DOES HUMAN RESOURCE MANAGEMENT PRACTICES INCREASED EMPLOYEES’ PERFORMANCE?

(An Analytical Study of Pakistan Telecom Corporation)

By

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Abstract: The study investigated the effects of different HR practices on the performance of employees working at National Telecom Corporation (NTC), Peshawar. Training, Selection, Performance Appraisal, Compensation taken as independent variables while dependent variable was taken as employees’ performance. The required data was collected through 5 point Likert scale planned questionnaires, The 150 employees of NTC Peshawar was taken as the sample of this study. As this study was cross-sectional in nature, clustersampling technique was applied. Descriptive statistics (mean & standard deviation) was used to find precision and to determine the causes and effect linear Regression, were used. To find out the relation among the variable, correlation technique was used for this study. Reliability of the variables was measured through Cronbach’s Alpha. The results show that different HR practices are major forecaster of employees’ performance. HR practices have important effects on the employees’ performance.

Keywords:- HR Practice, Employee Performance, Selection, Training, Performance Appraisal, Compensation.
Introduction

Human resource management is highly important for outstanding position in dynamic business environment. HR practices impact on business performance has been highly studied in near past. Mission and vision statement is the core values of every organization which is directly concerned with Human Resources Management system. Research results show that HR practices is the most important tool to improve employees and organizational performance; gender diversity efforts and compensation and reward and affirmative action strategies design by personnel section involve basically in range of workforce; staffing procedure have become highly focusing. The set approaches that enhances the ability of the workers, the enthusiasm among the employees as well as, the motivation are said to be HR practices (Doucet et al., 2015; Marescaux et al., 2013; McClean and Collins, 2011; Stirpe et al., 2015). Much interest has been shown in employee benefits system; and job style and processes have become more fruitful. This is mainly studied in developed countries. Many studies have been carried out in developed countries but there are fewer studies in this area in Pakistan. Pakistan being a developing country can do a world of good to herself by adoption of best HR practices for ensuring optimal utilization of available human resource which is over 170 million including 49.19% of female population as reported by World bank (Khanum, 2013).

Aycan et al. (2000) termed Pakistan, in case of HR practices is ‘under-researched’. For organizations the only suitable sources are human resources (Pffer, 1994). According to Ahmed & Shahzad (2011) Pakistan is a developing country, with low income and where HR practices are not well defined and exercised and also people are less aware of these practices. Chang & Lee (2007) noticed that in Pakistan the service and performance oriented culture is evolving in the organizations and higher educational institution with the major focus on employee management by HR practices. Shahzad et al. (2008) noticed that in developing parts of the world physiological needs which include compensation and performance evaluation practices have a great impact on employees’ performance. Osterman (2014) argued that employee’s attitudes and behaviors shapes by the practices of HRM (human resource management) in an organization. Often, human resources management practices are
employed to improve and evaluate the performance of the employee in the organization, and in modern era and highly competitive climate between the organizations, the tendency to improve employee performance is by improving the HRM practices (Caliskan, 2014).

This is very clear from research that employee output toward job satisfaction play a key role in organizational development (Arthur, 1995). Harvesting of energy wholeheartedly is mainly required for desirable business strategy (Wood, 1999 & Guest 2002). HR practices is totally dependent on workers’ response, (Guest 2002). Business performance has affected by management practices and give reasons that various human resource management practices in employees hiring effect performance by providing suitable skills. Furthermore, these findings illustrated that human resource management practices are totally dependent on employee’s performance although at the part of productivity (Patterson et al, 1997).

Problem Statement

As HR practices are new approach in our society and many organizations are unaware about it, Telecom sector in Pakistan has not been achieving target goals because of minimum performance and not utilization of employee’s capability. Therefore, there is dire need to evaluate the relation among HR department and employee’s performances as it mainly focus on the HR practices. This study aimed to find out answer to this particular question: Is there any impact of HR practices on employee’s performance of telecom sector employees specifically at NTC Peshawar?

