

IMPACTS OF HUMAN RESOURCE MANAGEMENT PRACTICES ON THE PERFORMANCE OF AN ORGANIZATION

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Abstract. *The globe has seen a rise in globalization in recent years, as several nations' economies are joining forces to foster international trade through connection and technology advancements. The competition in both domestic and international markets has intensified as a result of this upswing, which has further motivated businesses to hire and keep highly skilled employees. Many businesses rely on their staff to provide them an edge in the cutthroat industry. As a result, their effectiveness in managing their human resources and human resources management practices is closely tied to them (HRMP). Human resource planning, strategic hiring, employee training, growth pay management, efficiency, worker relations, health care, employee happiness, and employee service provision are all included in the HRMP. It consists of procedures and guidelines designed to raise worker involvement, organizational effectiveness, and quality of output. The objective this review study was to determine the impact of human resource management practices on the performance of an organization. To achieve the intended objective of the study, a total of 12 published articles related to the impact of human resource management practices on the performance of an organization were searched on different databases by defining the inclusion and exclusion criteria. The articles that have full text access were chosen for the study. The findings of the study indicated that human resource management practices are the strong predictor of the performance of an organization. These practices make the organization to improve its performance and productivity under the challenging working environment. On the basis of the findings of the study, it is recommended that human resource management practices must be employed to achieve the target performance of an organization.*

Keywords: *Human Resource Management, Practices, Performance, Organization*

1. INTRODUCTION

Given their role in the development and success of the company, employees are among its most valuable assets. Fey and Björkman (2017) came to the conclusion that in an era marked by fast and constant change, companies need to hold onto their knowledge capital in order to remain productive and responsive to their stakeholders' requirements. Employers must find, hire, and develop a skilled workforce. In order for workers to be dedicated to their task of doing research and providing training for the companies' development, they must be well trained and motivated. Empirical studies have demonstrated that the proficient implementation of specific human resources management (HRM) techniques fosters employee commitment, which is essential for the organization's success (Taamneh et al., 2018).

Adopting suitable HRM procedures for an organization's staff will enhance its performance as According to Kianto et al. (2017), staff members are strategically important in raising ratings in important areas such as research quality, faculty reputation in the classroom, program quality, research contribution to society, preparing the next generation of leaders, and graduate quality. Many firms are starting to strategically plan their HRM practices as they recognize how important it is to improve an organization's success (Saeed et al., 2019).

Employers are putting HRM procedures and systems in place to capitalize on workers' potential strengths and maintain a competitive edge. Additionally, it has been shown that HRM practices and organizational performance are positively and significantly correlated. Armstrong and Taylor (2020) have pointed out that corporate success is directly impacted by training and development, teamwork, performance evaluation, and human resource planning. According to Sriram and Suba (2017), an integrated approach to HRM practices will boost employee engagement and happiness, which will then result in exceptional performance on both an individual and team level as well as organizational level.

Objectives of the Study

The objective of this study was to determine the impacts of human resource management practices on the performance of an organization.

Research Questions

What are the impacts of human resource management practices on the performance of an organization?

2. RESEARCH METHODS

A. Procedure for the Article Selection

The Prisma diagram was followed for the selection of the articles. Its procedure is discussed in the following lines:

i. Identification

a. Databases and Time Limit for Literature Search

The researchers searched the articles on the budget policy and financial performance from January 2011 to November 2023 from the major electronic databases including ERIC, Web of Science and Scopus. The key terms used for literature search for articles were: human resource management practice and performance of an organization.

b. Inclusion Criteria for Literature

The articles were included based on the following inclusion criteria:

- Only those articles were included that reported the human resource management practices and the organizational performance and the articles. The studies that have no link between HRMP and organizational performance were excluded.
- The studies that were published in a peer reviewed journal, from the year 2011 to 2023 and written in English were included in the study. The studies that did not meet this criterion were excluded. So, initially 77 studies were identified.

ii. Screening

After removing the duplicate records of 28 studies, the remaining studies were 77 based on inclusion and exclusion criteria. Records excluded on the basis of the abstract review were n=24, not relevant n=9, and not in English n=4.

