

STRATEGIC HUMAN RESOURCE MANAGEMENT: ASSESSMENT AND EVALUATION OF HUMAN RESOURCES AS FACTORS TO ACHIEVING BETTER ECONOMIC PERFORMANCE

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Abstract

To achieve the economic performance of companies despite the successful selection, the evaluation is important also for the success of the work of managers or managers in various forms of business organizations, especially if it is for profit sector. Therefore it is necessary to conduct research on how successful as organizers and leaders of the working process, both through research their personal characteristics and by assessing their organizational abilities and skills by their colleagues (employees who are hierarchically sort of managers in the organization). Also, for evaluating the performance of human resources in organizations two basic methods are preferred: qualitative and quantitative. The highest quality results are obtained by combining quantitative and qualitative methods. The purpose of this paper is to emphasize the importance of proper assessment of human resource performance, their rewarding, and thus their motivation and effectuation by the application of appropriate standards.

Keywords:

Evaluation; Selection; Business organizations; Human resources; Economic performance.

1. Introduction

Management of human resources or managing with human resources, as it is called in the domestic professional practice, is not only a recognized discipline, but also important working and managing function in the organization. The selection of human resources and evaluation of the work of managers are important activities in the management of human resources in various forms of business organizations. The main goal of the selection process is adequate choice of individuals on the basis of analysis of their characteristics, because that way you can predict how successfully they perform the work and whether they will be more successful than the other candidates for the respective job. According, Mathis and Jackson the term "human resources management" refers to the design and implementation of formal systems in an organization to ensure effective and efficient use of human talent to meet organizational

goals (Robert L. Mathis and John H. Jackson, 2002).

Hence this system includes taking actions that are aimed at attracting, developing and retaining effective workforce. The goal of human resource management is to ensure that the resources in the organization, human capital, the employer has provided most of their abilities, while employees gain a material and psychological satisfaction for their work. Managers in various forms of business organizations are increasingly concerned about the employment of skilled and qualified staff and the possibilities of retaining quality workers. In this regard the active cooperation not only refers to the knowledge of the people, professional techniques, methods and procedures, or technology of human capital and general human aspects of the operation, but the knowledge of economic, financial, technological, competitive and other aspects of actions, and successfully linking activities and programs for human resources with business needs and objectives of a particular form of business organization (Robert L. Mathis and John H. Jackson, 2002).

Also, employee performance evaluation is a process that assesses the contribution of employees in achieving organizational goals in a defined period of time. Performance or an achievement could be a measurable result that is achieved, either through behavior or personal characteristics necessary to perform certain activities in a defined period of time. In this regard, it is the subject of the assessment to be relevant dimensions of the work. Standard for evaluating the performance should be precisely defined and by reception staff, to be kept up to date and systematic records on individual effort, and careful combination of objective and subjective criteria.

Finally, this cooperation requires understanding and appreciation of the human dimension of business problems and the importance of specific expert knowledge, as well as methods for their successful resolution. In fact, employees in such organizational structures are the main source of competitive advantage on the one hand, and human resources management plays an essential role in finding and developing people as a vital resource material which directly affect achieving the economic results and improving economic performance.

2. Literature Review

In the Strategic Human Resource Management (SHRM) literature there are numerous constructs that have only been loosely defined or so poorly defined that measures often vary greatly from one study to the next. For example, researchers have focused on “selective staffing” “the use of valid selection devices” “the percentage of the workforce given a pre-employment test” and “the percentage of skilled workers” when examining specific selection practices and in all of these cases, similar discussions are provided of the underlying construct purportedly being studied. Namely, Schuler (1992) suggests that (SHRM) has many different components, including policies, culture, values and practices. Strategic business needs of an organization are influenced by its internal (which mainly consist of factors such as organizational culture and nature of business) and external characteristics (consisting of the nature and state of economy in which the organization is existing and critical success factors, i. e., opportunities and threats provided by the industry), which are influenced by HR activities. According to Boxall and Purcell (2003) it is possible to find strategy in every business because it is embedded in the important choices managers and staff of

the organization make about what to do and how to do it'. It is referred to by them as strategic choice or as the strategies organizations adopt in dealing with strategic problems.

