CHAPTER 2

LITERATURE REVIEW, THEORETICAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

The present research evolved as the application of the concept of CB process to assess the performance of the Human Resources Management (HRM) function. Literature revealed that organizations engaged in partnership with consultants and academic institutions to combat the challenges posed by globalization and liberalization. Organizations need incessant financial support for successful execution of any business activity. Consequently, this research formulated a theoretical framework that explored the influence of Partnering and Financial Support on HRM function and Alignment and deduced the hypotheses for the study. The chapter ends with describing the aim and objectives of the research.

2.1 CAPACITY BUILDING CONCEPT

The CB concept originated in the 1990’s and was one among the methodologies extensively used by non-profit organizations, non-government organizations, funding agencies like United Nations Development Program (UNDP), philanthropists, community development agencies, civil society organizations etc., in the western countries (McGuire et al 1994; De Vita 2001; Tettey 2002; Blumenthal 2003; Baumgarten 2004; Sampson 2004).

2.1.1 Origin of Capacity Building Concept

UNDP (1991) was the first to apply the concept of CB for social well being while Kaplan and Soal (1995) were the first to put forward the idea of applying the concept of CB to organizations. Later, World Bank (1996) and UNDP (1997) expanded the arena of application of the concept. Having gained significance over the years, various definitions have evolved for CB
Investigation of the CB definitions revealed the diverse nature of the concept. Kaplan and Soal (1995) emphasized that CB interventions must address the unique needs of an organization in its particular stage of development at that specific time and there is no single way to build organizational capacity. While Hailey and James (2003) have stated that there was no single universally accepted definition for CB. Depending on the context of its application researchers have defined it in different dimensions. This research inferred that CB could be carried out both at the macro and micro level with focus on the organization and individuals respectively. In addition, it viewed CB as a process that increases the capability of organizations and individuals to produce or perform to attain their set objectives.

In the organizational context CB was viewed as a process that helped an organization to improve its ability to achieve its mission. Blumenthal (2003) viewed CB as a process that increases the ability of organizations and individuals to produce or perform. Organizational CB examines in-depth where an organization stands in comparison to where it intends to be in future and develops the skills and resources designed to achieve that aim (Blumenthal 2003).

Summing up from the diverse definitions put forth by researchers this research irrespective of the nature of an organization viewed CB as a concept that helps assessment of the performance of a task, activity, function, program or an organization and formulate action plans to achieve the set goals consistently with the effective utilization of all its resources.
2.1.2 **Evolution of Capacity Building Activities**

Application of the CB process had gained prominence in the last two decades both in the international and Indian scenario because of the demonstrable benefits derived from its use. CB activities had taken the form of assistance provided to entities of developing country governments by intergovernmental organizations often from the United Nations (UN) family as part of their general work. Bilaterally funded entities, private sector consulting firms and non-governmental organizations later followed them. Review of CB activities revealed that the concept of CB was rarely used outside the context of non-profit sector, civil society organizations and development communities. This was due to the widely understood reason that these organizations were at the forefront of efforts to tackle poverty, ill health, environmental degradation, social injustice and to mitigate the effects of conflict and humanitarian disasters.

2.1.2.1 **Capacity Building Activities in the International Scenario**

Non-government organizations, community development agencies, civil society organizations and the UN family had initiated the best of the CB activities in the International Scenario. The prime focus areas of such activities were community development (McGuire et al 1994; Mulligan 1995; Amdam 2003; Kellogg and Mathur 2003; Getimis and Grigoriadou 2004; Orozco and Lapointe 2004), corporate governance (Armstrong 2004; Kaloumaria 2004) and economy revival (Haugh and Rubery 2005; Kirkpatrick et al 2005) focusing on specific regions. Activities also embraced common issues like solving cross cultural and diversity issues (DeVreede et al 1998/99; Jackson 2003), addressing environment related issues (Cosio 1998; Seidl et al 2003; Memon et al 2005; Maosheng and Haites 2006), enhancing effectiveness of health care services (Miranda et al 2005; Gerry et al 2006) and strengthening non-profits (De Vita and Fleming 2001; Blumenthal 2003; Baumgartan 2004; Sampson 2004).

CB actions had gained undue importance in governmental organizations (Patterson 1987; Shortall and Schucksmith 1998; Wescott 1999; Tettey 2002) to make them competent and in private and public sector
organizations (Bailey 1997; Senge 1997; Jones 2001) to solve critical issues. The focus of CB activities in HRM were in building and enhancing a cadre of highly qualified, highly able and motivated human resources at all levels of government, non-government, public administration and management (Calvano 2003; Farazmand 2004; Hirt 2004; Roddy 2004).

Apart from the above mentioned areas CB initiatives were taken up in evolving a diagnostic model for regulatory improvement (Eldridge 2004), enhancing trade practices in Cambodia (Prowse 2002), evolving a systematic and organized plan for the mental health workers in United States (Weaver et al 2000) and CB and Training and Development for the local government in Durban, South Africa (Reddy et al 2000). Programs also included enhancing the activities of African Journals (Northridge et al 2004), building institutional capacity in Land Administration Systems in developing and transition countries (Stig 2003), conceptual framework developed for building the capacity for collaborative local action (Cuthill and Fien 2005) and methods adopted to strengthen the capacity of funder’s engaged in philanthropic practice (Backer 2004).

2.1.2.2 Capacity Building Activities in the Indian Scenario

The Government of India in coordination with the International agencies like UN family, the respective state governments, Institutions, Foundations etc., initiated majority of the CB activities in India to address the issues the nation was facing in the developing, globalized and liberalized scenario.

The central government, state government and local bodies had taken up a number of community development projects with focus on either a group or the community as a whole (CAPART n d; CBPR n d; Charca n d; Community Credit Facility n d; Grant In Aid MHRD n d; IDEAs n d; JTRC n d; Leprosy n d; MacArthur Foundation n d; Nagaland n d; SGSY n d).
Globalization having brought out both positive and negative impacts on all industrial sectors the SME’s and companies in the development sector were entangled. To assist these companies foundations and bodies were constituted and institutions joined hands with them and organized workshops and training programs to empower them combat the challenges (EDI Ahmedabad n d; RMK n d; Textile Committee n d; Times Foundation n d).

Other application areas included implementation of e-Governance (Capacity Building – Madhya Pradesh n d; Capacity Building – Rajasthan n d), imparting knowledge among the architects, engineers, consultants and masons to design and construct buildings that were resistant to earthquakes (Earthquake Engineering Research Centre - IIIT Hyderabad n d; NPCBAERM n d). Focus were also in imparting education (Akshaya Project n d; Azim Premji Foundation n d; NCERT n d; Sarva Shiksha Abhiyan n d; TATA Institute of Social Sciences n d; The National Institute of Administrative Research n d) and energy conservation measures (Capacity Building – Power Sector n d; Energy Conservation Act n d). Projects were undertaken for environmental protection (Capacity Building for Climate Change n d; NCSA Project n d; Welcome Mapping n d) and imparting IT education (Cameron Richards – ICT n d; Chhattisgarh – IT n d).

