CHAPTER - II
REVIEW OF LITERATURE

This chapter contains research studies related to Human Resource Development (HRD) Practices and Performance. The literature review has been divided into three sections. The first section reviews the studies related to HRD practices as an important component affecting job performance; the second section reviews the recent studies related to job satisfaction linkage to job performance; and the third section contains a profile of research related to job satisfaction of knowledge workers with regard to individual practices of HRD viz., Training & Development, Performance Appraisal & Management, Career Planning and Rewards & Recognition.

2.1 HRD PRACTICES AS AN IMPORTANT COMPONENT AFFECTING JOB PERFORMANCE

Within the domain of HRM, the study has limited itself to Human Resource Development practices. Noe, Hollenbeck, Gerhart, Wright, (2006) refer to human resource management as policies, practices, and systems that influence employees’ behaviour, attitudes and, it is only afterwards that performance is influenced.

Jain, Shikha (2012) in her research paper assessed the impact of the reform program in Public sector banks. This was a longitudinal study from 1991 to 2008 on Human Resource Management Practices and Employees’ Productivity at branch-level. Impact of the efforts made was studied through business generated per employee (BPE), profit per Employee and employee cost to the organization statistics. The results showed that Training and Development had a moderate effect on productivity; Performance based promotion had a high to moderate effect on productivity and Productivity based compensation had a low effect or no contribution in improving productivity.

Reddy, Anuradha (2012) explored the employees’ perceptions on HR strategies of Abu Dhabi Distribution Company (ADDC), identifying the organization’s human resources systems, policies and practices and its effect on performance. The scope of the study was limited to employees’ perception of HR practices and its effects. The research results showed that most employees were neither adequately rewarded for
their performance and nor they were aware of the performance appraisal system. It was recommended that Human Resource Management needs to look forward for planning and implementing effective HR practices such as revising employee’s current salaries, rewarding for their performance, promoting employees from within who perform their jobs well so as to positively affect employees performance.

**Solekhi (2011)** attempted to analyse the relationship and impact of HRD climate, OCTAPACE culture on job satisfaction, where job satisfaction was used as an organizational performance measure in the selected public sector enterprises in northern India. It stressed the need for HRD to develop competencies of individual employees through its various interventions. Correlation of .786 showed a positive and significant positive relationship between HRD climate and Job satisfaction of the organization. Findings of the study indicated that HRD climate has a definite impact on job satisfaction which in turn leads to the increased organizational performance.

**Shetty (2011)** analyzed the role of Human Resource Management in value creation. This paper highlighted the factors responsible for value creation in cooperative banks of Uddupi district of Karnataka state and established a link among value creation (performance of the organisation), employees’ satisfaction and development, quality of service, and satisfaction of customers. This paper laid emphasis on significance of human resource management for creating value in providing quality service to external customers and by developing internal customers i.e. employees. It was found that 80% employees were not happy with the HRM policies as practices were not in line with the policy established in the organisation. The reason for low value in cooperative banks was due to ineffective performance appraisal system where promotion was not based on performance, which affected the quality of employees, quality of service and value of bank.

**Moynihan, Gardener, Wright (2009)** in their study examined the organizational commitment and customer focus as mediators between HR practices and customer satisfaction in the food service industry. The study concluded that in a service sector because of the firm’s proximity to customers, employees were better able to influence customer satisfaction than other firm’s level outcomes such as financial performance measures that could largely be influenced by factors beyond the power of most employees. Employees’ organizational commitment was theorized to have a direct
effect on performance through the shaping of both employees’ in-role and extra-role behavior. High organizational commitment showed that employees’ values were aligned with the organization, that means he or she wants to do the best for the organization. Customer focused in-role and extra-role behaviors stemming from value alignment had a significant impact on the quality of service customers received. Thus, the research supported the proposition that HR practices have a critical influence on employees’ attitudes which in turn is linked to customer satisfaction. Evidence of this mediation effect suggests that HR practices can positively enhance customers’ satisfaction through building the identification and involvement of its workforce.

Haslinda (2009) in her study modeling HRD practices in a Malaysian manufacturing firm examined the extent and nature of HRD and suggested measures to model HRD in manufacturing firms in Malaysia. The findings showed that HRD practices in Malaysian manufacturing firms are strongly associated with the size of firms, where HRD in SME’s is highly influenced by the Government’s HRD policies of business environment. Practitioners’ view of HRD were seen to be synonymous with Training and Development which in reality extends far beyond Training and development that impede the fulfilment of organisational goals and objectives.

Anastasia (2008) suggested focusing on the system of HRM as it affects organizational performance. The variables identified in the organizational performance were HRM policies, HRM outcomes and Business strategies. The paper suggested that HRM policies feed the black box in the HRM performance relationship which constituted resourcing, development and rewards. HRM outcomes was studied in respect of competence, employees cooperation with management and cooperation amongst employees indicating employees’ attitudes, retention & presence, and affecting employees’ behavior ultimately. Business Strategies included dimensions like cost, quality and innovation. So this study came out with clear implications that business strategies and HRM policies are not mutually independent. Organizations should develop HRM policies with respect to the business strategies they follow. For achieving this, companies should have HRM departments and representation of these departments at the board level. Organizational performance depends heavily on HRM outcomes such as skills, attitudes and behavior that need to be taken care of.
Stuart Maguire and Tom Redman (2007) made a case study on the “Role of HRM in Information System Development” in Public sector examined the inherent weaknesses in the approaches to develop and implement information system. It examined the issues like analyzing the internal culture, addressing the politics, evaluating IT risks, determining the capability to accept, use & institutionalize IT, participation of key members, identifying & communicating the organizational role of IT, identifying and responding to crucial organization’s events. It was concluded that key employees were not given adequate training at key times and less communication was there at important stages of the overall process. There was no contingency plan and no team work. Further, it was concluded that success in any project depends upon the fact that organisation should be receptive to the new system and adequate importance should be given to HRM to fulfill the information needs of the organization, particularly in relation to the change management process.

Rauf (2007) in his research project investigated the Human Resource Management sophistication (HRM system, policies and practices) and firm’s performance in successful small and medium enterprises SMEs and compared it with poor performing SMEs with an assumption that more formal HRM policies and practices lead to better firm performance. It studied the relevant factors (contextual, institutional and cultural) that may influence HRM sophistication in Pakistan. The study concluded that ‘HRM sophistication have a positive association with firm’s performance.

