
Role of HRM Practices in Performance of Organization and Employee Retention

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Abstract

This paper analyses the role of Human Resource Management practices on Organizational Performance and Employee Retention. Human Resource Management Practices play an important role in retaining an organization's employee and also in increasing organizational performance. In this study a conceptual mode is developed and this conceptual model is supported by several researchers. There is a lot of research on HR Practices now-a-days. Though there is little research in HR Practices regarding Pakistan but now it's emerging also in Pakistan.

Key Words: HR Practices, Employee Retention, organizational performance, Pakistan

1. Introduction

According to De Cieri et al., 2008 Human Resource Management indicates the policies, practices and procedures that persuade the behaviors, attitudes and also performance of employees. So, HR practices are involved in recognizing HR needs, getting pools of applicants, screening them and then giving them training, compensating, evaluating and further involved in labor relations, health and safety programs and also concerned towards fairness (De Cieri et al., 2008).

Similarly Dessler, 2007 also supported the above view of human resource practices. Delery and Doty, 1996 define Strategic HRM practices as "those that are tentatively or empirically related to overall performance of the company", and identify seven practices from the literature: e.g; giving career opportunities, formal training programs, methods of evaluation, profit sharing schemes, security of emplacement schemes, voice mechanisms and also explain job requirements.

Hence the effective execution of HRM practices in organizations is the main foundation in order to create a unique edge and it has positive relationship with the company performance (Ordonez et al, 2008). Paré and Tremblay, 2007 are of view that Human Resource practices that consider their employees as investment and appreciate employee contributions indicates that the organization is supporting its employees and also showed commitment to its employees there is empirical evidence showing that employees can be retained through HR practices. For example, Paré and Tremblay, 2007 find four of the five Human Resource Practices were significantly negatively related to turnover ratio.

2. Research Objective

The objective of the proposed study is:

- To analyze the role of HRM Practices on performance of organization and employee retention.

3. Literature Review

A number of studies have tested the linkage between Human Resource Management practices and performance of organization with generally helpful results. In fact, existing researches in this area has

changed its focus from testing the linkage between several Human Resource Management practices and the performance of organizations to find out the means from which Human Resource Management practices affects the performance of the organization. Boselie et al., (2005) is also of the same view.

Collins and Smith, (2006) also tested the above relationship. Similarly Hailey et al., (2005) studies also revealed the same results. However, current researches on the association between HRM practices and performance of the organization are confused about the methods of these studies (Wall & Wood, 2005). These studies recommend that it is early to assume a clear positive relationship between Human Resource Management practices and performance of the organization and argue that further research could be done though using more thorough research designs. If social exchange perspective is viewed, employees respond to the organization's actions by their continuous participation in the organization. There is empirical research which shows that HR practices enhance employee retention. For example, Paré and Tremblay, 2007 examined four of the five Human Resource practices were significantly negatively related to turnover ratio.

Druker, 1995 also is of view that If the Human Resource wants to create value to the organization in order to enhance quality and improved services then, it has to satisfy its employees, compensate them, conduct their appraisal, open communication systems should be there and then give feedback of the overall organization. These actions can make sure that the organisation is now able to satisfy its employees which will move the organization towards success. For years, HR researchers are of view that Human Resource practices play a very important role in employee productivity and loyalty because the means through which the organization treats its employees directly affects overall organizational performance. For example, Huselid, 1995 observed that Human Resource Practices impact turnover ratio, overall profit and performance of the company in financial terms. Huselid and Delaney, 1996 find Human Resource practices play crucial role on perceptions of performance of a firm. Pfeffer and Veiga, 1999 and Pfeffer, 1998 are also of view that organizational success depends upon how the organization treats its employees and also observed that there are 7 Human Resource practices which when combined together move the organization towards achievement, profits and sustainability. Barney and Wright, 1998 discuss one way to get unique edge is to find special means to attract, retain and motivate employees; and hence their arguments mainly focuses on specific Human Resource practices to gain competitive advantage. According to Yoon and Thye, 2002 firm's practices are concerned with the emotions of the employees and also their thinking that make employee committed, proposing that that employee's process actions of organization carefully regarding matters of employees. According to Sheppeck and Militello (2000), Human Resource Management issues are often measured in terms of how organizations treat their human resources, and the much focus is on operationally oriented tools and measures.

