HRM Practices and Employee Performance in Public Sector Organizations in Pakistan: An Empirical study

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Abstract
Purpose
This paper undertakes the analysis of declining performance in Pakistani public sector organizations. The survey was conducted to examine the implementation of HR practices and determine their relationship/impact with/on employees’ performance efficiency in organization.

Design/Methodology/Approach
The present study is based on the idea that HR practices affect performance all the way to inculcate with modern HR practices for organizational performance. A questionnaire based on 27 items was adapted for data collection from 120 managers of Lahore based eleven public organizations of Pakistan. Positivist school of thought was conceived for this study. Pearson correlation and regression tests were applied to test the hypotheses.

Findings
Perceptive measures give a clue of impact of HRM practices on individual and collective performance. Public organizations do not reflect steady performance. There is a dearth of research tools to measure effectiveness of HRM practices and their mutual complementarities. Complementarities and their effects ensure steady performance at individual and collective level to get strategic objectives in the public organizations of Pakistan.

Limitations and Future Research Directions
Research context was limited to Lahore based eleven public organizations because of limited access to these organizations. Future research may extend this to other cities as well as to provinces to prove more effective.

Practical Implications
Public organizations should ensure a good degree of employee participation in decision making within their job sphere with a viable compensation plan. If organizations in developing countries are desirous to get escalating performance from the employees, they should develop their indigenous HRM practices to inculcate with modern HR practices.

Originality/Value
Declining performance is the visible gap in public organizations of Pakistan due to lack of understanding of HRM practices. HRM practices and employees performance is a black box area to investigate.

Keywords: Public organizations, HR practices, Employee Performance, Efficiency, Pakistan

Paper Type: Research Paper

Introduction
Governments in developing countries often perform their major tasks poorly. They could become engines for prosperity if they use their machinery in an efficient manner. Public sector system of Pakistan derived its inheritance from British colonial system of 18th century. Since it was carved from British India in 1947, it could not incept its indigenous practices of managing people compatible with its conditions. In Pakistan, the pace of adopting HRM practices is extremely slow (Khilji, S. E., 2006). Even Islam enjoins upon its followers to learn knowledge and apply it to generate new knowledge. According to the Holy Quran, man is the vicegerent of Almighty on earth just because of having knowledge. Man is supreme over other organisms. God enunciated in the Holy Quran (2:30-33), “When the Angels questioned Adam’s suitability for representation; God cited Adam’s knowledge to convince them.”

The Pakistani workforce shows heterogeneous outlook with urban and rural population divide, regional disparities, and difference in level of education. In this background, more comparative research studies are needed to address gaps in the diverging workforce. The objective of tracking HR practices and their effect on employee performance was to examine that right person may get right amount of reward, and how performance appraisal and compensation system affect employee’s commitment to perform. Inadequately designed or badly managed appraisal systems will remain unsuccessful in assessing the right attitude to attain right performance. Previous researches found this area effective for searching better work environment. Moreover, HRM practices proved empirically effective when executed in bundle (Huselid, 1995). Effectiveness of cross contextual generalizability and universality of HRM practices was confirmed to get sustainable performance for the organizations (Guest, 2001, 2001b).
Conceptual Research Framework

The above model proposed that better employee performance (in terms of efficiency) can be achieved by applying the proposed suite of HR practices i.e. career planning, training, performance appraisal, compensation and employees participation in job related decisions in a coherent manner to result in the desired outcome.

Source: Author

Literature review

This study presumes that a set of HR practices such as career planning, training, performance appraisal system, compensation program and employee participation are put in place in right context and content, employee performance will improve and organization be able to get its strategic objectives more effectively than ever. Many researchers believe that a set of HRM practices and matching policies are difficult to configure, therefore could not bring desired organization performance (Delery & Doty, 1996; Katou & Budhwar, 2007). By combining newer managerial techniques such as resourcing, development, reward, & inter-relationship with the traditional training methods such as mentoring, coaching, lectures, conferences, films and case studies, each method delivers an impact on organisation’s performance (Armstrong, 1996, 2010). Mentoring human resources on the job or off the job is vital to attain enhanced performance. In other words, “attracting talented individuals and develop them into human capital through the existing organization channels of learning to share benefits (Kamoche and Mueller, 1998, p. 1036). To spot which HRM practices could be utilized to attain benchmark employee performance, a research conducted by Gupta and Singhal, 1993 find the four dimensions such as human resource planning (to build mixed skill teams), adequate performance appraisal mechanism (evaluating performance, development of appraiser, and appraise), reward system (Encouraging personnel to improve their performance, service efficiency and promoting from inside), and career development (creating leadership style, delegating powers,
employees’ education, training and development, fulfilling employees’ needs with organizational goals).

