

IMPACTS OF ERP IN HRM

VAIDEESWARAN. R

*Ph D Research Scholar in HRM, PG & Research Dept. of HRM,
St.Joseph's College, Tiruchirappalli, TN*

&

Dr. K. AROCKIAM

*Research Adviser & Assistant Professor,
PG & Research Dept. of HRM, Dean School of Management Studies,
St.Joseph's College, Tiruchirappalli, TN*

Abstract

This study is to analyse the impact of Enterprise Resource Planning system in Human Resource management practices including recruitment and selection, training and development and compensation and benefits and then HRM practices impact on organizational productivity in terms of employee's performance. Stratified Random sampling method was taken for this descriptive research. Stratified Random Sampling method was used and 250 samples were used for this study. Questionnaires consisted on different items related to ERP product, HRM activities and organizational productivity. The targeted respondents were the employees who are using ERP irrespective of their position or grades in those particular organizations. Results shows the ERP implementation have negative relationship with recruitment and selection and also not showing relation with compensation and benefits but having positive relationship regarding training and development of organizational employees. Recruitment and selection shows negative relation whereas, compensation and benefits and training and development shows positive relationship with organizational productivity. Study limitation includes small sample size, time constraints and other human resource activities.

Keywords: HRM functions, Enterprise Resource Planning, Employee performance

Introduction

Human resource management is the application of management principles to management of people in an organization (Aswathappa, 2010). It is an important part of managing any organization, particularly business organizations. HRM includes various management functions like recruitment, training, development, wage/ salary administration, industrial disputes, social security and labor welfare, promotions. In recent times, these practices are increasingly being used as a tool for meeting the objectives of the organization, rather than being restricted to the traditional approach (Negi, 2013) Human Resource Management is the process of bringing people and organizations together so that the goals of each are met (Rao, 2005). This has emerged as one of the major functions of any enterprise. This means focused human resources planning, recruitment, selection, placement, training, development, performance appraisal, compensation administration, incentives, employee benefits, social security, industrial relations, employee grievances, collective bargaining, personnel records and accounting and many other fields directly or indirectly related to management of human resources. Businesses are focusing to provide goods and services within a shortest possible time. Therefore they focus to implement different business applications having consistent and accurate data across units and ERP helps through 'common language'.

Human Resource module in resource ERP streamlines the management of human resources and human capitals. It comprises of 4 broad sections, mainly Training, Recruitment, Payroll and Attendance. HR module in resource routinely maintains a complete employee database including contact information, salary details, attendance, performance evaluation and promotion of all employees.

Reviews of literature

Individual performance is in reality the actual performance of the individuals which are dealing and handling this system (Gattiker, T.F. and D.L. Goodhue, 2005). Employee's satisfaction with the system can enhance the organizational impact and information quality can increase the usefulness of the system (Seddon, P.B. and M.Y. Kiew, 2007). Proper information delivery format, communication, customer focus activities, salary and better working conditions are also affect the employee's intention to leave or not (Boselie, P. and T.V. Wiele, 2002). Organizations which are high risk oriented are not much focusing on the short-term incentive and show poor performances as compared to those which have greater risk but they are giving importance towards more incentive (Bloom, M. and