The areas of application of the concept of CB were not limited to the above mentioned areas. It also extended in areas like bio-resource development and utilization (The National Bioresource Development Board n d), Biodiversity Conservation (Biodiversity Conservation and Rural Livelihood Improvement Project n d), strengthening drug testing facilities (Drugs and food regulatory – Capacity Building n d) and setting up a library consortium for e-journal subscription (Library - Capacity building n d).
2.1.2.3 Benefits of Capacity Building Activities

The substantial increase in the application of the process of CB was due to the significant benefits derived out of the CB exercise. The CB programs focused on enhancing their capacity in the current activities than building or developing new capacities. The success of CB efforts were judged on their ability to train and educate people, support relevant institutions in developmental activities and develop methods and tools that supported participative development efforts. Further, these studies revealed that organizational learning was the real concern in this era of accelerating and turbulent change. The everyday messy experiences which the organizations encountered served as the most powerful source of learning and relearning for their sustainable development.

Few results of CB exercise that were undertaken are discussed under. Use of machines enhanced quick decision making in businesses which paved way for more learning thereby needing less control and consequently making the organization successful in its activity (Senge 1997). The twinning project of Swedish International Development Cooperation Agency (SIDA) in Sweden established partnership between the organizations in Sweden and similar organizations in developing countries to overcome deficiencies in its organizations by focusing on learning at individual and organizational level (Jones 2001). Enhancing capacity grants for projects, developing partnership with other organizations to gain technical expertise for current projects and training employees in preparing structured programs for current and future projects were the typologies identified and developed from in-depth study of thirty CB programs for non-profit organizations (Blumenthal 2003).

Capacities of small communities were enhanced through community wide strategic development planning (McGuire et al 1994). Leprosy eradication measures had been successful in India through
partnership with International Federation of Anti Leprosy Association and enhancing the capacity of the existing Health Care Staff in diagnosis and management of leprosy affected persons (Leprosy n.d.). CB through imparting knowledge to construct earthquake resistant structures to masons, barbenders, engineers, consultants and faculty members through workshops and training programs were found to be successful (Earthquake Engineering Research Centre – IIT Hyderabad n.d.). The technique of information sharing, improving skills and increased access to quality reproductive health services were the strategies used for creating awareness and building the capacity among the young women in India to STIs and HIV infection and thereby reducing the same (Charca n.d.). The issue of unemployment in Nagaland was controlled by providing self-employment opportunities to unemployed youth thereby enabling them generate sustainable income (Nagaland n.d).

Majority of the studies used training programs for building their capacity by devising programs to match the available capacity levels and used the same to harness the available capacity potentials of the employees. Apart from training other novel practices like workshops, presentations, educating inhabitants and building trust and confidence among them, framing clear corporate policies and enhancing the skills of directors to strengthen industries were used. In-addition, participative approaches, developing specific strategies like the DTI strategy to revive economy, adopting interactive learning to bring about more learning and less controlling, case studies, best practices, plans, projects and using self-reflection and experimental learning by linking theory to practice were also adopted. The focuses of these techniques were to build up the leadership skills through mentoring, coaching, shadowing experiences, positive role modeling, developmental assignments to strengthen organizational loyalty and enhancing transfer of knowledge.
To sum up CB for organizations relates to the following aspects: improved governance, leadership, mission and strategy, administration (including human resources, financial management, and legal matters), program development and implementation, fundraising and income generation, diversity, partnerships and collaboration, evaluation, advocacy and policy change, marketing, positioning, planning, etc. whereas for individuals CB relates to leadership development, advocacy skills, training/speaking abilities, technical skills, organizing skills and other areas of personal and professional development.

Successful organizations build competitive advantage through less controlling and more learning. The commonality among all these studies were that, focus was on assessing the current level of capacities through appropriate tools and devising strategies to enhance the lacking capacities than building up new capacities. This was because organizations felt building new capacities a daunting challenge (Farazmand 2004). The above studies brought out the pervasive nature of the concept of CB. Hence, this research ascertained its extension to for profit organizations.

2.1.3 Capacity Assessment Tools

Organizations assessed their capacity in diverse assessment areas in the programs/projects undertaken by them to identify their current level of capacities and the areas where they lacked the capacity to perform. This research identified ten prominent tools developed between 1997 and 2006. These tools were developed and used by small companies, non-profit organizations, non-government organizations, civil society organizations, community development agencies, philanthropists, funding agencies like UNDP, organizations involved in community based programs, facilitators providing CB support, partnership organizations etc., for building their capacity. Table 2.1 gives the summary of the capacity assessment tools.
<table>
<thead>
<tr>
<th>Year</th>
<th>Tool</th>
<th>Developed by</th>
<th>Application</th>
<th>Assessment areas</th>
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<tbody>
<tr>
<td>1997</td>
<td>Discussion Oriented Organizational Self Assessment</td>
<td>Beryl Levinger and Evan Bloom</td>
<td>Organizational capacity assessment, Organizational development and service</td>
<td>Human Resource Management, Financial Resources management, External relations, Service Delivery, Organizational Learning, Strategic Management</td>
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<tr>
<td>2000</td>
<td>Participatory Capacity Assessment</td>
<td>CARE and BEF</td>
<td>Organizational capacity assessment</td>
<td>Governance, Management practice, Program development and service delivery, External relationships and networking, Sustainability and Education</td>
</tr>
<tr>
<td>2001</td>
<td>McKinsey Capacity Assessment Grid</td>
<td>McKinsey and Company</td>
<td>Identify the areas of capacity that are strong and those that need improvement</td>
<td>Strategy, Human Resources, Aspirations, Organization Skills, Systems and Infrastructure, Culture and Human Resources</td>
</tr>
<tr>
<td>2001</td>
<td>Marguerite Casey Foundation Organizational Capacity Assessment Tool</td>
<td>McKinsey and Company</td>
<td>Strengthen low-income families and mobilize their communities to achieve a more just and equitable society</td>
<td>Leadership Capacity, Adaptive Capacity, Management Capacity and Organizational Capacity</td>
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<tr>
<td>Year</td>
<td>Tool</td>
<td>Organization</td>
<td>Focus Areas</td>
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<td>2003</td>
<td>Self assessment tool</td>
<td>Southern Minnesota Initiative foundation</td>
<td>Mission, Deep and broad leadership, Resilient organizational system, Access to sufficient and sustainable assets, Mission driven programming, Learning and self reflection and Integrity</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>Organizational Assessment Tool</td>
<td>Marco Kirschbaum</td>
<td>Governing structure, Management process, Human Resources, Financial Resources and Administration, Relationships and Results</td>
<td></td>
</tr>
</tbody>
</table>
Review of the above capacity assessment tools revealed that Discussion Oriented Organizational Self Assessment, the Participatory Organizational Evaluation Tool (POET) and a Simple Capacity Assessment Tool represented baseline tools. Participatory Capacity Assessment, the McKinsey Capacity Assessment Grid, the Marguerite Casey Foundation Organizational Capacity Assessment Tool and the Social Venture Partnership (SVP) Organizational Capacity Assessment Tool were used to assess the strengths and weaknesses of organizations. Tools were developed to assess the efficacy of services and programs provided by organizations to their clients. For example, the Self-assessment Tool developed by the Southern Minnesota Initiative Foundation, Benefits Planning, the Assistance and Outreach Performance Excellence Instrument and the Organizational Assessment Tool.

