Establishing HR practices-employee performance relationship through literature survey

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ABSTRACT

The success of any organization hinges on human resource of such organization. Human resource has the skills, knowledge and competencies required for the execution of organizational strategy and planning. Human resource is a crucial to the enhancement of sustainable competitive advantages and enhanced firm performance. Substantial numbers of HRM research have indicated positive effect of HR practices on employee performance. Yet, some other studies indicate the otherwise. Thus, the findings of the extant research are seemingly inconclusive. To address this issue, this paper, via an across-the-board literature survey, establish that HR practices involving recruitment and selection, training and development, compensation, performance appraisal, and succession planning impact employee performance. It can be discerned that the research findings that deny or cast doubt on the HRM-Performance nexus could not hold water, given the fact that there have been an overwhelming bulk of empirical studies that establish the link between HRM and performance. Hence, this research further proposes the five HR practices to be the determinant of employee performance. However, the proposed model can be empirically solidified further via collection and analysis of relevant data.

Keywords:
Employee performance, HR practices, Recruitment and selection, Training and development, Compensation, Performance appraisal, Succession planning

1. Introduction

Crucial to the future of any organization is its employees. Employees are instrumental to the accomplishment of organizational objective [1] Equally, organizational success is contingent upon employees given their possession of the required skills, knowledge and competencies needed for the execution of organizational strategy and planning [2-4]. Considerable research has emphasized the significance of improving employee performance [5] because it results in competitive advantage [6].

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Thus, it becomes imperative for organizations to create strategies that would enhance the performance of their workers.

Moreover, human resource constitutes a part of many resources that enhance sustainable competitive advantages for the organizations, and consequently enhance organizational performance [2, 7-11]. While substantial numbers of research e.g. [11-14] have established the link between human resource practices and enhanced employee performance, some studies claimed the otherwise e.g. [15-17]. Thus, conducting this kind of research is imperative to solidify the existing body of knowledge in the research field. Therefore, this paper focuses on reviewing literatures on human resources practices, involving recruitment and selection, training and development, compensation, performance appraisal, and succession planning, and employee performance.

2. Literature review

Employee performance constitutes employee’s monetary or non-monetary outcome which is absolutely connected with performance and success [18]. According to McConnell [19], employee performance is the achievement and contribution of an individual in practical and quantifiable term. Moreover, employee performance is a complex concept that can be affected by many variables [20]. These variables can range from age, gender, employee recognition to job satisfaction, performance appraisal techniques, and task types [21-23]. Sarmiento, et al. [23] argued that job performance is often the result of at least two aspects: the abilities and skills (natural or acquired) that an employee possesses, and his/her motivation to use them in order to perform a job better.

Employees are esteemed resource of the organization and success or failure of the organization relies on the performance of employees [24]. In every sector, the accomplishments of any organization tremendously rely on its employees [24]. While employee performance is one of the crucial measures emphasized by the top management, employees are more concerned about their own productivity and are increasingly aware of the accelerated obsolescence of knowledge and skills in their turbulent environment [25]. Many scholars have tried to come up with the best way to explain employee performance and some even have considered in explaining employee performance [26]. To stress on this, [27] asserts that majority of the researcher on performance are of the view that employee performance is multidimensional [28] e.g. scholars like [29] divided the concept of performance into two: output oriented performance and behavior employee performance.

HRM is a districted approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, using an array of cultural, structural and personnel technique [30]. The purpose of HRM is to ensure that the employees of an organization are used in such a way that the employer obtains the greatest possible benefit from their abilities and the employees obtain both material and psychological rewards from their work [31].

HRM is a strategic approach to managing employment relations which emphasizes that leveraging people’s capabilities is critical to achieving competitive advantage, this being achieve through a distinctive set of integrated employment policies, programs and practices [32]. From this definition, it can be said that HRM is a combination of people oriented management practices that views employees as assets not costs and its main aim is to create and maintain a skillful and committed workforce to gain competitive advantage. [33] Identifies two key roles of HR function to include:

• Ensuring that management deals effectively with everything concerning the employment and development of people, as well as employment relationships between management and the workforce.
• Creating a conducive environment that enables people to make the best use of their capacities and to realize their potential to the benefit of both the organization and themselves.

