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Human resource management practices, employee outcomes and organizational effectiveness in ngos: An integrated study of ngos in Bhubaneswar

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Abstract
Non-Governmental Organizations (NGO) are unique in the development framework of India, in that they have fewer and more volatile resources, carry out social missions, rely on the discretionary work of their staff and, more than ever before, are expected to produce quantifiable impact. In these environments, recruitment, development, appraisal and reward are not administrative side-lines, but key factors in the survival and effectiveness of the institution. The study investigates the association between HRM practices, employee outcomes and organisational effectiveness of the NGOs in Bhubaneswar (capital of Odisha). Descriptive and analytical research design has been used and primary data were collected from a final sample of 120 employees (usable responses, N = 120) drawn from 18 registered NGO's of the city using a structured questionnaire that includes five demographic questions and 10 statements measured on a five point Likert scale. Four dimensions of HRM practice (recruitment and selection, training and development, performance appraisal, compensation and benefits), three indicators of employee outcomes (job satisfaction, organizational commitment, intention to stay) and three indicators of organizational effectiveness (service delivery, stakeholder satisfaction, adaptability) were captured. A mediation test was performed in SPSS version 26 using the causal-steps approach along with bootstrapping, while the Kaiser–Meyer–Olkin measure, Pearson correlation, independent-samples t-test, descriptive statistics and multiple linear regression were also used to analyse data. The results show that the HRM practices are significantly and positively related to the employee outcomes ($r = .624$, $p < .001$) and the organizational effectiveness ($r = .568$, $p < .001$), that the four HRM dimensions together account for 44.2 per cent of the variance in organizational effectiveness, and that employee outcomes are a partial mediator for the HRM–effectiveness relationship. The highest mean score was for training and development, whereas the lowest mean score was for compensation and benefits, indicating that NGOs in Bhubaneswar choose to go the extra mile in case of financial limitations through developmental and relational aspects. The study ends with implications for NGO managers/donors/policy makers.

Keywords: Human resource management practices, employee outcomes, organizational effectiveness, non-governmental organizations, job satisfaction, organizational commitment, Bhubaneswar

Introduction

1. The Evolving Landscape of the Non-Governmental Sector

The voluntary and charitable movement in India, which we call the non-governmental sector or NGOs, has developed from a predominantly charity-based movement to a professionalised one with organised social action. Nowadays, NGOs provide primary education, conduct health outreach programmes, conduct livelihood missions, manage disaster response and act as implementing partners of government programmes and international funders and carry out policy advocacy. This growth has also gone hand-in-hand with increased expectations. There is a growing expectation from funders for documented outcomes, rather than documented activity; regulatory (and financial disclosure) requirements have become more stringent on foreign funding; and beneficiaries are more aware of claims and expectations for services. Operative effects of this are that NGOs are now expected to act like professionally managed organizations, yet maintain the value orientation which is vital to their differentiation from commercial enterprises (Word & Sowa, 2017) [20]. This dual identity puts the human resource function at the heart of non-profit strategy as the frontline workers through which the mission is implemented as well as who have to negotiate the tension between limits of available resources and increased expectations for accountability.

Bhubaneswar, the administrative and educational hub of Odisha, is a good example of this transformation. The city sees a large number of NGO headquarters, resource centers, training institutes and donor liaison units catering to the urban confines as well as the tribal and coastal areas of the state. The organizations working in the city are widely diverse in size, from small community-based organizations with fewer than fifteen staffers, to implementing agencies that span several states and have formal human resources policies and structured departments. This diversity renders the city an ideal location for a study assessing how variations in employees' attitudes and organizational outcomes from people-management practice would be found.

2. Human Resource Management in Mission-Driven Organizations

Human resource management is a holistic management of the various policies and practices that involve attracting, developing, motivating, evaluating and retaining people that an organization needs for accomplishing its objectives (Mahapatro, 2022) [13]. Typically, those practice areas, in the commercial field, are predicated on profitability, market

share or shareholder value. In mission-driven organisations the reason is different yet: HRM is appreciated insofar as it enables capacities to serve the constituency. In previous studies, constructs from the business literature have been utilized in non-profit HRM research, but there has been a lack of theorization of unique aspects of this sector, such as project-based funding, short-term employment expectations, fuzzy lines between paid staff and volunteers, and lower levels of pay compared to the private sector (Baluch & Ridder, 2021) [4].