A review of the capacity assessment tools indicated that organizations tended to develop customized tools for capacity assessment or resorted to the base-line tools depending on their requirements. The capacity assessment process helped grantees and funders to better understand the strengths and weaknesses in their own organizational capacity and provided valuable data for overall program planning. Three innovative grant makers: Social Venture Partners, the Marguerite Casey Foundation and the Community Clinics Initiative used a modified version of the McKinsey Capacity Assessment Grid for improving their capacity. Though the three had somewhat different goals for the assessment process they all sought a design that emphasized and helped grantees in assessing their capacity rather than judging them. Together, through a process that successfully stimulated both grantee and foundation-wide learning, these three foundations had used this approach with more than 200 grantees ranging from small advocacy organizations to multimillion-dollar service providers.
POET appeared to be an improved version of the Discussion Oriented Organizational Self Assessment tool developed by the same authors a year later. The former encompassed seven critical areas whereas the later six areas. Though all the other tools contained four, six, nine or ten critical areas still they could be fit within the seven assessment areas of the POET. Among the tools used for capacity assessment, POET appeared to be more comprehensive and hence this research viewed POET as a pervasive tool and used it as a base tool for capacity assessment. The remaining tools could be viewed as the modified version of the POET but developed for a specific purpose.

2.1.4 Capacity Assessment areas

The above tools assessed the capacity of the organization ranging from four to ten areas in the program/project undertaken by them. Review of the tools indicated that organizations assessed their capacity in certain areas that appeared common (general) and areas that were specific to the program or project. This was due to the fact, the goal of the CB activities were identification of the areas where they lagged the capacity to perform and later focusing on those areas to enhance their capacity.

In the course of review of the tools used for capacity assessment, few assessment areas emerged as general areas common to all the programs/projects and few specific to that program/project. Financial Resource Management, Partnering and Strategic Management/Governance emerged as the general assessment areas. Equitable participation, Human Resource Management, Organizational Learning, Sustainability of Program Benefits, Customer Needs and Satisfaction, Legal Affairs and Marketing, Communications and External Relations, Information Technology, Service Delivery etc., emerged as the specific assessment areas.
Among the general areas, Partnering assessed the effectiveness of the linkages the organization had established with other organizations and consultants for enhancing the effectiveness of its activities. Financial Resources Management assessed the extent of financial support the organizations extended to the various functions. Strategic Management/Governance assessed the extent of alignment of these activities to the goals, mission and philosophy of the organization. The general areas along with the specific areas served as the areas for capacity assessment. This research aspired and extended the CB concept to assess the effectiveness of the HRM function in organizations.

This research drew its base from the study of Huselid (1995), which claimed that high performance work system would lead to enhanced organizational performance and concluded that adoption of such practices was more important than ensuring that these practices were aligned with firms’ competitive strategy. Hence, this research felt that high performance work system in HRM could be brought about through building the capacity in the activities of HRM function.

2.2 HUMAN RESOURCE MANAGEMENT

Schermerhorn (2001, p.24) defined HRM as the “process of attracting, developing and maintaining a talented and energetic workforce to support organizational mission, objectives and strategies”. Effective HRM practices have gained significance in the modern knowledge-based economy. This was because companies were facing the double challenge of the need for more highly trained employees and the shortage of qualified labor. In addition, in the views of researchers organizations considered their workforce as a key element of their resource capability, most valuable asset and a major source of competitive advantage (Kerfoot and Knights 1992; Bratton and Gold 1999; Millmore 2003). The HRM focus was on managing people within the organization seeking strategic integration of HRM practices with business plans (Tichy et al 1982; Hendry and Pettigrew 1986; Baird and Meshoulam
Further, studies provided empirical support for the impact of HRM practices on firm level performance (Huselid 1995; MacDuffie 1995; Koch and Hundley 1997). Hence, this research viewed HRM function as a critical and important function.

Research studies brought out the significant activities in HRM function. Fombrun et al (1984) developed a model based on four interrelated HRM functions namely staffing, rewards, training and appraisal. Based on a strategic perspective Schuler and Jackson (1987) proposed a menu for HRM practices which included planning, staffing, appraisal, compensating, training and development. While Mondy and Noe (1993) classified the activities of HRM into six domains namely planning and recruitment, development and appraisal, compensation and reward, safety and health, labor relations and human resource research. MacDuffie (1995) emphasized that the HR practices namely recruiting choices, training efforts, performance appraisal, career supervision and exit management worked as a tight package and hence termed them as “HR bundle”.

Researchers have identified the significant HRM practices adopted in countries. Anakwe (2002) in a study of HRM practices in Nigeria found that traditional HRM functions namely training and development, recruitment and selection and performance appraisal were very much practiced by HR professionals. Ghebregiorgis and Karsten (2006) in their study identified training, recruitment, compensation, performance appraisal and reward systems as HR practices practiced in Eritrea.

Purcell et al (2003) defined HRM as a set of practices used to manage the workforce of an organization namely recruitment and selection, training and development, worker involvement, pay and rewards, flexibility, involvement in decision-making, communications and employee welfare. Hassan et al (2006) identified effective manpower planning, recruitment and selection process, realistic performance plans and development oriented performance appraisal, effective learning system providing ample learning
opportunities with the help of training, performance guidance and other mechanisms such as mentoring as salient HR practices for the design of effective HR system. Jørgensen (2007) in his study included staffing, performance measurement and compensation as the channels for communication and participation in work and decision making as salient variables of HR function. Nikandrou and Papalexandris (2007) felt that the index of formalization of HR policies covered seven HR areas: pay and benefits, recruitment and selection and training and development. Carvalho and Cabral-Cardoso (2008) in their study had included recruitment and selection, training and development, performance appraisal, career management, compensation management, exit management and communication as significant HR Practices. Okpara and Wynn (2008) in their study identified training, recruitment, compensation, performance appraisal and reward systems as the HRM practices practiced by organizations.

Though HRM function comprised a number of activities, key among them were Recruitment and Selection, Performance appraisal, Reward system and Training and Development (Fastenau and Pullin 1998; Searle and Ball 2003; de Kok et al 2006). Hence, this research consolidated and viewed Recruitment and Selection, Performance Management System and Training and Development as the activities encompassing HRM function.

### 2.2.1 Recruitment and Selection Activity

Researchers have carried out extensive research in the area of recruitment and selection. Recruitment and selection had long been viewed as a key activity within HRM (Millmore 2003), important set of HR practice (Koch and Hundley 1997), critical component in an organization matching candidates and future jobs (Schneider 1987; Scholarios and Lockyer 1999), central (Wolf and Jenkins 2006) and critical (Carlson et al 2002) to the success of an enterprise. Millmore (2003) viewed it as a crucial decision and as a sophisticated and complex process requiring organizational importance
and matching appropriate applicant to the job (Cook and Taffler 1987; Millmore 2003).

Organizations strived to attract those individuals that were likely to be best suited to their organization (Carlson et al 2002) and hence they resorted to the process of recruitment and selection. Denton (1997) in his article had stated that organizations viewed recruitment as a 24 hour, seven-day-a week job. Russo et al (1997) felt that good recruiting had become increasingly essential to success and helped organizations modify the composition of workforce. Shen and Edwards (2004) viewed selection as the process of gathering information for the purposes of evaluating and deciding the candidates for particular jobs. Researchers viewed selection and retention of qualified worker as a vital and important issue in managing and operating small business (Hornsby and Kuratko 1990; Deshpande and Golhar 1994; Kickul 2001) and selection process depended on the selection objective of the organization with objectives varying between organizations and functions (Breaugh and Starke 2000).

Recruitment and selection procedure exerted early information on the relationship between applicants and organization (Gilliland 1993) and recruiters distinguished between suitable characteristics for the job and suitable characteristics for the organization (Rynes and Gerhart 1990). Reviews on personnel selection process (Salgado 1999; Hough and Oswald 2000; Robertson and Smith 2001; Lievens et al 2002) showed that technological changes and internationalism had an impact on recruitment process and in addition was influenced by labor market shortages, technological development, applicant perceptions and construct driven approaches. Hence, employers developed a range of staffing programs and activities to recruit employees for successful implementation of the organization’s strategic plans (Millmore 2003). Recruitment and Selection
Activity (RSA) started with the job analysis information since it helped in making optimal person-job fit (Binning and Barrett 1989).

