theoretical research on SHRM has suggested that systems of HR 
practices may lead to higher firm performance and be sources of sustained competitive 
advantage because these systems of practices are often unique, causally ambiguous, and difficult 
to imitate. However, HR practices can only be a source of sustained competitive advantage when 
they support resources or competencies that provide value to a firm. Thus, Wright, Snell, and 
their colleagues, e.g., Snell, Youndt, and Wright (1996); Wright et al. (2001) have argued that 
SHRM research should identify resources that are critical for advantage in a given competitive 
context and the HR practices to build and support these resources.

Research on SHRM suggests that HR practices can enhance firm performance when they are 
internally aligned with one another to manage employees in a manner that leads to competitive 
advantage Delery and Doty (1996). Further, the appropriateness of a set of HR practices may 
depend on the competency that a firm is trying to develop.

Huselid found that strategic HRM has positive correlation with firm performance, while 
technical HRM effectiveness was found not to have any correlation. SHRM helps attain 
competitive advantage, Chew and Sharma (2005). Researchers mostly agree that HRM systems, 
rather than single HRM practices have an impact on organizational outcomes. Researchers in this 
stream posit that firms should create a high degree of internal consistency among their HR 
activities for better results. At the same time, there are several studies supporting the thesis that 
the fit between HRM and other functional areas helps in enhancing organizational performance. 
Coordination with line managers in HR issues helps in improving organizational performance. 
Since its emergence, the field of SHRM has advanced rapidly. To date, it has drawn on multiple 
theoretical perspectives and has provided an important body of empirical results. It continues to 
play an important role in the current HRM debate, and there is consensus that it has the potential
to do so in the future. HR departments and programs have become an element of the firm's profit equation to be minimized as a cost and maximized as a value-adding component of firm strategy. SHRM can play a vital role in making HR activities a profit centre for organization and aim its policies.

Wright and McMahan (1992) defined strategic human resource management as “the pattern of planned human resource deployments and activities intended to enable the firm to achieve its goals” (1992). There are two assumptions implied in this definition. First, organizations are able to impact firm level outcomes through their human resource management and second, it is the combination or system of HRM activities working in concert rather than single practices that defines the ability of HRM to impact the firm at a strategic level.

Although there has been some criticism, past and emerging research in SHRM indicates that human resource management does indeed have an impact on firm as well as other levels of outcomes. An increasing number of studies have found significant relationships between various measures of human resource management and performance. Measures of HRM that have been used in these studies include: high performance and high involvement work systems Huselid, (1995); Batt, (2002); Arthur (1994), HR orientation Snell & Youn dt, (1995); Welbourne and Cyr (1999), Work life balance: Perry-Smith & Blum (2000); Konrad & Mangel (2000) and single HR practices: Shaw, Gupta, and Delery (2002); Gerhart and Milkovich (1990). Delery and Doty, (1996) argued that it was likely that the effect of HRM on performance was contingent on the existence of another variable or variables such as strategy Youn dt, Snell, Dean and Lepak (1996); Delery and Doty (1996). Global competition, technological advances, shortening of the business cycle as well as the shift from a manufacturing to a knowledge based economy have all influenced the business community in its search for sources of sustained competitive advantage Dyer and Reeves (1995). These changes put pressure on organizations to find new sources of competitive advantage. Employees and the systems of practices that are set up to manage them are increasingly seen as a source of this competitive advantage Wright, Dunford, and Snell (2001).
The systematic studies that linked HRM practices and performance were published by a number of authors some of them are Gerhart and Milkovich (1992); Arthur (1994); Huselid (1995); MacDuffie (1995) and Guest (1997). Thereafter a large number of researches were conducted on different sectors of different countries. Most of the researches showed significant impact of HRM practices on employee’s performance. Employee performance is directly linked with performance of the organization. The successful organizations consider the HRM practices as a crucial factor that directly affects the employee’s performance. Boselie et al. (2005) stated that in 104 research studies, HRM was taken as a set of employee management practices. Delery and Doty (1996) described seven HRM practices that are relevant to overall organizational performance. Pfeffer (1994) argues that organizations must hire skilled and capable employees in order to be successful in today’s global environment. Actual HR practices are applied by line managers on a daily basis that positively impact employee’s perception about HRM practices applied to them Purcell and Kinnie (2007). The successful implementation or failure of HRM practices depends on the skills of the managers Guest (2011).

Guest (2002) has demonstrated that the Impact of HRM on performance depends upon response of worker towards HRM practices, so the impact will move in direction of the perception of employees by practicing HRM. Ghebregiorgis and Karstan (2007) said that the perception of the employees provide broader evaluation of HRM systems. He also evaluated a positive picture of HRM practices including recruitment and selection, training and development and compensation. Qureshi et al. (2007) concluded that HR practices are positively correlated with employee’s performance.

Huselid (1995) have argued that the impact of HRM on behavior of the employees results in the effectiveness of the employees. Patterson et al. (1997) has explained that HR practices in selection and training effects the performance of the employee provided appropriate skills. Verbeeten (2008) suggested that quality and quantity performance is positively associated with clear and measurable goals; incentives are also positively related with the performance. Medlin & Green (2009) has stated that goal setting, employee engagement and high level of workplace optimism collectively improves the performance of an individual of an organization. Lyons
(2006) explained that involvement of team member in designing of training for team leader improves leader knowledge, skills learning and performance.

