

To Study The Relationship Between Hr Practices And Organisational Performance Of Startups (Mohali,Chandigarh)

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ABSTRACT

Purpose – The purpose of this paper is to study the relationship between HR practices and organizational performance of startups.

Design/methodology/approach--The present paper is based on an empirical research. This study has made an effort to analyze the relationship of HR practices on organization performance by using regression tool with a sample of 40 startups. In which researcher met in person to the HR managers/Founders of the startups. The questionnaire comprises of two sections. First sections has been filled with personal interaction with the management level(Top/Middle/Executive) 152 employees of the organization.

Findings – We find that there is a significant relationship between some of the identified factors of HR practices and organizational performance of startups.

Research limitations/implications-- The present paper suggests meaningful implications for startup firms by highlighting important factors of HR practices that may influence firm's performance. These firms should be cautious while adopting HR practices because these practices may decide the future growth of the firms.

Originality/value-- Previous studies have been undertaken in various sectors like IT, manufacturing, telecom, education, consulting etc. but no study was found that examined the link between HR practices and startup's performance. The present study addresses this gap in which we attempt to study the relationship between HR practices and organizational performance of startups.

Keywords-- HR practices, Organization performance.

INTRODUCTION

There were numerous attempts that has made empirically to investigate the link between HRM practices and firm performance which is restricted to either large companies, Mid-sized or small size firms. It has been studied in various sectors like telecom, IT, textile industry in all over the world. As there is huge stardom of startup in India which is one of the unexplored area of research. There is no research on startups as it is one of rising field. Moreover,It has significant contribution in the GDP of the country (Sinu.M ,2017).

This study conducted to evaluate the relationship between HRM practices and employee performance in startups. The most prominent HR practices are training and development, performance appraisal, compensation, career planning, information sharing, performance appraisal, training and development have been selected for the study. Correlation and regression technique was used for the analysis of data.

RESEARCH OBJECTIVES

1. To determine the relationship between Human resource management and organization performance.

LITERATURE REVIEW

Whether it is small or big, local or global organizations, there are four main functions of Human resource management which is basically recruitment,staffing training and development ,motivation

and maintenance(Fred and Pesi ,2011).There are so many studies which has been conducted in US and Foreign countries ,some of which are mentioned here.

COMPENSATION

Manju malik,2013 has attempted to study the influence of Human Resource practice on the employee performance in telecom sector in India .The research explored that the various HR practices including selection ,training, career planning, compensation, performance appraisal and job definition. The result of the analysis clearly reflects that compensation and training are positively correlated to the employee performance which in turn influences organization performance

Mst. Momena Akhter,2013 et al. has explored that companies can gain strong competitive advantage through applying effective and efficient human resource practices. If the human resources are managed properly, they can contribute to the success for the company. The effective management of human resource is possible through the implementation of sound HRM practices. . The main objective of this research is studying the impact of HRM practices on employee performance in the context of cement industry in Bangladesh. For this purpose the researchers have tried to investigate impact of the various components of HRM practices on employee performance of a sample of 160 employees from seven cement companies listed in the Dhaka Stock Exchange. The data were analyzed by a regression analysis.The result shows that training & development and opportunity for career development have a significant positive impact on employee performances while Performance appraisal, Compensation & Benefits, and Leadership Practices have a positive impact on employee performance but the impact is not significant in the context of cement industry in Bangladesh

Maqsood Haider. et al in 2015 has conducted a research on a sample size of 250 in telecom sector and analyzed that effective HR practices can reduce the employee turnover of the organization; furthermore key employees are the instruments for the growth and development of the organization. With help of regression analysis the data has analyzed and found that compensation and culture has positive relationship with employee retention while training and development has negative relation. This study helps the management to frame effective HR practices for the retention of the employees in the organization.