**Job Analysis (R-JA)**

Tanova (2003) felt that recruitment must be supported by job analysis, job description and job specification and the ideal selection process started with the job analysis and then the characteristics of the work were related to the selection decisions of firms (Wilk and Cappelli 2003). Job analysis helped in describing the contents of the job, knowledge, skills and abilities, work behavior and other characteristics needed by the applicants for successful job performance (McKillip 2001; Wilk and Cappelli 2003). Further, job analysis served as the base for recruitment and selection, performance appraisal, compensation and training and career development (Gomez-Mejia et al 2001). Job analysis helped in preparing job description, job specification, job evaluation (McKillip 2001; Kotey and Sheridan 2004), job responsibility (Kotey and Sheridan 2004), job authority (McKillip 2001) and the standards of performance for the jobs (Lievens et al 2002).

Since, organizations used job analysis information as the base for RSA Wright (1983) felt that job analysis should precede recruitment. Having identified the need for new employees organizations undertook two distinct phases before selecting potential candidates. The first phase was recruitment whereby they attracted a large pool of suitably qualified applicants. In the second phase-selection they identified the best-qualified applicants from the applicant pool (Barber 1998). Consequently, Rynes and Barber (1990) and Taylor and Giannantonio (1993) viewed recruitment and selection as inherently interconnected and influencing one another. Hence, this research deduced that recruitment preceded selection process.
Recruitment Procedure (R-RP)

Organizations aimed to attract qualified job candidates (Gomez-Mejia et al 2001) from a variety of sources. Russo et al (1997) in their article had stated that organizations normally recruited employees through internal sources, external sources or a combination of the above. Small firms preferred internal sources (Deshpande and Golhar 1994; Barber et al 1999; Carroll et al 1999) whereas large firms preferred external sources (Saari et al 1988). Few other organizations adopted all the three types of recruitment sources (Moser 2005). Internal sources provided good quality applicants (Kirnan et al 1989; Taylor 1994) and were fastest in filling up vacancies (Roper 1988). While Deshpande and Golhar (1994) felt that external sources provided rich source of fresh talent and ideas to the organization. The commonly adopted internal sources of recruitment were promotions and transfers (Carlson et al 2002; Kotey and Sheridan 2004). Among the external recruitment sources advertisements (Breaugh and Starke 2000; Henkes et al 2005; Moser 2005), employment agencies (Koch and Hundely 1997; Henkes et al 2005; Moser 2005), schools, colleges, universities (Breaugh and Starke 2000; Henkes et al 2005) and referrals (Breaugh and Starke 2000; Henkes et al 2005; Moser 2005) were found to be popular. Having identified the sources of recruitment organizations undertook the rigorous process of selecting the appropriate candidates from the applicant pool through a series of tests and interviews.

Selection Process (R-SP)

Wilk and Cappelli (2003) in their article had stated that selection methods should match with the nature of the work less demanding or more demanding work. Hence, organizations resorted to varied selection methods. Selden (2005) in his study had surveyed the different selection tools adopted by countries and found six to twenty five tools were prominent. Screening the applications, pre-employment enquiries (Millmore 2003; Kaliprasad 2006),
specific selection tests for the job (Koch and Hundely 1997; Carlson et al 2002) and written tests (Eleftheriou and Robertson 1999; Kotey and Sheridan 2004) were identified as common selection tools used by organizations. In addition, management tests (Carless 2003; Kotey and Sheridan 2004), medical examination (Koch and Hundley 1997; Kotey and Sheridan 2004), work sample tests (Carlson et al 2002) and mental ability tests (Carlson et al 2002; Millmore 2003) were also used. Studies carried by Bryanl (1994) and Kaliprasad (2006) on the interview patterns adopted by organizations revealed that technical and personal interviews were predominantly used.

In this globalized era diversity in work force would help organizations in bringing talented candidates. Hence, organizations were inclined to acquire diverse workforce with alternative selection devices (Bobko et al 1999; Sackett et al 2001). Organizations linked job and selection in a way to maximize the person – job – fit of the incoming workers and hence adopted adopting multiple selection methods (Wilk and Cappelli 2003). Multiple selection methods helped organizations recruit candidates compatible to the job position by adopting fair, unbiased, cost efficient and standardized selection procedure (Rees and Doran 2001; Tanova 2003; Anderson et al 2004; Kotey and Sheridan 2004; Henkes et al 2005; Moser 2005; Seol and Sarkis 2005; Wolf and Jenkins 2006).

Selection processes in organizations were generally carried out through committees (Bryanl 1994) and organizations ensured standardization and documentation of their selection procedures (Bryanl 1994; Carlson et al 2002; Derous et al 2003; Kotey and Sheridan 2004). Standardized selection procedure helped organizations reduce their recruitment costs (Chapman and Webster 2003; Wiechmann and Ryan 2003). Successes in recruitment area were cost and timing of hiring (Tipper 2004). Hence, organizations were
inclined to adopt cost reduction, innovation and quality enhancement (Schuler and Jackson 1987) techniques for selecting candidates.

**Compensation (R-CP)**

Employers fixed appropriate compensation for the selected candidates based on the nature of their job. Pay had a strong link to selection methods and focused on work experience (Wilk and Cappelli 2003). Organizations fixed pay in par with the knowledge, skills required for the job and industry standards. Organizations viewed pay as an important tool for recruiting, motivating and retaining employees (Joseph 1997; James 2003). Employee compensation costs often exceeded 80 percent of the total operating expenses (Gomez-Mejia and Balkin 2006). The compensation package offered included both financial and non-financial components (Gomez-Mejia and Balkin 1992) depending on the job positions. The financial component included pay for performance, skill pay and competency pay (Selden 2005). The non-financial components included employee protection programs, security and health benefits, retirement benefits, low interest rates for housing loans, low interest rates for vehicle loans and lunch allowances (Stone 2002; Decenzo and Robins 2005; Cascio 2006).

In line with the above discussions, the current research deduced Job Analysis, Recruitment Procedure, Selection Process and Compensation as the major tasks and viewed them as the components of RSA (figure 2.1).
2.2.2 **Performance Management System activity**

Among the activities of HRM, performance management included a broad set of tasks aimed at improving employee performance. Organizations viewed it as a continuous process involving performance reviews focusing on the future rather than the past (Hartog et al 2004). Hence, in this volatile and competitive scenario organizations focused on their current Performance Management System (PMS) practices and restructured them for strategic alignment with the organizational goals (Baron and Armstrong 1998; DeNisi and Pritchard 2006).

Plethora’s of work carried by researchers had viewed PMS and performance appraisal in different perspectives (Bititci et al 1997; Armstrong and Baron 2000; Mondy et al 2002; Boyd and Kyle 2004; Coates 2004; Soltani et al 2005; DeNisi and Pritchard 2006; Schraeder and Simpson 2006). To sum up this research viewed PMS as an integrated process in which managers’ worked with their employees and set expectations, measured and reviewed results and rewarded employee performance in order to improve
their performance with the ultimate aim of positively affecting organizational success. This research from the above studies thereby deduced performance appraisal, feedback, counseling, coaching, reward system, career planning and career management as the tasks encompassed in PMS.

