

**IMPACT OF HUMAN RESOURCE MANAGEMENT (HRM)  
PRACTICES ON ORGANIZATIONAL PERFORMANCE: A  
MEDIATING ROLE OF EMPLOYEE PERFORMANCE**

By

Tahir Masood

A research thesis submitted to the Department of Management Sciences,  
Mohammad Ali Jinnah University, Islamabad  
in partial fulfillment of the requirements for the degree of

**DOCTOR OF PHILOSOPHY IN MANAGEMENT SCIENCES  
(HUMAN RESOURCE MANAGEMENT)**



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## ABBREVIATIONS

ANOVA	Analysis of Variance
CPA	Career Planning System
CS	Compensation System
Edu	Education
EP	Employee Performance
EPA	Employees Participation
EXP	Experience
Gen	Gender
HCM	Human Capital Management
HCD	Human Capital Development
InT	Industry Type
IVR	Interactive Voice Response
JRS	Joint Reward System
NPD	New Product Development
NEO	No of Employees in Org
OFP	Organizational Financial Performance
OPI	Organizational Performance Index
POP	Perceived Organizational Performance
OrL	Organization Life in Years
PA	Performance Appraisal
PAK	Pakistan
PCS	People Centered Strategies
PEM	Personnel Management
PIM	Pakistan Institute of Management
PM	People Management
RA	Regression Analysis
R&D	Research and Development
ROA	Return on Assets
ROCP	Return on Career Planning
ROC	Return on Compensation
ROE	Return on Equity
ROEP	Return on Employee Participation
ROPA	Return on Performance Appraisal
RORS	Return on Recruitment & Selection
ROTD	Return on Training & Development
RS	Recruitment & Selection
TD	Training & Development
TQ	Tobin's Q
MR	Marris Ratio
JRS	Joint Reward System
NPD	New Product Development
HCD	Human Capital Development

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Tahir Masood

# **IMPACT OF HUMAN RESOURCE MANAGEMENT (HRM) PRACTICES ON ORGANIZATIONAL PERFORMANCE: A MEDIATING ROLE OF EMPLOYEE PERFORMANCE**

## **ABSTRACT**

The objective of this study was to explore the impact of different Human Resource Management (HRM) practices (i.e. recruitment and selection, training and development, performance appraisal, career planning system, employee participation and compensation system) on Perceived Organizational Performance (POP) and Organizational Financial Performance. Another purpose was exploring mediating role of Employee Performance (EP) between HRM practices and Perceived Organizational Performance.

This research study is based on the universalistic perspective showing that a fixed set of best practices can create surplus value in various business frameworks. The Harvard model developed by Beer et al. (1984) guided initial process of domain identification. The most relevant HRM domain recruitment and selection, training and development, performance appraisal, career planning system, employee participation, and compensation system followed by universalistic perspective has been selected for the study.

Human Resource Professionals working in different companies of five industries Banking, Insurance, Leasing, Modaraba and Investment were selected for data collection. Primary data from 274 HRM professionals of 129 companies were collected using questionnaire. Secondary data was collected from the published financial reports of the companies listed with Karachi Stock Exchange (KSE) for the period of five years starting from 2004 to 2008.

The demographic variables, Industry type, organizational life, no of employees, gender, employee age, education and experience were used with the purpose to find out control variables. The ANOVA identified two variables gender and education significant. Therefore throughout the study these two were used as control variables. For the analysis purpose statistical tools ANOVA, Correlation and Regression were tested using Excel and SPSS. Results identified that all human resource management practices were positively correlated with perceived organizational performance and perceived employee performance, while none of the HRM practice showed substantial contribution towards organizational financial performance.

