CHAPTER ONE – INTRODUCTION

1-1 Area of Interest of the Current research

The trend in the recent years has been to link human resource management practices (induction, mentoring, training and performance appraisal etc) with organisational performance indicators (sales growth, return on investment, staff turnover, innovation and learning, competitiveness, service quality etc).

For organizations in the service industry, the most appropriate criterion for organizational performance is customer satisfaction (Schneider, Chung 1994). Employees are more likely to deliver excellent service to customers when the organization expects and rewards such behaviour and establishes practices that facilitate service delivery. Even though there is much discussion on this topic, there is very little research investigating the effectiveness of management practices designed to enhance the output delivery particularly in the service sector such as the education industry.

In order to start the investigation of the relationship between HRM practices and organization performance indicators, the researcher needs to decide which HRM practice have to be used as independent variable (s) and the performance indicators to be included in the study as dependant variable.

The key argument of this line of research, which was initially developed in the USA about two decades ago, is that HRM practices, as have been suggested by empirical studies (Schneider and Bowen, 1993), play a vital role in shaping aspects of organizational performance.

Before embarking on the investigation of the relationship between HRM practices and organizational performance indicators, researchers have to decide which HRM practices (e.g., training) have to be used as independent variable (s).
The Harvard Business model (Fig. 1) has been used by the researcher to identify the above stated. The Harvard Business Model explains that the HRM policy should evolve, taking into consideration stakeholder interest and situational factors, which will lead to HRM outcomes like commitment, congruence and cost effectiveness. This ultimately will lead to long term consequences like individual well being, organization effectiveness and societal well being which in turn will impact the stakeholder interest and situational factors and also the HRM policy choices.

Moreover, researchers also have to determine which performance indicators have to be included in the study as dependent variable(s).
Further details on HRM practices, organizational performance indicators, and the relationship between them will be presented in Chapter Three, Management of Human Resources in the Context of Organizational Performance.

1-2 Importance of Study

To improve the Educational Institution’s work efficiency, administrators have to adopt methods by which they can optimize the use of available resources.

The numerous possible firm’s resources can be divided into 3 categories¹.

1. Physical capital resources (technology, school infrastructure, location)

2. Human capital resources (training, experience, judgment, intelligence)

3. Organization capital resources (formal reporting structure, formal and informal planning, controlling and coordinating systems, informal relationships among groups).

A number of writers offer the view that a core variable is employee commitment, implying that the focus should really be on “high commitment HR practices” (Barney 1991). The simple logic is that contemporary organizations require employees who are not only resourceful, as reflected in their skills and abilities, but are committed to using their resourcefulness for the benefit of the organization. HR practices should therefore enhance commitment and should be reflected in employee responses indicating high commitment and satisfaction.

The question we need to ask is: what happens if the human capital resource is not properly utilized. It has been argued that the availability of skilled labor is crucial in maximizing the productivity of fixed capital resources. This means education institutions need to conduct get all their HR functions correct in order to keep employee skills efficient and effective.
There is a broad agreement that a strategic approach to Human Resource Management (HRM) involves designing and implementing a set of internally consistent policies and practices that ensures a firm’s human capital; (employee’s collective knowledge, skills and abilities) contributes to the achievement of its business objectives (Lawler 2006). Fundamental to the strategic HRM perspective is an assumption that firm performance is influenced by the set of HRM practices. Empirical evidence supports this assumption.

Huselid (1995) in his study asserted that two types of HRM staff capabilities (Technical and Strategic) will have a significant impact on the effective management of firm's human capital.

To identify the HRM practices to be considered for the study, the researcher followed Huselid’s study where, as mentioned above he divided the HRM effectiveness into two-

1. Technical
2. Strategic in nature.

Technical HRM activities are more traditional in nature and have been increasingly regulated through the stakeholder expectations that include-

1. Recruitment
2. Selection
3. Performance measurement
4. Training
5. Administration of compensation and benefits

In contrast to Technical HRM activities, strategic HRM activities are relatively recent innovations, nevertheless, scholars have a broad agreement that it involves designing and implementing a set of internally consistent policies and practices that ensures a firm’s human capital contributes to the achievement of its business objectives (Randall S. Schuler, Susan E. Jackson, 2005). Strategic HRM activities include –

1. Team based job designs
2. Developing Compensation systems
3. Flexible workforce
4. Quality improvement practices
5. Employee empowerment

6. Planned development of the talent required to implement competitive strategy and operational goals.

Strategic HRM activities help a firm to ensure that its human resources are not easily imitated. Because of the social complexity inherent in strategic HRM practices such as team based designs, empowerment and the development of talent for the long term, competitors can neither easily copy these practices nor readily replicate the unique pool of human capital that such practices help to create. So the independent variable chosen in this study is-

1. HRM practices followed in the educational institutions

Since the study was conducted both in schools and colleges, the researcher had to select such performance indicator which is applicable or is measurable in both the types of educational institutions i.e., the colleges and the schools.

Ideally, all the educational institutions are having a fixed admission intake or number of seats in a particular class every year, so the number of admissions each year cannot be considered as an ideal indicator of the performance of the institution, but considering the number of admission forms sold each year against the available seats can be considered ideal as it has been seen from the discussions held with the education experts that the more reputed educational institutions sell more forms per seat than the less reputed institutions.

So, the dependent variables considered in this study is –

1. “Number of admission forms sold against each vacant seat” at the entry level (AFS)

The result of such an exploratory analysis of the relationship between HRM practices and performance indicators will have research and policy implications for individuals and institutions interested in such a topic. In particular the results of this study should have
policy implications for the management of human resources as well as the management of performance indicators.

