Dynamics of HRM Practices and Organizational Performance: Quest for Strategic Effectiveness in Pakistani Organizations

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Abstract

Purpose: Effectiveness of HRM strategy and practices is not established in public organizations of Pakistan. Getting the best and desired outcome is the gap and has been a point of concern for organizations in Pakistan irrespective of size and sector. Purpose of this conceptual paper is to typify different approaches of HRM and look for best fit HRM model to implement effectiveness of HRM practices and generate desired organizational performance in local conditions of developing countries.

Design/Methodology/Approach: The literature on three famous HR approaches and models was reviewed and a best fit HRM model is proposed that postulates mutually dependent relationship between HRM practices and organizational performance that aims to maximize the effectiveness of HRM practices. Need is recognized for developing trusted relationship between management and employees in Pakistani organizations.

Findings: The paper presents a conceptual trust-oriented HRM model that takes into account the Pakistani mindset that is inconsistent at one time and vibrant at the same time. This research study provides a framework for HR specialists to create and sustain networks and connections with people in a more trusted environment.

Limitations and Future Research Directions: Being conceptual, the paper is based on a model developed by this study from literature review. This study feels the need of testing this model in future research. The ideas put forward by this research study are likely to be carried by other studies in near future.

Originality/value: The paper is original in its attempt to emphasize trusted relationship between management and employee on Pakistani concepts of human resources.

Keywords: Public organizations, HRM practices, performance

Introduction

HRM is a bureaucratic occupation that deals with employee dimensions to realize organizational objectives at workplace. A good HRM system and practices keeps an eye on performance level and does not let it sluggish (Khilji, S. E. (2001). For this purpose, it provides support signal to the top management well before time to select and hire the most suitable personnel, manage them to train to carmelize with organizational performance requirements. HRM proves its effectiveness through a robust ‘bundle’ of practices and activities targeted to capitalize on individual and organizational effectiveness.

Management and effective HRM practices are considered the assurance of sustained performance and survival of the organization (Dyer, L. 1985). HR management is a complex task because of varied nature of humans (Bamberger, P. and Meshoulam, I., 2000). In the awake of high tech era, it is the capacity of the HR that makes an organization financially competitive (Pfeffer, J., 1998). Serious attention needs to be given to strengthen HRM system of the organization (Schuler, R.S. and Jackson, S.E. 2005). HRM is a managerial language to write the script for employees and employment relationship (Becker, B.E. and Gerhart, B., 1996).
A study concluded that HRM practices mostly use training as a strategic process to transform organizational processes and professional development of employees (Khalid, M.M., M., Ilyas, and C.A. Rehman 2014). This development enables the employees to take better decisions about themselves (Lambert M., Vero, J. and Zimmermann, B. (2012).

HRM has undergone three phases of evolution, relation to personnel management, from personnel management to human resource management from human resource management to strategic human resource management. Developing countries need new paradigm based on a viable set of HRM practices (Legge, K., 1995).

In developed world, HRM has come out of the groove of personal management (PM) but in developing countries where management is unscientific and unstrategic, functional management of personnel is called HRM. By philosophy, HRM has two functions to perform: strategic and functional (Mello, 2006). Organizations’ strategic vision and planning, set targets of organizational performance and employee’s wellbeing can be aspired.

Last decades witnessed substantial developments in the areas of institutional planning, HR strategies, establishment of pay and rewards mechanism, capacity building of individuals and teams, improvement in HR functions, managerial development, performance management, workplace relationships in developed world (DTI, DFEE and DEFDA, 2000). But the scenario is depressing in developing countries. Getting the best and desired outcome has been point of concern for organizations irrespective of size and sector. Schuler, R. a. (2005) highlights a series of ineffective practices such as lack of motivational rewards, low salaries, absence of rule of law, lack of accountability and absence of value system for granting awards and rewards. These symptoms are indicative of ineffectiveness of HRM strategy and practices in public organizations of Pakistan.

Business organizations in developing countries are pursuing traditional HR model that is more focused on managing office activities like employee daily attendance, record keeping, maintenance of leave records, performance management, pay system but least focus on resource development, strategic management, capacity building, pay and reward mechanism for performance, developing compensation system, and reward based promotion system. HRM practices by using ineffectual and outdated functions lose their direction and negatively impact business strategy development (Budwar and Debrah, 2001). Majority of the public organizations in Pakistan find themselves plunged in these ineffective practices (Lepak and Snell 2002). Hence, inadequacy of HR system, processes and functions hampers institutional and individual performance. A fully developed and capable HRM system helps to identify the areas in which specified HRM practices prove effective to achieve the targeted performance from public managers. The rationale behind advocating HRM practices is to address gaps in institutional development, organizational strategic quest for performance. There is a common question raised in literature, “Is there a strategic fit between human resource practices and organization needs?”

