Financial Impact of HRM in Public and Private Sector Organisation- A Study

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Abstract:

This research attempts to explore the relationship between the Human Resource Management attributes and its impact on the organizational financial performance in terms of Productivity and Profitability. Also exploring the differences of HRM attributes between public and private sectors organization irrespective of manufacturing industry they belong. The major objective of the study is to discover the differences of Human Resource Management attributes and financial impact of HRM attributes on public and private sector organizations.

Key words: Human resource management attributes, public and private sectors.

1. Introduction:

The omnipresence of HRM is seen and felt in all the activities of an organization. The direct and indirect effect of HRM can easily be seen on productivity and performance of the organization. Without HRM the non-human resource factors such time, money, infrastructure, goods became redundant. The HRM is a catalyst transforms the non- HRM inputs into value added outputs. Therefore the human resource is highly valued resource which is appraised with the experience and shown with the balance. The study has identified certain key HRM variables like recruitment and selections, training and development, performance appraisal, compensation, industrial relations and work life programs measures the impact on productivity and profitability. As the cause is, so the effect will be. As the seed is, so the fruit will be. As the action is, so the result will be. It is understand that people can change this world. Therefore it is consider one of the step towards the excellence of the organizations that employee working in organizations need to be focused well to established a harmonious state of HRM attributes where every individual is being taken care which ultimately leads the productivity and profitability of the organizations.

2. Statement of the problem

The problem here is to recognize and find solutions to the major question as how effective are HRM attributes in terms of financial impact on productivity and profitability and the impact it creates in private sector and public sector organizations. In today’s world, are these HRM attributes creating the right kind of impact that it is believed and how successful can HRM initiatives be. But the problem faced by most of the organizations is to handle the varying types of HRM attributes in selective private and public sectors organizations. Also there is multiple criteria influence the effectiveness of productivity and profitability through HRM attributes.

3. Objectives of the study

1. To explore the differences of Human Resource Management attributes on public and private sector organizations.
2. To explore the financial impact of HRM on productivity and profitability in public and private sectors organisation.

4. Literature review

It is the important source where research would be able to convince and convey the research areas where one can easily find out to bridge the gap leading to the advancement of the research. Some of the latest research articles are highlighted here below:

Pradeep N Khandwalla (2013)\(^1\) shown that Human Resource Management is necessary at all levels of human activity from the individual to the organisation to the community to the society and so for a developing country like India. In the coming three decades, a powerful synergy between HRM and technology can propel India to global economic and political power and the status of a prime civilisation. In this article he restrict to HRM for meeting India Inc’s corporate challenges. He also said that he does not meant only the HR department, but HRM as a process and a culture at all the levels of organisations, in all its departments and divisions, and practised by all the managers from the CEO down to the first level supervisor. He also meant only the larger enterprises in the Indian public and private sectors. He also opined that meeting the challenges of the future, human resource management in India needs to move beyond its traditional functions and benchmark itself against global standards.

Samina Haque (2012)\(^2\) studied the impact of Human resource management practices on performance has been the subject of much attention over many years. It also stated that over the years, researchers have suggested many human resource management practices that have the potential to improve and maintain organizational performance. Many researchers investigated the effect of the HRM practices on firm performance. Their research results show that human resource performance have statistical influence on the financial performance Accordingly, Becker & Huselid’s (1998) researches indicate that selectivity in staffing is positively associated with firm performance. Many studies confirm that comprehensive selection and training activities are often associated with both productivity and solid performance. Recently most researchers have found that bundles or systems of HR practices had more influence on financial performance than individual practices working in isolation.

Alan R. Nankervis, Pauline Stanton & Pat Foley (2012)\(^3\) Human resource management (HRM) theorists and professionals alike have in recent decades attempted to identify the ways in which particular HRM functions (or ‘bundles’ of such functions) influence and contribute to desired overall organizational outcomes. Many have suggested that performance management, in its broadest perspective, may hold the key to such linkages. This paper draws on survey data to explore the links between performance management systems and perceived organizational effectiveness. The study canvassed the opinions of senior, line and HRM managers in a variety of organizations and industry sectors in Australia. Executives/senior managers in this study were the most supportive of a strategic approach to the PMS-organizational effectiveness relationship, followed by HR professionals, whilst middle and line managers were clearly more focused on operational and implementation perspectives. Accordingly, executives/senior managers might be characterized as the sponsors of PMS; HR professionals as their advocates; and middle and line managers as the end users of such systems and their links to organizational effectiveness.

Ayesha Jahnian et al. (2012)\(^4\) examines the effect of human resource management on the productivity of the organization and how different HR variables help an organization to achieve its objectives in efficient and effective way. It focus on seven basic variables of human resource management which include incentive pay, recruitment and selection, work teams, employment security, flexible job assignment, skills training and communication. The objective of the research is to find out how these variables operate among four different banks chosen: two private sector banks and two public sector
banks. Employees have different opinions about different variables: however, the variables that contribute most to the productivity are recruitment and selection, skills training and job security.