Employee Performance

It is widely believed that HR practices wherever practiced affected organizational performance positively (Huselid, 1995; Liao, Toya, Lepak, & Hong, 2009; Sun, Aryee, & Law, 2007) but literature is not unable to tell how this presumption could be fulfilled (Huselid, 1995). Different researchers found that organizational performance can be achieved through employees’ involvement. It is the employees’ attitude that translated HRM policies and practices into explicit performance (Nishii, L. (2008): Ramsay, Scholarios, & Harley, 2000). Employee once attained the title of high performer, he is spirited with intrinsic motivation and encouragement. Such highly spirited employees enhance organizational performance. That is why while conducting research on HR; employees’ perceptions are given weightage (Bowen & Ostroff, 2004; Nishii & Wright, 2008). The way, in which organizations run HR management system, it reflects their strategy and contextual circumstances. Organizations decide the pattern of their people management. This pattern tells about communication system of the organization to share information with their employees (Bretz & Judge, 1994). Every HR system is not supposed to deliver the desired effects on employees until it is implemented in clear terms (Legge, 1989). Role of line manager has proved effective enough to implement the intended HR system and fix the problems and challenges confronting at the time of implementation (Den Hartog, Boselie, & Paauwe, 2004). According to the findings of Nishii, L., (2008), HR system will be considered practical that proves result oriented when put into practice by the managers successfully. There exists difference in perceptions between managers and non-managers about the perceived effectiveness of HR practices (Nishii, L., 2008). This missing link creates gap among managers and non-managers regarding perceived effects of HR practices on employees’ performance. This gap in perception lays the need for research on seeking perceptive agreement on HR outcomes between the two stakeholders (Nishii, L., 2008). Employees’ perceptions mediate between HR practices and employee performance (Liao et al., 2009). As a result of integrated HRM system and practices, fresh management thought has emerged. HRM is moving from evolution towards revolution to gain financial viability and ultimately competitive advantage (Ashraf M.et al, 2011). Citizens of developing nations need high back up for higher productivity in business at this critical juncture of the human history. They should get rid of lethargic habits and adopt mature habits based on knowledge and skills learnt during life (Khalid et al, 2011). In future Pakistani organizations need to know the cost incurred on HRM intervention and what benefits reaped from this investment (Ashraf M et al, 2012).

To inculcate functional HR practices with strategic HR practices affect performance all the way for organizational performance (Wright & Snell, 1998). In this stream, new work processes evolved and individuals are valued for their KSAs. This environment helps to create desirable working conditions and employees like to adapt to these conditions. This opportune environment urges the employee to show the desired organizational behavior by using their talent (Boxall, 1996). Researchers like Delaney & Huselid, 1996; Delery, 1998 regard synergy of ‘human capital’ and ‘processes’ inevitable to augment organizational performance. Extraordinary performance however, is hard to sustain without management support (Khalid et al., 2011).

By far key inputs, this study looks for the current application and effects of traditional HR practices such as career planning, training, performance appraisal, compensation and employee participation on generating high performance at individual and organizational level in Pakistani public organizations.

Career Planning

HR planning executed by HRM department bears a strong connection with career planning of individuals (Gerhart, B., 2005). Career planning serves as a tool to attract the employees and motivate them to perform for their individual and collective development (Wright, P. M., & Snell, S. A. 1998). This attraction urges employees to perform (Locke, E. A., 1997). Career planning has proved its effectiveness and look beyond the traditional boundaries extended around a job. Individuals are interested to join those organizations that offer more opportunities to them (Gardner, Wright, & Moynihan, 2011). Equal opportunities are offered to employees regardless of gender, ethnicity, nationality, caste, color or creed. Civil service in public sector of Pakistan offers a progressive career planning that makes this service attractive in Pakistan (Khiilji S. E., 2006). Career planning in non cadre jobs is however, passive. This causes perceptive differences between cadre and non cadre employees.