Milkovich G.T., 1998). HRM consist of activities like, hiring, training, development, compensations, benefits, record management, retirement etc (Tadinan, H., 2005). Enterprise Resource Planning software is very much effective in handling the different functions for manufacturing organizations such as material purchase and inventory handling, order tracking, data related to receivable and payables, warehousing, human resource management, production, transportation, ledger maintenance etc. Trainings are also help for the better understanding of the system (Compeau, D. and C. Higgins, 1995). Education and trainings also affect the success and failure of ERP implementation. Those organizations, which used ERP without much more effort, they have low commitment to change and they did not actively participate in training of employees for proper handling. They have to bear high costs in trainings for those people who are reluctant. If employees are properly educated about what is expected from their side and also train them accordingly then failure results can convert into success. All the human resource functions of the organizations when handled in an electronic way can give the access of information to the members using ERP software (Hoch, J.E. and J.H. Dulebohn, 2013). Users took long time to seek and adapt to new systems and productivity effects. If suitable trainings are not given to workers then due to lack of interest their satisfaction level will be low but innovation and service quality of work will enhance due to new system implementations. Human Resource Management is dominant approach towards people management and many practitioners, academics, sociologist and psychologist gave and explained many theories about the Human and their behavior at work. In ancient societies mostly work was done through division of labor but it had biasness because of caste and power etc. but modern HRM aims to work with coordinated effort and identify and develop the best people for specific job irrespective of caste, power, gender or biasness. When employees underutilize the new information system it lowers the business's efforts in order to gain benefits from such implementations. Employees are unwilling and show resistance towards change and it is the commonly acceptable reason for system failure (Venkatesh, V., S.A. Brown, L.M. Maruping and H. Bala, 2008). There is significant effect of Human Resource Management activities on the performance of organizations and productivity increases (Absar, M.M., B. Nimalathan and M.M. Jilani, 2010). Organizational performance includes the increasing the product quality, satisfaction of the customers using the product, development of the new innovated product, ability to attract and retain the employees of the organizations and to enhance the relationship between management and these employees (Delaney, J.T. and M.A. Huselid, 1996). According to Katou, A.A. and P.S. Budhwar, 2006, there is significant effect of HRM activities and policies like recruitment, trainings, promotion, incentives, benefits, safety and health measures on organizational performance which leads towards organizational productivity. Moreover trainings and compensations are very much effective in perceiving the organizational performances (Singh, K., 2004). Recruitment and selection in any organization is helpful in determining the decisions about which candidate is suitable and who will get the employment offer and for this, there is the need to create and maintain a better fit between organization, teams, employees and working environment (Tzafrir, S.S., 2006). Literature suggest that there is no agreed rules and dimensions for measuring ERP system performance in better way but ERP system gives significant change towards organizational success and it is measured with the evaluation of the employees who are actually using this system (Wickramasinghe, V. and M. Karunasekara, 2012). Employees always find ways to do work with least resistance and through this electronic way of working they access the easy rout of handling the tasks (Keebler, T.J. and D.W. Rhodes, 2002).

Significance of the study

Enterprise Resource Planning system is complex as well as most demanding for the businesses. Human Resource Management practices have strongly influenced by ERP system. If there is high level of system use, then it means that system is also linked with human resource management functions including merit based performances, hiring, selection, trainings etc. In Qatar, there are technical or socio-technical factors which are critical for the success of the organizations in public and private sectors. Research shows that management support, change management, proper definition of the scope of the project, organizational process re-engineering and manpower of professional are the critical factors for ERP success. Companies are also showing their dissatisfaction level after implementing and using this system of ERP. This is not because of software installation but the problem is inefficient use by employees. Individual performance can be improved through post-implementation learning but this system is required continuous learning due to which employees show different attitudes. All employees should be valued and organizations must retain and involve them in using this system, if not then, they face serious problems. Hence the researcher entitled the 'Impact of ERP in HRM'.

Objectives of this study

The general objective is to study the impact of ERP in HRM. Yet the specific objectives are explained as below:

- To assess the Human Resource Management processes and practices in large hospitals of Qatar
- To analyse the relationship of ERP implementation in HRM activities
- To find out the relationship of HRM activities with organizational productivity in terms of employees where ERP system is working

Research hypothesis

- There is no significant difference between working experience of the respondents and their overall HRM practices
- There is a significant relationship between ERP implementation and their organizational productivity, Recruitment and Selection, Training and Development, Compensation and Benefits and Overall HRM practices

Methodology

Research design : Descriptive in nature

Sampling method

Stratified Random Sampling method was adopted for this study and it is valid method in order to see the user's perceptions and satisfaction.

Universe & Sample

Sl.no	Name of organization	Universe	Sample (20%)
1	Hamad Medical Corporation	361	72
2	Primary Health Care Centre	241	48
3	Aspetar Hospital	264	53
4	Barwa	211	42
5	Qtel	172	35
	Total	1249	250

The universe of the study is 1249 employees of five different organizations.