The management considers its human resource as a very important asset for any organization and it needs heavy investment, loyalty, and giving financial benefits in order to motive its employees and definitely they will remain loyal with the organization (Armstrong, 2006). Birdi et al., 2008 has analyzed the linkage between Human Resource practices and firm's performance in financial terms. Other study was done by Arthur, 1994.

Strategic Human Resource management researchers are relying heavily on firm's database to analyze the impact of Human Resource practices on company's performance (Wright et al, 2001). However, theoretical research on long term management of human resource has recommended that Human Resource practices procedures can increase performance of the firm and can become a mean of unique edge because the practices are mostly matchless, causally unclear, and difficult to copy (Lado & Wilson, 1994). However Wright et al., 2001 was of view that Human Resource practices can become a mean for sustainable unique edge when they are concerned towards resources or competencies that create value for the organization. Thus, Wright et al., 2001 and other researchers have discussed that SHRM research must discover resources that are crucial for firm's competitive edge.

4. Discussion and Conclusion

Hence it is concluded that Human Resource Practices play an important role in retention of organization's employees and also increasing organizational performance. Different kinds of organizations (e.g., companies, the public sector) increasingly recognize the potential of their HR as a source of unique edge. The creation of competitive advantage through employees requires close attention to the practices that best leverage these assets. Consequently, there is increase in research which focuses on the organizational level impact of HRM practices in the past ten years (see e.g. Delaney and Huselid, 1996; Wright et al, 2003).

So many studies have analyzed that Human Resource practices have positive relationship with employee performance and also performance of organization. The main focus of the above studies was towards developed countries. But only few researches have been done to check the Human Resource performance link in developing countries like Pakistan. According to Aycan et al., 2000 Pakistan is far behind in research in the field of Human Resource Management practices. According to Heneman III & Milanowski (2007) the relation between HR practices and organizational performance has been appreciated by research in the private sector, suggesting that the HR system has great strategic potential to bring organization to new heights.

Armstrong (2006) was of view that the basic purpose of any organization is to increase profits and to cut down its costs, by keeping in view that employees production will also permit the organization to reduce cost of production by for example, lying off those employees who are not working. Definitely these measures will automatically reduce cost.

5. Conceptual Model

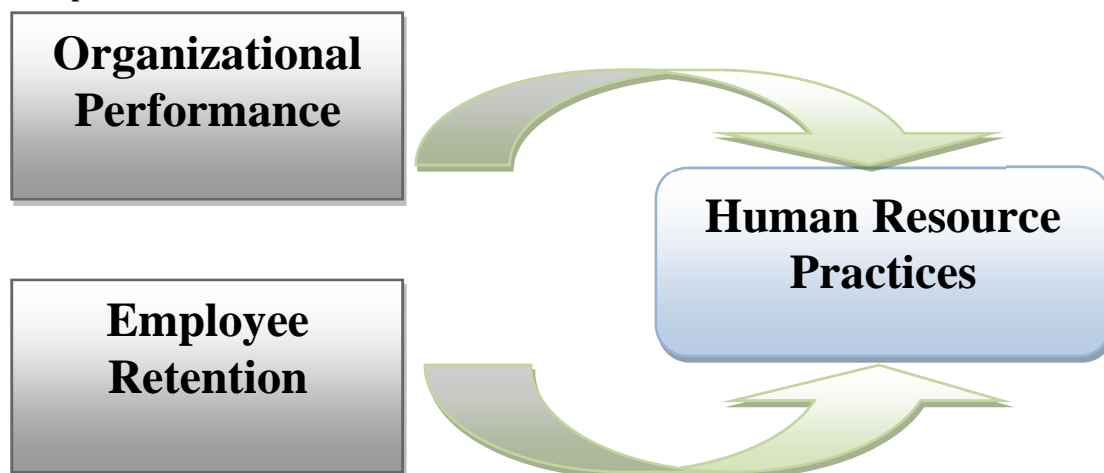


Figure 1: Proposed conceptual Model based on the study

6. Future Guidelines

A very few researches are conducted on HR Practices in Pakistan. Because the focus of these researches was towards developed countries. Hence only few researchers have checked the Human Resource performance linkage in under-developed countries like Pakistan. According to Aycan et al., 2000 Pakistan is far behind in research in the field of Human Resource Management practices. So, further research can be done on HR Practices regarding to Pakistan.

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