Formbrun (1984) identifies technological, economical, socio-cultural and political environment as interrelated external factors that have impact on the strategy formulation of organizations. The one and only way for these factor's changes is the one in which they are manifested through good processing and information automatization. The changes refer to economic growth or growth in certain sectors, changes in the demographics of the work force. Furthermore the political circumstances influence the organization strategic direction and in that way are created a need for harmonization of management with human resources connected with these changes.

The potential value of the employees is to be increased by collectively enhancing and linking their skills and capabilities in tune with the contemporary requirements of the market, and to be faster than the competitors. The success of the HRM will be determined by its ability to harness the intelligence and spirit of people by creating a learning climate, and in order to realize and improving the business performance.

Strategic HRM researchers argued that to achieve HR effectiveness, HR should be practiced as a whole and must be aligned with the business strategic goals, the primary means by which firms can influence and shape the skills, attitudes, and behaviour of individuals to do their work and thus achieve organizational goals (Collins and Clark, 2003).

2.1 Focus on the Strategic Management of Human Resources

The above developments in the field of HRM highlight the contribution it can make towards business success and an emphasis on HRM to become an integral part of business strategy (Schuler and Jackson, 2007). The emergence of the term 'strategic human resource management' (SHRM) is an outcome of such efforts. It is largely concerned with 'integration' of HRM into the business strategy and 'adaptation' of HRM at all levels of the organization (Guest, 1987; Schuler, 1992).

Today, as a result of the growing awareness of the strategic importance of human resource management has led to the creation of the human capital, which actually reflects the commitment of the company to employees. Human capital refers to the economic value of the combined knowledge, experience, skills and abilities of employees. The term human capital investment expresses the organization in attracting, motivating and maintaining an effective workforce.

Human capital is a tangible indicator of the value of the people who make up the organization. Administratively speaking, human resources management is the managing of personal. Any decision taken by the manager whether it is a management company or the management of human resources is a strategic, since it needs to maximize existing resources of the company, but taking action to provide a way that would have the lowest risk, and thus bring maximum profit organization. The philosophy of transferred and delegated powers requires respect for the essential characteristics as essential and very important in the business world: confidence, decentralization, distribution of information and knowledge, education, skills and abilities, clear roles and responsibilities clear, and finally freedom in functional

operation.

Broadly speaking, SHRM is about systematically linking people with the organisation; more specifically, it is about the integration of HRM strategies into corporate strategies. HR strategies are essentially plans and programmes that address and solve fundamental strategic issues related to the management of human resources in an organisation (Schuler, 1992). They focus is on alignment of the organisation's HR practices, policies and programmes with corporate and strategic business unit plans (Greer, 1995). Strategic HRM thus links corporate strategy and HRM, and emphasises the integration of HR with the business and its environment. It is believed that integration between HRM and business strategy contributes to effective management of human resources, improvement in organisational performance and finally the success of a particular business (Schuler and Jackson, 1999). Strategic Management of Human Resources is structured by three main objectives, namely:

- To draw effective workforce
- To develop the total potential of the workforce and
- To retain qualified staff for extended periods.

On the one hand the strategic planning of the company includes a set of activities aimed at making decisions about long-term goals and strategies of the company, i.e. for how the future will survive the enterprise market in terms of the economic situation, competition and so on. On the other hand, human resource planning is a process of moving people in and out of an organization, and there are designed to help human resources managers to deploy its human resources as efficiently as possible, where necessary and at the time when most needed is for the sole purpose to achieve the strategic goals of the business organization. So the managers of human resources required to find, recruit, and train, to support and retain the best workers work because they are the main tool for reaching a positive result from the operation of the organization. Marchington (2008) argue that SHRM positively influences firm performance because it generates structural cohesion, an employee - generated synergy that propels a company forward, enabling the firm to respond to its environment while still moving forward.

Hence, the training of human resources is a systematic process of enriching the knowledge, skills and guidelines in order to perfect their work performance of obligations, the structural department and organization. The evaluation of the completed tasks is actually a process of evaluation of how effectively people doing their job. The purpose of the assessment is to provide feedback on each individual separately, as do the work that is assigned to provide the basis for upgrading of those who most successfully accomplish set goals, to identify areas that require additional training and training and identify problems that may require changes in work tasks. The successful management of human resources is essential professional development of managers through training and motivation.

