



## ENHANCING EMPLOYEE PERFORMANCE THROUGH HUMAN RESOURCE MANAGEMENT PRACTICES: A REVIEW OF LITERATURE

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### **Abstract:**

This paper focused on reviewing the findings of previous studies conducted by various researchers with the aim to analyze the impact of HRM practices such as recruitment and selection, career planning and development opportunities, training and developments, compensation, reward and recognition, Work-Life Balance and Participation in Decision Making, on Employee Performance. The study applied descriptive research design and only secondary sources have been used to collect the data from the research articles and found a positive relationship between HRM practices and employee performance. Therefore, the study concluded that HRM practices can be applied as a tool to enhance the performance of employees.

**Keywords:** human resource management practices, employee performance

### **1. Introduction**

HRM refers to the policies and practices involved in carrying out the human resource aspects of a management position including human resource planning, job analysis, recruitment, selection, orientation, compensation, performance appraisal, training and development, and labor relations. (Dessler, 2013) Human resource management (HRM) can be referred to the policies and practices involved in carrying out the 'human resource (HR) functions including human resource planning, job analysis, recruitment, selection, orientation, compensation, performance appraisal, training and development and labor relations (Aguinis, 2009). HRM also can be defined as a composed of the policies, practices and systems that influence employees' behavior, attitude and performance. The practices of HRM are defined as "*organizational activities directed at managing the pool of human resources and ensuring that the resources are employed towards the fulfillment of organizational goals*" (Tiwari & Saxena, 2012, p. 671). As stated by

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(Alshaikhly, 2017). According to Mohamed, (2014) Human resource practices are organizational tools that can be adopted to attract and retain the best talented employees in order to achieve organizational objectives. Mello, (2005) stated that Performance of any organization depends on the performance of its employees and the Successful organizations realized that there are number of factors that contribute to performance but human resource management practice is undoubtedly the most critical one. As cited by (Bowra et al., 2012). To attract, retain and add to shareholder value innovative, Human Resource Management practices are required to be implemented. In today's knowledge organizations where value is locked in the heads of the work force, best HR practices only can ensure continued success of business organizations (Shaukat et al., 2015).

## **2. The Purpose of the Study**

The main objective of this study is to analyze the impact of HRM practices on Employee Performance.

## **3. Literature Review**

This study focuses on reviewing the findings of previous studies conducted by various researchers with the aim to analyze the HRM practices in which organizations can adopt to enhance the performance of their employees. And here are some of them:

### **3.1 Recruitment and Selection**

Recruitment is the Process of seeking and attracting a pool of people from which qualified candidates for job vacancies can be chosen. While Selection is the process to choose the individual who can successfully perform the job from the pool of qualified candidates (Byars, 2004).

Both recruitment and selection can contribute the effectiveness of employees' performance if done appropriately. A study conducted by Al Qudah, et al., (2014) on The Effect of Human Resources Management Practices on Employee Performance revealed that there is a positive effect of recruitment and selection on employee performance in Malaysian Skills Institute (MSI) With correlation value of Recruitment & Selection ( $r = .946$ ;  $p < .05$ ). The study also depicted the multiple regression coefficients ( $\beta$ ) of the independent variable (Recruitment & Selection) to the employee performance, as dependent variable. The beta coefficient was discovered for recruitment and selection, where (Beta = .484). This indicated that (Beta = .484) Variables contributed to explain the dependent variable (employee performance). This means 48.4 % variation of employee performance is due to the practice of recruitment and selection process.

### **3.2 Career Planning and Development**

According to (Byars, 2004) Career planning can be defined as a process by which an individual formulates career goals and develops a plan for reaching those goals. While Career development is an on-going, formalized effort by an organization that focuses on developing and enriching the organization's human resources in light of both the employees' and the organization's needs. Employers can no longer promise job security, but they can help employees maintain the skills they need to remain viable in the job market (Moses, 1999).

According to Wright and Snell (1998), Career planning can be referred as a process of setting career goals and identifying the ways to attain them. Career planning is the process of planning individual's life work. Career planning is a tool used to motivate employees to work for the development of the organization. Research conducted by Hassan, (2016) checked the relationship between HRM practices such as Career Planning and Employee Performance and she found that there is a positive relationship ( $r = .796$ ). The results indicates the variable is statistically significant at ( $p < .05$ ). Charity, (2015) conducted research on the effect of training and career development on employee performance: a Case of KCB Branches in the North Rift Region, Kenya. The results indicated that training and career development had positive regression coefficient  $r=0.98$ . This means that when other factors have been kept constant and training and career development increases, employee performance likely increases by 98.5%. He also looked at coefficient of determination and revealed that trainings and career development contributes to 55.29% of employee performance while the rest contributed to 44.71%. The study therefore concluded that trainings and career development highly influence employee performance.