Vijaya Banu (2007) in his study on HRD Climate with special reference to Public Sector Cement Corporation ascertained the relative importance of HRD climate for the success of public sector undertakings. The study concluded that in order to survive and excel in the new economy, the HRD climate is of crucial importance to the Indian public sector organizations. In this context, human resources management has been defined as "the total knowledge, skill, creative abilities, talents, attitudes, and beliefs of the individuals involved" (Maggins Leon C, 1977).

Hassan (2006) measured employees’ perception of HRD practices and its role in employees’ development, climate and quality orientation in the organization and also explored the role of ISO certification in HRD improvement system. Study measured career system, work planning system, development system, self renewal system and HRD system. Career system included dimensions like manpower planning, potential
appraisal, promotion, career planning and development; Work planning system included the dimensions like role analysis, contextual analysis, performance appraisal; Development System included learning & training, performance guidance, other mechanisms of management; Self renewal system covered role efficacy, organization development, action oriented research, and HRD System included organization values, rewards, information and empowerment. Results indicated the positive relationship between HR practices and business results. The relationship rests on the premises that better deployment and use of HR practices correlate with better performance. Quality orientation was predicted by career planning, performance guidance & development, role efficacy, and reward & recognition system.

Jayen (2006) in his research work, “Knowledge worker: Human resource strategy to achieve a competitive advantage” examined the role of strategic human resource practices in the development of knowledge workers and organization as well. According to the paper, the organizational knowledge is divided into two categories i.e., explicit or codified knowledge and tacit knowledge. The managers should implement such HRM practices that can positively impact the knowledge creation process of the organization in developing the sustained competitive advantage. Human resource practices like developmental assignments, formal training opportunities and compensation can help in creating a new tacit knowledge and reducing the tacit knowledge loss which will affect the knowledge worker’s performance. According to the study, the factors that helped in eliciting the desired performance from knowledge workers’ performance were: socialization, formal training, compensation system and performance evaluation.

Palo and Padhi (2005) in their study prescribed certain HRM strategies to strengthen the TQM-HRM bondage in the company. TQM implementation requires continuous improvement in activities. This could be done by employing such practices that requires people focused approach, provision of training to unlock their potential and motivating employees to achieve quality standards.

The study by Patterson (2004) placed emphasis on the importance of both developing human capital and the right environment for employees. Right environment must ensure employees sufficient job discretion and a supportive team environment. For this, HRM practices especially job design, selection, appraisal and training better
predicted company’s performance than R&D, quality management strategy and technology. Empowerment also overshadowed its role in predicting company's performance than technology based management practices in the short and long term. Within the strategic human resource management (SHRM) perspective, psychology-based practices, especially empowerment, extensive training, and teamwork, were seen as vital to sustained competitive advantage (Patterson-et-al., 2004; Birdi.et.al., 2008).

George and Hegde (2004) studied the delicate aspect of employees' attitudes, their satisfaction and motivation, which are posited as prerequisites for customer satisfaction, essential for the competitive sustenance of the organization. The study demonstrated linkage amongst employee satisfaction, customer satisfaction and bottom line financial results within an enterprise that justifies corporate investment in people and appropriate social technical system. According to the study, the general de-motivation existing amongst the public sector bank employees today is due to the absence of a set of meaningful goals in which they have a share and through which they can seek the fulfillment of their talent. It was recommended that organisation policies should be such that provide for employees training that can enrich their tacit wealth and appropriate motivation in pursuit of organizational objective.

T V Rao, Raju Rao, and Taru Yadav (2001) in their study of HRD concepts, structure of HRD departments, and HRD practices in India examined the current HRD practices in India and the extent to which HRD implementation meets the criteria of the Integrated HRD System’s Approach of Pareek and Rao (1975, 1977). By using this analysis, the study commented on the prerequisites for the success of other recent HRD frameworks for Asian countries. The HRD audit methodology involved a detailed evaluation of the HRD structure, systems, processes, competencies and culture by a team of experts. The HR function indicated that the HR departments in Indian organizations did not have well differentiated structures appropriate for HRD. They had well differentiated roles in personnel but not in HRD. No full-time dedicated HRD facilitator was found. Human resource facilitator was loaded with routine administrative tasks like recruitment, salary administration, and such other tasks, which were not development in nature. Training and development was well developed and well managed in these organizations but they were still to graduate from training and development orientation to creation of a learning environment.
Carl. F. Fey (2000) in his research investigated the relationship between HRM and the performance of 101 foreign owned subsidiaries and found significant correlation between HRM practices for managerial level employees with firm’s performance. HRM practices were divided into those that enhance employee’s skills & practices and that motivate employees. Three HRM dimensions studied were Employee development, Feedback system (Appraisals) and Pay organization. Employees Development was analyzed on the basis of investment in training, job security and career management programs. Feedback system was analyzed on the basis of performance of employees, information sharing programs and well functioning complaint resolution system. Pay organization was analyzed on the basis of performance based compensation and incentive plans as desired by employees. These factors helped employees to perform in a way that bring rewards to them and helped firms perform better.

Delaney (1996) in his paper studied the impact of HRM practices on perceptions of organizational performance in 590 for-profit and nonprofit firms. The HRM practices under study were classified in terms of their impact on employees’ skills and ability, motivation and the way the work place is structured. For improving employees’ skills and ability, human resource practices adopted were selection practices and training. For motivation, performance based compensation and performance management system were taken as employees would be motivated to work when they expect their efforts to be fairly rewarded. Finally, for work place structure, HRM practices included were job security, freedom to work, employee participation system and team based production. Perceptual data on organizational performance indicators were used instead of financial data. The research team had taken two perceptual measures of organizational performance on Likert scale i.e., employee level outcomes and firm level outcomes. Measures were benchmarked i.e., informants were asked to assess the organization performance relative to industry standards and founded positive association between human resource practices and perceptual firm’s performance measures.

