
Impact of HRM practices on employee performance

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Abstract

The present study aims to evaluate association between HRM practices, employee performance in Ibrahim Fiber Limited industry. Employees are the backbone of any organization and it doesn't matter at which post they are working. HRM practices involves the measures that an organization takes to ensure the accomplishment of HRM policies. The study investigates the most significant HRM practices (e.g. compensation system, career planning, training and development, recruitment & selection and performance appraisal). Data has been obtained through questionnaire. Collected data has been analyzed through "SPSS (Statistically Package for Social Science) program", Reliability test, Pearson Correlation Coefficient, ANOVA (Analysis of variance) have been applied. The result shows that the HR management practices have strong positive influence on employee performance. The results of this study are useful in favor of HR management professionals of textile sector to enhance the employee performance accomplishing the HRM practices.

Keywords:

Compensation system; Career planning; Training and development; Recruitment & selection; Performance appraisal; Employee performance.

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1. Introduction

The performance of any organization is largely dependent upon the performance of its employees. Successful companies are increasingly aware that many factors contribute to performance, but human resources are clearly the most critical. Despite the size and nature of the organization, its operations and the environment in which it operates depend on the decisions and behaviors of its employees. An assessment of the performance of an organization's employees is one of the main objectives of adopting human resource practices. In a modern competitive environment, organizations continue to improve the performance of their employees by improving their human resource practices. Many researchers have demonstrated a significant positive relationship between human resource practices and employee performance (Huselid 1995; Tessema & Soeters, 2006). Human resource practices are the source of productivity improvement for both organizations and individuals. According to Pfeffer (1994), effective human resources management practices are more likely to generate commitment, loyalty or willingness to devote an additional effort to achieve the objectives of the organization. Mainly, existing literature reports several theoretical evidences like social exchange theory, resource-based theory, expectancy theory and human capital theory in support of the idea that human resource practices affect performance (Guest, 2011). These theories provide information on how human resource practices predicts better performance. Tessama and Soeters, (2006) report a significant positive relation.

Despite of bulk of literature on HR management practices and employee performance, the topic is still under-researched in emerging nations like Pakistan (Zeynep et al., 2000). Similarly, many developing countries are practicing outdated and ineffective human resource systems that pose unanticipated challenges. In Pakistan's management culture, the human resource practices adopted are not up to the level required to compete with future multinationals in Pakistan. Therefore, there is a need to identify and highlight the type of human resource policies and practices relevant to developing countries. Hassan and Mahmood, (2016) state that in Pakistan, researchers mostly concentrate on public sector, telecom sector, banking sector, but polyester and textile sector of

Pakistan need huge attention to discover the connection among HR management practices and employee performance.

Therefore, the purpose of this study is to fill this gap by studying the effect of HR management practices on employee's performance in polyester and textile industry of Pakistan. The study aims to explore the major HR management requirements particular consideration and due concern, while some measures has been assuming to deal with the problems linking to work force. HR management practices and their execution and utilization in polyester and textile industries of Pakistan are so far to be consistent crosswise the industries. The main objective of study is to investigate the impact of HRM practices (recruitment & selection, training & development, compensation, performance appraisal, career planning) on employee performance.

2. Literature Review

HR management practices are necessary to get success in international business world. The trends and challenges of HR management practices have been modernized over the years. Therefore, HR management practices are required to match with HR management policies to attain the managerial objectives efficiently and effectively (Mathis & Jackson, 2004). Similarly, HR management practices are important for association to obtain realistic procedures for enhancing competence of the employees and improving obligation between them (Deb, 2006).

Recruitment and selection can play an essential role in determining the organization's performance and effectiveness. If organizations wants to recruit and select capable employees they have to provide them with opportunities to acquire relative skills and abilities and expert in making exact HR planning concerning about their future capabilities. Al-A, (2009) investigates that execution perfection is not only results of well-functioning system although depend on efficient HR strategies that achieved in employing and sustaining a motivated and committed workforce. Furthermore, (Jain & Saakshi, 2005) demonstrate that it is process of finding the candidates for persuading efficient candidates for service and to concern for work. Recruitment process have been divided into four stages (1) Evaluating the requirement to appoint a new workforce, (2) job scrutiny, (3) job depiction, (4) applicant's qualification and specification. This selection procedure influences the organizational and employee performance.

