

# CHAPTER – 8

## SUMMARY AND LESSONS

### 8.0 Introduction

Many past researches have shown positive relationship between human resources system and performance of the organization. The performance is measured in terms of revenue growth, market share, profitability and customer service. There are several factors which impact the performance of any organization such as products, market conditions, technology, quality, service and demand etc. The current study is an attempt to find out what impact human resources systems have on the performance of the organization. In order to understand the impact, major human resources systems are studied. Human resources systems include many subsystems. This study is limited to four major human resources systems namely, *human resources planning and recruitment system, performance management and reward system, employee development and human resources climate*. The selection of these systems is done on the basis of prevailing human resources practices and presence of human resources systems in the sample organizations as well as importance of particular human resources systems in overall human resources management system. In the beginning the term human resources system is explained. In order to study the human resources system, it is presumed that human resources are the most important of the resources in the organization.

An organization learns through its members and the members of the organization provide the sustainable competitive edge to any organization. The study contributes to the literature by providing empirical evidence linking the performance with human resources systems. The study provides further evidence that the

performance also has a linkage with the size of the organization and effective implementation of human resources systems.

The focus in present study is on manufacturing organizations. There are some empirical evidences showing the relationship between overall performance of the organization and human resources systems is stronger in manufacturing settings. The current study also finds evidence of prevalence of human resources systems in the manufacturing organizations selected as sample.

It is observed that though there are many progressive and growing organizations in the region, not all of them have implemented human resources systems. On one side there are organizations which views human resources systems as essential and there are some well established organizations which operate without Human Resources systems. The study gives an insight in understanding the role of Human Resources system on the performance of the organization.

Most of these organizations have business relations with many multinational companies and work around the globe. The competitive advantage which was previously achieved through technology has been neutralized due to economic liberalization. The organization can achieve advantage through human resources only. It is the people who can provide the competitive edge which is the reason that Human resources systems have become crucial in conduct of business operations. This study seeks to understand existing issues of human resources systems and their impact on the performance of the organization.

In recent times lot of progress has been made in the understanding of the Human Resource systems. Most Human Resources system models highlight the need of linking the business aspects with that of Human Resources and try to measure how Human Resources influence business goals and results.

## **8.1 Theoretical Development and Objectives of the Study**

The current study aims at understanding the impact of human resources system and highlighting the importance of Human Resources systems by focusing on the impact these systems create on the performance of the organization. If any business has to succeed in the long run, it will have to satisfy the expectations of all the stakeholders i.e. the employees, the customers and shareholders. It is possible that the organization may get success in the short run, however, in order to succeed in the long run it will have to take a balanced approach and will not succeed without a balanced satisfaction of all the three. One of the important argument is that all the three components are interrelated. Employee attitudes and behaviour influences customer satisfaction and retention. Similarly, customer satisfaction and retention influences shareholders satisfaction and investments. The shareholder satisfaction affects employee satisfaction through bonuses, stock options and further investments on employees. If even one of the components breakdown, the chain does not work leading to performance drops. The current study made an attempt to study the impact of Human Resources systems on the organization. In order to study the impact, focus of the study is on the nature and extent of some important system of human resources, study the outcome of Human resources system implementation. Identify the Human Resources system which has major impact on the performance of individual and the organization.

Human resources system has several components which are interrelated with each other. The components have to be seen as unique set of sub-systems and part of an open larger system. In order to understand the importance of various components one should look at the data analysis of the components. The objectives of this study are as follows:

### **8.1.1 Objectives of the Study**

1. To study the overall impact of Human Resources systems on the organization.
2. To study the nature and extent of implementation of some important human resources systems.
3. To study the outcome of Human Resources system implementation.
4. To identify the Human Resources system which has major impact on the performance of individual and organization.

The respondents included supervisors and other senior officials in ten industrial organizations based in Vapi, Daman and Silvassa region. Survey method, interview and focus group interview methods were used for collection of required information about Human Resources systems in sample organizations. A structured questionnaire was administered to the employees in staff and above cadre of these selected organizations. Other material such as balance sheet, websites of the organizations and information on Human Resources initiatives were also collected from variety of sources.

Out of the total 10 selected units 8 of them had well structured and organized Human Resources department. The Human Resources department of these organizations had implemented various systems of Human Resources. The implementation of these systems and their impact on the performance of the organization was undertaken in this study. The major Human Resources Systems covered in the study included human resources planning, recruitment and selection, performance management system, employee development system and human resources climate system. The selection of these systems is done on the basis of prevalence of these human resources systems in Vapi, Daman and Silvassa regions.

