

UNLEASHING POTENTIAL: EXPLORING THE LINK BETWEEN HRM PRACTICES, EMPLOYEE PERFORMANCE, AND ORGANIZATIONAL EFFECTIVENESS

¹POOJA R, ²V.K. ARTHI

¹STUDENT, ²ASSISTANT PROFESSOR
DEPARTMENT OF MANAGEMENT STUDIES
SRI RAMAKRISHNA ENGINEERING COLLEGE
COIMBATORE.

Abstract- This article explores the intricate relationship between HRM practices, employee performance, and organizational effectiveness, aiming to provide valuable insights for practitioners and scholars alike. The research, involving 97 employees from diverse roles, unveils the impact of confidentially identified HRM practices on organizational effectiveness, maintaining a broad focus on general principles. The survey report delves into implemented HRM practices, emphasizing their influence on employee performance and organizational effectiveness, offering actionable recommendations for HR professionals. Additionally, the article evaluates the untapped potential of employee performance in enhancing organizational effectiveness, identifying avenues for improvement. These insights deepen our understanding of the evolving organizational landscape. In conclusion, the article not only analyzes current HRM practices but also provides a forward-looking perspective, offering recommendations to optimize HRM programs and harness employee performance, setting the stage for future discussions on organizational effectiveness dynamics.

Keywords: EXPLORING THE LINK BETWEEN HRM PRACTICES, EMPLOYEE PERFORMANCE, AND ORGANIZATIONAL EFFECTIVENESS.

I INTRODUCTION

Effective human resource management (HRM) practices play a crucial role in influencing employee performance, subsequently impacting organizational effectiveness. Practices like job rotation, involving the periodic shifting of staff within the company, contribute to skill development, motivation, and job satisfaction. Training and development opportunities enable employees to enhance their knowledge, skills, and productivity, fostering motivation and loyalty. Fair compensation is pivotal, influencing motivation, engagement, and organizational performance, while perceived inequity may lead to decreased performance and motivation. Career planning, involving employees in professional growth opportunities, enhances motivation and retention of top talent. Performance appraisal, when conducted effectively and fairly, provides feedback, clarifies expectations, and identifies high performers, contributing to organizational effectiveness. In conclusion, this content covers the critical impact of HRM practices such as job rotation, training, compensation, career planning, and performance appraisal on employee performance, thereby influencing overall organizational effectiveness.

II OBJECTIVES OF THE STUDY

The chosen topic aims to address the pressing need for organizations to unlock the full potential of their workforce and achieve sustainable success. While the influence of HRM practices on employee performance and organizational effectiveness is widely acknowledged, there exists a gap in our understanding that necessitates a comprehensive exploration of this critical link and its underlying mechanisms.

The following may be some of the specific goals of this article:

- ❖ To elucidate the intricate relationship between HRM practices, employee performance, and organizational effectiveness.
- ❖ To provide a comprehensive overview of key HRM practices such as job rotation, training and development, compensation, career planning, and performance appraisal, and their individual impacts on employee performance.
- ❖ To offer insights into the challenges faced by organizations in implementing effective HRM practices and suggest potential solutions.

- ❖ To examine the impact of fair and competitive compensation on employee motivation, engagement, and overall organizational performance.
- ❖ To highlight the importance of effective performance appraisal processes in fostering employee understanding, improvement, and organizational effectiveness.
- ❖ To provide actionable recommendations for organizations to optimize their HRM strategies and unleash the full potential of their workforce.
- ❖ To foster a deeper understanding of the critical linkages between HRM practices, employee performance, and organizational effectiveness for scholars, practitioners, and organizational leaders.

III RESEARCH METHODOLOGY

RESEARCH DESIGN

The research design employed in this survey report is Descriptive Research Design. It focuses on describing the characteristics of a phenomenon without manipulating variables. The primary aim is to provide an accurate representation of the surveyed population.