Researchers foresee that a work system can work well when employees have the requisite skill set to do a good job, and that system must provide them requisite career growth opportunities to contribute(William et al, 1996). Role of HR department is to provide strategic opportunities for successful development through career planning (Snell, 1992). Career planning is viewed as a phenomenon that matches employee profile of abilities and skills with target organization.
Therefore, career planning adopted by organizations inspires the individuals to join the organization and excel in performance. The above discussion leads to develop and test the following hypothesis:

**H1:** Employee performance is significantly correlated to career planning in the organization.

**Training**

Training is regarded as best HRM practice by dint of which desired change in employee performance can be acquired (Huselid, M. A. 1995). Training is seen as a tool to enhance organizational performance by augmenting efficiency and effectiveness of workforce (Cook, C. W., and Hunsaker, P.L. (2001). Insufficient training equipment and non-availability of skilled training staff cause low performance (Paaouwe, J. (2004). Paul, A.K. and Anantharaman, R.N. (2003) highlighted that capacitated and sincere training management helps to improve job performance. Task orientation and team work foretell performance. Using the factual analysis, training intervention, job rotation and feedback programs can be used to get collective intellectual performance (Harel, G.H. and Tzafrir, S.S. (1999). According to the findings of a quasi-experimental study, effective orientation of organizational vision, mission, objectives to the new employees leads to predict stirring performance at individual and organizational level (Z, S., 2009). Selection of trainees for training is prerequisite for training transfer which contributes to employee performance. Training literature helps to formulate the following hypothesis to test empirically (Kirkpatrick, 1974).

**H2:** Training significantly impacts employee performance.

**Performance Appraisal System**

Islam views performance appraisal as a virtuous activity to count reward against the effort rendered. The Qur’an declares (39:3-5): “Not an atom's weight or less than that or greater escapes Him in the heavens or in the earth but it is in a clear record. That He may reward those who believe and do good works. For them are a provision and a rich provision.”

Performance is attained through extra role playing done by the employees beyond the limitations of assigned job duties. This kind of employee performance contributes to organization success that is generalizable to other areas. When employees are willing to play extra role, organization finds strategic success resultantly (Ahmad, S., & Schroeder, R. G. 2003). The extra role playing relates to circumstantial background of the employees (Lado, A.A. and Wilson, M.C, 1993). The desired results cannot be achieved until conduct and until sense of responsibility of employee are evaluated and addressed.

Today’s dynamic corporate world, organizations need “adaptive performance” from their employees to unveil the useful dimensions of performance (Cambell, 1997). Gareth (2003) states that efficiency and effectiveness of an organisational performance can be measured the way managers utilize its resources to attain organisational goals. Efficiency and effectiveness in an organization provide measurement of performance. Efficiency is the visible yardstick of resource utilization to realize goals. Effectiveness however, has the limitation of ascertaining the suitability of the goals set by managers and the level of achievement of these goals (Jones et al., 2005). In other words, employee efficiency and effectiveness show linkage with organisational performance.

A good performance management system should manage to conduct measurement, evaluation and development of performance beyond job analysis (Welbourne, T.M and Andrews, A.O. 1996). A performance management System reports appraisal findings in form of expected and actual performance of employees. This kind of reporting augments employees’ motivation for performance (Mayer & Davis, 1999). Primarily performance appraisal system relates to employee performance and unveils different channels of improvement. The following hypothesis needs to be proved or rejected:

**H3:** Performance appraisal system significantly affects employee performance.

**Compensation Programs**

About Compensation given to the employees, the Prophet Muhammad (P.B.U.H.) said: “Whosoever engages a worker on work should mention the wages in advances”. Job seekers can be short listed on the basis of their knowledge, skills and ability (KSA) in the light of injunction of the Holy Quran (39:9).

A good integration of performance management system and compensation system create employees' willingness to perform (Wright et al, 2003). In developing countries, in the awake of socioeconomic plight, compensation factor aligns employee behavior with organizational strategy (Singh, 2004). A research study found that performance appraisal data maintained over the years can enable managers to take decisions about the poor and moderate performers and support them for improvement in parallel with high performers and establish the compensation plans (Walton, R., 1985). Feedback system on such grounds can reinforce workplace environment. Feedback directly acquired in an open public setting, better conveys employees’ reaction about compensation (Gould-Williams, J. (2003). A good and positive

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feedback shows degree of efficacy of the respondents. In developing societies, majority of subordinate employees show moderate motivation with low self efficacy and subsequently causes low and passive performance. In summary, compensation serves as an incentive for employee performance.

