

# A Study on Linkage between Human Resource Practices and the Performance of Commercial Banks in India

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## Abstract

The search for a measurable link between HR practices and organizational performance is currently preoccupying HR professionals, consultants, government and academics. The purpose of this research is to enhance understanding of different Human Resource Management (HRM) aspects and the impact of HRM practices on organizational performance. This study evaluates the relationship between selected HRM practices and perceptual measure of organizational performance. The data were collected from 183 respondents working in three commercial banks in India and subjected to multiple regression analysis. Seventeen human resource practices were selected for the study. The findings of this study indicate that few human resource management (HRM) practices have strong positive correlation with organizational performance. The theoretical and managerial implications are discussed.

## Keywords

Human resource management; organizational performance; Indian commercial banks.

## INTRODUCTION

Over the last decade, human resource management has come to be viewed as the dominant paradigm within which analyses of the world of work have been located. The human resource management function has emerged as one of the most important areas of organizational practice. It has not been developed in isolation but rather in the context of industrial change and economic development. Human resources are a company's most valuable and strategic asset and the focused involvement of the top management with institutionalized leadership down the hierarchy is a pre-requisite to attract and retain people. The patterns of relationships at work reflect the HR philosophy. Managers who are encouraged to follow the role model of their seniors perpetuate the philosophy and practices of HRM. In the organizational socialization, they internalize the values and attitudes of their leaders. The entire process is thus institutionalized. Enterprise vision and mission will not become a reality unless employees are involved and integrated with the company's goals.

## HRM IN INDIAN BANKING INDUSTRY

There has been a remarkable increase in the size, spread and activities of banks in India. In the last three decades the number of bank branches rose considerably during this period. The business profile of banks has transformed dramatically to include non-traditional activities like merchant banking, mutual funds, new financial services and products, personal investment counseling, etc. The entry of private banks has intensified the competition to attract and retain customers. In such a competitive environment the banking industry has witnessed several changes in the ways of doing business. In a free market environment, the survival of a bank depends on its ability to enjoy a competitive edge in the market Indian banks can achieve this through harnessing the potential available in the employees by creating a positive work culture and enlisting the support of all the employees to the organizational goals. Thus, the thrust of HRM in banks is to foster commitment in employees, which in turn will be directed towards gaining competitive advantage and to establish an environment in which the potential of the workforce will be unleashed.

## HRM AND PERFORMANCE: A BACKDROP

The relationship between HRM and performance has been widely debated over the last one decade and there is a growing body of evidence showing an association between human resource management and corporate performance (Guest, 1999a; Gerhart et al., 2000a,b; Boselie et al., 2001a; Delery and Shaw, 2001; Wright et al., 2001; Appelbaum et al., 2000; Arthur 1994; Becker and Gerhart 1999; Guthrie 2001; Huselid 1995; MacDuffie 1995). The study of HRM is, in its broadest sense, concerned with the selections that organizations make from the myriad policies, practices (Sisson, 1990; Boxall and Purcell, 2003). In its more strategic guise, HRM is conceptualized in terms of carefully designed combinations of such practices geared towards improving organizational effectiveness and hence better performance outcomes. Wright and McMahan (1992) define it as 'the planned HR deployments and activities intended to enable [an organization] to achieve its goals'.

Singh (2003) investigated the relationship between the strategic HRM orientation and firm performance in the Indian context. Strategic HRM orientation is defined as the alignment of HR planning, selection, performance evaluation, compensation, development, staffing practices with the business strategies of the firm. Singh hypothesized that strategic HR orientated firms would perform better by making use of a low cost sustainable competitive advantage. The data on strategic HR orientation were obtained from Indian firms belonging to nineteen manufacturing and service industries. The findings reveal that the firms with an emphasis on strategic HR orientation performed significantly better than the firms with a lower emphasis. This indicates that financial pay-offs will be higher if firms strategically invest and align in their human resources.

The prevailing universal assumption maintains that there are some human resource management activities that are better than others, and therefore, organizations should adopt these activities (Pfeffer, 1994; Osterman, 1994; Huselid, 1995). Human resource management activities such as training, employee participation, compensation, assignment of workers through a recruitment and selection process and an internal labor market have been found to have a positive relationship to the organization's performance (Kaufman, 1992; Terpstra & Rozell, 1993; Bartel, 1994). Human resource management activities can influence the organization's performance by direct means, through improvement of employees' skills and quality (selection and training), and by indirect means, through the increase of employee motivation (a system of incentives and internal job market) (Harel & Tzafir, 1999).

In today's increasing complex and volatile business environment, enhancing of competitiveness in global market presents the ultimate challenge to the policy makers, business leaders and entrepreneurs in any industry including banking. Today the banks are working in a competitive environment where decision-making is market driven and in such conditions it becomes imperative to identify HRM practices that lead to improvement in the performance of banks which is the bottom line for survival in such competitive business environment. In banking sector where the impact of economic reform is much deeper, the identification of HRM practices which enhances employees performance becomes essential. Competition in the banking system has increased significantly as new private sector banks have been given licenses and foreign banks have been allowed to expand more liberally. In this context, to face the competition within various categories in banks in India, to facilitate the changes in the banking industry in India and to formulate time base strategies; these would naturally depend upon, how best the management in these institutions has taken care of its employees. The present study has been undertaken with this perspective and is an

attempt to investigate the efforts made regarding the management of people working in commercial banks.

## OBJECTIVES OF THE STUDY

The following objectives have been set for the present study:

1. To examine the human resource practices followed by commercial banks in India
2. To find out the relationship between HRM practices and employee productivity in these banks.