2. Establishing the relationships between the selected HR practices and employee performance via literature survey

In the first place, starting from [34] the first systematic empirical studies of HRM-Performance nexus, the bulk of HRM studies are of two different perspectives [35,36] a stream of HRM research solidly affirm the impacts of HRM on performance while the other stream cast doubt on the nexus or even deny the nexus. Researchers such as [37-39] cast doubt or deny the HRM-performance nexus. For example, Guest, Michie, Conway and Sheehan [38] opined that stricter tests adopted to examine the HRM-Performance nexus indicate little or no association between HRM and performance. [37] added that it is impulsive to assume that HRM will certainly lead to good performance.

The findings that deny or cast doubt on the HRM-Performance nexus may not be accepted, given the fact that there have been an overwhelming bulk of empirical studies that establish the link between HRM and performance [2,7-11] etc. Comb, Liu, Hall and Ketchen [40] carried out a meta-analysis of the HRM – organizational performance relationship drawing on 92 studies conducted between 1990 and 2005. They found that HR practices do influence performance.

More importantly, [41] carried out another meta-analytic study which analyzed 193 peer-reviewed articles that covered numerous countries and cultures across the globe. The reviewed articles have been published since 1992 through 2013. The findings of these studies affirm the relationship between HR practices and performance as the former impacts the latter. All these have established that HRM-Performance nexus and thus debunk the claim that little or no relationship exist between HRM and performance.

Moreover, an HRM research perspective posits that HRM-performance nexus is direct [42]. It was from this approach that three major approaches emerged: universalistic, contingency and configuration approaches. The universal, or “best practices” perspective is the simplest form of a theoretical model in HRM literature, and their researchers are micro analytical in nature. This perspective involves a direct relationship between HRM practices and performance [43] whereby some HRM practices are postulated as always superior to others and these best practices should be adopted by all organizations [44].

The contingency perspective, on the other hand, posits that the impact of HRM practices on firm performance is conditioned by an organization’s strategic policy. Researchers in the contingency approach argue that HRM practices that applied by any organization must be coherent with other aspects of the organization so as to be effective. They have tried to explain the interaction between various HRM practices and specific organization strategies as they relate to organizational performance [43] In contrast to “best practice” and contingency approach, the configurationally perspective is interested on how the pattern of multiple HRM practices is related to organizational performance. Wright and McMahan [45] argued that there is the pattern of intended human resource deployments and activities that can facilitate organization in achieving their goals. In order to be effective, an organization must build up its HRM system that reaches both horizontal and vertical fit. Horizontal fit refers to the internal consistency of the organization’s HRM practices, and vertical fit refers to the congruence of the HRM system with other organizational characteristics such as a firm strategy.

Consequently, in order to explain the process of examining HRM practices that are related to organizational performance, researchers can comply with either one of the approaches or a combination of the three different approaches. This study adopts the universalistic perspective for
the reasons that the universalistic perspective is suggested as the primary approach since most of HR studies have centered on a holistic or universal view of HRM practices and organizational performance, highlighting set of practices used by all firm employees and the uniformity of these practices across firms. Also, this perspective enables researchers to study the contribution of each HRM practice on organizational performance relative.

Recruitment is the process of producing a group of competent people to apply for employment to an organization [46] Recruitment and election also refers to any practice or activity engaged in by organization with the primary aim of recognising and enticing prospective employees [47]. It is an essential function of an organization because it binds together manager and worker. Recruitment incorporates all the activities that managers engage in developing qualified candidates for suitable positions [48]. Furthermore, there are so many empirical studies conducted on the relationship between recruitment and selection and employee performance, such as [49-53]. All the findings of these studies have significant positive relationship between recruitment and selection and employee performance. To be specific, Babagana [46] studied the impact of recruitment, selection and compensation on employee performance and found a positive relationship between recruitment, selection and compensation and employee’s performance.