Eisenberger, Fasolo and Davis-LaMastro (1990) in their study analyzed the relationship between employees’ perception of being valued and cared about by the organization related to conscientiousness in carrying out the job responsibilities; expressed affective and calculative involvements in the organization, involving six
occupations. The questionnaire used in study was developed by Eisenberg et al., (1986) to measure the perceived organizational support. The outcomes were measured through number of period absents and number of days absents. It was found that the increased performance and positive work attitudes came from those employees who perceived that the HR department is concerned about them. The association of perceived support with conventional job performance could be due to instrumental involvement or affective attachment, or both. From the practical point of view, result suggests that job satisfaction can be an important indicator of HRM effectiveness as high supporting HR activities can lead to enhanced participation in extra role citizenship behavior.

Orpen (1985) in his conceptual paper “A managerial perspective on human resource planning” found that Human resource planning can lead to improvements in productivity when it is supported by efforts to clarify job roles, to provide training and development for workers, and to engage in comprehensive performance appraisals. The paper stressed on the need to improve productivity that required the performance of the individuals to step up. In this respect, one of the main reasons for low productivity identified was that individuals were not properly matched with their jobs, and hence their performance was impaired. In most cases however, individuals could be more productive if standards and objectives were well established, and skills and knowledge requirements were more clearly defined. Instead of relying on trait-oriented employee’s appraisal, firms should concentrate on result oriented approach.

Although little research on service quality outcomes of management practices has been done, a key study by Schneider and Bowen (1985) found significant positive correlation between employee’s perceptions of service climate related to HR practices and its relation with quality of services to customers in a sample of banks. Using Schneider’s study, similar study by Gupta, Amit (2002) attempted to test the model evidence of correlation of the employees’ perception of the human resource practices followed by the management in terms of recognition, performance appraisal & feedback, job satisfaction & job stress, job assignment, training & employee development and compensation with customer service quality that showed positive correlation among the variables (p<0.05 and p<0.10 respectively); whereas interpersonal relations were negatively related to customer service quality (p<0.01). The employees’ service behaviour and employee’s service capability were also found
positively related to customer service quality (p<0.05 for both) indicating the role of HRD in enhancing the capability of employees for increasing customer service quality. Study concluded that customer satisfaction leads to increased organizational performance.

Mitchell (1978) placed strong emphasis on motivation, behaviour and performance. The study explained the need of work system’s evaluation of people and task demands before implementing any motivation system. According to the study, people can be excited to give high performance by providing effective motivation through high remuneration, pleasant job and ability to do the work. It was recommended that there should be an adequate blend of ability to do the work, job satisfaction and motivation for a satisfactory job performance. The study emphasised that ‘ability to work’ goes hand in glove with ‘motivation’ to produce performance, as ability of the employees to do the job does not mean that they would do it.

Considerable body of research has demonstrated that human resource development practices make a significant contribution to organizational performance. These practices have an impact on individual’s behavior and motivation. So, an organisation must understand that employees’ performance succeed HRD procedures and practices. Successful organizations are the result of well designed and effectively implemented HRD.

2.2 LINKING JOB SATISFACTION TO EMPLOYEE PERFORMANCE

Modern researches related to linkages between employee’s job satisfaction, customer satisfaction and productivity/performance can trace their origin from Benjamin Schneider’s (1980) survey of satisfaction levels of bank customers and employees supporting the existence of relationship.

Prasanga and Gamage (2012) in their research paper Job Satisfaction and Job Performance of the Sailors in Rapid Action Boat Squadron of Sri Lanka Navy aimed at empirically investigating relationship between job satisfaction and job performance of the sailors. For the purpose of this study, the job performance of the sailors was defined in terms of tasks, behavior and traits as pointed by Opatha, in 2002 and was measured by the perception of the sailor himself using Minnesota Satisfaction Questionnaire (MSQ) and the structured questionnaire developed by Udaya kumar.
(2003) for job performance. The study substantiated that there was a fairly positive relationship between job satisfaction and job performance of the sailors and the satisfaction aspect lead to improved individual performance and organizational effectiveness. Therefore the paper offered practical implications for top level administration of the Squadron seeking effective implementation of the satisfaction-performance model effectively through specific HR practices.

Kottawatta (2011) investigated three attitudinal variables i.e., job satisfaction, organizational commitment and job involvement and their effect on job performance of executive and non-executive employees in apparel industry in Sri Lanka. These variables were measured through questionnaire with five point scales. Job performance was measured by an instrument developed by Udayakumar (2003) in terms of three dimensions i.e., traits, behaviors and results (Opatha, 2002); Job satisfaction by standard questionnaire shortened version of the MSQ; Organizational Commitment was measured by Mowday, Steer, and Porter (1979), and Job Involvement by a standard questionnaire developed by Lodhal and Kejner (1965). The findings of the study revealed that job satisfaction, organizational commitment, and job involvement were positively and strongly correlated with job performance of executive employees while job satisfaction was positively and strongly correlated with job performance of non-executive employees in this sector. Organizational commitment and job involvement were positively correlated with job performance of executive employees in this sector. A strong and positive significant relationship existed between job satisfaction and job performance in both the categories of employees.

Arham Abdullah et al (2011) investigated job satisfaction & performance of the employees to perform job analysis; the level of job satisfaction & job performance of personnel and the relationship between these variables in the Nigerian Construction Industry. Questionnaires were used to collect the data which were modified version of the Job Satisfaction Index questionnaire (JSI) and Performance Rating Index questionnaire (PRI). Mean score analysis was adopted to rank the various factors significant to Job Satisfaction and Performance which found that satisfaction with coworkers ranked highest with a mean score of 3.62 while satisfaction with pay ranked the lowest with a mean score of 2.56. The Job Performance ranking found that personnel appearance ranked highest with a mean score of 3.70 while satisfaction
with propensity to leave the company ranked lowest with a mean score of 2.46. Correlation was used to examine the significance of relationship between the job management variables and job satisfaction. Results indicated positive relationship between overall Job satisfaction and Job performance in small and medium sized firms. Several variables on job management showed significant differences.

