

Relationship between People Management Practices and Organizational Effectiveness - Evidence from Retail Banks.

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Abstract

There has been a long standing interest in the study of human resource management practices among the researchers. This interest is partly because of the hypothesized relationship that exists between these practices and organizational phenomena such as organizational effectiveness. Research on contribution of people management practices to organizational effectiveness outcomes such as profitability and productivity has been a popular research study in the circles of management practitioners. This paper explores to identify the influence of people management practices on perceived organizational effectiveness. The organizations taken into consideration are select branches of retail banks based in Hyderabad. The paper empirically examines the impact of perceived quality of people management practices on perceived organizational effectiveness. The data collected from 195 employees of retail banks was analyzed for reliability (Chronbach, 1952) and found to be quite consistent. The data was then subjected to chi-square analysis to investigate the statistical association between the variables, further the data was subjected to correlation analysis and multiple regression analysis to identify the strength and direction of association between the variables and to identify the causal linkages between the variables respectively. The results establish that quality of people management practices impact perceived organizational effectiveness.

Key words: Organizational effectiveness, reliability

Introduction

Studies pertaining to HR management in India reveal a variety of factors that affect employees' attitude towards their job. A growing body of research

both in industry-specific and cross-industry studies reveals an array of factors that impact organizational effectiveness. The HRM environment can be even more significant determinant of

productivity and performance in service sector than in manufacturing sector. Retail service sector is currently the booming sector of the Indian economy. This trend is expected to go on uninterrupted for at least the next two-three decades, attracting huge attention from all quarters of the economy. Human beings are considered as the dynamic elements of management. The success of an organization depends hugely on the efforts of the human resources, human resource is now recognized and utilized as the most valuable of all organizational assets. The resources of money, materials and machinery are collected, co-ordinated and utilized through people. The greatest strength of India is its rich and abundant human resources. The prosperity of a nation or an organization depends on the proper development and utilization of its human resources, as all other resources can be generated by a well motivated human resource. Organizational growth, change and success ultimately depend on the actions of human resources.

In such a context it becomes necessary to investigate the relationship between people

management practices and organizational effectiveness. This research seeks to empirically examine the same.

Literature review

A review of HRM literature reveals the passionate attempts of academicians to identify and practitioners to implement fair HRM practices. Both parties have a common desire to develop successful organizations through the positive work attitudes and behaviors of employees (e.g. **Lawler, 1986; Lawler, Mohrman, and Ledford, 1995; MacDuffie, 1995; Delery and Doty, 1996; Vandenberg et al., 1999; Guthrie, 2001; Batt, Colvin, and Keefe, 2002; McLean, 2006; Shanock and Eisenberger, 2006; Camps and Luna-Arocas, 2009;**).

A survey of bank employees by **Delery and Doty (1996)**, reveals significant relationships between HRM practices and profitability.

In New Zealand, (**Guthrie, 2001**) reports good employee performance in those firms that adopt participative human resource practices. Employees' positive perceptions of HRM practices are

generally related to customers' views of service quality (**Schneider and Bowen, 1993; Tsaor and Lin, 2004**).

In examining the relationship between HRM practices and profitability of business units, **Wright, Gardner, Moynihan, Park, Gerhart, and Delery (2001)** suggest that, "...a one standard deviation increase in the use of "progressive" or "high performance" work practices can result in up to a 20 per cent increase in firm performance." This study therefore proposes that if organizations empower and value their employees' contributions, they would reciprocate by being more helpful towards their customers.

McGuire et al. (2003) in their article titled "Examining the Matching Process – Human Resource Management and Competitive Strategies: A Study of the Irish Retail Sector" focused on how human resource management is linked to the competitive strategy of the firm. Further the paper focused on the competitive advantage in the retail sector. The authors concluded that the issue of competitive strategy and positioning is an extremely

important issue within the service/retail sector. And also, the choice of competitive strategy has significant implications for the range of human resource practices available to the retail organizations. The study clearly identified that the cost boundedness of competitive strategies such as financial considerations would appear a significant factor in determining the overall approach taken towards human resource management in the retail sector.

Sohel Ahmad et al. (2003) in his article titled "The impact of human resource management practices on operational performance: recognizing country and industry differences" made an attempt to generalize the efficacy of seven HRM practices proposed by **Pfeffer** in the context of country and industry, focusing primarily on the effects of these practices on operations.