SOURCES OF DATA

The study relies on primary data collected through a questionnaire. This approach ensures that information is directly obtained from the target group, allowing for a focused analysis of specific factors.

SAMPLE DESIGN

A convenience sample design was utilized, a non-probability sampling technique. Participants were chosen based on their availability and willingness to participate, a practical choice when resources and time constraints limit the feasibility of drawing a random sample.

TOOLS USED

Smart PLS 4

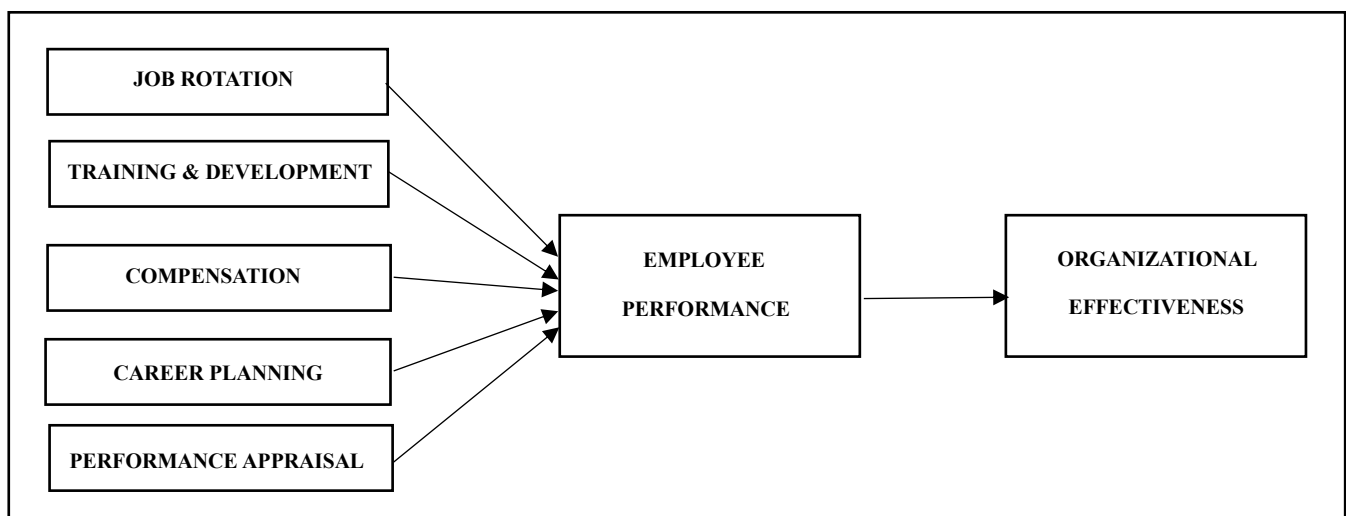
Statistical analysis was conducted using Smart PLS 4, a robust software for Partial Least Squares (PLS) Structural Equation Modeling (SEM). This software aids in exploring complex relationships between latent and observed variables. Smart PLS 4 offers features such as advanced model estimation, evaluation, and comparison, catering to both novice and experienced researchers.

SURVEY DETAILS

The survey gathered responses from 97 participants, focusing on demographic information (e.g., age, gender, years of experience) and their perceived impact on employee performance and organizational effectiveness. The questionnaire utilized a 5-point Likert scale, ranging from "strongly agree" to "strongly disagree," to gauge respondents' agreement with statements.

SURVEY DESIGN

The survey aimed for brevity, designed to be completed in 15 minutes or less, ensuring participant engagement and efficient data collection. The questions were carefully crafted to capture relevant information on factors influencing employee performance.



