

THE IMPACT OF HR PRACTICES ON PERCEIVED EMPLOYEE PERFORMANCE: MEDIATING ROLE OF HRM OUTCOMES IN EDUCATIONAL INSTITUTES OF PAKISTAN

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Abstract

The current research aims to investigate the impact of HR practices on perceived employee performance with mediating role of HRM outcomes in public versus private education sector of Pakistan. For this purpose, data was collected from 392 public and 397 private school teachers through a questionnaire. The results of correlation illustrate that HR practices have an effect on HRM outcomes and perceived employee performance. Hierarchical regression was run to analyze the mediating role of HRM outcomes on the relationship between HR practices and perceived employee performance. Results demonstrate that HRM outcomes partially mediate the relationship between HR practices and perceived employee performance. This paper adds to the existing knowledge by providing empirical insights into the relationship between HR practices and perceived employee performance in Pakistan's educational context. This research has important theoretical and practical implications for Pakistan's education sector in the area of HRM-performance relationship.

Keywords: HR Practices, HRM Outcomes, Perceived Employee Performance, Pakistan's Education Sector.

JEL Classification: M590

Introduction

“Education is the most powerful weapon which you can use to change the world” Nelson Mandela. Education is the part of fundamental needs of our society. A teacher is responsible to build up a nation and plays a very complex role. It is expected from a teacher to help students and to provide

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quality education to them. For this reason, it is vital to analyze the factors that influence teachers' effectiveness (Arands, 2001). In Pakistan, education is getting importance as the specialists suggested to invest more in education sector to bring success and prosperity in the country (Sial, Jilani, Imran, & Zaheer, 2011). The report published by the team of World Bank on higher education has pin point that Pakistan's education sector is suffering from many problems with the highest priority to the excellence of faculty members (Shahzad, Rehman, & Abbas, 2010). Over the last few years, Higher Education Commission has initiated various schemes and revised training programs, compensation packages, improved facilities, native and foreign scholarships to improve faculty qualification (Rasheed, Aslam, Yousaf, & Noor, 2011).

All the organizations either it is public, private or non-profit must need human resources to operate different functions. Organization's major focus is on enhancing employee performance (Tessemaa & Soeters, 2006). In Pakistan's context, previous researchers examined the impact of HR practices on perceived employee performance (PEP) however; mediating effect of HRM outcomes like competence, role clarity and motivation was not examined. This provides the rationale to conduct this study.

The current research poses the following research questions:

RQ1: When, how and to what level HR practices influence perceived employees' performance?

RQ2: Do HRM outcomes mediate the relationship between HR practices and perceived employee performance?

Literature Review

Effective HRM has gained attention and is considered vital in the development processes of developing countries (Bennell, 1994; Grindle & Hilderbrand, 1995; Prah, 2004). It is human resource through which organizations achieve their short term as well as long term goals (Ali et al., 2014). The organizations whose center of attention is the better administration of their human resource are successful in achieving the competitive advantage as compared to the organizations which do not focus on the management of their human resource (Wright, Gardner, & Moynihan, 2003).

Though previous researchers analyzed how HR practices affect organizational performance, however, there is scarcity of studies on HR practices and employee performance relationship (Tessemaa & Soeters, 2006). Tessemaa and Soeters (2006) examined the relationship between human resource practices and employee performance with mediating role of human resource outcomes. Eight HR practices were focused including recruitment and selection practices, placement practices, training practices, compensation management practices, employee performance evaluation practices, promotion practices, grievance procedure, pension plan and social security. Various researchers argued that only three HR practices including compensation management practices, performance evaluation

practices and promotion practices significantly influence PEP (Ahmed & Shahzad, 2011; Riaz, Ayaz, Wain & Sajid, 2012; Shahzad, Bashir & Ramay, 2008; Ali, Rehman & Shah, 2014; Bowra, Sharif, Saeed & Niazi, 2012). Moreover, the researchers argue that in developing countries like Pakistan, people have low per capita income and the above mentioned practices of human resource have direct impact on their social and economic status (Riaz, Ayaz, Wain, & Sajid, 2012). Being in agreement with the previous researchers, the current research, therefore, focus on three HR practices namely compensation management practices, performance evaluation practices and promotion practices to investigate its influence on employees' performance.