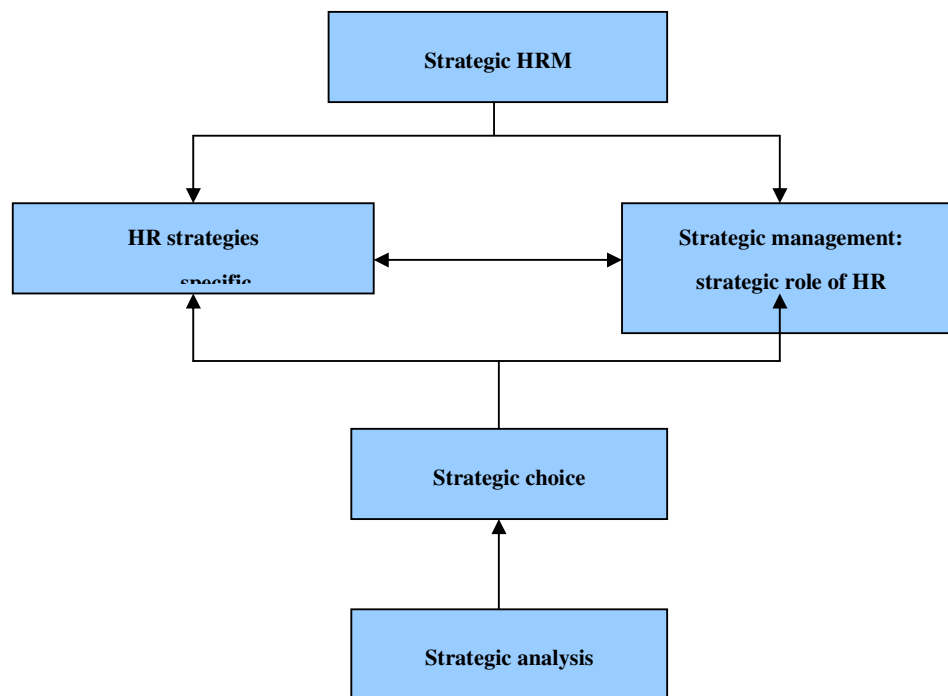


Figure 1: Strategic HRM model

2.2. The Process of Quality Selection

The process of selection and recruitment begins when an institution needs to fill vacant jobs that are provided in its regulations for internal organization and systematization. The outcome of this process is that from the interested applicants to hire one / one who is the best and which meets the requirements for the job. This is a fundamental principle of the laws which provide equal opportunities.

To ensure transparent and fair competition during this process, it is good to have written guidelines for the selection and employment of an easy and simple way would be put into practice effective and visible. It is undisputed that the guidelines should be based on the principle of selecting the best candidate according to the criteria of professionalism and competence. Guidelines should be a handy tool for all who have been involved or depend on the process of selection and recruitment. Working environments and organizational cultures differ, hence each institution or organization should adopt guidelines that meet their unique needs.

In 1988, The American Society of personnel Administrators published in the monthly magazine "Resource" that 84% of the members use testing in their selection decision (The American Society of Personnel Administrators, Resource, 1998). Assumptions for quality selection process of human resources:

- Good analysis of the work, which determines the tasks and responsibilities workplace, requires the executor
- Identify key areas of success and the standards or criteria for organizational success
- Selection of quality indicators for assessing the performance of the candidates in their work.
- High accuracy in forecasts of indicators

2.2.1 Phases of Selection

Required qualities of the candidates should have to reflect the requirements of the job and the environment and the environment in which the organization operates. Regarding stages (steps) in the process of selection of human resources are relatively divergent views among eminent authors in this field, both in terms of numbers and in terms of the content of individual phases.

- In the first phase- Analysis and documentation of the application requirement to fill the jobs, analyze the resulting documentation for each candidate, CV, application for a job and the like. Based on this initial selection is made or eliminate a number of candidates who do not meet the criteria for the job.
- The second phase- Acceptance of selected candidates, are possible multiple scenarios: preliminary interview or test each candidate individually or organizing preliminary interview all candidates with the selection committee.
- In the third phase, with all candidates are taken etc. diagnostic interview. It is a detailed conversation with candidates with which determines professional and other characteristics of the candidates and their compliance with the requirements of the work and culture of the organization.
- The fourth phase refers to verification of references. It provides information that allows reconstruction of the career of each candidate: jobs and the organizations in which the candidate has worked before, absenteeism and the reasons for it, the moral characteristics of the candidate (Jean Francois Lis, 1988).