IV DATA ANALYSIS AND INTERPRETATION RESEARCH METHODOLOGY

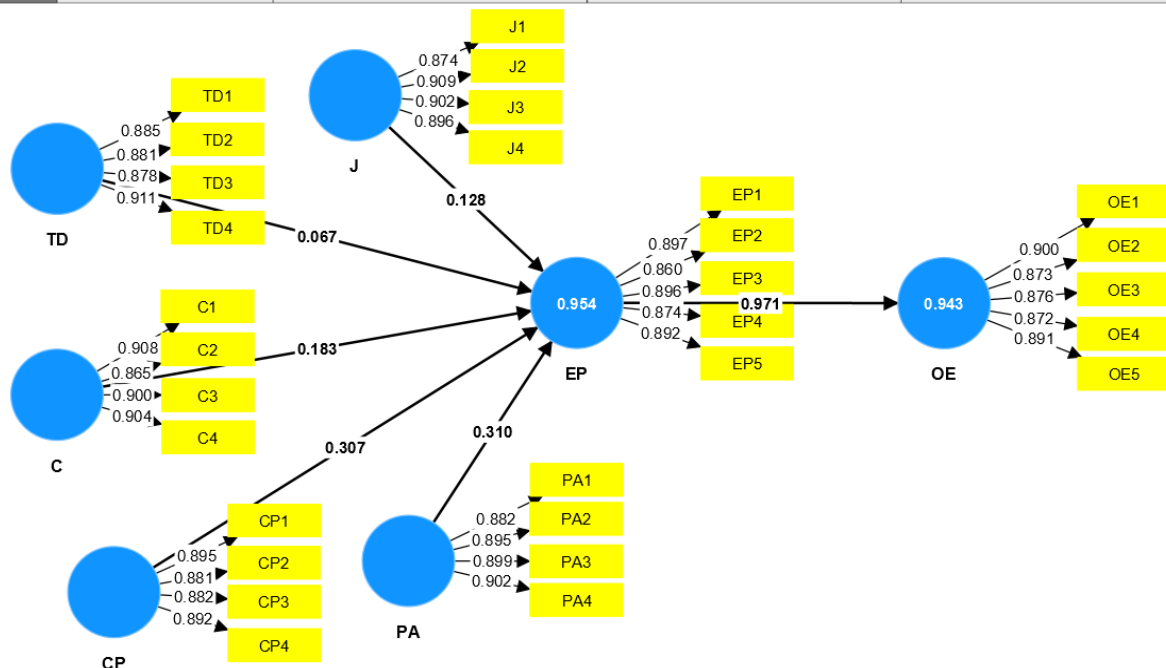
The data analysis for this study was conducted using Smart-PLS to examine the influence of the factors that impact employee performance and organizational effectiveness, as well as the constructs of the research framework. The measurement model assessed the reliability and validity of the constructs, as well as their discriminant validity.

MEASUREMENT MODEL

The first section of the analysis considers the measurement model to investigate the reliability and validity of constructs by utilizing Smart-PLS. The PLS algorithm was used to determine the construct validity and reliability. The table below presents the Cronbach Alpha, composite reliability, and average variance extracted (AVE) to examine construct reliability and validity. It has been established that the values for Cronbach alpha, composite reliability, and average variance extracted (AVE) must remain higher than 0.70, 0.70, and 0.50 respectively, according to (Hair et al., 2014). The figure below presents the measurement model assessment model generated in PLS through an algorithm method for assessing the reliability and validity of the constructs.

The table demonstrates construct reliability and validity based on Cronbach alpha, composite reliability, and average variance extracted (AVE), the table presents that Cronbach alpha for Job Rotation (J), Training and Development (TD), Compensation (C), Career Planning (CP), Performance Appraisal (PA), Employee Performance (EP), and Organizational Effectiveness (OE) observed to be 0.916, 0.910, 0.930, 0.917, 0.929, 0.917, and 0.911 respectively. Therefore, it satisfies the condition for acceptable Cronbach alpha. The values for composite reliability were observed to be 0.917, 0.910, 0.930, 0.918, 0.929, 0.917, and 0.912 respectively, and satisfy the condition of acceptable composite reliability. The average variance extracted (AVE) was found to be 0.800, 0.788, 0.782, 0.801, 0.778, 0.800, and 0.790 which satisfy the condition for acceptable AVE as it was established to be higher than 0.50. The results depicted that all constructs of the study were found to be reliable and valid based on statistical values.

