



LITERATURE REVIEW ON EVALUATION AND IMPACT OF THE HUMAN RESOURCE MANAGEMENT (HRM) ON ENTERPRISE PERFORMANCE MANAGEMENT (EPM) IN THE MANUFACTURING INDUSTRY

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Abstract

This chapter provides an overview of the evaluation and impact of the human resource management on enterprise performance management in the manufacturing industry. This chapter discusses in detail about the importance of HRM with respect to manufacturing industry. This review outlines the need for enterprise performance management in manufacturing industry. In addition to these, this review also investigates the relationship between HRM and EPM in manufacturing sector. Impact of HRM on enterprise performance management in manufacturing industry is also described in this literature review. Apart from these, this study discusses some best practices for effective use of EPM in manufacturing industry. At last, this literature review proposes the conceptual framework for the evaluation and impact of the human resource management on enterprise performance management in the manufacturing industry with the research gap.

Keywords: HRM, Enterprise Resource Management, Enterprise Performance Management, Quality Circle, Digital Investment.

1. Meaning and definition of human resource management:

Jha, (2009) defines human resource management as “an integrated series decisions that forms the relationship with the employment and their

quality contributes to the organisation ability as well as employees’ ability to achieve their objectives”. HRM or human resource management is always concerned with the dimensions of people in a management, as every organisation is made by people, gaining their services, skills developing, motivating themselves to acquire higher performance level and then ensuring to continue as well as maintain their given commitment to the organisation as it is essentially for achieving objectives in an organisation. HRM also means “planning, controlling, directing and organizing the procurement, compensation, maintenance, separation, development, and integration of the human resources to its end that an individual, social objectives and organisation get accomplished”.

Human resource management is a function within a particular organisation that completely focuses on the management of, recruitment of and providing directions for employees who work in that concerned organisation in developing employee through work explains Chettinadtech, (n.d). Human Resource Management is otherwise known as the organisational function that deals with the problems that are related to the people that includes; hiring, safety, wellness, benefits communication, training, administration, compensation, performance management, and employee’s motivation. HRM is defined as “a process of developing, maintaining and

procuring competent resources within the organization so that the organizational goals can be achieved in an efficient, effective and creative manner” or it can be simple called as “art of managing employees at work so that they give their best to their organization”.

2 Meaning and definition of Enterprise Performance Management:

Gartner,(2016) highlights about the meaning of the “Enterprise Performance Management (EPM) system”. Enterprises performance management is “a process of monitoring the performance across an enterprise with a goal of improvising the performance of the business”. An enterprise performance management system integrates and also analyses data from many of the sources that includes but not limited to the electronic commerce system, applications of BackOffice and front office, external sources of data and warehouse data. In case of advanced EPM system, it can support many methodologies of performance including a balanced scorecard. EPM is “a business planning type that is related to business intelligence that involves managing and evaluating the performance of enterprise to attain performance goals and to maximize process of business”.

PWC, (2012) stated about of the enterprise performance management that “it’s all about ensuring the organisation is a translation of its strategy into a measureable indicator and also targets as well as performance monitoring”. EPM means “there is an effective and efficient people aligned across the business enterprise where the individuals’ KRAs (Key Result Areas) are aligned with objectives of the corporate organisation”. However the rewards and the recognition of organisation mechanism encourage the behaviours that can directly contribute towards overall organisation strategies in a direct or in-direct manner. EPM comprises of three main components; they are strategies for the planning process, measuring the forecasting process and recognizing the reward process.