HRM practices as a concept have been defined by different scholars in many ways. Schuler and Jackson (1987) defined HRM practices as the organizational activities directed at managing the employees and ensuring that these resources (employees) are utilized towards the attaining organizational goals. Similarly, Delery and Doty (1996) conceptualized HRM practices as set of policies and practices specifically designed and executed to ensure that organizations’ employees (human capital) contribute toward the attainment of organizational objectives. Simply put, building on the above definitions, HRM practices comprises set of specific practices, philosophies and formal policies, designed by organizations to attract, motivate, develop, and retain human resource (employees) for effective functioning of the organization.

HRM practices are a process of attracting, motivating, and retaining employees to ensure the survival of the organization Schuler and Jackson (1987). HRM practices are designed and implemented in such a way that human capital plays a significant role in achieving the goals of the organization, Delery and Doty (1996). The appropriate use of HRM practices positively influence the level of employer and employee commitment Purcell (2003). HRM practices such as, training and development, performance appraisal encourage the employees to work better in order to increase the organizational performance Snell and Dean (1992); Pfeffer (1998).

Human resource management (HRM) as a discipline has developed through various stages over the last 20 years or so. HRM has shifted from being viewed as a cost centre responsible for plugging parts into positions, to the viewing of human resources as being individually important assets and vital sources of revenue and profit. Recently, the dominant focus on HRM literature has been to demonstrate the importance of effectively managing the human resources within organizations, Ahmad & Schroeder (2003); Ichniowski et al. (1997).

Storey (1995) defines HRM as a distinctive approach to employment management which seeks to obtain competitive advantage through the deployment of a highly committed and skilled
workforce, using an array of techniques. Several scholars have noted that managing people is more difficult than managing technology or capital Barney (1991); Lado and Wilson(1994).

Furthermore, Pfeffer (1998) reported that approximately half of all executives, at that time, believed that human resources really mattered and, of this group, only half of these executives actually acted upon their beliefs. At least part of these beliefs can be attributed to the fact that investments in human resources (such as training sessions and incentive programmes) can be highly visible, while the return on these investments is much more difficult to measure. Researchers interested in HRM have spent considerable amounts of time and energy attempting to understand exactly how much, and under what conditions, different investments in HRM enhance employee performance. HRM can help organizations improve their organizational behavior in such areas as staff commitment, competency and flexibility, which in turn leads to improved employee performance, Koch and McGrath (1996).

A number of researchers have reported that HR practices are positively linked with organizational and employee performance Wright et al. (2003); Tessema and Soeters(2006); Park, et al.(2003). Most of these studies were conducted in the private sector, but research on the contribution of HRM to support these developments in the public sector has been scarce Gould Williams (2003). The lack of research conducted in public sector organizations seems to suggest that improving organizational performance is not seen as being of strategic importance to public organizations. The question still left unanswered is the extent to which HRM practices influence human capital or specifically, employees’ performance in other contexts, Katou and Budhwar (2006).

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 behavior or what employees do, not about what employees produce or the outcomes of their work”. Furthermore, it was also found that work related employee attitude was the function of a number of HRM practices; they concluded that HRM practices had the potential to yield the greatest performance outcome for both the employee and employer.
Accordingly Porter and Lawler (1968), performance can be divided into three types. Firstly, it concerns the measurement of the rates of production and the number of sales during a certain period of time. The second type of performance measurement and evaluation includes the evaluation of individuals by someone other than the person who is being considered in the performance; this type of measurement will be used in this research. The third type of performance measurement and evaluation is self-evaluation. HR practices have positive impacts on the performances of individuals.

Huselid (1995) argues that the effectiveness of transfer on the behavior of employees is as a result of human resource management, which also proves to have a positive association. Furthermore, Tessema and Soeters (2006) carried out a study on eight HR practices and concluded that these HR practices had positive and significant associations with the performance of employees.

In order to develop a sound HRM system, the organization should have effective HRM practices. HRM practices refer to organizational activities that are directed at managing the pool of human resources while also ensuring that the resources are employed towards the fulfillment of organizational goals Schueler & Jackson (1987); Wright & Snell (1991). HRM practices may differ from one organization to another and from one country to another. Several attempts have been made, from time to time, by different researchers to identify the different types of HRM practices in the different sectors. Many researchers have identified significant relationships between HRM practices and employee performance.

An example is Horgan (2003), who studied HRM systems and their effect on the performance of employees; they found that performance was indeed affected by various HRM measures. Literature relevant to HRM practices and employees’ performance has identified different factors which have a direct impact on employee performance. There are a number of HRM practices that could be tested in connection with employee performance. To reiterate, Tessema and Soeters (2006) studied eight HR practices and their relationship with perceived employee performance.
These eight practices include: recruitment and selection practices, placement practices, training practices, compensation practices, employee performance evaluation practices, promotion practices, grievance procedures, and pension or social security practices. Moreover, Huselid (1995) used eleven HRM practices in his study, specifically: personnel selection, performance appraisal, incentive compensation, job design, grievance procedures, information sharing, attitude assessment, labor management participation, recruitment efforts, employee training, and promotion criteria. He found a significant relationship between high work practices such as compensation and employee outcomes.

In a different study, Wright, Garden & Moynihan (2003) used survey questions and identified four domains of HR practices: selection and staffing, training, pay for performance, and participation. Furthermore, Baloch et al. (2010) found the following three HRM practices: promotion, performance evaluation and compensation practices, to have a significant impact on perceived employee performance in the banking industry in NWFP Pakistan. Recently in the study conducted by Soomro, Gilal & Jatoi (2011), it was found that some HRM practices (including: training, selection, career planning, employee participation, job definition, compensation, and performance appraisal) were positively correlated with employee performance.