In the same vein, it has become an empirical fact that recruitment and selection is an essential organizational practice that can induce high productivity and greater success [54]. Also, according to [55,56], recruitment and selection can augment the degree of workers’ commitment, and, as posited by [57], it enhances human capital development which would consequently result in higher overall performance. Moreover, researchers posit that through recruitment and selection organizations can effectively in the commitment of their employees and indirectly checkmate employee behaviours [58]. More so, some empirical studies have been conducted to link employee performance with recruitment and selection. The studies include [47, 48]. For example, Saleem and Khurshid [47] conducted their research regarding the influence of HR practices (i.e. recruitment and selection, training and development) on organization commitment and compensation and employee performance in three banks of Lahore, Pakistan from 92 branches, the result of correlation analysis show the existence of strong positive correlation among all the study’s variables which include recruitment and selection, training and development, performance appraisal, compensation, and employee performance.

Training represents the prearranged and organized alteration of behaviour via learning events, programmes and instruction which facilitate individual worker to attain certain levels of knowledge, skill and compliance required for the effective job performance[59]. Equally, development involves the augmentation of worker’s KSAs (i.e. knowledge, skills and abilities) [60] The result of the empirical studies conducted by [61-66] demonstrated that there is a significant relationship between training and development, and employee performance. In the research conducted by Ismail et al. [67] training and development is considered one of the core measures of HRM and which should be included while measuring HRM in order to achieve positive organizational outcomes. Moreover, Falola, Osibanjo and Ojo [61] examined the effectiveness of training and development in enhancing employee performance. The study distributed 250 questionnaires out of which 223 representing 89.2% were duly completed correctly and returned. The descriptive statistics indicated that training and development (both on-the-job and off-the-job) are related with employee performance.

Additionally, there is a pattern in the connection between training and development and employee performance; the connection begins from employee training and development to employee performance, and to organizational effectiveness. Employees do learn and re-learn to improved their existing knowledge and skills tremendously which invariably help them enhance their effectiveness at work [68]. Development as a coaching strategy employ by organization to ensure
that employees are integrated and saddled with some responsibilities to enable them achieve their personal and organizational objectives and in doing so, effective employee performance is guaranteed.

While compensation according to John [69] compensation simply refers to HRM practice that deals with all type of rewards that employee receive in an exchange for what they have performed towards achieving organizational objectives. On compensation-performance nexus, it has become an empirical fact that relationship between compensation and employee performance exists, and the studies that establish this include [70]. In the study of [71] which is on the relationship between compensation and employee performance, a sample of 92 employees and frequency distribution table, simple percentage and chi-square are the statistical instrument used in the analysis of data. The study revealed that compensation (salary, bonus, incentives) influence employee performance.

Moreover, Compensation has been considered a fundamental issue of concern on employees and a powerful utility for them to improve their performances. Pay is the most popular way of motivating employee to perform and ensures effective performance. Compensation, as a HRM practice, involves all type of rewards that employees receive in an exchange for what they have performed towards achieving organizational objectives [72]. Different kind of compensation packages such as salary, bonus and incentives are designed for varying level of employees, based on employees’ educational background, experience and based on the kinds of trainings that have been passed through by the employees [73].

Performance appraisal is a vital tool to measure the frameworks set by any organization to its employees. It is utilized to track individual contribution and performance against organizational goals and to identify individual strengths and opportunities for future improvements and assessed whether organizational goals are achieved or serves as basis for the company’s future planning and development Daoanis, [74] Regarding performance appraisal, many empirical studies have established a positive relationship between performance appraisal and employee performance in organization, the studies include [75-80]. For example, Mir and Ahmed [75] investigated the influence of performance appraisal on employee performance in the banking sector. Questionnaire was used in the collection of data from 150 bank employees selected from various banks in Islamabad. The correlation analysis shows strong significant positive relationship between performance appraisal and employee performance. Also, the regression revealed that performance appraisal explained 58% variance in employee performance.

As posited by Grote et al. [81] above other management process, performance appraisals have more impacts on worker’s careers and employee’s work-based lifestyle. In addition, through performance appraisal, employees’ motivation can be enhanced, and business can be made more effective. Appraising workers at regular intervals can reveal to the management the areas of strengths of the workers, and the areas of weaknesses that require improvement, and how well workers have followed the set firm’s goals. In addition, an important means for the evaluation of the standards set by the firms for its workers constitutes what performance appraisal is. It is employed to trace workers’ inputs in relation to the organizational goals. Through performance appraisal, individual employee’s strengths and opportunities are recognized for the future improvements, and the level of organizational goals attainment is assessed in order to guide the company’s future planning and development [80].