Background

World has become a global village and business organization are facing multiple challenges. To compete these challenges and achieve their goals successfully, the organizations develop human resource practices. In developing countries like Pakistan human resource management is observable both in educational and Technological organizations. Pakistan telecom sector has taking an active part with the help of technology and competitive Human Resource practices. Footner (2016) recently researched on the topic of HR practices and recognition, fair rewards, empowerment, and competence development. Similarly another research has been formulated by Bang (2016) Hr practices on the organizational performance, organizational commitment. Jiang (2012) Job
motivation employee outcomes, Mostafa (2017) high Performance, That’s where the need of this study is highlighted. There are a lot of researches available on the topic in the modern era. According to Koca & Uysal (2009) there is significant association by way of organization’s performance and insignificant association by way of competitor’s performance. Khan (2010) examined the results of HR practices by finding an optimistic important association among HR practices and organization’s performance. According to Chadwick et al. (2013) This need for top management orchestration increases markedly when considering HR systems rather than individual HR practices. Indeed, commitment-based HR systems are widely argued to be administratively intensive, both at the point of initial implementation and consistently thereafter, and require constant central direction to retain these systems' internal alignment

Majority of the firms have been forced to take an active part in human resource management practices to make their achievements possible globally. In today’s knowledge organizations (suitable example is telecom service providers), where employees play key role, best HR policies & practices only can make the organization survival possible. In Pakistan, best Human Resource Management practices are a newest experience.

Pakistan Telecom sector is a success full organization, providing basic services in the country. This sector gained outstanding position in the last decade (2000-2010). There are 6 big (PTCL, Ufone, Mobilink, Telenor, Zong and Warid) companies in Pakistan telecom sector, providing services with products, and these companies always try to show much better results by all means due to competitive market growth. Taking benefits from growing market, Pakistan telecom industries need talented employees and suitable jobs for them. To get the desirable result, it is the basic need of an organization to mobilize Human Resource Management practices. There are about 350,000 individuals directly and indirectly perform their duties in Pakistan’s telecom sector according to PTA (Pakistan Telecommunication Authority) Economic Performance of Industry facts & figures. The organization needs well skilled people who can make it more successful. To gain competitive advantages on others rivals of the industry, there is dire need to equip the workforce with sound skills and core competencies. As the subject matter of this research to discuss and find out the effect of HR Practices with analytical evidence and recommend solutions for it
Objectives

The basic objectives of this study to find out:

- The effect of selection practices on Employee Performance.
- The effect of training on Employee Performance.
- The effect of Performance Appraisal on Employee Performance.
- The effect of Compensation on the Performance of the employees.

Hypotheses

(a)
H₀: There is no relationship between selection and employee’s performance.
H₁: There is positive relationship between selection and employee’s performance.

(b)
H₀: There is no relationship between training and employee’s performance.
H₁: There is positive relationship between training and employee’s performance.

(c)
H₀: There is no relationship between performance appraisal and employee’s performance.
H₁: There is positive relationship between performance appraisal and employee’s performance.

(d)
H₀: There is no relationship between compensation and employee’s performance.
H₁: There is positive relationship between compensation and employee’s performance.

Significance of the Study

Basically Human resources practices are considered the most important and valuable assets of any organizations. Competitive advantage and dominance can only be achieved through competent, loyal, devoted and committed human resources. If quality of organizations can not improve continuously then it would be very difficult to get employee effectiveness. It’s an organization’s job to solve problem of poor working condition to improve efficiency.

The aim of this research study is of a big significance as this study will add to the available researches in the area.. Furthermore, this study will also made a good and useful addition to provoke the NTC Peshawar management for enhancing and redesigning their HR policies for achieving excellent performance.
According to Huselid (1995) employee’s efficiency is dependent on HR impact on employee’s behavior. Patterson et al (1997) HR practices is totally dependent on worker’s response, (Guest 2002). Business performance has majorly affected by people management practices and give reasons that HR practices in selection and training effect performance by providing suitable skills. Their research has found that HR practices are totally dependent on performance even at the part of productivity. Harvesting of energy wholeheartedly is mainly required for business improvement Wood (1999) and Guest (2002).