1-3 The Purpose of the Study

Existing literature on the relationship between the management of human capital resources and organization performance shows, as Chapter Three: The Management of Human Resources in the context of Organizational Performance will reveal, that the way by which organizations manage human capital resources has not only been found to influence human resource management outcomes (e.g., turnover, absenteeism, stress and burnout), but also other organizational performance indicators (e.g., reputation, competitive advantage, sales growth, return on investments and sales per employee). Most of these studies have been conducted in manufacturing industries and only a few also being conducted in the service industry.

To the best of researcher’s knowledge, there is no such systematic study being conducted in Educational Institutions. Such a relationship is worth investigating because the latter is only operated through the former. Moreover, the elements of each part of this relationship: the HRM practices and the organizational performance indicators can be taught, monitored and evaluated.

Thus the purpose of conducting this research is to explore whether there is a link between HRM practices and performance indicators in educational institutions.

1-4 The Peculiarity of this Study

This study departs from previous researches in that it is, to the best of the researcher's knowledge, the first endeavour to explore the relationship between HRM practices and performance data, which were collected in accordance with well established principles in educational institutions. Thus, the researcher hopes that such a departure will make positive contributions to the field.
This study has the potential to contribute during the policy making by the educational administration due to the following reasons-

1. Most of the OB studies used only perceptual measures of organizational performance. Table 1-4 shows that more than half of the studies on organization performance have used subjective measures of performance. OB researchers are the major contributors to this trend. Out of 49 studies that used subjective measures of performance, 41 studies were done by OB/HRM researchers. Non-OB/non-HRM researchers (i.e. researchers working in the area of economics, strategic management, finance, marketing) have used objective measures of performance in most of their studies. Researchers often treat variables like service quality perception, organizational commitment and customer satisfaction synonymous to organization performance. However, the objective link between the objective level variables and actual objective measures of organizational performance is rarely demonstrated. Subjective measures are affected by individual biases and there is no surety of the authenticity of the response obtained. This study uses an objective measure of performance in the form of “number of forms sold against per seat per year at the entry level” (AFS).

2. To the best of researcher’s knowledge, there is no research done on a similar topic in the state of Jharkhand.

3. There are concerns of generalization of study results across sectors, across industries and across regions. Although education is one of the most important sectors for any country, but there are only a few researches which have covered the relationship between HRM practices and Organizational Performance in the education sector in India.
<table>
<thead>
<tr>
<th>Type of measure used</th>
<th>Total Studies</th>
<th>Number of Studies</th>
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<td><strong>Subjective measures:</strong></td>
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<td><strong>Total Studies surveyed</strong></td>
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Table 1-4: Breakup of researches relating HRM practices with Organization outcomes.

As stated above, this study was conducted in educational institutions in Jharkhand and thus it was felt useful to provide a brief context of the country, its population, resources and the infrastructure of the Jharkhand Education system. These contextual backgrounds will be addressed in the next chapter, The Organizational Context.

1-5 Structure of the Thesis

The content of the research has been structured into the following seven chapters.

Chapter One – Introduction, pinpoints the research line which this study follows. Moreover, the purpose for which this research was conducted has been outlined. Also taken into account was the importance of conducting this research project in relation to the management of human capital resources and the unique character of this study compared with previous work.

Chapter Two- The Organizational Context, focuses on some elements of the law governing human resource management in education sector in Jharkhand and as prescribed by the different education governing body in India. Moreover, aspects of the education system in India and Jharkhand (e. g., management structure, funding, etc.) are tackled.
Finally, a brief to the state (Jharkhand), its population and resources is addressed as well in this chapter.

Chapter Three- Management of Human Resources in the Context of Organizational Performance, focuses on a number of elements relating to the topic under study, namely: HRM, HRM practices, aspects of organizational performance and the relationship between HRM practices and performance indicators. Furthermore, the aim of the study, objectives, research questions and assumptions of the current research relevant to the relationship between HRM practices and educational institutes performance indicators has been identified in this chapter.

Chapter Four- Methodology, Variables and the Research's Model, identifies the elements of the study's framework and delineates steps undertaken in relation to the selection of the study's instrument, sampling, and data collection approaches. Moreover, this chapter depicts the model of the study illustrating how the pattern of multiple independent variables (HRM practices factors) is related to the dependent variable (AFS).

Chapter Five-The Results, reveals the outcome of applying specific statistical tests to the data: employee personal data, HRM practices data, and performance reference indicator data. Moreover, this chapter reveals how reliable HRM practices factors were extracted from HRM practices data. This chapter has been structured into eight parts. Each of these parts consists of a number of sections. These eight parts are as follows:

* Part one displays the results achieved from analyzing the average ratings of respondents toward HRM practices across educational institution setting;
* Part two displays the results achieved from analyzing the average ratings of respondents toward HRM practices across educational institution occupational groups;
* Part three displays the results achieved from analyzing the dimensionality of the 48 HRM items;
* Part four displays the results achieved from analyzing educational institution’s performance indicators;
* Part five displays the results achieved by conducting univariate analyses in relation to the frequency and percentage distributions of respondent’s personal data, such as age, gender and marital status;
* Part six displays the results achieved from analyzing the relationship between educational institution settings and employee personal data;
* Part seven displays the results achieved from analyzing the relationship between employee personal data and HRM practices factors; and
* Part eight displays the results achieved from analyzing the relationship between HRM practices factors and performance indicators.

Chapter Six- Discussion of the Results, discusses the findings of the study from the researcher's viewpoint as well as in relation to similar findings in other studies.

Chapter Seven- Conclusions, has been structured into the following five sections. The contribution of the current research, its limitations, recommendations for future research, implications for the management of human resources and performance indicators as well as the relationship between HRM and organizational performance.