These conditions make an influence on the internal logic of HRM. Firms can use monetary schemes to motivate people to work harder, but for an NGO, meaningful work, development opportunities, participative appraisal and a positive social atmosphere are more critical. This makes public and non-profit employers thus more reliant on the perception of fairness and consistency of their HR systems than on their generosity, Boselie, Van Harten and Veld (2021) [6] claim. This study is at least aware of the practical implications that the same HRM practice might have a stronger motivational impact in an NGO compared with a similar commercial organization.

3. Employee Outcomes as an Intermediate Mechanism

Until now, one of the main drawbacks in the research on strategic HRM (SHRM) has been that it tended to directly link HR practices to organizational outcomes by neglecting to explore the intervening psychological processes. According to Jiang and Messersmith (2018) [10] who reviewed three decades of research in the field, this is the major question left unanswered in this discipline. Current understanding is that the corrective is that the HRM practices impact on the outcomes of the organization indirectly by affecting employees' cognitions, emotions and actions within the organization. The most common attitudinal states to measure this in between state are job satisfaction, affective commitment and intention to remain (Guest, 2017; Peccei & Van De Voorde, 2019) [9, 16].

The reasoning is simple. Positive affective states stemming from practices that employees see as fair, developmental and supportive ultimately lead to higher discretionary effort, cooperation, knowledge sharing and continuity of service, all of which contribute to organizational capability. As much as the HR practice itself, van De Voorde and Beijer (2015) [19] show, employee attributions about the existence of the practice are consequential, so that a training programme perceived as investment leads to different outcomes than one perceived as compliance. Retention as part of employee outcomes is especially important for an NGO, where institutional memory is likely to be limited to a couple of well-trained field staff.

4. Conceptualizing Organizational Effectiveness in NGOs

The non-profit sector finds the construct of "organizational effectiveness" to be a more controversial one than the business sector, because of the absence of a single bottom line. The criteria may include the number of beneficiaries served, the nature of the change and how long it lasts, how well the money is spent on providing the services, how satisfied donors and regulators are with the NGO, or how well the group copes when a funding stream dries up. The present study views this multiplicity as three complementary aspects of organizational effectiveness, namely, programme and service delivery performance, stakeholder and donor satisfaction–compliance and organizational adaptability–resource mobilisation capacity. This method is methodologically supported by Singh, Darwish and Potočnik (2016) [18], who indicate that subjective perceptions of performance by the manager and staff correlate reasonably well with objective measures of performance, and are often the only viable method, given that standardised financial data is not available or comparable across NGOs of varying size and funding source.

5. Scope, Rationale and Contribution of the Study

While a considerable amount of research on the HRM performance relationship has been conducted in manufacturing, information technology and banking sectors in India, it is somewhat limited in the development sector, let alone eastern India. Much of the non-profit HRM research that is available is either descriptive and qualitative, concerning a single organization, or it is a large-scale, cross-national research study which is unable to account for local employment realities. To fill this lacuna, the present study has proposed to test the integrated model within a defined urban setting based on primary data from a final sample of 120 employees (N = 120) of 18 NGOs in Bhubaneswar. It's contribution is triple fold. Firstly, it presents evidence in quantitative terms of the status of HRM practice in a sector where evidence of such practice is limited. Second, it examines employee outcomes as a middle ground, and does not make the assumption of a direct practice–behaviour relationship. Third, it puts the results into concrete and feasible suggestions for NGO leaders who need to do better in relation to people management while spending much less.

Review of Literature

1. HRM Practices in the Non-Profit and Development Sector

The literature on HRM in non-profit organizations has increased gradually, however, it has not been integrated. Baluch and Ridder (2021) [4] describe the HR landscape and find that non-profits often have partially formalised HR arrangements, in that they may have written HR policy but implementation relies on the discretion of those in charge. This informality comes with a mixed bag of consequences: it allows for flexibility and responsiveness, but also leads to inconsistencies and the perception of favouritism and unequal access to development opportunities. Alfes, Antunes and Shantz (2017) [2] on volunteers and paid employees report that the interplay between the volunteers and the paid workers makes it difficult to implement the usual HR design, because the practices based on paid employees can demotivate volunteers, and vice versa.