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
C	0.916	0.917	0.941	0.800
CP	0.910	0.910	0.937	0.788
EP	0.930	0.930	0.947	0.782
J	0.917	0.918	0.942	0.801
OE	0.929	0.929	0.946	0.778
PA	0.917	0.917	0.941	0.800
TD	0.911	0.912	0.938	0.790



The above figure demonstrates the measurement model of the framework generated through the PLS algorithm to examine Cronbach's alpha, composite reliability, and average variance extracted. However, the figure also presents the factor loading of items of each construct. The factor loading of each construct was found to be above the cut-off point

of 0.40, thus retaining all the items. The variables of the framework are measured on the basis of items; job rotation is measured on the basis of four items (J1, J2, J3 and J4), training and development is measured based on four items (TD1, TD2, TD3 and TD4), compensation is measured using four items (C1, C2, C3 and C4), career planning is measured using four items (CP1, CP2, CP3 and CP4), performance appraisal is measured using four items (PA1, PA2, PA3 and PA4), employee performance is measured using five items (EP1, EP2, EP3, EP4 and EP5), and organizational effectiveness is measured using five items (OE1, OE2, OE3, OE4 and OE5).

DISCRIMINANT VALIDITY

This section of the study determines the convergent validity of constructs based on collected data through the PLS algorithm in the measurement model. The convergent validity determines the correlation between same and alternative constructs, the previous section of the analysis showed reliability and validity of that present internal consistency. The discriminant validity is the square root of AVE that must be higher than the correlation between constructs. It has been established statistically in previous studies that the square root of average variance must be more significant than its correlation with other constructs of AVE and should exceed inter-construct correlations (Fornell & Larcker, 1981). The table presents the discriminant validity:

	C	CP	EP	J	OE	PA	TD
C	0.984						
CP	0.947	0.978					
EP	0.955	0.963	0.984				
J	0.952	0.957	0.955	0.975			
OE	0.958	0.967	0.971	0.954	0.982		
PA	0.952	0.958	0.963	0.953	0.968	0.975	
TD	0.953	0.938	0.939	0.943	0.952	0.933	0.989

The table demonstrates discriminant validity, and it is clear from the table that the correlation among the same variables was found to be higher than the correlation with other variables of the same proposed framework.