## CONCEPTUAL FRAMEWORK OF THE STUDY

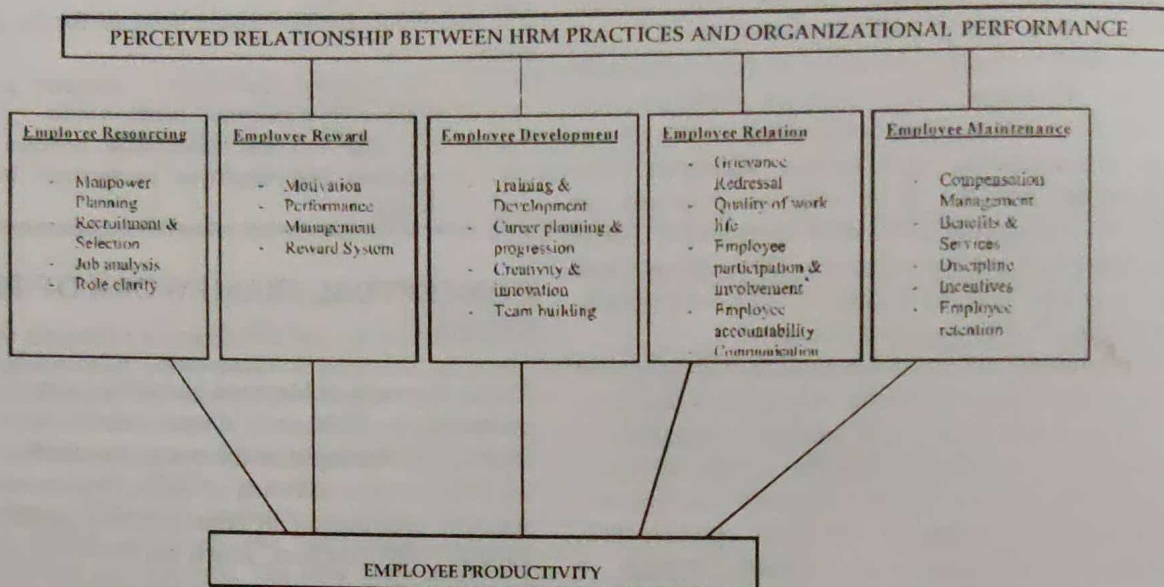
A critical review of literature including various studies conducted in India and abroad related directly or indirectly to the topic of the study, has facilitated the identification and selection of various human resource practices contributing to organizational performance. Various HRM practices, which are perceived to affect the organizational performance (in terms of employee productivity) have been identified and selected on the basis of their relevance to the banking sector. On the basis of the identified HRM practices, the main issue of the study and the methods adopted to achieve these objectives has been conceptualized. It has been possible only after a review of literature to develop the main parameters of the problem, to find out the importance of various HRM practices. This framework has been conceptualized and shown in the Figure 1.

## METHODOLOGY

A total of 183 respondents from three commercial banks (one each from foreign, private and public sector banks) formed the sample of the study. The study was conducted through a questionnaire survey of commercial bank employees in India. The questionnaire (Annexure II) contained 61 items, out of which 59 items are framed on 17 HR practices and 2 items on employee productivity jumbled up to avoid any bias. The respondents have been requested specifically to ignore their personal prejudices and use their best judgment on a 5 point Likert scale ranging from 1=Strongly Disagree to 5=Strongly Agree. After a pretest, 215 questionnaires were distributed to the sample, a total of 183 usable questionnaires, were received back indicating a response rate of 85.1 percent. Reliability coefficient cronbach's alpha ( $\alpha$ ) of 0.70 or higher is determined to be acceptable level (Nunnally & Bernstein, 1994). The cronbach's alpha ( $\alpha$ ) for the present study is 0.74. Therefore the internal

consistency scale reliability (0.74) was judged acceptable. Factor analysis was employed to provide a measure of the 'effectiveness' of the questionnaire. Since most of the factors extracted had loadings between 0.50-0.90, with no loading lower than 0.35 on the general factor, the study

can be regarded to be 'reasonable effective' by the standards of current research. The results of factor analysis are given in Table 1. The 17 HRM practices emerged as a result of factor analysis are presented in Table 2.



CONCEPTUAL FRAMEWORK OF MODEL FOR ORGANIZATIONAL PERFORMANCE (OP)

The study makes use of multiple regression analysis to include 17 HRM practices and employee productivity. The objective is to obtain respondents opinion about various HRM practices prevalent in their banks and their impact on employee productivity. Out of the total 183 valid responses organization wise breakdown of 183 valid responses receives is provided as here under:-

TABLE 3 BANK WISE BREAK UP OF VALID RESPONSES

S. No.	Category of the Bank	No. of Respondents
1.	Foreign sector bank	63
2.	Public sector bank	61
3.	Private sector bank	59
	<b>Total</b>	<b>183</b>

## DATA ANALYSIS AND RESULTS

### Descriptive Statistical Analysis

The results of descriptive statistics of human resource practices and corresponding values of mean and standard deviation given in Table 4. Table 5 examines the rank order of human resource practices in commercial banks. The highest value of mean is for career planning (4.22) whereas the lowest value of mean is for team building (2.35). The highest value of S.D. is observed for quality of work life (1.169) and lowest value is for performance

management through rewards (.460). This indicates that difference in observance of quality of work life in banks is substantial and vary from individual to individual, whereas for performance management through rewards in banks there is almost unanimity. Variations in mean and standard deviation of HRM practices are presented in graph 1.

