

Human Capital Management Practices and Employee Productivity: A Conceptual Framework with New Dimensions

Dr.B.S.Patil¹, Swapna.H.R²

¹Professor, Director, School of Research and Innovation, CMR University, Bangalore, INDIA

²Research Scholar, CMR University, Bangalore, INDIA

ABSTRACT

Over recent years there has been an increasing interest in the field of human capital management in banking sector. Organizations should prefer to maximize wealth through maximizing their human capital. Currently, the literature encourages the consideration of human resources as strategic factors, not only because they play important role in strategy implementation, also because they are beginning to be reckoned as sources of sustainable competitive advantage. Relationships between human capital management practices (like Learning and development, Performance appraisal system, Career progression system, reward and recognition system, Mentoring support system) and productivity have been studied from different perspectives. This study is to analyse the impact of Human Capital management practices on Employee Engagement excelling Employee productivity and to suggest a conceptual framework or a model with recent developments.

Keywords-- Human Capital Management Practices, Employee Engagement, Employee productivity

through networking of branches, ATMs, internet banking and even mobile banking.

In this backdrop, competition has become the buzzword for the banking in India. The public sector banks are finding it very difficult to cope up with the challenge. Nevertheless, they are also gearing up themselves to meet the same. Competition has unleashed new threats as well as new opportunities. In the road ahead, the key drivers will be **innovation, technology and customers focus**.

However, technology alone is not the solution. Irrespective of level of automation, the **man** behind the machine is most important. Therefore, especially in the post – VRS scenario, it is more than necessary to optimize the use of human resources. This calls for a re-engineering of the Human Capital Management Practices (HCMP).

‘Given man a desert and he will make it a paradise but give him a paradise and he can make it a desert’.

In fact, the same man can perform immensely well and can cause severe damage also. Therefore the purpose of HCMP is to harness the positive forces. It is basically engaging of people. An effective HCMP system is perhaps the most important element in organizational effectiveness that not only ensures present performance but also long term survival and growth of the organization. While every other resource like technology, capital assets and even finance can be bought; the only resource that cannot be brought is motivated and engaged human capital. Motivated people will have to be developed and nurtured by managerial competence.

The concept, philosophy and application of HCMP is rapidly gaining ground as a popular method of ensuring higher productivity and faster growth, which is now widely regarded as the hallmark of corporate excellence. Human resources represent a source of strength, ability, skill, competence, knowledge, attitude, enthusiasm, decision-making powers to be used for accomplishment of individual, organisational, societal and

I. INTRODUCTION

Change is the process by which future invades the present and therefore, it is essential to look at it closely for successful coping with it would require us to adopt a new stance and also develop a new sensitive awareness to understand the role it plays on our lives. As far as the Indian banking scenario is concerned, all of us are aware that the winds of change have dramatically altered the landscape from what it was a few years ago.

In the early nineties, two factors have brought about radial changes in Indian banking. The first one is technology and the other one is liberalization. As a consequence, many new players have entered in the market. Technology has enabled them to develop new products and differentiate existing ones. Above all, it has provided a highly efficient platform for product delivery

national objectives in the sense they are the most essential. Nothing can be achieved if the employees are not committed and engaged.

The banking system is one of the few institutions that impinge on Indian economy and affect its performance for better or worse. They act as a development agency and are the source of hope and aspirations of the masses. Now-a-days banks being at competitive situation, employee engagement is very much crucial for longer sustainability. This study arises from the need to manage the human capital of the banks more effectively. Having an engaged workforce with it is important because it helps banks to reap benefits of sustainability, productivity and increased efficacy.

II. LITERATURE REVIEW

The concept of Human Resource Development can be termed as multi dimensional as it has been defined by many people among whom some of them are Scientists, economists, academicians and industrial managers in many different aspects and from different perspective. In view of national context, the term HRD is the framework for helping the employees to develop their abilities, knowledge personal skills, as well as organizational skills and a continuous improvement in order to be more competent and self reliant, hence developing a sense of pride in their performance; Where as in view of broad sense HRD is a process that helps in increasing the knowledge and skills of the employees in an organization (Rao, 1998).

Patterson et al. (1997) conducted an experimental study to find out the relation between Human Resource practices and organizational performances. In this study the researcher examined a significant difference where the productivity of the employees increased by 18% and indeed increasing the profitability by 19% with good HR practices.

According to Babakus, Yavas, Karatepe and Avei (2003) job satisfaction acts as a major significant driver for employee performance especially among frontline service employees. Hence even the customer satisfaction is hinged upon employee satisfaction (Koc 2006). Whereas, Csikszentimihaly. Mihaly (1975) opines the importance of the relationship between employer and employee with regards to employee engagement. He suggests that the organization should build upon nurturing the two-way relationship as these impacts a lot in developing job satisfaction and will be more committed.