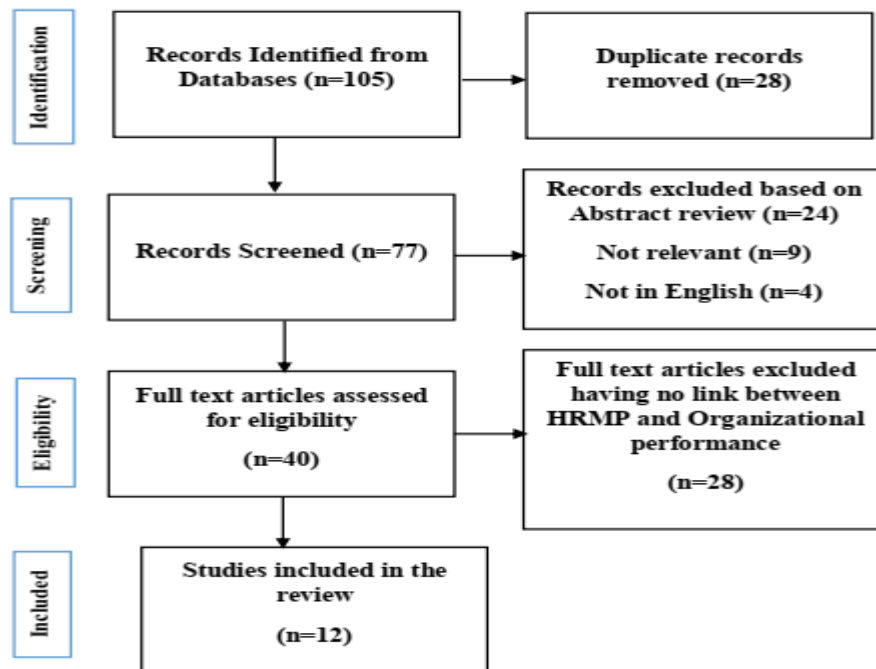
iii. Eligibility

The total full-text articles assessed for eligibility obtained were n=40. The full-text articles that have no link between the impact of HRMP and the performance of the organization were also excluded n=28.

iv. Included

So, the final studies included in the review were obtained as n=12. The article selection process followed by the Prisma diagram is shown in figure 1.

Figure 1. Prisma Diagram for the Article Selection



B. Review of Literature

Prior research has indicated that HRM practices impact an organization's performance. Pfeffer (1994) highlighted sixteen practices—among them, employment security, selective hiring, information sharing, empowerment and participation, training and skill development, incentives, high compensation, and promotion—that might strengthen a company's competitive edge. According to Fiorito (2016), how employees react to HRM practices determines how HRM practices affect organizational performance. Performance inside the organization will suffer if employees have a bad opinion of it, and vice versa.

C. Human Resource Management Practices (HRMP)

1. Incentives

Researchers looked at the relationship between risk-taking and managerial incentives and discovered a substantial one. Another consequence that has been suggested is that the outcomes are thought to benefit from this. Incentives can be of two types, according to Westerman et al. (2020): monetary ones, like bonuses, allowances, or rewards; or, in addition, people who put forth effort are praised greatly and receive public recognition for it by taking an extra day off or making a special effort. Except from incentives, which are important for everyone's success, safeguards also have an impact on the organization's performance (Subramanian & Suresh, 2022).

2. Employee Training

Employee training has been shown by certain academics to improve organizational performance. According to Prabhu (2019), performance improved when a significant influence was made on how an activity was carried out. Effective training also helps employees feel more satisfied, which is crucial for achieving corporate goals, in addition to improving the efficacy of their knowledge and abilities.

3. Selective Hiring (Recruitment)

According to Duarte et al. (2015), a highly selective hiring process is beneficial for identifying the right candidate who can handle a variety of job requirements, has the necessary skills and experience, and fits in well with the environment, all while ensuring that the candidate has been chosen for their necessary qualities and abilities to face a dynamic culture and surroundings. It's a given that a business should recruit the most qualified candidates since such individuals will be less likely to look for other jobs. Using a small pool of employees for new roles is regarded as one of the top strategies in human resources management. In addition, these and other equally important aspects include the abundance of options.