Baluch (2017) [3] provides a note of warning against the notion that HRM in value-driven organizations is always positive. Her study of employee perceptions in non-profits records unintended consequences: practices to professionalise the organisation are heightening workloads and undermining the very commitment they are supposed to strengthen. Brimhall (2021) [7] also reveals that inclusive leadership and inclusive climate are not only drivers of perceptions of innovativeness and commitment in non-profit contexts but that formal HR policies are absent from the non-profit sphere. These studies provide a combined indication in the NGO setting that, rather than the existence

of HR, it is the quality of HR experienced that is significant. This methodologically is supported by Boon, Den Hartog and Lepak (2019) [5], who demonstrate that the use of employee-perceived measures of HR systems consistently outperforms measures based on manager-reported policy checklists, thus justifying the use of the employee-reported measurement strategy in this study.

In an Indian context, Kundu and Gahlawat (2018) [12] find a positive relationship between firm performance and ability-, motivation- and opportunity-enhancing HR practices, with the opportunity-enhancing practices of participation and information sharing having strong relationships. Their evidence comes from commercial organisations, but the principle if relevant to NGOs, too, where it costs little to participate and is culturally appropriate to the sector's values. Indeed, this is also important to remember in Indian organizations where, as Mahapatro (2022) [13] points out, the perceived equity of appraisal and the awareness of upward movement are often more important than the actual pay, because of the limited scope of pay modulation in these organizations.

2. HRM Practices and Employee Outcomes

The connection between HRM practices and employee attitudes is strong and reasonably homogeneous. According to Kooij and Boon (2018) [11] the favourable perceptions of HR practices lead to greater affective commitment through person–organization fit, which means that HR practices that indicate fit with the individual's values result in greater affective commitment. This mechanism is particularly relevant to NGOs where staff members tend to volunteer as a result of values and mission and are therefore extremely sensitive to any mismatch between what is expressed and what occurs regarding the treatment of staff.

Ogbonnaya and Messersmith (2019) [15] divide HR systems into a set of subdimensions and discover that the effects of different combinations of practices are not necessarily the same: some combinations of skill-enhancing practices can have a positive impact on both performance and well-being, and some combinations of motivation-enhancing practices can have a positive impact on performance and a negative impact on well-being. Their finding calls into question viewing HRM as a monolithic concept and validates the dimension-wise analysis used in this study. Mostafa, Boon, Abouarghoub and Cai (2023) [14] builds on this work by demonstrating that, once more, the well-being effects of high-performance work systems are conditional on the level of coherence within their use across the organization, not the level of intensity.

Saks (2022) [17] claims that it is not the sophistication of the HR instruments and tools that make a difference to engagement, but the caring approach of HRM in relation to the welfare of the employee, psychological security and supportive supervision. Guest (2017) [9] makes a similar case for an HRM approach that has a clear aim of well-being, and in which employee well-being and satisfaction are recognised as goals and not the means. Reframing has practical, as well as ethical, meaning for NGOs in the field throughout environments where poverty, disaster and social conflict are present.

3. Employee Outcomes, Organizational Effectiveness and Hypothesis Development

The final "chain" is getting employee attitudes translated into results for the organization. Evidence of a positive relationship between HRM and individual employee well-being and organizational results is found in a wide array of studies, as reviewed by Peccei and Van De Voorde (2019) [16]: Satisfied and committed employees tend to create better results for the organization, but the magnitude of the impact is context and measure dependent. Cooke, Xiao and Chen (2021) [8] also take into consideration contextual factors such as sector, ownership and institutional environment which influence the size of these relationships, making it important to investigate the relationship sector by sector and not to uncritically generalise from business samples.

The mechanism in the non-profit world is perhaps even more direct than in manufacturing, as the quality of service is created by interpersonal relationship between staff and beneficiaries. But there is no compensating for a demotivated field worker in a stronger technology. Retention is significant for a related reason, because relationships with communities, with local leaders and with donors are the property of individuals, and changing individuals breaks relationships. Staff continuity has been therefore described as a fundamental component of non-profit's capacity (Word & Sowa, 2017) [20]. Based on the literature the following hypotheses are proposed.

H1: HRM practices have a significant positive relationship with employee outcomes in NGOs.

H2: HRM practices have a significant positive relationship with organizational effectiveness in NGOs.