**Viewpoints on SHRM and Organizational Performance**

Research on SHRM brings out the concept of “fit” to hypothesize about strategic HRM (Saint-Onge. (2001). ‘Internal fit’ refers to the case when the organization works to develop interconnected and mutually reinforcing HRM policies and practices. This suggests that a set of ‘best HR practices’ must be existed to fit together so adequately that to reinforce one practice with the other practices to perform.

‘Synergy’ plays the vital role behind internal fit. It is achievable only if HRM policies and practices perform in combination and better than the sum of their individual performances. In this backdrop, different HRM policies and practices work in reciprocal and mutually reinforce each other (Katou and Budhwar, 2007). When the organization aims to develop a set of HRM policies and practices that comes fit with the business’s strategies even beyond the scope of HRM, case for ‘External fit’ stands for. This enlightens the fact that performance will be considered improved when the fit between business strategy and HRM policies and practices is achieved right.

It can be deduced that HRM policies and practices are needed specifically to support generic business strategies. For instance Miles and Snow (1984) state conditions (defenders, prospectors, analysers, reactors) those relate HRM policies and practices with competitive product strategies. Concept of fit was further explored to deliver three further modes of fit or approaches (Guest, 1997; Katou and Budhwar, 2006; 2007). These three approaches are: ‘universalistic’, ‘contingency’, and ‘configurational’. These modes provide the caricatures of the structure of the strategic HRM /business performance models.

Universal perspective on HRM opines that selection of the best practices gain universal acceptance and paves way for high performance. Pfeffer, (1994) labeled the selected practices as ‘best’ practices those have capacity to implement in any sector, industry and environment.
Practices constitute a system and employees follow this system. Practices may be effective or ineffective in their individual impact. In other words, each HR system serves a set of sub-dimensions as an additive index (Combs et al., 2006). These dimensions include an employee-organization relationship framework (Dyer, L., 1985), people expectations and practices (Claus, L., 2003). In former relationship, expected outcomes from employees are focused and in later, employee contribution is focal point.

The ‘universalistic perspective’ sees HRM aims to deliver ideal set of practices that is likely to produce superior results according to conditions available. Internal fit aligns the fitness of HR practices and helps to improve organizational performance significantly. Many follow the implication of the universalistic model (Pfeffer 1994; 1998; Huselid 1995; Claus, 2003). A study found that practices those were considered distinct once, gained ground in bundle form and called aligned HR practices (Legge, K., 1995). Since the internal fit is the dominant feature of universalistic models, effectiveness of an HR system comes through the coherent set of synergistic practices of HR that produces higher business performance. In order to develop such HR systems, the methods based on ‘additive relationship’ (effects of HR practices on outcome in an independent and non-overlapping manner) and on the ‘interactive relationship’ (Effect of one HR practice upon the other) (Delery, 1998). However, it was found that universalistic models instead of taking explicit consideration of the internal integration of HR practices, take into account the additive point of view (Pfeffer 1994; Becker and Gerhart, 1996). According to the proponents of the ‘portfolio effect’, HR practices support and improve one another.

It is worthwhile to point out that countless combinations of practices can result in identical business outcomes. This supports the concept of ‘Equifinality’, in which identical outcomes can be obtained as a result of a number of different practices of HR. Universalistic model finds its support in form of ‘best practices of HR’. How universal practices affect performance, many experts review the situation in different perspectives: (1) the ‘human capital’ (skill set of human resources carried by the organization. recruitment, selection, training and development processes directly enhance this skills set (2) ‘motivation’ factor which gets affected through different HR processes such as recognition, reward, and work systems; and (3) ‘opportunity to contribute’, whether job design, and job involvement/ empowerment strategies provide employees the opportunity to perform. These three mechanisms are found universal to enforce HR practices for business performance (Bamberger and Meshoulam, 2000). The best practices approach finds support from the resource-based theory (RBV) of the enterprise and competitive advantage.

Managing and developing HR strategically prove cost effective for the organization and add differentiation to the product or service (Porter, 1985). Organization desirous to run business at lowest cost margin, and differentiate its product or service, better and planned development of HR can help the organization to get advantage in financial and operational terms. Fragile HRM practices prevalent in public organizations in Pakistan are not able to conduct cost and benefit evaluation which makes it difficult to justify the success of strategy.