Training is an exact a strategy that permits agents to accomplish data and capacities in order to carry out their assignments reasonably with the consequential change in the direct (Armstrong, 2006). Training and development is optimistic in the direction of various leveled improvement. Training suggests the techniques utilized to make capacities in the specialists needed to play out the action (Dessler, 2008). The majority affiliations thought about planning and succession as essential feature of the human resource movement. Preparing can be utilized as a widget to construct laborer's performance by creating learning and capacities. Getting ready can be illustrated as an attempt to develop extra abilities needed in the present day or in future to grow the point of specialist's execution (Jackson & Schuler, 2000). Training and development practices facilitate associations to change, be a candidate, propelled abilities, advance, create, upgrade workers security, grow administration, and achieve association's objectives (Salas et al., 2012). Therefore, any association activities to challenge in the international financial system, parting based on the ability, information, and inspiration of their employees have to recognize the significance of preparing and improvement and its effect on representatives and authoritative execution (Aguinis, H & Kraiger, 2009).

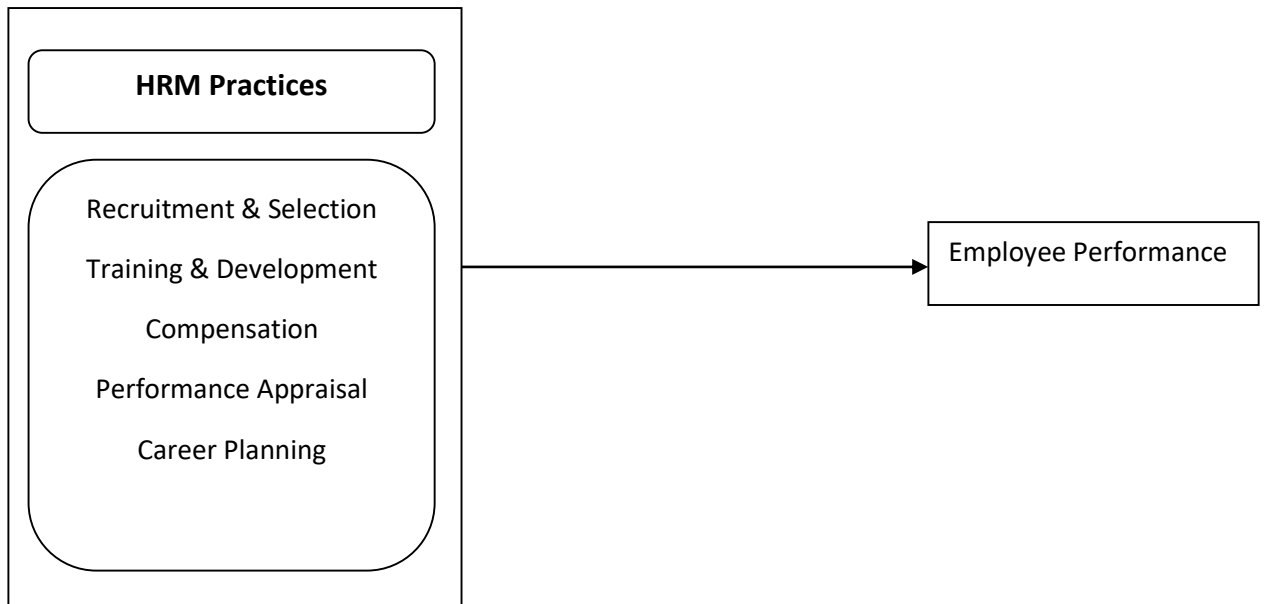
Compensation is a practice of giving financial inducement to employees to the job they carried out. Compensation can be utilized to procure gifted workers, reimburse the implementation, and energize association reliability by reducing turnover. Remuneration coordinate central Pay, at last, Commissions, Medical Allowance, Profit Sharing Bonuses, Stock Options and Travel/Accommodation Allowance. A progressing statement herd by Hay points out that 20% laborers arrangement to control their current places in no less than five years. Agent continuance turnover has altered into other undeniable part of legitimate life. The utilization of upkeep remuneration approaches has seen essential improvement throughout the newest a long time. An examination coordinated by Frye (2004) reveals optimistic relationship among affiliation execution and pay. According to Frye, (2004) compensation techniques imagine a vital fraction in registering and asset gifted representatives. The greater part of the associations used Performance-foundation remuneration to compensate employees (Collins & Clark, 2003). Implementation foundation compensation emphatically effects employee's execution (Brown, Sturman, & Simmering, 2003).