### **3.3 Training and Developments**

According to Armstrong (2006), Training can be defined as a systematic approach that enables employees to acquire knowledge and skills to accomplish their tasks effectively. Training also can be defined as a learning process that involves the acquisition of knowledge, concepts and skills to enhance the performance of employees (Byars, 2004). Hassan, (2016) conducted research to check the relationship between HRM practices such Compensation, Career Planning, Performance Appraisal, Training, Employee Involvement and Employee Performance and the result showed Training ( $r = .781$ ), which indicates that there is positive relationship between training practice and employee performance. The study also looked at the Coefficient of determination  $R^2$  Value (0.797) which means 79% variation of employee performance is due to the practice of HRM such Compensation, Career Planning, Performance Appraisal, Training, and Employee Involvement. Another study conducted by Mohamed, (2014) on the impact of human resource management (HRM) practices on employee performance (A case of Telekom Malaysia) indicated that there is a positive relationship between training and employee performance with  $r = 0.303$ . This means whenever employees are trained, their performance will increase 30.3%. The study also looked at

the beta coefficient in regression which was 0.282 positive, which indicates that training contributes 28.2% increase on employee performance. Based on the above researches that have been conducted by the researchers, training can be considered as a tool that can be used to enhance the performance of employees.

### **3.4 Compensation**

Compensation can be defined as all the extrinsic rewards that employees receive in exchange for their work: composed of the base wage or salary, any incentives or bonuses, and any benefits (Byars, 2004). Compensation is a process of providing monetary and non-monetary value to employees for the work they performed. Compensation can be used to hire skilled employees, reward the performance, and encourage company loyalty by reducing turnover. Compensation may include Basic Pay, Overtime, Bonuses, Travel/Accommodation Allowance, Stock Options, Medical Allowance, Commissions, and Profit Sharing (Hassan, 2016). Al Qudah, et al., (2014) examined the effect of HRM practices such as Recruitment & Selection and compensation towards employee performance in Malaysian Skills Institute (MSI) and found that there is a positive relationship between compensation and employee performance. ( $r = .951$ ;  $p < .05$ ) indicating that the relationship between the variables is significant. Also, the study showed multiple regression coefficients ( $\beta = 0.525$ ,  $p < .05$ ) indicating that Compensation variable made contribution to explain the dependent variable (employee performance). Singh, (2016) examined the impact of human resource management (HRM) practices on organizational performance. A total of 169 employees from Debre Brehan University comprising of both academicians and support staff responded to the survey. The study has found that human resource practices such as recruitment and selection, training and development, performance appraisal and compensation have a significant relationship with university performance. A research conducted by Shahzad et al., (2018) showed that Compensation Practices are correlated with the lecturers' performance in Pakistan universities (0.44),  $p < .01$  which is supported by (Teseema & Soeters, 2006) who found value (0.38),  $p < .01$ .

### **3.5 Performance Appraisal**

Performance appraisal is the process of determining and communicating to an employee how he or she is performing on the job and, ideally, establishing a plan of improvement. When properly conducted, performance appraisals not only let employees know how well they are performing but also influence their future level of effort and task direction (Byars, 2004).

Hassan, (2016) conducted research to check the relationship between HRM practices such Compensation, Career Planning, Performance Appraisal, Training, Employee Involvement and Employee Performance and the result showed Performance Appraisal ( $r = .790$ ), which indicates that there is positive relationship between Performance Appraisal and employee performance. The study also looked at the Coefficient of determination  $R^2$  Value (0.797) which means 79% variation of employee

performance is due to the practices of HRM such Compensation, Career Planning, Performance Appraisal, Training, and Employee Involvement. Study conducted by Mohamed, (2014) on the impact of human resource management (HRM) practices on employee performance (A case of Telekom Malaysia) indicated that there is a positive relationship between performance appraisal and employee performance with ( $r = 0.372$ ). This means whenever employees are appraised, their performance will increase (37.2%). The study also looked at the beta coefficient in regression which was (0.378) positive, which indicates that performance appraisal contributes (37.8%) increase on employee performance. Performance Appraisal has 37.8% influences on employee performance. The percentage of influence is moderate. This proves that performance appraisal has moderate influence on employee performance. Shaukat et al.,(2015) conducted research on the Impact of Human Resource Management Practices on Employees Performance to explore the contribution of Human Resource Management (HRM) practices including selection, training, career planning, compensation, performance appraisal, job description and employee participation on perceived employee performance And they found that HR Practices are having positive correlation with employee performance. Adjusted R square value was found to be (0.528). This means that (52.8%) of Change in dependent variable is explained by Independent variables of the study. Bowra et al.,(2012) conducted Survey of 235 banking personnel through personally administrated questionnaire to investigate the impact of HR practices on employee perceived performance and revealed that Performance evaluation has contribution in explaining the employee perceived performance (0.346) and significant at 1% level of significance. The result is in line with the previous research on banking sector of Pakistan (Baloch et al., 2010).

