



Human Resource Management Practices and their Impacts on Organization Performance

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Abstract

The use of Human Resource Management practices to boost the internal employee performance has become a cornerstone in the competitive marketing environment. But understanding whether such HRM practices strategies influences the performance needs assessment in the context of competition in Nepali market. The study of Nepal Telecom has identified the trend towards using HRM strategies such as compensation and reward, staffing assessment, training and development has shown positive results in the company. Such practices to map the organizational performance has enhanced the employee to develop a positive attitude towards work, increase productivity and motivate employees towards work.

Keywords: *Human Resource Management, Human Resource Management Practices, Selection, Performance Appraisal, Training and Development, Reward, Compensation, Organization Performance*

Introduction

The economic environment is ever changing and organizations today are operating in a very dynamic and competitive environment. In order to remain relevant, they have to be able to respond quickly to the changing customer needs and demand (Njanja, 2013). To compete effectively in this environment, organizations should focus on improving their organizational performance and productivity by lowering costs, improving quality or output and introducing innovative products (Muchhal, 2014). Keeping such changes in mind, it is very important for any organization to effectively manage HR to achieve its goals while satisfying its customers.

Human resources have now become strategic resources to gain sustainable competitive advantage in the age of globalization. No matter the technologies and the machinery developed, HR remains the single most important resource for any organization. Effective management of a firm HR practices can generate and increase knowledge, motivation, synergy, commitment which helps an organization gain competitive advantage (Muchhal, 2014). HRM should be given its rightful place of relevance in any organization



and not left in the hands of line managers who neither have the expertise nor the time and space to carry out the HR functions.

In developing economies putting into practice the HRM are faced by challenges. The biggest challenge that any organization irrespective of its type, size and nature of ownership and control faces today is in regard to the development and utilization of the human resources. HR helps to enhance organization performance by attracting, identifying and retaining employees with Knowledge, Skills and Abilities and getting them to behave in a manner which further supports the objective of the organization (Muchhal, 2014).

Proper utilization of HR is key to any organization gaining competitive advantage over its rivals. HR policies must be aligned to business strategies for organizational success. HRM practices have the ability to create and organization that is more intelligent, flexible and competent than their rivals through the application of policies and practices that concentrate on recruiting, selecting, training skilled employees and directing their best efforts to help the organization (Quansah, 2013).

However, differences in the interpretation of HRM, has resulted to emergence of different terms as an attempt to clarify the approaches to managing the human resource, namely the Soft and Hard variant of Human Resource Management (Storey, 1992)). Soft HRM primarily focuses on the approaches to improve employee training, development, commitment and participation while Hard HRM primarily focuses on the strategies where HR are used to achieve the goals of the organizations. These may include cost control and head count strategies, especially in business processes like downsizing, lowering wages etc. (Beardwell, 2007) .The benefit of both these variants is that these approaches require recognition and exploring these approaches helps in the decision of which is the best approach to use in coordinating various professionals involved in the organization.

In the context of Nepal, HRM is a new concept and application of defined practices in the international front was put into practice since 1990s after the liberalization and privatization policy. Prior to this, using defined HR strategies was nonexistent. The establishment of private business organizations and joint ventures gave Nepal various opportunities, which resulted to payments and benefits became competitive for competent employees, and many organizations started to emphasize performance. Similarly, training and development programs were highly welcomed as a way of developing skills and knowledge of employees (Adhikari & Gautam, 2011).

However, Nepalese organizations are still learning and the foundation of HRM is not clearly established but it is improving. Achieving sustainable competitive advantage depends upon the formulation and implementation of appropriate people management strategies and deploying their competencies effectively in the competitive and dynamic environment. Proper management of employees' competencies helps in developing a framework to make decisions regarding the intentions and plans of organization which may be related with employee relationship and recruitment, training and development, performance appraisal, reward and employee relations policies and practices.

Based on the survey of (Adhikari & Gautam, 2011) in 204 Nepalese organizations as a unit of analysis, the study found that HR strategies were used in few organizations. These organizations had programs for minorities, ethnic groups, older employees and people with disabilities. The study also found that due to centralized organizational



structure, many HR decisions were taken at the central office. But the Nepalese organizations are still realizing the significance of effective people management at workplace and changing the practices with respect to the current changing and challenging environment.