H3: Employee outcomes have a significant positive relationship with organizational effectiveness in NGOs.

H4: The dimensions of HRM practice jointly and significantly predict organizational effectiveness.

H5: Employee outcomes mediate the relationship between HRM practices and organizational effectiveness.

Research Methodology

1. Research Design

The research model used is descriptive and analytical with a cross sectional survey. A quantitative approach was decided upon since the aim is to measure the relationships between two or more defined constructs in terms of their strength and direction as well as test stated hypotheses rather than exploring meanings inductively. The study had used primary data which was collected at one particular time from the staffs of NGOs working at Bhubaneswar. Journal articles, books and published sector reports provided a source for secondary data which supported the development of the conceptual framework and the interpretation of results.

2. Population, Sample Size and Sampling Technique

Respondents were full time paid programme and field staff, coordinators, supervisors and management level people working in registered NGOs having their operating offices in Bhubaneswar. They excluded volunteers, interns and purely honorary office bearers as their employment relationship is different in material aspects from that of salaried staff. A purposive sampling technique combined with snowball (chain-referral) sampling was used: initial eligible respondents in partner organisations were identified purposively and were then asked to refer other eligible employees. The final sample size used in all analyses is N = 120 employees. The sample was spread out in 18 education, health, livelihood, child protection, disability and environmental NGO organisations with a cap of ten

respondents per organisation so that no single organisation dominated the dataset (on average, about 6.7 respondents per organisation; 120 ÷ 18).

Questionnaires were administered in both printed and electronic form. A total of 145 questionnaires were distributed and 128 were returned (gross response rate: 128 ÷ 145 = 88.28 per cent). Of the 128 returned questionnaires, eight were excluded because they were incomplete or showed identical responses to all items, a sign of inattentive responding. This left 120 usable questionnaires (128 − 8 = 120), giving an effective response rate of 120 ÷ 145 = 82.76 per cent. This final sample of N = 120 is used in every table and statistical test reported in Section 4. The adequacy of N = 120 was checked against three conventional rules of thumb: (i) at least 10 observations per item for a 10-item instrument requires 10 × 10 = 100 respondents; (ii) $N \geq 50 + 8k$ for testing the overall regression model with k = 4 predictors requires 50 + 8(4) = 82 respondents; and (iii) $N \geq 104 + k$ for testing individual predictors requires 104 + 4 = 108 respondents. The achieved sample of 120 exceeds all three thresholds.

3. Instrument Design and Measurement

The questionnaire was organised in two parts. Part A consisted of five questions regarding the demographic details such as gender, age group, educational background, overall experience in the NGO sector and current designation position. There were ten statements on a five-point Likert scale, anchored at 1=strongly disagree and at five=strongly agree, in Part B. HRM practices was measured by four statements regarding recruitment and selection, training and development, performance appraisal, and compensation and benefits. Three statements assessed employee outcomes in terms of job satisfaction, affective commitment and intention to stay. Three statements measured organizational effectiveness in terms of service delivery achievement, stakeholder and donor satisfaction, and adaptability and resource mobilisation. The items were taken from existing scales and reworded for the NGO context final sample of 120 and their responses were not included in the analysis. The scores for each construct were calculated as the average of each item within the construct.

4. Reliability, Validity and Ethical Considerations

The internal consistency was measured according to Cronbach's α, and a value of > .70 was considered acceptable. Content validity has been carried out by two academic experts in human resource management and two senior practitioners in the NGO. The sampling adequacy of the data was tested using the Kaiser–Meyer–Olkin measure and Bartlett's test of sphericity in the factor analysis. Participants were anonymous and participation was voluntary, no organization or individual was named, informed consent was obtained, and data were only used for academic purposes.

5. Statistical Tools and Techniques

IBM SPSS Statistics 26 were used to code and analyse the data. Applied were: frequency analysis, percentage analysis, construct validity-analysis (Kaiser-Meyer-Olkin measure and Bartlett's test of sphericity), descriptive statistics (ten Likert items-mean, standard deviation, skewness and kurtosis), Pearson product-moment correlation analysis (to examine the strength and direction of association between the constructs), independent-samples t-test (to compare perceptions by gender), one-way analysis of variance with Tukey's post hoc test (to compare perceptions across the designation categories), multiple linear regression analysis with collinearity diagnostics (to identify the relative predictive contribution of HRM dimensions) and mediation analysis (through the causal-steps procedure verified by the Sobel test All analyses were run on the full sample of N = 120 (no missing data in the retained cases), and a .05 level of significance was used throughout.