According to Mohammed Mosharraf Hossain and Mohammed Tariqul Islam (1999) in their article titled "Work motivation and Job Satisfaction as the Determinants of Organizational Commitment" points out that there exists a significant positive correlation between Quality work life and job satisfaction as well as job performance. They also state that the job satisfaction level is significantly higher in

small scale industries than compared with large scale industries.

Recently Gallup conducted a study on Employee Engagement in United states and finds that only 30% of people are engaged at work i.e only three employees out of ten. Ofcourse, worldwide it's mostly worst. According to Gallup's study it is about only 13% of the employees are engaged worldwide. Even though employee engagement is so critical and a creamy sauce to massive business results, most of the employees is still not engaged at work. He terms it as engagement crisis.

III. OBJECTIVES OF THE STUDY

- To assess the relationship between Human Capital Management Practices with Employee Engagement.
- To study the impact of Human Capital Management Practices on Employee Productivity.
- To suggest and recommend a model and possible interventions in order to enrich the existing Human Capital Management Practices with a view to increase Employee Productivity

IV. HUMAN CAPITAL MANAGEMENT PRACTICES INFLUENCING EMPLOYEE ENGAGEMENT

Performance Appraisal System

Performance Appraisal is a powerful tool usually practiced by the organization to bring the best out of the employees and motivate them to perform better by helping them to understand their personal hindrances, judge their merits and demerits and thereby improving their performance.

The banks have a huge potential edge over other banks by effectively following the Performance Evaluation Techniques in patterning the human resource behaviors. These techniques can be used in various aspects of the Human Capital Management Practices like reward systems, selection processes, training and development, career planning and development etc, in the banks. The appraisal system renders the data relating to past, present and the expected performance of the employees of the banks, which helps in the decision making functions of the Human Capital Management. This kind of feedback is utilized for the developmental purposes which help the employee in developing his/her job skills and behavior.

V. REWARD AND RECOGNITION SYSTEM

According to Amirtha Gowri (1983) and (Lawler, 1976), the organizations survive and prosper depending on the way its employees are treated, rewarded and recognised.

The human resources and now considered as the primary source of an organization's competitive advantage. To ensure this, the banks need to establish a balance in the interdependency of contribution between themselves and its employees.

Recognition not only reflects the performance of an employee in his work, but it also enhances the personal commitment and the engagement. They emphasize that recognition plays a pivotal role in building the shape of an employee as a constructive response.

Therefore, Rewards and Recognition plays a key role in creating faith and confidence in the organization and around the workplace. It can be considered as the subset of the structure of employee recognition.

A delicate balance can be established between the Best Talent Vs More Customer Base. If an organization has best talent in its hands, then it can definitely win a huge customer base and loyalty. Therefore in order to maintain best talent pool, Rewards and Recognition programs become the necessary plot for any business. Apart from this, the companies also need to appreciate the employees' accomplishments, contributions to fortify intended results and conduct. Such practices followed by organizations are known as 'Thanking Practices' which build a climate of Appreciation in the work environment. (Rao, 1998)

VI. LEARNING AND DEVELOPMENT TECHNIQUES

learning and development can be explained as "an ongoing educational process which necessitate the enhancement of skills, concepts, shift of attitude and acquiring more knowledge to fine-tune the performance of the human resources".

The productivity is multiplied if the employees are trained on regular intervals. In Banks, there is a dire need for the continuous learning of the employees in the areas of communication, motivation, upcoming changes in technovations, self development, customer care services on behavioral as well as operational characteristics of the business. For this to work as desired, the needs at various levels need to be recognized and analyzed. Basically these needs are estimated through the survey of performance and tasks associated at both individual and the organizational level.

VII. CAREER PROGRESSION SYSTEM

Career Progression refers to the path where one is proceeding in his work life. As the career of an employee spans over his/her entire lifetime, it has to be designed and planned appropriately. This planning depends on various factors like:

- ✓ Need,

- ✓ Abilities,
- ✓ Basic values,
- ✓ Career motives,
- ✓ Destiny
- ✓ the available opportunities.

So a careful and a meticulous career planning has to be deliberately attempted by an individual to assess his or her own talents, skills, interests, values, opportunities, possibilities and repercussions. This involves distinguishing ones career goals and establishing plans for achieving the set goals.

The role of Human Resource Department in an organization is to identify the stages in an individuals' career and assist them in the development endeavors they face at each phase. Thus it motivates the employees to be engaged, and inevitable excelling the productivity of an employee as well as the organization as a whole.

