

Employee Perception Concerning Relative Significance of Various Human Resource Functions: A Statistical Analysis



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Abstract:

Human Resource Management occupies a prominent place in overall working of an organization. Theoretically speaking, all HR Functions, like Recruitment, Selection, Training, Promotion, Wage Administration, Performance Appraisal, Job Satisfaction and Social Security, to name a few, occupy important places in management of employee affairs at large. In practice, it is observed that employees differ drastically in their perceptions about importance and priorities about individual HR functions. Productivity of employees depends tremendously on their views regarding, 'which HR activity is most significant to their survival & growth and failure of which individual activities can hamper their performance'. This paper presents a comprehensive analysis of employee perception regarding relative importance of various HR functions. As an outcome of this study, a rational classification has been provided to various HR functions. The results of this study can become the foundational basis for future research involving approaches like application of Failure Mode and Effects Analysis (FMEA) in Human Resource Management functions which may develop into an innovative concept.

Keywords- Employees' perception, Human Resource Management, Human Resource Functions, Relative importance of HR functions

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I. Introduction

Human Resource Management (HRM) is a way of management that links people-related activities to the strategy of a business or an organization. Armstrong (2000, 2009) defines Human Resource Management (HRM) as a strategic and coherent approach to the management of an organization's most valued assets; that is, the people working there, who individually and collectively contribute to the achievement of its objectives. Smilansky (1997) considers the overall purpose of the HR Function is to enable management to enhance the individual and collective contribution of people to the short and long term success of the enterprise. Schneider (1994) defines HRM as the policies, practices and procedures organizations use for the attraction, selection and management of employees. Over the years, the role of HR managers has changed in response to changing social, economic and political conditions and to the advances in technology. This role is still evolving dynamically.

Several studies have been conducted to examine employee perception towards the human resource practices and its effect on performance of employees' working (Umasankar and Ashok, 2012; Mina Beig et al., 2012). A number of studies by authors such as Storey (1992); Wright et al., (1994, 1998); Smilansky, (1997); Ulrich, (1998); Walker, (1999); Rimanoczy and Pearson (2010) ; Rees and Johari (2010) have established a strong evidentiary link between human resource management practices and organizational performance. There are studies that amply suggest that employees' perception has a strong bearing on the success of HR function. Nishii et al., (2011) in their study examined the extent to which employees' attitude and behavior are shaped by their beliefs about 'why HR does what it does'. It was established in the study that to achieve desired organizational outcomes, it is important to have not only the right HR practices but also the right employee perceptions of those practices. Bowen and Ostroff (2004) argued that in order to lead to a desirable performance, the HR systems must evoke unambiguous and shared perceptions about the work climate and behaviors that management expects supports and rewards. The study clearly suggested that HR outcomes depend on employee perceptions.

The Human Resource Management (HRM) consists of executing several inter related functions, which are common to all organizations, though every organization may have its own human resource management programme. On the basis of prevalent HR practices, the operative functions of HRM may fall into the following categories:

1. Planning & Procurement: This includes Job Analysis, Recruitment, Selection, Transfer, Promotion, and Separation.
2. Development: This includes Performance Appraisal, Training, Executive Development, and Career Planning.
3. Compensation: This includes Wage and Salary Administration, Bonus and Incentives, Payroll

4. Integration: This includes Motivation, Job Satisfaction, Grievances Redressal, Collective Bargaining, Conflict Management, Participation of Employees, and Discipline
5. Maintenance: This includes Health and Safety, Social Security, Welfare Schemes, Human Resource Records, Human Resource Research, Human Resource Audit

The relative importance of various HR activities has changed significantly due to variable external circumstances that have affected the needs of the organizations. HRM remains a dynamic area wherein the roles and ways of an organization's HR functions continue to change and evolve. The field of HRM can have wide connotations in terms of what it involves; who undertakes it; and what it actually means. Although all organizations engage in certain people-management activities, the ways in which they do so, will depend significantly on factors such as organization's size, the nature of its business and the accepted professional and organizational norms as to how the work should be accomplished. According to a study in some developing African countries, the practice of HRM differs across regions not just in terms of the level of economic development, but also in terms of socio-cultural traditions. (Budhwar and Debrah, 2001).

