

Human Resource Practices and Determinants of Organizational Performance in Pakistan

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This study examines the impact of human resource (HR) practices on organizational performance in Pakistan. The research explores key HR determinants such as recruitment, training, performance appraisal, compensation, and employee engagement. A mixed-method approach is used to analyze primary and secondary data from various industries in Pakistan. The findings reveal that effective HR practices positively influence organizational performance by enhancing employee productivity, satisfaction, and retention. The study provides policy recommendations for improving HR strategies to drive economic growth and competitiveness. This article focuses on the analysis of declining performance in Pakistani enterprises. The survey's goal was to find out how HR practices were being applied and how they connected to or impacted workers' productivity within the organization. Both individually and collectively, perceptive measurements provide insight into the connection between HRM practices and performance. The performance of public entities is not consistent. Research techniques for evaluating the efficacy of HRM efforts and their synergy are scarce. Complementarities and their impacts allow continual performance at the individual and group levels to realize strategic goals in Pakistani organizations.

1. Introduction

An entrepreneurial mindset is crucial to a company's expansion in the modern economy since the current trend towards knowledge-intensive industries means that management of employees within the company is becoming more and more important to competitiveness (Atatshi & Kil, 2019). Values, attitudes, & businesses trying to keep a competitive advantage in this ever-changing economic climate are finding that organizational culture and commitment to worker welfare are increasingly important (Cougler & Zoubi, 2023). The need for improved organizational performance has increased rapidly as a result of the global economy's interconnectedness, with companies striving to outperform their competitors in the face of severe economic instability. Other competitors. The growth and success of modern businesses are also linked to things like deregulation, technological development, and institutional changes. The context for this empirical study is the SME sector in the Punjab province of Pakistan (Ayaz & Ahmed, 2019). Because of its advantageous location in South Asia, Pakistan is a member of the Commonwealth and one of the most influential members of the South Asian Association for Regional Cooperation (SAARC). Its institutions and organizations are susceptible to British management techniques due to its historical ties to the British colonial system. Situated in a strategic area, Pakistan shares borders with Afghanistan, Iran, India, and—above all—China (Zahra & Khan, 2021). Furthermore, Pakistan is an intriguing location for studying people management strategies for two key reasons. First, the national culture's traits of collectivism and a wide power gap influence workplace procedures and result in debasement, nepotism, and centralized decision-making (Dionisio, 2017). These tendencies may have a substantial impact on the efficacy and adoption of excellent workplace practices. Second, low employee productivity has been found to be a major factor in Pakistan's weak economic growth, leading to poor organizational performance (World Bank, 2023), considering that SMEs are thought to be the backbone of the Pakistani economy.

There is no universal definition of small and medium-sized firms because of the disparities in socioeconomic conditions among countries. Numerous criteria, including the number of employees, capital invested, total sales volume, asset amount, industrial sector, and production capacity, are commonly used to describe SMEs. However, the number of employees is the most commonly used criterion for describing SMEs across countries (Remmers & Vera, 2020). SMEs have distinctive qualities that distinguish them from large corporations, and they might differ between nations and cultures. Lack of economies of scale, product offers, technological integration, managerial style, and internal resource utilization are some of these distinctive characteristics (Hodgets & Zander, 2017). SMEs frequently have a flatter structure and a more command and control environment than larger companies with more hierarchical organizations.

They emphasized that managers and owners of small businesses see HRM-related costs as an unwelcome financial burden, and as their business grows, they become less and less convinced of this perspective. Because they frequently have more resources, large companies are able to absorb, implement, and enforce HRM policies and practices to a significantly larger level than small ones. For instance, several academics argue that big businesses are more structured than small ones when it comes to hiring, training, and HRM planning. Most contemporary studies on

HRM in SMEs approach all SMEs as a single entity, ignoring crucial differences such product type, industry sector, and other aspects (Mushfiqur, 2018).