The critical perspective opines that there is a visible gap between effectiveness of HRM practices and application. This gap has impacted employees’ beliefs on efficacy of HRM practices. Soft face of HRM can be used to win employees’ trust to work without commenting on job intensity and job security. HRM could not perform to add value and benefits to humans. HRM practices have not been able to make a mark in developing countries such as Pakistan. As a matter of fact, HRM since its inception in Pakistan did not bring any substantial change in employee service and societal life. Rather it has been seen vacillating in the hands of bureaucracy. HRM was not implemented in soft or hard terms. A study concluded that hard and soft HRM strategies were not attempted to apply in large public organizations. It poses hurdles in developing an operative framework for optimum implementation of HRM.

Normative or control perspective dominates literature on HRM and believes that HRM practices are victim of in-house contradiction and unpredictability between application of soft HRM and hard HRM. This lays to create a gap between said and exercised. HRM is multidimensional occurrence that is to be applied in broader perspective. Application of HRM has been misunderstood in few corners. Many companies regard HRM as an ‘objective reality’. Some handle humans like ‘resource’ while some take humans as ‘instruments’ to exploit (Legge, 1995). Whilst it is possible to optimize performance from humans through cost effective HR policies. In simple words, application and discourse of HRM has been confined to few corners. This has made HRM a complex phenomenon. Complexity of HRM has not been unlocked in developing countries because of non-availability of any framework capable of controlling its implications. This scenario is reflected in organizations in Pakistan.
Administration department has been labeled as ‘HRM department’. Administrative issues are not seen through HRM lens. This leads to mishandling and forfeiture of opportunities. This clearly indicates that HRM is at its nascent stage in Pakistan and missing in public organizations (Jamil, 2007). HRM acts in advance. Advance planning of HRM department raises the efficacy of HRM in the eyes of employees. As economy grows, it is likely that HRM activities are likely to win more recognition in Pakistan (Khilji, 2001). Non HRM environment grants senior employees to work in their comfort zone and under an informal structure of management. Such employees enjoy their supremacy and prove change resistant. This reflects that in case of implementation of HR practices at right time at right stage of business activities; current and prospective employees are likely to feel comfortable in the changed environment and the change resisting attitude will be replaced.

Research on HRM can be advanced positively by dint of empirical evidences of past studies. Unscientific claims without concrete evidences cannot contribute to the body of knowledge (Keenoy, 1999). There is desired a framework that could deal with application of soft and hard HRM simultaneously. Both form of HRM application depend upon managerial attitude. Organizations where rule of law and accountability prevail are found more favorable for judicious application of HRM practices combining soft and hard mentality. In the absence of these characteristics, HRM is rated below at status and recognition table in face of manufacturing, finance, and marketing (Legge, 1995).

Developing countries such as Pakistan need high productivity just as modern world does. In the last decades, public sector performance has been unsteady in public organizations of Pakistan. HRM has not been able to show its decisive contribution to improve vandalism in service with containment of costs. For this purpose, organizations need to know the benefits reaped from management practices. Integrated HR systems and practices are capacitated to aid management to get desirable advantage.

Organizations all over the world have harnessed the potential, and skills of human resources (Wang, 2008) to develop business strategy that eventually gains business advantage. This milestone cannot be achieved by adopting a compact business strategy and share it with employees (Lantos, 2001).

**Effectiveness of HRM Strategy in Public Institutions**

In a country which portrays unstable socioeconomic and political conditions such as Pakistan, HRM outcomes do not substantiate to mediate between HRM practices and organizational performance. Employees are treated as 'objects'. In return, employees do not own the organizations and shun the work. In these conditions, organizations need to identify the strategic fit element between HRM practices and performance (Becker & Gerhart, 1996).

It is relevant to refer here that despite many researchers found HRM practices-performance relationship empirically valuable (Huselid and Becker, 1996; Wright et al., 2003) but a reliable mechanism triggering HRM practices to stimulate organization performance in different environments, is missing.

Researchers have focused HRM outcomes in terms of competence and attitude as strong mediators. In order to hunt the most synergetic outcomes, this study filtered two variables competence (skills) (Guest, 2001; Leopold, J. H. 2005) and attitude (organization commitment, motivation and satisfaction), (Leopold, J. H. (2005)). Collaboration of these two variables may lead to enhance the employee effectiveness. If organizations are able to make the employee committed, and motivated, two diverse phenomena can be got synergetic or interlinked.

