The impact of human resource practices on employee perceived performance in pharmaceutical sector of Pakistan

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Human resource has various practices such as compensation, promotion and performance evaluation etc. This study is going to evaluate the impact of these three human resource practices on perceived employee performance. The data are collected through questionnaire from pharmaceutical companies located in Islamabad and Rawalpindi cities of Pakistan. To measure the impact of human resource practices on employee perceived performance, correlation and multiple regressions are used. The correlation result shows significant relationship between mentioned human practices and employee perceived performance. Multiple regressions present substantial variance in perceived employees' performance due to these human resource practices. Whereas, the individual results of regression analysis informs that compensation has premier role in explaining the employee perceived performance. It appears that the pharmaceutical companies may pay special attention to these three practices in order to ensure employees' performance.

Key words: Human resource, practices, compensation, promotion, performance evaluation, employee perceived performance.

INTRODUCTION

In Pakistan, there are more than 400 pharmaceutical companies operating and the sales office of almost each company is located in Rawalpindi and Islamabad. It is noted that there is a huge competition among pharmaceutical companies in order to achieve desired objectives. Organizational human resource practices and policies are important for determining employee’s behaviour.

A study shows that human resource management (HRM) involves the process of dealing with employees and staff. The sales representatives of these companies are their main strength because the performance is totally depending upon them.

As EsraNemli (2010) noted that human resource practices are the most important source of any company to build a strong competitive advantage in the market. Furthermore organizations should continuously improve their HRM practices if they want to remain viable in this diverse environment.

Human resource management (HRM) system has a significant association with the employees’ higher
presentation (Horgan and Mo’hlau, 2006). Organizations undertake their activity according to environment size and nature of the operation. However, employees can easily achieve the goals and objectives of the organization if the management makes soft decisions and positive behaviour for the betterment of employees. In today’s world due to increasing competitive environment, organizations are continuously improving their employee’s performances by improving their human resource practices. Caliskan (2010) stated that HR practices are one of the core sources that facilitate an organization to fabricate its strong competitive advantage. So many researchers proved that there is a significant and optimistic relationship between human resource practices and employee output (Qureshi et al., 2006; Tessema and Soeters, 2006). The human resource practices play an important role in the maximization of organizational profitability which is the primary objective of any company.

Datta et al. (2003) investigate with the intention that there is a well-built relationship between a company’s efficiency and the effective use of human resource practices. Human resource practices have a vital relationship with book keeping profits of banks (Delery and Doty, 1996). There are many factors that have significant impact on employee’s performance but at hand study focuses on the association of three HR practices including compensation, performance and promotion with employees’ perceived performance. Singh (2004) acknowledged that training and reward have constructive affiliation with organization and employees’ output.

Cohen and Wheeler (1997) state the problems of human resource in developing countries are: low income level, insufficient valuable presentation standards, low incentives for good progress, poor employment scale which has not grabbed the interest of expert people, seniority based promotion, employees’ real performance, planned promotion and lack of good compensation for hard work, poor management by supervisor and lack of motivation. So many researchers have found that there are several HR practices that significantly affect performances. This aspect shows the importance of performance appraisal and also an important factor in an organization’s HR system. To collect the data for performance appraisal, there are basically three methods: objective production, personnel, and judgmental evaluation. Judgmental evaluations are the most commonly used with a large variety of evaluation methods. Developing countries now develop their human resource strategy and effectively consider it more important element than ever before (Praha, 2004). Employees become more motivated and work hard when they receive reward from organizations in terms of money and promotion (Caruth and Handlogten, 2001). The growth of those companies who focuses on their long term incentive plans is extremely high than those who ignore this plan (Leonard, 1990).

**LITERATURE VIEW**

Harel and Tzafrir (1999) examined the impact of human resource management practices on organization and market performance of firm level and expanded the pragmatic existing literature. For this purpose, they used the sample of public and private sectors organizations in Israel. They included 215 organizations from private and public sector and each of these organizations must have more than 200 workers. The questionnaires were distributed to these organizations; and 76 out of 215 organizations returned the questionnaires. The response rate was 35%. The overall results showed that there was a significant and direct relationship among these variables.

