THE EFFECT OF HUMAN RESOURCES MANAGEMENT ON ORGANISATIONAL PERFORMANCE

Summary

In the last thirty years, change became a part of life in all the areas. All those developments and globalisation affect the markets and have caused radical changes in employees’ relationships. One of the most obvious examples of this change is the shift in the understanding of labour management. The competitive business world, sustainable competitive advantage is the basic factor for reaching organisational strategies. On the present day, firm’s success broadly depends on the capabilities of its employees. Companies may have capital and technology, but it is the HRM that will help companies face the challenges of globalisation of business. Human resources practices appear to have a vital importance to the success of organisational performance.

Key words: human resources management, human resources practices, organisational performance.

JEL codes: O15

Introduction

Developing technology and ease of communication in the competitive environment that makes every day a little more ruthless, the most important value for the organisations has given birth to the concept of human capital and human resources. In the today’s market, the effective use of human resources in order to reach the objectives of the company is very important. Without the enlargement of human resources as a strategic resource within the company, it will be difficult to assure the long-term strategic future of the company, even though financial resources might be sufficient (Lorange 1986, p. 138). In order to compete, companies must continuously enhance their performance by decreasing costs, innovating products and processes, and development quality, productivity, and pace to market (Becker & Gerhart 1996, p. 779-801).
This article investigates the effect of human resources practices on organisational performance within organisations. The parts of this paper are given below:

- To review theoretical background
- To examine human resources management practices (HRP)
- To examine the relationship between human resources management (HRM) and organisational performance (OP)
- To review research methodology
- Conclusion

**Theoretical background**

Human resource management (HRM) has the key role in the today’s competitive work environment. The style and management of human resource systems based on employment policy, comprising a set of policies designed to maximise organisational integration, employee commitment, elasticity, and quality of work (Alagaraja 2013, p. 119). HRM is defined as a strategic and compatible approach to management of an organisation’s most approached assets – the people working there who one by one and jointly contribute to the accomplishment of its objectives. According to Armstrong, the main aim of human resource management is to provide that the organisation can achieve success through people (Armstrong 2006, p. 8).

There are many researchers and authors who defined HRM in different ways. Some of these definitions are given below:

The HR function can and progressively is making important contributions to building an organisation that is staffed by the right human capital to effectively make real the work of the firm and to provide the achievement of business strategy (Lawler III & A. Mohrman 2003, p. 1-30). Definitions of human resources can be classified under two broad stages: generalist and distinctive. The first category mainly includes concepts proposed by the HRM perspective, where “human resources” cover all people under employment at a special organisation. The second category puts an emphasis on employees’ abilities, knowledge, attitudes and experience (Kazlauskaitė, Bučiūnienė 2008, p. 80).

Most of definitions show that HRM is the basic element for organisations. Some definitions focus on the solving problem aspect of HRM practices, the other of definitions show that role of HRM practices on organisational performance. Under the today’s market conditions, each of organisations must have the department of HRM to compete. Otherwise, they cannot survive in difficult conditions of the market for a long time. Without understanding effect of HRM the organisation cannot take competitive advantages against its competitors.
When we think of organisations as social systems, they are affected by the environment of the organisation receiving input from the environment, while the input to the environment can be said to affect the environment (Chan, Burns & Yung 2000). Organisations conducting their activities can be controlled by reducing the uncertainty caused by the environmental elements of the surrounding level and want to avoid adversely affected the organisation of environmental change. There are basically three sources of an organisation: human resources, financial resources, and physical resources. The most important of human resources from these sources can directly affect the productivity of the organisation. These factors are related to each other and act together to determine the efficiency of the organisation. The human resource is the most important factor affecting organisational performance.

In the light of literature review, HR practices are the most important tools in order to contribute to increase organisational performance for companies. Companies can take the leading position with an effective use of human resources to increase productivity and performance under the competitive market conditions.

Human resources practices

When the world is turning more competitive and unstable than ever before, fabrication-based industries are seeking to obtain competitive advantage at all cost and are becoming more innovative sources with HRM practices (Sparrow, Schuler & Jackson 1994, p. 267-299). HRM practices can create enriched knowledge, motivation, synergy, and commitment of firm’s employees, outcome in a source of sustained competitive advantage for the firm (Harter, Schmidt & Hayes 2002, p. 274). HRM practices regulate the attitude and status of the employer-employee relationship which can encourage the employees to become more innovative (Tan & Nasurdin 2006, p. 156).

With changing conditions in the world, especially for businesses struggling in the rapidly changing global competitive environment, HRM practices began to be seen as the basic element of the ongoing success of competition. In order to gain maximum competitive advantage and to enhance organisational performance, companies need to use much more their human resources practices. In recent years, global companies believe that one of the most important tools for human resource management practices is improvement of individual and organisational performance and maintenance.

HRM practices affect employees’ abilities through the obtaining and improving firm’s human capital. HRM practices are able to impress firm performance through supply of organisational structures that embolden participation among employees and permit them to enhance how their jobs
are performed (Huselid 1995, p. 635-672). HRM practices are also conceived as a set of inwardly coherent policies and practices designed and implemented to provide that firm’s human capital contribute to accomplishment of its business aims (Delery & Doty 1996, p. 802-835).