Hasan (2011) examined the relationship between employee performance recognition techniques and customer satisfaction (resulting in organisational performance and hence employee’s performance) in restaurants where employers were putting more time, money and efforts to satisfy their employees knowing that external customers can be satisfied only when their own internal employees are satisfied. Various techniques of employee performance recognition such as awards, bonus/cash, certificates of appreciations, praise in meetings, nominations for training and job redesign, had been gauged to evaluate their possible impacts on the customer’s satisfaction. General Linear Model was used to gauge the relationship between various employees’ performance recognition techniques and customer satisfaction that showed the existence of positive and vital relationship of performance recognition techniques with customer satisfaction.

Aydogdu (2011) in an empirical study of the relationship among job satisfaction, organizational commitment and turnover intention in Istanbul, Turkey, investigated the variables to determine their statistically significant relationship. Turnover Intention was measured by Rosin and Korabick’s Turnover Intention Scale. According to the study conducted, organizational commitment and job satisfaction were found to be important aspects of organizational effectiveness, productivity and job performance. Job satisfaction had a significant positive relationship with three dimensions of organizational commitment, and turnover intention had a significant negative relationship with job satisfaction and organizational commitment. High satisfaction resulted in highly motivated, innovative and productive human resource. It was obvious that high job satisfaction & organizational commitment would avoid turnover intention and actual turnover.

Aurelian, Hanan and Montem (2011) in their research article assessed the correlation between employee satisfaction, productivity, performance and customer satisfaction and provided the linkage between these variables. Paper investigated the
satisfaction factors like developing an attractive working climate, creating space for employees and employees’ development within the organization. Results indicated that the human resource management and the leadership developed by the managers are critical issues in getting the desired performances by harnessing their greatest asset i.e., their employees. Results indicated that organizational leaders must develop specific strategies to effectively link employee satisfaction and customer satisfaction, productivity, and performance. This may be accomplished through the use of the strategic management process.

The study by Nishi et al. (2008) analyzed the adoption of HR practices and its consequences on employee’s attitudes and behaviours, and ultimately unit’s performance utilizing data from a service firm. The study provided insights into the underlying process by which HR practices were reflected in employee’s attitudes and behaviours, as well as customer satisfaction. Open communication between managers and their employees helped not only to communicate management’s intentions to employees thereby facilitating desired attributions, but also exposed the alternative perspectives and attributions that were held by employees so that they could subsequently be addressed by management. Results indicated that satisfaction creates confidence, loyalty and ultimately improved quality & employee citizenship behaviour.

Wilson (2006) in his research report on “Redefining employee satisfaction: business performance, employee fulfillment and leadership practices” demonstrated the direct correlation between employee fulfillment Satisfaction and Job Performance. These studies have shown that on an average 39% of the workforce bottom line could be attributed to employee Fulfillment Satisfaction. The single most important factor identified in creating a sense of fulfillment was the leadership skills of an employee’s manager and its effectiveness in creating fulfillment satisfaction. Performance affecting behaviors included in leadership practice were: direction provided by the supervisors, challenging goals, objectives set by leaders, feedback to track performance, recognition for maintaining performance and support to employees. It further stated that pay, compensation, work conditions, promotions, and benefits are associated with eliminating dissatisfaction than with fulfillment. And it was employee’s fulfillment, not satisfaction that predicted performance.
Schneider et al. (2003) report analysed employee attitude survey data by exploring the relationships between employee satisfaction and organizational financial (return on assets; ROA) and market performance (earnings per share; EPS) by analysing longitudinal data over a period of eight years. Results concluded that employee attitudes especially the job satisfaction aspect is a stronger cause of organizational performance and showed consistent statistically significant positive relationship with organisational global criteria of organizational financial (return on assets; ROA) & market performance, with individual level outcome and with organisational citizenship behaviour but found the relationship to be complex.

Employee’s productivity depends upon the amount of physical and mental presence of an individual on a job. The practical implication of the study was that the companies need to address both the issues to maintain higher employee productivity. And, this may occur through variety of strategies that focus on employee satisfaction, health and morale (Ron and Ronald, 2002).

Mc Dermott (2001) in his research work assessed that PNC Bank Corporation found 84 percent correlation between branches and their levels of customer satisfaction (leads to better performance) and employee satisfaction.

Paul and Richard in Development Dimensions International (DDI) (2001) in a benchmarking study conducted focus groups, customer interviews, literature reviews, and surveys to determine the drivers of an effective service environment. The study analyzed the effectiveness of practices for improving retention and the role of retention in affecting organizational outcomes. Research demonstrated the importance of matching employees’ motivational needs with job requirements. The external rewards factors such as pay, advancement, and recognition were identified the practical drivers for determining employees’ willingness to stay or leave. Circular relationship was found between employee satisfaction & retention, customer satisfaction & loyalty, and increased company’s profitability.

Thomas Rollins of the Hay Group (1998) developed a model of performance metrics while excluding customer satisfaction measures. The findings showed the effect of employee satisfaction with business performance results, which in turn affected company-wide performance metrics. However the model also held that performance
metrics might affect employee satisfaction through correlation, but not the causation between the different areas.

In addition, employee satisfaction is strongly related to employee commitment and loyalty and both the measures have proven relationships to retention and productivity. The feeling of satisfaction or dissatisfaction develops into a condition of internal psychological emotion, which appears as behaviours observed through the individual’s performance (Motowidlo, 1996). Motowidlo, 1993 also coined the term contextual performance that helps in endorsing organizational objectives and increasing its performance. It was argued that criterion domain consists of task and contextual performance or behaviors that support the broader psychological and social environment.

Ostroff, (1992) investigated the relationship between overall level of satisfaction or employees’ attitudes and organizational performance in educational institutes. Ostroff found that aggregated teacher’s attitudes such as job satisfaction and organizational commitment were concurrently related to school’s performance as measured by several performance outcomes. Correlation between satisfaction and performance ranged from .11 to .54, with a mean value of 0.28. Thus organizations with more satisfied employees tended to be more effective than organizations having dissatisfied employees. This study has demonstrated that organizational effectiveness reflects the combination and interaction of employee’s work behaviours that support organizational performance. The definition of organizational performance should not be construed too narrowly and may also includes other organisational outcomes such as attendance, compliance, following of rules, cooperation, sabotage, and so on. Accordingly, research suggested that organizations wishing to explore the empirical connections between aggregated employee attitudes and organizational outcomes should consider a wider range of performance-related outcomes.

Spector (1985) suggested that job satisfaction is an important motivator for employees’ performance and lead to miscellaneous behaviours that arise from motivation.