2.5.1 SELECTION

Cunningham, I. (1999) and Lynch & Smith (2010) recommend that Recruitment and Selection is the process facilitating the evaluation of staff at initial level. Recruitment and Selection is an important and extensive process, carried out for, identifying, attracting the appropriate candidates and then making a selection in order to meet the job requirements in an organization. Qureshi & Ramay (2006) state “HR practices are positively correlated with employee’s performance whereas selection and training is more affecting the performance rather than other practices.”

Chand & Katou (2007) have demonstrated through their study that implementation of recruitment and selection, as a part of HR system, has a strong correlation with the profitability
of an organization and suggested that the decision makers in an organization must attend the importance of recruitment and selection as an HRM practice in order to ensure an improved organisational profits. Stewart & Carson (1997) suggest “recruitment practices of the organization must be consistent and coherent with HRM functions like human resource development, pay, benefits and business strategy of the organization.”

O’Meara & Petzall (2009) in their findings about job analysis concluded that in a survey research it was confirmed by the respondents that job analysis has a particular role including competence knowledge and experience, undertaken by the HR executives. Job analysis confirms a perfect fit between suitable candidates and the organization. The questions asked by the expert panel in the interview during the process of selection, on the basis of set criteria of selection. Hsu & Leat (2000) have revealed in their study “line managers participated more in the final selection decisions than was indicated for the staffing process as a whole.”

Heraty & Morley (1998) stated “the staffing is something which cannot be done lonely, involvement of HR specialist and line management is essential to complete it. Zhu & Dowling (2002) line managers could help to achieve a better fit between job and the candidate by selecting the required candidate for positions in respective departments.”

Wickrama Singhe, (2007) explained “it is necessary to have jab analysis information as it helped to short list the candidate list and to conduct interview. It is observed that if the description and person specification is not available then it is responsibility of the relevant department to prepare that document with the help of HR department, staffing activities cannot be commenced without any reference to document. Line managers are involved in final selection of the candidate and HR planning at the department level, while HR staff is more interested and involved in matters like policy making, recruiting candidates and their early screening processes.”

Marques (2007) enhancing knowledge of the workforce and required skills may be assisted by the involvement of HR department in the process of hiring, it also helps in identifying the upgradation of skill which are required for the workforce. Such involvement also creates a unity
among the workforce through a synergy effect by developing good communication, as a result, negotiations take place in a more constructive way and positive environment that creates further positive effect positive the workforce quality.

The selection process is a sequence of precise steps that are used to make decisions about the hiring of staff, Werther (1996). Identification of the right candidate, with the required skills to perform the job and to achieve organizational performance, is the output required of the sophisticated selection systems, this signals the importance of HRM to the organization Pfeffer (1994). Importantly, a mismatch between the person and the job can slow down performance, Lado & Wilson (1994); whereas, a sophisticated selection system can ensure a better fit between the person’s abilities and the organization’s requirements.

2.5.2 PERFORMANCE APPRAISAL

A systematic way to evaluate the performance of an employee in his assigned tasks is known as Performance appraisal. The process of performance appraisal in an organisation has an overriding purpose of increasing motivation and raising the self-esteem of its employees. Ahmad and Schroeder (2003) state the key to organization’s success relates to the willingness of employees to play extra role. Selset al. (2003) stated “performance evaluation increase the employee’s productivity that in turn increases organizational performance. Performance appraisal enhances professional growth by pointing out the area of performance enhancement.” Singh (2004) adds “Transparent performance evaluation motivates employees to work more in order to achieve the organizational objectives.” Wan et al. (2002) also reported “merit based performance appraisal increase employee’s motivation and commitment that has a significant effect on organizational performance.” In a firm, the satisfied employees take it towards reduction in turnover and absenteeism.

According to Hardik Shah and Vinay Sharma (2007), most of the employees of BPO sector believe that the organization has fair appraisal system. It has also been found that people are satisfied with the PMS but they also believe that their linkage with incentives and career progression needs to be improved. They stated that it is often helpful to monitor the employees in
regular manner so that organizations can match their performance and satisfaction levels. It has been felt that such concerns which are directly affecting the performance of individuals in BPO sector must be addressed carefully and effectively which in turn brings the higher levels of job satisfaction with higher levels of individual output for the organizations.

Francis and Kleiner (1994) and Boice & Kleiner (1997) conclude “Employee evaluations, also known as performance appraisals are crucial for the operations of the organization as well as the advancement of the employees. Rating the employees is necessary as it helps to identify the people for the leading positions in the organization. To acknowledge employee, a proper work review of the employees must be done which further helps to reward them when appropriate. The implementation of the performance appraisal system is a complicated and difficult job because it requires an accurate and fair appraisal of an employee’s performance.”

According to Brown et al. (2010) “Performance appraisals are the basic element of human resource management; many HR decisions are totally based on the results of the appraisal.”

Kelly et al. (2008) studied and found that over eighty percent of the respondents are in desire of the appraisal system along with forty five percent respondents indicates that appraisal system needs to improve. Fairness and clarity of the appraisal system is compulsory which results in satisfaction, improvement in performance, motivation and positive perception towards performance bonuses.

Satpathy, I. et al. (2011) who identified the relationship of emotional intelligence and work performance of executives. It was found that the performance appraisal process of banks itself need evaluation. High EQ is necessary for better performance in the banking sector. But, high EQ cannot be the only requirement for good performance in the job. However, will definitely reflect in dealing with the customers in day to day life.