Catherine Truss (2004) in the article titled "Who's in the driving seat? Managing human resources in a franchise firm" has concentrated on the role of human resources with special reference to retail franchise firm. The author has opined that the management of a franchise firm is

ultimately depended on the functionality of human resources; hence effective human resources will help to achieving the goals of a franchise firm.

Ashok Som (2006) in the paper titled “Bracing for MNC competition through innovative HRM practices: The way ahead for Indian firms” has concentrated on the emergence of Multinational companies in the organized retailing in India. Further, the paper has concentrated on the impact of MNC competition on Indian retail firms. The author has supported the need for innovative HRM practices by the Indian firms to tackle with the competition from Multinational companies. The author has concluded that unless the Indian firms implement innovative HRM practices, the MNCs will tap the market and this will become a huge threat to the future development of growth by the Indian retail firms.

Need for the study

From the above section it is evident that there is huge amount of literature on the area under discussion and people management practices do influence the success of retail firms. However, there

seems to be less work done on the degree influence of People management practices on organizational effectiveness in banking sector. Hence, present study is specifically designed to bridge this gap. This reduces to certain set of questions like...

1. What is the influence of people management practices on organizational effectiveness?
2. What is the important practice which affects the organizational effectiveness most?
3. If so, what is the level of evidence? Is it possible to find it empirically?

To answer these questions and to ascertain certain evidence to these doubts, this study is devised with the following objective, hypothesis and variables.

Objective

To study the impact of people management practices on organizational effectiveness.

Hypothesis

H₀1 – People management practices have no influence on organizational effectiveness.

Variables under the study

1. People Management Practices viz., Recruitment & Selection, Training & Development, Performance Management, Rewards & Recognition and Employee wellness initiatives.
2. Perceived organizational effectiveness.

Participants:

Sample composed of 195 employees of select retail bank branches based in Hyderabad. This sample was chosen purely on the basis of convenience and availability of employees.

Data Collection Tools and Scales:

- ▶ People management practices (5 dimensions) viz. Recruitment & Selection, Training & Development, Performance Management, Rewards & Recognition and Employee Wellness initiatives were measured with a 25 item questionnaire (Weiss et. al., 1968) on a five point Likert scale with point anchors ranging from 1. Strongly disagree to 5. Strongly agree.

Data Analysis & Summarized Results:

1. **Sample split by Gender**

This scale is widely used in the literature and validity of this scale stands tested.

- ▶ Perceived Organizational effectiveness was measured using a 10 item questionnaire (Shore and Martin, 1989) on a five point Likert scale with point anchors ranging from 1. Strongly disagree to 5. Strongly agree. This scale is widely used in the literature and validity of this scale stands tested.

Statistical Tools:

The data collected from 195 employees was analyzed for reliability (Chronbach, 1952). The data was then subjected to 1. Chi-Square analysis to examine the statistical association between the variables 2. Pearson's correlation analysis to examine the degree and direction of association, 3. multiple regression analysis to examine the causal linkages between the variables using statistical package SPSS version 20.

Table 1.01: Sample Split by Gender

Gender	Number of Respondents	Percentage of Respondents	Cumulative Percentage
Male	133	68	68
Female	62	32	100
Total	195	100	

Source: Primary data

Interpretations: From **Figure 1.01**, it is clear that the majority of the respondents are male, more specifically, 68 per cent of the subjects were male and 32 per cent are female.

2. Sample Split by Age

Table 1.02: Sample Split by Age of Respondents

Age category (years)	Number of Respondents	Percentage of Respondents	Cumulative Percentage
22 – 32	55	28	28
33 – 42	66	34	62
43 – 52	51	26	88
Above 52	23	12	100
Total	195	100	

Source: Primary data

Interpretations: The **Table 1.02** depicts the sample split by age of the respondents, it is clear from the Table that 28 per cent of respondents are in the age group of 22-32 years, 34 per cent of respondents are in the age group of 33-42years, 26 per cent of respondents are in the age group of 43-52 years and 12 per cent of respondents are above 52 years of age.

3. Sample Split by Length of Service

Table 1.03: Sample Split by Length of Service

Length of Service (years)	Number of Respondents	Percentage of Respondents	Cumulative Percentage
0 – 3	47	24	24
4 – 6	45	23	47
7 – 8	43	22	69
9 – 12	35	18	87
Above 12	25	13	100
Total	195	100	

Interpretations: From the **Table 1.03** it is clear that about 24 per cent of respondents are having 0-3 years of service, 23 per cent of respondents are having 4-6 years of service, 22 per cent of respondents are having 7-8 years of experience, 18 per cent of respondents are having 9-12 years of experience and 13 per cent of respondents are having above 12 years of experience. Here the distribution is slightly skewed.