Shona Whyte. (2012)\(^5\) described that the bundle of HRM practices was not a predictive influence on operational or financial performance. HRM practices showed a significant influence on employee performance, which is important in explaining employee commitment and subsequently performance. The significance of the intellectual stimulation and individualized consideration indices of transformational leadership and the positive influence on operational performance appears to be in agreed. The studied presented herein integrates the two separate streams of research: the investigation of the relationships between leadership and firm performance or HRM practices and firm performance. The analysis of the black box of HRM practices and firm performance revealed positive relationships between transformational leadership and operational performance, and between HRM practices and employee performance and demonstrates that HRM practices play a mediating role in the relationship between leadership and employee performance as the organizational outcome.

5. Research design

Descriptive research works is used to analyses the differences of HRM attributes existing in public and private sectors organization. And also it is used to analyse the practice of Human Resource Management attributes and its impact on the financial performance. For this both primary and secondary data is used to examine the relationship and compare the differences. All the relevant data were collected from the academic literature and from the public and private sectors organizations specifically survey questionnaire is collected from Junior Executive, Middle Executive and Senior Executive of Human Resource department, and Administrative department.

Sources of data and techniques of research design

The study area is focus in and around Bangalore. It consists of all the manufacturing public and private sectors companies. The researcher has meticulously chosen the survey research methods to gather the required data from the Stratified random sampling chosen samples of 79 respondents from both public and private sectors and also collected. The researcher has meticulously chosen the survey research methods to gather the required data from the stratified random chosen samples and score the techniques through 5-point Likert scale and score and measured with the help of SPSS and all the data were tested by reliability.

6. Hypothesis

H\(_1\) There is no significance difference in HRM attributes in Public and private sector organization. 
H\(_2\) There is significant financial impact of HRM on Productivity and Profitability in Public and Private sector organizations.

7.1. Descriptive statistics of respondents

<table>
<thead>
<tr>
<th>Type</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>36</td>
<td>45.6</td>
</tr>
<tr>
<td>Private</td>
<td>43</td>
<td>54.4</td>
</tr>
<tr>
<td>Total</td>
<td>79</td>
<td>100.0</td>
</tr>
</tbody>
</table>

From the table it is know that out of 79 respondents, there are 36 respondents belonging to public sector organisations and 43 respondents belonging to private sector organisations.
7.2. ANOVA t
It has 43 statements and indicating that there are 13 statement which lies within the table value which means that there are no differences in public and private sectors. Remaining 30 statements has significance difference in public and private sectors as the calculated F value is more than the F-table value.

7.3 Table e Showing Chi Square Test

Chi-Square Tests

<table>
<thead>
<tr>
<th></th>
<th>$X^2_{(Cal)}$</th>
<th>df</th>
<th>$X^2_{(Table)}$</th>
<th>Accepted proposition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>4.203</td>
<td>4</td>
<td>.379</td>
<td></td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>4.341</td>
<td>4</td>
<td>.362</td>
<td></td>
</tr>
<tr>
<td>Linear-by-Linear Association</td>
<td>.746</td>
<td>1</td>
<td>.388</td>
<td></td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>79</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

It has find of there is no financial impact of HRM on Productivity and profitability in public and private sector has been not accepted because the calculated chi square value (=4.203) does not fall within the table value (=.379). Therefore null hypothesis is rejected and alternate hypothesis is accepted which means that there is financial impact of HRM on productivity and profitability in public and private sector organisations.

7.4 Table showing the reliability test

<table>
<thead>
<tr>
<th></th>
<th>Cronbach’s Alpha</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>.927</td>
<td>43</td>
</tr>
</tbody>
</table>

From the above table, it shows that the consistency of the statement is excellent. (alph >.9) which is Cronbach’s Alpha calculated is more than 0.9 which mean respondents opinion on HRM attributes is reliable.

8. Finding of the study

i. Out of 79 respondents, there are 36 respondents belonging to public sector organisations and 43 respondents belonging to private sector organisations.

ii. Out of 43 statements, 13 statements were almost same both in public and private sector, remaining 30 statements practised differently in both the sector.

iii. Out of 79 respondents, 22 said agree, 11 said neutral whereas 13 said both disagree and strongly disagree.

iv. There is financial impact of HRM on Productivity and profitability in public and private sector.

v. Respondents reliability is very much excellent.

9. Limitation of the study

i. Sampling is conducted at only two sector public and private sector organisations belong to manufacturing sectors.

ii. The study limited to only Bangalore area.
10. Conclusion

The study concluded from the various literature review and primarily data that there is close linkage between HRM and financial performance of the firm. But this brings challenges to the organisations that how HRM attributers can be used effectively towards the excellence performance of the organisations. The study confirmed that there is significant relationship between financial performance of organisation and attributes of HRM. Also indicates the six factors such as recruitment & selection, Training and Development, Performance Appraisal, Compensation, Industrial Relation and Work Life Program which influence the financial performance of the organization. Lastly the study concluded that there is a significant difference and financial impact of Human Resource Management attributes in public and private sector manufacturing companies.