

# Impact of Recruitment and Selection, Training and Development, Performance Evaluation, and Compensation (HRM Practices) on Employees' Trust

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**Abstract - Organizations have become aware of human resources than earlier due to the rushing trends of globalization. This study examines the consequences of developing human resource management (HRM) practices for employees' trust in of finance and insurance companies. Four main factors were identified such as recruitment and selection; training and development; performance evaluation and Compensation. To attain the objectives, the quantitative method was used and data were collected through questionnaires. Out of 389 of employees of the finance and insurance companies in Manmunai North Batticaloa, only 150 are selected as sample by using simple random sampling method. The data were analyzed using descriptive statistics and inferential statistics. The findings exhibited that, human resource management (HRM) practices, which are recruitment and selection; training and development; performance evaluation and Compensation have the positive impact on employees' trust.**

**Key words- Compensation and Employee trust, Performance Evaluation, Recruitment and Selection, Training and Development**

## I. INTRODUCTION

During the past 10-20 years, the effect of HRM practices on organizational performance has become a crucial issue according to the Appelbaum and Batt (1994). Since, organization face fierce competition, managers should lookout for new ways to use the human resources to increase organizational performance.

Human resource management practices are an integral part of social exchange that embodies employment relation, and in which the components of trust come into play. In the organizational scenery, mutual trust is likely to enhance cooperation (Mayer, Davis & Schoorman, 1995) and intensification the sharing of information between employees and managers (Spreitzer & Mishra, 1998) as well as among organizational units, that improve organizational performance eventually (Collins & Poras, 1997 ; Sako, 1998). Trust, therefore performs to be an crucial intangible resource in organizations, that bonds managers and their subordinates (Tzafrir & Dolan, 2004). The practices of management relevant to the Human resource of the organization demonstrate the emotional and behavioral attitude towards the work and work

place. (Konovsky & Folger, 1994). Therefore, it's important to test the influences of HRM practices on Employee trust.

## II. PROBLEM STATEMENT

Leadership and supervision, which are perceived by employees as facilitating their work may lead to employees feelings that management or their immediate supervisor trusts them ( Pfeffer, 1999) which can promote a platform for increased trust in management.

But, nowadays, in the non-bank financial institutions, employees do not seem to trust their managers due to unattractive Human Resource Management (HRM) practices. Therefore, many employees shift to other organization. As a result, it has become important to find out the level of Human Resource Management (HRM) practices in the non-bank financial institutions and the impact of those practices on employee trust which effect the organizational overall performance much intensely.

However, there has been relatively little empirical work was done on the combined strategies and actions that HR managers could undertake for building and developing employee trust in their organizations. (Gould Williams, 2003; Whitener, Brodt, Korsgaard & Werner, 1998)

Therefore, to achieve research objectives, based on the facts mentioned above, this study attempts to find solution for the following research problem:

“Is there any significant relationship between HRM practices and employee trust and how do HRM practices impact on employee trust?”

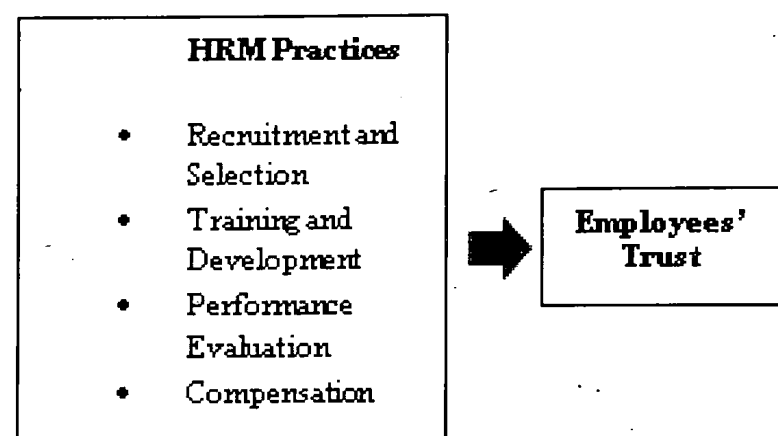
## III. RESEARCH OBJECTIVES

In accordance with the research problem, the following listed objectives have been made in this study.

1. To identify the level of HRM practices those are used in finance and insurance companies in Manmunai North Divisional secretariat of Batticaloa district.
2. To identify the level of employee trust in finance and insurance companies in Manmunai North Divisional secretariat of Batticaloa district.

3. To identify the relationship between HRM practices and employee trust in finance and insurance companies in Manmunai North Divisional secretariat of Batticaloa district.

