Chapter 2 - REVIEW OF LITERATURE

2.1 INTRODUCTION

This research project will remain incomplete if various research studies conducted in the field of human resource management and human resource development are not taken into account. The Researcher has reviewed several Research Papers, Books and Theses to provide an insight into the academic endeavors related to HRD and their impact on organizational performance. This chapter reviews the past researches on similar or related topics and helps the researcher in providing a sound research foundation to understand the issues on which the study is focused. In the following pages, an attempt has been made to review some of the important studies conducted by various Researchers in India and even in foreign countries. The chapter is presented in the following sub-heads:

2.2 Review of literature in the context of Indian Research on HR/ HRD/HRM practices

**Anupama Gupta (2010)** described the challenges faced by Human resource manager in context of new economic scenario. This paper emphasized that these challenges should seriously taken care of. Main challenge is the shortage of skilled manpower. This paper examined the role of human resource department to tackle the problem. It was the duty of HR department to design a possible career path to retain talent. It was suggested that HR manager should be ready to handle the challenges, but the role of other stakeholders should also be included in order to ensure healthy survival of the organization.

**Saini R.R. (2010)** in his article “Human resource development in UCO Bank-A case study of Chandigarh Region.” evaluates the Human Resources Development policies and practices. This study identified the process and problems in designing and implementing Human Resources Development Systems. This study was analytical in nature and consist a sample of 100 respondents to analyze their opinion about HRD Policies and Practices. The Important findings of this study were, qualification was the most important factor of recruitment at all level of managers and employees. It also concluded that problem solving
strategy of the organization was very effective because all appropriate method have been used to solve problems. Negotiation and Union involvement was the most prevalent method to solve the problem. This study also observed that the managers were not aware sufficiently about the functioning of HRD Systems. Therefore a proper action plan to improve awareness, Motivation, & serious concern among managers about HRD should be implemented.

Kundu. Subhash C., Divya Malhan (2009) in their article on "HRM Practices in Insurance Companies: A Study of Indian and Multinational Companies" opined that Competitive advantage of a company can be generated from human resources (HR) and company performance is influenced by a set of effective HRM practices. The results of this study indicated that both multinational companies and Indian companies have to significantly improve their practices regarding performance appraisal, training and financial benefits, and hr planning and recruitment. Service sector is human resource intensive business. To gain competitive advantage, service organizations should emphasize on human resource management practices, as has been indicated in the results. A well-defined framework of human resource management practices benefits not only the organization but also the employee. HR policies of an organization benefit the employee by providing better opportunities for growth in terms of better compensation, benefits, training and development opportunities, and career management, in turn leading to job satisfaction and self-fulfillment.

Tripathy (2008) observed that an organization can have competitive advantage by utilizing its human resources. This can be achieved through sound HRD Practices. According to him HRD include three C’s- Competencies, commitment and culture. An optimum level of progressive climate is essential for facilitating HRD in an organization. It was resulted that good HRD Practices can influence financial and other performance indicators in the organization.

Singh S.K (2008) in his research entitled “ HRD Climate: Interventions and challenges” examined that survival of the organizations in dynamic and complex environment require
employee involvement, productivity and this can be achieved with the help of quality targets, quality circles, training and development & suitable method of performance appraisal etc. Above these HRD interventions/practices should be implemented in a suitable way and HRD Climate should be conductive so that cooperation of employees can be achieved and conflicts can be sorted out which in turn increase the effectiveness of the organization.

**Patil, Kallinath S. (2007)** in his study opined that, the service sector plays a vital role in the development of the country. LIC has grown into a living saga. This transformation has not come about overnight. A breakthrough has been achieved on the strong foundation laid by the people of this great institution, which provided confidence and inner strength to explore new frontiers through the program of massive decentralization, development, expansion and diversification undertaken in recent years. The organization is today on the threshold of new vistas, striving and straining for reaching new heights and surging ahead in quest of excellence.

**Hemant Rao (2007)** emphasized the changing role of HR. There was dramatic change in HR during past five years. This study shows the significant role of human resource managers in various areas like Empowerment of workers, Business process Reenergizing, Total Quality management, Humanization of work, and Quality of work life. It was the challenge of HRM to balance the impact of liberalization and globalization on productivity. Earlier the role of Personnel department was to give advice or support when asked but the changing professional employment scenario emphasized the role of HR professional while dealing with employees of different regions, caste, language and social backgrounds.

**Sharma and jyoti (2006)** in an article on "job satisfaction" concluded that job satisfaction is an effective reaction to an individual's work situation, and has been described as a positive emotional response resulting from appraisal of one’s job. One of the aspects that can lead to
Dissatisfaction is one's attitude towards one's job. Job attitude can be defined as an overall feeling about one's job or career or in terms of specific facet of the job or career and can be related to specific outcomes, such as productivity.

Subramanian, V. (2005) expressing his views regarding recruitment and selection of employees stated that any organization which gives a fair share of attention to the recruitment and selection of its people is bound to get good returns. Recruitment and selection should be viewed in the wider context of the organizational future. What are the strategic objects and hence what capabilities will the enterprise need in the future? Must be the questions the organization should always address itself to. Therefore, an important strategic issue to consider is how the recruitment and selection activity can contribute to long term business goals.

G.V.Chalam and L. Srinivas (2005) in this paper made an attempt to explore the basic gender disagreement with respect to HRD Climate in 20 branches of SBI at Andhra Pradesh. Findings of the study showed that women employees have much more concern on HRD climate than men. They come up with high level of satisfaction in respect of HRD Practices. Female Employees had higher degree of pleasure toward HRD Climate. It was also revealed that women respondents closely observed and followed the Human Resource development climate of the Bank and were also very loyal toward bank regarding their commitment toward work.