Compensation Practices and Perceived Employee Performance

Like other concepts of HRM, compensation has different meanings. Compensation is an adequate and equitable remuneration paid to employees for their contribution in achieving organizational goals. Stajkovic and Luthans (2006) found that social recognition increased task performance by 17%, monetary incentives increased task performance by 23% and feedback increased task performance by 10%. It was further established that compensation increased employee performance by 45%. Shakir and Zamir (2014) analyzed the impact of rewards on teachers' performance at secondary level. The results showed correlation between extrinsic rewards and performance whereas no correlation between intrinsic rewards and performance. Oshagbemi (2000) studied the impact of compensation on teachers' performance and found a positive relation between compensation and teachers' performance. Employee productivity can be enhanced by many practices out of which one important factor is performance related pay which can derive higher employee performance (Sarwar, Aftab, Arif, & Naeem, 2014). This leads to propose the following hypothesis:

H1: Compensation practices have significant and positive impact on perceived employee performance.

Performance Evaluation Practices and Perceived Employee Performance

Performance appraisal is defined as the process of evaluating the performance on the basis of judgments and views of peers, supervisors, subordinates, other managers and even workers themselves (Jackson, E, & Schuler, 2003). As it is used to monitor the workers, it leads towards improvement in productivity (Storey, Sisson, & Keith, 1993). Effective performance management systems play an important role in measuring and improving productivity (Mani, 2002). According to Ali, Rehman and Shah (2014) performance evaluation practices do influence PEP in pharmaceutical companies. Based on the aforementioned discussion, we therefore propose:

H2: Performance evaluation practices are significantly and positively related with perceived employees' performance.

Promotion practices and Perceived Employee Performance

Promotion is the progression of an employee from one job position to another with higher salary package and higher level of work responsibilities (Wambugu, 2013). Employees feel motivated when they are provided with the means to achieve their targets (Armstrong & Murlis, 2004). According to Tessemaa and Soeters (2006) promotion practices influence PEP. We therefore argue that organizations must offer promotional opportunities to their employees if they want to enhance organizational performance (Park, Mitsuhashi, Fey & Björkman, 2003). Bowra, Sharif, Saeed and Niazi (2012) concluded that promotion practices have moderate impact on perceived employee performance. Ali, Rehman and Shah (2014) found positive and significant relationship of promotion practices with perceived employee performance. Riaz, Ayaz, Wain and Sajid (2012) argued that promotion practices positively influence the perceived employee performance. This directs us to propose the following hypothesis:

H3: Promotion practices have significant and positive impact on perceived employee performance.

HRM outcomes as a mediator

HR practices guide towards HRM outcomes which further impacts employees and organizational performance. Various researches suggest that human resource outcomes mediate the relationship between the human resource practices and employee performance (Fey, Bjorkman & Pavlovskaya, 2000; Paauwe, 1998; Guest, 1997). There are theoretical arguments like resource based theory, expectancy theory and human capital theory that provides some insight about how HR practices impact employee performance. Expectancy theory believes that an employee needs to be competent, motivated and clear about his role if he wants to be productive (Macduffie, 1995). If the organizations need to produce high quality services they need to retain their highly skilled, capable and talented employees (Tessemaa & Soeters, 2006). We, therefore, contend that HRM outcomes i.e. employee competence, role clarity and motivation mediate the relationship between HR practices and PEP.

H4: HRM outcomes mediate the relationship of HR practices and perceived employee performance.

As discussed above, Fig 1 shows the proposed conceptual model which demonstrates that HR practices are related to perceived employee performance via HRM outcomes.

