

HUMAN RESOURCE PRACTICES AND ORGANIZATIONAL PERFORMANCE IN PAKISTAN: AN EMPIRICAL STUDY ON PHARMACEUTICAL INDUSTRIES

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Abstract

This research paper is written to uncover the connection between organizational performance and HR practices in the context of Pharmaceutical Industries of Pakistan. For this research, the primary data has been obtained from randomly selected 200 respondents who are working in Pharmaceutical Industries of Pakistan. A structured questionnaire was circulated to the employees of different departments having different job status and they were asked about their training, payroll for performance, participation in decision making, organizational commitment and organizational performance. The correlation and regression analysis are used to measure the impact of HR practices on organizational performance. The findings have revealed the significant relationship between organizational performance and HR practices in the context of Pharmaceutical Industries of Pakistan. It is found that practices of training, payroll performance, level of employee participation in organizational activities, and organization commitment raised the level of organizational performance.

Keywords: Human Resource Practices, Organization Commitment, Payroll for Performance, Organizational Performance.

JEL Classification: M 590

Introduction

Human Resource Management (HRM) practices brought different kinds of people together to achieve a common goal so it has become an essential component in the success of an organization. The basic function of HRM is to manage human skills to achieve the organization goal. HR manpower is the basic necessity for every organization for performing their different activities. HR plays a major role in organization management and their operations, it estimates future human-assets needs, regulates its employee planning and development programs, No organization can operate successfully without the support of human resource practices. Successful and growing organization conduct the best universal human resource practices which lead to high performance and generate high production of the organization (Lambooj et al., 2006; Caliskan, 2010; Aslam et al., 2016). It depend upon the

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organization to what extents it values human resource practices. Pharmaceutical Industries create and manufacture pharmaceutical products, including drugs, medical products and equipments, which are not the distributed to the market for sale but also as prescription only products which are through accessible to a doctors, nurses, hospitals and pharmacists. HRM is the main hub of the industries for performing the practices though training and development, recruitment and selection, industrial relation and compensation and benefit (Caliskan, 2010; Deery, 2008; Rasool et al., 2015). These practices deal to utilize the human resource for undertaking activities to achieve the industrial targets and objectives. Unfortunately, until now, HR practices area remains under research especially in the context of pharmaceutical industries especially in Pakistan.

We illustrate that the principal organization work is to provide training to individual employees which in a focused practice enhance several aspects of the employee productivity and competency level. A good number of research studies have been conducted in different fields of human resource practices, but unfortunately, very few studies have been done to find out any association among training, payroll, decision making and commitment in pharmaceutical industries. This study also identifies the relationship between HR practices and Organization Performance. The purpose of this research is to determine the relationship between the HR practices (Training, Participation in Decision Making, Payroll for Performance and Organization Commitment) and Organizational Performance in Pharmaceutical Industries of Pakistan.

Research Question:

What is the influence of HR practices on organizational performance in the context of pharmaceutical Industries?

Objectives:

- To identify how training can influence the organizational performance.
- To find out how the level of employee participation can influence organizational performance.
- To investigate the impact of pPayroll for performance on organizational performance.
- To scrutinize the influence of organizational commitment on organizational performance.

Literature Review

HR Practices and Organizational Performance

Leading organizations have realized that there are different aspects that are contributing in organizational performance but human resource management area is the most critical (Mello, 2005). Effective human resource practices are main foundation of competitive advantage of an organization and it practices an essential and decisive part for organizational performance (Caliskan, 2010). Organization is using different HR practices variables in order to enhance their employee productivity (Qureshi, Ramay & Marwat, 2006). A study has been conducted on the impact of HR practices on organizational performance in Pakistan in which the authors illustrate that HR practices having the significance on the organizational performance through employee productivity. Muqadas et al. (2016); Comb and D, (2006) conducted a research on the impact of high work performance system on

