

## A STUDY OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON THE ORGANIZATIONAL PERFORMANCE: HOSIERY SECTOR IN INDIA

ALI SANEESCOYI<sup>1</sup> & ANAND G JUMLE<sup>2</sup>

<sup>1</sup>Department of Management, Savitribai Phule, Pune University, Maharashtra, India

<sup>2</sup>Department of Commerce, SNDT Arts and Commerce College for Women, SNDT Women's University,  
Maharashtra, India

### ABSTRACT

Using from AMO theory with the help of resource-based view and contingency the aim of this research is to seek out the Study of SHRM on organizational performance in the Indian context with reference to hosiery sectors. The results show the relationship between HRM policies like, ability, motivation, the opportunity of employee preformation and organizational performance is partially mediated through HRM outcomes. And it is influenced by business strategies.

**KEYWORDS:** Hosiery Sector, Organizational Performance, Strategic Human Resource Management(SHRM)

### INTRODUCTION

Nowadays in a rapidly changing competitive environment, human resources are the source of competitive advantage. The relationship between the strategic HRM and additionally the firm's performance could be a disadvantage that has caused important differentiations within the literature largely as a result of the existence of the many parameters that may influence the results made through the examination of this problem in practice. The present research focuses on the strategic human resource management on the organizational performance with reference to multinational companies in hosiery sector in India. The research done is novel in nature as no such studies of SHRM and organizational performance is conducted with respect to hosiery sector in India context.

The organizations need to manage their HR effectively and efficiently to attain the goal and objectives of their organization. In this research, we investigate the HRM – OP relationship in MNC companies in hosiery sector in the Indian context. The research is based on a sample of 23 MNC in hosiery sectors using statistical tools to measure the impact of different business strategies on HRM practice of organization with the help of contingency perspectives. As the studies shows contribution of HRM in improving the OP and overall success of any organization ( with other factors) is being highlighted in most literature therefore in relation to the last debate, three perspectives emerge from the existing literature which are as follows;

- Universalistic; additionally known as best of HR practices that imply that business strategy and HRM policies are independent in determining OP.
- Contingency; emphasizes the match between business strategy and HRM policies, this means that business strategies are followed by HRM policies in emphasizing Organizational Performance.

- Configurationally; implies that business strategies and HRM policies act according to organizational context in determining OP.

We used Paauwe and Richardson (1997), model which argues that HRM outcome mediates the relationships between HRM activities and firm performance. Also with the help of Katou and Budhwar (2007) models which recognize that HRM outcomes connect HRM policies to business performance. Taking the above consideration we propose our model which is blending from contingency perspective, resource base view (for any organization resource and capability should be the basis for strategic decision) and AMO (ability, motivation, and opportunity) theory into an overall theory of HRM.

## RESEARCH QUESTION

This research was undertaken to explore to answer the following research questions;

- To find out is there any impact of strategic human resource management on organizational performance.
- To find if there is any mediating effect between SHRM policies and Organizational performance.

## OBJECTIVES

The main reason of study is to find out the impact of strategic human resource practices on organizational performance. In order to fulfill these aspects the following objectives were considered:

- To study the impact of Business Strategies on HRM Policies.
- To study the impact of HRM Policies on HRM Outcome.
- To study the impact of HRM Outcome on Organizational Performance.
- To study if HRM Outcome mediates relationships between HRM Policies and Organizational Performance.

## BACKGROUND TO THE STUDY

Human resource management can be said to be the strategic and coherent approach to the management of an organization's most valued assets – the people working there who individually and collectively contribute to the achievement of the objectives of the business. The terms “human resource management” and “human resources” have largely replaced the term “personnel management” as a description of the processes involved in managing people in organizations. Human resource alignment as strategic human resource management is called (U.S. Office of Personnel Management; Office of Since the success of an organization is hinged on the achievement of set goals and objectives with the instrumentality of manpower, it then means that organizations should pay more attention to Strategic Human Resource Management.

The era of strategic HRM has ushered in nearly twenty years ago and since then, a behavioral perspective has emerged because of the predominant paradigm for research. This review is taken with reference to SHRM works conducted in numerous countries apart from India.

Sherafati et al. (2014) the results indicated that Human Resource Strategy leads to human resource effectiveness because of enriching organizational performance. Ayanda and Danlami Sani (2011) Results showed that strategic HRM was moderately practiced by the company's, Innovative recruitment and selection system, training and development of personnel, compensation system, and performance appraisal and employee participation are the strategic HR practices that effect organizational performance. Absar et al (2010) the results showed that showed that HR policies have an important association with organizational performance. Out of HR practices, only performance appraisal is found to have a significant impact on organizational performance.

## HYPOTHESIS

- **H1:** Business Strategies have a positive influence on HRM Policies in determining organizational performance.
- **H2:** There is a significant relationship between HRM Policies and HRM Outcomes.
- **H3:** There is a relationship between HRM Outcomes and organizational performance.
- **H4:** There is a significant relationship between HRM Policies and organizational performance.
- **H5:** HRM Outcomes mediate the relationship between HRM Policies and Organizational performance.