Performance Appraisal the most tedious and crucial task that line managers performs in the organizations is process of performance appraisal.**It is** utilized as to track individual performance of the employee against organization goal(Daoanis,2012).Liza Estino(2012) has found that performance appraisal system **should** be linked with company's vision mission statement

Ahmed et al, (2010) have studied the impact of Performance appraisal on the organization performance, 123 respondents were undergone the study and statistically significant relationship has been found between the performance appraisal and organization performance.

Erdogan, (2002) has found that performance appraisal has significant relationship with the organization performance however in small businesses sometimes it is difficult to do performance appraisal of their employees. But it as depicted from the research that how significantly organization performance and PA are related

Hypothesis 1

Performance appraisal has positively influences the organization performance of startups

RECRUITMENT AND SELECTION

Isaac and Brien (2016) has survey 500 teacher in education sector in Ghana to look into the effect of recruitment and selection practices on the organization performance of the organization. By using questionnaire and convenient sampling technique data was analyzed qualitatively and quantitatively which comes up with a positive relations of the two i.e. recruitment and selection and organization performance.

Joy O. (2015) has investigated with the help of 130 questionnaires which were filled out of 132 .The study was conducted in Fidelity Bank which comprises of 3756 employees. Chi Square test was

administered. After the descriptive and inferential statically analyses it was found that the recruitment and selection criteria has positive impact on the organization performance.

Adeyemi and Dumadehas surveyed in Bank and research revealed that recruitment and selection has a relationship with the employee performance which involves a lot challenges.

Huselid (1995) has comprehensively studied in nearly one thousand firms which show that there is a link between recruitment practices on firm outcome level.

COMPENSATION

The relationship of compensation and productivity has explored by Yamoah, Emmanuel, (2013) in banking sector of Ghana. Pearson chi square test has administered to check the significance of the relationship between compensation of employee and productivity which reflects a significant relationship between two. They have also find that labor unrest in the form of strikes have in both public and private corporate organization have underscore the importance of employees attach to the issue of compensation .In an another study of **Oladejo and Yinus** Oluwaseun which was conducted on food and beverage manufacturing companies with 125 questionnaire. Data was collected and analyzed using frequency table and non parametric statistical test were administered ,the results shows that compensation plan has positive effect on workers performance which will eventually increases this fact that these overall performance of the firm.

OBASAN, Kehinde A. (2002) with the help of case study they have tried to link compensation with organization performance. The choice of case study was not unconnected with the fact that the understudy companies are the largest employer of labour in manufacturing industry in Nigeria. Using cross sectional data analysis they have found that compensation strategy has a significant effect on the workers productivity which further enhances the overall performance of the organization

Jibrin-Bidaet. al., through cross sectional survey approach data was collected from 300 employees. With the help of Partial Least Squares Method (PLS) algorithm and bootstrap techniques were used to test the study's hypotheses. it has concluded that compensation practices has significant relationship with the organization performance.

Petrescu and Simmons (2008) have investigated the relationship between two different cross sectional datasets. They have examined the relationship between human resource management practices and workers overall Job satisfaction and their satisfaction with pay were only significant for non union members

TRAINING AND DEVELOPMENT

Training and development has significant effect on the organization performance ,(Raja Abdul et al.2011). Training and development has significant impact on the organization culture, employee performance, work environment business performance of the Banks.(Jaspreet Kaur,2016). More over it intrude the positive sense of feeling and perception about the organization.

Training and development has helped in inculcating feeling of team work, team spirit and inter team collaboration The study shows that training and development practices helps in building positive perception and feeling about the study.(Atul and P.K,2013)

There are various kinds of training practices like On Job, Off Job and in house SPSS and regression statistical tools have administered which depicted that it has significant effect on the employee performance. (Ghazala et al.)

Employee security and Motivation The only way to get people to like working hard is to motivate them. Today, people must understand why they are working hard. Every individual in an organization is motivated by some different way. When talking in term of

Employee motivation, it can be simply defined as "Employee motivation is a reflection of the level of energy, commitment, and creativity that a company's workers bring to their jobs." (Irumet, al 2014.) When an employee is working in the organization job security is one of the triggering element that make the employee committed to the workplace. Heydy and Toni (2017) has conducted the

research in which they have investigated that perceived job security has impact on the job performance among the employees in unionized organization.