Ubeda and Almada (2007) While implementing performance appraisal system to appraise the competencies of each employee, it is important to notify that which skills, knowledge and
attitudes should be developed so that there is a substantial improvement in the process of the organization and jobs and tasks as well. Feedback from the employees if well managed helps not only in identifying the individual competencies required for the job, but also in sharing professional growth with innovation and competitiveness. Caruth & Humphreys (2008) to evaluate the performance of the employee remember to use only those factors that relates with the job rather than personality characteristics and general traits.

Boice and Kleiner, (1997) report “effective appraisal system helps to produce committed and motivated employees. It is important to be effective, accurate record keeping, clearly defined measurement system and frequent review of performance. Objectives must be defined with full consultation of the employee and supervisor which helps in direct communication between them.”

### 2.5.3 TRAINING

Training is an organized approach that empowers employees to gain knowledge and skills in order to accomplish their tasks effectively with the subsequent improvement in the behavior (Armstrong, 2006). Training contributes positively towards organizational success and growth. Training refers to the approach used to develop skills in the employees required to execute the job (Dessler, 2008). Most organizations considered training and development as an important aspect of the HR activity. Training can be used as an instrument to escalate employee’s performance by improving knowledge and skills. Training can be defined as an attempt to develop added competencies required today or in future so as to increase the level of employee’s performance (Jackson and Schuler, 2000). Training can also be used as an instrument to increase effectiveness and efficiency of employees in order to increase organizational performance (Cook and Hunsaker, 2001). Extensive training programs are conducted by employers to improve the employee’s performance in order to gain competitive advantage (Brown, 2005). Training programs play an important role in achieving organizational goals (Dobson and Tosh, 1998).
desired change can be achieved in employees performance by providing them proper training (Huselid, 1995).

Latham (1988) defined training & development as “the systematic process of acquiring and development of the knowledge, skills, and attitudes that are required by the employees to adequately perform a given task or job or to improve performance in their job environment”. Training allows employees to initiates the development of new skills and behaviors coupled with the motivation to apply those skills and behaviors in their task and contextual activities at work (Sels, 2002; Way, 2002). Prior research has demonstrated the influence of training on employee performance (Jagero, Komba, & Mlingi, 2012; Nadarasa, 2013; Tabiu & Nura, 2013; Tiwari, 2011). Extant empirical research has shown that training had a significant positive relation with employee performance (Amin et al., 2013; Khan & Jabbar, 2013; Sultana et al., 2012). In addition, the study conducted by Dysvik and Kuvaaas (2008), established that training opportunities is positively significant with both task performance and contextual performance in Norwegian service organizations.

Tzafrir (2005), Training is a vital element in creating the human capital. Capitalizing in training programs can make the employees feel obliged to the company. Training is essential for the employees to accomplish particular tasks because job involves particular skills and knowledge by which it would be easier for the employees to achieve their desired objectives. Qureshi et al (2007) concluded that Training is a human resource practice which has a positive impact on the performance of the employees as a highly positive correlation is found in the study between training and performance. According to Danviladel Valle et al (2009), “Training provides employees with the skills, abilities and knowledge required by the post. Organizations takes keen interest in investing in training for the employees and giving them confidence and intends to count on them in future, it helps the employees to make more effort and give their best at their work in an effective way.”

Jayawarna et al (2007). Formal training is more effective than informal training and is significantly linked with performance. According to Denby (2010), “Training is a continuous
process, one that is constantly refreshed and renewed according to the needs and requirements of the individuals along with encouragement to revisit the contents after the training. Training needs varies from industry to industry so one cannot be sure that the particular industry or the organization should conduct training every year, semi-annually or quarterly.”

Wilson & Western (2000) stated that occasionally training plans are same for the succeeding year which may demonstrates that probable needs required to perform a job are not addressed by the manager and the employee and as well. Type of trainer is completely dependent on the nature of the training as external trainers bring diverse knowledge of multi-corporate environment to share with trainees and internal trainers as well. So it is beneficial for them to gain knowledge to make jobs easier and effective.

Human resources are a crucial but expensive resource and therefore in order to sustain economic and effective performance of this resource, it is important to optimize their contribution to the achievement of the aims and objectives of the organization through training and development. Training is therefore necessary to ensure an adequate supply of employees that are technically and socially competent for both departmental and management positions. (Mullins, 2007)

According to Heathfield (2012), the right employee training, development and education at the right time, provides big payoffs for the organization in increase productivity, knowledge, loyalty and contribution.

According to Ivancevich (2010), training and development is a process that attempts to provide employees with information, skills and understanding of the organization and its goals. Additionally training and development aids an employee to continue to make the necessary positive contribution to the success of employing organization in terms of his / her good performance on the job. To start this whole process is orientation and socialization of employees into the organization.
Cole (1997) says further that training and development is faced by every organization, even though the quality and intensity of the training carried out may from one organization to another. He goes on to list the factors that tend to influence the quality and quantity of the training and development activities of various organizations as follows:

1. That the degree of change in the external environment e.g. technology, legislation and so on has influence on training and development.
2. That degree of internal change e.g. new processes, new markets, new competitors, has an effect
3. The availability of suitable skills within the existing workforce
4. Adaptability of existing workforce
5. The extent to which the organization supports the idea of internal career development
6. The commitment of senior management to training as an essential part of economic success
7. The extent to which management sees training as a motivating factor in work and finally
8. Knowledge and skills of those responsible for carrying out the training

While in some organizations there are no plans and systems in respect to training and development, others have training and development policy that are document and hence goes through the cycle of identifying training needs, design training activities, facilitate training and measure or evaluate training results. According to Dessler (2008), even when employees are carefully selected, it does not still guarantee totally acceptable performance from the employees. This is because while the potential of an employee to perform is one thing, performing is another and therefore an employee with a high potential to perform may not still perform his job if he does not go through training and development. This is why training of newly employed starts with organizational orientation.