Effective and efficient Career progression plans both by the individual and the organization lead to motivation and satisfaction of the jobs over time and later success in career. The positive impact of an initial assignment/job assures the retention and challenges the individual to constantly monitor his/her career planning phases at entry level, Mid Career, and Retirement or VRS levels.

VIII. ORGANIZATIONAL SUPPORT

"Human capital Practices influence Employee Engagement, indeed excelling employee productivity"; This statement can be true only when there exists maximum support from the organization to the employees in many ways like appreciating new ideas, by treating employees as a member of the company, Research indicates that the engagement levels are low if the employee does not feel secure while working. Therefore, every organization should adopt appropriate methods and systems for their, job security, health and safety. Employees should also be allowed to involve in important decisions that affect their work and performance, they should be encouraged to experiment with new methods and creative ideas, the bank should not ignore any complaints from its employees, the organizations must provide comfortable working environment (like space, lighting, seating arrangements, safety and security systems AC, etc..) for the better performance and productivity from the employees.

IX. MENTORING SUPPORT SYSTEM

Mentoring is a process whereby mentor and mentee work together collectively to discover and develop the mentee's latent abilities and to encourage the mentee to acquire knowledge and skills as opportunities as needs arise. (McCauley. Shea 2005)

Mentoring is linked with the job satisfaction in two ways. First there is a positive relationship between mentoring and career commitment; secondly, a negative relationship exists between mentoring and job dissatisfaction manifested in absenteeism and turnover. Fagenson (1990) examines the level of job satisfaction in mentored and non-mentored individual. The result showed that mentored employees foster higher level of satisfaction than their non-mentored counterpart. This happens because mentoring helps the new recruits to be well groomed to take up newer and challenging assignments. Mentored employees have a higher concern for maintaining close personal relationships and a tendency to express their emotions freely. Only this system in a banks fosters an emotionally engaged employee employer relationship.

X. EMPLOYEE ENGAGEMENT PRACTICES

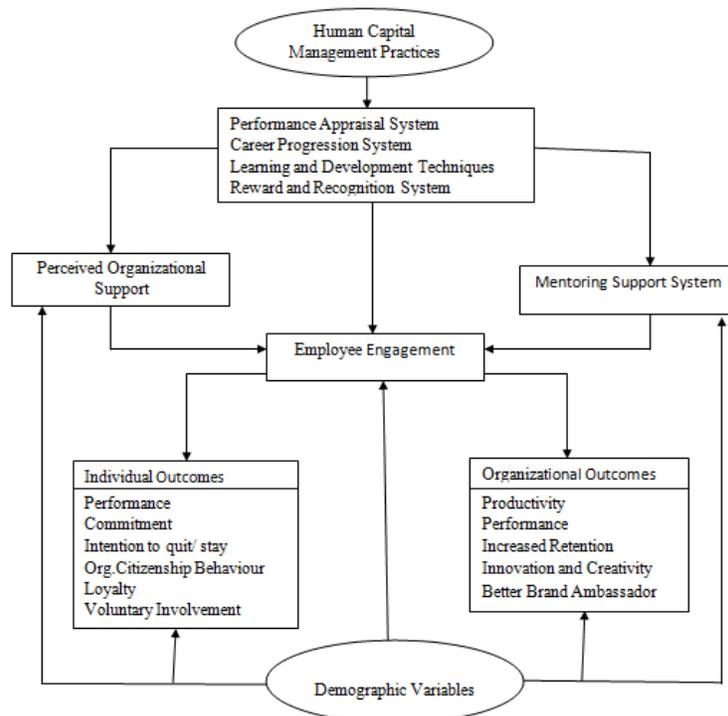
Though employee engagement and job satisfaction seems to be very much similar but in fact employee satisfaction doesn't raise the bar high enough. The employees can be satisfied even with the working hours or the break time or the compensation system or even the job description; he is satisfied and does his work effectively and efficiently. Therefore satisfaction speaks about happiness i.e. creating happy work place, happy workers and happy environment; but just because the employee is happy it doesn't mean that the employee is working on behalf of the organization. Employee

engagement is the emotional commitment that the employees should have towards their organization and organizational goals. When the employees of the company are engaged then they are emotionally and psychologically committed, in other words the employees will give discretionary efforts i.e. working an extra mile. If the employees are engaged the performance levels will be higher, they would sell harder, provide better service, productivity would be higher, they would produce enriched quality, lesser defects and most importantly the safety records too will be improved as the employees are more aware and mindful. Therefore, discretionary efforts lead to better business results.

The leaders of high engagement workplaces create a trustful and challenging environment, in which employees are encouraged to dissent from the prevailing orthodoxy and to input and innovate to move the organization forward.