Career planning is procedure of explaining professional objectives and discriminates the approaches to achieve them. Career planning is a strategy of coordinating person's all devouring reason. Vocation orchestrating is a gadget utilized to move delegates to effort for the change of the association. The vocation arranging paying is attention on driving the delegates, to attain a pined

for organize among outstanding objectives and organizational objectives. Career planning fills in as a mechanical assembly to goad agents to work suitably to attain the goals of the association. Profession arranging is an assumption regarding strategy of contributing opportunities to productive change (Snell, 1992).

Performance appraisal is an efficient estimation of worker's execution in his allocated tasks. The abrogating cause for performance appraisal is to construct inspiration and workers confidence. Performance appraisal is augmentation the worker's competence that thus augmentation managerial performance. Performance appraisal enhances capable improvement by pointing out the sector of execution promotion. Clear execution examination rouses agents to work all the further in sequence to attain the definitive targets (Singh, 2004). Cumming (1993) calls attention to that a performance appraisal is a way to deal with surveying the representative's work performance quantifiably. The goal of this appraisal is to enhance the productivity of an endeavor by endeavoring to assemble the most ideal endeavors from people utilized in it. The essential goal of an execution examination is to guarantee the most extreme use of each worker's aptitudes, information, and interests (Arthur, 2008).

Figure 1: Theoretical Framework



Employee performance has been considered as dependent variable. Recruitment & Selection, Training & development, Compensation, Performance appraisal and career planning have been taken as independent variables. The main purpose of the study is to identify the factors that enhance the employee performance and find out the relationship between HRM (Recruitment & Selection, Training & development, Compensation, Performance appraisal and career planning) and employee performance. The sample consists on employees of Ibrahim Fibers Limited. To achieve the objectives of the study 200 survey questionnaires are distributed. All the employees are aged between 20 to 60 years. Therefore 152 questionnaires are returned having response rate of 76%. The responses are gathered on 5 point Likert scale ranging from (1=Strongly, Disagreed, 2=Disagreed, 3= Neutral, 4=Agreed, 5=Strongly Agreed). The questionnaire consists of two sections demographics and HRM practices & its impact on employee performance. The data is analyzed through SPSS.

3. Empirical Results

Table-1 shows on how the respondents reacted on employee performance. According to the table, the expression of “A good career plan also motivates the employees to enhance performance.” had the maximum mean value of 4.74, representing majority of the responders are impartial with the statement. However, the expression “Unbiased Performance appraisal impacts on the employee performance” has lowest mean value. Besides that, the statement of “Unbiased Performance appraisal impacts on the employee performance” has maximum standard deviation of 0.66. The minimum standard deviation is 0.43 for the expression of “A good career plan also motivates the employees to enhance performance”.

The highest value for variance was 0.44 with the statement of “Fair Performance appraisal impacts on the employee performance” whereas the lowest value for variance was 0.19 for the expression of “A good career plan also motivates the employees to enhance performance”. The statement “Unbiased Performance appraisal impacts on the employee performance” represented that there are total of 65.8% of responder strongly agreed. Whereas the expression “Rewards enhance the performance of employees”, there are 55.3% respondent agreed with it. Besides, “Compensation benefits like salary, bonus can increase employee performance” this expression has revealed that there are 41.4% people of respondent agreed. Furthermore, there is 40.8% of responder agreed with expression “You think that training has a strong relationship with employee performance”. Whereas 25.72% are strongly agreed with the statement of “A

good career plan also motivates the employees to enhance performance”. Lastly, there are 25.7% of respondent agreed with the statement of “Merit based hiring plays important role to increase employee performance”. Thus, this showed that all factor like compensation, reward etc. are important for good employee performance. None of the respondent disagreed with any statement.

Table also shows how the responders react on compensation. Referring to the table, the statement of “Salary structure system is according to the job description of the employee.” has the maximum mean of 4.21. However, the statement of “Increment system is used on merit based” has the minimum mean which is 3.93. The highest value for standard deviation is 0.87 with the expression of “Compensation plan is revised accordingly with the economic situation.” The least value for standard deviation is 0.55 for the expression of “You are satisfied with the incentives entitled to your designation. Furthermore, the highest variance value is 0.76 with the expression of “Compensation plan is revised accordingly with the economic situation.” while the least variance value is 0.30 for the statement of “You are satisfied with the incentives entitled to your designation”. Table-1 also shows how the responders reacted on career planning.