Bowra et al. (2012) investigate the nature of relationship between Human Resource (HR) practices and employees perceived performance in banking sector of Pakistan. They conducted a survey in 235 banks through personal administrative questionnaires in order to examine the impact of HR practices on employee’s perceived performance. So, they applied two methods for getting appropriate results of multiple regression analysis and spearman’s correlation matrix. The two HR practices performance evolution and promotion practices show their results are significant while compensation practices show insignificant results in regression analysis. Whereas, spearman’s correlation result also shows a significant and positive relationship between HR practices and employee’s perceived performance.

Ahmad and Shahzad (2011) observed the impact of HR practices on the perceived performance of Azad Jammu and Kashmir University teachers. They distributed 150 questionnaires among different university teachers, who worked in AJK universities. However, these teachers were selected randomly and 113 filled questionnaires were returned back, so the comeback rate was 75%. They used Pearson correlation and regression analysis to check the relationship between independent and dependent variables. The compensation practice of HR is positively and significantly correlated with the performance of universities teachers of AJK of Pakistan, while the other two HR practices performance evolution and promotion have no significant relationship with dependent variable.

Gyensare and Asare (2012) investigate the impact of HR practices (promotion, compensation and performance evolution) on employee’s perceived performance of psychiatry nurses in the mental hospitals in Ghana. The purpose of this study was to improve the performance of psychiatry nurses in supporting decisions making in mental hospitals. The data were collected from two mental hospitals of Ghana (Ankaful and Accra). 145 questionnaires tested were distributed; ninety (90) questionnaires had a cover letter while the remaining fifty five (55) belonged to the administrative personnel. However, 130 questionnaires were received back, with
90% feedback. Pearson correlation and multiple regression analysis were used to check the impact between independent and dependent variables. Both techniques showed positive relationship between HR practices and employee’s perceived performance.

Khan et al. (2011), in their study, established a link among different employee’s for job satisfaction in private and public sectors banks in Islamabad and Rawalpindi of Pakistan. For this purpose, they developed a link between retention in mediating environment for employees and human resources internal service quality practices. They distributed 550 copies of questionnaires among different banks in selected areas and received back 400 copies with 73% feedback. Employees’ training and growth, work plan, job description employees’ rewards and compensation report were positive and significant to interior service quality in human resource management; these also have optimistic and significant impact on retention of employees.

Imran and Ahmad (2012) discussed the relationship between HR practices on the organizational loyalty of the service area for employees of Pakistan. They used different variables in HR practices like perceived organization support, communication training and development, compensation, organizational climate, work life policies, career development opportunities, empowerment. The adopted sampling technique was used and six hundred (600) questionnaires were distributed in selected service industry of Islamabad, Lahore and Rawalpindi and response rate was 85%. For conformation of the validity of data they conducted pilot study. The overall results show a positive and significant HR practices with effective organization commitment

Ullah (2013) addresses the effect of HR practices on internal customers’ satisfaction and organization effectiveness. The administrative questionnaires survey based were distributed among two hundred (290) banking personnel of Pakistan. The result of HR practices shows encouraging association between internal customers’ satisfaction and organization effectiveness.

Horgan and Muhlau (2006) discussed this topic in two ways (theoretical and empirical). They took the data from two European countries like Ireland and Netherland. In the theoretical part, they discussed three different complementarities like compensation, reinforcement and flanking with five main areas of HR management performance such as, guidance, sharing arrangement, training, incentives system and selective recruitments.

They investigated the performance of five HR practices magnitude with the complementariness relationship among the employees’ level. The result of complementary hypothesis was strongly supported by Irish data and not the Dutch data.

Aleem et al. (2012) explored the impact of HR practices on employee’s perceived performance in the health sector of Pakistan. In their study, they used job security, compensation, performance appraisal, pension fund, employee’s participation and employee relations as HR practices. Whereas, satisfaction with HR practices was used as moderating variable between independent and dependent variables. They distributed 220 questionnaires among different employees of autonomous medical institution of (Punjab) Pakistan. The employees as respondents are in the low, middle and high level of hospitals. The results indicate that two HR practices performance appraisal and employees participation have insignificant impact on employees’ perceived performance while other independent variables have a significant impact on dependent variable.

Research questions

1. Can human resource practices affect employee’s perceived performance in pharmaceutical sector of Pakistan?
2. To what extent do HR practices impact on employees’ perceived performance in pharmaceutical sector of Pakistan?

Research objectives

This study aims to achieve the following objectives.