In the views of Bartram (2004) organizations carried out performance appraisal to measure the potential and actual performance of their current and potential future employees. Organizations assessed employees on the critical tasks and competencies for a job using appropriate measures to avoid problems of attrition which augmented with increase in tenure (Sussmann and Robertson 1986). The model of high performance cycle began with a goal setting process (DeNisi and Pritchard 2006). Hence, organizations adopted a formal system of performance appraisal (Brown and Heywood 2005), set dimensions for specific occupations (Viswesvaran and Ones 2000) and devised and operated effective PMS (Wooten and Decker 1996). This led to immense research carried out in this area with regard to the modus operandi of PMS practices adopted in organizations (Pettijohn et al 2000; Randall et al 2000; Viswesvaran and Ones 2000; Mondy et al 2002; Boyd and Kyle 2004; Simmons and Eades 2004; Soltani et al 2005; Cheng and Li-Heng 2006; DeNisi and Pritchard 2006; Perry et al 2006).

PMS began with the identification of the need for appraising employees (Taylor et al 1995; Boyd and Kyle 2004) and hence organizations evaluated all the job titles and set targets for all the employees (DeNisi and Pritchard 2006). Later they appraised them to measure the extent of achievement of the targets and provided adequate rewards based on their performance (Landy and Farr 1980; Cleveland et al 1989; DeNisi and Pritchard 2006).
Performance Appraisal Needs (P-PN)

Organizations periodically conducted performance appraisals to provide valuable information to employees and supervisors regarding their performance on the jobs. Research studies brought out the need for performance appraisals in different angles. Organizations used performance appraisals to improve performance of the staff by providing feedback regarding their performance (Meyer et al 1965; Beehr et al 1978; Ilgen 1993, DeNisi and Pritchard 2006). In addition, it helped them to identify the knowledge, skills and abilities of its staff (Guion 1998; Pettijohn et al 2000). Performance appraisals formed the base for promotions and rewards (Landy and Farr 1980; Cleveland et al 1989) and identification of the employee training needs (Taylor et al 1995; DeNisi and Pritchard 2006). Further, organizations used appraisal reports to identify and enhance their staff capability to achieve the organizational goals (Campbell and Campbell 1988, Pritchard et al 2002; DeNisi and Pritchard 2006). Therefore organizations conveyed the performance of their staff on their jobs (Cleveland et al 1989; DeNisi and Pritchard 2006). Having identified the need for appraising employees organizations decided the evaluation criteria, set the targets to be achieved and communicated it to their employees.

Job Evaluation (P-JE)

Organizations normally carried out appraisals once or twice a year and ensured that the performance dimensions (criteria) were clearly stated. Hence, through job evaluation process employers assigned the quantitative scores for all job positions and communicated it to their employees (Schuster and Zingheim 1992; Quaid 1993; Murphy and Cleveland 1995). Employers used the job evaluation information for developing HRM policies (McNabb and Whitfield 2001) and carried out job evaluation through superior, peer and or member of the HR department (Kahya 2006). Employees were appraised
based on the criteria/scores set. Hence, job evaluation criterion formed the base for performance appraisal process.

**Performance Appraisal Process (P-PAP)**

Appraisal process provided valuable information to employees and supervisors (Boyd and Kyle 2004) with regard to the performance of the employees on the assigned jobs. Wood (1999) claimed that high performance was associated with a specific set of internally consistent practices. Organizations carried out performance appraisals as a means of measuring the potential and actual performance of their current and future employees (Bartram 2004). Employees were assessed on the critical tasks and competencies for the job and performance goals were set with measurable outcomes (Cox 2000; Hartog et al 2004). Employee and superior together set the responsibility and goals (Hartog et al 2004; DeNisi and Pritchard 2006). Later employees were appraised based on the results achieved against the set targets (Hartog et al 2004; Kotey and Sheridan 2004) and the focus of the appraisals were measuring the extent of achievement of the set targets (Kotey and Sheridan 2004; DeNisi and Pritchard 2006) through critical incident approach or absolute standards method (Kotey and Sheridan 2004). Organizations used the appraisal results as base for promotions (Kotey and Sheridan 2004; DeNisi and Pritchard 2006), to strengthen employees skills (Guion 1998) and to identify their training requirements (Landy and Farr 1980; Kotey and Sheridan 2004).

Few organizations adopted appraisal by peers (Jackson and Schuler 2003; Kotey and Sheridan 2004) while few preferred multiple appraisal system (Viswesvaran and Ones 2000; Jackson and Schuler 2003) using standard evaluation formats (Dainty et al 2005). Since employees managed their own careers by moving to those jobs and organizations that offered them opportunities for growth (Opengart and Short 2002) employers themselves
took up the task of helping their employees plan their career for which employers used performance appraisal reports as the base (Hartog et al. 2004; Kaliprasad 2006).

**Compensation, Rewards and Incentives (P-CM)**

Organizations used performance appraisal reports as the base for providing merit based pays, performance bonuses and incentives and set the criteria for the same (Cox 2000; Hartog et al. 2004). Based on the appraisal reports employers provided adequate rewards to the employees (Cox 2000; Kaliprasad 2006) like performance bonuses, individual and group incentives (Cox 2000; Gomez-Mejia et al. 2001). Studies of Huselid (1995) and Pfeffer (1994, 1998) highlighted that compensation influenced business performance. Cox (2000) in her study examined the different types of pay packages and found that piecework, skill based pay, profit-related pay, profit sharing, and individual performance related pay were the popular techniques adopted by employers for rewarding their employees.

From the above discussions this research deduced Performance Appraisal Needs, Job Evaluation, Performance Appraisal Process and Compensation, Rewards and Incentives as the pivotal tasks that encompassed the PMS in organizations and viewed them as the components of Performance Management System Activity (PMSA) (figure 2.2).
Figure 2.2 Components of Performance Management System activity

### 2.2.3 Training and Development Activity

Organizations recognized training as an important HRM activity. Training contributed to an organization’s ability to achieve its goals by ensuring that its workforce had the knowledge and skills needed both currently and in the future (Selden 2005). Research studies revealed the significance of Training and Development Activity (TDA) in different dimensions. Training helped to increase productivity (Strober 1990), increase the commitment of employees (Rainbird 1994; Heyes and Stuart 1996) and enabled employees to perform a flexible range of tasks (Muramatsu et al 1987). In recent years organizations found it increasingly difficult to escape the growing need for training (Forrier and Sels 2003) due to the rapid changes in technology, globalization and dynamic markets. These factors created pressure among organizations in training employees to their present requirement and later retaining them (Herman and Eller 1991).
Researchers across the world had defined training in different dimensions (Marlow and Patton 1993; Loan-Clarke et al 1999; Antonocopoulou 2001; Ahmad and Bakar 2003). Summing up from the above definitions this research viewed training as a ‘systematic planned structured activity that developed skills, knowledge and behavior, instilled awareness and understanding of work practices through learning experiences and designed to achieve effective performance and increased organizational commitment’.

Training becomes an ongoing process in organizations as the level of qualifications become outdated quickly. Consequently, organizations started using training as a competitive tool to achieve higher standards of productivity, quality and effectiveness and adapt or change business strategies to accommodate to the external environment (Yadapadithaya 2001).