Shouvik et, al.(2018) has found in their research that low job security would lead to low motivation among the employees in their commitment and job performance. In some cases it is considered to be the major factor that lead to depression and other physical ailments

Irum (2014) has conducted a research on 160 teachers with self administered questionnaire using regression analysis it was found that employee motivation has an impact on the employee performance which involves four variables employee motivation, employee performance, intrinsic rewards and employee perceived training effectiveness.

HYPOTHESES DEVELOPMENT

Based on the comprehensive study of literature, following hypotheses emerge:

H1: Recruitment and selection has significant relationship with organizational performance.

H2: Training and development has significant relationship with organizational performance.

H3: Performance appraisal has significant relationship with organizational performance

H4: Compensation and rewards has significant relationship with organizational performance.

H5: Employee security has significant relationship with organizational performance.

H6: Career development has significant relationship with organizational performance.

H7: Information sharing has a significant relationship with organizational performance.

Based on the above mentioned hypotheses, we develop a conceptual model (see figure 1.1) depicting the relationship between identified HR practices and organizational performance of startups.

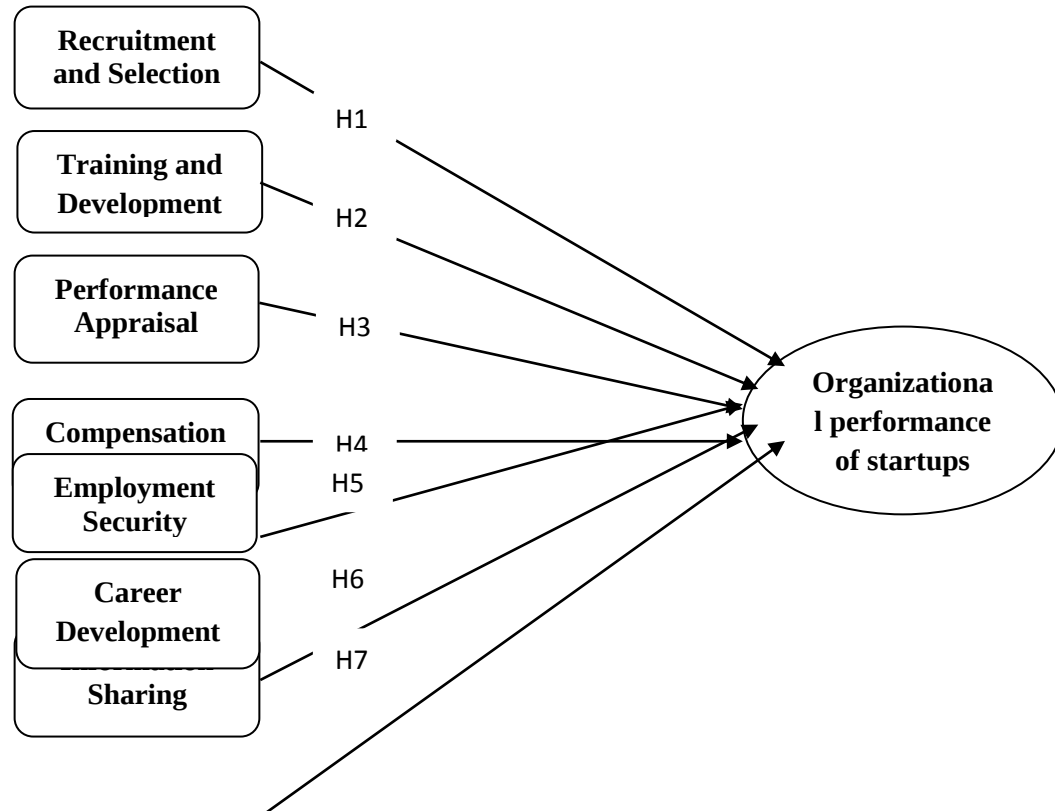


Fig. 1.1: A conceptual model for examining relationship between HR practices and organizational performance of startups.