#### IV. CONCEPTUAL FRAMEWORK



(Source: J. Paauwe and R. Richardson 1997)

Fig.1. Conceptual Framework

#### V. LITERATURE REVIEW

##### Employees' Trust

According to the Mayer, Davis & Schoorman 1995, HRM practices are related to the dimension of employees' trust in their managers. Trust is defined as "willingness to increase one's resource investment in another party, based on positive expectation, causing from past positive mutual interactions." (Tzafrir & Dolan 2004). Trust develops through the social exchange process in which employees interpret managerial practices, procedures, and actions and respond to the organization accordingly (Whitener 2001). Trust, therefore, appears to be an essential intangible resource in organizations, which bonds managers and their subordinates (Tzafrir & Dolan 2004).

##### Recruitment and Selection

Recruitment is a process of seeking and attracting a pool of people in order to select qualified candidates for vacant positions within the organization (Byars & Rue, 1991). The recruitment and selection process determines the decisions as to which candidates will get employment offers. The objective of this practice is to improve the fit between employees and the organization, teams, and work requirements, and thus, to generate a better work environment (Tzafrir, 2006).

The Trust recognizes that effective recruitment and selection practices are fundamental to its future success and that good selection can lead to better patient care, higher morale, and lower turnover of staff and lower rates of absenteeism. Therefore, all employees can ensure they have been fully vetted and all the necessary mandatory of Employment Checks are completed prior to commencing work at the Trust.

##### Training and Development

According to Patrick (1992), the human resource training and development (T&D) system of an organization is a development of the attitudes, knowledge, skill and behavior patterns required by an individual in order to perform adequately a given task or job. Training and development deals with the skills and competencies of the employees acquired through series of training and development programmes. Employees who are working in firms with good technical and non-technical training programmes, realize that their market value grow more favorably than in other firms, and therefore, they may have an interest of remaining longer in the firm which cause an employee trust towards the organization (Harel and Tzafrir, 1996; Lee and Bruvold, 2003; Arago'n-Sanchez et al., 2003).

##### Performance Evaluation

"The performance appraisal can be defined as a process, typically delivered annually by a supervisor to a subordinate, designed to help employees understand their roles, objectives, expectations and performance success" (Snell S & Bohlander G, 2007). The performance appraisal process is an activity that ensures mutual understanding between the subordinate and the supervisor through the process of evaluating directly the subordinate job specific performance priorities and expectations, communication, and assigned responsibilities which creates the employees trust as well. It is not sufficient just to get the right persons for the right job at the right time. It is also necessary to motivate them to ensure their performance is consistent with the long term needs of the business.

##### Compensation

Compensation management can be defined as the system of rewards, which an employee receives in return for organizational performance (Harvey & Bowin, 1996). Compensation practices are often essential in attracting and retaining those employees who are core to the business (Cheng & Brown, 1998; Nankervis, 1995). Studies conducted by Opkara (2004) and Samad (2007) concluded that if workforce is satisfied with their compensation they will be more committed with the committed with their organization as compared to when they are not satisfied.

#### VI. METHODOLOGY

##### Study setting & Design

##### Study setting

This study was carried out in a non-contrived environment where things or events occur normally in the workplace.

##### Study Design

The cross functional study design is used here to study the level of HRM practices on employee trust to finance and insurance companies in Manmunai North Divisional secretariat

of Batticaloa district. The employees who are working at the finance and insurance companies in the research period concerned in this study population and the data will be collected through the structured questionnaires.

**Sample size, Sampling distribution and Sampling method**

There are 17 Finance Companies and 13 Insurance Companies in the Manmunai North Divisional secretariat of Batticaloa district. The total population of the study was 389 of employees of the finance and insurance companies in Manmunai North Batticaloa. Out of these employees, only 150 are selected as sample by using simple random sampling method.

**Method of data collection**

The study totally depends on primary data. The primary data were collected through questionnaire from 150 employees of finance and insurance companies.

**Method of data presentation, analysis and data evaluation**

Data has been presented using tables, bar charts and pie charts. Meanwhile Inferential and descriptive analysis were used for data analysis. Hence under the descriptive analysis, mean and standard deviation were derived from the analysis of 150 samples. In inferential analysis, correlation and multiple linear regressions have been applied.