3 Importance of HRM with respect to manufacturing industry:

Punia and Sharma,(2015) aims to study about the important factor that influences the Human resource management practices in the manufacturing industries. As the work environment is undergoing a major paradigm

shifts like globalization, improved technology and growing economic conditions there are new challenges born each day. The important role of the Human Resource is the highest source of competitive advantage and important asset to the organisation. So for any organisation accomplishments in achieving objectives, HRM have become source of ability and strength that is un-ending. HRM helps to cope up with the human resource organisation with its effective systems. HRM systems importance is further enhanced by backing up the Human Resource management practices. HRM enables an organisation to achieve the expected and predicted organisational performance and provide a competitive value by achieving desired performance from employees. In the technological development aspects HRM practices provides series of business advantages. Jones, et al (2010) argues about the relationship between human resource management practices and performance of the firm. The main HRM practices that are associated with firm performances are namely; employee’s involvement in decision making of the firm and financial participation. The important drivers that are supported by the HRM practices include foreign and family majority ownership, competition of product market and performance in organisation. The workplace needs the HRM Practices due to its high managing capabilities in maintaining the employees work and helps them to achieve organisational goals. The Key HRM practices that aid the growth of the organisation is the employee board representation, job rotation, self managed teams, quality circles, joint consultation committee, job satisfaction, work scheme suggestion and total quality management (TQM). The three main financial participation worked through HRM are performance based pay, stock option scheme and personnel fund.

Datta, et al (2003) expresses about the human resource managements’ efficiency in productivity of the firm in the manufacturing industry. As the recent era is witnessed with burgeoning interest to contribute to effectiveness of the organisation, the HRM is playing the critical role in that aspect. The HRM practices can lead to high technical innovation in the employees working in an organization to boost up their working performance and create productivity of the organization. Hence the outcome of the individual through the HRM Practice like selection process, training, job

appraisal and rewards can provide job satisfaction. Hence HRM Practices in larger firms can lift up the commitment of the employees, enhance their innovativeness and increase employee's involvement so that employees can become the better source of advantage in leading a sustainable competitive advantage to the firm.

The importance of human resources management in the innovative, creative and high tech small and medium enterprise manufacturing was explained by Huisman, (2013). In order to acquire the effectiveness of SME manufacturing industry, the business strategies should be linked with the HRM practices, as basically HRM is the good predictor of the small and medium business survival. Manufacturing industries compete in an business environment that is characterised by the increased dependence on the competitiveness in price, uncertainty, high global competition, changes in technologies and market fragmentation. But all the business risk factors can be faced easily and can be predictor before only by the HRM business practices. Hence to survive, to compete and to overcome the hurdles in SMEs the HRM practices are highly essential and it also changes the organisation's ability to management and to innovate. The high tech innovative small and medium business enterprises enhance the manufacturing goals of their industry by implementation of HRM mechanisms.

Tjiparuro, (2012) reviewed and categorized the human resource management practices of the engineering organisations and manufacturing industries in India. The centrality role of the human capital is aptly captured in the competitive world, where three mantras such as people, people and people, is correctly observed by the HRM. As the success in the organisation are mainly based on the employees, and the employees can be supported by the HRM so that their work is effective and efficient to increase the organisational performance to reach the objectives or goals. The social elements like trust, belief and cooperation of the employees can be acquired by the organisation's adaptation of the HRM practices like selection, training, development and payment of incentives. The importance of the HRM along with people capability, maturity model, provides great advantage in development of individual capability, building cultures and workgroups,

motivating the performance and shaping workforce.

Silva, (n.d) aims to study about the HRM, industrial relations (IR) and achieving the objectives in management. Changes in the industrial relations can affect the manufacturing market like increase in collective bargaining at the level of business enterprise, flexibility in business employment forms, job functionality and working time relationship. The factor of the IR can be influenced by the HRM policies and their practices in the manufacturing industries. In fact the HRM Practices can manage these changes effectively by greater orientation with customers, creating employees involvement, service provision acceptances, ensuring employees skills and providing support through employees in goods production.

Management of human resources in the manufacturing sector is researched by Pabla, (2013). The 21st century has witnessed the removal of trade barrier between countries all around the world. The holistic organisational paradigm and globalization is highly rooted in the Indian manufacturing industries as it has opened opportunities in the economy. Here, the importance of the human resource management quality gets highlighted in manufacturing sectors as it is the only base for responding to the emerging environment in manufacturing industries. As HRM practices can induce the knowledge in workforce of the emerging new world. The HRM can reflect various business strategies in managing people effectively and with recent trendiness, they are attracting, nurturing talent, managing, and then retaining the good and efficient performer. The new avatar of highly talented professionals that are savvy in business innovative, quick to uptake people are grasped by the HRM, as they have the ability to withhold the better knowledge and produce good outcomes of performance and productivity.