### Correlation Analysis

A correlation coefficient of -1.00 or +1.00 indicates perfect correlation. If there is absolutely no relationship between the two sets of variables, correlation coefficient ( $r$ ) is zero. The principal advantage in this case is that it allows the researchers to use more of the information available to estimate the dependent variable (in this study it is employee productivity). Values of observed correlations of HRM practices with employee productivity are shown in Table 6.

From the Table 6 we observe that all independent variables (except discipline) are positively related with employee productivity. The maximum positive value (0.677\*\*) is for training & development while the minimum positive value (.064) is for team building though not significant. This is because for effectiveness of commercial banks, training & development of its employees is the most significant contributor. The lowest value of correlation for team building is indicative of preference for individual

work pattern instead of team tasks in commercial banks. Discipline having correlation co-efficient of (-) 0.114 is the only HRM practice found negatively correlated (not significant) with employee productivity. Variation in correlation coefficients of HRM practices with employee productivity are presented in graph 2.

**Multiple regression analysis**

Multiple regression analysis allows researchers to examine how variables are related to each other, the strength of the relationship, and relative predictive power of several independent variables on dependent variable. In the present study multiple regression analysis has been used to examine the relationships between HRM practices and organizational performance. The results of multiple regression analysis for the present study are presented in Table 7. Results of multiple regression analysis indicate that five HRM practices (independent variables) account

for 61.2percent (R Square) variation in the employee productivity (dependent variable) in commercial banks in India. Out of five emerged HRM practices affecting employee productivity in commercial banks, training & development (Beta value= 0.677\*\*) is found to be highly significant contributor to the employee productivity. Performance management through rewards (Beta value = 0.462\*\*) is found to be the second largest contributor to employee productivity. The other three predictor components of employee productivity include team building, compensation benefits & services and discipline. Based on the findings of the research study, the conceptual framework of the model prescribed earlier in the paper is modified. It is observed that seventeen human resource practices perceived to be affecting employee productivity do not crystallize in the way they were conceived. The modified conceptual framework is presented in fig. 2.

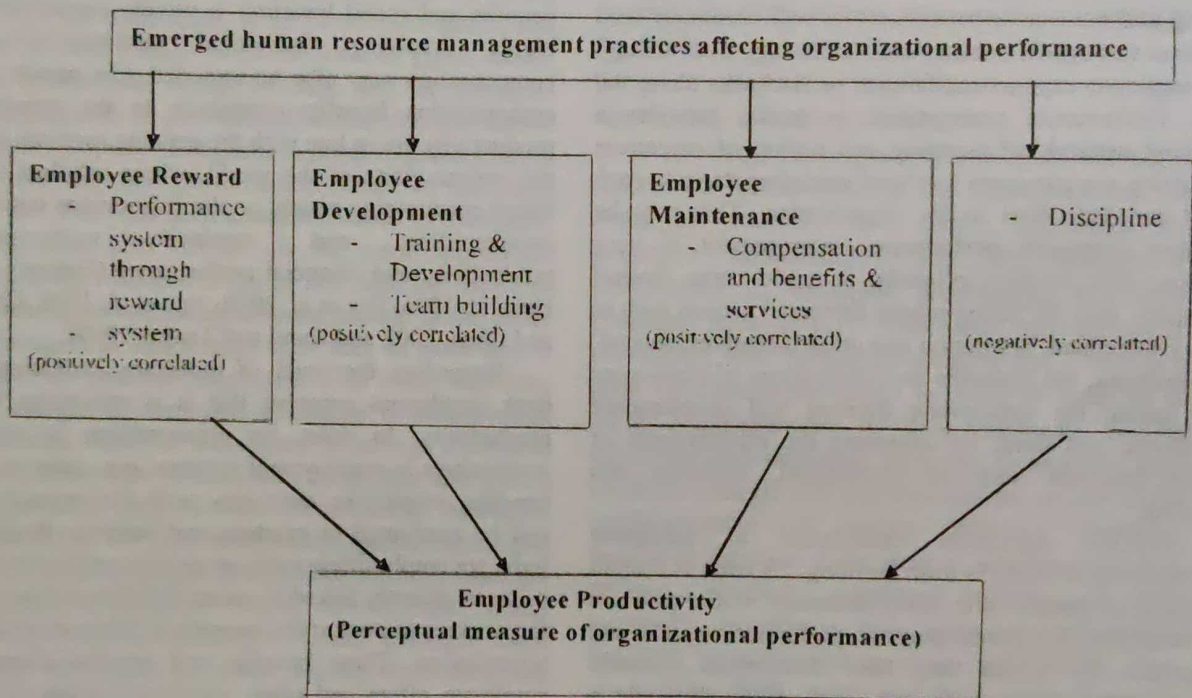


Fig. 2: Modified model of HRM practices affecting organisational performance

**DISCUSSION**

The results of present study are in line with the existing literature as, employee training contributes to better firm performance by enhancing employee skills leading to greater productivity (Bartel, 1994). The training provided currently by the Indian banking industry had progressed to a higher level than of other industries. Formalized training programs especially in orientation, skill development and management training have been developed by the banking industry to a sophisticated level. The entry level employees are receiving the intense orientation training necessary to acquaint the new

employees with the skills necessary to perform the job efficiently. The new employees are also receiving information concerning the history and future plans of not only the banking industry, but also the specific bank. The management trainees get the opportunities with the banking industry to increase skills and knowledge through various areas relating to management through several systems. The training programs for the entry-level employees and the management trainees is fulfilling the needs which resulted in an increase in job satisfaction for the new and career minded employees. Thus training meets the

needs in areas of increasing job development and personal growth for the experienced employees.