Correlation and beta values of HRM practices were significant with POP in the banking industry. Recruitment and selection ( $\beta = .662$ ,  $p < .001$ ) followed by employee participation ( $\beta = .516$ ,  $p < .01$ ) showed significance in the insurance, ( $\beta = .343$ ,  $p < .001$ ) performance appraisal in the modaraba, and recruitment and selection in the investment industry. Recruitment and selection, training and development and the compensation system significantly contributed towards the Marris Ratio in the modaraba industry. The compensation system in the insurance industry, performance appraisal and compensation system in the leasing industry

contributed towards Tobin's Q, employee participation in the banking industry, career planning system and employee participation in the leasing industry and compensation system in the modaraba industry contributed significantly towards Return on Equity (ROE). Recruitment & selection and employee participation in the banking industry, compensation system in the insurance industry and the modaraba and training & development in the investment industries contributed towards Return on Assets (ROA).

Employee performance has been tested as mediator between HRM practices and POP. As per recommendations (Barron & Kenny, 1986) partial mediation of employee performance has been proved between HRM practices and POP.

This study indicated that organizations using HRM practices effectively on a wider scale generate higher performance. To survive and sustain for the future, it is important that the financial sector companies should implement HRM practices to boost employee performance and the organizational performance index (OPI).

# CHAPTER 1

## INTRODUCTION

The corporate and professional communities' interest and recognition of the significance of Human Resource Management (HRM) practices gained momentum after realization of the fact that it is the people who make organizations successful not the buildings. It would not be justified to assume that the concept of HRM is a newly emerged phenomenon. It is an advanced form of people management. At present the need for HRM is felt enormously, in order to ensure that the business units are able to accomplish organizational objectives through people. Organizations have always aimed for a sound HRM system for success. However, very few companies could establish separate autonomous HRM departments, owing to either affordability, fear or a lack of understanding of the worth and contribution of HRM activities.

The key objective of HRM is to ensure organizational success through a competent and motivated workforce. This is possible if there are rigorous procedural HRM practices such as recruitment and selection, training and development, performance appraisal, career planning system, employee participation and compensation system. Ulrich (1997) said that to capitalize on new opportunities, HRM systems could be the main source. Sett (2004) argued that the globalization of the South Asian economy has been accompanied by an increasing use of HRM practices.

The concept of HRM has attracted enormous attention and has stimulated significant debate between academicians and practitioners. Much of the discussion has been around the meaning of HRM, yet there is no single universally accepted definition of the concept. Literature suggests a range of definitions; some of these equate Human Resource Management (HRM) with Personnel Management (PEM), while others reflect altogether different concepts. However, the philosophies and practices of the latter concept provide fundamentals for the philosophy and practices of HRM. Personnel Management characteristically focuses on a range of activities relating to the supply and development of labor to meet the immediate and short-term needs of the organization. The activities of recruitment, selection,

rewards, training, compensation and others are viewed as separate individual functions. HRM aims to integrate all the personnel functions into a unified strategy. Furthermore, it deals with employees as individuals by maintaining their personal files and job related activities, while on the other hand it considers the entire organization as a focal point for analysis.

HRM is a planned and rational scheme for the management of population functioning in an organization that alone and together puts in the effort for the accomplishment of organizational objectives. HRM is a pool of unified policies, guidelines and procedures with ideological and rational foundations. The main focus of HRM is on four aspects i.e. a particular group of beliefs and assumptions, strategic thrust notifying choices regarding HRM, fundamental participation of line managers and dependence on a set of levers to form employment affiliations (Storey, 1989).

Legge (1995) described HRM as based on hard and soft aspects by distinguishing differences between human resource and material resource. Hard perspective emphasizes business strategies as calculative and quantitative aspects of HR like other economic factors. Story (1987) considered human resource as a factor of production, and their treatment is like that of the variable cost of doing business. Soft perspective by Guest (1987) is the competitive advantage focused approach, in selecting skilled, devoted and a flexible workforce. HR is treated as a distinctive resource that turns factors of production into wealth. Thus the focus is on acquiring long run competitive advantages by effective leadership, proper motivation and effective communication, and by investing in people through training & development.