4 Need for enterprise performance management in manufacturing industry:

KPMG, (2016) argues about the enterprise performance managements' need in the telecom manufacturing industries, as it seen explosion in products and services coupled with other consolidated industries of the market. Changing demands of the customer, evolving business models, mobile devices greater access and requirements and regulatory requirements make the management in a busy agenda. Hence with

the Enterprise Performance Management the demands in organisation are faced in a simple manner. It provides increased profitability by giving insights of the bundles of products with complementary suppliers partnering, ability to terminate and identify the activities that destroys the firms values that includes untried legacy, cost structures and inefficient decisions on pricing, improved agility to changes responsiveness in convergence with technological development, increased sensitivity into external influences like new entrants and accounting standards and greater projection in accuracy to build market confidence.

Oracle, (2007) states every organisation should undergo process of management and also their multiple system supported by them but they constantly get disconnected. The financial consolidation almost lives in total range of isolation from the rest of the firms. Hence the operational outcomes cannot get related to the strategic factors like disconnected process can lead to errors, high management costs and lengthy cycles. Here the need for enterprise performance management system need, as it brings the management process under the control of the single umbrella, to connect to operational and financial decisions and also transactional system activities to form better comprehensive picture in the management. The results of the EPM system control can speak for themselves in integrating good views on the financial and operational criteria to help managers top have greater market confidence in numbers, predicts better financial results as well as asses the operational decisions impact.

Capgemini, (2014) investigates about getting values from the digital investment through the enterprise performance management. As EnterprisePerformanceManagement is all about managing the enterprise performance by providing effective steering in the business and giving heart beat to organisational decision making process. The EPM stands first in ensuring right focus and right directions for the organisation to move on further by giving them robust understanding with money loss and gains, providing clear sights of corporate goals, ability to achieve their targets and aligning the individuals and organisation to profitable practices. The EPM consideration on specific skills and specified organisational disciplines require driving force with three main

components like aligned organisation, informed organisation and integrated organisation.

Bergstrom, et al (2011) points out the help of EPM in managing organisations unthinkable scenarios. The main process of EPM in integrating the organisational scenario includes; strategic planning, target setting, tactical planning, resource as well as budget allocation, monitoring and also performance measuring, forecasting and action planning. The global business community are facing extra-ordinary circumstances which can be overcome by the process of the EPM in organisation. The firms need the scenario based EPM as it help in reporting and planning process from the reactive accounting activities that are rarely viewed in mirror as they have value centric capacity and capability to focus on managing as well as shaping optimal outcomes. Those values centric capabilities can support pre-empt the market competitions. EPM can assist not alone in strategic planning but also in business planning, analysing and for forecasting risk mitigation process and integrating the warning measures by managing performance in day to day life of business.

EPICOR, (2010) expresses about the tasks performed by EPM in computerized business architecture, they are tracker and dashboards, advanced reporting in finance, budgeting, forecasting and even planning marketing strategy, operational storage of data and warehousing, content packages and scorecards and Key performance indicator (KPI). EPM provides end to end solutions for every issue and removes the barriers in business management through a intuitive experience of users, User driven KPI and also pre- package analytics that gives real meaning to the business world. The EPM also leverages the capabilities of advanced analytics in the Microsoft platform and also incorporates the modern business with Web 2.0 to provide a unprecedented easy usage and ultimately turning into positive business results. The advanced financial reporting in the organisation is provided from advanced EPM usage in the business enterprise.