### **3.6 Reward and recognition**

According to Agarwal (1998), the term reward is defined as something that the organizations offer to the employees in response of the work as well as performance and something which is desired by the employees. Malhotra et al., (2007) defined rewards as 'all forms of financial return, tangible services and benefits an employee receives as part of an employment relationship. As cited by (Akafo et al., 2015). Rewards and recognition play an imperative role in motivating employees and improving performance (Lawler, 2003). Harrison, (2011) mentioned that Employees do not only want attractive pay and benefits, but also expect that their efforts are valued, appreciated and treated fairly. As cited by (Akafo et al., 2015). Murphy, (2015) looked at the effects of rewards on employee performance and found that rewards is an 'exceptional' motivator in terms of increasing performance. Baskar et al., (2015) conducted A Study on the Impact of Rewards and Recognition on Employee Motivation by adopting descriptive research design to collect data from 50 employees of Aloft Hotels in India and discovered that 46% of the respondents strongly agreed that employee performance increases after rewards and recognition.

### **3.7 Work Life Balance**

Work-life balance is the term used to describe the balance that an individual needs between the times allocated for work and other aspects of life. Areas of life other than work-life can be, but not limited to personal interests, family and social or leisure activities. Mendis and Weerakkody (2017) conducted research on the Impact of Work Life Balance on Employee Performance with Reference to Telecommunication Industry in Sri Lanka, and found Pearson correlation between the two variables (.543) that show that there is a positive relationship between work life balance and employee performance. The study also looked at the level of WLB gives a measure of EP and found that (28.8 %) of EP is accounted for by WLB. Therefore, there is a statistical evidence to prove that work life balance and employee performance are positively related. Another study conducted by Aslam, (2015) on the Influence of Work Life Balance on Employees Performance in education sector of Pakistan by collecting data from of 150 respondents from eight universities of Islamabad and Rawalpindi revealed the work life balance has significant positive effect on employee performance and also presented that (95.8%) change in employee performance is due to work life balance.

### **3.8 Employees' Participation in Decision-Making**

Noah, (2008) defined participation as a special form of delegation in which the subordinates gain greater control, freedom of choice with respect to bridging the communication gap between the management and workers. Saludin et al., (2014) looked at the impact of employee participation perception on productivity, teamwork and organizational commitment by collecting data through questionnaires from 132 Multinational Companies (MNC) in Malaysia and they revealed there is a positive significant relationship between employee participation practices and improved productivity ( $r=0.46$ ;  $p<0.05$ ), Which means employee participation leads to improved productivity. Abdullai et al., (2014) examined the relationship between participation in decision making and employee productivity among staff in Naara Rural Bank and Builsa Community Bank in the upper east region of Ghana. Findings from their study indicated that when employees participate in decision making, decision implementation becomes easy, also increases employees' moral since they feel recognized and as part of the team in the organization and contributes employees' productivity positively.

## **4. Methodology**

This study applied descriptive research design and only secondary sources have been used to collect the data from the research articles on the various research journals.

## **5. Conclusion**

This study reviewed various studies that have been conducted in the area of Impact of Human Resource Management Practices such as recruitment and selection, career

planning and development opportunities, training and developments, compensation, reward and recognition, Work-Life balance and Participation in Decision Making on employee performance and found a positive relationship between HRM Practices and employee performance. Therefore, the study concluded that HRM practices can enhance the employee's level of performance.

## 6. Recommendations

It is clear from the literature review that Human Resource Management (HRM) practices such as recruitment and selection, career planning and development opportunities, training and developments, compensation, reward and recognition, Work-Life balance and Participation in Decision Making have a significant role in increasing the employees' performance. Therefore, organizations should:

- Offer variety of rewards and recognition programs to initiate behavior that promotes high performance.
- Conduct performance appraisal to evaluate the performance of employees in the organization.
- Provide Career development opportunities to help employees maintain the skills they need to remain viable in the job market.
- Provide adequate environment for employee participation to improve productivity.
- Offer a comprehensive compensation system that contributes a lot to attract and retain the competitive human resources and can also shape the behaviors and performance of employees.

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