*“HR should be defined not by what it does, but by what it delivers” David Ulrich.*

Based on different philosophies in literature, HRM is defined as: A methodological approach to develop a formal structure in an organization to guarantee proper recruitment & selection, training & development, performance appraisal, career planning system, employee participation, compensation system for efficient and effective utilization of skilled & motivated human resource to achieve organizational strategic and operational objectives.

Influence of Human Resource Management practices on organizational performance in different developed economies has been a critical and important area of research. In the past, researchers focused on the effect of Human Resource Management practices on organizational productivity, turnover and financial performance (Choi, 2010). However, in Pakistan this remained an ignored area. Sett (2004) is of the view that since the mid 1980s, with the opening of economies in most South Asian countries, the industries underwent qualitative changes, making it imperative for the region that a comprehensive strategic approach to manage people be adopted. HRM in Pakistan was adopted in response to the challenges posed by globalization to bring efficiency in the economic and business activities. However, the adoption of HRM is still in its preliminary phase in Pakistan. For organizations besides cost reduction, quality enhancement and increasing product functionality, HRM is another core paradigm to acquire competitive advantage.

The world is rapidly changing in all fields of life due to globalization and technological advancements that are causing changes in working procedures of the companies across the world. Active HRM practices can meet the challenges resulting from changes in the world of work and work process engineering, as an integral function can be a major activity towards organizational success. Managing baby boomers and the new generation simultaneously, at different work sites in a dynamic environment is not an easy task. They need special treatment in different ways; some prefer one dimension of benefits while others have difference of preferences. Therefore, implementation of HRM practices to strengthen an organization by increasing employees' performance is a tricky but essential venture.

Success in today's competitive market depends on advantages associated with economies of scale, proper use of technology, access to capital, creativity and innovation. This is possible when competent human resource with proper attitude, skills and knowledge has been selected on merit, so that HR can work with motivation towards organizational growth. Although in most of the developing countries, the main hindrance of organizational growth and profitability is either no or negligible use of professional HRM practices, but, the struggle is continuing

to find the best way to use these practices optimally. Pakistan has been focusing on industrial growth for the last few decades. As a result, the organizations from different industries are performing a momentous role in the economic development of the country. Despite their economic importance, different organizations suffer from a variety of structural and institutional weaknesses, which have constrained their ability to take full advantage of rapidly advancing process of globalization and HRM practices.

### **1.1 HRM Models and Framework**

Fombrun et al. (1984) at Michigan School precisely sketched HRM concept by saying that the HRM system and the organization structure should be harmonious with the organizational mission and strategy. The HRM cycle consists of different functions, selection (matching HR talent with available positions, or the right candidate for the right job), performance appraisal (evaluation of employees' performance for improvement), and compensation (rewarding employees with substantial packages) so that they can be retained and development (strengthening employees with modern working skills) was introduced.

Prominent contributors in modern theory and practices of HRM is by Beer et al. (1984) at Harvard School believing that HRM is the concern of the management in general, rather than the personnel function in particular, and in this era, different forces are demanding a broader, comprehensive and more strategic perspective of human resources in organizations. Different professionals are looking at the long-term perspective of HRM and consider people as strategic assets instead of an expense.

The core function of HRM is getting the right people for the right job so that the required output can be achieved by getting work done by the appropriate people at proper motivational packages, including provision of training and development opportunities after performance appraisal. Ulrich and Lake (1990) view the HRM system as the source of organizational potential that allows organizations to learn and take advantage of contemporary opportunities.

Importance of Human Resource Management has been recognized by Pfeffer (1998) in his book "The Human Equation: Building Profits by Putting People First".



The organizations that peruse “High management practices,” produce strong economic returns over a period of time. In support of this argument, he pinpoints different Human Resource Management practices, called Management Practices, as People Centered Strategies (PCS) i.e. proper recruitment and selection, employees training and development, compensation based on merit & performance, and states that PCS are essential sources of competitive advantage that cause higher economic returns. Pfeffer’s work had no empirical evidence in support of the argument he created. Hence, there arises a need to find empirical evidence to support the relationship between HRM practices and organizational performance.