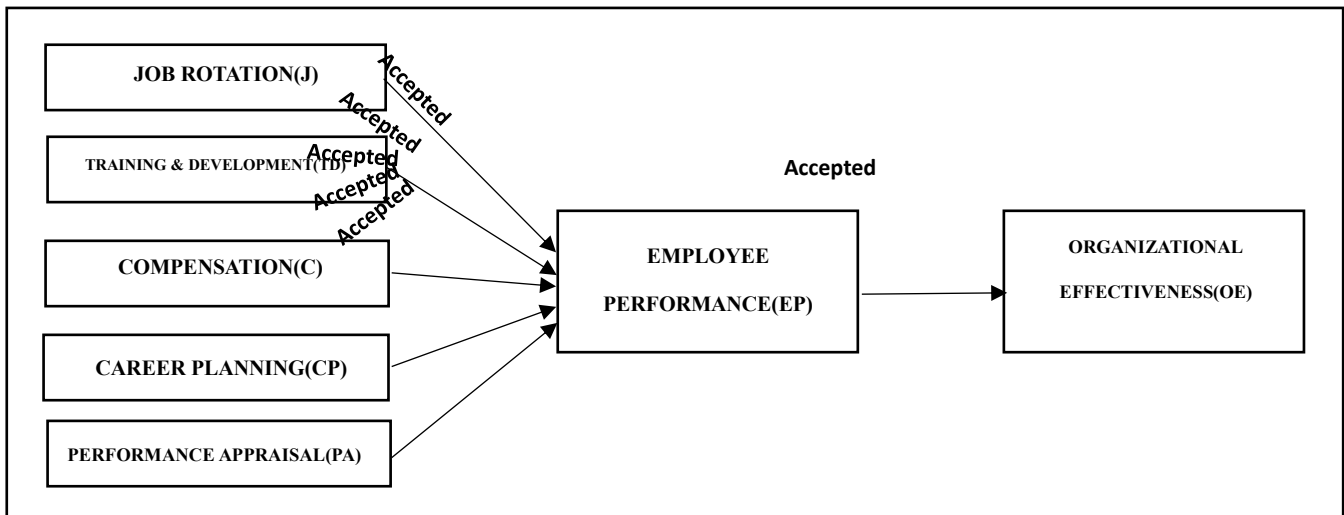
RECOMMENDATIONS

1. Job Rotation:
 - ❖ Encourage more transparent communication about the frequency and benefits of job rotation.
 - ❖ Implement initiatives to increase employee motivation for participation in job rotation.
2. Training & Development:
 - ❖ Continue investing in training and development programs.
 - ❖ Ensure a balance between employees receiving adequate training and the company's perceived investment.
3. Compensation:
 - ❖ Periodically review compensation structures to ensure competitiveness.
 - ❖ Communicate the company's commitment to fair and competitive compensation packages.
4. Career Planning:
 - ❖ Facilitate more frequent career planning discussions between employees and managers.
 - ❖ Emphasize the role of career planning in goal setting and personal development.
5. Performance Appraisal:
 - ❖ Conduct regular training for managers on fair and objective performance appraisal practices.
 - ❖ Highlight the positive impacts of appraisals on employee development and goal achievement.
6. General HRM Practices
 - ❖ Strengthen existing HRM practices that have a positive impact on employee performance.
 - ❖ Monitor and adjust practices based on employee feedback and evolving organizational needs.
7. Organizational Effectiveness:
 - ❖ Continue providing resources to enhance job performance.
 - ❖ Consider expanding recognition and rewards programs to further motivate employees.

These recommendations aim to build on the positive aspects identified in the survey, addressing areas of improvement to enhance overall employee performance and organizational effectiveness.

V CONCLUSION

This study delved into the intricate dynamics of Job Rotation (J), Training and Development (TD), Compensation (C), Career Planning (CP), and Performance Appraisal (PA) and their influence on Employee Performance (EP), further examining the impact of EP on Organizational Effectiveness (OE). Employing a Partial Least Squares Structural Equation Modeling (PLS-SEM) approach, the study unveiled compelling insights into the interplay of these factors. The measurement model findings underscored the robustness of the constructs, with significant reliability and validity observed. These foundational considerations paved the way for a comprehensive analysis of the PLS-SEM findings, shedding light on the relationships between key elements in the organizational context.



The study's main findings, detailed in the accompanying table, unequivocally demonstrate the acceptance of all hypotheses. Job Rotation, Training and Development, Compensation, Career Planning, and Performance Appraisal collectively exhibited a significant and positive impact on Employee Performance within the entire sample under consideration. This highlights the critical role that Human Resource Management (HRM) Practices play in shaping and enhancing employee performance.

Moreover, the study established a noteworthy positive impact of Employee Performance on Organizational Effectiveness. This alignment between individual employee performance and overall organizational effectiveness underscores the interconnectedness of these facets within a thriving workplace environment.

Intriguingly, the mediation analysis revealed a positively significant impact of Employee Performance as a mediator between Organizational Effectiveness. This finding, validated at the 5 percent level, suggests that the positive influence of HRM Practices cascades through employee performance, subsequently contributing to enhanced organizational effectiveness.