On the last of the selected HR practice which is succession planning, Charles, et al. [82] observed that succession planning refers to a means through which the potential candidates among the workers are recognized for the crucial positions in an organization. Such workers can be selected for the positions after specifically targeted development happens. In succession planning scheme, workers with good performance are recognized, and steady method is taken to enable assembling,
analysing, and retaining information about potential leaders and planning for their further development. Here are some empirical studies that show the significance of succession planning in an organization, these include [83-87] Based on the observation made by [41] there is dearth of research on the effect of succession planning. This implies that despite that succession planning is a vital HR practice that has its crucial role in the achievement of organizational success, little is known about its influence on employee performance.

The current business environment which is characterised with global competition and business cut-offs determines the context within which succession planning can thrive. In doing so, a very dynamic orientation is necessary. The orientation should be done by the management of the succession planning exercise, and it should be constant, and the processes should be integrated [88]. The concept of succession planning is a positive approach to guarantee continuity in an organization by identifying how vacant positions that were created due to planned and un planned departures of employees will be filled [89,90]. This implies that succession planning is both a dynamic and systematic leadership and talent development strategy embarked upon to be able to accomplish future organizational operational needs and goals. Simply put, succession planning is the life event of an organization. Consequent upon this, succession planning has been proven to be an antidote to disruption of organizational policies due to the effects of resignation and loss of talent in organization [91]. Given the exposition put up above, this research proposes thus:

1) Recruitment and selection positively influence employee’s Performance
2) Training and development positively influence employee performance
3) Compensation positively influence employee performance
4) Performance Appraisal positively influence employee performance
5) Succession Planning positively influence on employee performance

3. Research framework

Based on the review of relevant literature, it is proposed that there is enough evidence to show the linkage between HR practices and employee performance, especially given the five reviewed sets of HR practices. This is illustrated in the Figure 1 which depicts the proposed framework where HR practices are independent variables and employee performance is dependent variable. HR practices are measured through recruitment and selection, training and development, compensation, performance appraisal, and succession planning. While employee performance could be measured by task and contextual performance.

The proposed research framework is well supported by the Ability-Motivation-Opportunity (AMO) model, AMO model posits that performance of the firm can be speed up through three factors
which are ability, motivation and opportunity. The first factor can be achieved through recruiting and selecting quality personnel. Jiang, Lepak, Hu, and Baer [92] emphasizes that ability of the firm’s human capital can be enhanced through all-inclusive compensation, performance appraisal, and sound succession planning. AMO theory is commonly adopted at individual level. Thus, this theory ground the proposed relationships among the variables of this paper.

4. Discussion and conclusion

In the previous section, the nexus between the HR practices and employee performance has been established via literature survey. Thus, the findings that deny or cast doubt on the HRM-Performance nexus may not hold water, given the fact that there have been an overwhelming bulk of empirical studies that establish the link between HRM and performance e.g. [7-11]. Comb, Liu, Hall and Ketchen [40] carried out a meta-analysis of the HRM – organizational performance relationship drawing on 92 studies conducted between 1990 and 2005. They found that HR practices do influence performance.

Also, in [41] study, the findings of the analyzed studies affirm the relationship between HR practices and performance as the former impacts the latter. All these have established that HRM-Performance nexus and thus debunk the claim that little or no relationship exist between HRM and performance.

This paper surveyed the research on the relationship between HR practices, involving recruitment & selection, training & development, compensation, performance appraisal and succession planning, and employee performance. The overall deduced fact from the literature is that HR practices have impact on employees’ performance. However, since this paper focuses purely on the conceptual perspective of the relationship between recruitment & selection, training & development, compensation, performance appraisal and succession planning and employee performance, it can be suggested to the future research to empirically test to what extent and how HR practices (e.g. recruitment & selection, training & development, compensation, performance appraisal and succession planning) are related to employee performance.

Reference