organizational performance and the data results reveals that HR practices systems have a stronger effect on the organizational performance than individual HR practices. Different types of assessment, job succession and score board are used for remuneration and rewarding the employees (Deery, 2008; Hays & Kearney, 2001; Oakland & Oakland, 2001). The scholar has suggested that HR practices increases the employees knowledge, skills, abilities, confidence, commitment, motivation level (Muqadas et al., 2017; Muqadas et al., 2016; Aslam et al., 2016; Alsam, Rehman, & Imran, 2016). High quality performance and high performance work system generate the firm-human capital and employee having a good knowledge of firms products, customer, work environment which enables the employee to facilitate the clients effectively (Abbas et al., 2015; Batt, 2002).

HR practices and Employee Performance

Horgan and Muhlau (2006) suggest that effective HR practices have a strong relationship with employee performance. Those authors also indicated that organizations are using different variables of HR practices according to their environment size and the nature of their operation in order to increase the employee productivity. In developing countries, successful organization has realized that human resource is the key factor of employee performance (Abbas et al., 2015; Praha, 2004; Muqadas et al., 2017). Caruth and Handlogten (2001) demonstrate that employee shows more contribution toward their work and are motivated when their firm gives them rewards in the shape of remuneration and promotion. Guest (2002) recommended that performance of the organization only enhance until and unless the employee of the firm effectively response to the HR practices, so it's mandatory for HR professional and experts to undertake control and confidence of the employee while conducting the HR practices. Collin (2005) illustrates that in small business firm the HR practices are having a strong and significant effect on the employee performance.

HR practices and variables

Training

Training concerns the process to enhance and build the employee skills to perform their tasks (Dessler, 2008). Training is a planned and well organized modification of activity through learning experience, agenda, and coaching which make the individual to achieve good quality of knowledge, skills, abilities to perform their task effectively (Alsam, Rehman & Imran, 2016; Armstrong, 2006). Successful organization conducts the job need analysis phase, which engage to examine the job through job analysis. Collecting the information of the task to be performed, indentifying the skills necessary to perform the tasks and acceptable standard are gathered. Individual employees need to identify the gaps between the person's current competences and identified standard as required or desirable (Rasool et al., 2015; Dessler, 2008; Muqadas, Rehman & Aslam, 2017). Training program is classified into two categories one is on-the-job training program and the other is off-the-job training program. On-the-job training program refers to instruction, mentoring, job rotation while off-the-job training program concerns with the formal education, degree program, lecture, certificate course, case study (Armstrong, 2006). A study stated that an organizational performance is evaluated in two different categories one is financially measured and the other is non-financially measured (Damoe, Yazam, & Ahmed, 2012). Another study proposes that an organization are wasting their time and money if they not delivering the training in the right manner and not taking the attention of their applicant, they

are just fulfilling the formality of training (Mark, Griffin & Neal, 2000). It is essential for HR professional and expertise to engage the applicants toward the training programs (Phillip & Anita, 2005).

Participation in Decision Making

Participation in decision making effects the work environment, circumstance and remuneration and these attribute correlate with job satisfaction and effective commitment. It is evident that participation in decision making gives the access to clear and concise information, reduces the problems, eliminates the political behavior, provides quality and ownership of decision, shows the employees loyalty and obligation towards the firm. Newstrom and Davis (2004) argue that it is the organizations responsibility to provide the information of their finances and operations of the firm and share the information about making new policies and practices with their employees for gaining better quality of ideas, proposal, suggestions. The authors also suggest that enhancing motivation and taking employees into confidence effects the broad participation in decision making which ensure high organizational performance.