Maitin, T.P. (2003) In his article "Dynamic Human Resources" stated that, out of wide variety of resources which participated in the process of organizational growth, human resources are the most dynamic element of efficiency and productivity. In the context of modern information age, manpower owns the responsibility of information mobilization and their profitable utilization, which increases performance of organization. The role of human resource as great intellectual assets in management is too valuable to accelerate the rate of economic progress.
Malik and sur (2003) in their study on "Human Resource Accounting in India" observed that the progress of any organization is absolutely dependent on the skillful utilization of its human resources. Even in the modern world, an organization may own adequate financial resources and acquire physical resources with latest technology as it needs, it would find difficult to manage its affairs, if the human organization of the concern is not strong enough. However, the strange irony is that in India most of the organizations do not recognize it properly. They do not adopt human resource accounting (HRA) although it could contribute significantly both to internal and external management decisions. HRA also helps the people of the organization in improving their performance and bargaining capacity. It makes each of them conscious about the ratio between his contribution towards the betterment of the concern and the expenditure incurred by the concern on him.

Vidya A. Salokhe (2002) conducted a study on HRD, observes that "Human Resource Development (HRD)" signifies an effort aimed at qualitative improvement of human beings in their specific role as assets of an organization. HRD intrinsically recognizes that, "People" are the organizations singularly important and valuable resources and that they need to be developed in terms of their knowledge, skill and attitude for achieving their personal as well as organizational goals. Because only dynamic people can built dynamic organizations, only competent and motivated people enable an organization achieve its goals.

Mishra and Bhardwaj (2002) in their research entitled “HRD climate: An empirical study among private sector managers” examined the nature and extent of HRD climate over the hieratical levels in large private sector organizations located in eastern parts of India. A sample of 107 managers at senior, middle, and lower levels is taken. The standardized questionnaire on HRD climate developed by Rao and Abraham (1990) was used consisting of a 5-point scale to measure the three categories i.e. general climate, OCTAPAC culture and HRD mechanisms. For analyzing results mean scores and percentage scores of each item was calculated, and t-test was applied to verify the results. The conclusion was that the HRD climate prevailing in private sector organizations was good and satisfactory. Further
the authors recommended that the top-level managers should be responsible enough to introduce a well-integrated sound training policy for imparting training to the employees.

**T.V. Rao (1999)** in his book entitled “HRD audit” describe the framework and methodology of HRD audit. This is landmark work which makes corporations to conduct an internal audit of their human resource functions. HRD score card has been developed and tested by Dr. Rao. HRD dimensions are very essential for the contribution toward organizational performance, HRD systems maturity, HRD competencies, HRD culture and values, and HRD linkages to business goals. Many corporations have started investing in HRD. They have started new human resource development, given top level positions to human resource persons, created reasonable budgets and expect the HR function to give a strategic advantage to their corporations.

**Udai pareek & T.V. rao (1999)** in “designing & managing human resource system” depicts the fluctuating trends in designing & managing human resource system. Recognize the importance of HRD and the limitations of personnel department. Many organizations have established new HRD department. This book treats human resource system. This work includes some new additions namely career planning & development, induction training, socialization, mentoring etc. This also gives information about professional bodies and academic institutions active in the field of HRD.

**Venkateswaran (1997)** conducted a study entitled “A note on HRD Climate” revealed that early identification of human resource potential and development of their skill are the main tasks of the HRD department. The study based on the response of 132 executives of large public sector unit of engineering organization. The study proves the existence of favorable HRD climate in the organization. The results of the study revealed that the HRD dimensions increases the employee interest in the workplace thereby eliciting a higher level of performance.

**Mathur et. al (1996)** in a study on work culture try to differentiate the internal work culture of public and private sector organizations in India. He examined the how the external socio-
cultural environment and enterprise variables influence the internal work culture, which in turn has an impact on human resource management practices. He resulted that as compared to public sector organizations, the internal work culture of private enterprises put greater stress on internal locus of control, future orientation of planning, and employee participation in management and thereby result in better performance. It was further point out that HRM Practices in private sector utilized more effective motivational techniques like feedback, performance based reward, supervisory control, autonomy etc as compared to public sector.

**Rajan gupta (1990)** in his book entitled “implementing human resource development” dealt with the implementation part of HRD. The work gives an insight to improve the implementation process and develop theoretical understanding about HRD implementation. In this book attention is given to different aspects and issues involved in HRD like manpower planning, education and training, impact of liberalization and globalization, total quality management and human resource accounting and HR dimensions of the new economic policy.

**Rao and Abraham (1986)** stated in their research paper entitled “HRD Climate in Indian Organizations” that human resource is essential for making an organization dynamic and growth oriented. The top-level executives have ultimate responsibility in creating a healthy climate and providing adequate training, which is essential for the overall development of employees. They hold the view that existence of development climate is a pre-requisite for facilitating HRD system in the organization. Development climate constitute three variables:- general climate, HRD mechanisms, the OCTAPAC culture. **In general climate,** human resource development is given high importance by top & line managers. In this supportive climate is facilitating the good personal policies and positive attitude toward development. This climate include positive attitude of top management & line managers towards practicing HRD in the organization. **HRD mechanism** includes the practices followed & exercised in HRD including performance appraisal & potential appraisal, training, feedback, counseling, career planning, employee welfare, job rotation etc. these mechanism initiate the development employee competencies.
The OCTAPAC culture includes the value of openers, conformity, trust, authenticity, pro-activity, autonomy and collaboration. This culture is essential for HRD implementation openness makes people to feel free to discuss their feeling, ideas & activities with one another. Conformity is solving the problems & issues rather than hiding them for fear of hurting and getting hurt. Trust makes people to believe what they say to others & vice-versa. Autonomy is about giving freedom to people to work independently with responsibility. Pro-activity helps employee to take initiative & risk. Authenticity makes people to do what they have promised earlier. Collaboration is tendency to help each other and work as teams. So general supporting climate is essential for HRD implementation. Successful HRD implementation involves use of maximum HRD mechanism. OCTAPAC culture is needed for facilitating HRD.