It now needs to be emphasized that there is no universal process and methods of selection applied in any company, but each business entity depending on their needs and opportunities, the selection process will be conducted in a more or less stages by applying more or less methods of selection. In Macedonian business reality, when a job has a greater number of candidates, reputable companies often implemented initial selection using appropriate methods.

2.3. The Matching Model of HRM

One of the first explicit statements of the HRM concept was made by the Michigan School (Fombrun et al,

1984). They held that HR systems and the organization structure should be managed in a way that is congruent with organizational strategy (hence the name matching model'). They further explained that there is a human resource cycle (an adaptation of which is illustrated in Figure 1.1), which consists of four generic processes or functions that are performed in all organizations. These are:

- selection –matching available human resources to jobs; appraisal (performance management);
- rewards –‘the reward system is one of the most under-utilized and mishandled managerial tools for driving organizational performance’; it must reward short- as well as long-term achievements, bearing in mind that ‘business must perform in the present to succeed in the future;
- Development – developing high-quality employees.

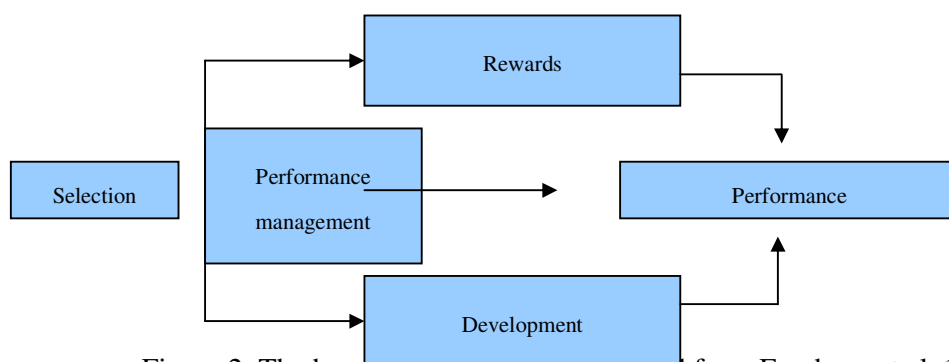


Figure 2: The human resource cycle (adapted from Fombrun et al, 1984)

2.3.1. Matching business strategy and HRM

HR should be practiced as a whole and must be aligned with the business strategic goals, the primary means by which firms can influence and shape the skills, attitudes, and behavior of individual Is to do their work and thus achieve organizational goals (Collins and Clark, 2003).

Gibb (2000) has created the model by observing HRM effectiveness in two dimensions. One dimension of map is considering the extent to which a concern with HRM effectiveness involves an internal, organizational orientation or an external, general standards orientation. The other dimension is concerned with the extent to which the value of either an objective or a subjective framework for operationalizing HRM effectiveness is adopted.

For example, strategic HRM models primarily emphasise implementation over strategy formulation. They also tend to focus on matching HR strategy to organisational strategy, not the other way. They also tend to emphasise fit or congruence and do not acknowledge the need for lack of such fit between HR strategies and business strategies during transitional times and when organisations have multiple or conflicting goals. This problematic further highlights the matching of HRM policies and practices to some of the established models of business strategies.

Porter's generic business strategies and HRM

Michael Porter (1985) identified three possible generic strategies for competitive advantage in business:

- Cost leadership (when the organisation cuts its prices by producing a product or service at less expense than its competitors);
- Innovation (when the organisation is able to be a unique producer); and
- Quality (when the organisation is delivering high-quality goods and services to customers).

Considering the emphasis on 'external-fit' (i.e. organisational strategy leading individual HR practices that interact with organisational strategy in order to improve organisational performance), a number of HRM combinations can be adopted by firms to support Porter's model of business strategies. In this regard, Schuler (1989) proposes corresponding HRM philosophies of 'accumulation' (careful selection of good candidates based on personality rather technical fit), 'utilization' (selection of individuals on the basis of technical fit), and 'facilitation' (the ability of employees to work together in collaborative situations). Thus, firms following a quality strategy will require a combination of accumulation and facilitation HRM philosophies in order to acquire, maintain and retain core competencies; firms pursuing a cost-reduction strategy will require a utilisation HRM philosophy and will emphasise short-run relationships, minimise training and development and highlight external pay comparability; and firms following an innovation strategy will require a facilitation HRM philosophy so as to bring out the best out of existing staff (Schuler and Jackson, 1987). In summary, according to the 'external-fit' philosophy, the effectiveness of individual HR practices is contingent on firm strategy. The performance of an organisation that adopts HR practices appropriate for its strategy will then be higher.