Ibbetson and Whitmore (1977) have indicated that people must find their work satisfying (job satisfaction) in order to be motivated to do a reasonably satisfactory job. Job satisfaction is one of the key areas where management needs to pay attention.
Even though some of the earlier studies revealed insignificant relationship between job satisfaction and job performance (Iaffaldano & Muchinsky, 1985) but the recent researches have shown a more significant relationship of satisfaction on employees’ performance and productivity. HRD practices do not influence performance directly but have a significant indirect effect on performance. The context of performance cannot be defined narrowly as defined in performance appraisal (Organ, 1988) as it affects the individual and organization in many ways: individual competence, capability and learning (Bowen & Ostroff, 2004; Bontis et al 2002); motivation levels (Gerhart & Milkovich, 1992); behaviour and attitudes of employees that subsequently affects the organizational outcomes (Dyer & Reeves, 1995, Nishii & Wright, 2008; James, Joyce, & Slocum, 1988); structure of the work place through job security and career advancements (Ichniowasky,1994; Dyers and Reeves, 1995; Becker and Huselid, 1998); employee organizational-commitment level (Sinem Aydogdu, (2011); organizational effectiveness (Ostroff, 1992; Buitendach & de Witte, 2005); organisational citizenship behavior (Motowidlo & Borman, 1997; Campbell1996; Organ & Ryan, 1995), and contextual performance (Motowidlo,1993). In effect, job satisfaction improves withdrawal behaviors, lateness, absenteeism, unionization, grievances, job quit and job turnover that increases the cost and higher job satisfaction equates to better quality of life & better physical health, and thus potentially greater performance & productivity (Smith, 1992; Cranny et al., 1992; Nishii et al., 2008; Hackett & Guion 1985; Clark et al., 1998; Kohler & Mathieu, 1993).

Thus it can be said that linkage between employee satisfaction and performance outcomes can be established that can be direct quantifiable link and indirect behavioural link. And the relationship between intrinsic attitudinal responses like employee satisfaction and performance outcomes is dependent upon the form, strategies and procedures of human resource development system of an organization.

2.3 HRD DIMENSIONS AFFECTING JOB SATISFACTION

Researches related to linkages between the HmRD and employee’s Job Satisfaction through all the four individual dimensions of HRD has been studied.

2.3.1 Training and Development Affecting Job Satisfaction.
The following review of literature indicates the effect of Training and development on improved Job Performance (Wright et al., 1999; Mourad mansour, 2012; N. Mrinalini and Pradosh Nath, 2000; Becerra-Fernandez & Sabherwal, 2001; Davenport et al., 1998) and on Job Satisfaction as well (Claudia burgard et al., 2011; Leppel et al., 2012; Bruce, 1991; Chiang et al. 2005).

**Mansour (2012)** examined the relationship between human resource practices & systems and the corporate performance of companies in Saudi Arabia. The study of Khatri, (2000) was the primary source of the questionnaire statements on effectiveness of HR strategies to understand how human resource decisions influence organizational performance. The study confirmed the training’s positive association with performance and sustained competitive advantage. It followed that these companies should continue its efforts in enhancing the competence of its employees to attain better performance goals.

**Leppel et al (2012)** examined the relationship between job training and job satisfaction, focusing in particular on U.S. workers born in 1964 or earlier. According to the study conducted if the training has a positive impact on worker satisfaction, then job training affect positive consequences for an organization that result directly through its effects on productivity and indirectly through its effects on job satisfaction. Furthermore, the aging of the workforce enhances their experience, thereby attaching more importance to older workers who become increasingly important to the firm and to the economy. The results of regression analysis indicated that availability and quality of training received by employees directly affected their job satisfaction.

The recent report of "Workplace Visions" by **Society for Human Resource Management trends (2011)** stressed the critical need to maintain and improve skills in a smaller, leaner workforce. In addition, the priority for HR professionals should be to increase employees’ productivity and linking employees’ performance and organization’s business goal. According to the report, employees’ performance and improved employees’ productivity relies on employees having the right skills. Longitudinal data from the SHRM employee job satisfaction showed that employees’ job satisfaction is influenced more by issues like job security and the opportunity to use skills and abilities.
Claudia burgard et al (2011) analyzed the relationship between training and job satisfaction focusing in particular on gender differences and found a significant positive difference between males and females in the correlation of training with job satisfaction which was positive for males but insignificant for females. Using data from the German Socio-Economic Panel (SOEP), job satisfaction was not only analyzed as a function of a binary training indicator but also as a function of more detailed training dimensions (e.g. training duration or cost sharing between employers and employees). The model was originally given by Clark and Oswald (1996) which was further modified:

\[ u = f(e; h; i; j; tr), \]

where \( e \) = income, \( h \) = working hours, \( i \) contains individual characteristics, \( j \) comprises job characteristics and \( tr \) is individuals’ training participation and assumed that utility from working could be measured in terms of workers’ satisfaction with their job. The subjective measure of job satisfaction was used as a proxy variable for utility as it was hard to measure.

Gandolfi (2009) in his conceptual research paper Training in an era of downsizing focused on the role of training and development (T&D) during the downsizing process and its influence on the outcome of downsizing. The paper offered results regarding the effectiveness of training in providing emotional support and tackling range of emotions even during downsizing.

Chiang et al (2005) conducted research to investigate the expectations and perceptions of training quality among hotel managers and employees, and suggested implications for improving training quality and for increasing training satisfaction, job satisfaction and intention to stay among employees in the hotel industry. The conceptual model was based on SERVQUAL and the Service-Profit Chain model. T-test showed that employees perceived low training quality, which suggested employees were not satisfied with training quality and that training quality needed improvement. Results of regression analysis showed that training was positively related to training satisfaction and job satisfaction. Job satisfaction led positively to intention to stay. The indirect effect of training quality on intention to stay was mediated by job satisfaction. This study suggests more understanding of the
importance of training quality and its consequences, and to pay more attention to employee training.

**Kar and Moharana (2005)** studied the case of Maruti-Udyog and Infosys, in a paper T&D: A vital tool for performance excellence. The study showed the positive effect of training in increasing the employees’ productivity, customer’s sales index and sales satisfaction index. The paper stressed that performance improvement is a continuous ever evolving process that needs to be supplemented through training and retraining to improve the performance of the employees.