Results and Analysis

1. Demographic Profile of Respondents

Table 1 presents the demographic profile of the N = 120 respondents across the five profile questions included in Part A of the questionnaire.

Table 1: Demographic Profile of Respondents (N = 120)

Demographic Variable	Category	Frequency (f)	Percentage (%)
1. Gender	Male	68	56.7
	Female	52	43.3
2. Age group	21–30 years	41	34.2
	31–40 years	46	38.3
	41–50 years	24	20.0
	Above 50 years	9	7.5
3. Educational qualification	Graduate	38	31.7
	Post-graduate	61	50.8
	Professional / Doctoral	21	17.5
4. Experience in NGO sector	Less than 3 years	33	27.5
	3–6 years	44	36.7
	7–10 years	28	23.3
	More than 10 years	15	12.5
5. Present designation	Field / Programme staff	52	43.3
	Supervisor / Coordinator	39	32.5
	Managerial / Head of unit	29	24.2
Total		120	100.0

N = 120; frequencies sum to 120 for each variable and all percentages are computed on N = 120. Source: Primary data analysed in SPSS 26.

There is a moderate gender imbalance in the sample with 56.7 per cent male and 43.3 per cent female, mirroring the male-dominated nature of development work in the field in the region, but the number of females is also significant. Almost three fourths of the respondents are under 40, which is an indicator that the sector relies to a large extent on a

younger age group. There is a high level of education, with 68.3 per cent having a post-graduate or professional qualification, reflecting the professionalisation of the sector. Experience is well spread out, although only one in eight (12.5 per cent) have more than 10 years' service indicating a retention issue. The bivariate distribution of age and sex is shown in figure.

2. Reliability and Validity of the Instrument

Table 2 reports the reliability and validity statistics for the three constructs and the overall instrument.

Table 2: Reliability and Validity Statistics (N = 120)

Construct	No. of Items	Cronbach's Alpha	KMO Measure	Interpretation
HRM Practices	4	.861	.834	Good
Employee Outcomes	3	.834	.812	Good
Organizational Effectiveness	3	.812	.807	Good
Overall Instrument	10	.887	.842	Very Good

N = 120. Bartlett's test of sphericity: $\chi^2 = 612.47$, df = 45, $p < .001$ (based on N = 120 responses to 10 items; df = 10 × 9 ÷ 2 = 45). Source: Primary data analysed in SPSS 26.

The internal consistency of the whole instrument is .887 and the alpha coefficients for each of the 10 items are above .70, which provides evidence of strong internal consistency. The Kaiser-Meyer–Olkin measure equals to .842, exceeding the criteria value of .60; the result of Bartlett test of sphericity is significant at $p < .001$ indicating the correlation matrix is appropriated for the factor extraction. Exploratory factor analysis resulted in three factors with eigenvalues greater than one which account for 68.34 per cent of the variance; all item loadings were greater than .60 for their assigned factor, and there were no substantial cross-loadings. The measurement model consequently has statistical validity.

3. Descriptive Analysis of the Ten Likert Statements

Table 3 presents the ten questionnaire statements with their means, standard deviations and distributional properties, arranged by construct.

Table 3: Descriptive Statistics of Likert-Scale Items (N = 120)

Item	Questionnaire Statement	Mean	SD	Skew.	Kurt.	Rank
Q1	Recruitment and selection in my organization is transparent and merit-based.	3.86	0.74	-0.41	0.18	1
Q2	Adequate training and development opportunities are provided to me.	3.42	0.88	-0.22	-0.35	7
Q3	The performance appraisal system is fair, participative and free from bias.	3.31	0.91	-0.16	-0.48	8
Q4	My compensation and benefits are equitable relative to my responsibilities.	2.98	1.02	0.09	-0.61	10
Q5	I am satisfied with my present job and working conditions.	3.58	0.81	-0.31	-0.12	5
Q6	I feel emotionally attached and committed to the mission of my organization.	3.74	0.77	-0.46	0.24	3
Q7	I intend to continue working with this organization for the next three years.	3.21	0.96	-0.11	-0.52	9
Q8	My organization consistently achieves its programme and service delivery targets.	3.80	0.70	-0.38	0.31	2
Q9	Donors and stakeholders are satisfied with our reporting and compliance.	3.66	0.75	-0.27	0.06	4
Q10	My organization adapts well to change and mobilises resources effectively.	3.49	0.83	-0.19	-0.24	6
	Composite – HRM Practices (Q1–Q4)	3.39	0.66	-0.24	-0.18	–
	Composite – Employee Outcomes (Q5–Q7)	3.51	0.71	-0.29	-0.09	–
	Composite – Organizational Effectiveness (Q8–Q10)	3.65	0.64	-0.33	0.14	–

