

THE IMPACT OF HUMAN RESOURCES MANAGEMENT SYSTEM EFFECTIVENESS ON PERFORMANCE

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Abstract: A significant problem that concerns organizations from the business environment is the increasingly stronger competition on a global market and the success of the overall business strategy of a company that is more closely related to the effectiveness of human resources strategies. The world becomes more interconnected, therefore some practices and trends in human resources converge. However, HR managers need a high degree of sensitivity and ability to adapt and communicate policies in an effective and empathetic way. More and more experts pay special attention to the study of management, regarding not only the material conditions of work, the principles of resource management but focusing especially on human resources in terms of behaviors and attitudes of individuals, group dynamics and the direct relationship between managers and subordinates, with the purpose of scientific understanding of individuals and teams at work and how the structures, systems and organizational processes influence organizational performance. In this sense, this study aims to present a series of conclusions obtained after the completion of an extensive research, which has the overall objective of studying the impact of human resource management and performance management on organizational performance in a multinational company from IT&C industry from Romania. Therefore, the results presented in this article are intended to illustrate the impact of human resource management effectiveness, namely the effectiveness of human resource practices on individual and team performance in the analyzed company. The research is based on data and information obtained through questionnaires, interviews, and documents published by the analyzed company. For the analysis and the conclusions of the article, we have used quantitative methods of data analysis, therefore the method used to collect data was the survey based on questionnaire by which we measured respondents' perception on how human resource practices, ensures the effectiveness of human resource management in the company analyzed, and how it affects organizational performance. The statistic population analyzed is represented by the employees of a multinational company in the IT&C industry in Romania. The research was based on a representative sample consisting of 135 employees.

Keywords: Human resources management; performance; human resource practices; HRM effectiveness; HR.

JEL Classification: M12; M14; M15.

1. Introduction

Management is undergoing a revolution that requires managers to obtain better results under certain pressuring conditions, regarding resources and the market that are increasingly apparent. To secure the competitive advantages, one needs better trained employees and more loyal to accept the change, to see it rather a necessity, instead of stability no matter the cost. Leaders require a proper strategy to identify personal and organizational values and the very important role, employees together with managers at all hierarchical levels must undertake in order to strengthen the company's values for employing their potential at maximum.

According to Armstrong (2009), practices of human resource management (HRM) handles all aspects of how people are recruited, selected and the way their work is effectively and efficiently managed within organizations. It covers activities such as the strategy of human resource management, corporate social responsibility, knowledge management, organizational development, performance management, attracting and retaining talented people, learning and development, welfare, health and safety for employees and also providing services for these (Armstrong, 2009: 4).

HRM practices has a strong conceptual basis, drawn from behavioural sciences and human capital theory, which has a strong strategic orientation and industrial relations.

Organizational performance, has a very important role in management research, since it defines the utmost success or failure of an organization. Although the actual term *organizational performance* is common in literature, defining it is difficult because of its many meanings, therefore, there is no universally accepted definition of this concept.

Performance management, as practiced today, incorporates processes such as management by objectives and performance evaluation, but the general approach is significantly different (Armstrong, 2009: 9).

The role of human resources for continuously improving performance to ensure competitive advantage has drawn the attention of many researchers (Den Hartog & Verburg, 2004).

2. Literature review

According to resource-based view of the firm (Barney, 1995), companies can have a competitive advantage only if it creates a *value* that is rare and difficult to imitate by competitors.

Besides these sources of traditional competitive advantage and organizational culture and strategies/procedures implemented in the organization (Den Hartog & Verburg, 2004), the organization's ability to manage human resources effectively in terms of market volatility, was considered by many researchers an important source of competitive advantage.

Underlining the importance of human resource skills, Youndt et al. (1996:839) stated that many researchers have noticed that people are the essential source of a sustainable competitive advantage, while the traditional sources on the market, financial capital and large-scale economies have been affected by globalization and other economic changes.