Therefore productivity of employees would be greater through the satisfaction of training needs of the employees. Performance Management system has emerged from the behavioral school of thought with the basic assumption that "organizational performances is a function of the predictability and control of employee behaviors" (Mohrman & Lawler, 1993). In present study HRM practice performance management through rewards is found to be significantly contributing to employee productivity in banks. Performance management is a significant new approach to manage job performance in an organization that seeks to align the individual development goals of each employee with the formation and pursuit of organizational goals. Brumback (1988) advocated that human performance should be managed in order to "achieve positive successes, avoid negative successes and failures and be hospitable to positive failures" such an approach will encourage creativity, risk taking and innovative behaviors that will ultimately lead to break through in industry and technology even though the employee experiences failures or set backs along the way. Performance management in banks, provides a unifying network of planning and setting of objectives beginning at a corporate level and cascading down to each level and individual in the organization. This may be because employee performance management is very crucial, if it is done properly, it could serve several purposes: first, for taking proper personnel actions such as salary increment, promotion and other incentives; second, for assessing the strengths and weaknesses of employees and taking the appropriate training and development measures; and third, for assessing the effectiveness of HRM practices such as recruitment, selection and training.

Another significant contributor to employee productivity in banks is team building. "A team is a small number of people with complementary skills who are committed to a common purpose, performance goals, and approach for which they hold themselves mutually accountable" (Katzenbach and Smith, 1999). In banks a fundamental belief is that teams are the building blocks of organization. Banks believe that teams help in managing their culture, processes, systems, and relationships, if they are effective. Teams invariably are more powerful than individuals and more flexible than larger organisational units. Teams support the risk taking and experimentation so important to learning, change and skill development. Finally, teams provide sources of motivation, reward, and personal development that can never be duplicated by companywide compensation and career planning schemes.

The different types of compensation benefits in banks include salary, pay-for-performance (operational and revenue-based) bonuses, profit-sharing, employee ownership (i.e. stock options), and performance

recognition awards. Employee ownership, in particular, receives the greater share of the attention paid to compensation. There appears to be a fairly strong correlation in the banking industry between how well an organisation compensates its employees and how well the employee performs. In previous researches also, it is found that compensation systems play a major role in human resource practices' affect on organizational level results. Becker & Huselid, (1996) explained that an increase in managers' monetary compensation by one standard deviation is associated with 19% higher market values and 27% higher accounting profits.

Research has also found that the use of performance based contingent compensation practices, such as bonuses, are associated with organizational performance (Gerhart & Milkovich, 1990). On the other hand, compensation based on collective rewards, either monetary (profit sharing, stock ownership, gain sharing, teamwork bonus) or non-monetary (fringe benefits and social benefits) is usually considered as highly involving. Individual performance-based compensation may also be included. Our results that compensation benefits contribute to the employee productivity are in line with the existing research from the various parts of the world, where scholars have found encouraging results on the relationship between compensation and employee performance, productivity and financial performance (Delaney and Huselid, 1996, Fey *et al.*, 2000, Ngo *et al.* 1998, Chang and Chen, 2002 and Harel and Tzafrir 1999).

Regarding the level of monetary compensation bank employees perceive that it is enhancing their productivity. In order for organizations to recoup investments in employment systems, e.g., salaries and benefits, employees must stay with the organization and be motivated to produce and achieve. Banks in India are emphasizing more on pay for performance as it can be directly linked to create benefits and services for workers to pursue the interests of the team and the organization. These benefits and services increases employee effort and align employees more closely with the long term interests of the firm – resulting in better communication, increased service quality, longer job tenure and greater acceptance of technological change.

Discipline has come out as one of the predictor practices contributing to the employee productivity but has a negative contribution. This suggests that with high disciplinary procedures being followed in banks, productivity of employees decreases. The Indian banking industry has the power to enable itself to oversee the conduct of banking employees. Banking employees have policies and procedures governing their behavior and these policies and procedures are divided into external and internal ones. The employer and the government enforce these internal and

external policies and procedures. Internally, the employer's policies are based on formal standard of conduct, as they exist in the banking community across the nation and the professions. Externally, formal policies are those imposed by the government. Formal standard of conduct, administrative rules and regulations that must be followed to prevent the banking employees from breaking the law or disregarding these rules. When employees do not follow these rules it is generally conduct regarded as criminal and banking employees suffer consequences faster and much greater than losing their jobs, they may lose their freedom. Discipline in today's workplace focuses on a collegial training that corrects, molds, strengthens or perfects. It requires self-discipline, which is possible only if each team member knows the rules, understands their purpose and agrees that they deserve compliance. This kind of discipline depends on the managers ability to communicate expectations clearly in words and practice. It is the only approach that leads to self-discipline, but to achieve this result requires consistency: the rules apply to all personnel equally, and the rules do not change often or without good reason. When a breach does occur, the first step for managers may be to adjust their own attitude so that they can handle the situation properly. The purpose is not to punish, but to correct and improve performance. Once it has been decided that there has been a serious breach of discipline, managers must next decide on the most appropriate response. If the response is out of line with the nature of breach, managers will undermine the morale of the entire team. Managers in banks today must take an extra step to rejuvenate the problem employee. This extra step may prevent charges of wrongful discharge or employment discrimination. Also, for a company to salvage a problem employee rather than to terminate the person and train a new replacement may be wise economically. Managers are responsible for the motivation, performance and conduct of each employee assigned to them. A manager must create a positive work environment where productivity will be enhanced. Every manager must ensure that employees are aware of, and understand, the position description under which they work. Being unaware of the work rules may serve as grounds for an employee to file for wrong discharge. Managers must identify the strength and weaknesses of each employee, evaluate employee fairly and objectively on a regular basis, identify causes of performance problems and initiate actions to eliminate any weaknesses. Successful managers insist on quality performance from every employee. A final responsibility requirement for managers is to administer discipline or adverse action in a timely manner. In commercial banks, the grievance redressal process needs to be seriously looked into to make it an effective practice to enhance employee productivity as perception of bank employees suggests very weak correlation between grievance process and employee productivity.. Grievance is a matter submitted

