

A Critical Study on the Impact of HRM Practices On the Productivity of Small and Medium-Sized Enterprise SMEs

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Abstract

The principle objective in the paper is to examine the impact of how the Human Resource Practices affect the organizational productivity. Companies are adopting new emerging practices of Human Resource Management such as problem solving, employee empowerment, performance based evaluation, job security, good incentive schemes, employee motivation programme like YOGA, Counseling, fitness programs, crèches, rest room. Workers participation enhanced communication between the managers and their subordinates which will ultimately result in better coordination. This paper provides empirical evidence to solve a contemporary issue: Human Resource Management practice improves workers productivity in real terms in the small and medium-sized enterprise (SMEs).

For the research study, frame is based on the small and medium-sized enterprise where the working environment of employees, perks, incentives are less considered topics.

This study aims to assess the extent, if any, to which, specific HR practices may contribute to company growth & productivity in real terms or not

Keywords: Small and medium-sized enterprise, Human resource management practices, employee empowerment, compensation policy, company growth.

1. Introduction

The main goal of Human Resource management (HRM) is to increase the performance of the organization with the employee satisfaction i.e. mutual satisfaction between the employer and the employee. Many of the good writer's analysis also stated that the HRM affects directly the performance of the organization like **Pfeffer (1998)** emphasized on the importance of gaining competitive advantage through employees and noted that the importance of many Human Resource (HR) practices need to obtain this advantage like high job satisfaction, productivity etc. **Huselid (1995)** stressed the use of an integrated and coherent 'bundle' of mutually reinforcing HR practices over separate ones.

According to **Guest D (1997)** it is better to use concept of outcomes in real terms instead of performance. **Delery and Doty (1996)** examines that the performance based remuneration is the single strongest point for company performance

Firm growth is often considered as an indication of market acceptance and firm success in the market (**Fesser and Willard, 1990**). Growth and production is considered as the top strategic priority of all the firms as the major concerned area.

2. Literature Review

Long list of best HR practices that can affect directly in organizational production but this research paper uses five of the important HR practices. **Pfeffer (1998)** proposed the following HRM practices:

2.1 Compensation policy

Human Resource has been tagged the most valued part of any organization in current scenario as per the **Pfeffer (1998)** said. Reward system is the instrument used to increase employee's productivity. It seeks to evoke and retain suitable employees, encourage good management, employee's relationship and commitment and minimize tension and conflicts as its ideals with all forms of final results.

Barringer et al. (2005) after conducting a quantitative analytical study of the narrative descriptions of 50 rapid-growth firms and a comparison group of 50 slow-growth companies and demonstrated that employee incentives differentiated the rapid-growth from the slow-growth firms. Company that were eager to achieve rapid-growth provided their employees financial incentives and stock options as part of their compensation packages. In doing so, firms managed to give high levels of performance from employees, provide employees the feeling that they have an ownership interest in the firm, attract and maintain skilled employees, and shift a portion of a firm's business risk to the employees to retain the employees interest towards the company

2.2 Training & Development

Training considered as the most important part in the industries now a days to get the competitive edge over the cut throat competition present in the market and to keep updated their employees regarding the new global technological changes occurring in the external environment.

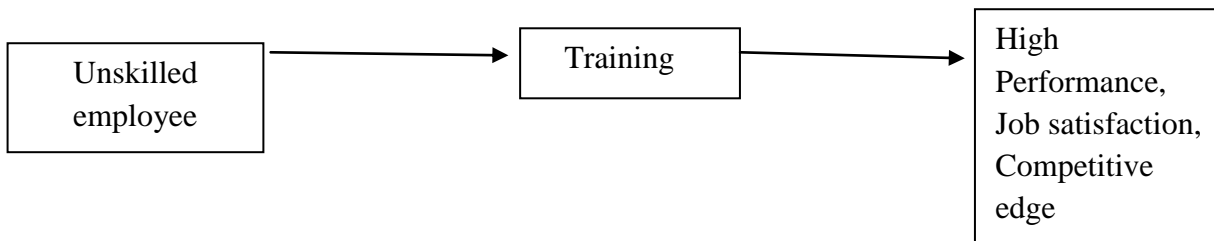
Bhanu Sharma (2015) stated in context to Indian scenario that in the changing and fast paced corporate world, training and development is an indispensable function. His findings demonstrated that within the company and should serve as a platform to hire new employees up to speed with the processes of the company and covers the skill gap.

Training and development goes a long way in getting employees up to date with new technology, use available ones better and then release the outdated ones. This goes a long way in getting things done efficiently and in the most productive way in less cost.

Cerio (2003) in Spain examined the manufacturing industry and studied that quality management practices related to product design and development, together with human resource practices, are the most significant predictors of operational performance.

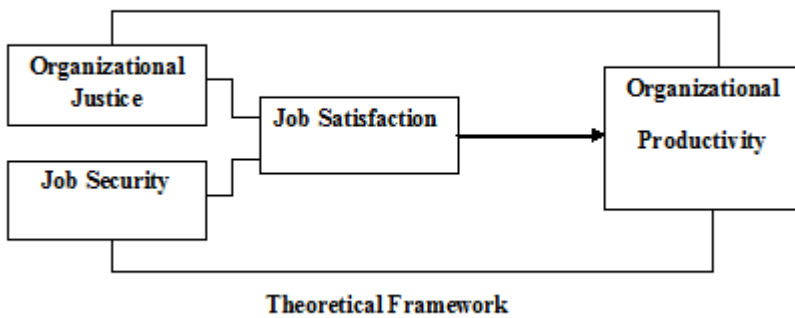
Michie and Quinn (2001) investigated that the relationships between UK firms' use of flexible work practices and corporate performance and suggested that low levels of training are negatively correlated with corporate performance.

Training enhanced the skills in the employees which ultimately lead to high performance.



2.3 Job security

Productivity is the heartbeat of a successful business. When employees are feeling insecure, they don't perform to their highest potential and try to pass the time without doing any relevant work. A fully engaged employee is broadly one that says positively things about their organization to others, wants to stay with their organization, and experts extra efforts in their role by having an ownership feeling towards their organization.



Rob Valletta (July 23, 1999) emphasized on the rising job security in its research paper. As per his opinion manifestation of declining job stability and job insecurity have extended to the second half of the decade.