**Mrinalini and Nath (2000)** analyzed the organization HRM practices in Research Technology Organizations (RTO) which operates to generate knowledge for their clients’ competitive strength to enhance the effect of RTO and client interaction. The research work also looked into the HRM practices adopted by RTO and concluded that RTO’s has to be a learning organization whose capability depends upon building its knowledge base through human capital. For this, organizations have to make efforts to develop the interest of the employees in the organization growth through training. Various incentive schemes in the form of promotion and attractive career prospects can be used to enhance employees’ client interaction. Industries are also required to have external linkages with universities that could open a channel for the flow and continuous exchange of information for practical knowledge. The research concluded that increased knowledge and competencies helped in better job performance of employees. Similar views were expressed by (Becerra-Fernandez & Sabherwal, 2001) that Job performance of employees can be increased by increasing their level of competencies; Davenport et al., (1998) that increase in job performance may also be helpful in increasing the organizational financial performance.

**Wright et al. (1999)** examined the impact of casual variable HR (selection, training, compensation and appraisal) and firm’s financial performance in 190 US petro-chemical refineries. The study examined the measures of HR practices with past, concurrent, and future operational performance measures that indicated that correlations with performance measures at all the 3 times were both high and invariant. Their results confirmed the existence of a direct relationship of training and compensation with workforce motivation only under highly participative work system.
Bruce (1991) in a paper analyzed the effects of training on job satisfaction and focused on the fact that role ambiguity was very responsive to training. Results revealed that with effective training, role ambiguity could be lowered and found a strong correlation between role conflict and job satisfaction of employees of state farm Insurance company’s agents.

Dass (1991) in Training for changing Role Behaviours (in developing countries) studied the incumbents of the new positions changing role behaviours in adjusting to their new roles and fulfilling their goals of self appreciation through effective training in newly designed roles. To attend to these issues training programs and seminars were designed (limiting to the problems of Regional Managers) to reduce manager’s conflict areas. To assess the strength and weaknesses, regional managers were asked to list their behavioral characteristics. The conflict areas identified on the basis of the analysis of the organization were; over work, lack of role clarity, relationship with certain significant officials, role pressures, overlapping work areas and ineffective control of branches. The expectations came up were knowledge of things, knowledge of people, skill with things, and skill with people that could be attained only with efficient training system. Team building exercises were also taken up with subordinate, peers and supervisors through Johari windows. It was concluded that more emphasis need to be paid on developmental activities of Regional Managers and sharing of common goals & information, through effective and comprehensive designing of training system.

2.3.2 Performance Appraisal and Management Affecting Job Satisfaction
The following review of literature demonstrates the effect of performance appraisal on improved job performance (Dorfman et al., 1986; Aggarwal, 2001; Mufeed and Prasad 2003); and on lower levels of employee turnover (Roberts and Reed, 1996; Meysem, 2012; Poon, 2004; Dargham, 2008; and Pettijohn, 2001).

Meysem (2012) investigated alternative relationships between performance appraisal satisfaction & employee’s outcomes (self-reported work performance), and affective organizational commitment & turnover intention, among staff at Saman Gostar holding company in Iran. Strong positive relationships between performance appraisal satisfaction with work performance (significance level of p≤0.05) and affective organizational commitment were observed. Negative relationship was
observed between performance appraisal satisfaction and turnover intention. Intrinsic motivation as a mediator also affected relationship between performance appraisal satisfaction with work performance and affective organizational commitment with turnover intention.

Mufeed (2012) analyzed the employees’ performance appraisal system as a successful instrument of HRD. According to him performance appraisal system PAS goes a long way in improving the performance level of an individual if it is implemented well. But most of the times performance appraisal systems are not effective as objectives are not clearly spelt out and appraisal are ill-designed. The study identified the critical appraisal variables that determined the satisfaction towards the effectiveness of PAS on the organization and employees’ performance. These variables were information validity, participation, feedback system, grievance redressal mechanism, reward and support system, superior subordinate relationship, performance standards. The study indicated that the answer to doing performance appraisal more effectively and result oriented lies in the fact that the organization needs to focus on the process and outcome appraisal variables. Results stressed on implementing effective and result oriented performance appraisal by focusing on process and outcome appraisal variables. The outcome variables were identified to be a strong link between performance appraisal and salary, developmental aspects, and transfer aspects.

Dargham (2008) in his study examined the performance appraisal system in the Lebanese firms. The article emphasised on different ways to manage performance to increase employees’ satisfaction with performance appraisal systems. This tenet required continuous effort in counselling, coaching, honest and open communications between employees and supervisors.

This study proposed a motivational framework as a means of integrating performance improvement with performance appraisal. The ultimate goal of performance appraisal should be to provide information that will best enable managers to improve employee’s performance. Thus, ideally the performance appraisal should open channels of information to help managers manage their employees’ performance (DeNisi and Pritchard, 2006).
In addition, Poon (2004) recently reported findings indicated that dissatisfaction with performance appraisal influenced employees’ intention to quit through reduced job satisfaction.

Reshami R Prasad (2003) in her thesis entitled Performance evaluation of women managers in public sector enterprises in Kerala attempted to evaluate the organizational factors affecting the performance of the women managers in public enterprise in Kerala and the impact of extraneous factors as family and social variables on their performance. Variables used for analysis were internal organizational factors and external variables related to family affecting the performance. Analysis revealed positive influence of performance evaluation in affecting the performance of the employees.

Aggarwal (2001) examined the relationships between members perception of the effectiveness of the performance appraisal system and process facets of performance appraisal and perceived effectiveness of the performance appraisal system (PAS) in a sample of 200 managerial personnel belonging to a private and a public sector organization in North India. Findings showed that among the facets of performance appraisal system, only openness and commitment were positively related with perceived effectiveness of the performance appraisal system, while multiple inputs among the process facets along with promotions received were positively correlated with perceived effectiveness of performance appraisal system in the Private sector than the public sector organizations. Results indicated that the mean values of managerial perceptions of the ‘system’ facets of performance appraisal, system openness and system commitment were significantly higher in the private sector organization as compared to the public sector organization. Similarly, the mean values of managerial perceptions of the ‘process’ facets, session planning and session feedback were significantly higher in the private sector organization as compared to the public sector organization.