The impact on the performance of human resource management has become the dominant issue in management research. There have been a number of studies showing a positive association between human resource management (HRM) and performance, encouraging those who held a distinct approach to human resources management.

Studies on strategic management of human resources provides both theoretical and empirical contributions on effective HR practices to enhance organizational performance (Carroll et al., 2011).

Wright and McMahan (1992:298) define strategic management of human resources as a pattern of applications and human resources planned activities, of which purpose is to enable an organization to achieve its goals. Under this definition, the key variables in research on strategic management of human resources should be human resource practices, human capital, organizational behaviors, and linking them to performance and business strategy of the organization (Carroll et al., 2011). Performance management is a systematic process for improving organizational performance by developing individual and team performance. It is a means to achieve better results by understanding the framework of agreed objectives, planned standards and competence requirements (Armstrong, 2009:9). Performance management is much more than evaluating employees, it should be seen as a continuous activity which integrates the practices of human resource management and leadership, thereby contributing to culture change, when necessary. Only in this way, performance management helps to achieve horizontal integration and "joint" HR practices so that they are interrelated and, therefore, to strengthen and complement each other.

Studies on strategic human resource management (Huselid et al., 1997) examined the impact that the implementation of consistent human resources policies and practices has on organizational performance and showed positive effects of these practices on performance.

Other researches in this area have shown the effect of human resource practices on the performance of organizations in several countries such as China (Björkman & Xiucheng, 2002), Korea (Bae & Lawler, 2000) and New Zealand (Guthrie, 2001), providing empirical support for the importance of human resource management.

3. Research Methodology

This study aims to present a series of conclusions obtained after the completion of an extensive research, which has the overall objective of studying the impact of human resource management and performance management on organizational performance in a multinational company from IT&C industry in Romania.

The research is based on data and information obtained through questionnaires, interviews, and documents published by the company under analysis. For the conclusions in this article, we have used quantitative methods of data analysis, therefore the method used to collect data was the survey based on questionnaire by which we measured respondents' perception on how human resource practices, ensures the effectiveness of human resource management in the company analyzed, and how it affects organizational performance.

The statistic population analyzed is represented by the employees of a multinational company in the IT&C industry in Romania. The research was based on a representative sample consisting of 150 employees. Out of 150 questionnaires

distributed, 142 were received filled in, of which 135 have been validated, which is a valid response rate of 95.07%.

The questionnaire used in the research is a set of items that measure the perception of respondents on issues, practices and factors considered important to assess the effectiveness of human resource management and how they influence organizational performance of the analyzed company. The items were measured on a Likert-type scale from 1 to 5 (1 - total disagreement, 5 - total agreement). Therefore, the results presented in this article are intended to illustrate the impact of the effectiveness of human resource management (HRM) and the effectiveness of human resource practices on individual and team performance in the analyzed company.

In order to determine the impact of human resource management effectiveness on performance we establish an analytical model that includes first, items and aggregated variables that relate to human resource practices within the company and their evaluation.

The construct comprised four aggregated variables that sums up the items/primary variables that covers the main areas of activity in the field of human resources, as following:

- Human resources strategies and policies (HRSP).
- Employee involvement (INVOLV).
- Employee motivation (MOTIV).
- Performance management practices (PM).

To determine the impact of human resource management effectiveness and the effectiveness of human resource practices on individual and team performance of the analyzed company, we created two performance indicators, namely:

- Employee satisfaction (SATIS).
- Employee performance (EP).

To achieve the aim of the present study, we tested the following statistics hypothesis:

- *H1*: There are significant and positive relationships between HR strategies and policies, employee involvement, employee motivation and performance management practices.
- *H2*: There are positive and significant relationship between employee satisfaction and employee performance.
- *H3*: HR strategies and policies, employee involvement, employee motivation and performance management practices have a significant impact on employee satisfaction.
- *H4*: HR strategies and policies, employee involvement, employee motivation and performance management practices have a significant impact on employee performance.