The Three famous researcher (**Rabia Imran, Mehwish Majeed and Abida Ayub (2015)**) study explores a new path to increase the productivity of the organization. This indicates that by job security, job satisfaction and organizational justice, productivity of any organization can be increased in any company wither small scale form or a large scale firm. In this new era of globalization business world is facing so many problems and competition among organization is increased. In this competitive age only those organizations can survive who focus on their employee satisfaction, justice and security rather the considered only one factor i.e. Profit maximization in other words we can say human resource management. These all variables used in this study come under the umbrella of human resource management.

Buitendach and Witte (2005) assessed the relationship between job insecurity, job satisfaction and affective organizational commitment of maintenance workers in Gauteng. Study results revealed small but significant relationships between job insecurity and extrinsic job satisfaction and job insecurity and affective organizational commitment. Job satisfaction was also found to mediate the relationship between job insecurity and affective organizational commitment.

2.4 Communication

In today's world effective communication is an important component of organization activity (**ASAMU Festus Femi, 2014**). According to **Wilson (1997)**, communication is the method of exchange of thinking & meaning among the company. Thus, an effective communication not only a time pass trick but can useful as the feelings of employees can be exchanged, uncertainty can be predicted before they happen, family kind of environment created in the company.

Chen et al. (2006) research also based on to find out the relationship between organizational communication and workers performance. Communication is a human quality that links unknown people while working together at same workplace

2.5 Labor Relation

According to **David Peetz** that there is some evidence that industrial relations policies that enhance fairness enhance economic performance of the company at national as well as international level. Collective bargaining coverage was associated with higher levels of self-claimed productivity (**Fry, Jarvis, and Loundes 2002**). Labor relation somehow also led to unionism and politics among the workers. Labor relation impacts both good terms as well bad terms

3. Sample, Data and Econometric Specification

Sample Design

The sample for this study is from the small **and medium-sized enterprise (SMEs)**. In this sample we searched to minimize the heterogeneity in manufacturing process and outputs that often limits persuasiveness of empirical studies that make plant level performance comparisons.

This study's econometric analysis uses a questionnaire method for the research study of different departments. We mainly consider the Accounts, Production and HR department for their responses

Q.2. Do you regard everyone as being fairly rewarded at work as per his/her output?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	22	44.0	44.0	44.0
Agree	18	36.0	36.0	80.0
Disagree	10	20.0	20.0	100.0
Total	50	100.0	100.0	

Q.3. Does regular increment in salaries reduces the employee's attrition rate from last few years?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No Effect	5	10.0	10.0	10.0
Sometimes	15	30.0	30.0	40.0
Effective	27	54.0	54.0	94.0
Don't know	3	6.0	6.0	100.0
Total	50	100.0	100.0	

Q.4. HRM practice can raise productivity as well as manage labor turnover?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	10	20.0	20.0	20.0
Agree	32	64.0	64.0	84.0
Disagree	8	16.0	16.0	100.0
Total	50	100.0	100.0	

Q.5. HRM practices increase cost to the company rather than profitability?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	11	22.0	22.0	22.0
Agree	18	36.0	36.0	58.0
Disagree	17	34.0	34.0	92.0
Strongly Disagree	4	8.0	8.0	100.0
Total	50	100.0	100.0	

Q.6. Time-to-time on-the-job training or off-the job training raises productivity and quality from last few years?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	46	92.0	92.0	92.0
Disagree	4	8.0	8.0	100.0
Total	50	100.0	100.0	

Q.7. Is it true “Training is a motive to achieve more”?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	44	88.0	88.0	88.0
Disagree	6	12.0	12.0	100.0
Total	50	100.0	100.0	

Q.8. How often do you inform your subordinates regarding their performance?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Monthly	12	24.0	24.0	24.0
Quarterly	10	20.0	20.0	44.0
Half Yearly	6	12.0	12.0	56.0
As per requirement	22	44.0	44.0	100.0
Total	50	100.0	100.0	

Q.9. Does HRM practices develop and supports a self managing and self programming workforce?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	10	20.0	20.0	20.0
Agree	36	72.0	72.0	92.0
Disagree	2	4.0	4.0	96.0
Strongly Disagree	2	4.0	4.0	100.0
Total	50	100.0	100.0	

Q.10. Lesser the grievances greater will be the productivity?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid True	27	54.0	54.0	54.0
Partially True	19	38.0	38.0	92.0
False	4	8.0	8.0	100.0
Total	50	100.0	100.0	

Q.11. Which HR practice can you think increase company's productivity directly?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Compensation plans	8	16.0	16.0	16.0
Training programs to improve skills	18	36.0	36.0	52.0
Good holidays and leave policy	8	16.0	16.0	68.0
Good recruitment and selection technique	16	32.0	32.0	100.0
Total	50	100.0	100.0	

Q.12. Employee satisfaction directly leads to increased productivity with lower attrition rate?

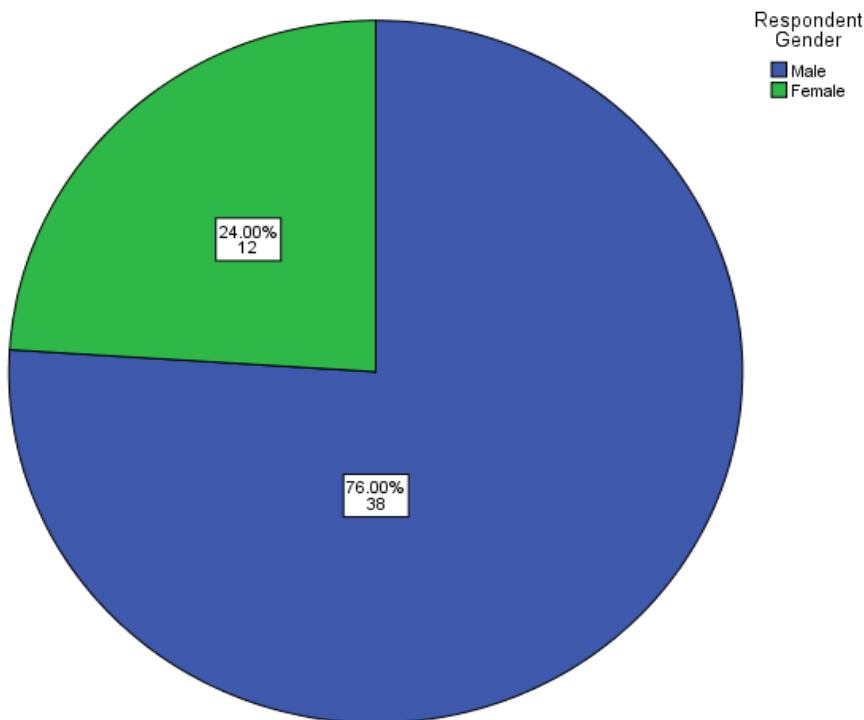
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Related to each other	28	56.0	56.0	56.0
somehow related	11	22.0	22.0	78.0
not related	6	12.0	12.0	90.0
Don't know	5	10.0	10.0	100.0
Total	50	100.0	100.0	

Q.13.New HR practices like Refreshment, increases productivity in real terms or just wastage of time & money?