New institutionalism holds that while SMEs differ across different industries, they share characteristics within a single industry. For instance, the product markets and skill levels of SMEs in one industry could differ from those in another (Shah & Javed, 2020). Based on elements including market competitiveness, managerial style, organizational culture and structure, and customer base and kind, SMEs in an industrial sector may differ similarly. In conclusion, the RBV theory of HRM asserts that effective HRM procedures and guidelines encourage the development of a skilled and motivated workforce, which may lead to the acquisition and preservation of a competitive edge (Khalid & Mehmood, 2022). The company benefits from higher labor productivity and lower personnel turnover, which raises stock values and financial performance.

Pakistan's workforce has a wide perspective due to regional differences, the gap between urban and rural populations, and variations in educational attainment. To fill in the gaps in the workforce's divergence, more comparative study is therefore required (Abbas & Hassan, 2017).

The goal of tracking HR practices and their impact on worker performance was to determine whether the right individual was receiving fair compensation and how pay scales and performance evaluations affected workers' dedication to their professions. Appraisal systems that are poorly managed or developed will not be able to determine the attitude required to achieve the intended performance. According to earlier studies, this sector can be useful when looking for a more positive workplace (Javed & Nisar, 2021). According to the study's premise, if a set of HRM practices—such as career planning, training, performance appraisal systems, compensation plans, and employee participation—are implemented in the right context and with the right content, an organization's ability to achieve its strategic objectives will be improved and employee performance will rise. Several scholars contend that implementing HRM techniques and related policies can be challenging and may not produce the desired performance for the company (Naeem & Saleem, 2025).

The performance of the organization is impacted by the combination of more modern managerial strategies like resourcing, development, reward, and interrelationship with more conventional training tactics like coaching, mentoring, lectures, conferences, movies, and case studies. To enhance performance, human resources must provide mentorship both on and off the job. In other words, in order to share benefits, the organization should use its existing learning pathways to attract talented individuals and develop them into human capital (Aslam, 2022). In order to determine which HRM practices could be used to achieve benchmark employee performance,) identified four dimensions: career development, human resource planning (creating mixed skill teams), an adequate performance appraisal mechanism (evaluating performance, training appraisers, and evaluating), and a reward system (encouraging employees to improve their performance, service efficiency, and promoting from within).

The success of a business is significantly impacted by the integration of strategic and functional HR approaches (Junaid, 2017). People in this stream are respected for their KSAs, and

new work practices have been devised. This atmosphere creates advantageous working conditions, which employees choose to adapt to. In this advantageous environment, the individual is urged to utilize their potential in order to demonstrate the intended organizational behavior (Haider, 2022). According to academics like (Akbar & Shahid, 2017), procedures and human capital must coexist together in order to enhance organizational performance. However, it is challenging to sustain extraordinary performance without managerial support (Shafique & Rizwan, 2023). Planning a Individual career planning and HR planning within the HRM department are closely related (Farooq, 2023). A tool for attracting employees and inspiring them to contribute to their personal and the group's development is career planning (Nisar & Latif, 2021). Employees are motivated to perform by this appeal (Hussain & Mehmood, 2019). Career planning has been shown to be successful and transcends the usual boundaries of a career. People prefer to work for organizations that provide them greater options, claim (Qureshi, 2018). Employees are granted equal opportunity regardless of their gender, race, nationality, caste, color, or creed.

1.1. Research Objectives

1. To identify key HR practices influencing organizational performance in Pakistan.
2. To assess the relationship between HR practices and employee productivity.
3. To examine the impact of HR determinants on organizational success.
4. To provide policy recommendations for improving HR strategies in Pakistan.

1.2. Research Questions

1. What are the main HR practices used in organizations in Pakistan?
2. How do HR practices influence employee productivity and organizational performance?
3. What are the determinants of successful HR implementation?
4. What policy recommendations can enhance HR effectiveness in Pakistan?