Cole (2004), postulates that human resources are the most dynamic of all the organization’s resources and therefore they need considerable attention from the organization’s management, if the it human resource are to realize their full potential in their work.
Training and development activities just as most other activities in an organization depended on the policies and strategies of the organization. An organization with a well-organized training would refer to it as “systematic training” which is why job descriptions are inevitable during the recruitment and selection process. Furthermore, in establishing what training and development needs an organization has must start with a job description and later performance appraisal.

According to Taylor (1998), for the successful creation of an organizational culture managements make sure that the employees have the appropriate outlook and the required set of attitudes. This further leads credence for the need for training and development of employees’ right from new employees through orientation to current employees who from time to time need modification of attitude to remain in line with the culture of the organization.

2.5.4 COMPENSATION

A process through which the work performed by a worker is equated with the money value is called compensation. Compensation which includes the Basic Pay, HRA, Travel Allowance, Medical Allowance, Overtime, Bonuses, Stock Options, Commissions, and Profit Sharing etc. may be used for recruiting and retaining skilled people, rewarding the performing employees, encouraging the loyalty by reducing turnover. A study conducted by Hay recently pointed out that twenty percent of the employees plan to switch in at least five years from the current assignments. Reducing and maintaining the employee retention became more serious aspect of organizational life as the implementing the retention compensation strategies have been significantly prevalent over the past several years.

Frye (2004) conducted a study which shows that there exists a positive relationship between compensation and organization performance. Frye (2004) reported “compensation strategies play an important role in recruiting and retaining skilled employees.” Collins and Clark (2003) emphasise “Most of the firms used Performance-based compensation to reward employees.” Brown et al. (2003) also support that a compensation policy that is based performance-based has a positively influence on employee’s performance. Huselid (1995) showed that there is a
significant relationship between compensations and employee performance through a research. Integrating performance with compensation system which enhances employee’s will to perform his task effectively and efficiently explains an effective HRM strategy as supported by Wright (2003). Teseema and Soeters (2006) indicated “a significant correlation between compensation and employee’s performance. It is important that employer view compensation practices in a favorable light as compensation practices heavily influence employee recruitment, turnover and productivity.”

According to P. Pant, PC Kavidayal and HK Pant (2013), both financial and non-financial factors directly and indirectly affect the performance of employees. These factors also create stress on individual and group performance. They also stated that focusing more on non-financial factors can help the organization to improve the employees’ performance and maintaining a harmonious relationship within the organization.

Compensation simply refers to total amount of rewards (both the financial and the nonfinancial) that organizations/companies give employees in return for work performed (Williams, 2008). Management and employee always views both financial and the nonfinancial rewards as motivator of performance improvement Nadarajah et al. (2012). Shahzad et al. (2008) supported that good compensation scheme that comprises both financial and non-financial rewards motivate employees to work harder and show high competencies towards achieving organizational objectives. Compensation is also considered to be one of the key factors that could influence the performance of employee Vlachos (2009). Empirical studies on the relationship between compensation and employee performance revealed that compensation positively relates with employee performance Baloch et al. (2010); Marwat et al. (2006); Shahzad et al. (2008). They supported that adequate compensation package encourage employees towards higher task, contextual and adaptive performance.

Compensation includes expenses such as bonuses, profit sharing, overtime and rewards that includes monetary and non-monetary rewards such as house rent and car facility against hired services of employees Wright, Gardner, and Moynihan (2003). The remuneration process is
crucial and a source of contention in most organizations. It deals with rewarding people in accordance with their value in the organization. The same process is concerned with both financial and non-financial rewards. It embraces the strategies, philosophies plans and processes employed by organizations to develop and maintain reward systems.

The performance of any employee has been measured in terms of quality, quantity, cost and value and is affected by the HRD practices which include coaching and mentoring, Performance Based compensation and rewards, developmental resources and continuous company’s commitment for training and development. There are a number of measures that can be taken into consideration when measuring performance for example using of productivity, efficiency, effectiveness, quality and profitability measures. The purpose of training in the work situation should be to develop the abilities of the individual and to satisfy the current and future of the institution. Human Resource Development practices are often used to close the gap between current performances and expected future performance. In the field of research of the impact of HRD practices on individual and organizational performance, a systematic explanation of mediating factors and processes that explain the impact is still lacking Bacharach (1989). Through individual interpretations of the immediate working environment, described by HRD practices, employees develop more or less stable cognitive and affective states in the relation to their job and organization, that in accordance to the models explaining the role of attitudes in individual behaviour Ajzen and Fishbein (2000); guide their job–related behaviour. Employees evaluate various organizational practices and give them meaning; they attribute the motive and the level of sincerity of their employer. Perceived organizational support is strengthened by HRD practices in the area of reward management, training and development, developmental resources aimed to the promotion of health, safety and well–being of employees. Perceived organizational support has several positive effects for the employer and employees; it promotes organizational commitment, job satisfaction, organizational citizenship behaviour, job satisfaction and lower the levels of job related stress Fister (2004).

There are many factors of pay Millvier and Newman (2005) research perform that may be form of individually and may be form of multiple performance pay plan different qualities can
consider the efficient of degree to perform merit pay to performance, bonus long incentives first of all merit pay is form of reward and individual function of their individuals performance and rating Henenman and Warner (2005) the pay plan is most common by employee performance appraisal Chani (1998) meant by pay has been frequently use in the organization.