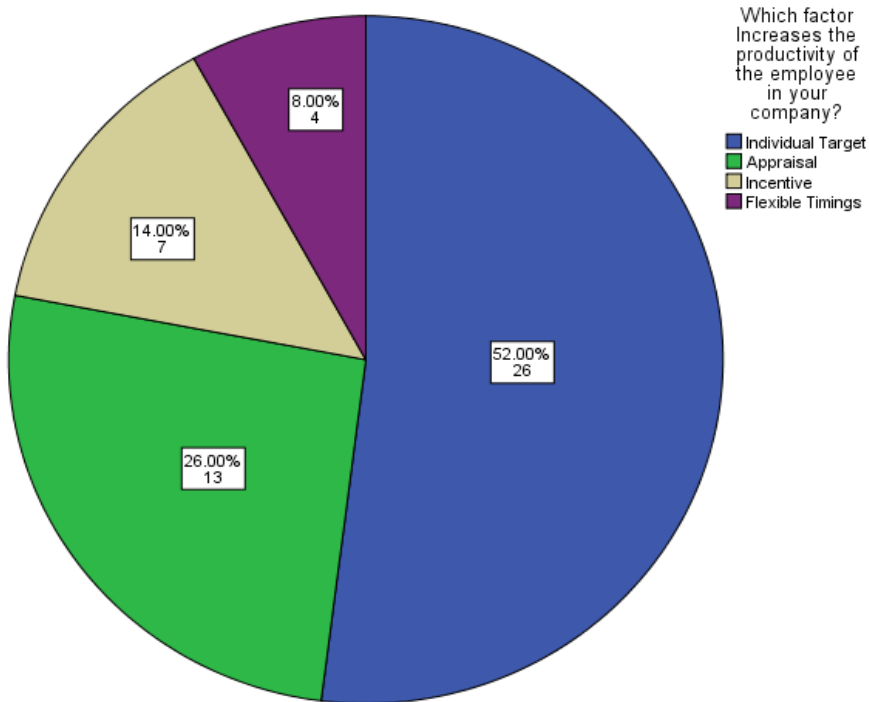
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Productivity increased between 2% - 5%	21	42.0	42.0	42.0
Productivity increased between 6% - 8%	18	36.0	36.0	78.0
Productivity increased by 10% or more	9	18.0	18.0	96.0
No effect on productivity (wastage of time)	2	4.0	4.0	100.0
Total	50	100.0	100.0	

4.1 Pie Chart Analysis

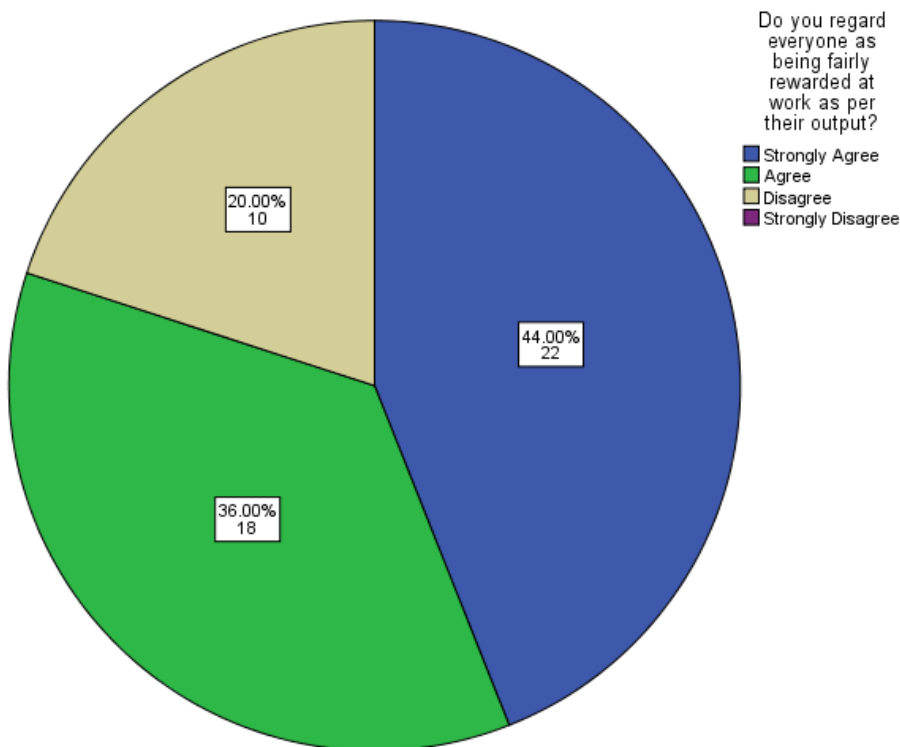
Respondent gender



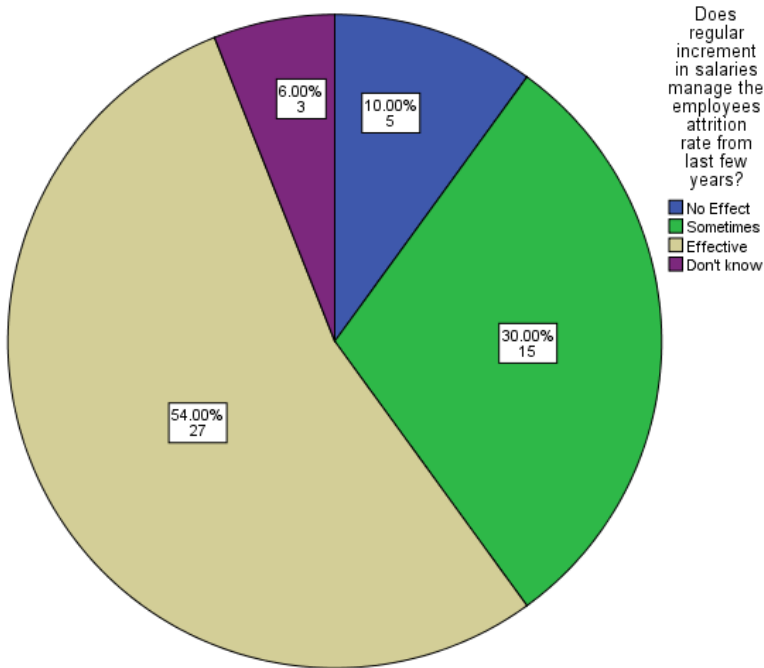
Q.1. Which factor Increases the productivity of the employee in your company