Scale: 1 = Strongly Disagree to 5 = Strongly Agree. N = 120 for every item and composite. Standard error of skewness = 0.221 and of kurtosis = 0.438 for N = 120. Source: Primary data analysed in SPSS 26.

The values of the skewness and kurtosis fall below ±1, which indicates approximate normality and indicates the use of a parametric test. The rate that is highest, transparency of recruitment and selection (M = 3.86), suggests a largely merit-based approach to entry. In terms of ratings, the lowest rated by a clear margin is compensation and benefits (M = 2.98, SD = 1.02), the only item to fall below the neutral point, and also the item with the greatest dispersion meaning that there is a high variation in the level of assessment on pay adequacy across organizations of differing funding capacity. The next lowest item is intention to stay (M = 3.21), indicating that there is a relationship between perceived pay inequity and turnover intention based on a comparison of this item with compensation. Interestingly, emotional attachment to the job is still high (M = 3.74) in spite of low levels of pay satisfaction, as is typical of value-driven work. The item level means are shown in Figure and the aggregated response distribution is shown in Figure.

4. Correlation Analysis

Pearson product-moment correlation was computed to examine the relationships among the four HRM dimensions and the two outcome constructs. Results appear in Table 4.

Table 4: Pearson Correlation Matrix of Study Variables (N = 120)

Variable	1	2	3	4	5	6
1. Recruitment & selection	1					
2. Training & development	.472**	1				
3. Performance appraisal	.438**	.516**	1			
4. Compensation & benefits	.351**	.409**	.462**	1		
5. Employee outcomes	.446**	.571**	.523**	.498**	1	
6. Organizational effectiveness	.412**	.534**	.487**	.421**	.671**	1
Composite HRM practices	–	–	–	–	.624**	.568**

** Correlation is significant at the .01 level (two-tailed). N = 120; df = N − 2 = 118. Source: Primary data analysed in SPSS 26.

All correlation coefficients are positive and with a .01 significance level. H1 and H2 are supported by the fact that the composite HRM practices score is positively and highly correlated with employee outcomes (r = .624, p < .001) and moderately to highly correlated with organizational effectiveness (r = .568, p < .001). The highest correlation in the matrix is for employee outcomes and organizational effectiveness, with r = .671 (p < .001), thus supporting H3 and providing initial evidence that employee attitudes are the local controls which influence organizational results. In terms of individual HRM dimensions, training and development is the one that has the highest relationship with employee outcomes (r = .571) and organizational effectiveness (r = .534), with recruitment and selection exhibiting the lowest, implying that it is the activities done after entering that is more important than the process of entry itself. No multicollinearity problem at this time as inter-correlations among predictors are below .60. The association between composite HRM practices and organizational effectiveness is shown in figure.

5. Regression Analysis

Multiple linear regression was conducted with the four HRM dimensions as predictors and organizational effectiveness as the dependent variable. Table 5 reports the model.

Table 5: Multiple Regression Predicting Organizational Effectiveness (N = 120)

Predictor	B	Std. Error	Beta (β)	t	Sig. (p)	VIF
(Constant)	1.284	0.246	–	5.220	.000	–
Recruitment & selection	0.161	0.070	.186	2.310	.023	1.42
Training & development	0.207	0.061	.284	3.420	.001	1.68
Performance appraisal	0.156	0.059	.221	2.660	.009	1.71
Compensation & benefits	0.106	0.052	.168	2.040	.044	1.53
Model summary	R = .665	R^2 = .442	Adj. R^2 = .423	F(4, 115) = 22.76	p < .001	DW = 1.92

Dependent variable: Organizational effectiveness. N = 120; F has df = (k, N − k − 1) = (4, 115). DW = Durbin–Watson statistic.
Source: Primary data analysed in SPSS 26.