Some of the organizations have implemented these Human Resource systems in their organizations. This is also gets reflected from the data collected.

Let us look at the human resources systems studied and the status of these systems in the sample organizations.

### ***Human Resources Planning, Recruitment and Selection System***

Under this system quality of Human Resources Planning, recruitment and selection system is studied.

### ***Performance Management and Reward System***

Under this system effectiveness of performance management system, performances appraisal system, use of performance manner system for rewards and achievement of organization objectives is studied. We also studied the use of performance management system for development purpose.

### ***Employee Development***

Employee development as Human Resource system, orientation, training, training effectiveness and role of training in career planning, succession planning and development is discussed.

### ***Human Resources Climate***

The concept of Human Resources Climate, measurement of human resources climate and human resources climate as an outcome of effective implementation of Human Resource system is discussed here.

All the organizations selected for this study had at-least one of the Human Resources System implemented. This fact was observed from the result of data

analysis: In all total 937 valid responses were received as part of data collection. These 937 responses were analyzed to draw inferences and observations. Data was coded, processed and analyzed with the use of computer and interpretations are made by the researcher. SPSS and MS-Excel were used for data analysis.

## **8.2 Major Observations: Human Resources Planning, Recruitment and Selection System**

One can say that human resources planning, recruitment and selection system are some of the most important component of entire human resources management system. These systems deal with planning and procurement of human resources as per the need of the organizations. Success of any organization largely depends on the quality of human resources it has. The employees are the most important part of an organization and getting the right quality of human resources as per the business needs is of prime importance. If one follows human resources planning, recruitment and selection system quality and quantity of human resources is assured.

Human resources planning involve planning for the right kind of human resources in terms of the quantity, quality, competence, experience etc. It is very important that human resources planning system is effective and takes care of the entire human resources need of the organization for present as well as future.

On the basis of the data collected during the study it is observed that a majority of the respondents and their organizations have an effective human resources planning system. On the basis of human resources planning system decisions with regards to number and quality of human resources required are undertaken. After arriving at the quality and type of people required the next human resources system of recruitment is followed.

Effective recruitment system ensures that sufficient numbers of applicants are available for any position in the organization, as per the requirement. Effectiveness of this system ensures that the organization has adequate alternatives in terms of choices of candidates and can choose the best talent available. The system involves various processes and is considered to be effective only when the required talent joins the organization.

On the basis of empirical evidences collected during the study it is observed that most of the organizations have an effective recruitment system. The respondents stated though the organizations did have an effective recruitment system the availability of right talent in time and fitment of new joiners in the organizations is an area of concern. This is mostly true for all the organizations studied.

Process of selection is the last step in overall system of procurement of human resources and it is complete when the right candidate is selected and offer for the employment is made. It is observed that the selection process in the sample organization ensure availability of human resources in time however as stated above respondents had concerns with respect of getting the right talent and the quality of new employees for the organization. Once we have right quality and numbers of human resources join the organization, it is very important that they perform as per expectations of the organization and expectations are conveyed in the most efficient manner. The performance has to be measured and monitored through performance management system.

### **8.3 Major Observations: Performance Management and Reward System**

In order to achieve the objectives set an organization needs an effective performance management system. Performance Management system is one of the most important human resources system in any organization. If the organization is

able to manage the performance of employees, it can create many competitive advantages. Other human resources systems depend on the performance management system. It is observed that all the organizations under the study have performance management system in one form or other. There are areas which need improvement in the system in different organization. If one looks at the data collected from all the organizations it is clear that certain basic aspects of performance management such as goals, clarity of employee roles and responsibility are effectively used. Organizations also use the opportunity to communicate expectations, achievements, failures, constraints and improvement required.

Most of the organizations under study have implemented their performance management system by taking care of these basics. Major observations are that objectives of performance management system are clear to most of the respondents, performance management system do provide an opportunity for communication between appraiser and appraisee regarding performance issues.

Performance Management System: To study the impact of performance management system a set of statements were designed and the respondents were asked to rate these statements. Performance Management System was the most important Human Resources System according to the respondents. While talking to the senior management members of some of these organizations it was revealed that it is very difficult to devise a totally objective Performance Management System. We are dealing with the human beings and whenever human beings are involved in anything there is certain amount of subjectivity getting generated by itself. You may have best of the system but it is very difficult to implement them in totally objective manner. This is also true because the Performance Management Systems are also

designed to capture the subjective aspects such as initiative, leadership, inter-personal skills, team building etc.