Antonocopoulou (2001) viewed training as a collection of structured and unstructured initiatives that aimed in instilling awareness and understanding of work practices among employees and thereby providing scope for growth and development. Research studies provided evidence that training programs helped organizations to keep themselves in pace with the dynamic business scenario through acquisition of the most recent knowledge and skills (Pettigrew and Whipp 1991; Pfeffer 1994, 1998; Gardiner et al 2001). This had paved way for intensive research into the methodology adopted for the training programs. A training needs assessment provided data for designing effective training programs (Arnold and McClure 1989) which organizations obtained from performance appraisal reports (Nelson 1996). Organizations prepared SMART objectives (Yadapadithaya 2001) based on the training needs identified. The identified training objectives formed the basis for the design and development of training methods and materials, identification of trainers and techniques and criteria for measuring and

**Identification of Training Needs (T-TN)**

Organizations provided training to meet the changing needs of the employees. Employers identified the training needs of their employees regularly (Nelson 1996) to better understand their training requirements. Employers trained their employees based on the needs thrown by the performance appraisal reports, reports from superiors (Nelson 1996; Roch and O’Sullivan 2003; Yadapadithaya and Steward 2003) and personal evaluation. Other factors that threw up training needs were, change in the environment (Yadapadithaya and Steward 2003; Selden 2005), current business requirements (Yadapadithaya and Steward 2003) and enhancement of skills required to keep up with competition (Muramatsu et al 1987; Selden 2005). Employers conducted training need analysis to ensure that adequate information regarding the skill deficits of their employees was available which facilitated design of training programs (Miller 2001). Hence, employers identified the training needs of the employees at all levels (Yadapadithaya and Steward 2003; Kaliprasad 2006). Employees involved themselves in training programs when they anticipated that training programs provided them with scope for personal and professional development and opened up career advancement opportunities. Hence, Nelson (1996) stressed the need for good quality training which met the above-mentioned needs of employer and employees. Training assisted in the development of a highly
effective, responsive, skilled and motivated workforce who can meet the demands of the ever-changing workplaces of the future.

**Design and Implementation of Training Programs (T-TD)**

Organizations designed training programs to teach new skills to an already experienced worker (Bunker and Cohen 1978) in accordance with the training needs identified from the appraisal reports. Training programs were designed based on the objectives (Pedersen 1983). Yadapadithaya (2001) emphasized the need for SMART objectives and adequate planning for the conduct of training programs. The training objectives formed the basis for the design and development of training methods. Commonly adopted training methods included job rotation (Muramatsu et al 1987; Kotey and Sheridan 2004), lectures and seminars (Kotey and Sheridan, 2004), on the job training (De Jong and Versloot 1999; Versloot, et al 2001; Kotey and Sheridan 2004) or a combination of the above. Employers trained their employees at all levels (Appleyard and Brown 2001) and paid attention in preparing and providing training manuals prior to the commencement of training programs (Yadapadithaya 2001). Generally, the training programs were customized reflecting participants needs and scheduled to their convenience (Faerman et al 1987). Employers designed their training programs based on the requirements and used either internal trainers or external trainers (Yadapadithaya 2001). Employers ensured that the internal trainers had the required expertise (Pedersen 1983; Riding and Mortimer 2000), adopted innovative training practices (Cooney 1997; Mulcahy and James 2000) and involved multiple units or departments (Appleyard and Brown, 2001). Having provided training employers ensured that effective transfer of training occurred.
Transfer of training (T-TOT)

Transfer is a dynamic process wherein trainee’s effective application of skills and knowledge on the job might be delayed, short lived, variable or non-existent. Hence, employers collected data continuously using appropriate experimental designs (Oliver and Fleming 1997) to identify the extent of transfer. Effective training meant that employees transferred the training to job and resulted in improved organizational outcomes (Phillips 1997; Blanchard et al 2000). Transfer of training ensured effective transfer of learned practices during training session to the work place. Employees encountered difficulties in transferring the learning from training events back to the workplace (Baldwin and Ford 1988). To assess the extent of transfer organizations used result based indicators (Oslen 1998), monitored continuously the implementation of learning from the training programs and provided feedback (Bass and Vaughan 1966; Oslen, 1998; Holton et al 2000). Organizations focused in using teamwork for effective transfer (Gumuseli and Ergin 2002). Having ensured effective transfer of training to the work place, organizations focused on evaluating the effectiveness of the training programs.

Evaluation of training programs (T-TE)

Organizations evaluated the effectiveness and extent of achievement of training objectives (Yadapadithaya 2001). Organizations spend a large amount of money on training. Hence, a thorough evaluation of training effectiveness was needed (Blanchard et al 2000). Organizations evaluated cost and benefits of investment in training (Yadapadithaya 2001). Evaluation focused on the identification of the usefulness of the training programs, the extent of learning from the programs (Bunker and Cohen 1978; Yadapadithaya and Steward 2003), the extent of application of learned practices (Bunker and Cohen 1978) and the achievement of the goals of
training programs (Yadapadithaya and Steward 2003). Organizations used interview method, questionnaire or performance data (Yadapadithaya 2001; Yadapadithaya and Steward 2003) to evaluate the effectiveness of the training programs.

From the above discussions this research deduced Identification of Training Needs, Design and Implementation of Training Programs, Transfer of Training and Evaluation of Training Programs as the salient tasks encompassing TDA (figure 2.3).

**Figure 2.3 Components of Training and Development activity**

The above discussions highlighted the salient tasks in the three activities of HRM function. This research hence viewed these tasks as the specific assessment areas for assessing the capacity of the activities of HRM function. With reference to the earlier discussion in Chapter 2.1.4 the general areas of capacity assessment along with the specific areas served as the pivotal areas for assessing the capacity of a program or project. Consequently,
the general areas namely Partnering, Financial Resources Management and Strategic Management/Governance were included to the specific assessment areas and consequently the capacity assessment areas for the activities of HRM function were arrived (table 2.2).

This research viewed Partnering as an organization’s capacity to forge meaningful alliances with other institutions/consultants/organizations enabling it enhance its activities and better achieve its mission. Financial Support (Financial Resources Management) focused on the procedures and practices adopted to maintain an appropriate balance between expense and revenue, budgeting, management of cash flow, maintenance of appropriate levels of cash reserves and the extent of financial support rendered. Strategic Management/Governance focused on strategic planning practices, governance practices, organizational commitment to mission, goals and philosophy, capacity to adapt to changes in the external environment and achievement of strategic objectives.

**Table 2.2 Capacity Assessment Areas of Human Resource Management function**

<table>
<thead>
<tr>
<th>Recruitment and Selection activity</th>
<th>Performance Management System activity</th>
<th>Training and Development activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruitment Procedure (R-RP)</td>
<td>Job Evaluation (P-JE)</td>
<td>Design and Implementation of Training Programs (T-TD)</td>
</tr>
<tr>
<td>Selection Process (R-SP)</td>
<td>Performance Appraisal Process (P-PAP)</td>
<td>Transfer of Training (T-TOT)</td>
</tr>
<tr>
<td>Compensation (R-CP)</td>
<td>Compensation, Rewards and Incentives (P-CM)</td>
<td>Evaluation of Training Programs (T-TE)</td>
</tr>
<tr>
<td>Partnering (R-PT)</td>
<td>Partnering (P-PT)</td>
<td>Partnering (T-PT)</td>
</tr>
<tr>
<td>Financial Support (R-FS)</td>
<td>Financial Support (P-FS)</td>
<td>Financial Support (T-FS)</td>
</tr>
<tr>
<td>Alignment of Recruitment and Selection Goals with Organization strategy (R-AL)</td>
<td>Alignment of Performance Management System Goals with Organization strategy (P-AL)</td>
<td>Alignment of Training and Development Goals with Organization strategy (T-AL)</td>
</tr>
</tbody>
</table>
2.3 THEORETICAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

The theoretical framework explored the impact of Partnering and Financial Support in enhancing the effectiveness of the respective activities of HRM function and the alignment of the above activities with the strategic goals of the organization. This framework enabled evaluation of observed business behavior and therefore provided better explanations of the motivations of organizations in using Partnering and rendering Financial Support for the activities of HRM function.