**Univariate Analysis**

Table 01: The decision rule for the level

| Range               | Decision attributes      |
|---------------------|--------------------------|
| $1 \leq X \leq 2.5$ | Lower level existence    |
| $2.5 < X \leq 3.5$  | Moderate level existence |
| $3.5 < X \leq 5.0$  | Higher level existence   |

Where  $X$  = mean value of an indicator/dimension/ variable  
(Source: Developed for the study purpose)

**Bivariate Analysis**

Table 02: Decision rule for correlation between Human resource management practices on employee trust

| Range   | Decision attributes     |
|---|-------------------------|
| $r = +0.1$ to $+0.29$ or $r = -0.10$ to $-0.29$ | Low level relationship  |
| $r = +0.3$ to $+0.49$ or $r = -0.3$ to $-0.49$  | Moderate relationship   |
| $r = +0.5$ to $+1.0$ or $r = -0.5$ to $-1.0$    | High level relationship |

(Source- Julie Pallant, 2004)

VII. DATA ANALYSIS AND DISCUSSION

**Univariate Analysis**

Table 03: Analysis on Human resource management practices and it's Dimension

| Dimension                                  | Mean        | Standard Deviation |
|--|-------------|--------------------|
| Recruitment and Selection                  | 3.96        | 0.863              |
| Training & Development                     | 4.05        | 0.916              |
| Performance evaluation                     | 3.91        | 0.872              |
| Compensation                               | 3.92        | 0.913              |
| <b>Human resource management practices</b> | <b>3.96</b> | <b>0.843</b>       |

According to above table, over all Human resource management practices mean value was 3.96, and it deviated from 0.843. Recruitment and selection had a mean value of 3.96, and it deviated from 0.863. Training and development had average value of 4.05, and it deviated from 0.916. Performance evaluation mean value was 3.92, and it deviated from 0.872, and compensation mean value was 3.92, and it deviated from 0.913. Here, training and development was highly important determinant factor of Employees' trust.

**Analysis on Employees' Trust**

Table 04: Employees' Trust

| Trust indicators                               | Mean        | SD           |
|--|-------------|--------------|
| Employees' needs                               | 3.97        | 1.023        |
| Open and up                                    | 4.01        | 0.997        |
| Stepping on                                    | 3.92        | 0.952        |
| Knowledge about the work                       | 3.98        | 0.993        |
| Forgive and forget.                            | 3.80        | 0.997        |
| Actions and behaviour                          | 3.75        | 0.914        |
| Sharing information                            | 3.82        | 0.913        |
| Relationships between the managers and workers | 3.92        | 1.025        |
| Personal sacrifices                            | 4.00        | 0.941        |
| Express true feelings                          | 3.95        | 0.896        |
| <b>Over all Employees' Trust</b>               | <b>3.92</b> | <b>0.833</b> |

According to the Table 04, over all Employees' Trust were 3.92. Employees' needs, open and up, stepping on, knowledge about the work, forgive and forget, actions and behavior, sharing information, relationships between the managers and workers, personal sacrifices and express their true feelings, were 3.97, 4.01, 3.92, 3.98, 3.80, 3.75, 3.82, 3.92, 4.00, 3.95, and 3.92. Open and up was highly determinant factor of Employees' Trust.

**Bivariate Analysis**

**Relationship between Human resource management practices and Employees' trust**

Table 05: Coefficient of correlation between Human resource management practices and Employees' trust

| Variables                           |                     | Employees' trust |
|-------------------------------------|---------------------|------------------|
| Human resource management practices | Pearson Correlation | .925**           |
|                                     | Sig. (2-tailed)     | .000             |
|                                     | N                   | 150              |

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The coefficient of correlation (r) value is 0.925 at the 0.01 significant levels. The coefficient of correlation (r) had fallen on (0.5 to 1.00) criteria on third attribute of the decision rule. This proved a high positive significant relationship between the Human resource management practices with Employees' trust.

Table 06: Relationship between dimensions of Human resource management practices and Employees' trust

| Human resource management practices |                     | Employees' Trust |
|-------------------------------------|---------------------|------------------|
| Recruitment & selection             | Pearson Correlation | .888**           |
|                                     | Sig.(2-tailed)      | .000             |
| Training & development              | Pearson Correlation | .897**           |
|                                     | Sig. (2-tailed)     | .000             |
| Performance evaluation              | Pearson Correlation | .904**           |
|                                     | Sig. (2-tailed)     | .000             |
| Compensation                        | Pearson Correlation | .815**           |
|                                     | Sig. (2-tailed)     | .000             |

\*\* Correlation is significant at the 0.01 level (2-tailed).

According to this analysis, the correlation between recruitment and selection and Employee's trust (r=0.888) had fallen on (0.5 to 1.00) criteria. It refers to strong positive correlation between recruitment and selection and Employees' trust, the correlation between Training and development, and Employee's trust (r=0.897) had fallen on (0.5 to 1.00) criteria. It describes as strong positive correlation between training and development, and Employees' trust, the correlation between Performance evaluation and Employees' trust (r=0.904) had fallen on (0.5 to 1.00) criteria. It was conformed as strong positive correlation between performance evaluation and Employees' trust.

