

THE USE OF IT AND ITS IMPACT ON HRM FUNCTIONS PERFORMANCE AND ORGANISATION PERFORMANCE

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ABSTRACT

This paper aims to investigate the relationship between the use of information technology in organizations and its impact on the performance of human resource management in terms of their functions, and organizational performance in general. The performance of HRM functions as a mediating variable between the Use of IT and the organizational performance. The hypothesis is: When IT is used in organizations, the HRM functions will be converted to electronic HR and will affect positively the performance of HRM function which leads to increased organizational performance.

Keywords: *IT, HRM Functions, HRM Performance, Organizational Performance*

Problem Statement

One of the most prominent factors influencing employees and organizations performance nowadays is technological change and development (Fisher, Schoenfeldt, & Shaw, 2006; Rothman, 2000; Duxbury, Higgins, & Thomas, 1996; Scott, 1990; Van der Spiegel, 1995). The importance of information technology (IT) has developed substantially in recent years. For example, according to a London school of economics survey of more than 500 of the top 3,000 organizations in Europe and North America, organizations spent more than \$ 800 billion on IT investment in 1997. According to the Wall Street Journal, “. . . information-technology outlays now account for more than one-quarter of all US investments and more than half of business spending was on new machines (Anders & Thurm, 1999).” They note that annual business investment in IT increased by 30% in 1998, with double-digit gains for each of the previous seven years. In 2000, about 50% of all American companies’ investments went to IT hardware and software (Woodall, 2000). And according to David F. Rico (2008), U.S. companies spend

more than \$250 billion on information technology projects annually. This rapid innovation and investment in IT offers prospects for conducting business in ways that are totally different from the past.

Both practitioners and researchers recognize that the success of information technology can potentially be measured through its impact on organization and the level of employee performance. The increased use of information technology by non-data processing professionals and increasing line management responsibility for managing employees and information technology, have increased the potential and impact of information technology. *Organizations that spend millions of dollars on information technology are primarily concerned about how their investment will influence organizational and employee performance* (G. Torkzadeh, W.J. Doll, 1998).

The human resource management department is one functional area that is increasingly making use of information technology. According to Temple, (2000) many smaller corporations already use service providers for payroll; and training departments are rapidly incorporating online classes as well as video technology. What has not been outsourced in IBM, HR department has been transformed almost totally to electronic tools for compensation and benefits, retirement planning, online recruitment, online learning and so on (Greengard, 2000). With this development in IT utilization, researchers and practitioners alike got aware that IT may have a positive impact on the different human resource management functions and organization performance (Gardner Sharyn D., Lepak David P., and Bartol Kathryn M., 2003). Ulrich, for example, has discussed that, "information technology will change how work is done in general and how HR [human resources] is practiced in particular" (1997a, p. 178).

Previous studies explained that the use of information technology (IT) has grown, yet, a little emphasis has been placed on organizations investment strategies and direction for associated outcomes to areas such as human resource management (Carroll, Wendy R., Wagar, Terry H., 2010). According to Seyal, A.H., Rahim, Md. M. & Rahman, M. N. A., (2000), majority of the existing researches focused on the use of IT, in general. Unfortunately, according to Ang, J. & Koh, S., (1997), empirical studies and the theory on how IT impacts organizations and employee performance is still underdeveloped (Bharadwaj, 2000). In previous studies, little attention has been shed on the successful relationship between the use of information technology and human resource management functions (Othman, R. and Teh, C., 2003); while a

few researches were culled that provide a comprehensive view at how human resource management (HRM) has been affected by information technology (Elien A. Ensher, Troy r. Nielson, Alisa grant-Vallone, 2002).

Wang, Z. (2005), argued that there are three new areas of development which need more empirical research and application; one of them is the relationship between the use of IT and the performance of human resource management.