Sample

The sample size is 20 % from the universe. The sample consists of 250 employees of five different organizations. For this study, organizations from Qatar were selected in which HRM activities are done through ERP system.

Data collection

The focus was to collect the data from organizations which are operating in Qatar and having different activities which need to be analyzed. For data collection five organizations are selected which

includes Hamad Medical Corporation, Primary Health Care Centre, Aspetar, Barwa and Qtel. These organizations were contacted and questionnaires were distributed among employees of the organizations who are not only using this ERP system but also directly influenced by these HRM activities. Demographic information was also collected. Items which were used in this design are based on likert scale having range of strongly disagreed to strongly agree. Total 30 items having likert scale were developed based on the previous researches.

Statistical tools

Percentage analysis, Oneway ANOVA 'f' test and Karl Pearson Coefficient correlation test was used.

Data analysis and interpretation

Table No – 1: Percentage analysis of Socio-demographic profile

Particulars	No.of respondents (n=250)	Percentage (100%)
Age		
Below 30yrs	94	37.6
31 to 40yrs	42	16.8
41 to 50yrs	56	22.4
51yrs & above	58	23.2
Working experience		
Below 5yrs	107	42.8
5 to 10yrs	69	27.6
10 to 15yrs	43	17.2
15yrs & above	31	12.4

The above percentage analysis indicates that one third (37.6 per cent) of the respondents were below 30yrs of age group, 23.2 per cent were 51yrs and above, 22.4 per cent were 41 to 50yrs and remaining 16.8 per cent were 31 to 40yrs. More than one third (42.8 per cent) of the respondents were below 5yrs of working experience, 27.6 per cent were 5 to 10yrs, 17.2 per cent were 10 to 15yrs and remaining 12.4 per cent were 15yrs and above.

Table No – 2: Difference between working experience of the respondents and their overall HRM practices

Overall HRM practices	n	Mean	S.D	Statistical inference
Below 5yrs	107	37.41	0.876	$f = 7.843$ $0.079 > 0.05$ Not Significant
5 to 10yrs	69	36.99	0.921	
10 to 15yrs	43	37.89	0.881	
15yrs & above	31	39.24	0.724	

Research hypothesis: There is no significant difference between working experience of the respondents and their overall HRM practices

Statistical test: Oneway ANOVA 'f' test was used the above hypothesis

Findings: There is no significant difference between working experience of the respondents and their overall HRM practices. Hence the calculated value is greater than table value ($p > 0.05$). The research hypothesis is accepted.

Table No – 3: Relationship between ERP implementation and their organizational productivity, Recruitment and Selection, Training and Development, Compensation and Benefits and Overall HRM practices

	ERP Implementation	Organizational Productivity	Recruitment and Selection	Training and Development	Compensation and Benefits	Overall HRM practices
ERP Implementation	1	0.968**	0.912**	0.867**	0.879**	0.864**
Organizational Productivity	0.968**	1	0.879**	0.948**	0.863**	0.894**
Recruitment and Selection	0.912**	0.879**	1	0.818**	0.824**	0.837**
Training and Development	0.867**	0.948**	0.818**	1	0.894**	0.867**
Compensation and Benefits	0.879**	0.863**	0.824**	0.894**	1	0.849**
Overall HRM practices	0.864**	0.894**	0.837**	0.867**	0.849**	1

Research hypothesis: There is a significant relationship between ERP implementation and their organizational productivity, Recruitment and Selection, Training and Development, Compensation and Benefits and Overall HRM practices

Statistical test: Karl Pearson coefficient correlation test was used the above hypothesis

Findings: There is a significant correlation relationship between ERP implementation and their organizational productivity, Recruitment and Selection, Training and Development, Compensation and Benefits and Overall HRM practices. Hence, the calculated value is less than table value ($p < 0.01$). The research hypothesis is accepted.