The authors conducted a field survey to examine the prevailing climate in organizations and for this a questionnaire was developed, grouped into 3 broad categories of general climate, OCTAPAC culture and HRD mechanism consisting of 38 statements of above 3 categories. Coefficient of correlation was computed. The overall interpretation of the study was that there exists an average level of HRD climate in Organizations.

2.3 Review of literature in context of Global research on HR/ HRD/ HRM practices

Benjamin Akinyemi(2011) in their research paper entitled “An Assessment of Human Resource Development Climate in Rwanda Private Sector Organizations” assesses the impact Human resource development climate in two leading Rwanda based telecommunication and insurance companies. This research studied the differences between the Telecommunication industry and the Insurance industry with respect to their prevailing Developmental Climate along with three dimensions of HRDC. Primary data is collected from 87 respondents in both the companies through a structured, self administered 38-item Human Resource Development Climate (HRDC) questionnaire developed by Rao and Abraham (1986). The questionnaire measured the General Climate, HRD Mechanisms and OCTAPAC (Openness, Confrontation, Trust, Autonomy, Pro-action, Authenticity and
Collaboration) Culture within the two private organizations. According to the findings, the prevailing HRDC within both organizations is congenial. However, results show that the developmental climate in the telecommunications company is more favorable than that of the insurance company.

Kalyani tanvir(2008) in the research “Challenges of Human Resource Development to pace with Globalization” The study was aimed at identifying the variables related to human resource development in teacher educators’. Researcher studied the effect of human resource development climate, performance appraisal, induction in-service education and training needs of teacher educator with impact of gender, experience, age, organizational difference, working in unisex or co-education, service stature difference. Population of the study was teacher educators working in the eleven institutes of teacher education in the two cities Islamabad and Rawalpindi. Two hundred twenty three, male and female teacher educators responded to the researcher’s questionnaire. Instrument used for data collection was HRDC, PERAP, INS and training needs assessment, questionnaire adapted through Noorjahen N, Ganihar. Major findings of the study revealed, that gender wise, experience wise, age-wise difference, organizational difference, working in unisex or co-education, service stature difference have a significant impact on the variables HRDC, PERAP, INS and training needs. Furthermore a significant relationship among the variables HRDC, PERAP, INS and training was determined.

M.A. Sahaf and M.A. Siddiqui (2007) examined the effectiveness of training in the Educational organizations. The focus of the paper is various components of training and development like induction training, training needs, training inputs, management attitude towards training. Findings of the study revealed that teachers were not satisfied with the prevalent training and development programs. In the study a number of recommendations were made like induction training of the fresher should be given, Feedback may be obtained from the students about their teachers, separate training programs may be organized to train faculty in handling teaching aid equipment like computer, lab equipment, overhead projector, internet etc.
Hassan (2007) reviewed HRD practices with organizational values and measured the employees’ perspective. It was observed in research that HRD practices namely potential appraisal and promotion, learning/ training, performance guidance and development were positively correlated with organizational values like collaboration, creativity, quality, delegation and human treatment but the performance appraisal, career planning and contextual analysis variables were negatively associated with Trust and creativity. Hassan et al (2006) investigated whether ISO certification contribute toward improvement in HRD system and also examined the role of HRD Practices on employees development and quality orientation in the organization. Results indicated that ISO certified companies, as compared to others, obtained higher means on some HRD Variables. It was identified that organizations with better learning, training and development, reward and recognition, and HRIS (Human resource information system) promote HRD climate in the organization. Quality orientation was estimated by career planning, performance guidance and development, role efficacy, and reward and recognition system.

S. Husain Ashraf (2007) brought out the fact that Human development is the core of all development efforts. It was explained that Human resource is very dynamic and essential resource for producing goods and services and welfare of the society. Human development at micro (Institutional) level involved selection, manpower planning, training, performance appraisal, potential appraisal, development, compensation etc. At macro (National) level it involved illiteracy, poor health, eradication of poverty. Human development included sustainable development, human rights, security, productivity and development, empowerment, equity and opportunity. In fact to achieve higher standards of human development positive approach was necessary which include higher growth rate, larger expenditure on social sector, an efficient utilization of funds etc.

Wan et al. (2002) describe the pattern of relationship between HRM practices and firm performance. HRM practices were creating a positive impact on organizational targets. Results achieved through regression analysis suggested that facilitating and implementing
important HRM practices increased organizational performance. The performance appraisal is the most important practices of HRD to increase financial performance. The companies of Singapore interested in enhancing HR performance emphasized the need for empowerment and training.

2.4 Review of research contribution on HRD and Organizational performance in Indian context

Sangeeta Trehan and Karan Setia (2014), in their research entitled “Human Resource Management Practices and Organizational Performance: An Indian Perspective” give a better understanding of the role of human resource practices in creating and sustaining organizational performance, specifically in the Indian context. They discuss a framework that indicates how external and internal factors affect HRM practices which in turn generate core benefits for the organization and ultimately lead to overall corporate performance. After a comprehensive literature review they highlight three sets of HR practices that would support a healthy and innovation-oriented HR system. They are: (1) training-focused; (2) performance based reward (3) team development. HR Practices in their model refer to these three bundles of practices. OP outcomes are the ultimate dependent variables in the model. These are organizational outcomes/ their indicators such as shareholder return, profits, productivity, organizational survival and product (and services) innovation. They found highly positive relationship between human resource practices and organizational performance.

Ansari A & W. Fola (2014) in their research article entitled “Financial soundness and performance of life insurance companies in India” examine those factors which determine the profitability of life insurers operating in India taking return on asset as dependent variable. They consider all the 23 Indian life insurers (including 1 public and 22 private) as the sample for this study and the data for 3 financial years, viz., 2008-09, 2009-10 and 2010-11 are taken into consideration. For this purpose, firm specific characteristics such as leverage, size, premium growth, liquidity, underwriting risk and equity capital are taken and
regression is applied to estimate the Return on Assets. The findings of the study revealed that the profitability of life insurers is positively and significantly influenced by the size and liquidity. The leverage, premium growth and equity capital employed have negatively and significantly influence the profitability of Indian life insurers. This study does not find any evidence for the relationship between underwriting risk and profitability.