Most of the respondents felt that their appraisal system did not have mechanism for bias correction. Similar views were also given about the seriousness of appraisals by the managers. Most of the respondents felt the managers did not take the appraisals seriously. The respondents stated that the appraisal system helps the managers to plan their performance well. They also felt that it provided an opportunity for communication between boss and subordinates.

On the basis of factor analysis it is observed that factors such as: effectiveness of performance management system contributed 27.53 percent independently, Quality of performance feedback contributed 49.34 percent independently and use of performance review data for employee development contributes to 64.23 percent independently.

This clearly shows if any organization has to improve their overall performance, first they have to use the performance review data for employee development purpose, improve quality of performance feedback and make their performance management system effective.

#### **8.4 Major Observations: Employee Development**

Employee development system is another important human resources system in any organization. The organizations can only learn through its members. Effective training and development programs help individual employee develop and learn. When the employees are developed it has a positive impact on performance the organization and organizations can achieve its goal. Effective employee development system provides competitive edge to the organization in terms of people skills and

abilities. In case there is change in technology, market conditions, competitors activities, trained employees are quick to respond to the changing needs of the markets and provide best of the customer service. This results in greater customer retention leading to positive impact for the organization in terms of profitability, market share etc. All other human resources system such as performance management system and, human resources climate etc depends on the effectiveness of employee development system. It is observed that all the organizations under the study conduct various programs for employee development. There are many programs which are conducted for technical and personality aspects by these organizations. Almost in all the organizations studied, the induction training is given lot of importance. If one looks at the data collected from all the organizations, it is clear that the induction programs are well planned or the programs provide opportunities to new employees to know about the organization, improvement was needed in almost all the organizations. Similarly contents of the induction programs needed to be periodically reviewed by almost all the organizations. Most of the organizations studied helped their employees acquire technical knowledge and skills through training programs. Organizations also needed improvement in conducting programs on human relations competencies.

There are specific areas such as workers training which needs improvement in the system in different organization. Most of the organizations under study have implemented employee development system by implementing at least basic training programs. Major findings are that objectives of induction programs are given importance in all the organization.

***Training Effectiveness:*** To know which statement plays important role in training effectiveness and whether the training imparted in the sample organizations

was effective, a set of statements were given to the respondents and they were asked to rate the statements. After collecting the data of the selected organizations, we have computed weighted mean on the basis of highest weightage given to almost always true and lowest weightage given to not at all true. Out of the total responses received it was observed that most of the respondents felt that the workers training were effective and organizations emphasized the role of training to workers.

The respondents also indicated that the induction training given in the organizations were not periodically reviewed and the induction programs should be reviewed at regular intervals.

In order to understand the attitude of superiors towards employee development questions were asked to them in form of statements. Respondents in most of the organizations agreed that development of subordinates is of prime importance and it is responsibility of the supervisor to develop their subordinates. Organizations which mainly worked on laid down procedures and operated standard operating procedures had little scope of creativity. Such organizations could not allow employees to try out their ideas at work. Most of the organizations considered the feelings of the employees while communicating with them.

Factor analysis was done to identify the major factors which influence employee development system. It is observed that factors such as, *importance and quality of training inputs* contributed 26.01 percent variation in training effectiveness in selected industries independently, *effectiveness of induction training* contributed 23.20 percent variation in training effectiveness independently and *employee capability enhancement through management training* contributed 17.18 percent variation in training effectiveness independently.

This clearly shows if an organization has to improve their overall employee development system, they have to improve the quality of training inputs, make the induction programs more effective and conduct management development training to enhance employee capability. Once the employee capability gets developed the employees become positive and this positivity results in better human resources climate.

### **8.5 Major Observations: Human Resources Climate**

The overall climate in the organization played a major role in all the areas. Industrial climate was studied by asking many questions pertaining to HR climate in the organization. Most of the respondents stated that people in their organization were helpful to each other and this statement ranked first. The respondents stated that lot of improvement was needed in activities like job rotation for enrichment of the job or for maximum utilization of available human resources. Many other questions related to the Human Resources climate in the organization were asked and it was observed that Human Resources climate plays a significant role in the development of the organization as well as individual employees.

As we have seen above, an organisation can only be successful if the members are properly motivated and competent. Trustworthy, honest and capable employees are the greatest assets of any organisation. Human resources climate of any organization plays very big role thereby creating a climate in which such qualities are developed. Employees enjoy working in such organizations and individual employees can be helped to achieve their potential. Such employees in turn provide optimum contribution and value addition as per their potentials. Organization can achieve the goals if it is able to create and maintain right type of human resources climate.