Referring to the instrument used for data analysis, we mention that STATA statistical software version 13.0, was used for processing of data.

4. Analysis and interpretation of results

Analysis of the factors that determine the effectiveness of human resource management (HRM), was based on the 4 dimensions / statistical variables.

The variable HR strategies and policies coded HRSP, is the first dimension which analyses the effectiveness of human resource management and investigates

respondents' perception regarding HR strategies and policies that are experienced within the company and consists of 19 representative items. Adding the items that compose this scale, we obtained HRSP variable that records an average of 4.08 (table 1) which is a good average, indicating a positive perception of respondents regarding the human resources practices and policies that are run within the company.

Table 1: Descriptive statistics: variable HRSP

Variable	Obs	Mean	Std. Dev.	Min	Max
HRSP	135	4.081092	.5386905	2.578947	5

Source: Own research

Employees' involvement variable coded INVOLV is the second dimension which analyses the effectiveness of human resource management and investigates respondents' perception regarding the involvement of employees in the company and consists of 22 representative items. Adding the items that compose this scale, we obtained the INVOLV variable registering an average of 4.12 (table 2) which is a good average, indicating a positive perception of the respondents regarding the involvement of employees in the company.

Table 2: Descriptive statistics: variable INVOLV

Variable	Obs	Mean	Std. Dev.	Min	Max
INVOLV	135	4.120539	.4716692	3	5

Source: Own research

Employee motivation variable coded MOTIV, the third dimension that analyses the effectiveness of human resource management and measuring perceptions of respondents about current practices in the company aimed to create and maintain a high level of motivation among employees, consists of 18 representative items. Adding the items that compose this scale, we obtained the MOTIV variable which recorded an average of 4.10 (table 3), which is a good average, indicating a positive perception of respondents to existing practices within the company aiming to create and maintain a high level of motivation among employees.

Table 3: Descriptive statistics: variable MOTIV

Variable	Obs	Mean	Std. Dev.	Min	Max
MOTIV	135	4.102881	.4951636	2.833333	5

Source: Own research

Table 4: Descriptive statistics: variable PM

Variable	Obs	Mean	Std. Dev.	Min	Max
PM	135	4.083778	.4546129	3.03	5

Source: Own research

Regarding performance management practices variable encoded PM, was aimed to investigate respondents' perception on existing practices in the company on performance management. The variable is composed of 34 items and records an average of 4.08 (table 4), which is a good average, indicating a positive perception of the respondents to the existing performance management practices within the company.

We still have to check if there are connections between the studied variables. Thus, in Table 5 it can be seen that there are very strong connections between all studied variables ($r > 0.8$). It can be seen that the strongest relationship is recorded between

the variable HR strategies and policies and variable employee motivation ($r = 0.8954$), which means that if you improve the HR strategies and policies, employee motivation tends to improve significantly, result that applies to other statistical connections as well.

Table 5: Correlations

	HRSP	INVOLV	MOTIV	PM
HRSP	1.0000			
INVOLV	0.8511	1.0000		
MOTIV	0.8954	0.8602	1.0000	
PM	0.8657	0.8294	0.8424	1.0000

Source: Own research

To determine the impact of the human resource management effectiveness and the effectiveness of human resource practices on individual and team performance of the analyzed company, we built on the aggregated variables discussed above, two performance indicators (table 6) expressed by statistical variables: (1) *employee satisfaction* coded SATIS, including specific items relating to issues such as engagement, motivation, employee development and (2) *employee performance*, encoded EP, including specific items relating to issues such as policies and strategies, involvement, motivation, employee development and performance management practices.