Pettijohn et al. (2001) examined the relationships existing between performance appraisals, organizational commitment, and job satisfaction of salesperson. If various characteristics of performance appraisals that build commitment and satisfaction could be identified, then managers would be more capable of using performance appraisals for yielding positive results. Employee’s satisfaction with performance...
appraisal was seen to be positively related to work performance depending on the feedback system of the organisation. Researchers examined the effect of feedback in performance evaluation on increasing the employees’ satisfaction and concluded that satisfaction with evaluation had positive relationship with performance of employees. Study indicated that managerially mediated factors and employees’ feedback must be provided to support employees in giving them the right direction that will enhance their commitment towards organization and their satisfaction. The satisfaction of the employees proved to be the key component in the success of the organisation.

Ripley (May 1999) in a white paper discussed the need for human resource managers to move beyond human resource traditional performance management approaches and partner with line managers to remove barriers to exceptional employee’s performance that existed in organizational work environment. Study used the model developed by Tom Gilbert, a diagnostic tool called the Behavior Engineering Model (BEM) which looks at the following six areas namely Information, Resources, Incentives, skills and knowledge (training), Capacity, and Motivation. It was recommended to develop an understanding of human performance improvement methodology and to build networks of people (Human resource) who can bring expertise to the table that an organization lacks.

Roberts and Reed (1996) explained the influence of feedback environment on culture and on performance appraisal outcomes that had both theoretical and applied implications. Results indicated the significance of participation in the PA process and discussion based feedback system on the acceptance of performance evaluation which in turn influenced their satisfaction, productivity and motivation.

In a longitudinal study of university employees, Dorfman et al. (1986) identified three important dimensions of performance appraisal (feedback being supportive, appraisal emphasizing improvement, pay and advancement). The findings of the research indicated that discussions of pay and advancement during the performance feedback session lead to higher employee satisfaction. The areas facilitating improvements in the appraisal system identified were: explicit evaluation criteria, an open and sincere feedback system, a greater senior management support, a process perceived as being fair by employees and structure (these act as necessary stepping
stones to boosting employees’ self-efficacy and ultimately affecting the motivation and performance of employees).

A.A Niazia (1976) provided an approach to make the best out of the existing appraisal systems. The author described that problems related to developing and implementing appraisal system can be solved through training programs organized by management.

2.3.3 Career Planning Affecting Job Satisfaction
Career besides providing job security is also a means of one’s progress through working life. The following research literature establishes the fact that the organizational efforts in securing the employees uncertain future by career development programs has a significant influence on the job satisfaction of employees. It also helps in developing a conceptual framework of key variables relating to career development in the context of banking. The following discussion explores some of the past history and outcomes of career development that forms the basis of the study.

Adekola, (2011) explored the link between career planning and career management as antecedents of career development and job satisfaction, and career commitment as its outcome. A sample of 505 employees of a Nigerian Bank revealed the significant link of career planning and career management with career development, and in turn, with job satisfaction and career commitment. The paper discussed the implications of these findings for career development. The findings revealed the existence of career development’s direct influence on the achievement of job satisfaction and career commitment.

Hameed et al (2011) analyzed the theoretical framework & models related to employee’s development and its effect on employee’s performance. The key variables analysed were employee development (career development) and Employee’s performance. Employee development was defined as the increase in skills and learning of individual employees which resulted in increased employee’s productivity and output which ultimately affected the organizational effectiveness. Employee development dimension included career development practices by organization leading to increased employee’s effectiveness. The study revealed strong relationship
between study variables i.e., employee’s development variables (employee learning, skill growth, self directed, employee attitude) and employee’s performance variable.

Kayalar and Ozmutaf (2009) investigated the relationship between individual career planning and job satisfaction for two types of university workers – academic and administrative staff where academic staff represented the group who had open career paths, and administrative staff represented the group whose career paths were partially closed. Study also investigated whether individual career planning influenced productivity, motivation, loyalty and other variables positively for both groups. The study revealed that academic participants found improved job satisfaction with career planning and received positive responses (frequently, always) as individuals mostly determined their own individual career paths where as administrative personnel career path was determined by other factors such as relations, politics, disagreement with managers and so on. Job satisfaction was found to be higher for academic personnel possibly because of their higher social status. Productivity assessment of academic personnel was subjected to variability and subjectivity of the evaluation factors.

Puah & Ananthram (2006) explored the role and use of HRM policies in developing mindsets & skills to innovate. This paper explored the link between career planning and career management as antecedents of career development and job satisfaction, and career commitment as its outcome in a leading international Singaporean hotel. According to the study, once individuals have planned their career goals, they require skills, competencies and values to execute their career goals with appropriate career management practices. The findings revealed the existence of direct influence of career development on the achievement of job satisfaction and career commitment. Career commitment increases with the level of satisfaction with career development. Though, the result showed more strong linkage of career development with job satisfaction than career commitment.

Yahya and Khulida (2004) main purpose of the study was to look at the relationship between organizational career management and individual performance, and to examine which OCM dimensions was significantly related to individual performance. Organizational career management consisted of three dimensions, namely career management policies, career development, and career information. Career
development measured various activities, programs and techniques used by management to enhance employees’ career development while career information were efforts done by management to provide career related information for employees to support individual career planning and strategies. The dependent variable (individual performance) was measured in terms of the outcomes or output or sales produced on a specified job function or activity during a specified period of time. The results exhibited positive relation between career information, policy and development to individual performance. It also revealed that the overall OCM result of 0.685 influenced indivudual performance positively. The result showed positive relationships between the dimensions of organizational career management and individual performance. Although all factors were related to individual performance, further analysis found that only career development and career management policy were significant factors in influencing individual performance.

Research work by Greenhaus et al, (2000) supported the contention that effective career management programs by organizations enable the individuals to make informed decisions that are consistent with their talents, aspirations and values, and improve the organisational effectiveness. Organizations that invest in career management are more likely to increase employee’s job satisfaction (Lee, 2000).