(Nicholas Beadles, Christopher M. Lowery & Kim Johns, 2005) argued that at the time of their study, few researchers thought to explore possible strategic advantages of using IT with the human resource management functions, and even today while there are various studies which recognize that strategic benefits may exist, they fail to explain how those benefits are realized within an organization and they fail in attempting to measure whether those benefits have occurred.

Stueber and Lepak, (2001); Alkadi, G. & Totaro, M., (2003) discussed that IT has the potential to lower managerial costs, lower speed response times, increase productivity, enhance decision making and improve customer service, at the same time. The effective management of human resources also has an important role to play in the performance and success of organizations. Although there is evidence of the growing use of HR-related technology by individual organizations, a little theory development in this area and researches have failed to give the impact of IT on HR in organizations from different sectors, *Ibrahim Akman, Alok Mishra, (2010)*. Furthermore, Budhwar, P. S. and Boyne G., (2004) compared HRM practices in private and public sector companies; their results demonstrate a number of differences in the HRM systems in these sectors. The key areas of their analysis consisted of many HRM functions such as recruitment and selection, training and development, pay and benefits, and employee relations with emphasis on key HRM strategies. These may be taken as evidence of the fact that the impact of IT on HRM functions may show differences between sectors (*Ibrahim Akman, Alok Mishra, 2010*).

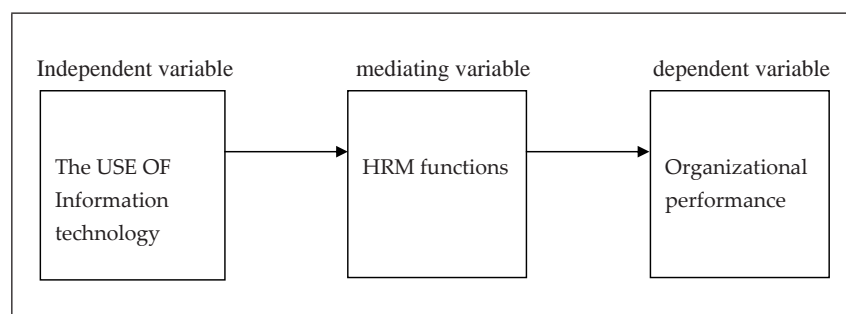
In addition, Strohmeier (2006) has found that the use of information technology for HR purposes may have different results, such as centralization or decentralization, increased or decreased headcount, efficiency and effectiveness. Strohmeier further asserted that with the wide spread application of information technology in the organizations the overall information technology effects on organization's performance should constitute a major topic of future research. Nevertheless, there is

a larger subset of survey based on the student respondents which has received critics such as external validity of findings (eg: Harris et al., 2003).

Some previous studies have also tried to identify differences of the role of IT between services and process oriented industries, and found considerable differences (Premkumer, G., 1992). Majority of the existing researches were applied in the United States and Western Europe, and their outcome may not be appropriate to the other parts of the world due to social and economical differences (Seyal, A.H., Rahim, Md. M. & Rahman, M. N. A., (2000). Therefore, it could be assumed that very little has been studied in this field in the developing countries (*Ibrahim Akman, Alok Mishra, 2010*).

To the researcher's knowledge, not many empirical studies on the relationship between the use of IT and both of human resource management performance and organizational performance have been done in Jordan contexts. According to Ikhlas Altarawneh and Zaid Al-Shqairat, (2010), in the context of Jordanian organizations, the relationship between HRM and the types of IT their practitioners use have largely been neglected. In addition, the use of IT with HRM in Jordanian organizations confronts many problems and challenges as it is applied recently in such Jordanian organizations. Along this line, this research is intended to respond to this knowledge gap through an empirical survey by examining the relationships between the use of IT by organizations and its influence on HRM performances in terms of functional tasks; and the impact of IT on organizational performance of the different sectors (public and private sectors) in Jordan. Whereas, there is truly a need for more research works to be conducted in these issues (Altarawneh, 2009; 2010).

Research Framework



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