Huselid (1995) emphasized that by adopting best practices in selection and awareness from training importance the efficiency of organizations can easily improve, and in this way employee behavior motivate positively. If recruiting procedures is valid it would lead competitive advantage in the form of skilled and qualified applicants. Providing formal and informal training experiences can further improve employees’ development. Bartel (1994) established a direct proportion between training programs adaptation and productivity growth, and Holzer (1987) showed that increased productivity results majorly by recruiting efforts. In higher industries best HR use give rise strong association with firm’s productivity. Datta et al (2003). A lot of research done in this regard can explain positive relationship of HR practices and Employee Outcomes. Links between incentive compensation systems and productivity have consistently been found as well (Gerhart & Milkovich, 1992; Weitzman & Kruse, 1990). Finally, organizational productivity has also influenced employee turnover importantly (Brown & Medoff, 1978).
Employee performance is one of the factors that have effect on the performance of the organization. The successful organization understands the importance of HRM as a critical factor that directly affects and contributes on the performance (Al-Qudah et al., 2014). Teseema & Soeters (2006) have studied relationship of eight HR practices (include selection and recruitment practices, placement practices, training practices, compensation practices, evaluation of employee performance practices, promotion practices, grievance procedure and income or social security) with believable employee performance. While Huselid (1995) have used eleven HR practices (includes selection, appraisal, rewards, health and safety, work environment, organization behavior, employee involvement in different activities, hiring process along-with workers preparation and encouragement criterion). This researcher observe the association among four human resource management practices i.e. Training, Performance appraisal, Compensation and employee performances.

METHODOLOGY

Universe of the Study
Job performance is dependent on basic three interconnected things: expertise, effort and professional environment (i) expertise (awareness, capability and proficiency, (ii) endeavor employee’s motivation toward the job he gets , and (iii) nature of work conditions (all type of conditions which facilitate the employee’s productivity and improvement). However, employees are ignored on the part of suitable payment, giving rewards and providing of training and career development. Every organization tries to improve performance in order to improve corporate performance. Organizational improvement is badly affected by productivity lose as well as employee’s knowledge loses. This paper studies the HR practices and its outcomes; it is particularly limited to the (NTC) National Telecommunication Corporation, Peshawar.

Population and Sample
According to the newsletters / annual reports, there were more than 1000 employees presently working in selected telecommunication company, the population is mainly consisting of all these employees. Sample of this study is 150 respondents selected by cluster sampling method. The
dependent variable is employee performance while Independent variables were taken as selection, Training, Performance appraisal and Compensation.

**Method of Data Collection**

Primary data was collected through designed questionnaires from the respondents of the selected sector as adapted from Teseema & Soeters (2006). The questionnaire was consisting of information of the effects of working environment on employee efficiency and what organization needs for improving, working condition. Questionnaires was typically comprise of an carefully learning of literature on HR practices and its effects on organizational survival.

The selection practice limited 05 questions, training consist of 08 questions, performance appraisal 06 questions, compensation 06 question and employee performance 05 questions respectively. For this purpose five points likert scale was used to measure the response. This scale ranged from five (strongly agree) to one (strongly disagree).

**Theoretical Model of the Study**

![Employee Performance Diagram]

**RESULTS AND DISCUSSION**

**Results and Analysis**

The following table illustrates descriptive statistics of HR practices.. The value of mean was maximum 4.84 to minimum 4.13). The mean score and standard deviation shows
conformity of respondents’ perception about these HR practices and the agreement to the theoretical model as shown above.