To find out how HR practices affect employees’ perceived performance in Pakistan.
To investigate what factors of HR practices have impacted the employees’ perceived performance of Pakistan.
To analyze the extent at which HR practices affect the employee’s perceived performance of Pakistan.

The theoretical framework of this work is seen in Figure 1.

Hypothesis

H1: There is a significant association between compensation and employee perceived performance.
H2: There is a significant association between performance evaluation and perceived performance of employee.
H3: There is a significant association between promotion practices and employees’ perceived performance.

DATA AND METHODOLOGY

In our study, quantitative data were collected by using non-probability sampling technique (convenient sampling), with self-administered questionnaire consisting of 7-point likert scales. Final analysis was conducted with the help of statistical packages of the social sciences (SPSS). Correlation and multiple regression analysis were used as a technique for measuring the impact of HR practices on employees’ perceived performance.
Research design

Basically, research design is an overall roadmap of the research, which explains the direction and data collection methods whether from primary or secondary sources. Neuman (2006) stated that quantitative approach is more appropriate than qualitative technique. However, this technique is separated from theory and is emphasized with reliability. Quantitative approach is used to develop hypothesis based on variables to empirically investigate the statement through statistical technique. We used convenient sampling in order to select sample from target population of pharmaceutical companies in Islamabad and Rawalpindi. The sample size (n = 346), from 20-60 years, was used in this study for this purpose. 346 questionnaires were distributed among the employees. Sample of the study are medical representative such as, sales promotion officer, territory managers, senior territory manager and product expert of numerous pharmaceutical companies. Due to cost and time constraints, a convenient sampling was chosen and 346 questionnaires were distributed among medical representatives of the 15 pharmaceutical companies situated in Islamabad and Rawalpindi region. However, 169 questionnaires were returned and the response rate is 48.84 percent. However, the reliability test shows that the data are highly reliable. The researcher used both primary and secondary data in order to investigate the hypothesis. For this purpose, we distributed the questionnaires to our target sample among employees; on the other hand, secondary data were extracted from online sources like journals and research papers. We use 7 point Likert scales: 1= strongly disagree; 7=strongly agree.

Data analysis

The demographic characteristics of the respondents show there are 132 males (78.13%), while females are 37 (21.87%) (Table 1). The marital status shows that 22 males are married and 147 females are married. Education is a major factor in the development of any organization. However, in education, graduation qualification is on the top with 77.51%, while the remaining education qualification is very low (Table 1). Every organization preferred experienced staff than non-experienced staff. The employees who have experience of 1-5 years are 77(45.56%) and 6-10 years experienced employees are 71 (42%); while 11-15 and 16-20 years experienced employees are respectively 18(10.65%) and 03(1.775%). The last row of the table is very important because the employees currently know how long they have worked with their companies. This will make them to understand their past history of experience in different companies. However, 142 employees have 1-5 years experience in current company, while 6-10, 11-15 and 15-20 years current experience are 23(13.6%), 4(2.36%) and 0. The reliability test of each independent and dependent variables show that the data are reliable (Table 2).

Table 3 shows that the highest mean (5.23) was calculated from independent variable of performance evaluation, which shows that employees feel that the performance evaluation system of their company is very good. However, the mean of compensation and promotion is 4.95 and 4.84, respectively, which shows that employees are convinced with these factors.

Table 4 shows that there is significant relationship found between all independent variables and dependent variable. The value (r = 0.696) suggests that compensation is positively related with employees’ perceived performance (r = 0.576). This shows that performance is also absolutely correlated with employee perceived performance and (r = 0.439) promotion practices is also optima-stically interconnected with employees’ perceived performance. So the results of all the independent and dependent variables show that there is a well-built correlation among these variables.

Table 5 suggests that R square, which is 53.4% of the variance in perceived employees’ performance, can be accounted for through compensation practices, performance evaluation practices and promotion practices. Overall, our model is significant because the value of F-test (63.040) is significant at 0.000 levels which verify that 53.4% of the variance in employees’ perceived performance is find out by compensation practices, performance evaluation practices and promotion practices.

The result of compensation as HR practice shows utmost involvement in explaining that the employees’ perceived performance is 0.539 and it positively affects the dependent variable (Table 6). Whereas, performance evolution and promotion practice (0.174) and (0.134) also show the positive and significant relationship in the model. This shows that all HR practices can affect positively the employees’ perceived performance. From the
Table 1. Demographic characteristics of the respondents.