Harmonious Human resources climate is extremely important for development of employees and organizations. The human resources climate can be considered as sum total of effective implementation of all the human resources system and human resources practices. If any organization implements all other human resources systems in an effective manner it may result in development of right human resources climate which fosters growth, development of individual and organization.

In the right kind of human resources climate, employees are satisfied. Once the employees are satisfied they work with great vigour and enhance customer satisfaction. Greater customer satisfaction results in higher customer retention leading to positive impact for the organization in terms of profitability, market share etc. All human resources systems are in a way dependent on each other. It is difficult to implement any specific human resource system in isolation. All the systems and their effectiveness impact each other.

Looking at analysis of responses, major findings are that in most of the organizations the respondents stated that people are helpful to each other. In all the organizations studied there was some mechanism to reward the good work. Most of the respondents stated that people in their organizations trusted each other and seniors guide their juniors. Respondents stated that promotion decisions are mainly based on merit; however more transparency is required in some cases. Areas like development of subordinates requires improvement as per the responses received. According to the respondents the seniors should take more interest in their juniors and help them learn. Respondents were of the view that employees sent for training should take the training seriously and efforts should be made to create team spirit in the organizations.

Most of the respondents stated that their management makes an effort to ensure that employees enjoy their work, and whenever an employee makes a mistake

the supervisor treats the employee with understanding and help him learn. Improvement is required in the areas of allowing employees to use their learning on return from training programs. The majority of respondents agreed that the employees are not afraid to express their feelings. Improvements are needed in areas such as job rotation, initiatives, investment of time of top management, personnel policies and communication of feedback.

As part of the objectives of the study, an attempt is made to identify the factors which has major influence on human resources climate. On the basis of factor analysis it is observed that factors such as, *Support for Employee Development* contributed 16.63 percent variation in human resources climate independently, *delegation and job rotation for employee development* contributed 27.31 percent independently, *communication and trust between superior and subordinate* contributed 36.03 percent variation in human resources climate independently, *effectiveness of development programs* contributed 44.60 percent variation in human resources climate independently, *employee relations* contributed 52.76 percent variation in human resources climate independently, *mutual trust in the organization* contributes 57.91 percent variation in human resources climate and *communication of future plans to management staff and reward system* contributed to 62.93 percent variation in human resources climate. This clearly shows that in order to impact the human resources climate, one can focus on these factors and make efforts for improvement.

Out of the total 10 organization studied, 8 organizations had well defined Human Resources Departments. Remaining 2 were working in the traditional system of personnel management and their Human Resources systems were taken care by either personnel department or finance department.

## **8.6 Major Observations: Performance of the Organizations**

In order to understand the impact we looked at various indicators showing the performance. These included revenue growth in terms of sales turnover, market share in terms of growth of the organization, profitability in terms of net profits earned over a period of five years and customer satisfaction with a view to look at the competitiveness and customer retention. One can find that in terms of *revenue growth* all the ten organizations had better market share as compared to last five years clearly showing that all these organizations had growth in terms of their turnover.

In terms of *market share*, all organizations except Bilag had a growth in their market share. In case of Bilag the growth remained constant as the organization supplies all the material produced to its parent German company and unless the capacity is increased there can not be further growth.

In case of *profitability* as compared to last five years, respondents in all the organizations reported that their profitability was better or same. In case of Bilag the profitability remained same as the material produced is transferred on transfer price basis.

*Customer satisfaction* is very important for the growth of any organization. Most of the respondents stated that the customer satisfaction of their organization was same or better explaining the growth of the organizations.

## **8.7 General Observations and Suggestions**

One can sum up and state that on all the performance parameters the sample organizations performed better in comparison to last five years. Though all the organizations had varied degree of implementation and effectiveness of human resources system, all the organizations had improved on all the parameters in last five years.

## **8.8 Non-Participant Observation**

Lastly we can say that no matter, how good Human Resources systems are in the organization or how many Human Resources systems are there in the organization, the world of an employee revolves around him, his job and his boss. If the relationship between him and his boss is good, rest every thing falls in place. If the relationship between them is not conducive, it may create an adverse effect on the overall atmosphere of the organization and even though the employee is very competent, the organization is not able to utilize the maximum potential of the employee. Effective implementation of human resources system depends a lot on the line managers and line functions. The line managers play a very crucial role in overall success of the human resources systems.