Whitener (2001) by using hierarchical linear modeling found significant relationship between HRM practices and employees’ commitment that leads to employees’ performance. Tsui et al. (1997) tested employees training and development investment, employee commitment & their performance and found significant relationship. Arthur (1992) identified significant relationship between HRM practices and steel mills performance. These authors, by their studies suggested that proper implementation of HRM practices increased organizational performance manifold. However, linkage amongst HRM practices, employee performance and organizational performance needs to be tested by researchers.

Huselid et al. (1997) discussed two different dimensions to measure HRM effectiveness: Strategic HRM and Technical HRM. The first one (Strategic HRM) is focused on methodology to adopt these practices aligned with organizational strategy and the latter (Technical HRM) means effectively implementing these activities.

## **1.2 Significance and Philosophy of HRM**

Human Resource Management, surfaced as a designed and methodical approach in the later half of the 20<sup>th</sup> century, while the evolution and origin of HRM can be traced back to the 1970s with the upsurge of human resources accounting theory. Before the accounting theory, human resources used in the production activity were paid equivalent to what they produced. Their importance and value was not perceived in terms of their skills and ability to deliver, mental and physical struggle that ultimately strengthened the financial power of the organization. Human resource accounting theory reformed this ideology and brought fresh thoughts, that the people

were the strategic asset of an organization, and they had to be treated in a proper way for enhancing their motivational level, that would ultimately increase organizational performance. Therefore, on the basis of this approach, Human Resource Management (HRM) reviewed the policies and practices needed to carry out the “people” or the human resource aspect of management position, including selection, job definition, training, performance appraisal, compensation, career planning and encouraging employee participation in decision making.

From another point of view, HRM was defined as a process for the development of abilities and attitude of the individuals leading to personal growth and self-actualization, which enables individuals to contribute towards organizational objectives. The concept of HRM for understanding the needs and hopes of people, in a better way, is required to be developed and strengthened. A Chinese proverb says,

“If you wish to grow something for a season, grow mangoes. If you wish to grow something for a year, grow rice, but if you wish to grow something for a lifetime, develop manpower”

Multinational corporations adopted the concept of HRM in mid 90’s. In Pakistan, a significant step to highlight the concept of HRM was the setting up of Pakistan Institute of Management (PIM). PIM was established in 1954 by the Government of Pakistan to promote management development in the country. It functions under the Ministry of Industries & Production and has emerged as a leading organization and a milestone in the field of Human Resource Development (HRD). Later the State Bank of Pakistan, the commercial banks in private sector and insurance companies set up their in-house HRM and T&D departments. Gradually, leading universities developed Public Administration Departments for enhancing human resource effectiveness. Due to the awareness created by PIM and different universities, the HRM departments in different organizations are performing comparatively better than the past. This research is an attempt to explore the relationship of HRM practices with organizational perceived and financial performance in Pakistan.

### **1.3 Workforce and Employment Index**

Pakistan is the sixth most populous country with a population of 160.9 million in 2008; with an addition of around 128 million people during the last six decades (1951-2008). The population is growing at 1.8 percent and it is expected to double (322.0) million by the year 2045. Population density in 2008 was 203 persons per square kilometer. Rural population is shifting gradually to urban areas where the population has increased to 57 million. This migration rate is demanding a paradigm shift and extension in housing, transportation, electricity, water, sewerage, sanitation, health, educational facilities and businesses. The labor force participation rate is showing an increasing trend in recent years, but is still smaller than regional and global rates. This labor regional migration is making different sectors dynamic and providing females with employment opportunities. As much 86 % of the work force is employed in four sectors, e.g. (43.61 %) in the agriculture sector, followed by trade (14.43 %), services (14.41 %) and manufacturing (13.54 %) (PEC, 2007-2008).