2.3.1 Theoretical Framework

The globalized and liberalized era had enforced competition. Hence, organizations are probing ways and means that helped them overcome the challenges posed by these changes. In the last twenty-five years there had been international interests in the contribution of inter-organizational collaboration through strategic alliances, joint ventures and partnering as a counter to the insecurities inherent in global business activity (Pfeffer and Salancik 1978, cited by Pfeffer and Baron 1988; Felstead 1993). Hendrick and Ellram (1993) in their article identified partnering as an ongoing relationship between two organizations that involved commitment over an extended period and mutually shared the risks and rewards of the relationship. Sako et al (1998) referred partnering in terms of mutuality of understanding particularly with respect to work processes, durability of commercial relationships and co-operation in process improvements. Druker and Stanworth (2001) claimed that the benefits derived from the partnering measures were both in cost and quality.

Any business activity would be efficient and effective only when it had the required financial support. Organizations allocated substantial amount
of funds on research and development to come out with innovative products. Later they invested in marketing during the initial stage and in the retention stage. Organizations extended financial support to training and development activity and imbibed the skills needed within employees to maintain themselves in pace with the dynamic business environment. Likewise, this research felt that the activities of HRM function also needed financial Support for its successful execution.

Similarly, organizations ensured alignment of all the functions, activities and tasks with their strategic goals. This aided in achievement of the strategic objectives of the firm. To better understand the relationship between Partnering, Financial Support and Alignment a framework was established which described the causal relationship between the above variables (figure 2.4).

![Theoretical Research Framework Diagram](image)

**Figure 2.4 The Theoretical Research Framework**

### 2.3.2 Partnering and Human Resource Management function

Organizations in diverse sectors exhibited increasing interests in partnering. In the manufacturing sector partners invested jointly or separately in infrastructure and work processes (Mudambi and Mudambi 1998) and in
the recruitment industry to recruit temporary workers (Druker and Stanworth 2001). The research and development partnership enabled companies respond quickly to changes in its technological environment without the need to build up full internal research and development capacity in specific areas of research (Hagedoorn et al 2006). Similarly, the increase in the buyer-supplier partnership was due to the perceived relative importance of success factors (Ellram 1995), productivity and quality benefits derived from supplier partnering activities (Stuart and Mueller Jr. 1994) and achieving shorter product cycle through the integrated supplier partnership (Bonaccorsi and Lipparini 1994). Adding up to the above studies, Akacum and Dale (1995) in their study explored the methods through which companies could further develop the concept of partnering with suppliers and customers. Wilson (1994) in his study found that the Partnering strategies among United States firms were becoming increasingly common. Partnering allowed buyers and suppliers in the United States to compete more effectively with the international firms abroad and partnering helped in sharing information and developing inter firm relationships (Schindler and Thomas 1993; Zaheer 1998).

Similarly, there had been widespread discussion within HRM literature about the changing shape and structure of the labor market (Druker and Stanworth 2001). Research studies provided evidence that outsourcing, sub-contracting, franchising, supply chain management and interim management in different ways had challenged the traditional assumptions of HRM practice (Felstead 1993; Goss and Bridson 1998; Kessler et al 1999; Scarborough 2000). During mid 1990’s organizations were resorting to outsource their training and development activities (Buckley 1996) while by end of 1990, organizations outsourced 93 percent of some sort of HR work (Greer et al 1999). This was because organizations having realized the significance of partnerships resorted to it. In addition, partnership helped in
eliminating duplication of work, offered shared responsibility, maximized resource utilization (McCollum and Rice 2003) and helped organizations in achieving synergy and organization goals. Hence, this research felt that partnering for HRM function with other organizations and consultants would help them enhance the effectiveness of the activities of HRM function.

**Partnering and Recruitment and Selection activity**

Tipper (2004) viewed cost and timing of hiring as successes in recruitment area. Millmore (2003) felt that recruitment and selection practices must be matched with the different competitive strategies of defender, prospector and analyzer, while Schuler and Jackson (1987) recognized the need for cost reduction, innovation and quality enhancement. Consequently, this research felt that engaging in partnership with other organizations, consultants, colleges, universities etc., would help organizations identify the right candidates for the job positions in a cost effective way.

**Hypothesis 1:** Higher the level of partner relationship, better the Recruitment and Selection activity

**Partnering and Performance Management System activity**

Likewise, entering in to partnership with consultants would help organizations design appropriate appraisal system and appraise employees in an effective way.

**Hypothesis 2:** Higher the level of partner relationship, better the Performance Management System activity
Partnering and Training and Development activity

Similarly this research felt that entering into Partnership with colleges/universities/consultants/organization would help organizations identify appropriate trainers and provide excellent training to their employees, thereby imbibing the contemporary technical knowledge among employees and thus enhancing their TDA.

Hypothesis 3: Higher the level of partner relationship, better the Training and Development activity

2.3.3 Financial Support and Human Resource Management function

Organizations are spending billions of rupees for marketing campaigns to increase their sales. In October 2000 Microsoft announced $1 billion marketing campaign and $150 million for advertisements (Abrahams 2000). During 1987, co-operative advertising expenditures spent by the companies in the United States amounted to $10 billion (Somers et al 1990) and it rose to $30 billion in 1998 (Davis 1999). Similarly, organizations in the United States spent 2.1 percent of payroll as training expenses in Information Technology sector and 1.2 percent in the health sector (Marquardt et al 2000). On the other hand, Australian organizations in public sector spent 3.2 percent, whereas in private sector they spent 2.3 percent (Smith 1999). Organizations in New Zealand spent around 3.7 percent (Pio 2007) and in Britain around 5.4 percent (Yadapadithaya and Steward 2003). Whereas, in India, organizations in private sector, public sector and MNC’s spent 1.1 percent, 0.8 percent and 1.6 percent respectively (Yadapadithaya 2000) and an average of around 1.2 percent (Yadapadithaya and Steward 2003). The above studies revealed that the Indian companies spent a lesser percentage payroll for training in par with the companies outside India. Chandler and McEvoy (2000) in their article had
stated that organizations supported training programs, appraised employees and provided incentives to achieve higher productivity. These practices helped employers reduce employee turnover and enhanced financial performance.

**Financial Support and Recruitment and Selection activity**

Due to the escalating attrition rate the recruitment and selection expenses had soared high which implied the persistent and inevitable financial support needed for RSA. Recruitment and selection programs incurred expenses in way of money spent for advertisements, for hired consultants, administrative expenses, turn over costs, expenses incurred for dissemination of information about jobs, wages etc. Hence, the study felt that RSA needed financial Support.

**Hypothesis 4:** Higher the level of Financial Support, better the Recruitment and Selection activity.

**Financial Support and Performance Management System activity**

Organizations ensured that their employees were adequately rewarded based on performance. Since, employees resorted to shift to other organizations when incentives, pay and performance bonuses provided by the present organization did not meet their expectations. Organizations needed incessant financial Support for PMSA since expenses were incurred for providing incentives, pay increases, performance bonuses etc. Hence, this research felt that PMSA needed financial support.