## RESEARCH FRAMEWORK (FIGURE1)

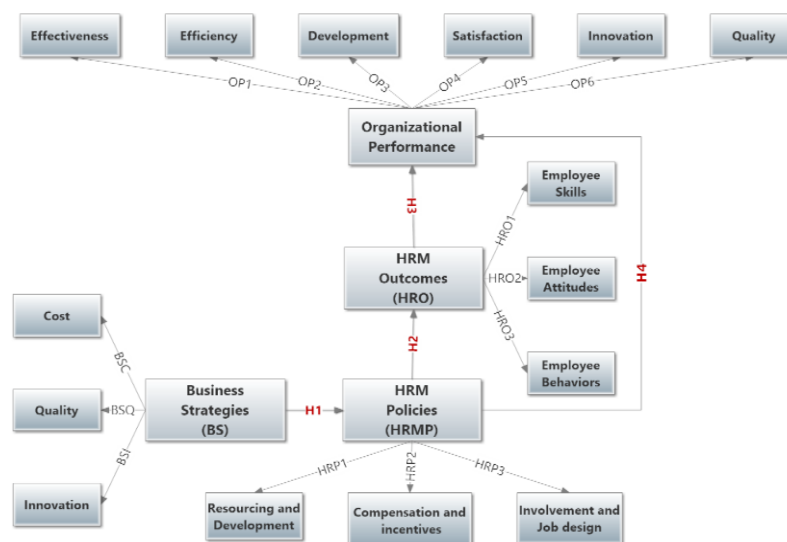


Figure 1: The Operational SHRM-Performance Linkage Model

## RESEARCH METHODOLOGY

### Sample Size

Probability sampling –simple random sampling (without replacement) is used for withdrawing 50% firms (23 MNC companies) from sampling frame (n=45 MNC firms which registered in BSE and NSE). 50% of the population was chosen considering all challenges associated with MNC hosiery manufacturing companies. Out of the 45 firms, data were collected 23companies and hence 23 was the final sample size (n=23).

## DATA SOURCE AND INSTRUMENT

We used primary and secondary data. A questionnaire was used to collect primary data from 23 selected companies. A large questionnaire was developed with some modification from earlier studies kauto and budhwar (2009), to measure the HR practices and organizational performance of MNC in hosiery sectors in India. The structured questionnaire was sent to HR managers are the most important person to provide necessary data.

## VARIABLES

- **Business strategies** = Cost, Quality, and Innovation.
- **HRM policies** = Resourcing and Development, Compensation and Incentives Involvement and Job design.
- **Organizational performance** = Effectiveness, efficiency, development, satisfaction, innovation and quality.
- **HRM outcomes** = Employee skills, Employee attitudes Employee behaviors.

## RELIABILITY AND VALIDITY

### RELIABILITY

The study uses Cronbach's alpha to measure the internal reliability of the variables in the questionnaire. Cronbach's alpha values ( $\alpha$ ) as shown in the table1 are significant (more than 0.7) for variables used in this study.

**Table 1: Reliability Value of Test**

Variables / Constructs	No. of items	Cronbach Alpha ( $\alpha$ )
1.HRM Policies	18	0.843
2.HRM Outcomes	8	0.962
3.Business Strategies	3	0.846
4.Organizational Performance	6	0.953

### VALIDITY

The questionnaire is constructed carefully and validated by showing it to expert related to HR to evaluate the content of the item and to ensure that they are measuring the underline construct five experts were approached. These experts were asked to comment on the definition of construct and indicators; they were also requested to tell the extent to which the item of construct captured the essence of the construct using a 3-point scale (1. Fail to capture construct, 2. Capture the construct to some extent, 3. Based on the table (2) all constructs have a mean score above 2 hence validity is supported.

**Table2: Face Validity Mean Score**

Construct	Mean Response
Business strategies	2.45
HRM Policies	2.68
HRM Outcomes	2.74
Organizational performance	2.84

## DATA ANALYSIS AND FINDING

- **Hypothesis 1:** Business Strategies have a positive influence on HRM Policies.
- **H0:** Business Strategies have no positive influence on HRM Policies.
- **H1:** Business Strategies have a positive influence on HRM Policies.

**Table 3: Canonical Correlations Test for Hypothesis 1**

	Correlation	Eigenvalue	Wilks Statistic	F	Num D.F	Denom D.F.	Sig.
1	.707	1.000	.363	12.730	9.000	221.621	.000
2	.522	.376	.725	8.011	4.000	184.000	.000
3	.047	.002	.998	.210	1.000	93.000	.648

H0 for Wilks test is that the correlations in the current and following rows are zero

Level of significance  $\alpha = 0.05$

Since it can be seen from the above table (3), P value (0.000) is less than the level of significance therefore null hypothesis is rejected. Hence we conclude that Business strategies have a positive influence on HRM policies (H1 is accepted).