Overall, the regression model is statistically significant, F(4, 115) = 22.76, p < .001, and accounted for 44.2 per cent variance in the effectiveness of the organization (adjusted R^2 = .423) – an acceptable amount for a behavioural model with four predictors. Each of the four HRM dimensions play a major role. Training and development is the strongest predictor (β = .284, *p* = .001), followed by performance appraisal (β = .221, *p* = .009), recruitment and selection (β = .186, *p* = .023) and compensation and benefits (β = .168, *p* = .044). Thus, Hypothesis H4 is accepted. Variance inflation factors are between 1.42 and 1.71 which are all below 5 and also Durbin-Watson statistic of 1.92 which shows that there is no autocorrelation of the residuals. The normal probability plot, and the scatter of the standardised residuals, confirmed the assumptions of normality, linearity and homoscedasticity.

A separate simple regression of employee outcomes on composite HRM practices was also significant, F(1, 118) = 75.15, p < .001, with R^2 = .389, indicating that HRM practices alone account for 38.9 per cent of the variance in employee attitudes. Figure 1 compares the standardised coefficients of all predictors in the study, including the effect of employee outcomes on organizational effectiveness.

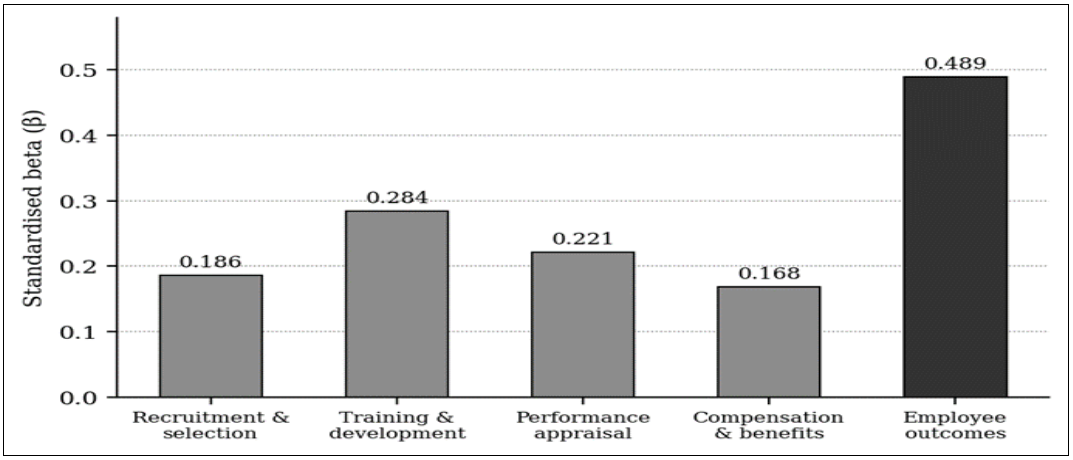


Fig 1: Standardised Beta Coefficients of HRM Dimensions and Employee Outcomes

6. Mediation Analysis

To test H5, the causal-steps procedure was applied and verified through the Sobel test and bias-corrected bootstrapping with 5,000 resamples. **Table 6** reports the results.

Table 6: Mediating Effect of Employee Outcomes on the HRM–Effectiveness Relationship (N = 120)

Step	Path Tested	Coefficient	t-value	Sig. (p)	Inference
1	HRM practices → Organizational effectiveness (c)	.568	7.490	.000	Significant
2	HRM practices → Employee outcomes (a)	.624	8.670	.000	Significant
3	Employee outcomes → Org. effectiveness (b)	.489	5.930	.000	Significant
4	HRM practices → Org. effectiveness (c′, controlled)	.263	3.180	.002	Reduced but significant
5	Indirect effect (a × b), 95% bootstrap CI [.187, .438]	.305	4.680[a]	.000	Partial mediation

[a] Sobel z-value. N = 120. t-values in Steps 1–2 have df = 118 (simple regression, N − 2); t-values in Steps 3–4 have df = 117 (two predictors, N − 3). Bootstrap based on 5,000 resamples of the 120 cases; the confidence interval excludes zero. Source: Primary data analysed in SPSS 26.