4. Measures of Reliability:

Table 1.04 Measures f Reliability of scales

Sl. No	Measure	No. of items	Cronbach's alpha
1	People Management Practices	25	0.834
2	Organizational effectiveness	10	0.821

5. Results of Hypothesis testing Via of Pearson's Chi-Square Analysis

The following section presents the results of Chi-square analysis

5.1 Results of Chi-Square analysis to examine the association between quality of Recruitment & Selection and Perceived organizational effectiveness

Null Hypothesis: Quality of Recruitment & Selection is not associated with perceived organizational effectiveness

Alternate Hypothesis: Quality of Recruitment & Selection is associated with perceived organizational effectiveness

Table 1.06: Chi-square Analysis to examine the association between quality of Recruitment & Selection and Perceived organizational effectiveness

Recruitment & Selection * Perceived Organizational Effectiveness	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	221.948	16	0.000
Likelihood Ratio	234.254	16	0.000
Linear-by-Linear Association	136.061	1	0.000
N of Valid Cases	195		

Source: Primary data

From **Table 1.06** it is clear that Pearson’s chi-square asymptotic sig. value ‘p’ (P=0.000) is less than 0.05 at 5 per cent level of significance rejecting the null hypothesis. Hence the alternate hypothesis is accepted, it can be concluded that quality of recruitment & selection is associated with perceived organizational effectiveness.

5.2 Results of Chi-Square analysis to examine the association between quality of Training & Development and Perceived organizational effectiveness

Null Hypothesis: Quality of Training and Development is not associated with perceived organizational effectiveness

Alternate Hypothesis: Quality of Training & Development is associated with perceived organizational effectiveness

Table 1.07: Chi-square Analysis to examine the association between quality of Training & Development and Perceived organizational effectiveness

Training & Development * Perceived Organizational Effectiveness	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	331.543	16	0.000
Likelihood Ratio	287.588	16	0.000
Linear-by-Linear Association	136.724	1	0.000
N of Valid Cases	195		

Source: Primary data

Interpretations: From **Table 1.07** it is clear that Pearson’s chi-square asymptotic sig. value ‘p’ (P=0.000) is less than 0.05 at 5 per cent level of significance rejecting the null hypothesis. Hence the alternate hypothesis is accepted, it can be concluded that quality of Training & development is associated with perceived organizational effectiveness.

5.3 Results of Chi-Square analysis to examine the association between quality of Performance Management and Perceived organizational effectiveness

Null Hypothesis: Quality of Performance Management is not associated with perceived organizational effectiveness

Alternate Hypothesis: Quality of Performance Management is associated with perceived organizational effectiveness

Table 1.08: Chi-square Analysis to examine the association between quality of Performance Management and Perceived Organizational Effectiveness

Performance Management * Perceived Organizational Effectiveness	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	317.109	16	0.000
Likelihood Ratio	242.895	16	0.000
Linear-by-Linear Association	96.698	1	0.000
N of Valid Cases	195		

Source: Primary data

From **Table 1.08** it is clear that Pearson’s chi-square asymptotic sig. value ‘p’ (P=0.000) is less than 0.05 at 5 per cent level of significance rejecting the null hypothesis. Hence the alternate hypothesis is accepted, it can be concluded that quality of performance management is associated with perceived organizational effectiveness.

5.4 Results of Chi-Square analysis to examine the association between quality of Rewards & Recognition and Perceived organizational effectiveness

Null Hypothesis: Quality of Rewards & Recognition is not associated with perceived organizational effectiveness

Alternate Hypothesis: Quality of Rewards & Recognition is associated with perceived organizational effectiveness

Table 1.09: Chi-square Analysis to examine the association between quality of Rewards & Recognition and Perceived organizational effectiveness

Rewards & Recognition * Perceived Organizational Effectiveness	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	225.256	16	0.000
Likelihood Ratio	229.256	16	0.000

Linear-by-Linear Association	115.778	1	0.000
N of Valid Cases	195		

Source: Primary data

From **Table 1.09** it is clear that Pearson’s chi-square asymptotic sig. value ‘p’ (P=0.000) is less than 0.05 at 5 per cent level of significance rejecting the null hypothesis. Hence the alternate hypothesis is accepted, it can be concluded that quality of Rewards & Recognition is associated with perceived organizational effectiveness.