Further the correlation between compensation and Employees' trust (r=0.815, p<0.01). It indicates the correlation between compensation and Employees' trust (r=0.815) had fallen on (0.5 to 1.00) criteria. It was found as strong positive correlation between compensation and Employees' trust.

**Linear Regression of the Human resource management practices and Employees' trust**

Table 06: Model Summary- Human resource management practices on employees' trust

| Model Summary |                   |          |                   |                            |
|---------------|-------------------|----------|-------------------|----------------------------|
| Model         | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1             | .925 <sup>a</sup> | .855     | .854              | .31791                     |

a. Predictors: (Constant), HR

According to the Table 06, Adjusted R square it gives 0.854, which indicates that the variation in the Human resource management practices accountable for 85.5% of the Employees' trust. The rest of 14.5% of the Employees' trust is determined by the other factors.

**Impact of dimensions of Human resource management practices on Employees' trust**

Table 07: Impact of dimensions of Human resource management practices on Employees' trust

| Model        | Coefficients <sup>a</sup>   |            |                           |       |      |
|--------------|-----------------------------|------------|---------------------------|-------|------|
|              | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig. |
|              | B                           | Std. Error | Beta                      |       |      |
| (Constant)   | .301                        | .126       |                           | 2.397 | .018 |
| Selection    | .237                        | .082       | .246                      | 2.904 | .004 |
| Training     | .192                        | .090       | .212                      | 2.142 | .034 |
| Evaluation   | .344                        | .088       | .360                      | 3.894 | .000 |
| Compensation | .141                        | .051       | .154                      | 2.750 | .007 |

Furthermore 23.7% variance in selection can be explained by employees' trust, 19.2% variance in training can be explained by employees' trust, 34.4% variance in evaluation can be explained by employees' trust and 14.1% variance in compensation can be explained by employees' trust. Hence the equation for employees' trust can be written as follows.

$$\text{EMPLOYEES' TRUST} = 0.301 + 0.237(S) + 0.192(T) + 0.344(P) + 0.141(C)$$

**VIII. CONCLUSION AND RECOMMENDATIONS**

Objective 01 & 02, the finding of the study clearly shows the level of employee's Human resource management practices and employees' trust are in high level.

Objective 03, there is a strong positive relationship between employee's Human resource management practices and employees' trust.

Objective 04, the adjusted R square it gives 0.854, which indicates that the variation in the Human resource management practices accountable for 85.5% of the Employees' trust. The rest of 14.5% of the Employees' trust is determined by the other factors.

### **Recruitment and selection**

While taking the 1st variable, recruitment and selection into consideration, especially, the indicator 'interview method' in this variable, highly determines the recruitment and selection status of the organization. Even recruiting a suitable candidate through an interview is a big challenge for the management. Therefore, it would be effective if a right person is selected at a right time for a right job. Future of the organizations is depending on the qualified employees. It is a foundation of organization if our selections of employees are appropriate automatically, each and every activities of the organization will be held in proper manner.

### **Training and development**

The important aspect is when management is making the strategic decision, regarding the training and development of employees, it must concentrate on:

- The scope of the training program
- Which type of training we are going to provide
- Time duration of the training
- For whom we are going to provide the training

The training should be suitable to the employee's career and easy to be absorbed by the employees, then only personality of the employee will be increased.

### **Compensation**

If the organization should provide work for an employee more than the job description, it should provide him proper salary based on the workload. If not, the employees will get frustration and their trust level will decrease, which will induce them to leave the organization. Therefore, the management has huge obligations to provide attractive salary and benefits to retain the employees within the organization.

### **Performance Evaluation**

The management has to concentrate on that "which criteria and which time duration we are going to use", for the evaluation purpose. Only if the employees have adequate knowledge about the evaluation process, they will focus on their contribution towards to the organization through best performance. The person who are doing the evaluation process must be qualified and also he must be fair and favorable person. And the evaluation process must be conducted in fair and favorable manner. It is the responsibility of the organization to recruit the evaluating team members in order to enable smooth functioning of evaluation.

### **Employees' trust**

Top level has the responsibility to create and maintain trust between the employees and organization. This study suggests

some aspects that were found out ever through this research to emerge trust to the employees regarding work and work environment. If the manager maintains a good relationship with the employees only, he will be able to fulfill those needs in correct time. Organization should provide the freedom to employees to convey their ideas and suggestions frankly about whatever is essential to the organization's success.

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