**The relationship between human resource management and organisational performance**

Acquaah indicated that HRM practices advance organisational effectiveness and performance by attracting, identifying, and keeping employees with knowledge, skills, and abilities, and acquiring them to behaviour in the manner that will support the mission and aims of the organisation. In this way, the effectiveness of HRM practices depends on how it encompasses the appropriate attitudes and behaviour in employees, in addition to its implementation (Acquaah 2004, p. 118-151).

Some researchers have recommended that evaluations of performance should be based on financial indicators (e.g., profit), and for years, human resources issues have been secondary to such indicators. Nowadays, many researchers admit that profit alone is not sufficient to hold the excitement and adherence of employees or to pay attention to the core elements of a business that has to get attention if it is to perform adequately.

Stanton and Nankervis pointed out that organisational performance can be improved, especially through raised productivity and employment elasticity, by ranging entire employees’ performance outcomes with wide strategic business and HRM obligations. In this way, the management of singular employee’s performance, and their unified contributions to whole impressiveness, has possibly become the most significant actual HRM function in all organisations (Stanton & Nankervis 2011, p. 69).

It is important that a firm embraces HRM practices that make the best use of its employees. This trend has led to an increased interest in the impact of HRM on organisational performance, and a number of studies have found a favourable relationship between the alleged high-performance work practices and different measures of company performance (Huselid 1995). Also, there is some empirical support for the hypothesis that firms, which arrange their HRM practices with their business strategy, will achieve ascendant outcomes (Bae & Lawler 1993, p. 502-517).

In the increasing competitive world, human resource departments are expected to contribute to organisational performance and many organisations now believe that the accomplishment of the strategic management process mainly depends on the extent to which the human resource function is included.
An increased employees’ involvement also requires an increased training of appreciation by employees.

**Research methodology**

The main purpose of this article is to examine the effect of human resources management on organisational performance. In this article, samples were selected of the firms that operate the manufacturing of textile products as members of Bursa Chamber of Commerce and Industry (BCCI). The survey was electronically prepared to send to BCCI members that they were 314 companies which have HR department. We got positive feedback from the 221 companies. 12 questionnaires could not be included in the evaluation for various reasons. 209 questionnaires were evaluated.

The participants were the different levels of executives who were experienced in human resources management practices in the private sector from 209 companies. 47.37% of respondents were HR managers. HR executives accounted for 30.14%, and general managers – for 22.49%. 48.33% of the respondents were females and 51.67% were males. 41.15% of the sample had university degrees, 32.01% had post-graduate degrees (master and doctorate), 16.75% had high school degrees, and 9.09% had primary school degree. There was no organisation which was established 5 years ago; 11.00% of organisations age was between 6 and 10 years; 19.14% of organisations age was between 10 and 20 years; 49.28% of organisations age was between 20 and 30 years; 20.57% of organisations age was 30 years and more.

**Table 1. The relationship between human resources applications and organisational performance**

<table>
<thead>
<tr>
<th>Method: Enter</th>
<th>N = 209</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent variable: organisational performance</td>
<td></td>
</tr>
<tr>
<td>$R^2$: 0.576</td>
<td>df = 1</td>
</tr>
<tr>
<td></td>
<td>$F = 157.561$</td>
</tr>
<tr>
<td>Adjusted $R^2$: 0.572</td>
<td></td>
</tr>
<tr>
<td>Independent variable in the model:</td>
<td>Beta</td>
</tr>
<tr>
<td>Human resources applications</td>
<td>0.759</td>
</tr>
</tbody>
</table>

In this article, $R^2$ displays the rate of the variance in the OP scores accounted by the predictor variable of HRP. The regression equation of this study made a good fit with the data ($R^2 = 0.576$), demonstrating that the effect of human
resources applications was a good predictor of organisational performance (F = 157.561, p < 0.05).

The Beta value (β) is a measure of how strongly each predictor variable influences the criterion variable. The higher the Beta value, the greater the effect of the predictor variable on the criterion variable. Beta value can be used to compare the contribution of each predictor variable on the criterion variable. As seen in Table 1, the independent variable, entire HR practices (β = 0.759), has positive relationships with OP.

Table 1 shows the relationship between the use of HR practices and the extent of organisational performance. The entire-F test for the model defined that the use of HR practices jointly clarifies a significant amount of the variance in the extent of organisational performance.

H1: The increase of using of HRP to get higher organisational performance.

