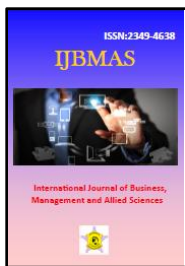

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HRM FOR THE PUBLIC SECTOR

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ABSTRACT

Several disciplines (including HRM, marketing, and ICT) are concerned with improving organizational performance. The distinctive feature of Human Resource Management (HRM) is its assumption that improved performance can be achieved through people in the organization. This seems to be especially true for the public sector since this is generally considered to be labor-intensive A+O fonds Gemeenten. (2005).

Since the early 1980s, with the rise of New Public Management (NPM), public organizations are increasingly facing pressure to perform. As such, a more business-oriented management approach has come to play a central role within the public sector Ahmad, S, & Schroeder, R.G. (2003). In this respect, in addition to values such as legitimacy and quality, values such as effective-ness and efficiency have gained importance.

INTRODUCTION

During the last three decades, public sector performance has become an increasingly important issue. With the rise of New Public Management, targets, performance and a more business-oriented management approach have come to play central roles within the public sector A+O fonds Gemeenten. (2005). Several innovations in the field promised to increase the quality of public service while reducing its costs. However, research into Human Resource Management's (HRM) contributions to these developments in the public sector has been scarce This neglect persists despite the fact that employees (those who deliver public services) are crucial to achieving superior public performance. High-quality services require highly qualified and motivated personnel Ahmad, S, & Schroeder, R.G. (2003).

Based on numerous studies in the private sector, we can conclude that Human Resource (HR) practices and organizational performance are at least weakly related However, research comparing HRM in the public and private sectors suggests that the HR policies and practices in these sectors differ in many important areas In particular, public organizations are more likely than private organizations to engage in activities associated with the role of model employer. Such activities imply commitment to staff training, trade union and workforce participation in decision making, promotion of equal opportunities and a concern for the welfare of employees to meet their personal and family needs. Given these empirical findings, we cannot simply assume that the relationship between HRM and performance will be the same in the public sector.

In private sector-based research on HRM and performance, the assumption is that an underlying causal link that runs through employee outcomes (in the form of employee attitudes and

behavior) connects HR practices with organizational performance. In other words, HR practices are implemented to influence employees, with the ultimate aim to positively influence the organization's performance. Job satisfaction is conceptualized as one of the key indicators of employee outcomes in HRM and performance research. Anderson, J. C. & Gerbing, D. W. (1988). Previous research has demonstrated a positive relationship between HRM and job satisfaction and between job satisfaction and performance. These findings support the idea that job satisfaction acts as a mediating variable in the relationship between HRM and performance. At this time, only a few studies have examined that mediating relationship but more research is needed to understand how HRM and organizational performance are related. Such research is even more important in the context of the public sector, as previous research showed differences in job satisfaction between public and private sector employees. Andrews, R. Boyne, G. A. & Walker, R. M. (2011).

This study adds to prior research in three ways. First, we focus specifically on the relationship between HRM and organizational performance in the public sector. Second, we test whether job satisfaction acts within a public context as a mediator between HRM and organizational performance. Third, we focus on the influence of a line manager's leadership style on the implementation of HR practices. Thus, our main research question is: *'To what extent is the relationship between HRM and the performance of public organizations mediated by job satisfaction and what is the influence of a line manager's leadership style on the implementation of HR practices?'*. After a theoretical exploration of the literature on HRM, job satisfaction, organizational performance and leadership, we will formulate several hypotheses and test them using survey data from 6,253 employees of Dutch municipalities. We perform these tests using structural equation modelling (SEM). We will then discuss our findings. Finally, we conclude by describing suggestions for future research and implications for theory and practice.

DISCUSSION

The increased focus on performance in the public sector has encouraged a large amount of research. In particular, the impact of management on performance in public organizations has been frequently studied. A model of management is well known and has often been used to test the impact managers may have on the performance of public organizations. Research focused on the internal side of management and, in particular, on the contribution of 'the human side' of public organizations to organizational performance in public education. Their results indicate that the power of HRM in attracting and developing an organization's human capital is important to organizational performance. In turn, research examined the relationship between HRM and performance in local government in the UK. He found that the more HR practices are used within an organization, the greater the impact on organizational performance. In both articles, the authors stated that more research is needed to explore the relationship between HRM and organizational performance in the public sector (Antonsen, M. & Jørgensen, T. B. (1997).

THE MEDIATING ROLE OF JOB SATISFACTION

Appelbaum E. Bailey, T. Berg, P. & Kalleberg, A. (2000) given the growing interest in research on the relationship between HRM and performance, a focus on workers' viewpoints has become increasingly important. This confirms Guest's impression that the linking mechanisms between HRM and performance have largely been disregarded. To understand how HR practices influence employees and improve worker performance in ways that are beneficial to the organization, research is required that concentrates on employee perceptions of HR practices and establishes relationships between their job satisfaction and organizational performance, HRM outcomes and organizational performance. In this model, the first element consists of HR practices such as recruitment, rewards and employee participation. This element influences the so-called HRM outcomes, such as job satisfaction and motivation. Both of these elements affect the third element, organizational performance, which involves performance indicators related to the effectiveness, quality and efficiency of the organization.