by a worker in respect of any measure or situation which directly affects, or may affect the conditions of employment in the undertaking, when that measure or situation appears contrary to the provisions of an applicable collective agreement or a contract of employment, to work-rules, or laws or regulations, or to the custom or usage of the occupation. Because issues often arise where there is no rule that clearly specifies how supervisor and employee should behave towards each other, grievance seldom involves a clear cut decision about whether someone (in this case the supervisor or manager) has broken a rule.. For this reason the effectiveness of the grievance process needs to be judged by commercial banks.

Results show that few HRM practices including manpower planning & job analysis, employee participation & communication, quality of worklife and motivation did not emerge in regression equation but share a significant correlation with employee productivity. Thus if some more emphasis is given by the banks in regard to observance of these practices there is possibility that these also contribute significantly to employee productivity.

According to perception of employees working in commercial banks some of the HRM practices viz. employee retention, role clarity, incentives and employee accountability did not emerge as contributors to employee productivity and these practices have a very weak and non significant correlation with employee productivity. There is a need by commercial banks to focus in order to be more comprehensive in their approach towards incentives and employee retention in terms of their business strategic role and formulation, as well as the implementation of human resource practices. Employee retention is the heart of any company. For, without retained employees, companies may eventually experience high employee turnaround, deficient products and services, and perhaps, low productivity. Role clarity is defined as the degree to which an employee is certain about how he or she is expected to do the job. In their meta-analysis of the determinants of sales force performance, Churchill, Ford, Hartley and Walker (1985) found role perceptions better predictor of performance than any other predictors. Role ambiguity, the opposite of role clarity, has been found to have a significant negative effect on satisfaction with the work itself. Thus, the more HRM practices are in place and employees have sufficient training and development, motivation, continuous performance management in their job and good team building efforts by the managers it significantly contributes to employee productivity.

## CONCLUSION

The work reported in this paper examines the relationship between human resource management and organizational performance. The mixed results presented are typical for this kind of study and can also be seen in other studies cited. Indian banking is undergoing a series of changes ever since the financial sector reforms were introduced by the government of India since 1991. Competition, convergence and consolidation have become the key drivers of Indian banking system. Most of the banks have initiated the process of introducing new technology, innovating new products and services, making structural changes, do business process reengineering, developing the human assets to take challenges for the future by introducing Management Education Programmes (MEP), recruiting new personnel, creating knowledge management departments to create data for resources and undertake human developmental activities. Under the complex and competitive situation, banks face a major challenge of ensuring efficiency from the employees, retain them and motivate them for orienting towards the organizational goals. A highly motivated workforce only will be able to handle the complex and competitive situations and create a difference in customer service and out beat the competitors.

The findings of the present study offer important academic and practical implications. Several suggestions for managers follow from our results. First, managers should realize that not all HRM practices are equally important. Hence, they need to invest in HRM practices where they can promote organizational performance by implementing HRM practices that match employee's ability, skill and knowledge. Second, managers must also strive to integrate HRM practices with one another if they are eventually to have an effect on firm performance. employees must be attracted not only to join the organization but also to remain in it. Employees must perform the tasks for which they are hired and must do so in a dependable manner with high accountability. Employees must go beyond the dependable role performance and engage in some form of creative, spontaneous and innovative behavior at work. A well laid down organizational grievance procedure practiced by the leaders, role clarity in functions that creates confidence in the minds of employees including the open appraisal system which gives feedback to the employees for their improvement.

The challenge today is not just retaining talented people, but fully engaging them, capturing their minds and hearts at each stage of their work lives. Employee engagement is a key business driver for organizational success. High levels of engagement in domestic and global firms promote retention of talent, foster customer loyalty and improve organizational performance and stakeholder value.

The empirical results of the analyses in this study suggest that the impact of HRM on firm performance measures needs further study. Future research would benefit from a large-scale quantitative study survey in other sectors that would increase the statistical generalizations and validity of the results. Furthermore, future research would also benefit from including more sophisticated measures of organizational performance to understand how HRM practices affect organizational performance. To sum up, the validity of our results might be hampered by the fact that the present study is based on a relatively small sample and limited only to one industry. Hence, it may lack the power for thorough significance testing and there may also be some limitations on the generalizability of the findings. However, within the above-mentioned limitations, this paper makes considerable contributions. First, it is one of the few approaches to the study of HRM and organizational performance in developing countries in general, and India in particular. Second, this study provides a reasonable picture of the positive effects of HRM practices on organisational performance. While it makes important contributions to our understanding of HRM and organisational performance in a developing country, this study is clearly only a first step and additional research is needed on this issue in other geographical settings to understand better the generalizability of these findings.