Table 1: Descriptive analysis for Compensation, Employee Performance, Career Planning, Performance Appraisal, Recruitment and Training and Development.

Compensation	SA%	A%	N%	D%	SD%	Mean	StDev	Variance
Compensation benefits (salary, bonus) can increase employee performance.	48.7	41.4	9.9			4.388	0.66	0.43
Rewards enhance the performance of employees.	40.1	55.3	4.6			4.355	0.56	0.32
A good career plan also motivates the employees to enhance performance.	74.3	25.72				4.74	0.43	0.19
Unbiased Performance appraisal impacts on the employee performance.	29.6	65.8	4.6			4.2	0.66	0.44
Merit based hiring plays important role to increase employee performance.	69.7	25.7	4.6			4.65	0.56	0.32
You think that training has strong relationship with employee Performance.	59.2	40.8				4.59	0.49	0.24
Employee Performance								
Salary grade system is sufficient enough to retain employee.	13.8	66.4	19.7			3.94	0.57	0.33
Salary structure system is according to the job description of the employee.	30.9	59.2	9.9			4.21	0.6	0.36
Increment system is used on merit based.	23	54.6	15.8	5.9	0.7	3.93	0.82	0.68
You are satisfied with the incentives entitled to your designation.	16.4	71.7	11.2	0.7		4.03	0.55	0.3
Compensation plan is revised accordingly with the economic situation.	41.4	40.8	11.2	6.6		4.17	0.87	0.76
Career Planning								
Career path given to a job title is satisfactory.		80.3	9.9	9.9		3.7	0.63	0.4
Organizational structure supports the career path.	14.5	65.8	14.5	5.3		3.89	0.7	0.49
Career path review policy is accordingly to the market practices.	4.6	54.6	25.7	15.1		3.48	0.8	0.64
Succession planning supports the career path of a job title.	9.9	75.7	14.5			3.95	0.49	0.24
Your job is according to your qualification.	34.9	65.1				4.34	0.47	0.22
Performance Appraisal								
Performance measured according to the objectives and quantifiable results.		86.2	13.8			3.86	0.34	0.12
Appraisal system in your organization is growth and development oriented.		5.3	13.8	71.1	9.9	3.85	0.65	0.42
Employees are provided performance base feedback.”	15.1	44.7	34.9	5.3		3.69	0.789	0.62
“Employee Appraisal is unbiased and transparent.	19.7	39.5	35.5	5.3		3.73	0.83	0.69
Parameters of the appraisal system are communicated to everyone.	4.6	39.5	25	30.9		3.17	0.92	0.86
Recruitment								
Advertisements are used for recruitment.	38.2	36.2	15.1	11		4.02	0.97	0.96
There is formal induction, orientation and familiarization process designed to help new recruits	14.5	70.4	9.9	5.3		3.94	0.67	0.45
In this organization, line managers and HR managers participate in the selection process.	29.6	56.6	13.8			4.15	0.64	0.41
Selection system chooses those having the desired knowledge/skills/attitude.	24.3	66.4	9.2			4.15	0.56	0.31
Vacancies are filled from qualified employees internally.	34.9	55.3	9.9			4.25	0.622	0.38
Training & development								
Training needs is discussed with employees.	24.3	61.8	13.8			4.1	0.61	0.37
There is a training strategy and logical training programs.	24.3	75.7				4.24	0.43	0.18
Training needs are realistic, functional and based on the business strategy	38.8	55.9	5.3			4.33	0.57	0.33
There is a budget dedicated to training and development every year.	54.6	15.1	25.7	4.6		4.19	0.97	0.95
Every employee goes to various training programs every year.	29.6	35.5	19.7	15.1		3.79	1.03	1.06

The maximum mean is 4.34 on the expression “Your job is according to your qualification”. The minimum mean which is 3.48 on the statement of “Career path review policy is accordingly to the market practices”. The highest value for standard deviation is 0.80 on the expression of “Career path review policy is accordingly to the market practices”. Furthermore, the least value for standard deviation is 0.47 for the expression of “Your job is according to your qualification”. Furthermore, the highest variance value was 0.64 with the expression of “Career path review policy is accordingly to the market practices” whereas the least variance value was 0.22 for the statement of “Your job is according to your qualification”.