- A Chinese study stressed upon the need of unique behavior in organizational life to get improved performance. This includes relationship between people of same stature/group leads to share social ties and connections received and actually shared, to adopt diplomatic attitude in organizational life and remain in regular contacts with one another, ignoring the others mistakes and try to be forgiving during daily interactions (accepting apologies like I am sorry for being late), causal relationship between two facts and taking into account cause and effect relationship of facts come across in organizational life. For example: If an employee contends that this matter can affect my family, his statement should be weighed for consideration instead of ignoring in the name of management power. Organizational matters are situational and contextual (Fan, 2002).

Organizations and managers are always in need to resolve complexity of problems in a traditional or radical manner to win financial advantage.
Financial viability for the organization (Abbas, R. Z., Ashraf, M., & Alam, H. M., 2011) depends upon effectiveness of management support (Khalid, M. M., Ashraf, M., Yousaf, U., & Rehman, C. A., 2011) and employee performance that demands a viable strategy to win viable strategic position (Khalid, M. M., Ashraf, M., Azeem, M., Ahmed, R. I., & Ahmed, H. N., 2012). This provides thinking beyond “machine model of organizations” Ellinor and Gerrard (1982, p. 46). Employees’ innate desire to perform has a great scope for HRM to make its practices more and more effective. HRM is capacitated to uplift organizational competency Ulrich (1997, 1999). If role of HRM is accepted from strategic perspective, HRM will have to look for change (Saint-Onge, 2001). This leads to develop new models of HRM with a more focus on linking HRM practices and organizational performance.

**Linkages between Organizational Strategy and the HRM Function**

Legge, K. (1995) points out following forms of linkages between organizational strategy and the HRM function.

**Administrative linkage**

This form of link reflects no linkage between business strategy and HRM, when there exists no HR department and some other figurehead from the Finance or Accounts is entrusted to look after the HR function of the firm. The administrative unit is confined to paper shuffling role. ‘One-way linkage’ develops between business strategy and HRM when HRM comes at the foreplay to implement the business strategy of the organization. ‘Two-way linkage’ develops between business strategy and HRM when HRM is involved at the strategy formulation and implementation stage. HRM when equally involved with other organizational functional areas for business development. This type of linkage is referred to as, ‘integrated linkage’ for business development. Guest (1987) identified two types of decisions i.e. upstream and downstream relating to business strategy and integration of HRM with these. ‘Upstream or first order decisions’ relate to the organizational mission level and vision statement; these accentuate direction of the business and actions required to move in future. Downstream or second-order decisions involve future planning at strategic and divisional levels for upcoming years. These decisions relate staunch HR policies linked with HR core function (such as recruitment, selection, development, communication).

Three levels identified integration of HR policies and business strategy:

- There should be a ‘fit’ between HR policies and business strategy.
- Existence of the principle of ‘complementary’ (mutuality) of employment practices generate employee commitment, and coherence between HR functions.
- He stressed upon the need of ‘internalization’ by the line managers regarding importance of integration of HRM and business strategies (Legge, 1995).

**HR Strategies; an Overview**

Despite having different contexts, organizations pursue HR strategies common to all. To acquire the best talent, to allocate right resources at right time and right place, improving talent through training and cost effectiveness with avoidance of unnecessary wastage are the common HR strategies for leadership (Abbas, R. Z., Ashraf, M., & Alam, H. M., 2011). These strategies left marked effects on different HR functions such as recruitment, compensation, training and development and communication practices in matched Indian and British firms. He found the impact of HRM is variable and context specific (Budhwar and Sparrow, 2002). In future studies, there is a scope to identify and examine the impact of other HR strategies such as high commitment, paternalism, etc.

Organizations are regarded as ‘prospectors’, ‘defenders’, ‘analyzers’ and ‘reactors’ (Miles and Snow, 1978; 1984). The Prospectors refer to as organizations those compete well amidst products and opportunities in the competitive market while defender organizations are engaged in defending their positions and have limited domain in the market. 3rd type of organizations are known as ‘analyzers’ those have some degree of stability but are constantly look for vertical opportunities).4th type is ‘reactors’ who primarily react on stimulating with market conditions. Strategies adopted by these organizations influence HRM policies and practices of organizations. For instance, defenders focus on development of current employees as internal resources instead of employing the new ones. In comparison, prospectors are concerned about recruiting new entrants using performance appraisal results for evaluation (Jackson and Schuler 1995). Employees as vital internal resources play a key role in developing and maintaining a firm’s competitive capabilities (Wright et al., 1998). Hence, HR practices of the organization can win competitive advantage until it develops a unique and valued human pool.
An organization may opt any of the strategy for application, just as Miles and Snow’s (1984) offer strategic
typology based on the four types narrated above i.e. prospector, analyzer, defender and reactor. Organization’s set
of HRM policies and practices are required to be in line with organizational strategies. This perspective was called
as, ‘the ‘contingency’ model’. This model supports ‘External fit’ (Schuler and Jackson, 1987). In other words,
specific HRM policies and practices support multiple generic business strategies.