All three preconditions to mediation are met. The path of HRM practices on organizational effectiveness is partially mediated by employee outcomes because the direct path is still significant (p = .002) if the mediator is included in the model, as shown in the current results. Sobel test gives the indirect effect of .305, which is significant (z = 4.68, p < .001) and the bias corrected bootstrap confidence interval [.187, .438] does not contain the value zero. About 53.7 per cent of the overall influence of HRM practices on organizational effectiveness is mediated by employee outcomes. Therefore H5 is accepted, in its partial form. In effect, it translates to the substantive nature of HR practices increasing organizational effectiveness directly, in terms of process discipline and capability, and indirectly in terms of more satisfied and committed employees, and the indirect path accounts for slightly more than 50 per cent of the total effect.

7. Group Differences

However, composite HRM perceptions were not found to differ significantly between male (n = 68) and female (n = 52) respondents, t(118) = 1.42, p = .158 which means that there was no significant difference in composite HRM perceptions between the genders. A significant difference was present, however, in a one-way analysis of variance based on the three designation categories (field/programme staff n = 52, supervisors/coordinators n = 39, managerial n = 29; total N = 120), F(2, 117) = 5.43, p = .006, η^2 = .085. Tukey's post hoc test revealed that supervisors/coordinators and field/programme staff did not differ from each other, and that together (n = 91, M = 3.30) they rated HRM practices significantly lower than managerial respondents (n = 29, M = 3.68; p = .004). These group means are consistent with the overall composite mean of 3.39 for N = 120 [(91 × 3.30 + 29 × 3.68) ÷ 120 = 3.39]. This mismatch in perspectives between the design and use of HR systems is in line with Boon *et al*. (2019) [5] who argue that there is a gap between manager-reported HR data, which tend to overestimate the quality of practice, and operating level data.

Conclusion

The relationship between HRM practice, employee outcome and organizational effectiveness was examined among a final sample of 120 employees (N = 120) working in 18 NGOs at Bhubaneswar. All 5 hypotheses are supported by the evidence. There is a significant and positive relationship between HRM practices and employee outcomes; the four HRM dimensions are able to explain 44.2 per cent of the variance in effectiveness; employee outcomes mediate the relationship with slightly over 50 per cent of the total effect. Training and development is the strongest influence and compensation and benefits, although an important influence, is the least influential and lowest-rated practice.

A number of practical consequences arise. In the region, there is a need to strengthen the structured, low cost developmental interventions like annual training calendar, documented mentoring arrangements, planned exposure to other functions as they are most cost-efficient and have the greatest return on investment. It should be participative, criteria-based performance appraisal not discretionary as there was a stronger relationship between perceived fairness of performance appraisal and effectiveness of performance than with pay. Non-monetary aspects of the total reward package, such as public recognition of on-field achievement, travel and field allowances, study leave and insurance coverage, can enhance the total reward package where monetary rewards are limited by donor budgets. The strong disconnect between managerial perceptions and those from the field points to a communication gap which can be remedied by implementing medium-term feedback processes with staff and openly explaining HR decisions. Lastly, donors and funding agencies can help: allowing a proportion of grants budget to be spent on staff development and retention would counteract an obstacle that individual NGOs will be unable to overcome alone.

There are limitations in the study that limits the conclusions. Because of the cross-sectional design, the direction of the causal relationship cannot be determined. The generalisability of the results is restricted by the limited number of samples (120 respondents from eighteen organisations) in one city only and to urban-based NGOs. All measures were self-reported by employees, which may raise the possibility of common method variance; however, Harman's single-factor test suggested that the variance was not due to a single factor. Lastly, the 10-item scale, although reliable, inevitably summarises each of the constructs under consideration, and does not describe them in full detail.

Future research may be able to overcome these shortcomings by involving longitudinal designs, comparing different urban and rural NGOs or comparing different funding models, and finally, mixed-method designs that integrate survey results with interviews that would allow a better understanding of what makes certain practices work or not in environments with limited resources. Including volunteers, who have a different motivational structure than

paid staff, and adding objective measures of effectiveness, like audited programme coverage data, to the perceptual measures would further strengthen the evidence base for human resource management in the development sector.

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