Payroll performance

Booth and Frank (1999) demonstrate that work with performance related pay ensure that employees gives great efforts and show high ability and induce more in their work force. Performance related pay is associated with the incentive, salary and remuneration system within the organization (Marsden, 2004). This practice of performance related pay boosts the motivation among the employees and improves the incentive system which indulges the employee toward more contribution in their job (Brown & Heywood, 2002). Mullins (2004) conducted a research on employee performance in the private sector, the result reveal that reward and compensation system enhance the employee performance which significantly effect on the organization objectives. Armstrong (2005) argue that pay for performance is usually a linkage to the employee performance, organization focuses on the performance of their individuals in the perspective of financial reward which directly relate to the individual, group or organizational performance.

Organization Commitment

Miller and Lee (2001) state that organization commitment represent an employee acceptance of the firm objectives and how much he/she is willing to get those objectives. Cohen (2003) argues that commitment compel the individual to route significance action to one or more than one objectives. Miller and Lee (2001) claim that organization commitment is the behavior in which employee recognize the organization objectives, values and wishes to be a part and having long term association with the organization. Morrow (1983) suggest that organization commitment concern with the attitude and behavior (Miller & Lee, 2001). An attitude is the sense of evaluative or judgment about observable facts which can either be favorable or unfavorable. Several authors declared that organization commitment having tri-dimensional notion are characterized by affective commitment, continuance commitment and normative commitment (Meyer & Allen, 1991; Dunham, Grube, & Castaneda, 1994).

Hypothesis 1:

H0: Whether training and organizational performance in pharmaceutical industries of Pakistan has no relation.

H1: Whether training and organizational Performance in pharmaceutical industries of Pakistan has a relation.

Hypothesis 2:

H0: Whether payroll for performance and organizational performance has no association.

H1: Whether payroll for performance and organizational performance has a linkage.

Hypothesis 3:

H0: Whether the level of employee involvement in organizational activities has no relation with organizational performance.

H1: Whether the level of employee involvement in organizational activities has a connection with organizational performance.

Hypothesis 4:

H0: Whether organizational commitment and organizational performance has no correlation.

H1: Whether organizational commitment and organizational performance has an association.

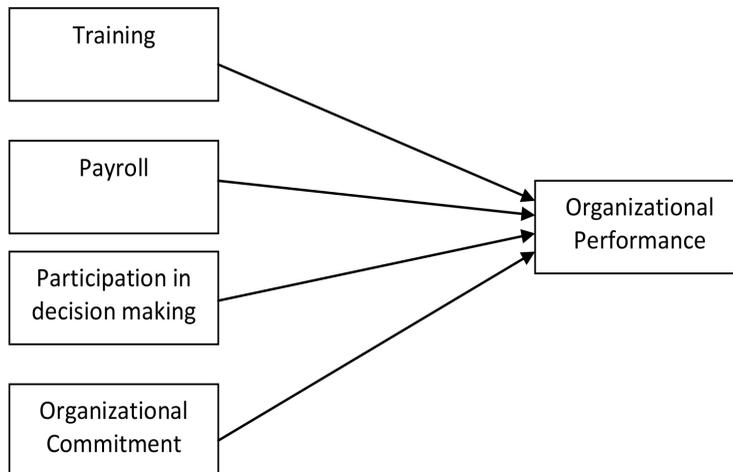


Figure 1

Methodology

In the paper, we followed the positivism paradigm which helps to describe reality quantitatively and also provides the main features of selected sample. Positivism followers believe on deductive reasoning that is based on previously investigated literature and it tries to investigate whether those proposed hypotheses are true as false (Muqadas, Rehman, & Aslam, 2017). By using this design we can get sample features like age, sex, region, religion, and ratio of subjects with linked co-morbidities. In this research, we used quantitative paradigm in order to test the four hypotheses, whether there

is relationship a between the variables or not.

In this paper, we use survey research design directing our questions at a relatively large group of public or large population. The respondents for this research are the workers in pharmaceutical industries of Pakistan. Our population area is pharmaceutical industries Random sampling techniques is used in this study in which every respondent have an equal chance of being selected. The representative sample from this population is 200 respondents from pharmaceutical industries of Pakistan. In this paper we use hierarchical linear modeling for the analysis of the single-level data which has been gathered through self-administrated questionnaire.