**Sumnider kaur Bawa and Samiya chattha (2013)** in their research entitled “Financial performance of life insurers in Indian life insurance industry” made an attempt to examine the financial performance of Indian life insurers on the basis of various parameters like various financial ratios related to liquidity, solvency, profitability and leverage. Generally, performance can be estimated by measuring the profitability of firm. They includes 18 Indian life insurers (including 1 public and 17 private) in the sample and ratios are calculated for the period of 5 years from 2007-2012 and then analyzed by using multiple linear regression model to measure the impact of different factors on profitability of life insurers. The results of the study reveal that profitability of life insurers is positively influenced by liquidity and size and negatively related with the capital. Profitability does not show any relationship with solvency and insurance leverage.

**Beulah Viji Christiana. M; V. Mahalakshmi (2012)** in their research paper entitled “Influence Of Employee Perception Towards Human Resource Practices And Organizational Support On Their Citizenship Behavior In Private sector banks - An Indian Perspective” studied whether the HR practices like performance appraisal, training and career development in the private sector banks are positively associated to organizational commitment of employees which help them to become responsible organizational citizens. They also attempted to find out whether perceived organizational support would serve as a mediator in the relationship between HRM practices and commitment. The statistical results on data gathered from a sample of 214 employees in the private banks demonstrated that career development and performance appraisal have direct, positive and significant relationships with organizational commitment. In addition, perceived organizational support
was found to partially mediate the relationships between two of the three HRM practices (career development and performance appraisal) and commitment.

**Santosh singh Bais (2011)**, conducted research entitled “Human Resource Development (HRD) in Insurance sector- A study with special reference to life Insurance corporation Of India”. As per the findings of the study it can be interpreted that the real strength of a country lies in the development of the human mind and body. The growth and development of any country depends on its people. Empirical studies have indicated that labor and capital were largely responsible for the development of advanced countries. This was done by way of investment in education and training of the labor forces. Thus human beings are considered as the most valuable resource.

**Solkhe and Chaudhary (2010)** in their research on HRD gathered the responses from 71 junior and middle level executives from various departments of a public sector undertaking finds the existence of good HRD. According to the results, the managers showed a favorable attitude towards HRD Policies and practices of the organization. They were satisfied with the developmental policies of the top management. **Solkhe and Chaudhary (2011)** conducted another empirical investigation examining the three components of HRD. In this study they analyze and determine the relationship, further the impact of HRD Climate, OCTAPACE Culture on Job Satisfaction as an Organizational Performance measure in the selected public sector enterprise. The study is based on the responses sought from executives from various departments and different hierarchical levels of a public sector undertaking located in North India. The findings indicate that HRD Climate has a definite impact on Job Satisfaction which in turn leads to the increased organizational performance. The analysis showed that there exists a positive relationship between different components of HRD Climate and Job satisfaction. The correlation coefficient was .734 (General Climate), .693 (JHRD Mechanisms) and 0.695 (OCTAPAC Culture) respectively. This proves that HRDC is a contributing factor to increase the level of job satisfaction of the employees. The result from their study shows a reasonable level of development orientation, trust and freedom of expression, healthy interpersonal relationship and openness. However, employees are not satisfied with promotions decisions within the company.
Jain Ravindra and R. Premkumar (2010) in his article on “Management styles, Productivity and adaptability of human resource: An Empirical study” explained the relationship between management styles and productivity of Human resources. This study explained the extent to which management style are practiced in Indian organizations across public sector and private sector enterprises. The author had measured the impact of management style on HR productivity and HR Adaptability. This study is exploratory in nature. He had collected primary data through administering the relevant questionnaires to three hundred executives belonging to both public sector and private sector. This study comes to the conclusion that both productivity and adaptability of the human resources were found to have positive correlation with the selected four management styles.

Subramony (2009) in his study on "A Meta-Analytical Investigation of the Relationship between HRM Bundles and Firm Performance", resulted after studying the meta-analysis of 239 effect sizes derived from 65 studies that HRM bundles have larger effects than their constituent individual practices. HRM Bundle is positively related to business outcomes. These findings reaffirm the case of firm level investments in synergetic HRM combinations and highlight the importance of investing innovative practices.

Som (2008) studied the role of innovative HRM practices and their impact on enhanced corporate performance during the change process. The results found that innovative recruitment and compensation practices have positive significant relationship with firm performance. It was also observed that HR department seems to be the most important factor for enhancing corporate performance in the context of economic liberalization. This study holds importance because liberalization created competition and adoption of innovative HRM practices are important for increase in corporate performance.

Singh. et al.(2008) conducted a study to examine the impact of Human resource policies and practices on organizational performance. The data used in this study was collected from 49 organizations consisting of 18 public sector and 31 private sector enterprises representing the diverse set of industries. For the study they used multi item instruments. For example
they suggested that the employees should be motivated through higher than industry average wages, performance linked wages and stock option schemes and if human resource policies are updated on regular basis there is a high likelihood that the organization will achieve high employee morale, adaptability, quality of product and service, learning and growth and impact on industry. This study reveals that empowering people through extensive information sharing, job rotation, and multi-tasking and decentralizing decision making powers is more likely to help improve the various dimensions of performance, and thus organization can take initiative to introduce best human resource practices for enhancing organizational performance. Empowerment and Meritocracy also emerged as significant predictors of overall performance.

Purang (2008) attempted to measure the relationship between different dimensions of HRD climate (Participation, succession planning, training, performance appraisal and job enrichment) and organizational commitment. This study resulted that positive perception of climate shall enhance the commitment, which further increase the performance of the employees.