In this competitive banking environment, there is presence of public sector, private sector and foreign sector banks. Hence, the environment, structure, management and composition of manpower are different in these banks and therefore the model practiced in one group may not work in another group. This is a tentative end, because endeavors will continue to generate more insights into the factors that are important in shaping HRM policies and practices. We are convinced that the research track into the factors that are decisive in shaping HRM is a fruitful one, irrespective of whether or not such practices contribute to performance.

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## APPENDIX I - TABLES &amp; GRAPHS

TABLE NO. 1 RESULTS OF FACTOR ANALYSIS

Factors	Loadings	Percentage variance
<b>Factor 1</b>		
Q25	.407	12.211
Q41	.355	
Q56	.499	
Q57	.554	
Q59	.745	
Q60	.687	
Q61	.725	
<b>Factor 2</b>		
Q4	.553	8.692
Q27	.498	
Q35	.519	
Q39	.770	
Q40	.625	
Q42	.369	
Q43	.606	
<b>Factor 3</b>		
Q6	.803	7.732
Q7	.686	
Q17	.409	
Q18	.363	
Q31	.453	
Q38	.563	
Q44	.368	
Q51	.355	
Q58	.719	
<b>Factor 4</b>		
Q5	.789	6.123
Q11	.661	
Q20	.676	
Q21	.540	
Q22	.469	
<b>Factor 5</b>		
Q29	.809	4.750
Q32	.771	
Q33	.665	
Q34	.816	
<b>Factor 6</b>		
Q52	.717	4.080
Q53	.878	
Q54	.458	
<b>Factor 7</b>		
Q1	.695	3.897
Q2	.713	
Q3	.576	
Q9	.633	
<b>Factor 8</b>		
Q30	.667	3.125

Factor 9 Q36 Q47 Q48	.568 .692 .761	2.981
Factor 10 Q10 Q55	.814 .430	2.829
Factor 11 Q13 Q19	.770 .681	2.445
Factor 12 Q16 Q26	.660 .425	2.302
Factor 13 Q12 Q14 Q49	.649 .663 .363	2.198
Factor 14 Q8 Q24	.420 .758	2.150
Factor 15 Q46	.838	2.041
Factor 16 Q15 Q50	.722 .458	1.846
Factor 17 Q45 Q28	.656 .582	1.783
Factor 18 Q23 Q37	.455 .493	1.742
<b>Total Percentage Variance</b>		<b>72.927</b>

TABLE 2 DETAILS OF FACTORS EMERGED AS A RESULTS OF FACTOR ANALYSIS

Factors	Assigned name of emerged variables
Factor 1	Performance management through rewards
Factor 2	Manpower planning & job analysis
Factor 3	Grievance redressal
Factor 4	Compensation & benefits and services
Factor 5	Creativity & innovation
Factor 6	Discipline
Factor 7	Employee Participation & communication
Factor 8	Quality of Work Life
Factor 9	Training & Development
Factor 10	Team Building
Factor 11	Motivation
Factor 12	Employee Productivity
Factor 13	Employee Accountability
Factor 14	Employee Retention
Factor 15	Role clarity
Factor 16	Recruitment & Selection
Factor 17	Career Planning & Progression
Factor 18	Incentives

TABLE 3 DESCRIPTIVE STATISTICAL ANALYSIS OF HUMAN RESOURCE PRACTICES

Identified Human Resource Practices	N	Min	Max	Mean	Std. Dev.
	Statistics	Statistics	Statistics	Statistics	Statistics
	183	2.57	5.00	4.12	.509
Compensation benefits & services	183	1.71	4.43	3.35	.716
Manpower planning & job analysis	183	1.44	5.00	3.87	.589
Grievance redressal	183	1.80	5.00	4.11	.460
Performance management. through rewards	183	1.50	5.00	3.50	.672
Creativity & innovation	183	2.00	5.00	3.67	.631
Discipline	183	1.25	5.00	4.16	.531
Employee participation & communication	183	1.00	5.00	3.72	1.169
Quality of work life	183	1.50	5.00	3.36	.883
Training & development	183	1.00	4.50	2.35	.930
Team building	183	2.00	5.00	4.14	.493
Motivation	183	2.50	5.00	4.10	.639
Employee productivity	183	2.33	5.00	3.75	.535
Employee accountability	183	2.00	5.00	3.91	.520
Employee retention	183	1.00	5.00	4.03	.834
Role clarity	183	2.50	5.00	4.07	.582
Recruitment & selection	183	1.50	5.00	4.22	.488
Career planning & progression	183	1.00	5.00	3.18	.842
Incentives	183	1.00	5.00	3.18	.842

TABLE 4 RANK ORDER OF HUMAN RESOURCE PRACTICES IN COMMERCIAL BANKS (N=183)

Rank	HR Practices	Mean
1.	Career planning & Progression	4.22
2.	Employee participation & communication	4.16
3.	Motivation	4.14
4.	Compensation management & benefits and services	4.12
5.	Performance management through rewards	4.11
6.	Recruitment & Selection	4.07
7.	Role clarity	4.02
8.	Employee retention	3.91
9.	Grievance redressal	3.87
10.	Employee accountability	3.75
11.	QWL	3.72
12.	Discipline	3.67
13.	Creativity & innovation	3.50
14.	Training & development	3.36
15.	Manpower planning & job analysis	3.35
16.	Incentives	3.18
17.	Team building	2.35