Hypotheses	Relationship	Results
H1	J → EP	Accepted
H2	TD → EP	Accepted
H3	C → EP	Accepted
H4	CP → EP	Accepted
H5	PA → EP	Accepted
H6	HRM → EP	Accepted
H7	EP → OE	Accepted

In conclusion, the comprehensive exploration of these HRM Practices and their repercussions on employee performance and organizational effectiveness provides invaluable insights for practitioners, policymakers, and scholars. The acceptance of all research hypotheses accentuates the critical nature of these HRM Practices in fostering a conducive work environment and ensuring organizational success. The findings of this study contribute significantly to the existing body of knowledge in the field, offering a nuanced understanding of the intricate dynamics that govern the employee-organization relationship.

REFERENCES:

1. Aguinis, H. (2009). An expanded view of performance management. *Performance Management: Putting Research into Action*.
2. Ahmad, D. I., Danish, D. R. Q., Ali, S. A., Ali, H. F., & Humayon, D. A. A. (2018). A Comparative Study of Banking Industry Based on Appraisal System, Rewards and Employee Performance. *SEISENSE Journal of Management*, 2(1), 1–11.
3. Akhter, M. M., Siddique, M. N.-E. A., & Alam, M. A. (2013). HRM Practices and its Impact on Employee Performance: A Study on the Cement Industry in Bangladesh. *Global Disclosure of Economics and Business*, 2(2), 192–199.
4. Amin, A., Saeed, R., Lodhi, R. N., Mizna, Simra, Iqbal, A., & Rida-e-Tehreem. (2013). The impact of employees training on the job performance in education sector of Pakistan. *Middle East Journal of Scientific Research*, 17(9), 1273–1278.
5. Appelbaum, E., Bailey, T., Berg, P., Kalleberg, A. L., & Bailey, T. A. (2000). *Manufacturing advantage: Why high-performance work systems pay off*. Cornell University Press.
6. Baloch, Q. B., Ali, N., Kiani, T. S., Ahsan, A., & Mufty, A. (2010). Relationship between HR Practices and Perceived Employees' Performance of Bankers in NWFP, Pakistan (An Empirical Evidence). *European Journal of Social Sciences*, 18(2), 210–214.
7. Barroso, C., Carrión, G. C., & Roldán, J. L. (2010). Applying maximum likelihood and PLS on different sample sizes: studies on SERVQUAL model and employee behavior model. In *Handbook of Partial Least Squares* (pp. 427–447). Berlin: Springer.
8. Bowra, Z. A. (2012). Impact of human resource practices on employee perceived performance in banking sector of Pakistan. *African Journal of Business Management*, 6(1), 323–332.
9. Boxall, P., & Purcell, J. (2003). *Strategy and human resource management*. New York: Palgrave Macmillan.
10. Casad, S. (2012). Implications of job rotation literature for performance improvement practitioners. *Performance Improvement Quarterly*, 25(2), 27–41.
11. Falola, H. O., Osibanjo, A. O., & Ojo, I. S. (2014). Effectiveness of Training and Development on Employees' Performance and Organization Competitiveness in the Nigerian Banking Industry. *Bulletin of the Transilvania University of Brasov*, 7(1), 161–170.
12. Khalid, M. M., Abdul Rehman, C., & Ilyas, M. (2014). HRM Practices and Employee Performance in Public Sector Organizations in Pakistan: An Empirical study. *International Journal of Management Sciences and Business Research*, 3(2), 69–77.
13. Shahid Mahmood (2021) The Effect of Human Resource Management Practices on Employee Performance School of Business Management, College of Business, Universiti Utara Malaysia, Sintok, Malaysia.
14. <https://www.ibef.org/industry/engineering-india>
15. <https://www.ibef.org/industry/textiles>
16. <https://www.fibre2fashion.com/industry-article/9524/textile-machinery-production-in-india>
17. <https://www.profsharemarketresearch.com/textile-machinery-market-report/>
18. <https://www.mordorintelligence.com/industry-reports/global-textile-machinery-market>