Table 1: Descriptive statistics

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selection</td>
<td>4.24</td>
<td>0.74</td>
</tr>
<tr>
<td>Training</td>
<td>4.44</td>
<td>0.85</td>
</tr>
<tr>
<td>Performance Appraisal</td>
<td>4.13</td>
<td>0.79</td>
</tr>
<tr>
<td>Compensation</td>
<td>4.84</td>
<td>1.87</td>
</tr>
<tr>
<td>Employee Performance</td>
<td>4.43</td>
<td>0.84</td>
</tr>
</tbody>
</table>

Reliability

The results showed in the below table presents the Cronbach’s alpha for selection (0.774); training (0.831); performance appraisal (0.851); compensation (0.763); and employee performance (0.814) were found above acceptable level (Nunnally, 1978).

Table 2: Reliability Analysis

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach’s Alpha</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selection</td>
<td>0.774</td>
<td>Reliable</td>
</tr>
<tr>
<td>Training</td>
<td>0.831</td>
<td>Reliable</td>
</tr>
<tr>
<td>Performance Appraisal</td>
<td>0.851</td>
<td>Reliable</td>
</tr>
<tr>
<td>Compensation</td>
<td>0.763</td>
<td>Reliable</td>
</tr>
<tr>
<td>Employee Performance</td>
<td>0.814</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

Correlation Analysis
Table No.3 presents the outcome of correlation analysis. These results illustrate positive and significant Association among all variables.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Employee Performance</th>
<th>Selection</th>
<th>Training</th>
<th>Performance Appraisal</th>
<th>Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Performance</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selection</td>
<td><strong>0.61</strong></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training</td>
<td><strong>0.67</strong></td>
<td><strong>0.57</strong></td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance Appraisal</td>
<td><strong>0.48</strong></td>
<td><strong>0.62</strong></td>
<td><strong>0.59</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation</td>
<td><strong>0.77</strong></td>
<td><strong>0.67</strong></td>
<td><strong>0.71</strong></td>
<td><strong>0.57</strong></td>
<td>1</td>
</tr>
</tbody>
</table>

** Significance at p < 0.001 level (2 tailed) * Significance at p < 0.05 level (2 tailed)

Regression Analysis

Regression analysis results are based on independent variables (selection, training, performance appraisal and compensation) are reflected in Table 4. The overall model fit for regression equation was determined by $F$ statistics. The model indicate statistically significant and positive relationship ($F = 9.639$, $p < 0.001$). Compensation variables with the highest beta coefficient accounted for 63 % ($R^2 = 0.63$) of variance in dependent variable of employee’s performance. Training with beta coefficient (0.59) is the most significant HR practice followed by selection with beta coefficient (0.48), performance appraisal (Beta = 0.36) and respectively.

Table No.4: Regression Analysis

<table>
<thead>
<tr>
<th>Item</th>
<th>Proposed Effects</th>
<th>Beta</th>
<th>T-value</th>
<th>Sig</th>
</tr>
</thead>
</table>
Selection + 0.48 5.456 *000
Training + 0.59 5.231 *000
Performance Appraisal + 0.36 4.687 *000
Compensation + 0.63 3.624 *000

$R^2 = 0.63; \text{Adjusted } R^2 = 0.398, \text{Sig level: } *p < 0.001; N = 150 \text{ Overall model: } F = 9.639; p < 0.001$

**Findings**

The correlation between training and compensation (0.77) with mean of (4.84) has been found significant and positive presenting that, nearly all employees believes that compensation and rewards has a positive effect and directly correlated with Employee’s performance. Generally all variables are showing positive correlation with Employees performance. Selection (0.61), Training (0.67), Compensation (0.77) Performance appraisal (0.48) as shown in the above tables. The above results are supporting the findings of Singh K (2004) and Qureshi M. Tahir (2006) in which he accomplished that HR practices are positively and significantly correlated and having positive effects on organization and employee’s performance.