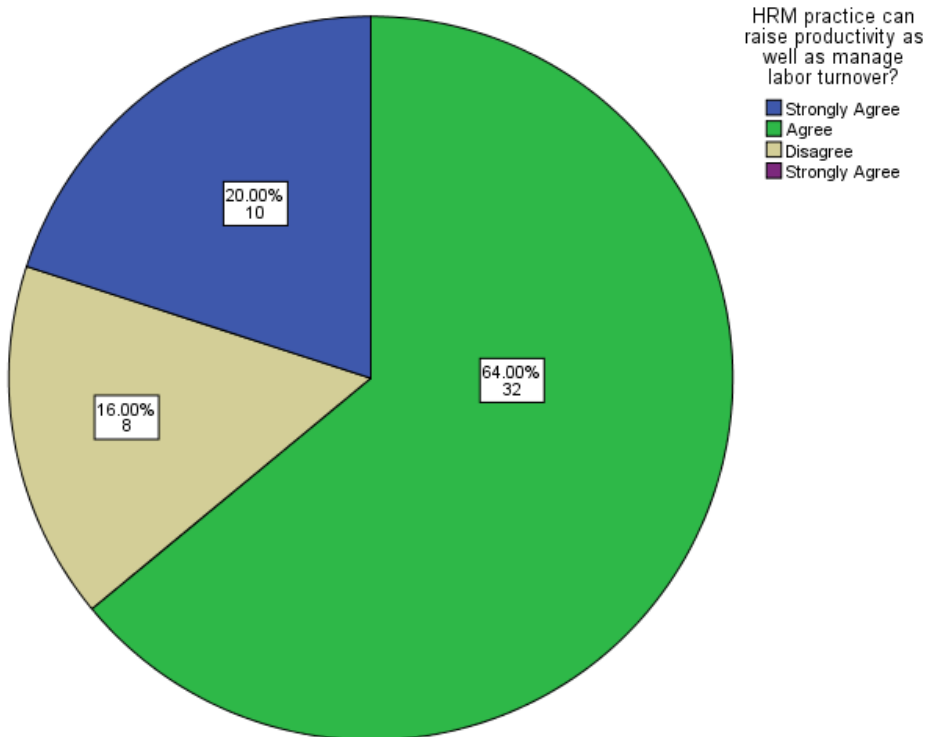
Q.2. Do you regard everyone as being fairly rewarded at work as per their output?



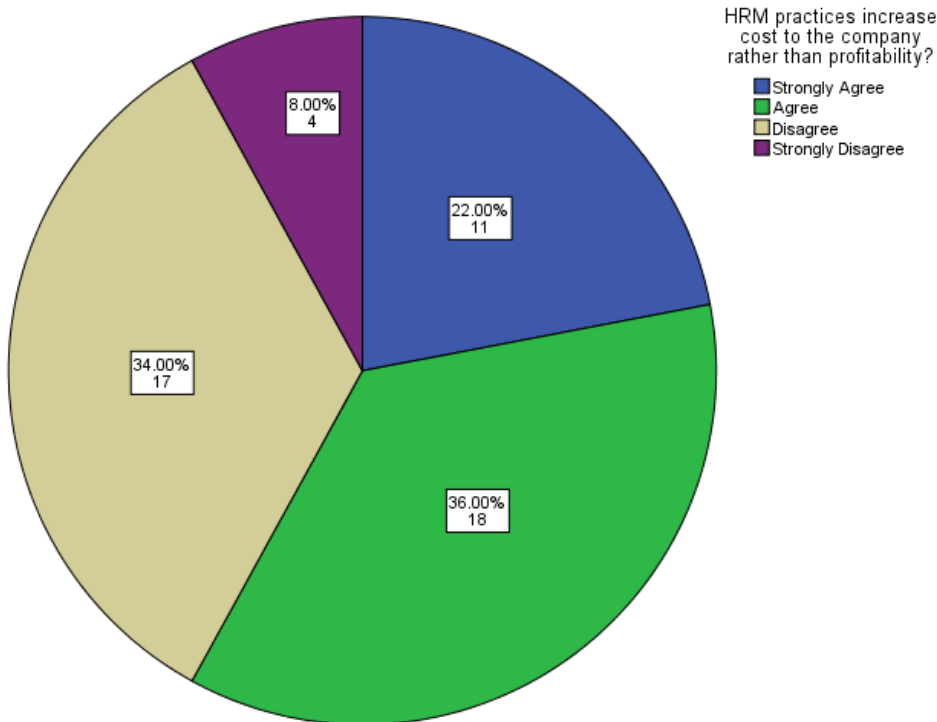
Q.3. Does regular increment in salaries manage the employees attrition rate from last few years