H4: There is a significant relationship between compensation programs and employee performance.

Employee Participation

Employee contribution affects employee performance optimistically (Locke, Alavi & Wagner, 1997) But it depends upon his personal knowledge and exposure to professional life (Scully, Kirkpatrick & Locke, 1995). Wanberg and Banas (2000) found that taking part in a procedural activity and receiving relevant information improved employee performance to workplace transformation. In other words, HRM practices must not miss any employee while hunting best performers. A good HR practice must take care of average performer as well.

Employee participation has important role in the work processes in shaping work attitudes (Cawley, Keeping and Levy’s 1998). A research conducted by Kirkman and Rosen, 1999 found that team empowerment had significant correlation with performance and attitudes on workplace. Employee needs caring environment in the organization and CSR provides such environment. Corporate social responsibility has proved impacting positively on HR practices and organizational performance (Baptiste, 2008). Organizations those show socially responsible attitude, focus to take better care of their employees and their working conditions to develop desired attitude and behavior among employees (Shoemaker et al., 2006). Role of HRM assumes critical importance in this context. The following hypothesis needs to test in the light of above discussion:

H5: Employee participation in organizational activities affects employees’ performance significantly.

Research Methodology

The present study is based on the idea that HR practices affect performance all the way to inculcate with modern HR practices for organizational performance. A questionnaire based on 27 items was adapted for data collection from 120 managers of Lahore based eleven public organizations of Pakistan. Positivist school of thought was conceived for this study. Rationale of method selected was based on philosophical realism (observation and numeric measurement) about knowledge claims for this study. Pearson correlation and regression tests were applied to test the hypotheses.

Data Collection and Method of Analysis

Sample selected randomly for this study was managers of public organizations of Pakistan. Target sample was 120 personnel. A self-administered questionnaire having six sections was developed in the light of gap identified by relevant literature review. Variables selected for this study were to be tested in Pakistani environment to assess their reliability and validity. Forms were retrieved back 100% duly filled.

Results

Table 1  Demographic Profile of Respondents

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Categories</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Female</td>
<td>35</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>85</td>
<td>71</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>120</td>
<td>100.0</td>
</tr>
<tr>
<td>Qualification</td>
<td>Graduates</td>
<td>55</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td>Intermediates</td>
<td>25</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td>Post Graduates</td>
<td>40</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>120</td>
<td>100.0</td>
</tr>
<tr>
<td>Employment Status</td>
<td>Regular</td>
<td>48</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Contractual</td>
<td>54</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>199</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The study undertakes the demographics of respondents as 29% females and 71% males. Qualification wise, 21% respondents were intermediate, 46% were graduates and 33% were post graduates. The employment status of respondents was showing 25% employees regular and 27% was on contract basis.

Table 2 Correlation Matrix for Variables

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Pearson correlation for Employee Performance with Career Planning, Training, Compensation, Employee participation, Performance Appraisal (r= -.641, .695, .696, .474, .704, p<0.01) respectively show that there is a positive relationship between Employee Performance and Career Planning, Training, Compensation, Employee participation, Performance Appraisal. Correlation coefficient value corroborates moderate and strong relationship between variables respectively. Training, Compensation, Employee performance, Performance appraisal (r=.632, .538, .369, .704, p<0.01) show respectively positive relationship between Training, Compensation, Employee participation, Performance appraisal. Correlation coefficient value confirms moderate and strong relationship between variables. Pearson correlation for Training and Performance Appraisal, Compensation, Employee participation (r=.647, .569, .490, p<0.01) show positive relationship between Training, Performance Appraisal, Compensation, Employee participation. Correlation coefficient value proves moderate relationship between variables. Pearson correlation for Performance Appraisal and Compensation, Employee participation (r=.512, .361, p<0.01) show positive relationship between Performance Appraisal, Compensation, Employee participation. Correlation coefficient value confirms moderate relationship between variables. Pearson correlation for Compensation and Employee participation (r=.444, p<0.01) show positive relationship between Compensation, Employee participation. Correlation coefficient value confirms moderate relationship between two variables. Correlation results show high association of variables among each other and bear positive relationship. This indicates that HRM practices such as career planning, training, performance appraisal, compensation and employee participation can result in improved performance.