Employee engagement is one of the strategies that act as a liver that can move the needle to all the above motives. This can be termed as **Engagement profit chain**, where the engaged employees give discretionary efforts-increasing their sales and services satisfying the customers. When there are more satisfied customers they would be regular and refer to others too, as sales rises, as profits rises, inevitably the company's stock prices go up, shareholder's returns go up.

XI. THEORETICAL FRAMEWORK



The above model depicts that there is an impact of Human capital Management Practices such as Performance Appraisal System, Learning and Development Techniques, Career Progression System and Reward and Recognition System on Employee engagement. In order to make the employees totally engaged Organization should lend maximum support and even Mentor support system also influence a lot to increase employee engagement. When the above HCM Practices are implemented according to the set policies along with organizational support to the employees, the employees feel very satisfied and a feeling of oneness would develop which leads to Employee Engagement.

Employee engagement creates emotional bonding towards the organization, where in they hesitantly put more effort voluntarily and would not like to leave the job. Eventually this leads to development of individual productivity as well as organizational productivity.

XII. INDIVIDUAL EMPLOYEE ENGAGEMENT OUTCOMES

- Employee engagement builds passion, commitment towards organization
- Attracts more people like existing employees
- Creates a sense of loyalty for the company
- Increased Retention
- Finding improved and new ways to do things
- Increases productivity and improves morale
- Provides a high-energy working environment
- Improves overall organizational effectiveness
- Employees effective brand ambassadors for the company
- Excels quality and accuracy of work output
- Developing skills needed for his/her future career growth
- Coming up with new ideas
- Voluntarily doing things even though it is not part of his/her job

XIII. ORGANIZATIONAL OUTCOMES

- Increased Productivity
- Increased Performance
- Team dynamics with coworkers leading towards organizational goals
- Lowers attrition rate
- Knowledge sharing from other work groups or other departments
- Employees responding to the needs of others within the groups for group succeeds
- Innovation and Creativity
- Better Brand Ambassador

XIV. SUGGESTIONS

There is a paradigm shift in human resource management practices from job satisfaction, job selection, selection and recruitment process, to employee engagement and employee involvement. Employee engagement is relatively new. The traditional concept of employee retention has made a shift to employee engagement. The purpose of human capital management practices is now focusing on employee engagement and involvement through job satisfaction and organizational commitment towards retaining the employees and extracting best out of them.

Moreover, nowadays, top managements of commercial banks in India are now paying increased attention to Human Capital Management Practices because now they have realised that human resources need to be closely integrated with planning & decision-making. Here in this article an attempt has been made to assess the relationship between Human Capital Management Practices with Employee Engagement and to study the impact of Human Capital Management Practices on Employee Productivity.

The fully functional Human Resources Development Department, after identifying and analyzing the training needs, design and develop various training programmes and learning plans at different levels in the hierarchy of the Bank. The training programs are to be moved to Learning and development programmes in order to be completely updated in the market. Than Training programmes, Learning programmes make way for working on new and innovative ideas, which is very much essential for the banks to sustain in such competitive world. The employees must train and re-train the employees considering the need and interests of the employees to achieve competitive edge and better productivity.

The bank has to adopt certain programmes to keep the employees always engaged like:

- Giving partnership to the employees in certain areas where everyone works together to achieve better productivity.
- The organization should create a friendly and a conducive environment.
- The banks have to give their employees maximum support to experiment new ideas.
- Flexibility has to be given, especially for women employees as they need to balance their work at home as well as at office, as a desire to excel their career.
- Employees often get distracted from their regular duties, so they have to be given space where by they can make a perfect blend of both fun and work, in order to optimize the performance of the employees.
- Attractive and innovative Rewards and recognitions should be given to retain and motivate the employees for better productivity.

XV. CONCLUSION

If the employees are engaged the performance levels will be higher, they would sell harder, provide better service, productivity would be higher, they would produce enriched quality, lesser defects and most importantly the safety records too will be improved as the employee engagement is a barometer that determines the association of an employee with his organization. However an associated and engaged employee is always a productive employee.

Employee engagement is one of the strategies that act as a lever that can move the needle to all the above motives. This can be termed as **Engagement profit chain**, where the engaged employees give discretionary efforts-increasing their sales and services satisfying the customers. When there are more satisfied customers they would be regular and refer to others too, as sales rises, as profits rises, inevitably the companies stock prices go up, shareholder's returns go up.

Therefore, employee engagement is about building a great relationship with the work force and organization. The main Mantra of this study is

Employee Productivity = (People X Process) + Technovations

A highly engaged employee will consistently deliver beyond expectations. A productive employee who has a sense of belonging and a strong bond with the company and its brand will create a ripple effect that results in a positively charged atmosphere in the organization. Some of the approaches aimed at improving employee engagement can significantly increase employee engagement and, in turn this can have a measurable impact on Human Capital variables such as retention and motivation.

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Links

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