

## Effects of Human Resource Management Practices on Perceived Employees' Performance (An Empirical Evidence)

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**Abstract:** The basic aim of this study is to examine the relationship between human resource management practices which are compensation practice, promotion practice and performance evaluation practice, and perceived employees' performance. For this purpose data were collected through time tested questionnaire from 284 medical information officers of national pharmaceuticals companies with the help of MBA students. Statistical package for social sciences (SPSS 17) was used for data operation. The results of correlation revealed a significant positive relationship between all human resource management practices and perceived employees performance. Multiple regression was run on data in order to know the impact of hr practices on perceived performance. The results showed that Compensation Practices, Performance Evaluation Practice and Promotion Practice accounted for 37.8 percent variance in employees' perceived performance. The performance evaluation practice with highest beta coefficient (0.396) is the most significant practice followed by promotion practice (.284). The compensation practice did not show a significant impact on perceived employees' performance.

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**Key words:** Human resource management practices; perceived performance; Organizational Development, Leadership, Human Resource Development

### 1. Introduction

Enhancing employees' performance is very critical for the management. The human resource managers are always busy not only in recruitment and selection of the right person for performing effectively and efficiently the entrusted tasks but also increasing their job satisfaction, their commitment to their organization and reducing their turnover. The basic objective of all these tasks is to increase the performance of employees. When human resource or people of an organization perform effectively and efficiently, it will gain the competitive advantage because the product or service of that organization will be by far of high quality. There are numerous factors which may affect employees' performance but in this study we take only human resource management practices and see the impact thereof on employees' performance. A large number of researches have proved inconsistent relationship between HR Practices and Employees' performance (Eisenberger, Lieberman, & Williams, 2003; Huselid, 1995). This study is conducted for three reasons. 1. The results of different studies conducted in different settings are inconsistent as discussed above. 2. Other studies focused on the relationship between hr practice and actual performance including productivity, profits etc (Boselie, Dietz, & Boon, 2005; Wright, Gardner, Moynihan, & Allen, 2005) but this research study the relationship of hr practices

and perceived employees' performance. 3. Pakistan is an 'under researched' country (Aycan et al., 2000) and no research was conducted to examine the relationship between hr practices and perceived employees' performance amongst medical information officers of national pharmaceuticals companies operating in Pakistan.

### 2. Literature Review

#### 2.1 Human resource

Human resource is referred to as workforce of an organization or business sector. It is also called manpower, talent, labor or people. So Organizations without Human resources are nothing but buildings. It is the human resource with the help of which organizations convert the inputs (materials, machine, methods and materials) into most desirable output (product or service) and achieves their short and long term goals. To Lado & Wilson (1994), it is very easy for an organization to manage technology or capital but very difficult to manage its human resources or people. Those organizations which have learnt how to manage their people well have a competitive advantage over other organizations which don't know how to manage their human resources for a long period of time (Wright, McMahan, & McWilliams, 1994). There are many human resource management practices but in this study we have taken only three practices which are compensation practice,

promotion practice and performance evaluation practice.

## 2.2. Relationship between HR Practices and Perceived Performance

Almost all researches except a few that will be discussed in this part later focused on the relationship between human resource practices and financial performance of organization. For example, Huselid (1995) found a significant relationship between hr practices and turnover, productivity, corporate financial performance, not perceived employees' performance. Frye (2004) investigated a significant correlation between equity based compensation and firm performance, not perceived employees' performance. Guest et al. (2003) conducted a research in UK and concluded that human resource management affects corporate performance. Similarly many other studies found a significant relationship between human resource management practices and firm's financial performance (Abdullah, Ahsan, & Alam, 2009; Quresh, Akbar, Khan, Sheikh, & Hijazi, 2010; Wright, Gardner, & Moynihan, 2003).

A few studies have showed the relationship between hr practices and perceived employees' performance (Shahzad, Bashir, & Ramay, 2008). These studies also have a few drawbacks. For example, Shahzad et al., (2008) conducted a study by taking their sample from a few universities' teachers and concluded on the basis of only correlation analysis that hr practices had a significant impact on perceived employees' performance. Correlation does not show the impact of one variable on the other. Khatibi, Asgharian, Seyed, and Manafi, (2012) collected data from the employees of hospitals in Iran for testing the impact of three hr practices which were compensation, promotion and performance evaluation on perceived employees' performance and concluded that only two hr practices which were compensation and promotion had a significant impact on perceived employees' performance. Their paper was published in a low quality journal (interdisciplinary journal of contemporary research in business) which has been blacklisted by Higher Education Commission, Islamabad, Pakistan. On the basis of above discussion we hypothesize that:

H1: The relationship between compensation practice and employees' perceived performance is statistically significant

H2: The relationship between performance evaluation practice and employees' perceived performance is statistically significant

H3: The relationship between promotion practice and employees' perceived performance is statistically significant.