2.4. Performance Assessors

For evaluating the performance of the staff first need to determine the person or persons to be assessors, and will do my employee performance evaluation. Although there are numerous opportunities available, however the role of Assessors Company usually takes: immediate supervisors, colleagues (cooperators), employees themselves (judging their work and results and assessing their immediate superiors). It is possible to choose an assessor or more assessors at the same time. For which the assessor or assessors will organization decide depends on numerous factors: organizational design, management style, goals and information which they want to get. Each of these evaluators is distinguished by its approach to assessment. For example, direct managers are generally considered to be good assessors of their subordinates because they have overview of activities and have many years of experience in assessment. They have daily interaction with staff, and know what should be the result of the efforts of each job to achieve defined organizational objectives.

The manager's right to assess the performance of their subordinates is given by their hierarchical status. Quality assessing of the immediate managers depend on a number of factors. Among the others, one of the important factors is the type of organizational structure of the given organization.

The employees as evaluators of the performance of individual employees could be good evaluators, because they have the most insight into their own work, although it may not have enough information about the results of their work.

Self-assessment provides an additional source of gathering information. If an individual given grades are not much different from the grades of sources, then they can be used as an important source of increasing the reliability of the final grades, and by reducing the deficiency assessment criteria. Even when self-assessment is not formally included in the performance evaluation system, it is permanently present, because individuals tend to judge their own work and the results of the work.

Associates - colleagues can be found in the role of assessor's performance of colleagues and associates i.e. those employees whose performance is subject to evaluation. Their perspective in the assessment process is also specific - they evaluate someone from that position, as that employee treats them. During the evaluations they compare the performance of the employees at the same hierarchical level, including their own.

The "360 degrees" concept primarily was directed towards the development of managerial capabilities giving them information about that how to lead their subordinated, colleagues and clients/buyers which should provide changes in their behavior. By comparing its evaluation with the evaluation of others, anonymous evaluators, the managers should be finding themselves in a situation in which they can create much realistic picture about their strong weak sides, in purpose to eliminate or decrease their bad characteristics. This concept provides: encouraging of the team work, base for determining of wage increases individual development of the employees, promotion of the performances, potential for learning about how the employees should be lead and managed (Mohrman, A. M., Jr., Resnick-West, S.M., Lawler, E.E., 1989).

2.5. Evaluation instruments and methods

According to Bratton (2007), the evaluation of HRM is a process, where the entire human resource management and its separate functions are evaluated. The effectiveness, efficiency, productivity and organization of HRM and its functions are evaluated. In evaluation of performances of the employees two basic methods are used for evaluating of the objective (quantitative) and subjective (qualitative) labor performances.

The Objective methods for evaluating of the qualitative performances of the employees, i.e. the quantity of products which one worker produces or sales, number of faulty products, the number of days for removal of one worker from work or the number of delay on job or some other direct numerical indexes which show how good and fast one employee can do his job.. For example, in order to establish the number of human resource required by an organisation on a longer term, a detailed analysis of the existent human resources is a necessity. A quantitative analysis can be made through the indicator named *the personnel rotation*:

$p = E_p/N_1 \times 100$, where:

- p = personnel rotation, meaning the percent of the employees who left the organisation on a certain period of time;
- E_p = the number of employees who left the organisation in that period of time;
- N_1 = the average number of the employees in that period of time.

This indicator reflects the percent of people that must be recruited in the next period of time to maintain the average number of employees in the company. To be relevant for the employment decision, we must calculate it at different levels: at the company's level, types of employees (technical personnel, administrative personnel, commercial personnel, management, etc.), types of qualifications, etc.

Furthermore, because for a great number of jobs it is impossible to determine the quantitative (objective) indicators, as well as for a great number of jobs it is important how the job is done (not just to realize results), in the practice one can find a wide application of subjective methods of evaluation

The Subjective evaluation methods can be used for evaluation of the personal characteristics of the employees and their behavior as well as for measuring of their results. A basic problem which occurs concerning the subjective methods of evaluating is the fact that the evaluator should observe and evaluate the employees' behaviors related with the job which they do. But, often the evaluators are enabling permanently to monitor the work of the employees which performances they evaluate. Even when they are in a situation to do that very often the evaluation itself it's subjected to mistakes which come from the subjective nature of this way of evaluation.