METHODOLOGY

This paper is designed to investigate the impact of HR practices on startups performance .The selected HR practices are Recruitment, performance appraisal, training and development, compensation, employee participation. The study was conducted in Punjab two places one is Mohall other is Chandigarh. A sample of 40 startup firms has taken for the research. Personal interview and structured questionnaire were administered for the collection data. One HR manager from each startup 40. HR managers and 40 employees of the startups have filled the questionnaire. The HR managers or founders/directors who primarily undertake HR practices in the startup and asked to rate the on 5 point Likert scale the extent to which their organization implement the HR practices

RESULTS AND ANALYSIS

The present study collects data from startups operating in different sectors and we interview 152 employees of startups working on different posts. The profile of the firms is given in the table 1, given below:

Table 1: Profile of the firms

		Frequency	Percent
Sector in which firm operates	Automobile	1	.7
	Consultancy	24	15.8
	IT	33	21.7
	Manufacturing	74	48.7
	Retail	20	13.2
	Total	152	100.0
Level of the employee interviewed	Top level	41	27.0
	Executive level	8	5.3
	Manager level	103	67.8
	Total	152	100.0
Age of the firm	Less than 10 years	65	42.8
	11 to 20 years	60	39.5
	More than 20 years	27	17.8
	Total	152	100.0

The above table highlights that a chunk of the firms (48.7 %) operate in manufacturing sector followed by firms in information technology sector (21.7%) and consultancy (15.8 %). It is found that about 13 % of the firms operate in retail sector. There is only one firm that operates in automobile sector. Further, a large majority (68 %) of the respondents belong to managerial level followed by respondents (27 %) from top level of the firm. It is pertinent to mention that about 5 % of the respondents belong to executive level of the selected firms. Moreover, it is important to mention that about 43% of the selected firms have the age of less than 10 years. About 40% of the selected firms have the age between 11 to 20 years and about 18 % of the firms have the age of more than 20 years.

DESCRIPTIVE STATISTICS AND RELIABILITY OF THE SCALES USED

The present study develops scale from existing studies related to HR practices and organizational performance. We request respondents to provide response on a 5-point scale that was used to measure various constructs like Recruitment and selection, training and development, performance appraisal, compensation and rewards, employee security, career development, information sharing and organizational performance. List of items along with reliability statistics have been shown in the table 2:

Table 2: List of items and reliability statistics			
Statements	Mean	Std. deviation	Cronbach alpha (α)
Recruitment and selection			
Advertisements are used by the organization to recruit	3.67	.995	0.757
Applicants are fully informed about the qualifications and skills required to perform the job before being hired	4.10	.779	
Training and development			
There is a budget dedicated to training and development every year	3.56	1.132	0.950
Every employee goes through various training programs every year	3.59	1.159	
The company conducts cost-benefit analysis to assess the effectiveness of the training programs	3.66	.976	
Performance appraisal			
In this organization, employees are provided performance based feedback	3.89	.885	0.943
The appraisal data is used for decision making like promotion, job rotation, training, compensation, transfers and discharge	3.80	.841	
There are corrective measures for under-performance	4.01	.814	
Compensation and rewards			
The firm compensation system is closely connected with the financial results of the company	3.58	.973	---
Employee security			
Employees are assured of long term future with the organization	4.04	.754	0.875
There is a formal, fair and reasonable process for handling grievances and complaints	4.05	.740	
Career development			
The organization plans for the career and development of employees	3.82	.854	0.937
Our organization prefers an internal employee whenever a vacancy opens up	3.78	.845	

Information sharing			
In my firm sharing information with employees on the strategic decisions of the company is encouraged	3.72	.833	0.801
In my firm, sharing information with employees on the financial position of the company is practice	3.79	1.200	
Organizational performance			
Overall sales growth	4.28	.839	0.649
Return on investment	3.45	1.427	
Overall performance	4.11	1.000	

All the factors were found to have an acceptable value of cronbach alpha that confirms the reliability of the scale used in the study. It is important to note that all the statements have the mean score of more than 3 which means that respondents have positive perceptions of HR practices being followed in their respective organizations.