- **Hypothesis 2:** There is a significant relationship between HRM Policies and HRM Outcomes.
- **H0:** there is no significant relationship between HRM Policies and HRM Outcomes.
- **H1:** there is a significant relationship between HRM Policies and HRM Outcomes.

**Table 4: Canonical Correlations Test for Hypothesis 2**

	Correlation	Eigenvalue	Wilks Statistic	F	Num D.F	Denom D.F.	Sig.
1	.613	.601	.510	7.855	9.000	221.621	.000
2	.421	.215	.816	4.912	4.000	184.000	.001
3	.089	.008	.992	.745	1.000	93.000	.390

H0 for Wilks test is that the correlations in the current and following rows are zero

Level of significance  $\alpha = 0.05$

Since it can be seen from the above table (4) P value (0.000) is less than the level of significance, therefore, the null hypothesis is rejected. Hence we concluded that there is a significant relationship between HRM Policies and HRM Outcomes (H2 is accepted).

- **Hypothesis 3:** There is a relationship between HRM Outcomes and organizational performance.
- **H0:** there is no relationship between HRM Outcomes and organizational performance.
- **H1:** there is a relationship between HRM Outcomes and organizational performance.

**Table 5: Canonical Correlations Test for Hypothesis 3**

	Correlation	Eigenvalue	Wilks Statistic	F	Num D.F	Denom D.F.	Sig.
1	.939	7.396	.073	3.404	18.000	40.083	.001
2	.522	.374	.609	.844	10.000	30.000	.592
3	.404	.195	.837	.782	4.000	16.000	.553

H0 for Wilks test is that the correlations in the current and following rows are zero

Level of significance  $\alpha = 0.05$ ,

Since it can be seen from the above table (5) P value (0.001) is less than the level of significance, therefore, the null hypothesis is rejected. Hence it is concluded that there is a significant relationship between HRM Outcomes and Organizational Performance (H3 is accepted).

- **Hypothesis 4:** There is a significant relationship between HRM Policies and Organizational Performance.
- **H0:** There is no relationship between HRM Policies and Organizational Performance.
- **H1:** There is a significant relationship between HRM Policies and Organizational Performance.

**Table 6: Canonical Correlations Test for Hypothesis 4**

	Correlation	Eigenvalue	Wilks Statistic	F	Num D.F	Denom D.F.	Sig.
1	.964	13.185	.026	5.868	18.000	40.083	.000
2	.774	1.497	.368	1.942	10.000	30.000	.078
3	.283	.087	.920	.348	4.000	16.000	.842

H0 for Wilks test is that the correlations in the current and following rows are zero  
Level of significance  $\alpha = 0.05$

Since it can be seen from the above table (5) P value (0.000) is less than the level of significance therefore null hypothesis is rejected. Hence it is concluded that there is a significant relationship between HRM Policies to organizational performance.

**Hypothesis 5: HRM Outcomes mediate the relationship between HRM Policies and Organizational performance.**

**H0: mediation effect is zero**

**H1: mediation effect is not zero**

**Table 7: Result of Regression Test for H5**

	R2	F	p	t	b	p	Result
HRMP-OP	0.987	1.831	0.000	13.5	0.30	0.000	significant
HRMP- HRMO-OP	0.297	127.46	0.000	HRMP=2.63 HRMO=2.87	HRMP=0.15 HRMO=0.17	HRMP=0.016 HRMO=0.009	significant

From the above Table (7), it can be seen that HRM Policies have a significant effect on Organizational performance ( $b=0.30$ ,  $P=0.000$ ). However, when HRM Outcomes is entered in the model, the predictive ability of HRM Policies has been reduced from  $b=0.30$  to 0.15 and the test is significant. Hence there is partial mediation between the HRM Policies and Organizational Performance there for Null Hypothesis is rejected.

## CONCLUSIONS

The present research examines the mediating mechanism which is called the “black box” in the research of SHRM and OP relationships. The result of this research supports that HRM policies have a strong positive effect on the Organizational Performance. The linkage between HRMP and OP is mediating through HRM outcomes of the employee skills, attitudes, and behaviors and is qualified by business strategies (contingency perspective). The study treats the “black box” as a mediator stage in the SHRM-Performance relationship, which HRMP as an input and Organizational Performance as an Output and HRMO as a mediating stage. HRM outcome of employee skill, employee attitudes, and employee behaviors mediate the three HRM policies.

This study has some implications of study which are as follow:

- Considering that Business Strategies and HRM Policies are not independent, therefore organizations must develop their HRM activities with respect to the Business strategies they have conducted in their organization.
- Organizational Performance highly depends on HRM Outcomes such as (Skills, Attitudes, and Behaviors) therefore the development of HRM Policies and Business Strategies can impact in improving the HRM Outcomes.

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