Pak (1984); Alson (1990) number of recent survey 80 to 90 percent organizations use merit pay Heneman and Wamer (2005). Bounces pay is monetary reward gives to employee in addition to their fix compensation Millovian and newman (2005). This pay plan in base on individual performance but bonuses does pay and their not performance Suman and shout (2000).There are reward like the long term growth as well as employee relation Rousse and Hou (2000) mostly form of cash in and stock Rasch and lesson (1984). The length and performance pay plan mostly are their Elling (1982) long term incentive also generate some problem of their liquidity long term incentive cantonal get immediately value because requirements on reward convicted in to cash.

Performance related pay directly impact the workers performance creating the output through pay and workers has more able to give pay structure according to the performance. Lazear (1986) Sheer (2004) some results for their expected tree sampling allocated to price fixed rate. The role of employee performance linking to bounces to improve the productivity Bandied re et al (2007). The relation of pay and performance is dirtily linking (1999) worker has a fixed pay in a period of time and give incentive for their good performance give the pay for shorter term incentive give the power job shorter oriented.

The performance related pay is one kind or another is most OECD member countries mostly senior managers and new mangers or employee. The performance policies in the reference of economics and some other problems faced OECD countries in the mid-1970. It can improve the individual motivation improve the performance of the employee in this context performance related pay refer to system linking the performance it based on the organizational accountably measure individual outputs individual output of the organizations performance pay can be
manage value of potential references (Denmark; Finland, Korea, New Zealand OECD 1993;OECD 1997).

2.5.5 CAREER DEVELOPMENT AND PROMOTION

The process of setting and identifying the ways to attain the career goals is popularly known as Career Planning. Through the process of career planning a planning for individual’s life work is done. It focuses on motivating the workforce so as to achieve a required equivalence between individual and company’s goals and hence for the overall development of the organization as stated by Wright and Snell (1998) “Career planning is a tool used to motivate employees to work for the development of the organization.” Leibowitz et al. (1986) also emphasis “A process of developing human resources to increase organizational performance is referred as career planning.” Process of career development is used for recognizing and giving the work as per the skills and expertise of an employee. The organizations are preferred to join, where the employees get sufficient opportunities to follow career objectives and their full potential is harnessed completely as mention by Gardener et al. (2011). Snell (1992) also states “Career planning serves as a tool to motivate employees to work effectively and efficiently in order to achieve the goals of the organization. Career planning is a deliberate process of providing opportunities for successful development.”

Workers in contemporary society are expressing a strong desire to pursue more than just a job. They are looking for employment opportunities that promise an extension of their interests, personality and abilities. Then want a variety of things from their jobs besides a pay cheque and a few fringe benefits, and their loyalty to the organization depends upon the degree to which their employer satisfies these wants Bartlett (2012). With improved living standards, workers are no longer satisfied to have just a job and the usual fringe benefits. They want a career that expresses their interests, personality, abilities and that harmonizes with their total life situation. Unfortunately, most employers have failed to recognize this need and the tools and experiences they provide do not enable workers to develop in their career, Nzuve (2007).
According to Armstrong (2001) career development is of great importance to both the individual employee and the organization. This is so because there is interaction between the organization for which he/she works and the development of the organization through the employee’s career. An employee develops his/her career through a continuous acquisition of managerial or professional skills and experience which may bring about rewards and promotion.

Graham and Bennett (2005) agree with this and contend that career development involves higher status and responsibilities which can take place in one organization or through movement between organizations or a combination of both. Employees could move from one institution to another not necessarily in the same career, but probably from one field to another or from one level to another, Robbins (2010).

In today’s competitive market, successful organization regardless of size need employees who have the necessary knowledge and skills to make an effective contribution as drivers towards achieving a competitive edge in the organization. Therefore, vision of a competent, confident, loyal and valued workforce delivering high quality, person-centered services is rightly ambitious. Armstrong (2001) agrees and points out, that today’s dynamic environment requires continuous professional and managerial development. Stakeholders should put in place, if not already available, a range of structures and processes to support the development of the workforce they need now and for the future.

Pareek and Rao (2012) concur and argue that career development of employees should be seen as an investment, not a cost; and that bad performance, ignorance and low commitment to duty are very costly barriers in an organization. It is pointed out that the key to high levels of performance lies in having employees who are willing to work, are well managed, well led, well-motivated and are always re-skilling. Career development covers an employee’s working life. It starts with, for example staff orientation, on-job training, experience, short courses, professional courses, post graduate degrees or diplomas. According to the National Strategy for the Development of the social service workforce in Scotland (2005), employee development is the foundation on which the confidence and competence of individual staff is built, (Robbins, 2010).
Employees are major assets of any organization, they play an active role towards company’s success that cannot be underestimated. Equipping these unique assets through effective training becomes imperative in order to maximize the job performance. Career development often used to close the gap between current performances and expected future performance. Many employees in Public sector organizations have trained but they have remained stagnant with little evidence of career advancement. There is a level from which employees find it difficult to move upwards or get promoted yet the Public organizations needs employees who perform their duties well. Lack of career advancement after training is a problem. However, how lack of career advancement affects the motivation of employees remains not well understood in Kenya. In addition the hindrances to career development are not known and the solutions to these hindrances are not known either. If this problem continues and motivation gets seriously affected, the performance of the employees is likely to dwindle and this could seriously affect the achievement of the goals and objectives of the Public organizations. Locally there few empirical studies done on training but these have focused on totally different organizations other than public service Agala-Mulwa (2002); Azegele (2005); Gakuru (2006); Nguku, (2006); Owino, (2006); and Ochuka (2007).