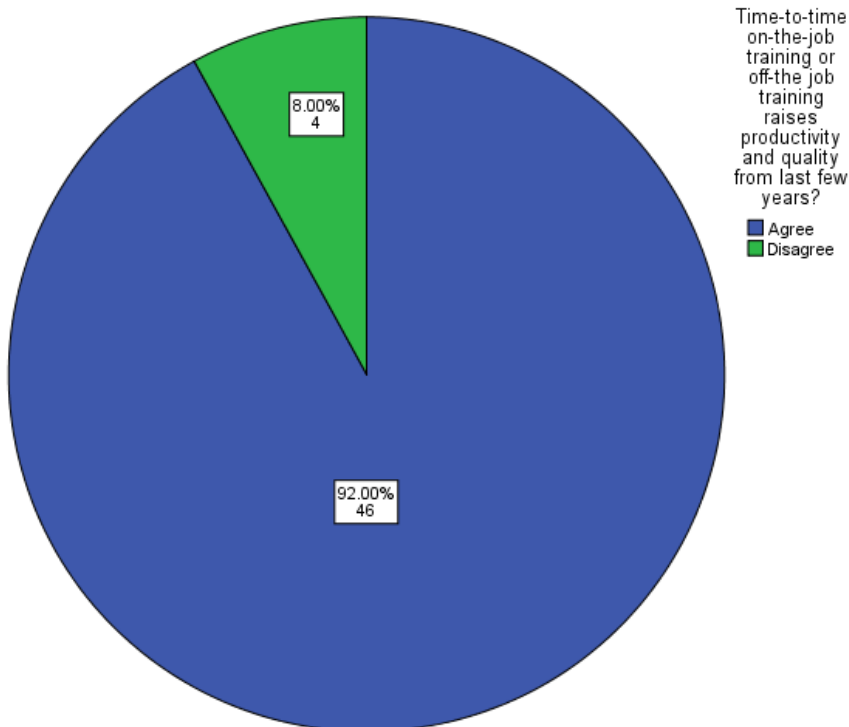
Q.4. HRM practice can raise productivity as well as manage labor turnover?



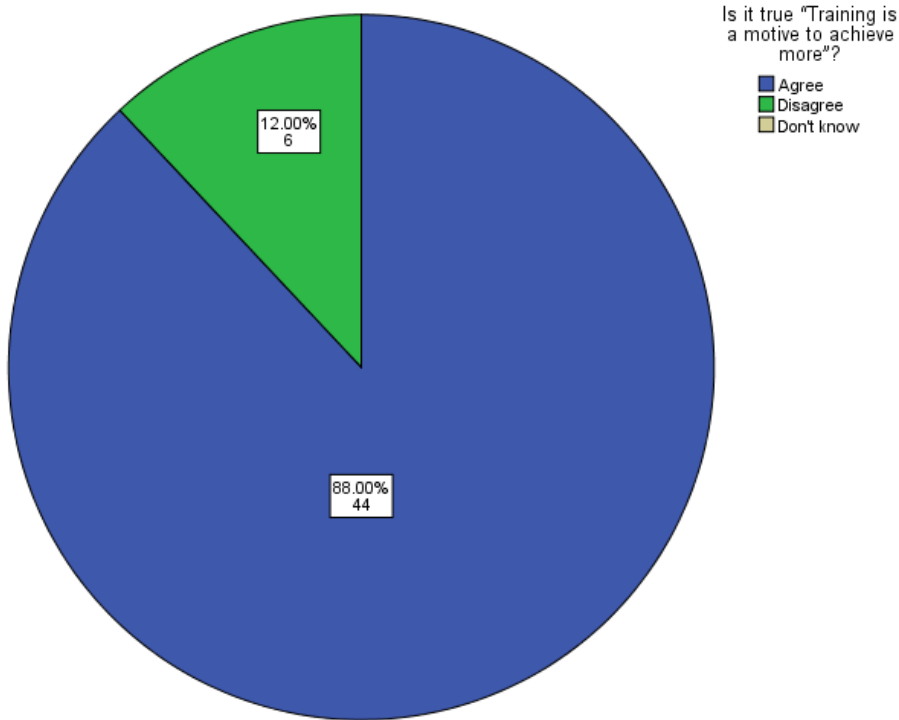
Q.5. HRM practices increase cost to the company rather than profitability?



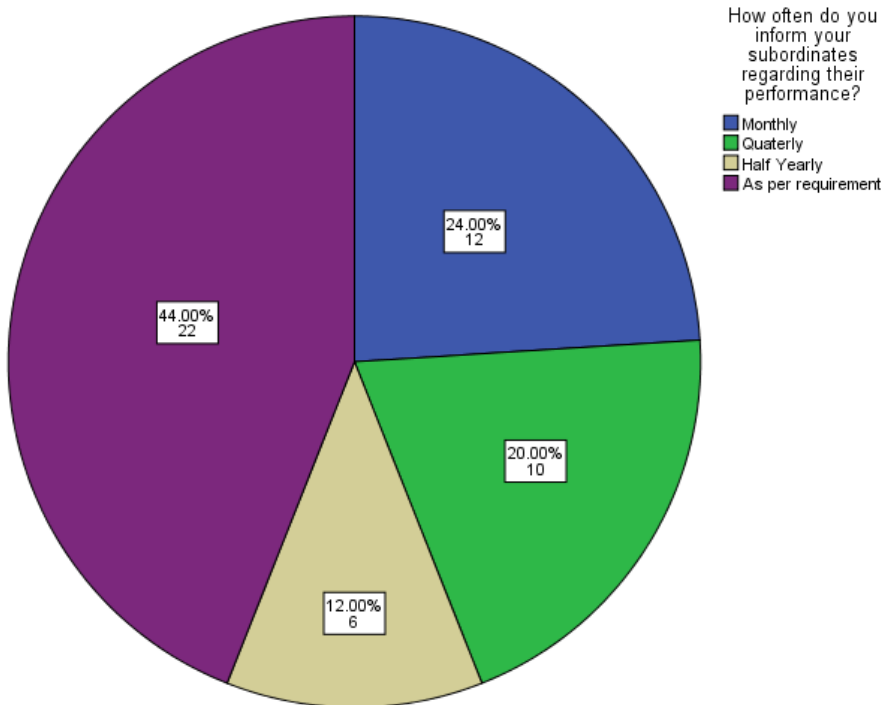
Q.6. Time-to-time on-the-job training or off-the job training raises productivity and quality from last few years?