RELATIONSHIP BETWEEN HR PRACTICES AND ORGANIZATIONAL PERFORMANCE OF STARTUPS

Respondents were requested to rate statements measuring their perceptions of seven HR practices and organizational performance of startups on a 5-point scale where '1' represented strongly disagree and '5' represented strongly agree. Overall mean scores of the seven factors of HR practices such as Recruitment and selection, training and development, performance appraisal, compensation and rewards, employee security, career development, information sharing was used as independent variables and overall mean score of organizational performance was used as a dependent variable for achieving objectives of the study. We use regression analysis to study the relationship between seven identified HR practices and organizational performance. Findings in this regard have been presented in the table 3:

Table 3: Regression result				
Independent Variables	Standardized Beta	t	p	Hypotheses (Accepted/Rejected)
Intercept	2.922	6.885	.000*	
Recruitment and selection	.189	2.049	.042*	Accepted
Training and development	-.025	-.276	.783	Rejected
Performance appraisal	.083	.838	.403	Rejected
Compensation and rewards	-.039	-.417	.677	Rejected
Employee security	-.137	-1.423	.157	Rejected
Career development	.176	1.677	.096**	Rejected
Information sharing	.446	4.955	.000*	Accepted
Note: *significant at 5% level				
**significant at 10% level				

The above results indicate that two of the HR practices like recruitment and selection; and compensation and rewards play a significant role in determining organizational performance of startups. The first factor such as recruitment and selection significantly predicts the performance of

startups because this practice plays a major role in attracting good talent in the organization that further influences performance of the startups. Second, information sharing also significantly predicts the organizational performance of the startups. It means that there is a positive relationship between information sharing and organizational performance of startups. Therefore, company management may develop policies to promote information sharing among employees of the company that would further help in improving performance of the startup. Only two of the hypotheses out of seven proposed in the study were confirmed by the data. Based on the results obtained, we draw the final figure 2 as given below:

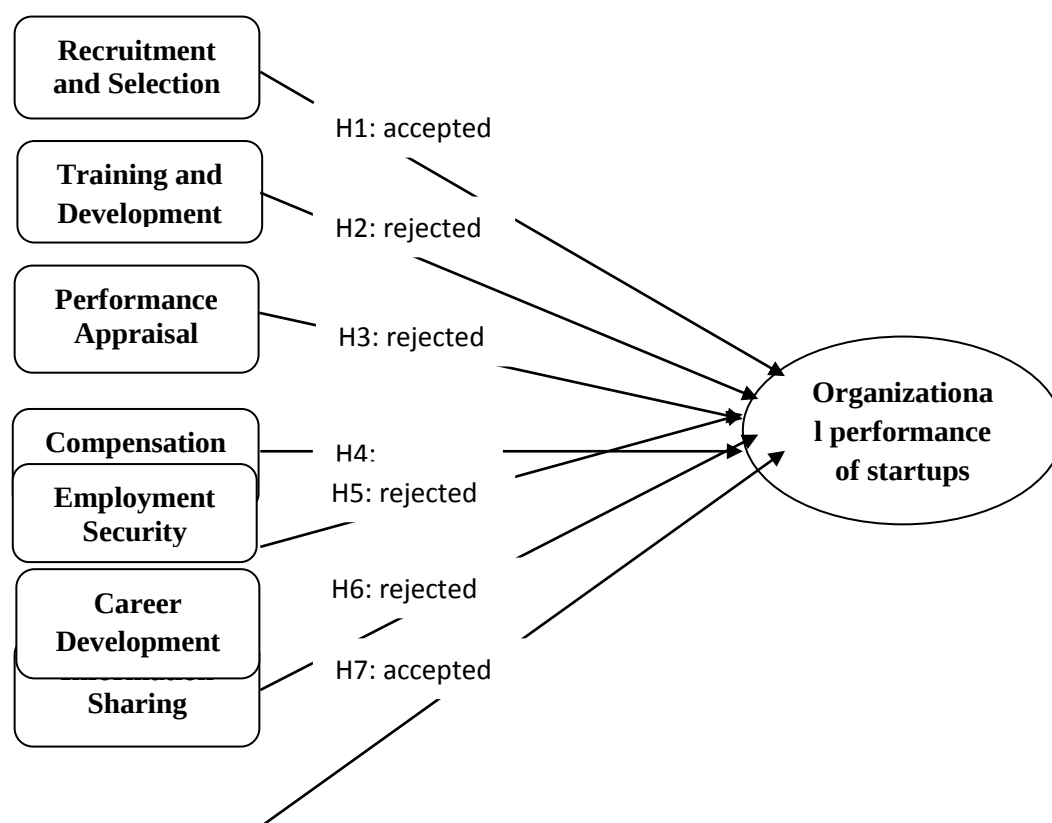


Fig. 1.1: The final model for examining relationship between HR practices and organizational performance of startups.

DISCUSSION

The primary purpose of this study was to evaluate the impact of HR practices on firm growth. In summary

Startup is considered to be the one of the important pillar of Indian economy. There is one very strange aspect that is observed in HR all those organizations having employees more than 20 generally they have assigned one person for HR administration. That person is taking care of all the HR activities in the firm. Let us start with first variable recruitment and selection .Recruitment and selection is one of the integral component for the organization performance ,because one wrong entry of person may deteriorate the whole organization environment .So one should not ignore this factor of recruitment and selection .As far as concern with the recruitment sources startups use various sources for the recruitment of the employees like employee referral job portals i.e. naukri .com,monster.com ,linked in etc., sometimes they also hire third party for the recruitment of the employees. In addition to this they are also sharing Job description with the candidate before interview. Most of the startups are taking structured interview of the candidates before selection of the candidate and provide them proper induction before the joining of the job.

Training and development It was found in the research that training and development is actually considered an integral part of every startup. HR /Founder members pay attention on the training and development of their employees. Certain firms have decided their budgets that is fixed every year, rest of the startups decide the investment on the basis of the requirement of the project. Mostly 80% of the startups have made it mandatory for the employees to undergo training before the onset of newly introduced technology. It is not randomly decided about the training program manager or project lead is the person who is responsible for the training need analysis. After having one to one interaction with the HR's/Founder it is found that they are actually considered that training is required for the employees as well as for the growth of the organization as well. More or less in every startup whether it is small or big cost benefit analysis has been conducted by the managers which give them direction for the future investment in that particular area.

Employee security is also another HR practice which act as a motivation for the employee, generally employees are feeling secure in their job. Grievance handling has no such formal procedure in the startups in case if they are feeling grievance against anyone employees directly approach their boss and issue got resolved.

The employees of the startups are performing hard there is appraisal system as it is not well structured but managers usually give feedback to the employees for their work performance. If there is any employee who is under performer there is a corrective measure for him for the improvement of the employee in the work.

Career development is that HR practice of the startup which actually need to improve a lot the basic reason for its dormant stage is due to the initial growth stage of the startups but in certain startups it has been observed that Managers are paying for the certifications of the employees that would really help the employee for their career growth.

Information sharing related to the product and services in the organization is a culture of mostly all the startup. If we talk about the strategic decision which is generally taken by the people on the top positions but in startups employees are encouraged to participate in the strategic decision however it is not with every startups. Information sharing regarding the competitions is not generally discussed among the team members but still it is discussed in few.

CONCLUSION

The contribution of this study is both in theory and practical, in the theoretical part of this it is the extension of this existing literature about HRM practices which is unexplored in the area of startup as it is newly arisen sector. Moreover this study is among the few studies in which author has made an attempt to find the relationship of HR practices on organization performance. While on the other hand this study will offer an insight on the academicians and policymakers for the government startup policy makers.

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