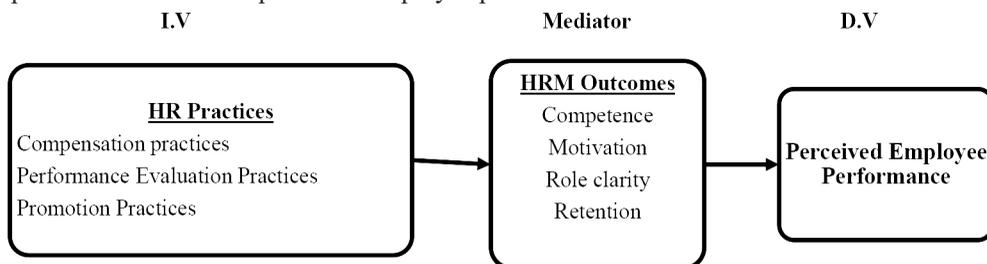


Figure 1: Proposed Model

Methodology

Participants and Procedures

The current research is quantitative in nature and used survey technique for data collection. The purpose of the study was hypotheses testing. Population of the study was comprised of 15,710 teachers from all the public schools and 45,063 teachers from all the private schools of Lahore, Pakistan. The data regarding population of schools in Lahore was collected from District Education Office, Lahore. Employees were chosen based on non-probability convenience sampling technique. Data was collected from 392 Govt. school teachers and 397 private school teachers of district Lahore through questionnaire surveys. Sample was calculated by using published table which suggest selecting sample of 390 if the population is 15,000 and 397 if the population is 50,000 at 5% precision level (Israel, 1992). The unit of analysis was “Employees” and the time dimension was cross sectional in nature as data was collected at one point in time.

Measurements

The measures were adopted from Tessema and Soeters (2006) which have already been used by prior researchers in education sector by Shahzad, Bashir and Ramay (2008). All the questions were rated on 5-point likert scale ranging from “1” (strongly disagree) to “5” (strongly agree).

HR Practices: HR practices were assessed by 15-items scale which consists of compensation practice comprising of 6-items scale, performance evaluation practice with 6-items scale, and promotion practices with 3-items scale.

HRM Outcomes: Mediator HRM outcomes was measured with a 3 items scale (Tessema & Soeters, 2006). HRM outcome scale comprised of 1 item of competence “I have got training that makes me more competent”, one item of motivation “I am satisfied with HR practices”, and one item of role clarity “I do not have role ambiguity and confusion”.

Perceived Employee Performance: 3 item scale of perceived employee performance was adopted from Tessema and Soeters (2006).

Data Analysis

To analyze the data, Cronbach alpha, descriptive statistics and Pearson correlation were run. Hierarchical regression was also run to determine the mediating effect of HRM outcomes. Cronbach alpha: The reliabilities of the measures are $\alpha=0.822$ for compensation practice, $\alpha=0.682$ for performance evaluation practice and $\alpha=0.661$ for promotion. HRM outcomes were estimated $\alpha=0.619$ while the reliability of PEP was estimated $\alpha=0.720$.

Results

Descriptive and Correlation Analysis

Table 1 shows the mean values ranging from 3.3 to 3.7 on a five point likert scale. The means as shown in table are fairly high.

Table 1

Correlation and Descriptive Analysis of HR Practices, HRM Outcomes and Perceived Employee Performance								
	Practices	1	2	3	4	5	Mean	SD
1	Compensation Practices	1					3.3885	0.89895
2	Performance Evaluation Practices	.556**	1				3.5068	0.68787
3	Promotion Practices	.336**	.312**	1			3.6257	1.08306
4	HRM outcomes	.131**	.183**	.270**	1		3.5694	0.60862
5	Perceived Employee Performance	.241**	.250**	.277**	.424**	1	3.7617	0.76835

Significance level is 0.01 (2-tailed)

Table 1 shows that HRM outcomes are positively and significantly correlated with perceived employee performance ($r = 0.424$, $p < 0.01$), compensation practices ($r = 0.131$, $p < 0.01$), performance evaluation practices ($r = 0.183$, $p < 0.01$) and promotion practices ($r = 0.270$, $p < 0.01$). Perceived employee performance is also positively and significantly correlated with compensation practices ($r = 0.241$, $p < 0.01$), performance evaluation practices ($r = 0.250$, $p < 0.01$) and promotion practices ($r = 0.277$, $p < 0.01$).