A variety of studies have examined separate parts of this model. Focusing specifically on the public sector, a number of studies have explored the relationship between HRM (element 1) and HRM outcomes (element 2) adds to this research through its explicit focus on the mediating effect of HRM outcomes on the relationship between HRM and organizational performance. Moreover, the Paauwe and Richardson model adds to existing public sector research by promoting an explicit concentration on the concept of HRM itself.

This concentration marks an important difference with the aforementioned management model by therefore, we use the Paauwe and Richardson model as the starting point for our research. However, while that model offers an exhaustive range of options to consider for each element, we limit ourselves to job satisfaction as the only included HRM outcome.

The introduction of job satisfaction enables us to refine the relationship between HRM and organizational performance. To a large extent, positive employee outcomes depend on employees' perceptions of how much the organization cares about their wellbeing and values their contributions. In this respect, the degree of job satisfaction will depend on the fulfilment of employee's needs and values. To increase organizational performance, it is likely important that the organization must not only meet the needs of customers, but also meet those of employees. This assertion is based on the assumption that if organizations care for their employees, these employees will care for the organization (and their customers). In other words, this argument is based on the assumption that a happy worker is a productive worker. In this respect, the degree to which certain HR practices are introduced can be conceptualized as a marker of the extent to which an organization values and cares for employees. As noted above, previous research has demonstrated a positive relationship between HRM and job satisfaction and between job satisfaction and performance. These findings support the idea that job satisfaction acts as a mediating variable in the relationship between HRM and performance.

However, this relationship is mostly studied in separate parts and seldom examined within one design. We will therefore study the relationships among HRM, job satisfaction and organizational performance in one model. Following this plan, our first hypothesis is:

H1: Job satisfaction acts as a mediating variable in the relationship between HRM and organizational performance.

THE ROLE OF LEADERSHIP STYLE

We will also use McGregor's distinction between theory X and theory Y. This distinction, despite frequent criticism still remains useful for distinguishing between the different leadership styles a line manager can adopt. Theory X assumes that employees are not self motivated and will avoid work if possible. Employees, therefore, must be closely supervised and corrected when necessary. Employees are seen as factors in the production process.

Theory Y, in contrast, assumes that employees are ambitious and self-motivated and can play a crucial role within the organization. Line managers must ensure that their employees are properly stimulated by paying attention to their values and needs. It is in this context that states that if more HR practices are used, the impact on workers will be larger. Based on the idea that an HR system should be designed to meet employees' needs for skills and motivation and provide them with the opportunity to profile themselves to improve their performance we would expect that a stimulating leadership style (theory Y) would be accompanied by the use of a greater number of HR practices tailored to invest in employees and meet their needs than would be the case for a correcting leadership style (theory X), in which employees are seen as factors in the production process. This leads us to our second hypothesis, which consists of two separate parts:

H2a: A stimulating leadership style has a positive effect on the amount of HR practices used within an organization.

H2b: A correcting leadership style has a negative effect on the amount of HR practices used within an organization.

CONCLUSION

HRM and performance research exhibits little consistency in the selection of HR practices by which to measure HRM. analyzed 104 important HRM and performance studies and identified as many as 26 different HR practices that are used in different studies. No single agreed, or fixed, list of HR practices or systems of practices exists by which to measure HRM. Nevertheless, a certain consensus regarding the measurement of HRM has emerged in the scientific literature on HRM and performance during the last decade. More than half of the articles published after 2000 made use of AMO theory (Ability, Motivation and Opportunity) theory proposes that an HR system should be designed to meet employees' needs for skills and motivation and, after meeting those needs, provide them with opportunities to use their abilities in various roles. The underlying idea is that employees will perform well if they have the requisite abilities, when they are motivated and when they obtain the opportunity to profile themselves.

JOB SATISFACTION

Job satisfaction is measured using one item: 'All things considered, how satisfied are you with your job?' The answers were given using a five-point Likert scale ranging from very dissatisfied (1) to very satisfied (5). Although there is some disagreement regarding how to measure job satisfaction, previous research shows that job satisfaction can reliably be measured using only one item.

ORGANIZATIONAL PERFORMANCE

To measure organizational performance, both perceptions of performance and objective performance indicators can be studied. In this paper, the focus is on employee perceptions of organizational performance because objective performance data are not available in the database. In this study, we used one item to measure performance, 'the perception that the organization is doing good work,' utilizing a five point Likert scale, ranging from totally disagree (1) to totally agree (5). The use of only one indicator is clearly an important limitation, but at least we are able to characterize how employees assess their organization's performance.

LEADERSHIP STYLE

To measure the influence of leadership style, we used two latent variables that correspond to the distinction between stimulating and correcting leadership. All answers were given on a five-point Likert scales ranging from totally disagree (1) to totally agree (5).

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