Table 6: Descriptive statistics: variable SATIS and EP

Variable	Obs	Mean	Std. Dev.	Min	Max
SATIS	135	4.052251	.4906893	2.989899	4.981482
EP	135	4.075225	.4650186	2.907212	4.992424

Source: Own research

To analyze whether the two variables are related statistically speaking, we proceeded to making a correlational analysis, thus we identified that between employee satisfaction and employee performance there is a particularly strong connection ($r = 0.9509$), which means that if the employees' satisfaction improves their performance will significantly improve also.

We intend to study to what extent human resources strategies and policies, involvement and employee motivation and performance management practices influence *employee satisfaction*. For this purpose, we constructed a series of econometric models to study the impact of these variables on the SATIS variable. We presented in Table 7 a centralization of key information generated by these econometric models.

Table 7: The impact of HRSP, INVOLV, MOTIV and PM on SATIS

Variables	N	F	Prob > F	R ²	Coef.	P> t
HRSP - SATIS	135	727.31	0.0000	0.8203	.8249816	0.000
INVOLV - SATIS	135	1336.69	0.0000	0.9164	.9959098	0.000
MOTIV - SATIS	135	890.99	0.0000	0.8571	.9174136	0.000
PM - SATIS	135	546.94	0.0000	0.7551	.9379418	0.000

Source: Own research

We note that all four models are statistically relevant ($P < 0.05$) and all four variables analyzed have a strong impact on SATIS variable. The biggest impact it has variable INVOLV whose variation explains 91.64% of the SATIS variation, respectively, it has a measured impact of 0.9959. This result describes an extremely powerful impact of employee involvement on employee satisfaction.

Furthermore, we examined to which extent human resources strategies and policies, involvement and employee motivation and performance management practices have a significant impact on *employee performance*. As in the previous example, a series of econometric models was developed in order to analyze the impact of these variables on *employee performance*. In Table 8 it can be seen that the models are statistically relevant ($P < 0.05$) and all four analyzed variables have a strong impact on the variable EP.

Table 8: The impact of HRSP, INVOLV, MOTIV and PM on EP

Variables	N	F	Prob > F	R ²	Coef.	P> t
HRSP - EP	135	1781.45	0.0000	0.9057	.8215416	0.000
INVOLV - EP	135	439.41	0.0000	0.8180	.8916922	0.000
MOTIV - EP	135	964.52	0.0000	0.8378	.8595992	0.000
PM - EP	135	2720.61	0.0000	0.9385	.9909399	0.000

Source: Own research

The biggest impact on EP variable has the PM variable, which explains the variation of EP in the amount of 93.85%, respectively, it has a measured impact of 0.9909, which is an extremely powerful. The results in Table 8 show that human resources management practices and performance management practices have a significant impact on perceived performance, measured using non-financial indicators, such as in this case, *employee satisfaction* and *employee performance*. Even if we take into account the financial indicators of organizational performance, we must emphasize that the effectiveness of human resource practices and performance management ensures customer orientation, or market orientation – an important condition for obtaining financial performance.

5. In conclusion

This study aims to present a series of conclusions obtained after the completion of an extensive research, which has the overall objective of studying the impact of human resource management and performance management on organizational performance in a multinational company in the IT&C industry in Romania.

In order to achieve the objective in the present study, we tested four statistics hypotheses regarding the scale, and after analysis performed we noted that all four hypotheses are confirmed thus further formulates a series of proposals and recommendations.

To enhance the effectiveness of human resource management and performance management practices, we believe that we must pay more attention to employee involvement by providing flexibility of work, effective communication between managers and subordinates and developing employees' potential by providing adequate trainings.

Also, in order to strengthen the effectiveness of the incentive system, the company must pay attention to the application of correct principles of remuneration and selection of employees.

Ensuring continuous, constructive and honest feedback regarding individual and team performance and contribution to the organization's objectives.
A balance between competition and collaboration within work teams.
Use of non-financial indicators with the financial indicators in measuring organizational performance.
Awareness among employees of their responsibilities that they should report in the following order: customer/market, company and team to which they belong.

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