Bjorkman and Budhwar (2007) in his research entitled “Human resource management and the performance of foreign firms operating in India” reviewed the relationship of HRM and the performance of foreign firm operating in India by taking 76 subsidiaries of overseas firms operating in India. The results highlighted that introduction of HRM practices form foreign parent organizations is negatively associated with performance and local adoption results in positive association with the performance of foreign firms operating in India. The findings asserts that HRM practices do improve the organizational performance in Indian subsidiaries of foreign firms if localization of HRM implemented as people belong to local areas are more sensitive toward their culture and environment.

S. Biswas, Kailash, B.L. Srivastava and Vijai N. Giri (2007) in their study of Indian organizations described the linkages between a firm’s human resource management practices, their effect on individual organizational member’s behavior and enhancement of
organizational efficiency. Extra role behavior of the employees was shaped by the management policies and practices. The findings of the study confirmed that the extra role activities of an individual increased his attachment to the job, organizational citizenship behavior had a significant influence on employees’ level of job involvement and there existed favorable association between job involvement and organizational effectiveness. Lastly, it was found that satisfied employees will contribute towards, the effectiveness of an organization.

S. Ramaya, (2007) explained about the responsibility of the organization to utilize human resource in the best manner for the achievement of business results. The concept of balanced score card make organization to achieve objectives through HRD. The findings of the study shows cause and effect linkage between investment in training and development and an organizations business goal. Balanced score card provided a number of benefits to human resource and increase their efficiency. Individual employees’ performance was evaluated in a structured manner. Balanced score card was an effective tool to measure the performance of the human resource which was responsible for the firm’s performance.

Chand & Katou (2007) have conducted a study on Indian hotel industry covering 439 hotels and resulted that Hotel performance is positively associated with HRM system of recruitment and selection, manpower planning, job design, training and development, quality circles and pay system and also related with hotel category (chain or individual hotel). They affirmed that Hotels who belong to chain category and focus on best HRM practices achieve higher performance as compared to other category.

D.K. Pandey (2007) described that in the changing scenario the role of HR in the organization must be align with organizational goals. This can be achieved through best HR practices. This paper provided diverse HRM reforms and suggesting best HRM practices. Quality of life for workers and positive organizational climate would be the greatest contributor for the retention of workers and for their high morale. It was suggested that performance appraisal technique should be tailored according to the job. It was further
suggested that trade union should work for wage increase and other concessions that can increase the productivity and performance of Human Resource. These new HRM Practices and Reforms are imperative.

Sami A. Khan (2007), outlined the fact that Human resource management function had to play important role in adding value to the business activities in the organization. This paper explains that HR function should be strategic and should align with the business strategy that would result into superior efficiency, quality, innovation and customer responsiveness. The challenges before the human resource managers were related to new issues like managing new learning, knowledge and skill of human factor, sustainable competitive advantages. It is the responsibility of the HR managers to work for the shaping of organizations in new business scenario.

Shahnawaz, M.G. and Rakesh C. Juyal (2006) in their research paper "Human Resource Management Practices and Organizational Commitment in Different Organizations" concluded that HRM refers to the overall philosophy about the organization and how people should be managed and is not merely limited to certain specific functions. HRM focuses on congruence and commitment instead of compliance and control. This study suggested that there is a need to develop industry specific HRM policy and practices to remain competitive and to develop committed workforce.

Singh kuldeep (2004) in his research paper entitled “Impact of HR practices on perceived firm performance in India” studied impact of HR practices on perceived firm performance in India identifying 82 firms out of a sample of 359 firms selected from BT- 500 index with response rate of 22.84 %. The study used various HR Practices as independent variables whereas the perceived organizational performance and market performance as dependent variables. The results indicated that there is highly significant relationship between two human resource practices Training (r = 0.37, 0.39) and Compensation system (r = 0.41, 0.43) and positive impacts on perceived general and market performance of the firms, indicating that an increase of (1) unit in compensation will increase (0.41) in the firm’s
performance and (0.43) in the firm’s market performance. An addition of (1) unit in training will enhance (0.37) the firm’s performance and (0.39) in the firm’s market performance, secondly. On the other hand two practices, namely job definition (r = -0.21) and career planning system (r = -0.15) had a negative and an insignificant impact on perceived firm performance. The result highlighted the positive relation among several HR practices like Training, employee participation, compensation, selection, performance appraisal, and firm performance with correlation point r= 0.32. This study holds importance because it has been conducted outside US context where most of the previous studies of this type have been conducted earlier.

Goyal (2004) concluded in his study that human resource plays an important role in development and growth of any organization and for that matter of any economy. Among all the factors of production only human resource are living being and have unlimited capacity and potentials. Such capacity and potentials of human being can be developed for the benefit of organization by applying proper strategies. Human beings are not only active factor of production in itself but it also activates other inactive and inert factor of production like money, materials, machines and methods. In this present age of globalization survival and growth of any organization depends on the proper development of its human resources.

Paul and Anantharaman (2003) explored the causal model linking HRM with organizational performance in Indian software companies and found that not even a single HRM practice has direct causal connection with Organizational performance. Further it was mentioned that HRM practices such as job design, compensation and incentives, training directly affect the operational performance parameters viz. employee retention, employee productivity, product quality, speed of delivery and operating cost. They suggested that integrated approach to link HRM practices with organizational performance should be adopted. It calls forth a wider vision to see the big picture and the interdependence and interrelationship among HRM practices, intervening variables, operational performance parameters and financial performance.
Sivasubramaniam & Venkataratnam (1998) studied the relationship between HRM and firm performance in 52 companies in India. This research gives evidence of relationship of HRM with company performance. The findings stated that an adoption of HR strategy translates into 4% edge in return on investment and nearly 5% advantage in return on assets. It was also observed that match between HR strategy and business strategy results in reduction of 8% in turnover rates. They recommended that when market conditions get tougher and competitors attempt to imitate our products and services, which is sustainable and un-imitable is the Human resource based advantage.