TABLE NO. 5 RESULTS OF CORRELATION ANALYSIS

Factors no. (HR. Practice)	Independent Variable	Correlation Co-efficient with Employee Productivity as dependent variable (Factor - 12)
F1	Compensation benefits & services	0.462**
F2	Manpower planning & job analysis	0.200**
F3	Grievance redressal	0.071
F4	Performance management. through rewards	0.384**
F5	Creativity & innovation	0.247**
F6	Discipline	(-)0.114
F7	Employee Participation & communication	0.223**
F8	Quality of work life	0.225**
F9	Training & development	0.677**
F10	Team building	0.064
F11	Motivation	0.311**
F13	Employee accountability	0.138

F14.	Employee retention	0.197
F15.	Role clarity	0.077
F16.	Recruitment & selection	0.201**
F17.	Career planning & progression	0.305**
F18	Incentives	0.116

\* Significant at 0.05 level

\*\* Significant at 0.01 level

TABLE NO 6 RESULTS OF MULTIPLE REGRESSION ANALYSIS

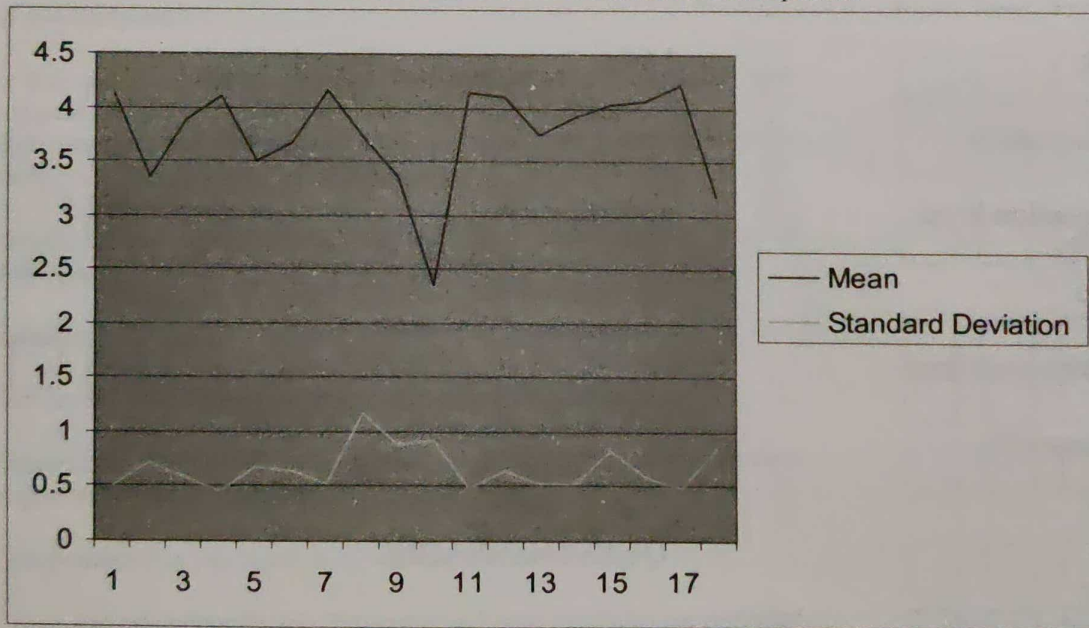
Independent Variable	Dependent Variable (Employee Productivity) (N = 183)			
	Correlation coefficient (r)	Beta	t	Significance Level
HR Practice				
Training & development	0.677**	0.521**	10.02	.000
Performance management through rewards	0.462**	0.377**	6.42	.000
Team building	0.064	0.262**	5.09	.000
Compensation benefits & services	0.384**	0.144**	2.68	.008
Discipline	(-0.114)	(-0.120*)	-2.34	.020

R - Square = 0.612

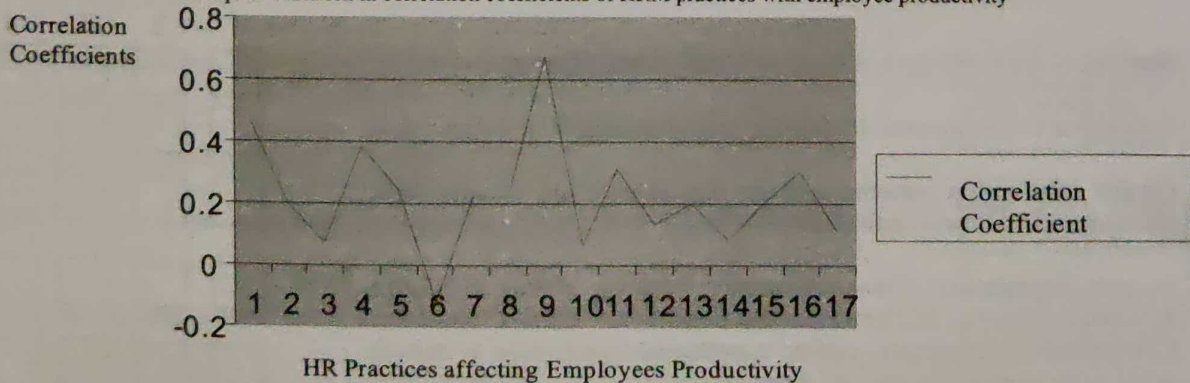
\* Significant at 0.05 level

\*\* Significant at 0.01 level

Graph 1 Variations in mean and standard deviation of HRM practices



Graph 2 Variation in correlation coefficients of HRM practices with employee productivity



APPENDIX II

HR ANALYSIS FOR ORGANISATION PERFORMANCE

Employees are the most important ingredients of an organization. Employees play a very important role in successful accomplishment of organizational goals. Your free, frank and honest feedback would go a long way in enabling your organization to know its strengths and weaknesses.