Enterprise performance management mechanisms are highly essential in benchmarking the performance in any manufacturing industries describes Goncharuk, (2011). The EPM mechanism model is used to analyse the working conditions like operation sequence that enables to connect several key

management system and its functionality by clearly diving the process of performance management into various steps; they are identification of the operation that needs improvement, detailing the process, benchmarking partners, ranking competitive companies, developing best planning practices, determining the reduction of cost and enterprise efficient in potential growth, implementation of the Systematic planned actions and monitoring managerial decisions and improving enterprise performance. EPM is highly essential to improvise the efficiency of organisation as it induces the participation of managers, employees and company into the management process whose functions are critically important for an organisation. Many researchers considers that without EPM the management process of the organisations cannot overcome the risk factor of the institution, economic, social, and organisational –economic conditions.

Becker and Shadbegian,(2008) aims to study the need for enterprise performance management in the environmental products manufacturing in green industry. The green products manufacturing industry are characterised by highly unique in cost, values and benefits in the environmental policies, where the EPM need got increased as it helps in potential employment growth , export opportunities and even well paying job outcomes. Thus the EPM in green manufacturing products industries are highly sensitive to employees, as a result the in the EPM and no EPM counterparts they plays different role in employee compensation, productivity, performance and exports. However the EPM performance has better results in the organisational survival, employment growth, export growth and the growth of wages. The characteristics of the EPM in enhancing the environmental products manufacturing, includes, promotion of the better environmentally equipped organisation, increasing the production of the green products, and increase in demands for customer centric growth.

5.Relationship between HRM and EPM in manufacturing sector:

Trivedi and Raval (2015) studied about the relationship among the practices of HRM and organizational performance. The practices of human resource management namely, recruitment as well as selection, remuneration,

performance appraisal, development and training practices were affected the organizational performance. This research has focused on the significance of the discretionary behavior through managers and employees and the variation effects in business performance behavior. The challenges for organizational performance include employee satisfaction, effectiveness to employ the resources properly, customer innovation, services and products quality and ability to maintain the human pool. The result of this research revealed that there was a positive association between efficient performance practices and enterprise performance; and efficient recruitment as well as selection practices.

Sendogdu et al. (2013) determined the relationship among HRM practices as well as performance of enterprise organizations. In the organizational psychology and behavior, the commitment of organization is the psychological attachment of any person to the organization. The dedication of organization has predicted the work variables namely, job performance, turnover and organizational citizenship behavior. This research was indented to give analysis of the association among practices of human resource management and organizational dedication in manufacturing industries that function in the region of Turkey. The analysis was performed in the framework of human resources and manufacturing industry that usually fit the various activities include: team activities, attitude and behavior, interaction facilitation, job incentives to satisfy customers, training in many functions and job skills, performance feedbacks and interaction of strategy.

Lo, Mohamad and La (2009) analyzed the relation between human resource management and industries performance in Malaysia. HRM practices have faced various challenges of getting better suitable employees into the organizations and satisfying the expectations and needs of employees. Also, this research has determined that there was a forceful demand to create better ideas and strategies to enhance the interface among employers and employees; and also to elaborate complete insight, which may assist HR managers to obtain best results as well as enhanced performance. The performance was considered as the base line profit, maximum organization efficiency, attaining particular objectives of organization, and doing best production when compared to other competitors.

The human resource management is considered as the central part of business concern as the matters connected to practices, policies and organizations that shape worker's attitudes, performance and behavior.

Lee et al. (2010) analyzed the relationship among HRM practices, industry performance and business strategy in steel manufacturing industry, Taiwan. This research has examined the HRM practices include teamwork, training and improvement, incentives or compensation, human resource planning, security of employees and performance appraisal. The findings of this research have been reviewed as follows: integrating the business practices and HRM practices that confidently linked to the industry performance; the HRM practices were positively connected to the performance of the industry; there should be a close relationship between business strategy as well as HRM practices; and business strategies were positively linked to the industry performance. The major aspect of any organization was to improve the motivation of employees that providing the performance-dependent compensation to support shareholder and employee interests.

Yee and Ali (2011) determined the relationship among business strategy as well as HRM practices in both public and private limited enterprise organizations in Malaysia. This research has examined with the help of six HRM practices (compensation, training and improvement, selection and recruitment, work life balance, employee protection and performance management) and two business strategies (low cost and isolation) in order to determine the relationship among both. SEM (Structural Equation Modeling) was used to analyze the impact of business strategy on the HRM practices and also used to identify the consequence of two businesses possession in the model. It has been identified that isolation strategy was stressed on all the above six HRM practices whereas low cost strategy was highlighted only four HRM practices. The findings of this research have showed that the consequences of HRM practices and business strategy carried out in public limited industries were different from the private limited industries.