Results and Analysis

Demographic Profile

Table 1

Respondents Demographics	Frequency	Percentage
Age (200)		
Less than 25 years	65	32.5%
25-35 years	62	31.0%
35-45 years	40	20.0%
45 Plus	33	16.5%
Gender (200)		
Male	110	55.0%
Female	90	45.0%
Job Nature (200)		
Primary Job	106	53.0%
Secondary Job	94	47.0%
Level of Organization (200)		
Local	114	57.0%
Multinational	86	43.0%

Descriptive Statistics

Table 2

	N	Mean	Std. Deviation	R**	p	R2	Adj. R2
Training	200	3.01	0.589	0.217**	0.002	0.047	0.042
PAY_PER	200	2.73	0.599	0.191**	0.007	0.037	0.032
PART_DECI.	200	2.85	0.569	0.129**	0.068	0.017	0.012
ORG_COMMIT	200	3.04	0.634	-0.020**	0.783	0.00	-0.005
ORG_PER	200	2.73	0.518				
Valid N (listwise)	200						

The findings in above table showed the results of correlation between organizational performance and training, payroll, level of employee involvement in organizational activities, and organizational commitment. The regression values are also extracted to depict how much independent variables have influence on dependent variables.

Hypothesis 1

The purpose of the regression in this research is to find an equation that is possibly used to find the impact of training (T), pay roll (PFP), and participation in decision making (PDM), organizational commitment (OC) on organizational performance (OP)

Coefficients

Table 3

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std.Error	Beta		
1 (Constant)	2.163	0.187		11.55	0.000
Training	0.191	0.061	0.217	3.128	0.002

a. Dependent variable: organizational performance

The particular regression equation takes the following form in case of training:

$$Y = a + bx$$

$$OP = 2.163 + 0.191(T)$$

Hypothesis 2

Coefficients

Table 4

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std.Error	Beta		
1 (Constant)	2.286	0.169		13.535	0.000
Pay_Per	0.165	0.060	0.191	2.739	0.007

a. Dependent variable: organizational performance

The particular regression equation takes the following form in the case of payroll:

$$Y = a + bx$$

$$OP = 2.286 + 0.165(PFP)$$

Hypothesis 3

Coefficients

Table 5

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.402	0.186		12.886	0.000
Part_Dec	0.118	0.064	0.129	1.837	0.068

a. Dependent Variable: Org_Per

The particular regression equation takes the following form in the case of participation in decision making:

$$Y = a + bx$$

$$OP = 2.402 + 0.118(PFP)$$

Hypothesis 4

Coefficients

Table 6

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.786	0.180		15.441	0.000
Org_Commit	-0.16	0.058	-0.20	-0.276	0.783

a. Dependent Variable: Org_Per

The particular regression equation takes the following form in the case organizational commitment:

$$Y = a + bx$$

$$OP = 2.786 + (-0.16)(OC)$$

The results reveal that independent variable such as training, payroll, participation in decision making and organization commitment significantly affects the organizational performance.

T and P values showed the level of significance and acceptance for the individual partial regression coefficients. Null hypothesis indicated that regression coefficient is at zero value.

Zgarrick (2005) demonstrate that in pharmaceutical industries HR practices are important to the pharmacy field, the pharmacist technician having a good perceiving skills and is capable of delivering higher performance. We claim that proper hiring and selection and putting the right person in the right place enhance the personnel motivation and performance and make a good market value; practice of training and development increase the effectiveness of the workforce, performance feedback, ensure the quality of work, provide personnel new responsibilities and positions, eliminate the error and poor performance. Overall, the results suggests that effective HR practices, including training, payroll for performance, participation in decision making and organization commitment has a significant effect and is positively related to the perceptual measures of organizational performance in pharmaceutical industries of Pakistan.