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>169</td>
<td>132(78.13%)</td>
<td>37(21.87%)</td>
</tr>
<tr>
<td>Marital Status</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td></td>
<td>169</td>
<td>22(13.02%)</td>
<td>147(86.98%)</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>S.S.C</td>
<td>H.S.S.C</td>
</tr>
<tr>
<td></td>
<td>169</td>
<td>2.958%</td>
<td>7.692%</td>
</tr>
<tr>
<td>Work experience</td>
<td></td>
<td>Year 1-5</td>
<td>Year 6-10</td>
</tr>
<tr>
<td></td>
<td>77(45.56%)</td>
<td>71(42%)</td>
<td>18(10.65%)</td>
</tr>
<tr>
<td>Experience With</td>
<td></td>
<td>Year 1-5</td>
<td>Year 6-10</td>
</tr>
<tr>
<td>current company</td>
<td></td>
<td>142(84%)</td>
<td>23(13.6%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>142(84%)</td>
</tr>
</tbody>
</table>

Table 2. Reliability test.

<table>
<thead>
<tr>
<th>Employees’ perceived performance</th>
<th>Compensation</th>
<th>Performance</th>
<th>Promotion practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cronbach’s Alpha</td>
<td>0.890</td>
<td>0.925</td>
<td>0.918</td>
</tr>
</tbody>
</table>

Table 3. Descriptive statistics.

<table>
<thead>
<tr>
<th>Employees’ perceived performance</th>
<th>Compensation</th>
<th>Performance</th>
<th>Promotion practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>169</td>
<td>169</td>
<td>169</td>
</tr>
<tr>
<td>Mean</td>
<td>5.06</td>
<td>4.95</td>
<td>5.23</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>1.120</td>
<td>1.257</td>
<td>1.100</td>
</tr>
</tbody>
</table>

Table 4. Correlation.

<table>
<thead>
<tr>
<th></th>
<th>Point A</th>
<th>Point B</th>
<th>Point C</th>
<th>Point D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee perceived</td>
<td>1</td>
<td>.696**</td>
<td>0.576**</td>
<td>0.439**</td>
</tr>
<tr>
<td>Compensation</td>
<td>0.696**</td>
<td>1</td>
<td>0.607**</td>
<td>0.385**</td>
</tr>
<tr>
<td>Performance</td>
<td>0.576**</td>
<td>0.607**</td>
<td>1</td>
<td>0.555**</td>
</tr>
<tr>
<td>Promotion practices</td>
<td>0.439**</td>
<td>0.385**</td>
<td>0.555**</td>
<td>1</td>
</tr>
</tbody>
</table>

**.Correlation is significant at the 0.01 level (2-tailed).

above analysis, we can accept all our hypotheses.

Hypotheses result

H1: There is a significant association between compensation and employees’ perceived performance
H2: There is a significant association between performance evaluation and perceived performance of employee
H3: There is a significant association between promotion practices and employees’ perceived performance.

All of the above hypotheses are accepted.

CONCLUSION AND RECOMMENDATION

The purpose of this study is to determine the precise relationship and nature of relationship between the employees’ perceived performance and HR practices
(compensation practices, promotion practices and performance evaluation) in the pharmaceutical sector of Pakistan. In this study, quantitative data were collected through convenient sampling, with self administered questionnaire consisting of 7 point likert scales. Analysis was conducted through SPSS software and all the hypotheses are accepted. We found that HR practices and employees’ perceived performance have a positive and significant relationship in this study. The correlation result shows that all independent variables are strongly correlated with dependent variable and the regression analysis shows that compensation has premier role in explaining the employees’ perceived performance.

So based on the above results, we recommend that all the pharmaceutical companies which are interested in becoming more profitable and in expansion through employees’ perceived performance, they must place special emphasis on compensation, performance evaluation and promotion practices for strategy development. In future, researchers should use more HR practices to identify the relationship between employee’s performance and company performance in public and private sectors of the World. Other HR practices should also be investigated to provide a very clear and broader picture to managers and it will be very easy for them to decide which factors would encourage employees’ perceived performance and the ones that would not in public and private sector organizations of the World.

Conflict of Interests

The author(s) have not declared any conflict of interests.

REFERENCES