2.3.4 Rewards and Recognition Affecting Job satisfaction
Research has suggested that employees’ job satisfaction is the result of emotional response resulting from the interaction of work rewards with motivation. Following literature suggests that greater the perceived correlation between rewards and motivational value, the greater the job satisfaction; the trivial the perceived correlation, the lesser the satisfaction.

The study by Khawaja (2012) examined the impacts of rewards and motivation using perceived amount of rewards on job satisfaction in both public and private banks of Saudi Arabia. Results signified positive significance of rewards on motivation and motivations positive relation to the job satisfaction signifying rewards positive effect on job satisfaction. The above results are consistent with previous studies conducted to analyse the relationship of rewards, motivation effect of rewards on job satisfaction in different contexts. Only limited researchers have found no significant differences in the opposite direction.
Danish (2010) in his paper investigated the relationship between incentives, rewards and recognition on employee’s motivation and satisfaction. Results stated that promotional opportunities correlates significantly with work motivation and satisfaction ($r = 0.31$, $p < 0.01$), and found that recognition, work itself and operating procedures had low mean values as compared to other dimensions and thereby indicating less motivation of employees with their work contents, operating procedures and recognition.

Armstrong and Murlis of Hay Group of management consultants (2007) pointed out that money is a critical incentive to work performance (especially the performance related pay), the one that links pay-progression to performance rating. Performance related pay to be designed in such a way as to provide for an increase in base pay governed by a rating of performance and contribution in output. The study cited that individual performance can be increased by linking skills and competence inputs with incentives and rewards which will ultimately help in improving the overall performance of the organization. The research identified performance appraisal, rewards and employee welfare as the key to HRD factor to impact the performance of workers. It also cited that the real impediment to implement the performance related pay schemes in the context of knowledge workers is the difficulty in arriving at some quantifiable measures of their jobs, which is highly intangible in nature.

Moreover, Cho et al (2006) studied the relationship between the use of human management practices and organizational performance. The results showed that companies providing incentive plans to employees are more likely to experience lower turnover rates among non-managerial employees. The researchers theorized that a firm can have lower turnover rates if rewards are applied in the form of incentive plans to more employees across the organization.

The study by Akanbi and Ayobami (2000) investigated the influence of extrinsic and intrinsic motivation on employees’ performance of Flour Mills of Nigeria. Data for the study were gathered through the administration of a self-designed questionnaire. The data collected were subjected to appropriate statistical analysis using Pearson Product Moment Correlation Coefficient. The results showed that there existed relationship between extrinsic motivation and the performance of employees that means when there is increase in workers extrinsic motivation, there is increase in
performance which is in line with equity theory. No relationship was seen to be existed between intrinsic motivation and employees’ performance in the study. It can be inferred that different employees place great value on the different rewards given to them by their employers. And their absence in the job tends to create displeasure through poor performance and non-commitment.

Sen and Puri (1999) conducted a research on the performance related compensation scheme for the knowledge workers to analyze the job of a particular category of a knowledge worker i.e. faculty members of the under graduate and post graduate management teachings in India. The key performance areas were defined and studied in detail and related to payment and reward system to evolve an appropriate norm for their performance. Study showed strong link between reward and pay system with the performance of the employees and concluded that monetary incentives to be based upon number of credit points earned beyond a predetermined level that can be converted into cash. And accumulated number of credit points over the years to be used as criteria for promotion.

The study by Lawler and Porter’s (1967) emphasized that the effects of moderator variables such as rewards contingency and perceived equity of rewards on the relationship between performance and satisfaction is significant. Considering above, it makes it important to consider the needs of the people in the organization more than the job satisfaction.

2.4 NEED OF RESEARCH
Knowledge an intangible resource, embedded within firms, is regarded as the main source of creating organizational capabilities and the basis for achieving competitive advantage (Grant, 1996). The organisational performance relies on the knowledge embedded within the companies’ knowledge base and the knowledge workers are responsible for putting this knowledge into practice. As the knowledge is possessed by the knowledge workers and the role of knowledge workers within this frame work is seen as strongly associated with firm’s competitive advantage (Izumi Kubo et al, 2002). This makes it imperative to efficiently manage this class of workers through supportive HRD policies and practices to meet the challenges existing in the banking industry. Therefore, there is a need to institutionalize the system of Human Resource Development in order to improve the working of knowledge workers in term of
efficiency and effectiveness, and to make them more productive. Hence in the light of the significance of HRD policy in the banking industry, the present research is intended to provide meaningful insights into the determinants of successful HRD practices.

The literature review was an important pre-requisite to actual planning and execution of the research project. In this study, the review of literature revealed the following research gaps:

- Even though, the effect of various HRD dimensions on performance has been well researched in the organizational setup, but a great deal of research has examined the outcomes in terms of financial aspects only (Jain, Shikha, 2012; George and Purva, 2004; Delaney, 1996).
- In the studies regarding HRD practices, performance was measured at the organisational level. A very few research projects have measured the outcomes at employee level.
- There were many areas like attitudinal study or behavioural study where researchers were lagging behind and most of these studies were conducted outside India (Prasanga and Gamage, 2012 in Srilanka; Kottawatta, 2011 in Srilanka, Motowidlo, 1993 in USA; Ostroff, 1992 in USA; Wang, He, & Zeng, 2011; Hanna, 2012 in Netherland). And, a very few research studies were in the banking sector especially in the Indian context.
- HRD literature was rich with large organizations but very little work had been done to find the comparative analysis of HRD practices on Public and private sector banks.

Keeping this in mind, the present investigation addresses the gaps in the literature and has made an attempt to measure the HRD - Employee Performance link (limiting to special category of employees called knowledge workers) in public and private sector banks. Therefore, the present study is undertaken to outline the underlying dynamics of HRD and to measure the impact of HRD on the performance of knowledge workers. The researcher has also attempted to analyse if some practices have more effect than others.
2.5 CONCLUSION

Performance in the study has been measured by Job Satisfaction as it is considered to be a powerful indicator of job performance and that has been sufficiently proved in theoretical conceptualization in the literature reviewed by the researcher.

The literature can be summated as optimistic regarding the potential of HRD practices in enhancing the performance of employees as well as organizations. The above literature review cited the role of organizational HRD practices in managing and motivating the knowledgeable employees to engage in effective, efficient and productive behavior and in deriving job satisfaction.