Table 2 presents that descriptive statistics that shows that average mean regarding all variables (training, organization commitment, participation in decision making, payroll for performance and organizational performance) is close to 2.89 (2 is for disagree and 3 is for neutral). Number of observation of each variable is 200. In the same way standard deviation represents dispersion of variables values from its mean value which shows the combined results like in the table of descriptive statistics the training, payroll for performance, participation in decision making, organization commitment and organizational performance variables consistency in their answering showing value of standard deviation via 0.589, 0.599, 0.569, 0.634 and 0.518 respectively.

The correlation results reveal that positive relationship exists between training and organizational performance and is statistically significant because the significance level is before the cut line of 0.05. Shepard and Greene., (2003) propose that training having significant effect on the overall firm performance. The findings of the proposed hypothesis verify the offered theoretical framework of Delaney and Huselid (1996). Table 2 indicates the correlation between training and organizational performance. If we see the mutual relationship of training and organizational performance ($r= 0.217$, $p= 0.002$) than positive relationship exist between both variables and the significance value is $p=0.002$ (lesser than 0.05) which shows that both variable are weekly related to each other. Table 2 demonstrates the correlation between payroll for performance and organizational performance. If we see the mutual relationship of payroll performance and organizational performance ($r= 0.191$, $p=0.007$) than positive relationship exist between both the variable and the significance value is $p=0.007$ (lesser than 0.05) which shows that both the variables are moderately related to each other. Similarly, Table 2 highlighted the significant correlation between organizational performance and decision making ($r= 0.129$, $p= 0.068$). Table 2 indicates the correlation between the organization commitment and organizational performance. If we see the mutual relationship of organization commitment and organizational performance ($r= -0.020$, $p= 0.783$), then there is negative relationship exist between both the variables and the significance value is $p= 0.783$ (more than 0.05) which shows that both the variable are moderately related to each other.

The regression analyses for the first hypothesis represent the effect size of training with organizational performance. The correlation between the examined values of organization perfor-

mance and training that is 5% and the value of the adjusted R2 is 0.042, which shows 4% variation in organization performance. The regression analyses for the second hypothesis represent the effect size of payroll for performance with organizational performance. The correlation values of organization performance and payroll for performance are 4% and the value of the adjusted R2 is 0.032, which has shown that 3-percent of variations in organization performance. The regression result reveals that the independent variable (i.e. payroll for performance) considerably influences the dependent variable (i.e. organizational performance). Similarly, the regression analyses for the third hypothesis represent the effect size of participation in decision making with organizational performance. The correlation between the examined values of participation in decision making and fitted value of organization performance is 2%. The regression result reveals that the independent variable (i.e. level of employee participation) considerably influences the dependent variable (i.e. organizational performance). The last hypotheses, the regression analyses represent the effect size of organization commitment with organizational performance. Regression results have indicated an insignificant or not considerable relationship between organizational performance and organizational commitment. The result of this research gives reflection according to the previous study on the pharmaceutical industries of Pakistan (Malik, 2014).

Conclusion

The research paper has revealed a significant connection between organizational performance and HR practices (i.e. training, payroll for performance, level of participation in organizational activities, and organization commitment) specifically in the context of pharmaceutical industries of Pakistan. The results reveals an acceptable and significant connection between organizational performance and HR practices (i.e., training, payroll for performance and level of participation in organizational activities), but organization commitment having a negative relationship. All the independent variable (training, payroll for performance, participation in decision making and organization commitment) have a significant level of correlation with the dependent variable (organization performance) and the results of regression also depicted that HR practices have a leading role in describing the organizational performance and other fruitful activities. So from the above findings and results, we propose that all pharmaceutical industries are interested to get the peak value of pharmaceuticals equity share and more profitability, in this respect they must need special emphasis on training, payroll for performance, participation in decision making and organization commitment practices for strategy development. These results analyses also facilitate the strategy producers of pharmaceutical industries of Pakistan to see into HR practices and realign them according to the objectives of the employees.

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