Multiple Regression Analysis

Multiple regression analysis was run to examine how well the three HR practices anticipate the PEP.

Table 2

Multiple Regression Summary						
			β	t- value	sig.	adj. R ²
1	Compensation Practices		0.206	6.971	0.00	0.057
2	Performance Evaluation Practices		0.279	0.039	0.00	0.061
3	Promotion Practices		0.196	8.081	0.00	0.079

As shown in above table, regression coefficient (β) of Compensation Practices is 0.206 and its significant value is 0.00 which shows that compensation practices have positive and significant impact on employee performance. H1 is, therefore, supported. Regression coefficient (β) of performance evaluation practices is 0.279 and its significant value is 0.00 which shows that performance evaluation practices have positive and significant impact on employee performance. H2 is supported. Regression coefficient (β) of promotion practices are 0.196 respectively and its significant value is 0.00 which shows that promotion practices have positive and significant impact on employee performance. H3 is thus supported.

HRM outcomes as a Mediator

Hierarchical regression was run to examine the impact of HR practices on PEP in the presence of mediating variable HRM outcomes. Four steps are followed in this method.

Table 3

Hierarchical Regression Summary						
		B	t- value	sig.	R square	adj. R ²
Step 1. Perceived Employee Performance						
	HR practices	0.372	9.921	0.00	.111	.110
Step 2. HRM Outcomes						
	HR practices	0.230	7.543	0.00	0.067	0.066
Step 3. Perceived Employee Performance						
	HRM Outcomes	0.535	13.139	0.00	0.180	.179
Step 4. Perceived Employee Performance						
	HR practices	0.267	7.403	0.00	0.233	0.231
	HRM Outcomes	0.457	11.193	0.000		

As shown in the table 3, results of mediation analysis exhibited that independent variables are positively associated with perceived employee performance in first step ($R^2=0.111$; $F=98.434$; $P<0.01$) which shows that HR practices have 11.1% impact on perceived employee performance. In second step, as shown in table 3, HR practices are positively related to HRM outcomes ($R^2=0.067$; $F=56.901$; $P<0.01$) and the value of β -coefficient (HR prac. = 0.230) and t- value (HR prac. = 7.543). In third step, as shown in table 3, HRM outcomes have positive and significant impact on perceived employee performance ($R^2=0.180$; $F=172.640$; $P<0.01$). More specifically, the β coefficient of HRM outcomes is 0.535 which is significant. Lastly, as shown in the fourth step, in the presence of HRM outcomes, HR practices still have positive and significant influence on perceived employee performance ($R^2=0.233$; $F=119.628$; $P<0.01$). However, the value of β -coefficient (HR Prac. = 0.267) and t- value (HR Prac. = 7.403) has decreased in the presence of HRM outcomes. Therefore, HRM outcomes partially mediate the relationship between HR practices and PEP. H4 is thus supported.

Discussion

All the results fulfill researcher's expectations based on theoretical insight. This research found positive and significant effect of compensation practices on perceived employee performance which is in line with the findings of previous researchers (Ahmed & Shahzad, 2011; Riaz, Ayaz, Wain & Sajid, 2012; Shahzad, Bashir & Ramay, 2008). However, this finding is not supported by other researchers (Tessema & Soeters, 2006; Ali, Rehman & Shah, 2014; Bowra, Sharif, Saeed & Niazi 2012). The findings suggest that performance of teachers in the schools of Pakistan is affected by compensation practices whereas in other contexts and cultures it might be possible that compensation is not a contributing factor in employees' enhanced performance.