Quick variations in percentages of human resource working in different sectors are witnessing a paradigm shift in economic development of the country. The agriculture sector is a large employment provider followed by wholesale and retail trade, community and social services, and the manufacturing sector is contributing (42.38 %). Deregulation strategies, privatization and liberalization helped in increasing the participation of the private sector in the economy. In fact, new employment opportunities have generated in different industries, and for good performance their assets including HR, need to be used properly. Therefore in view of this paradigm shift, the stock exchange listed companies in the financial sector were chosen for this study.

### **1.4 Research Purpose**

Identification of high performance generating factors is a difficult task, but many organizations in different geographical areas are claiming that their HR is the most valuable asset, and HR satisfaction is top priority for them. This research study addresses this assumption directly and therefore focuses on whether or not the Human Resource Management practices actually make a difference in the

performance of both, the individuals as well as organizations. If it is true, then which practices appears more performance oriented?

In literature, HRM practices are linked with different performance measures and, it is justified that HRM practices are significant activities for an organization. Keeping in view the importance of these practices for the organizations, the following objectives were developed for the study:

1. To establish the link between different demographics with perceived organizational and financial performance.
2. To test the relationship of HRM practices with companies perceived and financial performance.
3. To see the effect of HRM practices on companies perceived and financial performance.
4. To test the mediating role of employee performance between HRM practices and perceived organizational performance.
5. To compare the effects of HRM practices on performance of sample industries
6. To suggest companies high weight HRM practices so that they can move towards strengthening the Organizational Performance Index (OPI).

### **1.5 Statement of the Problem**

While research has shown relationship and effect of HRM practices on organizational performance, yet the statistical work has not been done to study the relationship between HRM practices and different financial performance indicators, like Marris Ratio, Tobin's Q, ROE, and ROA. Secondly, the literature does not divulge much information about the treatment of mediation of employee performance with organizational performance. Thirdly, the relationship of HRM practices and organizational performance across different industries needs to be studied. Finally countries in the growing phase like Pakistan, need to know the contribution of different factors and the intensity of their impact on organizational performance that

leads towards economic development and prosperity. Pakistan is gradually shifting from agriculture to industrial economy and therefore it is important to determine empirically, the contribution of different factors like, HRM practices towards organizational performance.

### **1.6 Significance of the Problem**

Different studies have documented HRM dimensions and their relationship with organizational performance with the key focus on perceived magnitude. This study is contributing twofold dimensional aspects; first it is an addition to HRM literature and secondly to practitioners, by providing information about the active HRM practices in different industries of Pakistan, and their relationship with perceived and financial performance. This research will be helpful for HRM professionals to increase organizational performance by adopting significantly explored and tested HRM practices properly.

### **1.7 Research Questions**

The following questions were proposed as part of this research study:

- What is the relationship between demographic variables and perceived organizational performance and organizational financial performance based on Marris, Tobin's Q, ROE and ROA, and to what extent do demographic variables affect different types of organizational performances?
- What is the relationship between Human Resource Management practices and perceived organizational and financial performance?
- To what degree do different types of HRM practices effect perceived and financial performance of the organizations?
- How does employee performance mediate between the relationship of different HRM practices and perceived organizational performance?
- Are the effects of HRM practices on organizational performance different in different financial sector industries?

## **1.8 Organization**

The remaining thesis is organized as follows:

Chapter 2 provides a comprehensive review of theoretical and empirical literature with references to perceived organizational performance, financial performances, employees performance, recruitment & selection, training & development, performance appraisal, career planning system, employee participation and compensation. Literature related to HRM practices, employee performance, and organizational perceived and financial performance has been critically reviewed. Chapter 3 explains the data and methodology used in the study for analysis purposes. Chapter 4 explains the detailed analysis of perceived and financial performance indicators, and Chapter 5 concludes the study along with managerial implications and future directions for research.