**Hypothesis 5:** Higher the level of Financial Support, better the Performance Management System activity.
Financial Support and Training and Development activity

Organizations extended financial support for training programs by way of money spent for training internal trainers, hiring external trainers, productivity lost due to training programs etc. The training programs focused in providing training to their employees and imparted the required knowledge and skills to be in pace with the dynamic market conditions. Hence, this research felt the need of incessant financial support for TDA.

**Hypothesis 6:** Higher the level of Financial Support, better the Training and Development activity.

2.3.4 Alignment and Human Resource Management function

Studies of Ulrich (1997), Becker and Huselid (1998), Richard and Johnson (2001) reflected the shift towards HRM practices. Organizations had recognized that people management practices offered them key business advantage in the face of increasingly global competitive and turbulent environment. Organizations planned HRM practices carefully to align with strategic goals and adopted the basic principle of aligning the activities of HRM function with overall strategic goals (DeNisi and Pritchard 2006). Studies of Devanna et al (1984), Truss and Gratton (1994), Wright and McMahan (1992), highlighted that carefully designed HRM policies had a positive impact on organizational efficiency. Way (1998) felt that all HRM practices were woven together and focused in assisting the strategic plan. Hence, organizations linked their HRM practices to organization strategy and focused in designing HRM practices consistent with business strategy. Thus, alignment of all activities to the strategic goals of the organization was inevitable.
Alignment and Recruitment and Selection activity

Sparrow and Pettigrew (1988) in their article had stated that the focus of RSA in organizations had becoming more strategically driven and organizations placed a premium on selecting employees against organizational rather than job specific criteria (Millmore 2003). Hence, this research emphasized the alignment of Partnering, Financial support and the tasks of RSA with the strategic goals.

Hypothesis 7: Higher the effectiveness of Recruitment and Selection activity better its alignment with strategic goals

Hypothesis 8: Higher the extent of Partnering for Recruitment and Selection activity, better its alignment with strategic goals.

Hypothesis 9: Higher the level of Financial Support for Recruitment and Selection activity, better its alignment with strategic goals.

Alignment and Performance Management System activity

DeNisi and Pritchard (2006) in their article had emphasized the need for aligning the performance evaluation system in organizations with the results that provided value to the organization and ultimately helped in attaining its strategic objectives. Baron and Armstrong (1998) emphasized the strategic and integrated nature of performance management system, while Fletcher (2001) viewed that performance appraisal had become a part of a strategic approach and focused in integrating HRM activities and business policies.

Hypothesis 10: Higher the effectiveness of Performance Management System activity, better its alignment with strategic goals.
Hypothesis 11: Higher the extent of Partnering for Performance Management System activity, better its alignment with strategic goals.

Hypothesis 12: Higher the level of Financial Support for Performance Management System activity, better its alignment with strategic goals.

Alignment and Training and Development activity

Montesino (2002) in his study emphasized that organizations should explicitly communicate to their employees the significance of linking their training programs with their strategic goals. Cooney (1997) stressed that organizations should closely align their training programs with enterprise strategies for effective HRM and operational management.

Hypothesis 13: Higher the effectiveness of Training and Development activity, better its alignment with strategic goals

Hypothesis 14: Higher the extent of Partnering for Training and Development activity, better its alignment with strategic goals.

Hypothesis 15: Higher the level of Financial Support for Training and Development activity, better its alignment with strategic goals.

Considering the impact of each facilitating factor respectively and including sub-dimensions of each construct the theoretical framework in figure 2.4 was expanded to include the three activities of HRM function (figures 2.5, 2.6 and 2.7). The above figures depicted the proposed relationships between Partnering, Financial Support, HRM activities and Alignment as discussed in the earlier part of this Chapter. The numbers next to each arrow correspond to the hypotheses developed in this Chapter.
Figure 2.5  Theoretical Research Framework – Recruitment and Selection activity

Figure 2.6  Theoretical Research Framework - Performance Management System activity
2.4 AIM OF THE STUDY

The literature review of CB activities revealed that the concept was widespread and thereby provided lot of scope in extending the same to for profit organizations. The present commercially competitive environment pressures these organizations to meet the challenges posed by globalization. Consequently, the focus of these organizations was to strive to maximize the utilization of organizational resources and thereby excel in all functional areas. In addition, organizations could apply this concept as a whole, or for one or few of its functions or activities.

Research studies reported that organizations considered HR as a key element, a valuable asset and major source of competitive advantage (Kerfoot and Knights 1992; Bratton and Gold 1999; Millmore 2003). Studies provided empirical support for the impact of HRM practices on firm level performance (Huselid 1995; Koch and Hundley 1997). The HRM focus was on managing people within the organization seeking strategic integration of HRM practices with business plans (Tichy et al 1982; Storey 1992; Baird and
Meshoulam 1998; Truss et al 2002). Hence, this research considered HRM a critically important function.

Though, HRM comprised a number of activities the present research deduced Recruitment and Selection, Performance Management System and Training and Development as the key activities under HRM as discussed in Chapter 2.2. Hence, this research considered the above three activities as representation of the domain of HRM function and applied the CB process to the HRM function among the auto component manufacturing organizations. This research was conducted in Coimbatore district. Since, with reference to the discussions in Chapter 1 the Indian automobile sector is under explosive growth and Coimbatore district hosted a cluster of auto component manufacturers in South India.

This CB exercise assessed the effectiveness of HRM function by assessing the extent to which these organizations were practicing the common HRM practices on a perception-based, consensus-oriented, bottom-up assessment approach, in contrast to the perception-based, top-bottom evaluation approaches. This assessment would help these organizations to identify the assessment areas where they had capacity or consensus lags and later focus on enhancing the capacity in the identified lag areas.

2.5 OBJECTIVES OF THE STUDY

The main objective of the study was

- To assess the capacity of the HRM function among the auto component-manufacturing organizations in Coimbatore district during March 2007 to October 2007.
Sub Objectives

- To measure the capacity of HRM function comprising of Recruitment and Selection activity, Performance Management System activity and Training and Development activity in specific assessment areas in the organizations included in the study

- To map the capacity of HRM function of the above organizations in specific assessment areas and identify the capacity/consensus lag areas

- To locate the contributing items to the high capacity-high consensus quadrant in each assessment area

- To test the hypotheses that explored the influence of Partnering and Financial Support on the activities of HRM function and the alignment of the above three with the strategic goals of the organization.

2.6 CONCLUDING REMARKS

The following were the major summated concluding remarks of the literature review on CB and HRM function.

- The concept of CB was applied in non-profit organizations largely. Hence, there was lot of scope for applying the same in for profit organizations.

- Majority of the studies in HRM were perception oriented. Such assessments were not likely to give a greater level of
importance to the consensus or level of agreement among the employees which evolved as an area for exploration.

- HRM comprised of a number of activities this research deduced Recruitment and Selection, Performance Management System and Training and Development as the major activities encompassing HRM function.

- The salient tasks identified in RSA were Job Analysis, Recruitment Procedure, Selection Process and Compensation.

- The salient tasks deduced in PMSA were Performance Appraisal Needs, Job Evaluation, Performance Appraisal Process and Compensation, Rewards and Incentives.


Consequently, a new research platform evolved wherein the focus was assessment of the effectiveness of HRM function by means of a perception-based, consensus-oriented, bottom-up assessment approach. The new research platform paved way for formulating the objectives of this research.