2. Literature Review

The literature on HR practices and organizational performance suggests that effective HR strategies significantly impact business success. According to Armstrong and Taylor (2020), recruitment, training, and performance appraisal are critical components of HR that drive organizational efficiency. Studies in Pakistan highlight challenges such as inadequate training programs, poor compensation structures, and lack of employee engagement (Khan & Qureshi, 2019). The resource-based view (RBV) theory suggests that human capital is a competitive advantage when effectively managed (Barney, 1991). Career planning, however, is passive in non-cage work. Employees with and without cadres have different perspectives as a result of this. Career planning is seen as a phenomenon that aligns the target firm's skills and abilities with the employee profile. In order to identify the valuable components of performance, employers in today's fast-paced business climate want "adaptive performance" from their employees. Managers' use of an organization's resources to accomplish its goals can be utilized to measure how effective

and efficient that performance. The effectiveness and efficiency of an organization are used to gauge its performance. The external indicator of how well resources are used to accomplish goals is efficiency. According to research, effectiveness is restricted in its capacity to assess the suitability of the goals managers set and the level of success achieved. In other words, there is a relationship between organizational performance and personnel efficacy (Rehman, 2020).

According to data, a robust performance management system should be capable of assessing, evaluating, and developing performance in addition to job analysis. The outcomes of an employee's performance review are displayed in a performance management system as expected and actual performance. This kind of reporting boosts employee motivation for performance (Qureshi, 2019). Employee performance is the main focus of a performance appraisal system, which also highlights other areas for improvement. When the compensation plan and performance management system are correctly integrated, employee willingness to perform increases. (Rehman, 2020). These tendencies may have a substantial impact on the efficacy and adoption of excellent workplace practices. Second, low employee productivity has been found to be a major factor in Pakistan's weak economic growth, leading to poor organizational performance (World Bank, 2023), considering that SMEs are thought to be the backbone of the Pakistani economy.

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The findings of the study addressed the differences in employee performance. Among the HR processes that statistically regress one another more commonly include training, performance reviews, and compensation. However, career planning and employee participation yielded very little. The findings imply that a successful set of HR procedures can result in enhanced performance by combining and synthesizing a practical compensation plan, an effective training approach, and a mechanism for performance evaluation (Dayan, 2011). According to the information obtained for the study, career planning and employee participation are subjective activities that seem to have minimal impact on how employees perceive their own performance. These are not the results that were expected. Furthermore, studies show that a number of HRM practices, such as pay plans, training, and performance reviews (Aslam & Khan, 2022).

3. Methodology

A mixed-method approach is used, combining qualitative and quantitative techniques to ensure comprehensive analysis. This methodology section outlines the research design, data collection methods, sampling techniques, and data analysis procedures.

3.1 Research Design

The study adopts a descriptive and analytical research design to evaluate the impact of HR practices on organizational performance. A cross-sectional survey approach is employed to capture insights from HR professionals, employees, and industry experts.

3.2 Population and Sample Size

The target population consists of employees and HR managers from various industries in Pakistan, including manufacturing, services, and information technology sectors. The sample is drawn using stratified random sampling to ensure representation across different organizational sizes and industries. The final sample includes:

- 300 employees across different levels and departments.
- 100 HR professionals from diverse sectors.
- 20 industry experts for qualitative insights.

3.3 Data Collection Methods

The study uses both primary and secondary data sources:

3.3.1 Primary Data:

- **Survey Questionnaires:** A structured questionnaire is developed based on validated HR performance scales.
- **Interviews:** Semi-structured interviews with HR managers and industry experts provide in-depth perspectives.

3.3.2 Secondary Data:

- Company reports, HR performance metrics, and relevant academic publications are analyzed.

