

Human Resource Systems and Employee Performance: An Analysis in Major Industries of Pakistan

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Keywords: Human Resource Systems, Employee Performance, Pakistan, HRM, Compensation, Training, Organizational Productivity

DOI No:

<https://doi.org/10.56976/jsom.v3i3.187>

This study examines the relationship between human resource (HR) systems and employee performance in Pakistan. HR systems, comprising recruitment, training, performance appraisals, and compensation strategies, play a pivotal role in enhancing employee efficiency and organizational productivity. The research aims to understand how these HR practices influence job satisfaction, motivation, and overall work performance. Data was collected from various industries in Pakistan using structured surveys and analyzed using statistical tools. The findings indicate a strong correlation between well-structured HR practices and higher employee performance. Specifically, performance-based compensation and continuous training programs significantly improve employee output. The study suggests that organizations in Pakistan should invest in strategic HRM to maximize workforce potential. The study is particularly important for HR practitioners and organizations since it provides guidelines and recommendations for managers to understand the importance of human capital development to boost HR professionals' ability to maintain competitive advantage. Furthermore, it also explains the significance of a system for effective operation. The study is unique in that it seeks to offer more empirical evidence in favor of RBV theory in the context of Pakistan. In order to validate empirical evidence that partially supported the RBV theory, the study's research approach was effective.

1. Introduction

Human Resource Management (HRM) plays a critical role in shaping the performance of employees and organizations alike. In today's competitive business environment, organizations need effective HR systems to attract, develop, and retain a high-performing workforce. In Pakistan, where industries are evolving rapidly, HRM practices are becoming more crucial than ever in ensuring sustainable growth and productivity (Ahmed & Ahmed, 2023). The human resources (HR) function is being challenged by global economies, which create an environment where companies must aim for sustained competitive advantage. To function effectively and carry out important duties more successfully, HR professionals must have the necessary abilities. HR must not only build core competencies, but also observe, understand, and adapt to current business trends.

This is because the HR profession is often asked to assist businesses in thriving in a competitive market. Many facets of human resource management include competencies, ranging from specialized duties like hiring and performance reviews to organizational structure, cultural design, and strategy planning (Aslam, 2021). According to certain theories, HR talents are a collection of traits that support efficient HR operations and help a business implement its plans in a cutthroat marketplace. Due in part to the responsiveness of both customers and providers, the proliferation of ICT in Pakistan's telecom industry has also increased competition. In order to function effectively and preserve a firm's long-term competitive advantage, employees must possess the necessary level of core competencies, which include knowledge, skills, abilities, attitudes, and behaviors, even though this calls for a higher level of human capital in the organization (Bashir & Ali, 2019).

Employee performance, which includes efficiency, job satisfaction, and commitment to organizational goals, is significantly influenced by HR practices. Effective HR systems encompass several elements, including recruitment and selection, training and development, compensation management, and performance appraisal. The role of these HR components is particularly important in Pakistan, where economic fluctuations, cultural diversity, and limited resources pose challenges to workforce management (Farooq & Zia, 2018).

This paper explores the impact of HR systems on employee performance in Pakistan, examining how strategic HR practices can contribute to a more engaged and productive workforce. It also investigates challenges that organizations face in implementing these HR systems effectively. In today highly competitive global market, it is imperative that companies use human capital effectively to boost their competitive advantage. High-quality human resources are crucial to the expansion of the telecom sector, as noted, who pointed out that skilled and knowledgeable HR professionals can give businesses a competitive edge over rivals, who underlined that businesses compete based on the caliber of their workforce (Ghaffar & Yousuf, 2017). Others claim that theoretical research on the effectiveness of HR specialists in Pakistan is still in its early stages. Furthermore, theorist asserts that the dearth of experimental research in human resource development (HRD) suggests the need for alternatives to causal inference; nonetheless, this

research gap must be addressed. Therefore, the purpose of this study is to determine how human capital development affects the efficacy of HR experts in Pakistani telco firms. It also looks at how the high performance work system moderates the aforementioned relationship (Hameed & Riaz, 2019).

Human resource (HR) professionals are the individuals who comprise the profession and work in the HR department. Additionally, HR professionals create and carry out HR policies, procedures, initiatives, and practices that manage employees and the business. asserted that HR professionals frequently perform their duties and responsibilities at an organization's main office. However, when performing their duties and responsibilities, they could be HR specialists or HR generalists. Both HR specialists and HR generalists are required to perform a range of duties within the HRM function. HR professionals must have a wide variety of skills and be able to manage all facets of HRM duties because they are HR generalists. Furthermore, HR generalists are responsible for growth and development (Hanif & Rehman, 2020).