## **CHAPTER 2**

### **REVIEW OF LITERATURE**

#### **2.1 Theoretical Background**

Many scholars and research centers have conducted massive research to find out the relationship between HRM practices, and perceived organizational performance and financial performance. The results varied and indicated that, majority of the studies in different countries of the world identified a positive relationship between HRM practices and organizational performance, but a few studies identified negative relationships. In this chapter the contributions of different researchers have been highlighted as Literature Review and guidelines for the study.

#### **2.2 Mode of Theorizing**

This research study is based on the universalistic perspective showing that a fixed set of best practices i.e. recruitment & selection, training & development, performance appraisal, career planning system, employee participation and compensation system can create surplus value in various business frameworks. Delery & Doty (1996) justify the choice for universalistic perspective. The Harvard model developed by Beer et al. (1984) guided initial process of domain identification. The most relevant HRM domain, recruitment & selection, training & development, performance appraisal, career planning system, employee participation, and compensation system followed by universalistic perspective has been selected for the study.

#### **2.3 Preceding Studies**

Bartel (1994) identified that an investment in the execution of HRM practices eventually results in better organizational performance. In the field of Human Resource Management, an abundance of models and studies are indicating

an ever-increasing association between effective HRM practices and organizational performance.

Organizational performance fundamentally depends on its key resource “people”, but this assumption has been challenged by those who believed that organizational success depended on effective implementation of appropriate HRM policies and procedures. There is substantial research answering two main questions (i) Do HRM practices make a positive impact on organizational performance? (ii) What can be done to make HR a good thing? Rurcell et al. (2003).

To establish the link between HRM practices and organizational performance an extensive research has been carried out. Ulrich (1997) human resource practices appear to matter, as confirmed by survey results, though the degree of results varies in the different populations and sample size. Huselid & Becker (1996) conducted a study of 740 companies and concluded that organizations having HRM practices were better performers. Patterson et al. (1997) examined the link between organizational performances and human resource practices, and identified significant variation where productivity increased by (18%) and profitability by (19%) with good HR management. Thompson (1998) studied the impact of high performance work practices like performance appraisal, job rotation and found positive relationship with organizational performance.

Budhwar et al. (2010) using correlation identified that there is a significantly positive relationship between different HRM practices, compensation and employee involvement with organizational performance. Katou (2008) Identified significantly positive correlation of HRM practices namely selection ( $r = .73$ ), training ( $r = .76$ ), performance appraisal ( $r = .75$ ), compensation ( $r = .84$ ) and participation ( $r = .89$ ) with organizational performance.

Tseng & Lee (2009) in their research applied HRM practices to examine organizational performance of multiple industries using Analytical Hierarchical Process/Data Envelopment Analysis (AHP/DEA) modeled on data collected from 129 companies in the Taiwanese electronic industry, and found a positive effect of five Human Resource Management practices on performance.



Shahzad et al. (2008) posted three significantly positive relationships of HRM practices i.e., compensation ( $M = 3.26$ ,  $r = .44$ ), promotion practices ( $M = 3.32$ ,  $r = .56$ ), and performance evaluation ( $M = 3.17$ ,  $r = .15$ ) with employee performance. Purcell et al. (2003) conducted longitudinal study on 12 organizations and discovered clear evidence of association between positive attitudes towards HRM policies, practices and operational performance. The results indicated that HRM is a vital element in linking people management practices to business performance.

Teseema et al. (2006) studied HRM practices in relationship with perceived employee performance and found a positive relationship. Tested practices were (i.e., recruitment & selection, placement, employee performance, promotion, training and development, compensation, pension, grievance procedure).