2.5.6 WORK CLIMATE

The quality of work depends upon safe and healthy working conditions in determining employee’s job behavior. The organizational climate is an important indicator of employee behavior as a combination of social and psychological factors. It is found that working conditions are attached with employees’ job involvement and job satisfaction that ultimately leads to better performance of the employees Scott et al. (2000). It is reported that there is a positive correlation between perceived supervisor support and nurse occupation related outcomes Hall (2007). Kazmi et al. (2008) examines the effects of stressful work environment on the performance of medical house officers. The results reveal an inverse relationship between job stress and job performance. High job stress in the house of officers results in low job performance. Similarly, it is reported that perceived adequacy or inadequacy of work
environment, both physical and psycho-social, extends noticeable effect on employees’ job satisfaction, performance and perception of effectiveness of an organization Srivastava (2008).

The social support means the help that an individual receives from his/her co-workers, supervisor and colleagues to perform his/her work effectively. The literature reveals social support as the structure of relationships Greenhaus and Parasuraman (1994). It can be divided into two categories such as the work related social support and the personal social support. The current study deals with work related social support that may come from the work place within organizations including the supervisor and the co-workers. Employee performance is multidimensional and essential for organizational success Campbell (1990); Dyne et al. (2002).

Neal, M.A. Griffin, P.M. Hart, (2000) the current study examined the effects of general organizational climate on safety climate and safety performance. As expected, general organizational climate exerted a significant impact on safety climate, and safety climate in turn was related to self-report of compliance with safety regulations and procedures as well as participation in safety-related activities within the workplace. The effect of general organizational climate on safety performance was mediated by safety climate, while the effect of safety climate on safety performance was partially mediated by safety knowledge and motivation

A.K. Srivastava (2008) examined the effect of two constituents of work environment (i.e. physical and psychosocial) on employees’ job satisfaction and performance, and organizational effectiveness in a sample of 360 technical supervisors and operating core personnel. The analyses revealed that participants who perceived their work environment as to be adequate and favorable scored comparatively higher on the measures of job satisfaction, performance, and perceived organizational effectiveness. The two constituents of work environment were also found causing significant variance in employees’ job behaviour and their perception of organizational effectiveness. Regression analyses revealed that among the various components of work environment, working condition, welfare provisions, interpersonal relations, and trust and support predominantly contribute to employees’ job behaviour and organizational effectiveness.
The results also specified that psycho-social environment in work-place exert more impact on employees’ job behaviour.

Hoegl et al., (2003) stated that the innovative organizational climate, when members encounter certain project dilemmas, they may participate aggressively in their work terms and interact with each other to find out appropriate solutions. Cooper (2003) describes organizational climate as “people’s perception of their working environment with regard to caring and friendliness.” In other words, the interaction of workers and management should create a healthy organizational environment. It means that organizational climate is subjective to the perception of their working environment with regard to caring and friendliness.” In other words, the interaction of workers and management should create a healthy organizational environment. It means that organizational climate is subjective to the perceptions of staff and students. Janz & Prasarnphanich (2003) stated that when cooperative climate exists in companies, members of a group are more inclined to working together to share and develop tacit knowledge and try to promote each other’s performance and learning. In other words, firms can enhance individuals’ willingness to interact with others by nurturing a cooperative climate. When employees perceive a higher degree of cooperative atmosphere inside the organization, they will be more likely to build up the interactive relationship with other members.

2.5.7 ORGANISATIONAL AND JOB ENGAGEMENT

Academicians depicted interest in the concept to a larger extent only from 2006 Mary Welch, (2011) during when a number of studies extended the concept of employee engagement to job engagement, work engagement and organisation engagement. Saks (2006) used Khan’s definition (1990) and developed the construct including job and organization engagement. According to Saks the antecedents of employee engagement were job characteristics, perceived organisational support, perceived supervisor support, rewards and recognition, procedural justice and distributive justice. And the consequences of engagement were job satisfaction, organisational commitment, intention to quit and organizational citizenship behaviour.
Gallup Researchers Fleming and Asplund (2007) presented employee engagement as: “the ability to capture the heads, hearts, and souls of your employees to instill an intrinsic desire and passion for excellence”, thus adding a spiritual element to Gallup’s established cognitive and emotional aspects of engagement. Schaufeli and Bakker (2010) define work engagement as ‘the psychological state that accompanies the behavioural investment of personal energy.

Chaudhary, R., Rangenekar, S., and Baura, M. (2012) carried out a study to examine the impact of HRD Climate and its various dimensions on engagement level of employees. The results of the study showed that both HRD Climate and employee engagement in the organizations under study were at a moderate level. The correlation analysis of the study variables revealed that HRD Climate and all its dimensions were positively and significantly correlated with employee engagement.