A.S Bhatia and G.K. Bhatia (1997) in their joint paper “Human resource Development: India in Global Context” Presented a comparative analysis of the development of Human Resource of the countries in the world, based upon the Human Development Index. Further, India is one of the bottom line countries having the lower development of human resource. Their study concluded that the bureaucratic controls, centralized planning and administration, poor allocations and inadequate outlays for infrastructure in schools, colleges, universities, libraries and laboratories and training of teachers have resulted into inefficiency of the present educational system. Further education and health services should be given the priority deserved to meet the objective of development of people.

Jain (1996) in his publication “HRD Practices in Indian Industries” examines the impact of HRD policies and practices on increasing Organizational Effectiveness and through light on the development of a cohesive HRD climate. He studied the conceptual framework of HRD by undertaking the past and present patterns of HRD in two public sector undertakings which is BHEL and NFI. He studied the relationship between HRD variables, personal factors and effectiveness variables. The author emphasized that the importance of the HRD practices are yet to be acknowledged in their contribution toward organizational effectiveness. In this context the author also presented a general model of HRD, which explains the factors contributing significantly for the development of public sector undertakings in India.
Dandekar, Karnik and Sathye (1994) “Improving HRD in the Power Sector: The Case of Performance Appraisal in MSEB”, assessed the importance of human resource in state electricity board Maharashtra. Improvement in the performance of Public Sector Undertakings is by and large depends upon the development of Human Resources available in the organizations. The role of HRD becomes essential with improvement in service sector where technology up gradation demands efficient and productive workforce to achieve organizational targets. Service sector where people interface are of great importance, the role of HRD in utilizing human capital to enhance the knowledge and skills and efficiency in order to motivate people.

Bharwaj, Rupali and Khandelwal, (1993) in their research work entitled HRD: A key to organizational Effectiveness. linked HRD managers, line managers and top management for successful implementation of HRD practices, after review of several case studies and experiences in India, noted ‘Western and third World studies of organizational excellence indicate five major keys to organizational excellence: mission, vision of excellence, core values, style of management; goals, policies and choice of domain; management systems and structure; and organizational renewal processes’

Abraham (1989) surveyed the HRD practices of 68 Indian organizations. He measured various elements of the HRD profile of these organizations including Training performance appraisal, career planning, Employee counseling, promotions, rewards etc. and the HRD climate (openness, collaboration, trust, authenticity, pro-action, autonomy, confrontation). Abraham also constructed an index of growth of the company profitability as a measure of organizational performance. He was able to use this index only in 14 of the 68 companies. He found that while the HRD profile did not correlate with the company performance, the HRD climate did. He found that the perception of the HRD climate of the company was more important than the HRD practice itself. This study also indicates that HRD culture is a powerful intervening variable in translating HRD practices into profit. The HRD manager matters a lot in this regard alone with line managers and top management.
Porter (1985) has described a wider outlook and suggested that firms should analyze their competitive environment, choose their strategies and then acquire the resources needed to implement those strategies. Almost all the firms use same resources to implement these strategies or to have the same access to these resources. He has discussed organizational internal qualities that may affect competitive advantage. He argues that human resources management policies can present a important source of competitive advantage because they make employee more effective and productive. Superior employees create superiority in their activities. Porter thus comes to the conclusion that there exists strong interaction between the quality of a firm’s human resources management practices and its sources of competitive advantage in the markets.

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

2.5 Review of global research contribution on HRM/HRD- op linkage

In recent years, the focus of research on HRM has shifted from study of individual HRM Practices on business performance to entire HRM system and its effect on organizational
performance. The researchers have divergent views about this new phenomenon. Some researcher thought this system view of HRM is appropriate but simultaneously other argue that Multiple HRM subsystem into one measures create unnecessary reliability and multicollinearity issues (Becker and Huselid 1988). In addition comprehensive examination of individual HRM practices highlights the significant predictor of business performance (Bjorkman and Budhwar 2007).

In case of Organizational performance divergent views exists regarding use of financial and non financial measures. Dyers and Reeves 1995 are of the opinion that profit, sales and market share are financial measures and Productivity, quality, efficiency and the attitudinal and behavioral measures such as commitment, intention to quit, and satisfaction are non financial measures of organizational performance. Hoskinsson et al 2000; Bae & lawler 2000 have found problems in measurement of financial performance in emerging economies. They argued that lack of market based financial reporting, inadequate regulatory mechanisms, lack of transparency in financial reporting, issues of fictitious financial assets, and window dressing are the main problem in financial dimension of organizational performance.

Rather subjective measures are easy to measures but they have their own limitations because of inclusion of personal biases. Researcher argues that though perceptual measures may introduce limitations, but even then their benefits are far greater than limitations (Delaney & Huselid 1996; youndt et al 1996). Many variables and events, both internal and external affect organizations directly rather than perceptions (Boselie et al, 2005). The researcher argued that more proximal measures which exert direct influence on organizational performance should be used. These are productivity (Chang & chen 2002, Huselid 1995), quality of product and services (Macduffie 1995;), Job satisfaction(Guest 1999; Hoque 1999), employee turnover intentions(Shaw et al 1998, Batt 2002), Trust in management and commitment(Tsai et al, 2006). The following studies are conducted in global context to show the linkage of HR/HRD/HRM with organizational performance indicators. The following are the research contribution of various researchers in different parts of the world.
Eric Ng Chee Hong, et.al. (2012) in their study entitled “An Effectiveness of Human Resource Management Practices on Employee Retention in Institute of Higher learning: - A Regression Analysis” studied the effective human resource management practices namely employee empowerment, training and development, appraisal system compensation etc and their impact on employee retention. In this research primary data was collected using the non probability self administered questionnaire that consist of questions with 5-points Likert scales from a samples of 278 individuals. By using a multiple regression analysis, it is found that, training and development, appraisal system and compensation are significant to employee retention except employee empowerment. Based on the results, training, compensation and appraisal is a fundamental consideration for University of Y lecturers’ retention decision; while empowerment is less fundamental to lecturers’ consideration as this can be attributed to the Asian culture characteristic of higher authority conformity.