Conclusion

HR functions are very important in all organization. The HR processes and procedures are fairly good in the service industry which have come up recently while that of the older managerial facility is also good and is in the process of being strengthened. HR department needs strengthening and constant updating in line with those of the corporate sector. The study about ERP has some limitations because of small sample size and limited time to get the information from organizations. Research is based on quantitative research and not focusing towards qualitative research. All other HRM activities which can be handled with this ERP system were not the focus of this research. This study was basically conducted to see the impact of ERP on Human resource activities. Data was taken from five different organizations based on Quantitative research. 250 sample size was taken based on Stratified Random Sampling. Data was analyzed through SPSS. Findings showed that recruitment and selection was not showing relationship with ERP and organizational productivity. ERP has no relation with compensation and benefits but this mediating variable shows the relation with organizational productivity. But ERP implementation shows positive relation with training and development and this mediating variable shows positive relation with organizational productivity.

References:

- Bingi, P.S. (1999), Critical issues affecting an ERP implementation, Information Systems Management, Pp.7-14.
- Grabski, S.V., S.A. Leech and P.J. Schmidt (2011), A review of ERP research: A future agenda for accounting information systems, Journal of Information Systems, Pp.11-16.
- Shah, S.I., R.H. Bokhari, S. Hassan, M.H. Shah and M.A. Shah, (2011), Socio-technical factors affecting ERP implementation success in Pakistan: An empirical study. Australian Journal of Basic and Applied Sciences, Pp.742-749.

- Chang, H.H., H.W. Chou, C.P. Yin and C.I. Lin, (2011), ERP Post-Implementation Learning, ERP Usage and Individual Performance, Impact PACIS Proceedings.
- Barker, T. and M.N. Frolick (2003), ERP implementation failure: A case study. Information Systems Management, Pp.43-49.
- Compeau, D. and C. Higgins (1995), Application of social cognitive theory to training for computer skills, Information Systems Research, Pp.118-143.
- Gattiker, T.F. and D.L. Goodhue (2005), what happens after ERP implementation: Understanding the impact of interdependence and differentiation on plant-level outcomes, MIS Quarterly, Pp.559-585.
- Boselie, P. and T.V. Wiele, (2002), Employee perception of HRM and TQM and the effects on satisfaction and intention to leave, Managing Service Quality, Pp.165-172.
- Hoch, J.E. and J.H. Dulebohn (2013), Shared leadership in enterprise resource planning and human resource. Human Resource Management Review, Pp.2-5.
- Qutaishat, F.T., S.A. Khattab, M.K. Abu Zaid and E.A. Al-Manasra, (2012), The effect of ERP successful implementation on employees' productivity, service quality and innovation: an empirical study in telecommunication sector in Jordan. International Journal of Business and Management.
- Price, A., (2007), Human resource management in business context 3rd edition. Human Resource Management in Business Context, Bedford Row London, Pp.4-15.
- Venkatesh, V., S.A. Brown, L.M. Maruping and H. Bala, (2008), Predicting different conceptualizations of system use: The competing roles of behavioral intention, facilitating conditions and behavioral expectation. MIS Quarterly and The Society for Information Management, Pp.483-502.
- Absar, M.M., B. Nimalathasan and M.M. Jilani (2010), Impact of HR practices on organizational performance in Bangladesh. International Business of Journal Insight and Transformation.
- Delaney, J.T. and M.A. Huselid, (1996), The impact of human resource management practices on perceptions of organizational performance, The Academy of Management Journal, Pp.949-969.
- Katou, A.A. and P.S. Budhwar (2006), The effect of human resource management policies on organizational performance in greek manufacturing firms, Thunderbird International Business Review.
- Singh, K., (2004), Impact of HR practices on perceived firm performance in India. Asia Pacific Journal of Human Resources, Pp.301-317.
- Tzafrir, S.S (2006), Universalistic perspective for explaining the relationship between hrm practices and firm performance at different points in time. Journal of Managerial Psychology, Pp.109-130.
- Wickramasinghe, V. and M. Karunasekara (2012), Impact of ERP systems on work and work-life. Industrial Management and Data Systems, Pp.982-1004.
- Keebler, T.J. and D.W. Rhodes (2002), E-HR: Becoming the Path of Least Resistance, Wiley Periodicals, Inc.