Ogunyomi and Bruning (2015) analyzed the organizational performance and human resource management practices of small enterprise organizations in Nigeria. The relation between

enterprise performance and human resource management of organizations have obtained notable attention, which commonly concentrated on the huge companies from developed nations to the omission of analyses concentrated on the SMEs (Small and Medium Enterprises) from developing nations. This research has partially addressed this break and examined the relation between human resource management practices with both NONFIN (non-financial) and FIN (financial) performance of small enterprise organizations' in Nigeria. Multiple regression outcomes have revealed that professional health and safety and human capital development were had a straight link with non-financial performance as well as financial performance of employee performance management. This research has been supported a positive relation among industry performance and HRM practices.

Savaneviciene et al. (2012) determined the HRM and its performance practices towards the sustainable spirited advantage. Various attitudes like contingency, universalistic and configuration have identified that there seems to be no consent on the HRM nature: there was no fixed or single HRM practices lists or system practices were employed to measure or define the human resource management. In spite of different methodologies, definite commonality about how HRM was operationalized when analyzing the relation among human resource management and its performance that already exists. Considering the influence of HRM practices on the performance of organization, it is significant to assume the prevailing steps in HRM as well as its performance relation in order to describe the methods by which they impact functions and also to open the black box. This research has analyzed that HR related outcomes impact the outcomes of distal performance, only when HR related outcomes were attained its possible greater performance.

Laursen and Foss (2012) analyzed about the innovation and practices of human resource management. As organizations have increasingly adopted the open innovation models as well as involve with sources of external knowledge that need to obtain new employee groups into innovation process. This leads to new performance indicators, dedicated training, new ways of interacting with employees, new rewards, and so on that calls for active HRM effort. Organizations can internally inaugurate

with the innovation process includes by raising sourcing knowledge and ideas from the members of organizations. Such types of initiatives were also probable to call for new human resource management initiatives.

Zhu (2010) studied about the effect of HR practices on the firm performances in small enterprise organizations performance in manufacturing sector. Various researches have suggested that SHRM (Strategic Human Resource Management) was beneficial to the organizations performance. The SHRM has drawn with the help of three leading theorizing modes include contingency, configurational and universalistic perspectives. Currently, many empirical analyses on these viewpoints were depends upon the environment of North America and most of the researchers have concentrated on the huge enterprises as the sample of analyses. The main intention of this research was to show the universalistic perspective by analyzing the positive association among enterprise performance and SHRM practices in small manufacturing enterprises situated in various parts of China.

According to Abduli (2013), the development of human resource has a close relation with social and economic growths in society. Human resource management was concerned with all the aspects of management and employment of people in companies. The HRM covers the subsequent activities include: human capital management, strategic HRM, organizational development, corporate social responsibility, management performance, knowledge management, securing resources (HR planning, recruitment and employee selection and talent management), compensation management, learning as well as development, employee welfare, health, relations and safety and service provision for employees. The HRM practices have a strong conceptual base borrowed and depend upon the science of strategic management and organizational behavior, human capital as well as theories of the industrial relations.

Conclusion

Human resource management system has acquired much attention in most of the organizations. Many studies have predicted in this review and it can be evident that the intensity of training has a significant positive effect on the innovation process but not with the propensity of

the innovation. In this effect, it can be revealed that the variables of HR have a significant relationship with the productivity of the organizations. There is a negative relationship between the turnover of an employee, effort of R&D and the innovation performance. Furthermore, the HRM practices have played an important role to increase the employee values to the firm for its activities of innovation. In this effect, most of the organizations would benefit from having the HRM practices with higher performance and hence attains the competitive advantage successfully. Finally, this study will be useful for many researchers to know more about the discussed topic for their future research.

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