Mir Mohammed Nurul Absar, et. al. (2010), in their research entitled “Impact of HR Practices on Organizational Performance in Bangladesh” studied the overall impact of different HR practices on organizational performance and they collected Data from fifty manufacturing firms in Bangladesh and come to the conclusion that HR practices have significant association with organizational performance. Out of many HR practices, performance appraisal is found to have more significant impact on organizational performance.

Tahir Masood(2010); in his research work entitled “Impact of Human resource management practices on organizational performance: A mediating role of employee performance”, studied the impact of different Human Resource Management (HRM) practices (i.e. recruitment and selection, training and development, performance appraisal, career planning system, employee participation and compensation system) on Perceived Organizational Performance (POP) and Organizational Financial Performance. Another purpose was exploring mediating role of Employee Performance (EP) between HRM practices and Perceived Organizational Performance. Researcher collected data from Human Resource Professionals working in different companies of five industries Banking,
Insurance, Leasing, Modaraba and Investment. Primary data from 274 HRM professionals of 129 companies were collected using questionnaire. Secondary data was collected from the published financial reports of the companies listed with Karachi Stock Exchange (KSE) for the period of five years starting from 2004 to 2008. Results identified that all human resource management practices were positively correlated with perceived organizational performance and perceived employee performance, while none of the HRM practice showed substantial contribution towards organizational financial performance. Correlation and beta values of HRM practices were significant with POP in the banking industry. Recruitment and selection ($\beta = .662, p < .001$) followed by employee participation ($\beta = .516, p < .01$) showed significance in the insurance, ($\beta = .343, p < .001$) performance appraisal in the modaraba, and recruitment and selection in the investment industry. Recruitment and selection, training and development and the compensation system significantly contributed towards the Marris Ratio in the modaraba industry. The compensation system in the insurance industry, performance appraisal and compensation system in the leasing industry contribute significantly.

Muhammad Asif Khan (2010) conducted a study entitled “Effects of Human Resource Management Practices on Organizational Performance – An Empirical Study of Oil and Gas Industry in Pakistan” to measure the impact of human resource management practices on organizational performance in Oil and Gas Industry in Pakistan. The response of 150 managers of 20 selected firms from Oil and Gas Industry have been gathered with the help of self-reported questionnaire that include Five HRM Practices namely Recruitment and selection, training and development, performance appraisal, compensation and reward and employee relation with one another and subjective measures of organizational performance. Factor analysis was used to define human resource management practices. Regression analysis provided a positive and significant association of above practices with organizational performance. The study provides results for management to use these for superior performance.
Messersmith and Guthrie (2010) studied the high performance work systems Organizations and their implications on the firm’s performance in New Zealand. One of the most important challenges faced by the human resources managers is finding and retaining the right people. They are of the opinion that the most important part of an organization are people and human resources systems designed to acquire, develop, and motivate skilled individuals have impact on the firm performance. They studied the data of more than two thousand establishments and provided a number of theoretical and practical implications which described that using high performance work systems is resulted in many positive outputs like sales growth, product innovation, and organizational innovation. Their findings are in line with much of research in strategic human resources management. They found a positive relationship between human resources systems such as high performance work systems and firm performance metrics.

Abang Azlan mohamad (2009) in his research article namely “Human resource practices and Organizational performance, incentives as Moderator” examines different human resource practices and the impact of incentives on manufacturing companies in Malaysia. He has studied three types of human resource practices namely, performance appraisal, training, and information technology and the focus of this research with the presence of incentives as moderator on organizational performance. In this research sample of eighty-five firms from Sarawak, Malaysia, has taken. The results have indicated that the two components of human resource (HR) practices namely, training and information technology have direct impact on organizational performance. It was found that incentive is positively related to organizational performance but did not moderate the relationship between both HR practices and organizational performance. Implications of the findings, potential limitations of the study, and directions for future research are suggested.

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

Rizov and Croucher (2008) in his research examined the association of HRM practices and organizational performance in European firms. They found that collaborative form of HRM practices reflected positive and statistically significant relationship with firms’ performance. They are of the opinion that employees should be treated as an assets and core partners in the organization and they should communicate organizational mission, values, goals and strategy so that they can prepare themselves for the achievements of those targets.

Boselie et al., (2005) In meta-analysis of 104 articles, concluded that the top four HRM practices are efficient recruitment and selection, training and development, contingency and reward system, and performance management that have been extensively used by different researchers.

Tzafrir (2005) studied the relationship between trust, human resources management practices and firm performance. The study deals with practices, attitudes and performance at the organizational level. The sample was selected from 275 organizations in Israel; Out of the total sample 104 questionnaires were completed. The study reveals the role of trust in the middle of organizational and employment relationships. The study puts emphasis on trust and integrates it with many human resources management practices and organizational performance. This study was unique and one of its kind which explore the broader effects of trust in the workplace. The study looks at the relationships between trust and several mechanisms for improving organizational performance, influencing employee attitudes and behaviors, and retaining employees in the organization. He stated that manager’s trust in their employees has a considerable impact on shaping the human resources management
system. In order to improve the performance, senior managers need to hold a clear understanding of HR system.

**Madan Mohan Jana (2005)** in this study focuses on the Optimum use of Human Resources and Input performance with the help of synergy concept and kaizen Principles. This study examined the relationship between input performance and resource use pattern. Synergy is that whole is greater than sum of its parts.

**Sang (2005)** in his research work focused on of managers from Taiwan and Cambodia and concluded that human resource planning; staffing; compensation and reward; teamwork; training and development, and employee security had influence positively on financial and non-financial organizational performance. The study measured the positive effects on operational performance, namely, production flexibility, product cost, product quality, and product delivery.