<table>
<thead>
<tr>
<th>Method: Enter</th>
<th>N = 209</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent variable: organisational performance</td>
<td></td>
</tr>
</tbody>
</table>

| R²: 0.610 | df = 5 | F = 35.052 | p = 0.000 |
| Adjusted R²: 0.593 |

<table>
<thead>
<tr>
<th>Independent variable in the model:</th>
<th>Beta</th>
<th>t</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training and education</td>
<td>0.470</td>
<td>7.961</td>
<td>0.000</td>
</tr>
<tr>
<td>Performance management</td>
<td>0.214</td>
<td>3.633</td>
<td>0.000</td>
</tr>
<tr>
<td>Human resources planning</td>
<td>0.364</td>
<td>6.169</td>
<td>0.000</td>
</tr>
<tr>
<td>Recruitment</td>
<td>0.340</td>
<td>5.766</td>
<td>0.000</td>
</tr>
<tr>
<td>Career management</td>
<td>0.309</td>
<td>5.233</td>
<td>0.000</td>
</tr>
</tbody>
</table>

R² shows the rate of the variance in the OP scores calculated by the set of predictor variables (training and education, performance management, human resources planning, career management, and recruitment). As seen in Table 2, independent variables explained 61.0 per cent of the total variance, F (5) = 35.052, p < 0.05.

T-tests measure whether the predictor variables are making a considerable contribution to the model. P-value has to be p < 0.05, if p-value is less than 0.05, then it may be supposed that the Beta value can be claimed as true with the 95% level of reliance. If this value is greater than 0.05 but less than 0.1, we can only claim the reality of the Beta value with the 90% reliance level. On the other
hand, if p-value is above 0.1, then the prediction in ‘β’ is untrustworthy and is said to be statistically unimportant. As a whole, the ‘training and education’ (t = 7.961, p = 0.000), ‘human resources planning’ (t = 6.169, p = 0.000), ‘recruitment’ (t = 5.766, p = 0.000), career management (t = 5.233, p = 0.000), and performance management (t = 3.633, p = 0.000) factors have statistically important relationships with the dependent variable.

The positive Beta value shows a positive relationship between predictor and criterion, negative coefficient shows a negative relationship. The higher the Beta value, the greater the impact of the predictor variable on the criterion variable. Beta value can be used to compare the contribution of each predictor variable on the criterion variable (Schroeder, Sjoquist, & Stephan, 1986). Table 2 displays that all factors: training and education (β = 0.470), performance management (β = 0.214), human resources planning (β = 0.364), recruitment (β = 0.340), and career management (β = 0.309) have positive relationships with OP.

H2: There are some HRM applications that are most predictive in OP.

Conclusion

an organisation can only be as good as the performance of organisation’s employees because employees’ performance is the most important determinant of organisational success. In other words, routed and improving individual performance will also increase the performance of the organisation. The way to achieve that employees will find their work meaningful is through the creation of the working environment and building the system that aims to continuously improve performance. The most important task at this point it does falls undoubtedly to human resources managers.

The purpose of HRM practices is to provide eligible employees for organisations in order to increase organisational performance and effectiveness. Therefore, entire HRM activities endeavour for regulative people to organisations in order to ensure retention and long-term employment, and increase organisational performance. Long-term employment and retention of employees require workers to believe that the organisation’s values and their values fit. HRM practices are able to increase organisational effectiveness by ensuring profitable experiences for employees. For example, when employees get in the organisation well-applied orientation programmes help them to learn about the organisation and its values to increase organisational performance.

Companies can adapt to changes and fulfil their social functions; there may be found a company in the mission field staff as a whole contribute to the overall objectives and the staff at the desired level of performance subject to the continuous improvement evaluated. Human resource management (HRM) is a key function for an effective and efficient organisation.
Finally, this article’s aim is to examine the relationship between HRP and OP. The results of empirical evidences of this article show that there is a meaningful relationship between them. Companies, which want to be the most competitive companies against their competitors in their sector in the market, have to use actively HRP as a gun that enhances their organisational performance and makes them leaders of the market.

Bibliography


The effect of human resources management on organisational performance


Wpływ zarządzania zasobami ludzkimi na wydajność organizacyjną

**Streszczenie**

W ostatnich trzydziestu latach zmiany stały się częścią życia we wszystkich obszarach. Wszystkie te przemiany i globalizacja wpływają na rynki i spowodowały radykalne zmiany w relacjach między pracownikami. Jednym z najbardziej oczywistych przykładów jest zmiana w rozumieniu zarządzania zasobami pracy. Konkurencyjny świat biznesu, zrównoważona przewaga konkurencyjna jest podstawowym czynnikiem strategii organizacyjnych. Obecnie powodzenie firmy w dużej mierze zależy od potencjału jej pracowników. Firmy mogą posiadać kapitał i technologię, ale to zarządzanie zasobami ludzkими jest tym, co pomoże firmom sprostać wyzwaniom globalizacji biznesu. Postępowanie z zasobami ludzkimi jawi się jako to, co ma żywotne znaczenie dla powodzenia działania organizacyjnego.

**Słowa kluczowe:** zarządzanie zasobami ludzkimi, postępowanie z zasobami ludzkimi, wydajność organizacyjna.

**Kody JEL:** O15

Artykuł nadesłany do redakcji w kwietniu 2015 roku. ©All rights reserved

Afiliacja:
Ass. Prof. Dr Ramazan Yılmaz
Fatih Mehmet Bulut
Bursa Orhangazi University
Mimarsinan Mh., Mimar Sinan Cd., Yıldırım, Bursa Turcja
tel.: +90 224 444 8268
e-mail: ramazan.yilmaz@bou.edu.tr
e-mail: fatihmehmet.bulut@bou.edu.tr