Six management functions emerged in order of importance as critical determinants of Executive's Engagement according to Joshi and Sodhi (2011), namely, Job Content (autonomy, challenging opportunities for learning), Compensation/ Monetary Benefits (attractive salary vis-à-vis qualifications and responsibility, adequate compensation for the work and intra-organization parity), Work Life Balance (appreciative of personal needs, able to spend time with family), Top-Management Employee Relations (approachability of top management, their values and ethical conduct, equality in treatment, respecting the views of subordinates, providing an environment of working together), Scope for Advancement and Career Growth (well designed policy, adequate opportunities for career growth and advancement, clearly laid down career growth paths; implementation of the promotion policy in a fair and transparent manner, help to the employees in achieving growth) and Team Orientation/Team Work (importance, cooperation in inter and intra department teams). They also found that seven policies and practices have emerged as the drivers of employee engagement for the non-executives, supervisors and workers of which four of them i.e. Work Life Balance, Job Content, Monetary Benefits and Team Orientation are similar to those of the executives. Three other drivers of engagement for the non-executives comprises Union/Association Management Relations (working together, sorting disputes in an amicable manner, appreciating each other's point of view, constructive
contribution of unions/ associations), Recognition and Rewards (reward for honest, sincere hard work, policies administered in a fair manner, creative ideas rewarded) and Welfare facilities (facilities for rest and recreation, working conditions, similar in similar companies).

2.5.8 EMPLOYEE RELATIONS

Gennard J. and Judge G. define employee relations as Employee relations is a study of the rules, regulations and agreements by which employees are managed both as individuals and as a collective group, the priority given to the individual as opposed to the collective relationship varying from company to company depending upon the values of management. As such it is concerned with how to gain people’s commitment to the achievement of an organisation’s business goals and objectives in a number of different situations.

Chaudhary, R., Ragnekar, S., and Barua, M. (2012) carried out a study to examine the impact of HRD Climate and its various dimensions on engagement level of employees. The results of the study showed that both HRD Climate and employee engagement in the organizations under study were at a moderate level. The correlation analysis of the study variables revealed that HRD Climate and all its dimensions were positively and significantly correlated with employee engagement.

Schein (1988) is largely responsible for this notion of a psychological contract and his suggestion was that between employer and employee there exists an implicit contractual relationship which is derived from a series of assumptions on the part of employer and employee about the nature of their relationship. These assumptions may not be legally enforceable but they constitute a set of reciprocal arrangements and form the basis for a series of expectations that may have a considerable degree of moral force.

The main assumptions are that:

- Employees will be treated fairly and honestly.
• The relationship will be characterised by a concern for equity and justice and this will require the communication of sufficient information about changes and developments.
• Employees’ input will be recognised and valued by the employer.

Cully (1998) addressed this issue as part of an attempt to ascertain the extent to which employees in the UK were satisfied with their job/work. They compiled a measure of job satisfaction which took into account employees’ satisfaction with four different components of their overall reward package incorporating both intrinsic and extrinsic factors. The intrinsic factors can be seen to reflect components of the psychological contract above and consist of:

• Influence (the level of autonomy and control) over the job;
• A sense of achievement derived from meeting the challenge presented by work; and
• Respect from managers in terms of recognition for a job well done.
• The fourth component of the measure was pay. The conclusions of the researchers were that, overall, a majority of employees were satisfied however:
• Employees tended to be least satisfied with pay;
• Managers tended to be more satisfied than other occupational groups;
• Older workers tended to be more satisfied than younger workers; and
• Part-time workers were more satisfied than full-time workers.

2.5.9 EMPLOYEE PERFORMANCE

Employee performance simply refers to behaviors of an individual (employee) that can make a significant difference to the organizational goal accomplishment Motowidlo (2003). This indicated that employee performance is the expected value of what people do in organizations which are relevant towards enhancing organizational effectiveness. For the purpose of this study, three dimensions of employee performance that enhance organizational effectiveness are considered. They include: task performance, contextual performance and adaptive performance Allworth & Hesketh (1999); Borman & Motowidlo (1993); Koopmans et al. (2012). Task performance is defined by Borman and Motowidlo (1993) ‘as the effectiveness with which
employee (job incumbents) perform activities or behaviors that contribute towards achieving the organization's technical core (objectives) either directly by carrying out a part of its technological process, or through indirect ways by providing the needed services or materials. For instance, when a fire fighter performs a rescue operation, he/she had performed task performance Borman and Motowidlo (1993); Borman & Motowidlo, (1997). Similarly, Borman and Motowidlo (1993) conceptualized contextual performance “as individual behaviors that support the organizational, social, and psychological environment in which the technical core must function”. Contextual performance encompassed behaviors of employees that are not within the required job description but still promotes organizational effectiveness. On the other hand, adaptive performance as the third dimension of employee performance refers to the level to which an individual employee(s) adapts to changes in the work environment Griffin, Neal, and Parker (2007). Thus, it is an aspect of A. Tabiu et al. / Management Science Letters 6 (2016) 397 employee performance that reflects acquiring and enhancing competencies in response to different changes in organization.

Empirical studies have suggested that set of human resource practices, including comprehensive selection, compensation and performance appraisal, training and extensive employee engagement, can improve performance of workforce. These HR practice are usually referred to as a High Performance Work System (HPWS) or in terms of high involvement or high commitment. The analysis of the HPWS stems from the study of strategic human resource management (SHRM). The HPWS will explore how a broad set of management practices include how SHRM and workplace partnerships relate to employee outcome through organizational support or have a direct impact on an outcome. It is increasingly apparent that one of keys to successful organizational performance is the people within organizations, and management systems that develop their talent and capabilities. The common understanding in the SHRM literature is that it a set of practices that provide employees with skills, information and latitude to be a source of competitive advantage.
2.6 CONCEPTUAL FRAMEWORK

- SELECTION
- PERFORMANCE APPRAISAL
- TRAINING
- COMPENSATION
- CAREER DEVELOPMENT AND PROMOTION
- WORK CLIMATE
- ORGANIZATIONAL AND JOB ENGAGEMENT
- EMPLOYEE RELATIONS

EMPLOYEE PERFORMANCE