3.4 Measurement of Variables

The following key variables are measured using a Likert scale from 1 (Strongly Disagree) to 5 (Strongly Agree):

- **Independent Variables:**
 - Recruitment and Selection
 - Training and Development
 - Performance Appraisal
 - Compensation and Benefits
 - Employee Engagement

- **Dependent Variable:**

- Organizational Performance (measured by productivity, financial performance, and employee retention)

3.5 Data Analysis Techniques

Data is analyzed using the following methods:

- **Descriptive Statistics:** Mean, standard deviation, and frequency distribution.
- **Correlation Analysis:** Examines relationships between HR practices and organizational performance.
- **Regression Analysis:** Determines the strength and significance of HR practices on performance.
- **Thematic Analysis:** Applied to qualitative data from interviews to identify key themes and patterns.

4. Estimation Results and Interpretation

4.1 Descriptive Statistics

The data collected from 300 employees and 100 HR professionals reveal the following:

Table No 1: Descriptive Statistics

Variable	Mean	Standard Deviation
Recruitment	4.2	0.85
Training	4.5	0.78
Performance Appraisal	4.0	0.82
Compensation	4.3	0.81
Employee Engagement	4.4	0.76
Organizational Performance	4.5	0.72

The descriptive statistics suggest that training and employee engagement have the highest ratings, indicating their perceived importance in driving organizational performance.

4.2 Correlation Analysis

The Pearson correlation coefficients are as follows:

Table No 2: Correlation Analysis

Variable	Organizational Performance
Recruitment	0.65
Training	0.78
Performance Appraisal	0.62
Compensation	0.70
Employee Engagement	0.75

All variables exhibit a strong positive correlation with organizational performance, with training and employee engagement showing the highest associations.

4.3 Regression Analysis

A multiple regression model is used to estimate the impact of HR practices on organizational performance. The results are presented below:

Table No 3: Regression Analysis

HR Practice	Coefficient	p-value	Impact on Performance
Recruitment	0.45	0.001	Significant Positive
Training	0.52	0.000	Highly Significant
Performance Appraisal	0.38	0.005	Positive
Compensation	0.47	0.002	Significant Positive
Employee Engagement	0.50	0.001	Highly Significant

Following is the interpretation of table no 3.

- Training and employee engagement have the highest positive impact on organizational performance.
- Recruitment and compensation also play significant roles.
- Performance appraisal contributes moderately to business success.
- The p-values indicate that all HR practices have a statistically significant effect on organizational performance.

4.4 Thematic Analysis of Qualitative Data

Key themes emerging from interviews include:

1. **Strategic HR Alignment:** Organizations with HR strategies aligned to business goals show better performance.
2. **Employee-Centric Culture:** Workplaces that prioritize employee well-being report higher productivity.

3. **Technology Integration:** Digital HR tools improve efficiency and reduce administrative workload.

5. Conclusion and Policy Recommendations

5.1 Conclusion

The study confirms that HR practices significantly impact organizational performance in Pakistan. Effective recruitment, comprehensive training, fair compensation, and employee engagement enhance business success. However, challenges such as ineffective implementation and lack of HR investment persist.

The findings of the study should improve public organizations' HRM procedures. Public corporations must embrace scientifically validated processes such as performance appraisal, training, and remuneration in order to improve performance, rather than sticking with outdated methods. Performance is encouraged by aligned HR practices, which benefits all parties involved. To foster a culture of consistent performance, the public sector should adopt several of the applications suggested by this study, such as sufficient training programs, a skill-hunt performance grading system, and a market-oriented incentive package. The topics to consider are employee involvement and specific career planning.

5.2 Policy Recommendations

1. **Enhancing Training Programs:** Organizations should allocate more resources to employee development.
2. **Improving Recruitment Standards:** Hiring processes should be merit-based and structured.
3. **Optimizing Compensation Policies:** Competitive salaries and benefits improve employee motivation.
4. **Strengthening Employee Engagement:** Organizations should create participatory work environments.
5. **Government Intervention:** Policies should support HR best practices through regulations and incentives.

This research provides a roadmap for organizations and policymakers to improve HR strategies and drive Pakistan's economic growth.

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