Singh (2004) found that there was a positive relationship amongst several HRM practices like selection ( $r = 0.32$ ), performance appraisal ( $r = 0.32$ ), training ( $r = 0.32$ ), compensation system ( $r = 0.32$ ) employee participation ( $r = 0.32$ ) with firm performance. Out of these practices only Training ( $\beta = 0.37, 0.39$ ) and Compensation system ( $\beta = 0.41, 0.43$ ) had positive impacts on perceived general and market performance of the firms, indicating that an addition of (1) unit in training will enhance (0.37) the firm's performance and (0.39) in the firm's market performance, secondly, an increase of (1) unit in compensation will increase (0.41) in the firm's performance and (0.43) in the firm's market performance. On the other hand two practices, namely job definition ( $\beta = -0.21$ ) and career planning system ( $\beta = -0.15$ ) had a negative and an insignificant impact on perceived firm performance.

Deepak et al. (2003) concluded that organizational performance and competitiveness could be enhanced by using the high performance work system. Based on universalistic and contingency approach they conducted regression analysis and found the value of ( $\beta = .189$ ), which is significant at ( $p < .05$ ). It has been identified that relative use of HRM practices displayed stronger association with organizational performance. Supporting the same arguments (Arthur, 1994) found that steel mills using HRM had higher productivity levels. Huselid (1995)

studied 968 US companies, which showed a positive link between HRM practices and the firm's performance.

Wan et al. (2002) examined the relationship between HRM practices and firm performance. HRM practices were creating a positive effect on organizational outcome. Results calculated through regression suggested that effective implementation of key HRM practices increased organizational performance. Hierarchical regression results reflected a possibility that different aspects of performance could be effected by different HRM variables. For companies promoting financial performance, the performance appraisal appeared to be the most important issue to tackle. While the companies interested in enhancing HR performance emphasized the need for empowerment and training.

There are studies, which did not find clear effects of HRM practices on productivity. Kelley (1996) found that HRM practices did not affected the performance of single-plant organizations, whereas Batt (2002) found that HRM practices did not pay off in small organizations that operated in local markets. Cappelli & Newmark (2001) identified that Human Resource Management practices might raise productivity slightly, but they also raised labor costs. Sels et al. (2003) highlighted that total effects of HRM practices on liquidity and solvency were very close to zero (-0.008 and -0.007 respectively) and concluded that use of HRM practices did not effect the financial position of the company.

This study is designed to investigate the impact of HRM practices including (recruitment & selection, training & development, performance appraisal, career planning system, employee participation, and the compensation system) on organizational performance index comprising on perceived organizational performance; Marris, Tobin's Q, Return on Equity, and Return on Assets, with mediating role of employee performance between HRM practices and organizational perceived performance, as done by (Delaney, 1989; Cucher-Gershenfeld & Barney, 1991; Wright & McMahan, 1992; Arthur, 1994; Pfeffer, 1994; Lado & Wilson, 1994; Huselid, 1995; MacDuffie, 1995; Becker & Gerhart, 1996; Delery & Doty, 1996; Harel & Tzafrir, 1999; Batt, 2002; Datta, 2003;

Singh, 2004; Gerhart, 2005; Teseema, et al. 2006; Chenhall, 2007; Katou, 2008; Ya-Fen, et al. 2009; Choi, 2010; and Budhwar, et al. 2010).

#### **2.4 Perceived Organizational Performance (POP)**

In literature, various indicators of organizational performance have been used, perceptual measures of organizational performance were used by Delany & Huselid (1996) financial measures such as profit and financial ratios were used by Terpstra & Rozell (1993) the value added or sales of the organization per employee were applied by Black & Lynch (2001) and Cappelli & Neumark (2001) and physical measures of organizational productivity were used by Arthur (1994). According to Singh (2004) a disadvantage of a perceptual measure is that it can be highly subjective, both in the judgment of organizational performance itself and in the selection of a competitor organization. Therefore HRM managers were required to benchmark their own organizational performance with the previous years' performance for perceived organizational and employee performance, and financial performance indicators were calculated using data collected from published financial reports.