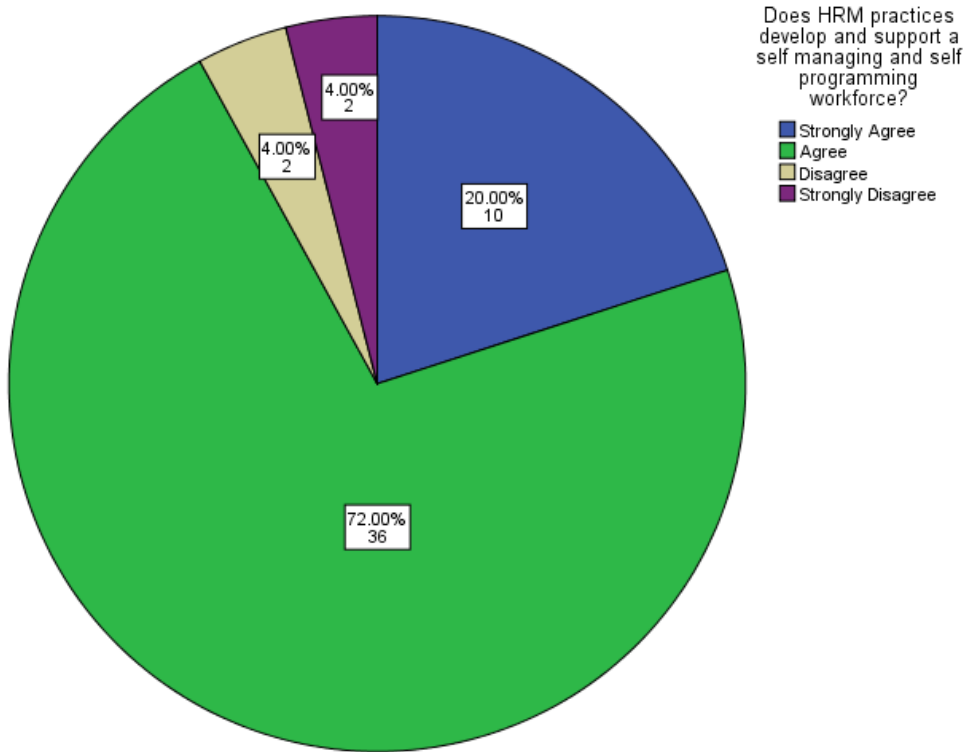
Q.7. Is it true “Training is a motive to achieve more”?



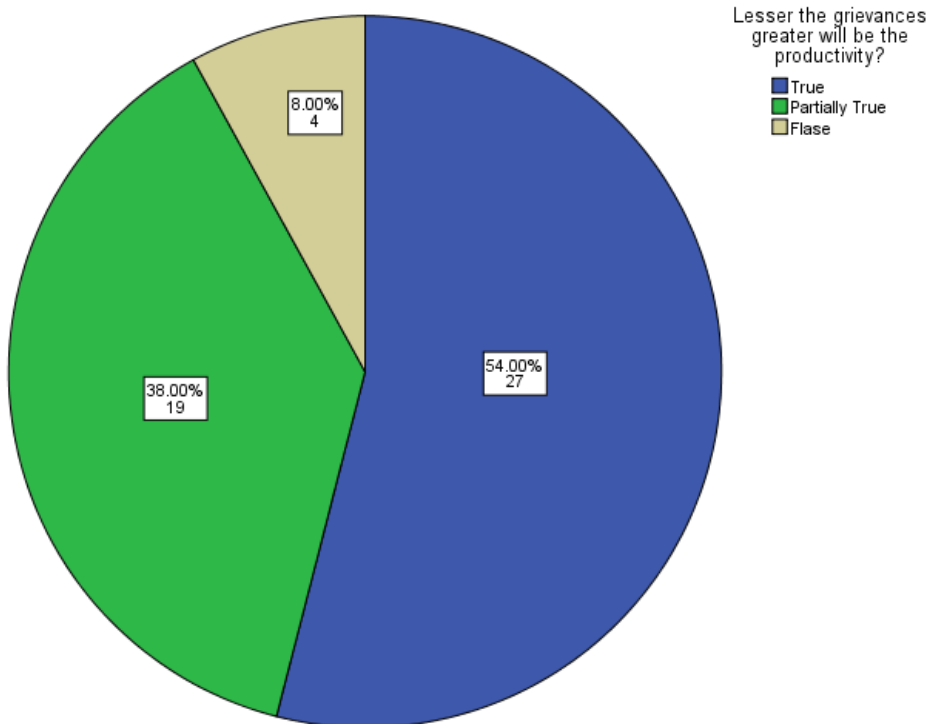
Q.8. How often do you inform your subordinates regarding their performance?



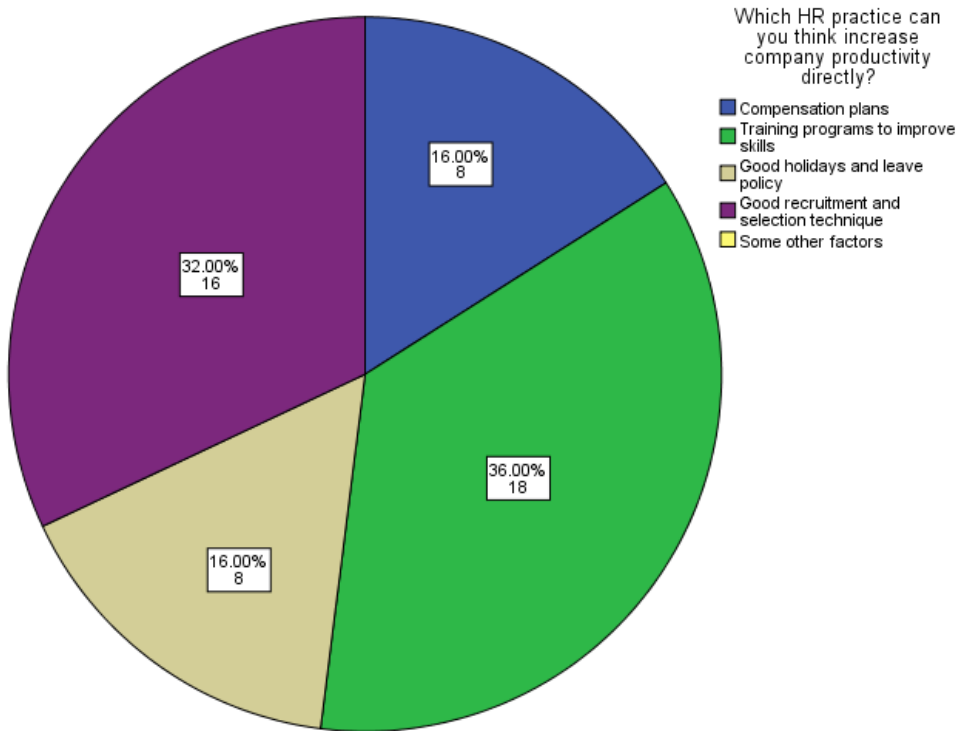
Q.9. Does HRM practices develop and supports a self managing and self programming workforce?