Table-1 reports on how the respondents react on performance appraisal system. According to the table, the expression of “Performance measured according to the objectives and quantifiable results” has the maximum mean of 3.86. On the other hand, the statement of “Parameters of the appraisal system are communicated to everyone” has the minimum mean which is 3.17. Whereas, the expression “Parameters of the appraisal system are communicated to everyone” has the maximum value standard deviation of 0.92. The least value standard deviation is 0.34 for the expression of “Performance measured according to the objectives and quantifiable results” Furthermore, the highest variance value was 0.86 with the expression of “Parameters of the appraisal system are communicated to everyone” whereas the least variance value is 0.12 for the statement of “Performance measured according to the objectives and quantifiable results”.

Table-1 shows on how the respondents reacts on recruitment system. According to the table, the declaration of “Vacancies are filled from qualified employees internally” has the maximum mean of 4.25. On the other hand, the statement of “There is formal induction, orientation and familiarization process designed to help new recruits understand the organization” has the minimum mean which is 3.94. For the standard deviation, the proclamation of “Advertisements are used for recruitment” has the maximum standard deviation value of 0.97. The least standard deviation value is 0.56 for the statement of “Selection system selects those having the desired knowledge, skills and attitude”. Furthermore, the highest variance value is 0.96 with the declaration of “Advertisements are used for recruitment” whereas the least variance value is 0.31 for the statement of “Selection system selects those having the desired knowledge, skills and attitude”.

Table-7 reports on how the respondents react on training and development system. Refers to the table, the statement of “There is a training strategy and coherent training programs.” has the maximum mean of 4.24. On the other hand, the statement of “Every employee goes to various training programs every year” has the minimum mean which was 3.79. Standard deviation for the statement of “Every employee goes to various training programs every year” has the highest value of 1.03. The least standard deviation value is 0.57 for the expression of “Training needs identified are realistic, useful and based on the business strategy of the organization”. Furthermore, the highest variance value is 1.06 with the expression of “Every employee goes to various training programs every year.” whereas the least variance value is 0.33 for the statement of “Training needs identified are realistic, useful and based on the business strategy of the organization”.

Table 2: Reliability Analysis (Cronbach’s Alpha) and Correlation between Dependent and Independent variables. *** represents level of significant at 1%.

	Contracts	Cronbach’s Alpha	N	Correlation	Employee Performance
Dependent Variable	Employee performance	0.737	6	Compensation	0.487***
Independent variables	Compensation	0.748	5	Career Planning	0.468***
	Career planning	0.735	5	Performance Appraisal	0.586***
	Performance appraisal	0.741	5	Recruitment & Selection	0.495***
	Recruitment	0.73	5	Training & Development	0.409***
	Training & development	0.728	5		
Multiple Regression					
Model	R	R ²	Adjusted R ²	Std. Error	F
	.636a	0.604	0.584	0.22268	19.798***

Table 2 shows the Cronbach's Alpha for employee performance is 0.737 which implies the level of relative inside steadiness and dependability result is expressed in great circumstance. Be that as it may, this variable is positioned the relatively level with rate among every one of the factors. This implies all factors are having high dependability and steadiness. Table-2 also shows the correlation is applied on the data to check the relationship between HRM practices. Pearson correlation for the Employee Performance with Compensation is ($r=.487^{***}$), with Career Planning is ($r=.468^{***}$), with Performance Appraisal is ($r=.586^{***}$), with Recruitment is ($r=.495^{***}$) while with Training and development is ($r=.409^{***}$). Table-2 also depicts the results for theoretical model developed in the study. The R square value is 0.604, which is 60.4%. This intended that 60.4% employee performance increases and explained by five independent variables.

The value of F-statistic is 19.798 which is statistically significant showing that the theoretical model developed in the study is statistically significant and fit.

4. Conclusion:

HRM practices serve to oversee employees' performance and satisfaction of organizational objectives (Jaskine, 2015). The overall outcomes show that workers who are happy with HR management practices are focused on the association. Compensation is viewed as more imperative variable in developing the managerial assurance of workers (Sial et al., 2011). The study find a significant and positive relationship between HR practices and employee performance. The outcomes of the investigation are steady with findings of (Mohyin, Dainty, & Carrillo, 2012) who uncovered that formal and casual training techniques approved by organization are useful to create efficient and proficient workers. Hence it is concluded that HR management practices (compensation, performance appraisal, training and development, career planning, recruitment) have positive impact on employee performance. Employees work efficiently when HRM practices are implemented properly in an organization.

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