It was underlined, although, that in larger organizations, HR professionals typically manage a variety of departments. Each department may be supervised by an HR manager who specializes in the particular HRM function, such as hiring, performance reviews, training and development, and compensation. HR professionals are trusted by organizations to complete all tasks effectively.

The best measure of an HR professional's effectiveness is the results they produce from a given situation. HR professionals' ability to successfully execute company goals is a gauge of their efficacy, claim by the researchers. In a similar vein, research has examined the effectiveness of HR professionals' internal tasks and how they contribute to improved organizational performance.

However, if HR professionals want to be productive, they must have advanced skills that will allow them to contribute and add value to their organizations, according to (Hussain, 2021). On the other hand, (Junaid & Shah, 2022) argued that an effective HR department need the necessary KSAOs to boost accomplishment and competitive advantage. Although HR professionals' ability is a vital first step toward both individual and organizational effectiveness, businesses that want to boost employee effectiveness must give human capital development top priority. The influence of HR professionals' skills (KSAOs) on the connection between HRM research and HR professionals' efficacy was overlooked (Malik & Waheed, 2017).

Since HR professionals' efficacy is now a critical component of developing countries' processes, their significance in promoting superior organizational performance—which can result in economic growth—has increased dramatically. Additionally, contended that the effectiveness and competencies (KSAs) of HR professionals in Asia have not been thoroughly examined.

Despite this, the great majority of companies need to recognize the strategic importance of human resources professionals, who are still not recognized as strategic planning partners (Mehmood & Arshad, 2018).

1.1 Research Questions

1. How do HR systems influence employee performance in Pakistan?
2. What role do compensation and benefits play in employee motivation and efficiency?
3. How does training and development affect employee productivity?
4. What are the key HR challenges faced by organizations in Pakistan?
5. How can HRM policies be improved to enhance employee performance?

1.2 Research Objectives

- To assess the impact of HR systems on employee performance in Pakistan.
- To analyze the effectiveness of training programs in improving workforce skills.
- To examine the role of compensation structures in employee motivation.
- To identify challenges in HR system implementation in Pakistani organizations.
- To propose policy recommendations for enhancing HR practices in Pakistan.

1.3 Research Problem

The efficiency and productivity of employees are directly linked to HRM systems. However, in Pakistan, many organizations struggle with inefficient HR policies, inadequate training programs, and poor compensation structures. The lack of a strategic HR framework leads to high employee turnover, dissatisfaction, and decreased productivity. This research aims to address these challenges by providing empirical insights into the effectiveness of HR systems in enhancing employee performance.

2. Literature Review

Nawaz and Siddiqui (2022) describe human capital development as the process of enhancing each employee's knowledge, skills, abilities, and other attributes (KSAOs). It is an approach to improving performance by developing abilities through personnel training and development as well as organization development (Rashid & Zubair, 2023) developed a theory of competences that highlights the significance of KSAOs and the link between possessing these abilities and being able to complete specific activities more successfully. Other studies have shown that great performance requires human capital development (Salman & Ali, 2018). In relation to company success, Hsu et al. (2007) also emphasize the significance of organizational human capital.

According to modern global economics, human capital is accurately described as the attributes that an individual contributes to their line of work, such as intelligence, optimism, reliability and commitment, a fulfilling work ethic, learning potential, and inventiveness. All of these traits, skills, and knowledge should be improved by the employer and the worker. have shown that the CEOs' disdain for human capital and lack of HRD initiatives were the main causes of the US corporations' fall in global competitiveness throughout the 1990s.

As a result, any company must have a pool of human capital to prevent the collapse of an unexpected company.

One of the earliest empirical studies in the SHRM literature found that employers might increase employee productivity and corporate financial performance by implementing high performance work practices (HPWP). To improve workers' KSAOs, one HPWP group took part in a range of activities. A variety of processes that are likely to assist the accumulation of human capital, which an organization can employ to bolster its competitive edge, are also outlined by a number of human capital development models (Shehzad & Latif, 2018).

In essence, these ideas back up the notion that companies' efforts in human capital development result in good performance on both an individual and organizational level. Human capital is essential for a source of innovation and strategic renewal since it represents the entire intelligence of an organization's HR department.

Ullah and Waseem (2023) state that by improving workplace knowledge and implementing a high-performance work system, we can anticipate a positive development of human capital. Hence, it is thought that high performance work systems enhance workers' commitment and KSAOs, which in turn influences their output (Waqas, 2019). Expansion and a focus on human capital development are said to lead to high performance. It has been recognized as a useful tactic for developing the human capital of an organization.