4. Job Security

Employee commitment to the organization's workforce is further developed by a positive relationship between job security and the confidence environment among employees. The more secure a job, the greater the confidence environment among employees. A certain amount of reciprocity is a part of job stability. It is asserted that in order for employees to show trust in the security of their jobs, the company must first tell them that their jobs are "safe." This ultimately results in a greater dedication from the staff to provide better work, which is advantageous for the company. According to experimental data, job security has a significant beneficial influence on organizational performance when it is provided by the organization (Anwar & Abdullah, 2021).

5. Self-managed teams and Decentralization

Team members need to coordinate their concentration, actions, and efforts; it's critical that every worker be committed to the same goals and missions. They must then actively participate in all efforts and make decisions in a collaborative manner. Self-managed teams may significantly influence organizational performance by demonstrating their ability to do tasks both above and below the surface and to go beyond designated roles and responsibilities. First, a government organization's growth dynamics may be influenced by a rise in the number of junior managers inside the organization. The industry would need more management levels due to its rapid development. Because the company serves a larger number of businesses and consumers, its decision-making.

D. Human Resources Management Practices and Organizational Performance

All HRM initiatives benefit the business as a whole in terms of income, development, and impact when they are implemented within the framework of HRM growth and improvement. When it was anticipated that preparation, incentives, business expansion estimates, and the selective hiring process would all work in concert to create the impression of future market growth, all of these predictions came true. According to the research, financial incentives had a favorable impact on the company's development and revenue, but they had little effect on net income and had a limited correlation with sales growth (Collings et al., 2021).

3. RESULTS AND DISCUSSION

The objective of this review study was to determine the impacts of human resource management practices on the performance of an organization and the research question regarding this objective was what are the impacts of human resource management practices on the performance of an organization? To achieve the intended objectives of the study and to find the answer of the research question, literature from the previous published articles was reviewed. The results of the literature reviewed showed that the human resource management practices have significant impacts on the performance of an organization. The results of the studies reviewed are presented in table 1.

Table 1: Impacts of HRM Practices on the Performance of an Organization

Sr. No	Reference	Organization Name	HRM Practice	Results
1	Anwar and Abdullah (2021)	Municipalities and Water Resources	Decentralization	The performance of the company is positively impacted by decentralization.
2	Khalid et al. (2016)	Public sector organizations	Different HRM Practices	Public organizations do not reflect steady performance.
3	Amin et al. (2014)	University	Hiring, development, evaluation of performance, career planning, involvement of employees, description of the work, and remuneration	The study discovered a strong correlation between university performance and human resource strategies.
4	Zaitouni et al. (2011)	Banking Sector	Acknowledgment, skill enhancement, equitable compensation, and knowledge exchange	The study's conclusions demonstrated how successful human resource management strategies were in advancing the business.
5	Nabi et al. (2016)	Dhaka Bank	Supervision, job training, compensation policies, work satisfaction, absenteeism, and attrition	The study's findings demonstrated that the bank's performance was considerably enhanced by the use of HRM techniques.
6	Shiferaw (2022)	University	Training, performance appraisal, and compensation	It was discovered that the university's production had been severely damaged by the methods in place.
7	Al-Qudah et al. (2014)	Government Ministry	Organizing, instructing, and growing	There was a substantial correlation found between organizational success and the practices of human resource management.
8	Chowdhury, (2013)	Banking organization	Different HRM practices	It has been discovered that HRM procedures actually enhanced the bank's performance.
9	Al-Hamad et al. (2022)	Health Organization	Different HRM Practices	It was discovered that implementing HRM practices enhanced the organization's performance.
10	Schuler and Jackson (2014)	Commercial Bank	Recruitment and selection, performance evaluation, reward and perks, training and development.	It was shown that there is a strong positive correlation between organizational performance and HRM practices.
11	Ali et al. (2015)	Banking Sector	Different HRM Practices	The effectiveness of organizations is positively correlated with SHRM practices.

12	Genari and Macke (2022)	Public Organization	Attracting and keeping professionals, keeping them healthy and engaged, and advancing their professional development.	The normative commitment and emotional commitment are positively impacted by HRM methods.
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CONCLUSION

The objective of this review study was to determine the impacts of human resource management practices on the performance of an organization. The findings of the study indicated that human resource management practices have a significant impact on the performance of the organizations. most of the organizations' performance significantly improved by using the different human resource management practices.

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