One of such organization in Nepal, Nepal Telecom an organization that has nationwide network for telecommunication is faced with recent challenges of marketing plus improving its services to meet the expectation of the people. Unless, HRM strategies are considered such public institution could fall in disaster. Using the case of Nepal Telecom, this study has identified whether staffing, incentives and training practices of HRM has resulted to positive development on organizational performance.

Hypothesis of the Study:

For this study, 3 hypotheses have been formulated, which will help us meet the objectives of the study. The three hypotheses are listed below.

H₁: There is a positive relationship between staffing practices and organization performance.

H₂: There is a positive relationship between incentive practices and organization performance.

H₃: There is a positive relationship between training and development activities and organizational performance.

Research Methodology

Data source and data collection tool

Data was collected through convenience sampling technique by visiting the headquarters and other 2,3 branches of Nepal Telecom within the Kathmandu valley. At least 132 employees were filled the questionnaire and 18 executive staff were interviewed. The employees range from first line managers to supervisors to technicians within the organization. The research questionnaire was a 5 point likert scale and it had separate sections for staffing practices, incentive practices and training practices within the organization as well has different sections for organizational productivity, organizational profitability and employee turnover. The 5 points in the scale ranged from 1 to 5 which were strongly disagree, disagree, neutral, agree and strongly agree.

Similarly, to better understand the HR activities within the organization and how it has affected the organization, 11 questions were developed to ask to various staffs of HR and Administration in Nepal telecom.

Data Analysis Method

The collected data was treated and analyzed in the SPSS v.20 software. Cronbach's alpha test was conducted to analyze the reliability of the questionnaire. Various statistical tools and techniques were used to achieve the proposed research objective. Mean, Variance

and Standard Deviation were conducted to analyze the characteristics of the sample. Also, because all of the hypotheses were relational and consisted of three independent variables, correlation and regression was used to analyze the relationship among the variables.

Model of the Study

The following model was used for the study.

$$Y = \beta + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where,

Y= Organization Performance

β = Constant variable

X₁= Staffing Practices (Selection and Appraisal)

X₂= Incentive Practices (Reward and Compensation)

X₃= Training and Development Practices (Training and Development activities)

e= Error

β_1 , β_2 , β_3 are regression coefficients that refer to the amount with which a dependent variable increases when one of these independent variable increases while others remain constant.

Finding and Analysis of Data:

Demographics:

There were total of 132 respondents for the survey questionnaire, of which, 91 were male respondents and 41 were female respondents. The age group of respondents were between 20 to 50 and above. Of the total respondents 119 were married, 10 single and 3 divorced. 118 of the employees were permanent, while majority of the respondents had successfully completed their Master's Degree. 115 respondents had worked in the organization for more than 6 years and 17 of the respondents had worked for less than six years.

Among those interviewed, 13 executives were male and 5 were female. All the respondents had worked in the organization for more than six years and all of them had Master's degree. The age group of executives were between 33-45 and were married.

Correlation analysis

Correlation is a statistical measure that indicates whether or how strongly pairs of variables are related. It indicates the extent to which two or more variable fluctuate together. A positive correlation indicates the increase or decrease in variable paralleled and negative indicates the increase in one variable with the decrease in other. Pearson's correlation analysis is the measure of strength of the association between two variables to explain the direction of a variable if that of the original data should change or remain unchanged.

Table 1: Pearson Correlation

	Organization Performance	Staffing Practices	Training and Development Practices	Incentives and Compensation
Organization Performance	1			
Staffing Practices	.382**	1		
Training and Development Practices	.378**	.453**	1	
Incentives and Compensation	.362**	.232**	.186*	1

The data showed that there was a significant relationship of staffing practices, incentive practices and training and development practices with the organizational performance. The values of significant relations with the organizational performance stood at .382**, .378** and .362** for staffing, training and development and incentives practices respectively.

Regression

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.516	0.267	0.25	0.224

The above table shows the value of Adjusted R Square is .250. this value indicates that there is almost 25% variation in dependent variable due to one-unit change in independent variable.