HRM policies and practices adopted by the organization depend upon the competitive product strategies pursued
by these organizations (Schuler and Jackson, 1987). External fit therefore, becomes the key concept of
contingency models. The contingency approach seeks performance inspired through the theory of the
organizational strategy duly interacting with the individual HR practices those results in higher organizational
performance. A contingency HRM strategy is targeted to optimize organizational performance through the
effectiveness of individual HR practices that is contingent on firm strategy. The chances of getting performance
will be higher if an organization opts to adopt HR practices suitable for its strategy (Katou and Budhwar, 2007).

Another school of thought believed in bundle application of HRM practices based on internal and external fit. This
is popularly known as, the ‘configurational’. This approach implied the specific configurations of HR practices
with their respective organizational contexts. Key is to determine the most effective practices leading to higher
business performance (Katou and Budhwar, 2006). About the three models discussed above, no researcher is
however, clear about the dominance of any of these three. Debate about the authenticity of research results
acquired from universal or contingency models is in the beginning of the journey (Katou and Budhwar, 2006;
2007).

**Crux of The Discussion**

- The above debate helped to understand the different perspectives on SHRM and organizational performance,
about the development in the field of SHRM, to examine linkages between business strategy and HRM and
analyze comparison of HRM and organizational strategy. Outcome of the literature review leads to suggest
that SHRM through its measures lays the foundation of HRM practices whose effectiveness leads to develop a
new framework matching with conditions of developing countries. The proposed framework will help to
augment organizational performance by escalating employee motivation and trust to the status of human
capital. Accumulation of human capital is the key to attain organizational performance.

- Stance of this conceptual paper was to examine the link between HRM practices and organizational
performance. Improvement in performance can help the management to check the current strategy and make
necessary alignment. The study utilizes Resource base View (RBV) to seek link of resources with strategy.

- Interest in SHRM at global level has highlighted the importance of HRM. There is a need to analyze the
meaning of SHRM. A brief view of approaches and theories on HRM is analyzed and debated to better the
gross understanding about the concept. The debate led to focus the involvement of key variables and their
mutual interrelationships in creating a viable framework of SHRM, and its tentative contribution to the
literature in different areas. The proposed framework will help the organizations framing a viable strategy
aimed at organizational performance. The above perspective results in the following framework.

![Conceptual strategy evaluation framework of the study](image_url)
Commentary On The Above Framework

It is proposed in the above framework that contextual influence of rule of law and accountability provides the basis of proposed framework. HRM practices can prove more and more effective and trustworthy if rule of law and accountability like universal practices are implemented, these will motivate the people to develop their skills and create the ‘human capital base’ (recruitment, selection, training and development processes directly enhance this skills set), employ different HR processes such as recognition, reward, and work systems and create opportunity to perform by employing job design, and job involvement/empowerment strategies.

Conclusion

Organizational strategy leads to performance. If rule of law and accountability are made a part of organizational strategy, these can lead to develop human capital by motivating employee trust and satisfaction. If this model is used as a business strategy, it can optimize more profits for organizations by ensuring high performance system in the country.

Europe and America have been successful in developing strong HR system but Asia and Africa are still struggling to look for success of HRM models in their peculiar conditions. A need is recognized for a contextual HRM model on measures these could win people trust as foundation for the development of HR systems to be successful in Asian countries (Budhwar and Debrah 2009). Outcome of above literature review leads to develop following framework:

Pakistan is highly individualistic society at 10/100 score as compared to individualistic western societies. In this backdrop, any model found useful in west cannot be essentially be beneficial in Pakistan. Any framework that is developed for this environment must be in the context of the collectivism predominant in the society.

Management thinking and integrated HRM can pave the ground for application of strategy at all level of business organization. By this approach, people’s talent can be utilized to get desired objectives. The effectiveness of HRM practices and their strategic fit with organizational objectives are likely to attract stakeholders inside or outside of organization to perform diligently.

This study attempted to propose a strategy evaluation framework aiming to alleviate declining performance in organizations in Pakistan. The proposed framework has the capacity to take into account the Pakistani mindset that is inconsistent at one time and vibrant at the same time and offers assistance to the HR specialists to create and sustain networks and connections with people in a more trusted environment.

References