Human Resources systems require commitment of top management, positive environment, and support from the entire cross functional teams in order to succeed and make impact on performance of the organization. The human resources systems can create a positive and productive environment which helps in productive environment helps in effective implementation of human resources system. So all the human resources systems are part of the overall organizational system and develop according to the maturity and readiness of the organization.

Organizations consider a need to have human resources system when the organizations look to transform from being entrepreneur driven organization to professionally driven organization. Effective implementation of human resources system brings professionalism in the organization and in turn has a positive impact on the performance.

## **8.9 Limitations of the Study**

There are many factors which influence performance of organization apart from human resources system. It is very difficult to isolate such extraneous factors. Probably analysis of any organization on long term basis may help to discern the impact of human resources systems.

The study based on field study suffers from several biases. As far as this study is concerned, auspices bias is crucial. Biases resulted from the familiarity of the researcher with respondents of the organizations studies here. Biases are more likely to occur where respondent falls into the higher category of employment. Such frequencies are cross-verified with other supplementary evidences.

## **8.10 Further Area of Research**

Organizations are changing, and it is natural that the members of the organizations will also have to change accordingly. When I reviewed the literature, I observed there are very few studies done in the private sector. Most of the studies done prior to this are in the areas of human resources management or human resources development. There are organizations which created human resources development departments and in order to look at the effectiveness of implementation, they have conducted studies. Organizations have also conducted human resources development audits and tried to find out how a particular organization scores on various development parameters.

Human resources systems are the delivery mechanism of the policies and practices in an organization. The effectiveness of implementation decides about the quality of human resources climate one has in the organization. Human resources issues are the most important aspects of the business organizations if the organizations are seeking to create value and deliver results. In search for competitiveness in the

areas of manufacturing, business strategy, marketing, customer service, financial management, technology, reengineering and quality, it is essential that organizations look at the people side of advantages.

There is increased attention given to the organizational components of competitiveness. The people working in the organization provide this competitiveness. Organization's core competitiveness, organizational culture and knowledge or learning in the organization has become centre point for such competitiveness. Globalization, the value chain, growth, focus on competence, change, technology, intellectual capital and transformation are the new challenges.

It is more important to deal with the traditional softer side of management which is becoming harder and demanding. It is still not accepted that human resources can be utilized to create value and deliver results. When ever we talk about human resources and the way to create competitive advantage through people organizations mostly look at the image of human resources as with policy making, policing and transacting. Even in the progressive organizations it is not easy to convince that human resources can play a strategic role.

As most of the studies conducted in the areas of human resources system and their impact on the organizations are in terms of either studying impact of certain human resources management policies, looking at the strategic roles or impact of human resources development on the organizations, it is essential that further research is undertaken in all the human resources systems.

There are many areas in which further research is needed. It is essential that we study all the human resources systems and look at the systems as a tool to provide competitive advantages. Some of the areas in which we need to take further research are discussed below:

***Performance Management:*** This is one of the most important areas in the overall human resources system. There is a very strong need to conduct research in these areas with respect to designing of a performance management system which can take care of the star performers as well as identify development needs of the average performers.

Human resources systems of recruitment, training, development, rewards, communications, organization design, and cultural change have to be modified and align with business strategy. Human resources systems need to be retained and constantly upgraded and changed. Whether these changes are appropriate or something more has to be done can only be decided if further studies are done in this area.

Other areas in which further research can be taken are: Leadership development, Career progression and succession planning, Change management as a result of merger or acquisitions, Talent retention is one of the most important challenges faced by the modern business organizations. If one can conduct study in these areas and comes up with real solutions, it will help the organizations immensely. Another area for research is Assessment and measurement and indicators and metrics, human resources professional find it very difficult to show their contribution in the organizations and development of assessment and measurement model will help the organization in measuring human resources return on investment.

One more area of further research is to study and do Culture assessment of the organization. Studies such as employee engagement can point out the areas which need improvement and help the organizations in achieving and delivering results. In recent times it has become very important to develop and retain talent and hence study of Talent management system, can give areas to focus to have successful talent

retention strategy for any particular organization. Other areas for further research are Recognition, awards and incentives, and strategic human resources management. In coming days it is becoming essential to take the line managers along and partner with them to have effective human resources system.

Ultimately all the human resources systems and initiatives will have to align with customer services initiatives. This is the most important challenge human resources professionals are going to face. It is upto the human resources professionals to take up these challenges as opportunities and contribute to the overall business goals of the organization.