In the present study, results illustrate that performance evaluation practices do impact PEP. This finding is supported by previous researchers as well (Tessema & Soeters, 2006; Ali, Rehman & Shah, 2014; Shahzad, Bashir & Ramay, 2008). This finding, however, is not supported by some other researchers (Ahmed & Shahzad, 2011; Riaz, Ayaz, Wain & Sajid, 2012). The possible reason for the difference in results may be that in Pakistan teacher's performance might be enhanced through performance evaluation practices while in other sectors may be the performance is not affected by performance evaluation practices.

Current study shows that promotion practices do influence perceived employee performance and this is supported by previous researchers (Ali, Rehman & Shah, 2014; Riaz, Ayaz, Wain & Sajid, 2012). This finding is not supported by the studies conducted by Tessema and Soeters (2006), Ahmed and Shahzad (2011) and Shahzad, Bashir and Ramay (2008).

In the current study, it is analyzed that the HRM outcomes partially mediate the HR practices and perceived employee performance relationship between and this finding is not supported by Tessema and Soeters (2006). It can be argued that Pakistan education sector is different from Eritrean civil

services reason being different work environment and cultural differences. However, this needs to be further investigated by conducting future research in various cities of Pakistan.

Implications

This study has many implications for education sector in Pakistan. It highlights which HR practices are required to be emphasized by school administration to enhance teachers' performance, why the selection of knowledgeable performance evaluator is essential, why is it needed to provide feedback to the employees, why schools need to formulate written and operational policy for promotion, how priorities to seniority as well as merit in promotion decisions contribute towards employee performance, why existence of equitable internal and external salary is essential and how can the organizations increase their employees' satisfaction and motivation level.

Recommendations and Conclusion

The current study examined how HR practices affect perceived employee performance with mediating role of HRM outcomes in public versus private education sector of Pakistan.

Regression results depicts that HR practices have positive and significant impact on perceived employee performance. Thus schools administration need to adjust the salaries and financial incentives according to the inflation rate in Pakistan. They should offer equitable internal and external salary. If there is effective implementation of promotion practices in the schools of Pakistan then it will be easy to achieve desired output from the teachers. Schools in Pakistan need to formulate some effective career development programs for the teachers to enhance their performance. They should devise written and operational policy for and give priority to seniority as well as merit in promotion decisions. The management of schools should pay special attention to evaluate the performance of their teachers and to provide them feedback if they want to enhance their performance. The management should consider performance evaluation as an important task and performance evaluators should be knowledgeable

Results of hierarchical regression show that HRM outcomes partially mediate the relationship between HR practices and PEP. Since the motivated teachers are more productive as compared to unconcerned teachers and more competent teachers with role clarity are more productive in comparison of incompetent teachers. It is therefore suggested that schools need to focus on the motivation, competency and role clarity of their teachers as well as the HR practices to enhance teacher's performance.

One of the research questions of this study is to investigate when, how and to what extent HR practices influence employee performance. Results illustrate that HR practices have 11.1% impact on PEP. Regarding promotion practices, presence of written and operational policy and priority to senior-

ity as well as merit in promotion decisions contribute towards employee performance. Taking into consideration the performance evaluation practices, presence of written and operational performance evaluation, provision of feedback, importance of evaluation recognized by management and knowledgeable performance evaluators play a vital role in enhancing employees' performance. Furthermore, in compensation management, existence of equitable internal and external salary enhances employee performance contribute to employee performance. Taking into account HRM outcomes competence, motivation and role clarity play an important role in enhancing employee performance.

Limitations and Future Research

The current research has few limitations. First the sample size was not large enough to generalize the results. Second, this study was conducted in only education sector of Lahore and future research may be conducted in any other sectors of Pakistan. Third, current research has been conducted at primary and secondary level whereas the future research may be carried out at higher education level.

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