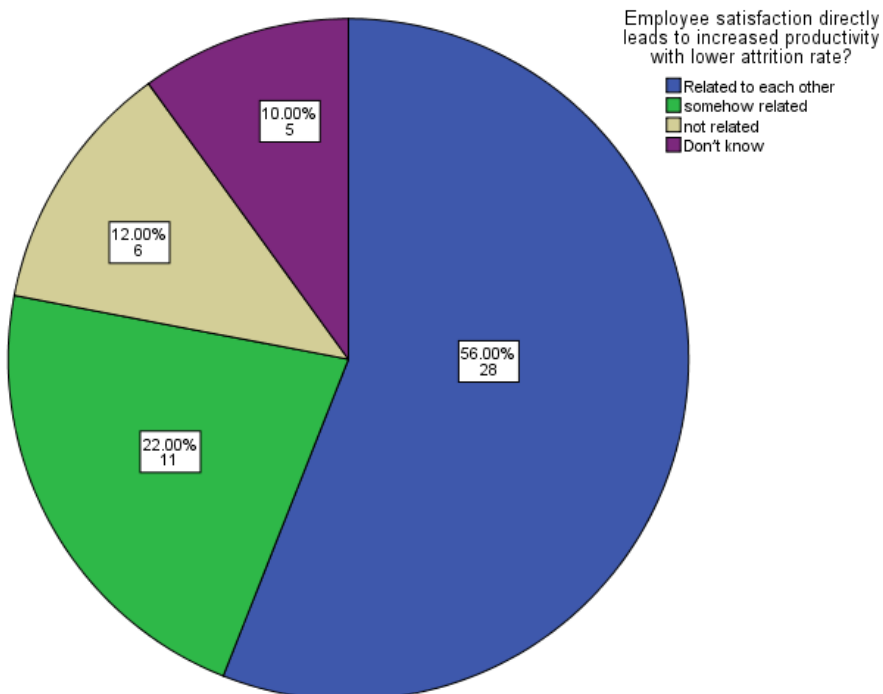
Q.10. Lesser the grievances greater will be the productivity?



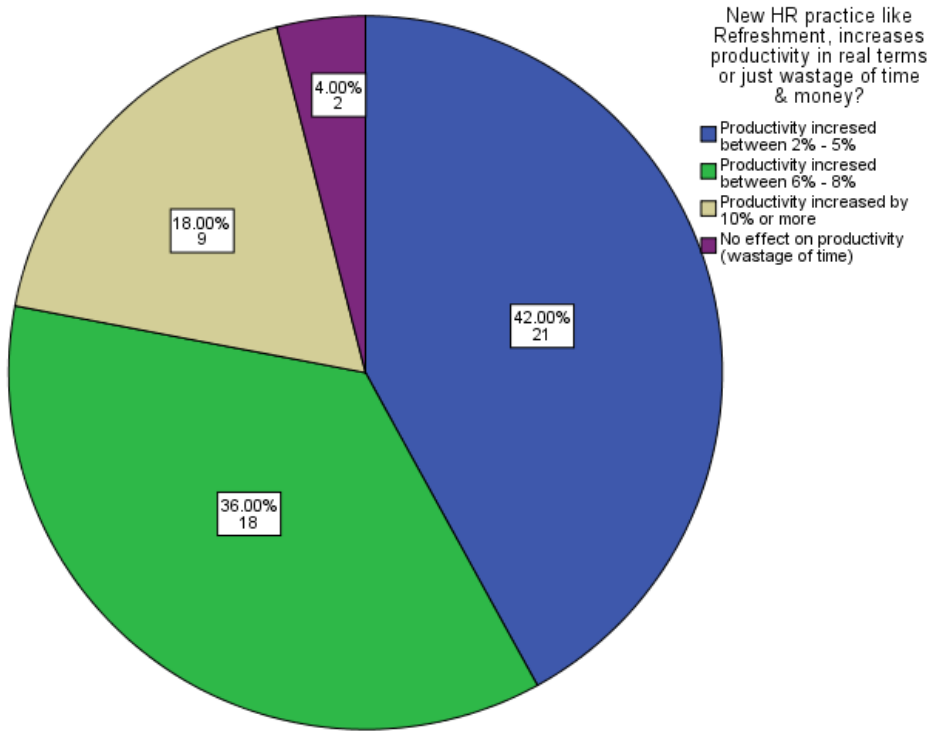
Q.11. Which HR practice can you think increase company productivity directly?



Q.12. Employee satisfaction directly leads to increased productivity with lower attrition rate?



Q.13. New HR practice like Refreshment, increases productivity in real terms or just wastage of time & money?