Table 3 Regression Matrix for Variables

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>-.199</td>
<td>.292</td>
<td>-.682</td>
<td>.497</td>
</tr>
<tr>
<td>Careerplanning</td>
<td>.062</td>
<td>.066</td>
<td>.074</td>
<td>.935</td>
</tr>
<tr>
<td>Training</td>
<td>.206</td>
<td>.075</td>
<td>.217</td>
<td>2.757</td>
</tr>
<tr>
<td>Pfmappraisal</td>
<td>.252</td>
<td>.065</td>
<td>.310</td>
<td>3.903</td>
</tr>
<tr>
<td>Compensate</td>
<td>.481</td>
<td>.096</td>
<td>.340</td>
<td>5.006</td>
</tr>
<tr>
<td>Empparticip</td>
<td>.102</td>
<td>.081</td>
<td>.078</td>
<td>1.263</td>
</tr>
</tbody>
</table>

In order to examine the effects of independent variables such as Training, performance appraisal and compensation on employee performance as dependent variable, a multiple regression analysis was carried out. Data was tested through multiple linear regression and found the statistical values significant at .007, .001 and .001 respectively. P values being less than 0.05 show statistical relationship between these values. Values of F test found in ANOVA table as p<0.001 indicating statistical significance and high goodness of fit model. $R^2$ value is 0.690 reflecting 69% variance in employee performance as perceived by the proposed model.

Discussion/ Findings
Pakistan is a country with low GDP per capita income. Organizations need employee performance. A common man of 3rd world country is interested in well-defined career planning (CP), training and development system, performance appraisal (PA), and
compensation program (Cp). Keeping in view of the socioeconomic context and literature review support, five HR practices i.e. CP, Training, PA, CP and employee participation (EP) was selected. This study is based on the idea that HR practices in above combination affects employee performance.

Epistemological position in this study is positivism with survey method as the strategy of inquiry. The study is cross sectional. Quantitative and descriptive research was adopted because it explains the research problem, sample characteristics, stance of the problem (Creswell, 2003). Perceptive and financial measures prove more credible in research (Huselid, 1995). Perceptive measures give a clue of impact of HRM practices on individual and collective performance.

Findings of this study addressed the gap of employee performance. A combination of HR practices such as training, performance appraisal and compensation statistically regress each other at higher rates. However, career planning and employee participation showed insignificant results. The findings imply that integration and synthesis of effective training policy, performance appraisal system, and viable compensation program constitute an effective set of HR practices can result in higher performance. The practices of career planning and employee participation seem insignificant for this study in building employee perceptions about employee performance and proved subjective by the data collected for the study. These results are in contrast to the expectations. Analyses further lead to know that a set of HRM practices such as training, performance appraisal, and compensation programs showed their direct effect on employee performance. Relationship was found positive and significant.

As per summary of the findings, effective bundle of HRM practices can unveil black box exists between HRM practices and employees performance and lead to a more effective employee performance which in turn affects employee perceptions about performance. The study remained successful in gaining the attention of public employees towards effectiveness of HRM practices in contrast to traditional management practices.

Conclusions
Declining performance is the visible gap in public organizations of Pakistan due to lack of understanding of HRM practices. HRM practices and employees performance is a black box (Boseli, Dietz and Boon, 2005) area to investigate. There is a dire need to develop a mechanism for organizations to gain competitive advantage. Research study addressed to uncover the mechanism based on interrelated set of HRM practices. As a result of outcome of this research, the HRM practices of the public organizations are likely to improve. Instead of following traditional practices, the public organizations need to adopt scientifically approved measures such as to focus training, performance appraisal and compensation practices to enhance the performance level. Alignment in HR practices support performance which is beneficial for all stakeholders. A suite of applications proposed by this study including adequate training programs, skill hunting performance appraisal system, market oriented compensation package should create an environment of sustained performance in public sector. Employee participation and defined career planning are the areas to ponder.

Limitations and Future Research Directions
Research context was limited to Lahore based eleven public organizations because of limited access to these organizations. Future research may extend this to other cities as well as to provinces to prove more effective..

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Wright, N. &. ((2008)). Employee attributions of the “why” of HR practices: Their effects on employee attitudes and behaviors, and customer satisfaction. Personnel Psychology, 61:, 503-545.


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