Table 3: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig
	B	Std. Errors	Beta		
(Constants)	1.023	0.275		3.713	0.00
Staffing	0.177	0.071	0.215	2.497	0.014
Training and Development Practices	0.246	0.091	0.231	2.707	0.008
Incentive and Compensation	0.22	0.064	0.269	3.442	0.001

In the above table we can see the t value of staffing practices is 2.497. Similarly, the t value of Training is 2.707 and that of Incentive 3.442 respectively.

Table 4: ANOVA

ANOVA table					
Model	Sum of Squares	df	Mean square	F	Sig.
1. Regression	2.34	3	0.78	15.518	0.00
Residual	6.433	128	0.05		
total	8.772	131			

a. Dependent Variables: Organizational Performance

b. Predictors (Constants), Incentives and Compensation Practices, Training and Development Practices Staffing Practices

From the above table we can infer that the overall regression model was statistically significant at $F = 15.518$. Since, the value of significance is less than 0.05, the independent variables or predictors when taken together can significantly predict the organizational performance or the dependent variable.

Hypothesis Acceptance Table

The following table summarizes all the results in terms of hypothesis that were found to be true.

Table 5: Hypothesis Acceptance Table

SN	Hypothesis	T Value	Remark
H01	Staffing practices is positively significant with organization performance.	2.497	Accept Hypothesis
H02	Incentive practices are positively significant with organization performance.	3.442	Accept Hypothesis
H03	Training and development activities are positively significant with organizational performance.	2.707	Accept Hypothesis

Findings of Executive Interviews

Based on the interviews with executives, it was found that Nepal Telecom had a dedicated department for HR and followed a centralized HR policy with HR department of branches that coordinated with the Headquarter of the organization. The organization also believed that effective staffing and recruitment, development of employees aligned with the organizational policies. The executives informed that they the latest trend and practices with respect to development of HR around the world played a crucial role to achieve the goals of the organization. The HR department cooperated extensively with other departments to formulate plans, policies apart from providing logistics supports when requested.

As a public organization, political factors significantly affect the organization in setting out HR policies. The plans and policies set out by the government were crucial.



Other significant factors included technological changes along with the skills and abilities of the workforce available. Working in the organization was considered easy due to laid down procedures. However, minor problems generally arise due to the conflict of interest between individuals. Executives in the organization noted that there was constant communication between supervisors and their subordinates regarding performance.

Financial and non-financial rewards both played a vital role in motivating the employees to perform better. Benefits such as paid leaves, medical and insurance facilities coupled with opportunities to travel within or outside the nation were viewed by employees in the organization as important incentives for motivation. It was also found that if the organization is able to select employees with the right Knowledge, skills and abilities can help to reduce the turnover of employees. The organization pre-determines the training needs of employees according to their level, Junior, Senior and Mid-level. Courses are designed by the HR department itself considering the level of staff it aims to train and training needs are not communicated. The executives believed that with sound HR practices and policies, the organization was successful to meet the customers' expectations. But with the increasing competition in the market and recent advances in technology, the organization can face some serious challenges in the future. Still at large, the executives informed that overstaffing within the organization is a problem and are looking to downsize the workforce, which may be possible within the next 2-3 years timeframe.

Conclusion

The aim of this study was to evaluate the effectiveness of HRM practices in performance of Nepal Telecom. to make the study specific, only three HRM practices were studied which includes, Staffing practices, Incentive practices and Training and Development practices.

The research found that majority of the employees in the organization were influenced and motivated by HRM practices. The study showed that, there was significant relationship between HRM practices of the organization with respect to organizational performance and strategies such as incentives, staffing assessment, training and development practices. This resulted to employees dedication to their work.

Despite the study found significant relationship about the need to HRM practices in the Nepal Telecom, but the interviews with the executive staffs and other members of the organization revealed that the needs of the employees with respect to training, performance appraisal were not scientifically conducted. One of the reasons for employees feeling this way was due to the problem of overstaffing that existed within the organization, due to which profit and bonuses of the organization may not be shared equally among employees as per their expectation.



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