II. Employee Perception – A New Paradigm

Employees of any organization are an integral part of HRM. Their beliefs, opinions and thought processes have a tremendous bearing on perceived importance of various HR Functions. Purcell et al., (2004) showed that clear evidence existed between the operational performance by employees and the positive attitudes towards HR policies & practices, levels of satisfaction and motivation & commitment. However, employees also have differing viewpoints regarding the importance of individual HR functions in an organization. Some employees perceive 'Job Satisfaction' as more important HR function than 'Promotion'. Similarly, some higher statured employees give more value to 'Executive Development' and 'Career Planning' as compared to 'Bonus and Incentives' or 'Wage and Salary Administration'. On the other hand, a financially vulnerable employee group might find 'Training' or 'Conflict Management' not as important functions as compared to 'Wage and Salary Administration' or 'Bonus and Incentives'. For workers engaged in hazardous tasks as in production units, 'On-the - job Training' as well as 'Health and Safety' occupy priority over 'Job Analysis' or 'Performance Appraisal' functions. The opinions about HR functions' criticality vary tremendously over a cross section of employees who are individuals, markedly different from one another.

Perceptions also vary across industries. In BPO companies, which typically experience a high rate of employee turnover, employees characteristically give a high importance to 'Recruitment' and 'Selection'. Service industry employees find "Conflict Management" and "Executive Development" to be very critical for their performance and growth. Government sector employees tend to give a very high value to 'Social Security' but not so much value to 'Discipline'. Size and pervasiveness of an

organization also have a bearing over the perceived importance of individual HR functions. Normally, in smaller or regionally located organizations, either very few HR functions are executed or the managers are multi-taskers who carry out more than one function simultaneously. A small firm, a dealership, for example, having a few workers witness greater importance of ‘Wage and Salary Administration’ where as a larger organization, such as a MNC or a company spread across a country, ‘Transfers and Promotions’ are of paramount importance for employees.

Gibb (2001) reported the employees’ point of view as an alternative and more recent method for analyzing the state of HRM function. Guest (1999) suggests inquiring the workers about HRM practices as a form to identify the workers’ knowledge of HR functions and specifically those practices which allow workers to express their satisfaction or conflicts or in other words, to give ‘voice to the workers’ (Batt et al., 2001). This paradigm shift is important because traditionally HR practitioners and researchers have focused mainly on the intended HR functions as described by the practitioners/managers, and completely over-looked the employees’ perceptions and point-of-views regarding their attitude and perceived importance of the various HR functions. Individual employee perceptions generally have a tendency to accumulate into pan-organization perceptions. Members of the same work unit often come to hold similar views through what is known as a “double interact” process (Morgeson and Hoffman, 1999). It is only elementary to understand, that these perceptions if positive and favorable towards the organization, might generate a forward momentum in all organizational activities and conversely, if negative, might severely hamper the organizational growth. In the light of this, it seems imperative for HR managers and practitioners also, to enquire and understand the employee perceptions regarding the importance of various HR functions. This would have a direct bearing on the HR decision making process, enabling managers to take decisions that are inclusive of employee perceptions. This qualitative improvement in the understanding would result in the savings of vital resources of time, money and human capital and would influence the bottom line positively.

III Objectives of The Study

In view of above, it becomes pertinent to have an extensive insight into the psyche of employees, both individually and in group; across various work-levels; across various industries and for varied organizational sizes. This analysis should enable a comprehensive understanding about relative importance/significance of various HR functions and priority sectors “as perceived by the employees”. Keeping this in view, following objectives were framed:

- To analyze the various Human Resource Functions
- To identify the relative significance / importance of each HR Function “as perceived by the employees”.

III. Research Methodology

The study employed a random survey methodology to explore the perceptions of employees regarding significance / importance of various Human Resource functions. Sampling was done by Simple Random Sampling method (Lottery method) using a sample size of 200 employees. A 45-item questionnaire was designed consisting of items seeking data on all imperative HR functions which were then grouped into 5 categories. The details of various steps employed, categorically are as follows:

- *Sample:* The sample of 200 employees was drawn from 25 organizations located at Jaipur, Rajasthan. The organizations chosen were from various industries in order to have comprehensive and balanced account of employee opinion.
- *Sampling Technique:* Simple Random Sampling method (Lottery method) was used. A list of 30 organizations (from diverse fields) located in Rajasthan was prepared to conduct the study. 25 of these 30 organizations were randomly selected for this study. However 21 organizations finally agreed to participate in this research.
- *Sample Size:* 200 employees from various organizations that included Banks, Manufacturing units, Export Divisions, Government organizations, Financial organizations, Educational institutes, Insurance companies, IT sector, Hotels and Hospitals. All 200 questionnaires were duly filled in by all respondents and the response rate was 100%.
- *Instruments and Measures:* A 45-item questionnaire was designed to obtain data on the perceptions of employees regarding relative significance/importance of individual HR functions. The questionnaire began with a small personal account of each respondent that included Name & Address; Area of service; Designation; Employee Code and Number of years in the organization. Since the study was exploratory in nature, the questionnaire incorporated both multiple choice and open-ended questions (for further clarifications where necessary). For the sake of convenience of analyzing, the questionnaire consisted of items seeking data on all important HR functions that were grouped into 5 categories viz:
 - Planning and Procurement
 - Development
 - Compensation
 - Integration
 - Maintenance

A questionnaire was prepared and sent to 5 experts of this field (experienced HR managers) and 3 academicians, for their suggestions and approval. After their review, suggestions were incorporated and final questionnaire was designed that contained 45 items. This questionnaire was then administered to collect the data for the study. The scale used in questionnaire was a 5-point Likert scale ranging from 1 to 5, where 1 represented “Very low importance / criticality”, followed by 2 (Low); 3 (Moderate); 4 (High) and 5 represented “Very High”.

IV. Results - Data Analysis and Interpretation

The Chi-Square Test was used to test whether the employees are indifferent towards different HR functions in their respective categories. Since most Chi-Square values calculated from the data were greater than tabulated values at their respective degrees of freedom, it can be concluded that the employees were not indifferent about the HR functions and that most HR functions are not equally important for the employees.

Table 1: HR function Analysis and Interpretation.

S.No	Category	HR Functions	Chi-Square Values calculated	Degree of freedom	Tabulated values	Inference
1	Planning and Procurement	Job Analysis, Recruitment, Selection, Transfer, Promotion, Separation	236.4089	5	11.07	Employees are not indifferent towards the different HR functions.
2	Development	Performance Appraisal, Training, Executive Development, Career Planning	0.436	3	7.815	Employees are indifferent towards different parameters of HR functions
3	Compensation	Wage and Salary Administration, Bonus and Incentives, Pay-Roll	194.1389	2	5.991	Employees are not indifferent towards the different HR functions.
4	Integration	Motivation, Grievance Redressal, Conflict Management, Discipline, Job Satisfaction, Collective Bargaining, Employee Participation	242.9788	6	12.59	Employees are not indifferent towards the different HR functions.
5	Maintenance	Health and Safety Measures, Welfare Schemes, HR Records, HR Research, HR Audit, Social Security	187.51	5	11.07	Employees are not indifferent towards the different HR functions.

To support the above outcome and also to identify relatively more important HR functions based on employees' perception, a Pareto Analysis was conducted. A numerical score was created by adding the responses of the employees for various HR functions under the study. For this data, the Pareto Chart (Fig. 1) indicated that of the total 26 HR functions considered here, 4 functions were considered as "most significant" and 14 functions as "relatively significant". In the chart, it was found that there is an abrupt change of slope in Employee Response for 8 HR functions viz. Transfer, Employee participation, Separation, Payroll, HR Audit, HR Research, HR Records and Collective Bargaining. It was observed that these functions have least scores. Hence, it may be concluded that these functions were seen as "least significant" by the employees.