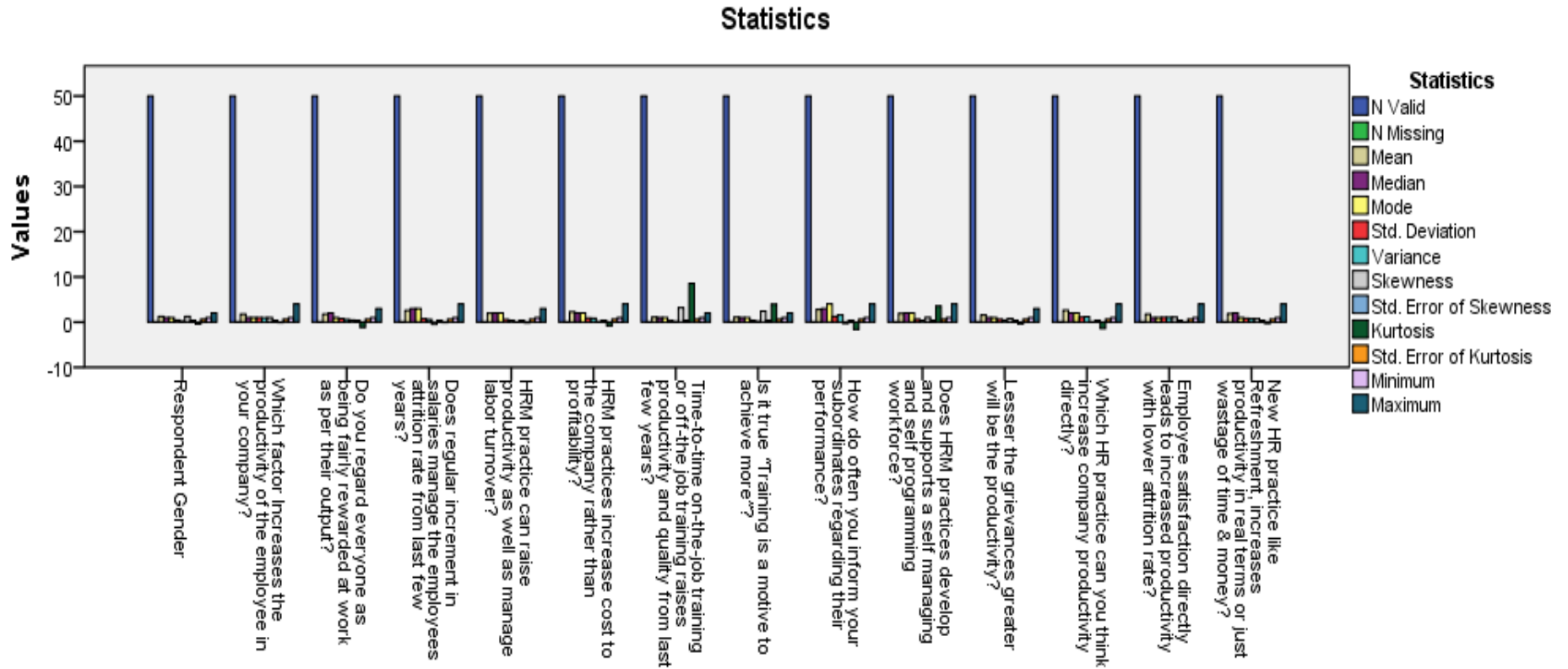


Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation	Variance
Respondent Gender	50	1	2	62	1.24	.431	.186
Q.1. Which factor Increases the productivity of the employee in your company?	50	1.00	4.00	89.00	1.7800	.97499	.951
Q.2. Do you regard everyone as being fairly rewarded at work as per their output?	50	1.00	3.00	88.00	1.7600	.77090	.594
Q.3. Does regular increment in salaries manage the employees attrition rate from last few years?	50	1.00	4.00	128.00	2.5600	.76024	.578
Q.4. HRM practice can raise productivity as well as manage labor turnover?	50	1.00	3.00	98.00	1.9600	.60474	.366
Q.5. HRM practices increase cost to the company rather than profitability?	50	1.00	4.00	114.00	2.2800	.90441	.818
Q.6. Time-to-time on-the-job training or off-the job training raises productivity and quality from last few years?	50	1.00	2.00	54.00	1.0800	.27405	.075
Q.7. Is it true “Training is a motive to achieve more”?	50	1.00	2.00	56.00	1.1200	.32826	.108
Q.8. How do often you inform your subordinates regarding their performance?	50	1.00	4.00	138.00	2.7600	1.25454	1.574
Q.9. Does HRM practices develop and supports a self managing and self programming workforce?	50	1.00	4.00	96.00	1.9200	.63374	.402
Q.10. Lesser the grievances greater will be the productivity?	50	1.00	3.00	77.00	1.5400	.64555	.417
Q.11. Which HR practice can you think increase company productivity directly?	50	1.00	4.00	132.00	2.6400	1.10213	1.215
Q.12. Employee satisfaction directly leads to increased productivity with lower attrition rate?	50	1.00	4.00	88.00	1.7600	1.02140	1.043
Q.13. New HR practice like Refreshment, increases productivity in real terms or just wastage of time & money?	50	1.00	4.00	92.00	1.8400	.86567	.749
Valid N (list wise)	50						

Statistics

	Q.1.	Q.2.	Q.3.	Q.4.	Q.5.	Q.5.	Q.6.	Q.7.	Q.8.	Q.9.	Q.10.	Q.11.	Q.12.
N Valid	50	50	50	50	50	50	50	50	50	50	50	50	50
Missing	0	0	0	0	0	0	0	0	0	0	0	0	0
Mean	1.7800	1.7600	2.5600	1.9600	2.2800	1.0800	1.1200	2.7600	1.9200	1.5400	2.6400	1.7600	1.8400
Median	1.0000	2.0000	3.0000	2.0000	2.0000	1.0000	1.0000	3.0000	2.0000	1.0000	2.0000	1.0000	2.0000
Mode	1.00	1.00	3.00	2.00	2.00	1.00	1.00	4.00	2.00	1.00	2.00	1.00	1.00
Std. Deviation	.97499	.77090	.76024	.60474	.90441	.27405	.32826	1.25454	.63374	.64555	1.10213	1.02140	.86567
Variance	.951	.594	.578	.366	.818	.075	.108	1.574	.402	.417	1.215	1.043	.749
Range	3.00	2.00	3.00	2.00	3.00	1.00	1.00	3.00	3.00	2.00	3.00	3.00	3.00
Minimum	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Maximum	4.00	3.00	4.00	3.00	4.00	2.00	2.00	4.00	4.00	3.00	4.00	4.00	4.00



5. Conclusion:

This paper clearly shows the evidences that the HR practices implemented in the manufacturing sectors increase the moral of the employees as well as output of the industries. Now the workers & employees are treated as asset of the companies rather than the commodity which are to be purchased or sell to other companies.

The evidences in this research paper clearly shows that the HRM practices, HR Laws, Act & Policies changed the Indian manufacturing companies' scenario. The Good incentive, Flexible timings, Trainings, Leave & holidays policies, refreshment, crèches, welfare policies , Workmen insurance policies makes the employees feel comfortable & secured at their workplace.

As per our questionnaire survey analysis, the employees not only requires the growth in monetary terms but also need non monetary changes also like training, rewards , appraisals at their workplace to make work more interesting rather than a task.

7. Limitations of the Study

1. The research study will must have to be completed in certain time frame.
2. The selected respondents may not be available free to answer the question freely due to tight schedule. The work pressure may be one of the reasons of improper response.
3. Respondents likeness and dislike-ness may also be reason in improper response
4. Respondents hesitation while answering or filling the questionnaire may produce obscure result.
5. Respondents feel privacy insecure while filling the some questions in questionnaire related to the management.
6. Some respondents fill the questionnaire without any interest like why should we fill this questionnaire or is there any benefit for us.
7. Majority of the employees agrees that the HRM practices affect the productivity as per our questionnaire responses.

7. Appendix & Bibliography

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