2.6. Quality evaluation of performance

One of the key questions of performance evaluation of employees represents defining the criterion of the quality of evaluation. The quality of evaluation of the performances is perceived through for basic criterions: validity, security, freedom of pre convictions and practicality (Murnford, M.D, 1983).

The Validity indicates the measurement of the component of work on a representative way. As a relevant indicator it evaluates those performances which really are important in determining of the efficiency of executing of any job.

The Security indicates the degree of alignment between the evaluators during the evaluating of performances of employees. The security is high when two or more evaluators are consistent about the performances of one employee, i.e. low when they are not consistent.

The freedom of pre convictions, as a criterion that refers to two things: on the legal righteousness and the subjective judgment of one person and the performances of others. The evaluation of the performances is free of pre convictions, if it's fair towards all employees regardless of their race, sex, nationality, the physical or mental handicap etc.

The practicality, as a criterion refers on the expenses for creating and implementing of the system for evaluation of the performances of the employees. In order to create such a system is required money, time and effort. It is necessary the system to be simple for use and to secure high degree of acceptance from all employees.

2.7. Empirical research

In purpose to perceive how the performances of the employed are evaluated we have made a survey research in an over 30 organizational subjects in the textile, metal processing and tobacco industry. The question was the following:

- Which (who) are the evaluators of the employees in your organization (circle one of the answers)?
- Form one side were questioned the managers and from the other the employees, with the same survey questions. The obtained answers we compared also through χ^2 .

Table 1: Statements of the surveyed managers and employees

Evaluation from	The managers answers	The employees answers
The manager itself	5	126
First line/direct managers	6	27
Colleagues, i.e. associates	6	6
The employees itself	7	5
Systems of evaluation “360 degrees”, (simultaneous evaluation from the direct managers, from its subordinated, from its associates on the same hierarchical level and from itself)	12	3
Total	36	149

The obtained value of χ^2 - test is 79.38 which means it is bigger the value in the table for about 4 degrees of freedom and probability of 95% which is 9.49. Then, from the tabular display as so from the calculated value of χ^2 test, it can be seen that the manager's statements and the employee's statements differ. This leads us to conclude that are not used appropriate methods for evaluation of the performances. In fact, the

preferred model from our side, we prefer that for exact evaluation of the performances in the major number of evaluation is required to use the method of 360 degrees.

3. Conclusions

The effectiveness of the organization depends directly on its staff, particularly management staff. They create a business environment, quality control, place products, manage finances and determine overall strategy and objectives of the company. Quality organization must seek quality people, or real man at the right place. Organizations are effective when managers fail to minimize the quantity of resource inputs (labor, raw materials and component parts) or the time it takes to produce a product or service. In competitive terms organizations continually seek new ways to use their resources to improve performance. Many organizations train their workforce for new skills and techniques they need to work on highly computerized facilities. Similarly, constant training gives employees the skills they need to perform many different tasks, and the organization of employees in new ways, such as in self-teams, allows better use of their skills.

During the creation and implementation of the system for evaluating of the performances of employees an important decision which should be adopted is the choice of the person-evaluator which would evaluate the performances of the employed. There are countless possibilities. The role of evaluators usually take the first line managers, the colleagues and the employees itself (evaluating their labor and results and evaluating their own direct managers) and the others evaluators. It is possible one evaluator to be chosen, but also more of them simultaneously can be chosen as well. There is a concern regarding the performance appraisal methods being used in the workplace, although the use of technically complex methods seems to be on the increase. In the evaluation of the performances are used different objective and subjective methods instruments for evaluation. The combination of the objective and subjective methods gives best results. In the evaluation of the quality of the marks of the performances are used four basic indicators: validity, security, freedom of pre conviction and practicality.

In the end, the research and actual application of SHRM shows that moving in this direction is good for business organizations. Namely, the research should leave no doubt that the transition in Macedonia is difficult, and it does require changing well-established attitudes and roles. And, these are attitudes that have existed for decades, and they are not going to change quickly.

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