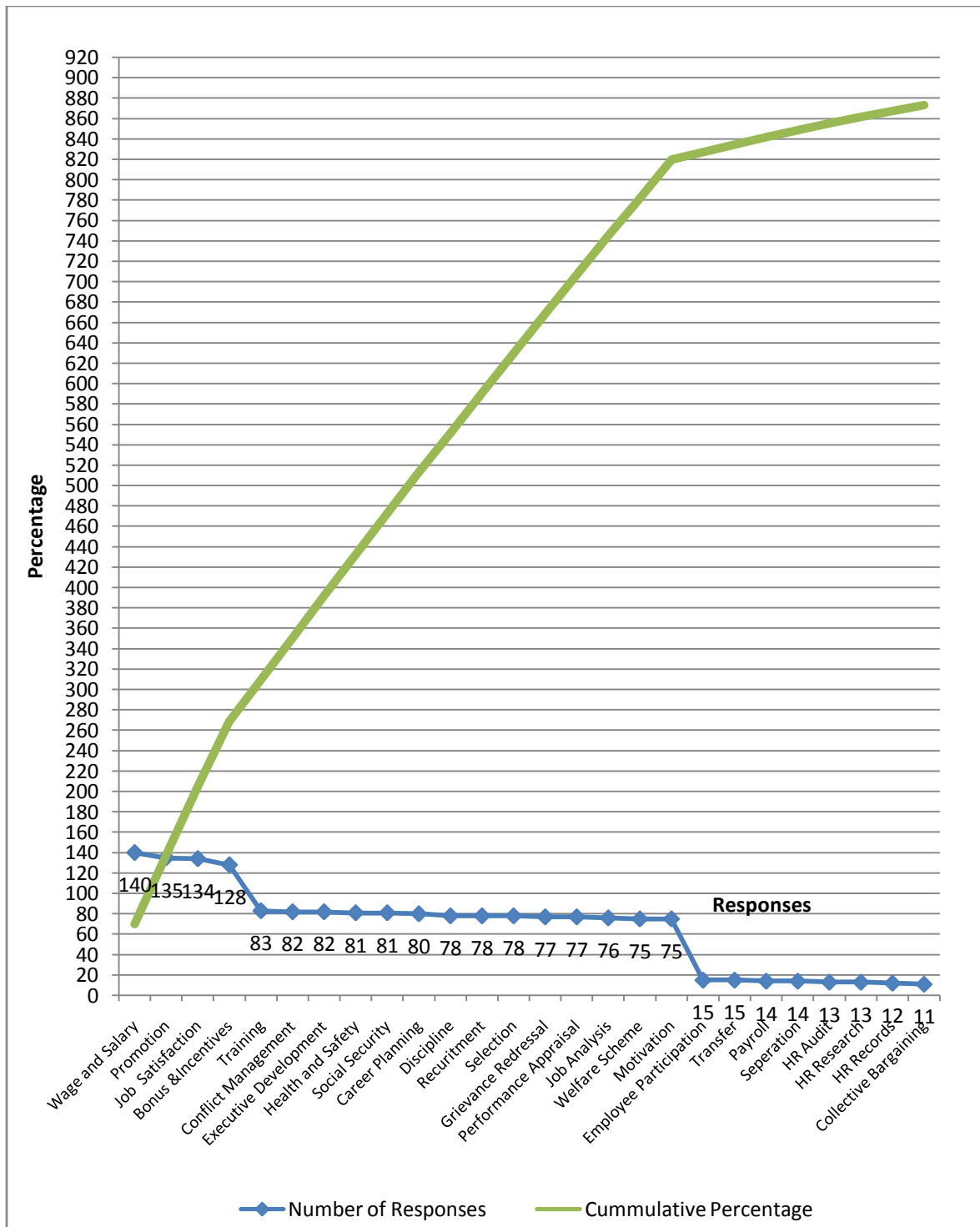


Fig. 1: The Pareto Analysis for HR functions

The Pareto Analysis brought out a clear classification and showed that there are ‘4 most significant HR functions’, ‘14 relatively significant HR functions’ and ‘8 least significant functions’.

A. Most significant HR functions:

Wage and Salary Administration, Promotion, Job Satisfaction, Bonus and Incentives are found to be most significant HR functions.

B. Relatively significant HR functions:

Relatively significant HR functions are Training, Conflict Management, Executive Development, Health and Safety, Social Security, Career Planning, Discipline, Recruitment, Selection, Grievance Redressal, Performance Appraisal, Job Analysis, Welfare Schemes and Motivation.

C. Least significant functions HR functions:

It was found that Employee Participation, Transfers, Pay-roll, Separation, HR Research, HR Audit (HRA), HR Records and Collective Bargaining are least significant HR functions.