**Discussion**

This study contributes in awareness and understanding of HR practices impacts on organizational performance in Pakistan with empirical support of a positive and statistically significant performance. These findings shows positive and considerable association of selection, training, performance appraisal, compensation and employee’s performance. Previous studies on HR practices and organization’ performance and present study results, demonstrate that main use of fundamental approach to capable HR practices give affirmative results on the part of their effects on firm’s presentation.

In perspective of Pakistan, these results signify positive association to support empirical studies of other industries of the economy. In literature Review section acknowledged five important HR practices i.e selection, training, performance appraisal, compensation and employee performance. These practices helps in evaluation of organizational performance persuade by these practices. Selection basic aim is to select skilled and competent applicants to
achieve organizational goals. When selection is made on Merit and transparent, its lead optimistic impacts on organization. Gomez-Mejia et al. (2003) strongly support clear selection system. Essential training and socialization programs are required to affect efficiency and reduce the intent to quit (Garvey, 2001).

Training produce real results (improved efficiency, value of goods and services, and resource maximization), qualitative outcome regarding improved self-esteem, and pleasure of workforce for getting of supplementary awareness, expertise, and capabilities. Diverse business atmosphere require that knowledge organization must spend on employees guidance to pick up goal oriented performance to fulfill the contemporary demands (Jarventaus, 2007).

The finding of this study is strongly agree and emphases on the need of training, compensation and performance appraisal, as these practices play a vital role in employees and organization performance. Many research studies suggest that organizations should hold up to increase career related objectives of employees and make efficient strategy to get employees’ professional goals (Green Haus, 1987).

Islam & Rashad, (2006) stress on to get expected result it is needed that regular monitoring and constant feedback about performance is carried out. Researchers discussed that employees’ participation, clarity about performance standards, system flexibility, and employee right to appeal against performance evaluation are basic efforts of an effective performance by workforce. Lee (2007) argued on suitable system for employees’ appraisals enhance quality and quantity. Performance appraisal is a basic thing to improve employee on the part of promotion, recognition, and career development. Compensation is the bonuses given to the employee due to their services. Compensation process can be divided into financial or nonfinancial (see Mondy, 2011, Gabriel and Nwaeke, 2014). Milkovich & Newman, (1999) showed that compensation comprises of monetary and other wants and fundamental skills for improving performance and effectiveness. Several research studies provide strong verification that employee’s performance significantly affect organization efficiency. Wilson (1990) originate an affirmative association among employee’s performance with decrease absence and turnover.
According to Kessler & Purcell, (1992) minimum employee’s turnover reduce recruitment and training expenditure of organization. Chang & Kuo, (2004) explain in his study that results are interconnected with the previous research finding that HR practices of selection, training, performance recognition, reward, and worker performance have optimistic and considerable connection with firm’s efficiency.

**Recommendations**

- To increase the productivity and efficiency of the organization, the administration should take care of different polices regarding employee’s training, selection, compensation, rewards & benefits, employees satisfaction, job retention and employee performance for organization development.

- All the organizations are required to make necessary arrangement for refresher training courses to enhance the competencies and skills, to achieve high level performance in the competitive environment.

- It is also recommended that for organization to take measures to redefine their HR policies with the passage of time.

**Conclusion**

It is concluded from the above discussion that HR practices has positive and important effects on a firm’s productivity. Literature Review presents that HR practices have logical association with firm’s’ performance in all level. This research study empirically support former studies on the variables. This paper illustrate the significance of HR practices to get satisfying achievement plus maintain performances in varying company atmosphere according to modern demands. The indispensable requisite of organizations is to get approach to HR practices and give power to such practices to achieve sustainable competitive advantage in cooperation with in authentic and inspired range. The study showed human resource (HRM) practices and activities have a significant impact on the employee’s performance (Tabiu and Nura, 2013). It is concluded that HRM practices can enhance the employee’s level of performance which influence the perception of employees about performance (Khalid, et al., 2014).
REFERENCES