## 3. Research Methodology

### 3.1 Sample and data collection

Data were collected through questionnaire from medical information officers of national pharmaceuticals companies (Pakistani companies). Four hundred questionnaires along with covering letter that elucidated the purpose of study were distributed with the help of MBA students. After 2 reminders, two hundred and ninety two questionnaires that indicated a return rate of 73 were returned. Eight questionnaires were disposed off because they contained incomplete information and 284 questionnaires were used for research purpose.

### 3.2 Measurement

Compensation practice, performance evaluation practice, promotion practice and employees' perceived performance were measured by adapting their items from Teseema and Soeters (2006). Compensation practice, performance evaluation practice, promotion practice and employees' perceived performance contained 6 items, 6 items, 3 items and 4 items respectively. Five point Likert scale that ranges from 1 (strongly disagree) to 5 (strongly agree) was used. Reliability of the items is shown in the Table 2.

## 4. Results

**Table 1: Demographics**

Age	Frequency	Percentage (approx)
20-25	132	47
26-30	66	23
31-35	51	18
35-40	35	12
<b>Total</b>	<b>284</b>	<b>100</b>
<b>Marital status</b>		
Married	85	30
Single	199	70
<b>Total</b>	<b>284</b>	<b>100</b>
<b>Gender</b>		
Male	241	85
Female	43	15
<b>Total</b>	<b>284</b>	<b>100</b>
<b>Qualification</b>		
Intermediate	38	13
Graduate	167	59
Master	79	18
<b>Total</b>	<b>284</b>	<b>100</b>
<b>Tenure</b>		
1-5	47	29
6-10	51	32
11-15	29	18
14-20	20	12
Above 20	15	9

**Table 2: Reliability**

Items	Cronbach's Alfa
Compensation practice	.95
Performance evaluation practice	.82
Promotion practice	.90
Perceived employees' performance	.95

**Table 3: Correlation between HR Practices and Perceived Employees' Performance**

Perceived Performance		Compensation Practices	Performance Evaluation Practices	Promotion Practices
	Pearson Correlation	.442**	.589**	.564**
	Sig. (2-tailed)	.000	.000	.000
	N	284	284	284

The results shown in table 3 proved that compensation practices had a significant relationship with employees' perceived performance ( $r=0.44$ ,  $p<.01$ ). Thus Hypothesis 1 that states that the relationship between compensation practices and employees' perceived performance is statistically significant is accepted in this sample. Performance evaluation practices ( $r=0.59$ ,  $p<.01$ ) and promotion practices ( $r=0.56$ ,  $p<.01$ ) also showed a significant relationship with employees' perceived performance. Thus Hypothesis 2 and 3 are also accepted.

**Table 4: Multiple Regression.**

**Dependent Variable: Employees' Perceived Performance**

**Independent Variables: HR Practices**

R	.614		
R Square	.378		
Adjusted R Square	.371		
Standard Error of the Estimate	.96679		
F	56.606		
Sig.	.000		
	<b>Beta</b>	<b>t</b>	<b>Sig.</b>
		10.267	.000
Compensation Practices	-.037	-.524	.601
Performance Evaluation Practice	.396	4.930	.000
Promotion Practice	.284	3.632	.000

Coefficient of determination (R Square) showed that Compensation Practices, Performance Evaluation Practice and Promotion Practice accounted for 37.8 percent variance in employees' perceived performance. The performance evaluation practice with highest beta coefficient (0.396) is the most significant practice followed by promotion practice (.284). The regression results confirmed only two hypotheses out of three which are Hypothesis 2 and 3.

**5. Conclusion and Recommendation**

The objective of this study was to examine the relationship between hr practices and perceived employees' performance. Time tested questionnaires were used to measure hr practices and perceived employees' performance. The results of correlation proved that compensation practice, performance evaluation practice and promotion practice had a significant positive relationship with employees' perceived performance.

Multiple regression showed that Compensation Practices, Performance Evaluation Practice and Promotion Practice were accounted for 37.8 percent variance in employees' perceived performance. The performance evaluation practice with highest beta coefficient (0.396) is the most significant practice followed by promotion practice (.284). Compensation practice was not proved to have a significant effect on perceived employees' performance.

The management should pay special heed towards establishing a just system of performance evaluation and promotion policies with a view to increase employees' performance because the results revealed a significant positive relationship between hr practices and perceived employees' performance.

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