VI. Discussion and Conclusion

The study brought out a clear-cut classification of various HR functions as perceived by the employees. The prevalent trends in modern industry seem to corroborate the results obtained by this study. N.R. Narayana Murthy, Chairman Emeritus, Infosys writes about unwarranted fat pay packages of CEOs in India. He opines that economic rationale for deciding CEOs’ salaries must be based on three parameters- fairness, transparency and accountability. His views and observations throw ample light on the significance of sensible and just Wage and Salary Administration. (Murthy, 2012). The annual report of BBC revealed that Stephen Dando, the head of HR, was paid £313,000 in the financial year 2004-05. Dando, who is overseeing 4,000 job cuts at the BBC, received a salary of £245,000 and a bonus of £65,000. Unions criticized Dando and other senior BBC management for accepting bonuses totaling £546,000, at a time when the workforce is being cut by 20 per cent. The criticism was not muted by Director-General, Mark Thompson’s decision to hand back his £135,000 bonus. Thompson sent an email to staff to say that he was not taking his contractual entitlement this year because, amid all the planned job losses over the next three years, “it didn’t feel right”. This case exemplifies the importance of appropriate timing and right circumstances in decisions pertaining to Bonus and Incentives. Overlooking or misjudging the timing and situation almost always result in widespread discontentment among the work force, thereby casting an adverse effect on the overall productivity and efficiency of an organization. Infosys is one of the fastest-growing and most successful IT-services companies in the world. (Gilmore and Williams, 2013). The aim of the company is to become a provider of business solutions leveraging technology to compete with any consultancy in the world. This ambition demands a commitment to maintain, enhance, and update skills at every level. There is a competency system in place, and every individual must have a competency development plan, which takes account of individual performance, organizational priorities, and, where appropriate, client feedback. Training interventions are organized in four key areas: Technology and Project Management; Leadership and

Managerial skills (including soft skills training); Domain Training (knowledge of specific industry) and Quality Processes. There is an ambitious Knowledge Management Programme in place with rewards and recognition for those staff who submit knowledge ideas, which are highly rated by their peers. This amply indicates the importance of the Training Function for an organization to stand tall among fiercely competing players. The case also signifies the pertinence of adequate reward and recognition system for employees as it has a remarkable bearing on job satisfaction. Another example is, the year-long industrial conflict at Maruti Suzuki India Limited (MSIL), India's largest automobile manufacturer's Manesar plant, turned violent on 18 July, 2012 (Nigam,2012).Thousands of protesting workers locked the factory's main gates trapping officials inside, and eventually set a fire that led to the death of HR manager of the company. At one end, there was shock and outrage about the whole incident, at the other end there was a misery too which provoked a non-violent agitation for workers' constitutional rights to take a ghastly violent turn. The whole incident negatively impacted the investment climate in the country and the growth prospects of the automotive industry. The company also witnessed a revenue loss of about \$256 million because of one-month shutdown of the production plant. The parent Suzuki's operating profit went down by about 6 billion yen - equal to 5 percent of the company's forecast for the year. This shows the importance of properly conducting the Conflict Management HR function which is in time, with proper procedures, tools and techniques ensuring an amicable and positive solution of a conflict situation in an organization, averting the potential drastic outcomes.

It can be concluded that although various Human Resource functions are being carried out at most of the organizations, the employees do not perceive them as equally important. They are found to be 'Indifferent' about some functions like Performance Appraisal, Training, Executive Development and Career Planning (i.e. Development category). They were found to be 'Not indifferent' for functions belonging to categories- Planning & Procurement, Compensation, Integration and Maintenance. The 8 least significant functions can be ignored in reckoning and it can be safely assumed that only 18 functions, viz; 'most significant' (4 nos.) and 'relatively more significant' (14 nos.) are considered by the employees as having a critical importance. The correct assessment of employees' perception regarding relative significance of individual HR functions can arm the top management with the right knowledge in carrying out an efficient functioning of an organization and to take accurate decisions. It will also sharpen their discernment about deciding the priority sectors. The results of this study regarding the relative significance of various HR functions at this point, can be significantly employed as a foundational study for the application of various analytical and control tools like Failure Mode and Effects Analysis (FMEA), Statistical Quality Control (SQC) etc. in HR functioning. The use of FMEA in analyzing the HR function failure modes is an innovative and virgin approach that can imbibe the concept of 'continuous improvement' in the HR functioning process, as it systematically analyses and records all the possible HR function failure modes and the resulting effects and consequences. Such an assessment shall enable the HR managers to frame impeccable strategies to steer the organization smoothly amongst countless environmental uncertainties and emerge successful.

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