5.5 Results of Chi-Square analysis to examine the association between quality of Employee wellness initiatives and Perceived organizational effectiveness

Null Hypothesis: Quality of Employee wellness initiatives is not associated with perceived organizational effectiveness

Alternate Hypothesis: Quality of Employee wellness initiatives is associated with perceived organizational effectiveness

Table 1.10: Chi-square Analysis to examine the association between quality of Employee Wellness initiatives and Perceived organizational effectiveness

Employee wellness initiatives * Perceived Organizational Effectiveness	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	375.333	16	0.000
Likelihood Ratio	290.450	16	0.000
Linear-by-Linear Association	140.196	1	0.000
N of Valid Cases	195		

Source: Primary data

From **Table 1.06** it is clear that Pearson’s chi-square asymptotic sig. value ‘p’ (P=0.000) is less than 0.05 at 5 per cent level of significance rejecting the null hypothesis. Hence the alternate hypothesis is accepted, it can be concluded that quality of Employee wellness initiatives is associated with perceived organizational effectiveness.

6. Summarized Results of Pearson’s Correlation Analysis to examine the degree and direction of association between variables under the study.

Table 1.11: Summarized Results of Correlation Analysis

S. No.	Variables considered for Correlation Analysis	Pearson’s Coefficient of Correlation Value (r)	Inference Drawn
1	Recruitment & Selection Vs Perceived Organizational Effectiveness.	0.867	Correlation is strong and positive
2	Training & Development Vs Perceived Organizational Effectiveness.	0.868	Correlation is strong and positive
3	Performance Management Vs Perceived Organizational Effectiveness.	0.877	Correlation is strong and positive
4	Rewards & Recognition Vs Perceived Organizational Effectiveness.	0.858	Correlation is strong and positive
5	Employee Wellness Initiatives Vs Perceived Organizational Effectiveness.	0.866	Correlation is strong and positive

Interpretation: There is a strong and positive correlation between quality of people management practices and perceived organizational effectiveness.

7. Results of Multiple regression Analysis to analyze the causal linkages between the variables

Table 1.12 Model Summary

Model	R	R Square	Adjusted R square	Std. error of the estimate
1	0.881	0.862	0.861	0.2139

Table1.13 ANOVA

Model	Sum of Squares	df	Mean square	F	Sig.
Regression	221.328	5	44.266	967.078	0.000
Residual	8.651	189	0.046		
Total	229.979	194			

Dependent variable: Organizational Effectiveness

Predictors: Recruitment & Selection, Training & Development, Performance Management, Rewards & Recognition, Employee wellness

Table 1.14: Summarized Results of Correlation Analysis

Model	Unstandardised Coefficients		Standardised Coefficients	t	Sig
	B	Std. Error	Beta		
Constant	0.622	0.052		11.889	0.000
Recruitment & Selection	0.116	0.068	0.125	1.703	0.090
Training & Development	0.126	0.070	0.144	1.803	0.073
Performance Management	0.060	0.066	0.071	0.912	0.363
Rewards & Recognition	0.385	0.074	0.450	5.108	0.000
Employee wellness initiatives	0.156	0.057	0.201	2.756	0.004

Dependent variable: Organizational Effectiveness.

Interpretations:

From (Table 1.13) it is clear that the F-statistic value for the regression analysis is 967.078 and the corresponding P- value is 0.000. This P – value being less than the critical value indicates that the regression model is a good fit.

Multiple regression analysis (see Table 1.14) between people management practices and perceived organizational effectiveness concludes that out of all people management practices the unstandardised B values for Rewards & Recognition and Employee wellness initiatives are 0.385 and 0.156 respectively, and their

corresponding p-values are 0.000 and 0.004 respectively. These values being less than the critical value (0.05) indicate that rewards & recognition and employee wellness initiatives are powerful predictors of organizational effectiveness.

Conclusion:

The results establish that the people management practices are associated with organizational effectiveness. There exists a strong and positive correlation between people management practices and perceived organizational effectiveness. Of all the people management practices considered for the study rewards & recognition and employee wellness initiatives are strong predictors of organizational effectiveness.

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