The questionnaire carries 61 items on which you have to respond in accordance to the rating scale given below.

Rating scale

<i>Strongly Disagree</i>	<i>Disagree Undecided</i>	<i>Agree</i>	<i>Strongly Agree</i>
(1)	(2)	(3)	(4)
			(5)

**PLEASE RE-CHECK AND MAKE SURE THAT ALL THE STATEMENTS HAVE BEEN ANSWERED**

Background Information of Respondents

- 1) Name :
- 2) Sex : Male ( ) Female ( )
- 3) Designation :
- 4) Education level : undergraduate ( ) postgraduate ( )
- 5) Age :
- 6) Duration of Stay :
- 7) Contact No. :

QUESTIONNAIRE

- |  |                          |                          |                          |                          |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|  | 1                        | 2                        | 3                        | 4                        | 5                        |
| 1) Employees are given stock options and profit sharing bonus.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2) Employees are empowered to take day to day decisions  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3) Cordial relationship between superior and subordinate of your bank leads to smooth flow of information.                   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4) In your organisation Human Resource Planning strikes a balance between Employees, Job Description and Job Specifications. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5) Compensation management system is evaluated time-to-time to make it at par with competitors, by your bank.                | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

- 6) Functioning of works committee and Joint Consultative Machinery (JCMs) in your bank lead to better man management relationship.
- 7) In your bank the management's policy is to settle an issue in shortest time and at lowest managerial level during early stages of grievance procedure
- 8) Employee's need fulfillment is a priority in your bank for higher retention.
- 9) In your bank, degree of employee participation / involvement is judiciously decided to match with employees capacity and desired organisation performance
- 10) In your bank team building serves as a tool of employee development and effective organisation performance.
- 11) Designing of compensation system is transparent and leads to high motivation and productivity amongst employees
- 12) Employee accountability leads to high discipline and Timeliness.
- 13) Providing with recognition symbols motivates employees (eg. Names on stationary etc.)
- 14) Employees are held accountable for their behaviour, mistakes and assigned tasks.
- 15) Both external and internal recruitment sources are followed in your bank.
- 16) Human Resource Practices in your bank affect overall performance of individuals
- 17) Your bank has a well laid down grievance redressal procedure.
- 18) Fair promotion and transfer policy is practiced in your bank.
- 19) Individuals in your bank are motivated by giving measurable goals than vague performance standard
- 20) Compensation in your bank is in relation to cost of living.
- 21) Leave and other benefits (eg. Insurance and paid vacation) are provided by your bank)
- 22) Post retirement / illness benefits are satisfying in your bank.
- 23) Incentives given by your bank increases Organisational citizenship amongst employees
- 24) In your bank employee retention is higher due to inbuilt work challenges
- 25) An individuals input to the organisation is appreciated and rewarded.

- 26) In your bank human resource practices provide ample motivation for better performance.
- 27) Systematic job analysis process at your bank reduces role ambiguity
- 28) Your bank has well laid career path for various types of jobs
- 29) Your bank promotes innovation and risk taking behaviour
- 30) Your bank considers flexibility in work schedules for improving QWL.
- 31) Grievances related to poor physical conditions are not given priority by your bank.
- 32) Creativity provides improvisation, cost effectiveness and practical superiority to banks
- 33) Your bank fosters continuous creativity and innovation to win over competitors.
- 34) Performance from innovation is properly rewarded in your bank
- 35) In your bank jobs are assigned according to KSA (Knowledge, skill and ability) so that employees should learn jobs quickly and make fewer errors.
- 36) Management development and training program focus on employee's performance at the present job and prepare them for higher level jobs
- 37) Incentives are linked to amount of learning in your bank.
- 38) Quality circles and suggestion schemes effectively functions in your bank
- 39) Manpower planning results in reduced labour costs as it helps the management to anticipate shortages / surpluses of manpower in your bank.
- 40) Your bank focuses on job enlargement, work simplification and autonomous work group to reduce boredom at work place.
- 41) Acquisition of skills, knowledge is recognised and rewarded in your bank.
- 42) Proper job analysis in your bank lessens role ambiguity.
- 43) For each job, responsibility and requirement is fixed and people are selected accordingly.
- 44) Your bank provides safe and healthy conditions.
- 45) Your bank management explores career aspirations for employees and nourishes their career progression.
- 46) Specific roles and responsibilities of all employees are clearly defined in your bank.

- 47) Your bank aims at refreshing the knowledge of employees and correcting the work methods through structured and widely shared training policy
- 48) Training in your bank facilitates the process of change
- 49) The organisation policy neither holds employees accountable nor punishable for mistakes.
- 50) The induction procedure in your bank is exhaustive and aims at selecting the right person for the right job.
- 51) Revolts and strikes are dealt with iron hand in your bank.
- 52) Penalties for violating rules and regulations are severe.
- 53) Discipline is the very essence of life', is followed by your bank
- 54) Your bank has rigid set of rules and norms to be followed strictly.
- 55) Teams focus on information sharing and active problem solving with common purpose and collective commitment
- 56) Reward system is devised with transparency in your bank.
- 57) Pay for performance policy exists in your bank
- 58) An atmosphere of openness and trust for cordial relations exist between superior and subordinate in your bank.
- 59) Your bank considers performance management which contributes to desired performance and provides competitive advantage
- 60) Employees are provided with ample opportunities to take part in deciding performance management process
- 61) Performance appraisal is performed on regular basis in your bank.