**Dessler (2003)** discussed various aspects of human behavior in his views," inter country differences affect a company's Human Resource Management process". Cultural factors such as individualism versus collectivism suggest difference in values, attitudes and therefore behavior and reactions of people from country to country. Economic and labor costs factors help determine whether Human resource emphasis should be on efficiency, commitment building, or some other approach. Industrial relations and specifically the relationship between the worker, the union and the employer influence the nature of a company's specific HR policies from country to country. Further he opines that strategic human resource management is the linking of HRM with strategic goal and objectives in order to improve business performance and develop organization cultures that faster innovation and flexibility.

**Chang and chen (2002)** linked the HRM practices like workforce planning, training and development, benefits, teamwork and performance appraisal with productivity. They studied 62 firms in Taiwan and found that there exist positive relationship between HRM practices
and productivity and business performance. This study also resulted in negative relationship between workforce planning and employee turnover. They argued that HRM practices increase the employee productivity and competencies and thereby increase the organizational performance.

**Bjorkman and Xiucheng (2002)** investigated the effect of HRM practices on firm performance in China and found a positive and significant association between HRM Practices and performance.

**Gelade & Ivery (2003)** studied the relationship between HRM, work climate and organizational performance in the branch network of retail banking. The results indicated the significant correlation between work climate, human resource practices and business performance. They explored that the correlations between work climate and performance cannot be explained by their common dependence on HRM Factors and the results equate with the mediation model in which the effect of HRM on business performance are partially mediated by work climate.

**Ichniowski and Shaw (1999)** in their comparative study of United States and Japan, found that Japanese firms were more productive and profitable than firms in United States, just because of use of more sophisticated HRM/HRD practices.

**Yeung and Berman (1997)** have made an attempt to find out impact of human resources on business performance. They have address following questions

Do Human Resources practices make a difference in business results?

In what ways can Human resources practices add value to business performance?

What are the most appropriate human resources measures that drive business performance?

They observed that in general human resources practices play three major roles:

In Building critical organizational capabilities; enhancing employee satisfaction; and improving customer and shareholder satisfaction.
They also observed that by ‘reviewing some recent research studies regarding the human resources – business performance relationship and by building upon the use of the balanced scorecard framework in some companies such as Sears and Eastman Kodak, the results were: Human resources do make a difference in business results, Human resources practices can contribute to business performance through a multidimensional approach-building organizational capabilities, improving employee satisfaction, and increasing customer and shareholder satisfaction and commitment; They also resulted that A New cluster of human resources measures, in addition to the traditional human resources measures, should be developed to capture and drive the impact of human resources on business performance.

**Delery and Doty (1996)** in their research studied approximately 200 banks and found that difference in HR practices reported rather large differences in financial performance and devised strategic models for theorizing in strategic human resources management i.e. Universalistic, contingency and configurational etc. They are of the opinion that the strategic human resource management draws on three dominant modes of theorizing, universalistic, contingency and configurational perspective in context of performance predictions. They identified seven key strategic human resources practices developed theoretical arguments consistent with each perspective.

**Koch and McGrath (1996)**, studied 319 business units and link improved labor productivity with human resources policies. They have given a research question that “what shall we do to improve performance? They have suggested that management of an organization’s human resources have significant relationship with the productivity of its employees. They argued that firm should invest in the planning for, recruitment, selection and development of firm specific human capital assets. The results of their study show that attention needs to be given to the hiring and developing of employees in comparison with capital formation of the firm. The major findings of the study reveal that the Human resource strategy may be leveraged in capital intensive environment which is dynamic in nature.
Ostroff (1995) developed an overall HR quality index based on aggregate ratings of all HR activities of a firm. On the basis of this index, firms were classified into four categories. The firms that scored higher on the HR Quality Index consistently outperformed than those with a lower index on four financial measures: market/book value ratio, productivity ratio (i.e. sales/employees), market value and sales. Recent researches worldwide have shown that good HR practices and policies do influence business growth and development. The researches indicate that the companies gain competitive advantage through best and efficient human resource.

Huselid (1995), who examined the relationship between HR practices and performance indicators like corporate turnover, profitability and market value. He collected responses from senior HR executives in a sample of 968 publicly traded corporations in the US regarding HR practices a high-performance work system (HPWS). After controlling for a number of variables, he found that his HR index was significantly related to the gross rate of return on assets (a measure of profitability) and Tobin’s Q (the ratio of the market value of a firm to its book value). This study is one of its own kinds and provides foundation for succeeding research. He also stressed on importance of training and organizational culture as these two variables put positive impact on employee behavior and help to achieve positive results.

Pfefer (1994) Stressed that Human resource has been vital for firm sustained performance. In knowledge economy, the human resource has been recognized as a strategic tool, essential for organizational profitability and sustainability. This indicates that importance given to human resource is the key indicator of organizational success. This realization has led to the new role of human resource managers as strategic partner in formulation and implementation of organizational strategy for high performance.

Barney (1991) is of the opinion that Human resource management has emerged as an essential factor for sustained competitive advantage. Their research highlights that organizations develop sustained competitive advantage through management of scare and
valuable resources like Human being. Empowered employees are the core assets of the organizations and they work for increase organizational performance.

2.6 Conclusion
Review of literature indicated that essential HR practices heavily researched as workforce planning (Matthis & Jackson, 2004); job analysis (Cascio 2006, Dessler 2003); Training and development (Katou and Budhwar 2006), Recruitment and selection (kulik 2004); compensation and reward system (Milkovich & newman, 1999); Performance appraisal (berardin & Russell 1993), Career management (Schein 1996), human resource information system (Wolfe, 1998), Quality of work life, personal diversity, employee attitude surveys (Armstrong 2005, Bracken 2000, Hayes 1999).
2.7 REFERENCES


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