



DOES HUMAN RESOURCE MANAGEMENT INFLUENCE ORGANISATIONAL OUTCOMES?



Joshua Ho and Goh Wan Ting, Strategic HR

BACKGROUND

Although management often attributes the success of their organisations to capable staff, they hesitate to invest in them for fear of not realising sufficient return on investment. Strategic Human Resource Management Theory proposes that an organisation can gain a competitive advantage from human capital. Research has shown that the use of bundles of HR practices, intended to enhance employees' knowledge, skills, abilities, motivation, and opportunity to contribute is associated with positive organisational outcomes.

METHODOLOGY

(1) Ability-Motivation-Opportunity (AMO) Model

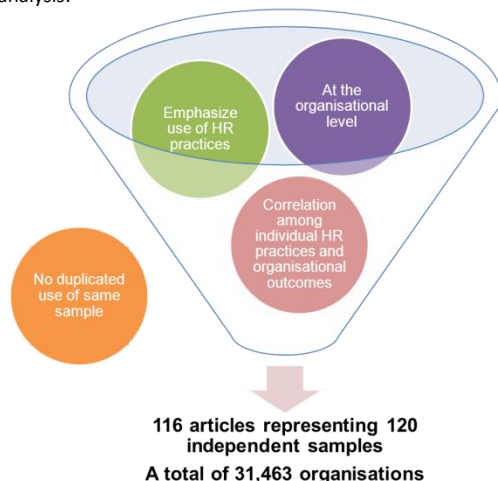
- (i) Employee Performance = $f(\text{Ability, Motivation, Opportunity to Perform})$
- (ii) HR System = $\Sigma(\text{Skill-enhancing, motivation-enhancing, Opportunity-enhancing})$ Practices

(2) Hypothesis

HR Bundles → Human capital, Employee Motivation and Voluntary Turnover → Operational and Financial outcomes

(3) Data Collection

Studies included in the meta-analysis:

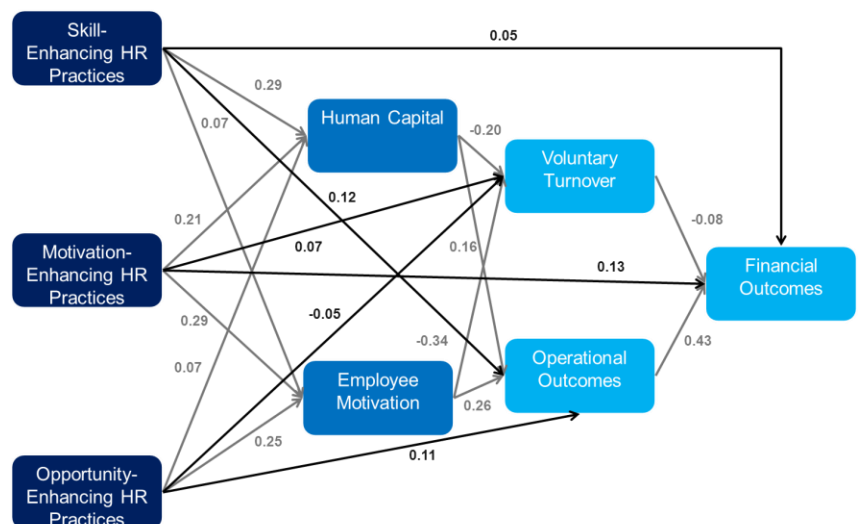


(4) Components of HR Practices, Mediating Mechanisms and Organisational Outcomes

HR Practices	Mediating Mechanisms	Organisational Outcomes
Skill-Enhancing <ol style="list-style-type: none"> Comprehensive Recruitment <ul style="list-style-type: none"> Employment of internal candidates More qualified applicants per positions put for hire Rigorous Selection <ul style="list-style-type: none"> Conduct of formal job analysis Use of employment tests Hire employees open to learning and with good interpersonal skills Extensive Training <ul style="list-style-type: none"> Job specific training Employee socialisation programmes 	Human Capital <ol style="list-style-type: none"> Educational Levels 	Voluntary Turnover <ol style="list-style-type: none"> Percentage of employees who quit or voluntarily left the organization
Motivation-Enhancing <ol style="list-style-type: none"> Performance Appraisal <ul style="list-style-type: none"> Developmental in nature Determines compensation Compensation - Higher than average market pay Incentive - Profit Sharing Benefit - Flexible work schedules Promotion by merit rather than seniority Career Development <ul style="list-style-type: none"> Voluntary competency certification Broader job designs Regular engagement surveys Job Security - Full-time workforce 	Employee Motivation <ol style="list-style-type: none"> Collective Job Satisfaction Organisational Commitment Organisational Climate Perceived organisational Support Organisational Citizenship Behavior 	Operational Outcomes <ol style="list-style-type: none"> Productivity Quality Service Innovation
Opportunity-Enhancing <ol style="list-style-type: none"> Job Design -leaner workforce and multi-skilling Work Teams for problem solving Employee Involvement and Autonomy Formal Grievance and Complaint Processes with little overtime Job specific Information Sharing and Communication 		Financial Outcomes <ol style="list-style-type: none"> Return on Assets Return on Equity Market Return Sales Growth

RESULTS

(1) Effects of HR Dimensions on Organisational Outcomes



(2) Effect of a 1σ Change in HR Dimension on Organisational Outcomes

HR Dimension	Voluntary Turnover	Operational Outcomes	Financial Outcomes
Skill-Enhancing HR Practices	-0.08 σ	0.18 σ	0.13 σ
Motivation-Enhancing HR Practices	-0.07 σ	0.11 σ	0.18 σ
Opportunity-Enhancing HR Practices	-0.15 σ	0.19 σ	0.09 σ

Deploying Bundles of HR Practices would achieve the best outcomes.

CONCLUSION

The extensive study has shown that bundles of HR practices has a significant positive influence on both operational and financial outcomes. Another important effect is that voluntary turnover is also significantly reduced by good HR practices. An organisation, in fact, gains a competitive advantage by developing its staff to form a unique and valuable human capital pool which is rare, inimitable and non-substitutable.

REFERENCES

- Batt, R. (2002). Managing Customer Services: Human Resource Practices, Quit Rates, and Sales Growth. *Academy of Management Journal*, 45: 3: 587-597.
- Combs, J., Liu, Y., Hall, A., Ketchen, D. (2006). How Much Do High-Performance Work Practices Matter? A Meta-Analysis of their Effects on organisational Performance. *Personnel Psychology*, 59: 501-528.
- Delery, J.E. (1998). Issues of Fit in Strategic Human Resource Management: Implications for Research. *Human Resource Management Review*, 8: 3: 289-309.
- Gelade, G.A., Ivery, M. (2003). The Impact of Human Resource Management and Work Climate on organisational Performance. *Personnel Psychology*, 56: 383-404.
- Huselid, M.A. (1995). The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance. *Academy of Management Journal*, 38: 3: 635-672.
- Jiang, K., Lepak, D.P., Hu, J. and Baer, J.C. (2012). How does Human Resource Management Influence organisational Outcomes? A Meta-analytic Investigation of Mediating Mechanisms. *Academy of Management Journal*, 55: 6: 1264-1294.
- MacDuffie, J.P. (1995). Human Resource Bundles and Manufacturing Performance: organisational logic and flexible production systems in the world auto industry. *Industrial and Labor Relations Review*, 48: 197-221.