Younis and Shakeel (2021), a high-performance work system consists of strict hiring procedures, a system for managing performance, incentive management, and training and development initiatives that are designed to find, develop, and highlight the abilities and conduct of employees needed to carry out the company's competitive strategy. (Zaman & Abbas, 2020) identified a number of elements that constitute a high-performance work system, including security, transformational leadership, training and development, effective teams, contingent rewards, distributed decision-making authority, reduced hierarchy, information sharing, high-quality work, and performance measurement procedures. One of the main points of contention about high performance work systems is the notion that contemporary tools and technology could benefit companies.

By influencing workers' motivation, skills, and flexibility of authority, this management approach is usually believed to improve organizational performance. High performance work systems, according to data these are extensive arrangements of HR policies, work structures, and processes that maximize workers' expertise, skills, dedication, and adaptability. Because these systems are frequently distinct, difficult to replicate, and causally ambiguous, SHRM researchers have suggested that HR practices through systems may improve business performance and long-term competitive advantage. A high performance work system, according to research, it is an organizational framework that incorporates the individual.

Existing literature highlights the importance of HRM in improving employee performance. Studies suggest that organizations with well-structured HR practices report higher job satisfaction and commitment among employees. Key HR components such as training and performance-based

compensation significantly impact work efficiency. However, in Pakistan, limited empirical research has been conducted on the direct impact of HR systems on employee performance. This study aims to bridge that gap by analyzing how various HR practices influence workforce productivity in the Pakistani context (Malik & Waheed, 2017).

3. Methodology

A mixed-methods approach was used in this study, combining quantitative and qualitative data. Primary data was collected through surveys from employees working in various industries across Pakistan. A structured questionnaire was designed to assess the impact of HR systems on employee performance. Secondary data was sourced from academic journals, industry reports, and government publications.

3.1 Data Tools and Techniques

- **Survey Method:** Structured questionnaires with Likert-scale responses.
- **Sampling Technique:** Random sampling of employees from diverse industries.
- **Data Analysis:** Statistical tools such as regression analysis and correlation techniques were used to assess relationships between HR practices and employee performance.
- **Software Used:** SPSS and Excel for data processing and analysis.

3.2 Estimation with Results and Interpretation

The study employed regression analysis to examine the relationship between HR practices and employee performance. The results are presented below:

Table No 1: Results

HR Practice	Beta Coefficient	Significance Level (p-value)	Impact on Employee Performance
Training & Development	0.78	0.001	Strong Positive
Performance Appraisals	0.62	0.002	Positive
Compensation & Benefits	0.85	0.000	Very Strong Positive
Recruitment Strategies	0.55	0.004	Moderate Positive

The results indicate that compensation and benefits have the highest impact on employee performance, followed by training and development. Performance appraisals also contribute significantly, whereas recruitment strategies, though important, have a comparatively moderate influence.

5. Conclusion and Policy Recommendations

The study concludes that HR systems play a crucial role in enhancing employee performance in Pakistan. Organizations that implement comprehensive HR practices, including fair compensation, regular training, and structured performance appraisals, experience higher levels of employee efficiency and job satisfaction. Additionally, it is believed that the relationship between human capital development and the effectiveness of HR professionals is a theoretical addition to the body of knowledge currently present in the field of strategic HRM. Although the

moderating effect of high performance work systems is not substantial in the current study, it is believed that these systems can play a key role as moderators in the phenomena of HR professionals' effectiveness. The effectiveness of HR professionals and corporate culture have been shown to be significantly moderated by high performance work systems. High performance work systems may thus provide a significant contribution to the RBV theory in the context of Pakistan, as previous scholars have argued that they can assist companies in achieving lasting competitive advantage.

5.1 Policy Recommendations:

1. **Enhancing Compensation Structures:** Organizations should introduce performance-based incentives and competitive salary packages to improve employee motivation.
2. **Investing in Training Programs:** Regular skill enhancement initiatives should be implemented to align employees with industry advancements.
3. **Improving Performance Appraisal Systems:** Transparent and structured appraisals can foster a culture of continuous improvement.
4. **Developing Strategic HR Policies:** A holistic HR framework should be established, integrating best practices tailored to Pakistan's corporate environment.
5. **Government and Industry Collaboration:** Policymakers should work with industry leaders to develop HRM guidelines that support sustainable workforce development.

By adopting these recommendations, organizations in Pakistan can create a more engaged, productive, and high-performing workforce, ultimately contributing to national economic growth.

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