Present theoretical work on resource-based view of the firm supports the impression that HRM may be a significant foundation of competitive advantage and argued that resources lead to sustainable competitive advantages when they are valuable. Resource-based theory argues that these sources of value are increasingly available to almost anyone anywhere and they are easy to copy, especially when compared to complex social systems like HRM Ulrich & Lake (1990). As a result, several authors Pfeffer (1994), Snell et al. (1996), Wright & McMahan (1992) have contended that the human resource system may be a better source of core competencies that can lead to sustainable competitive advantage; it is consistent with interpretation by Hamel & Prahalad (1994), which suggested that core competencies are normally people-embodied skills. HRM practices influence organizational performance by creating an impact on employees' attitude, skills, abilities, knowledge, motivation and working patterns, Delaney & Huselid (1996).

Numerous authors have explored links between individual HRM practices and organizational market performance. Young et al. (1996) reported that HRM systems were directly related to multiple dimensions of organizational market performance. Better implementation of HRM practices directly affects the market performance of the organization (Singh, 2004). To make this study comprehensive organizational internal and market performance dimensions are measured jointly under perceived organizational performance variable.

## **2.5 Financial Organizational Performance (FOP)**

Greer (2001) examined financial performance of the companies and HRM practices, exploring the significant relationships between the variables. Huselid (1995) studied 968 US organizations to explore the use of high performance work practices and found that productivity was influenced by employee motivation; financial performance was influenced by employee skills, motivation and organizational structures. Return on Asset (ROA) and Return on Equity (ROE) are frequently used to measure financial performance by different researchers i.e. Delery & Doty (1996) and Snell & Youndt (1995). These financial tools provide an organizations internal and external financial performance picture. For performance measurement, the empirical evidences suggest that one should choose quantifiable and comparable variables, and accordingly four financial performance variables have been used.

### **2.5.1 *Marris Ratio***

According to Charreaux (1997) “An adequate performance measurement should be able to take into account all the consequences on the wealth of stakeholders”. Nevertheless the choice of a performance measurement is complex for several reasons. Indeed, it will differ, depending on the shareholder or stakeholder value maximization. Eric (2001) Marris ratio (Market value of equity/ book value of equity) is calculated in market value. These last two values are dependent on the anticipations of investors. This ratio is used to determine whether market value of equity is more than book value or not. This only gives a good indication only when the company is performing well.

### **2.5.2 Tobin's Q**

Tobin (1969) Tobin's Q is performance measurement ratio of market value of a firm's assets as measured by the market value of its outstanding stock and debt to the replacement cost of the firm's assets. Regularly this performance indicator is not used as often as either rate of return or price-cost margins etc. If a firm is worth more than its value, based on what it would cost to rebuild it, then excess profits are being earned. These profits are above and beyond the level that is necessary to keep the firm in the industry.

The advantage of using Tobin's Q is that the problematic estimations of either rate of return or marginal costs are avoided. On the other hand, for Tobin's Q to be meaningful, one needs accurate measures of both the market value and replacement cost of a firm's assets. It has been traditionally used in the financial literature (Eric, 2001; Lang et al. 1989; Howe et al. 1992; Denis, et al. 1994; Lang & Litzenger, 1989) justify the use of Tobin's Q as measurement of growth opportunities. They show that a Tobin's Q above 1 is a necessary condition for a firm to be at a level of investment that maximizes its value and that a Tobin's Q below 1 characterizes a firm with no growth opportunities. In Pakistan, researchers cannot strictly use this measurement because some items (for instance debt maturity, market value of the debt, interest rates or value replacement of the firm) are not available in our dataset. Hence in line with Eric (2001) the researcher chose the total assets instead of the replacement value. Thus the measurement of Tobin's Q ratio is as follows:

$$\frac{(\text{Equity Market Value} + \text{Liabilities Book Value})}{(\text{Equity Book Value} + \text{Liabilities Book Value})}$$

### **2.5.3 Return on Equity (ROE)**

Financial performance is given by the ROE (net profit / equity, in book value). This indicator is very important for shareholders. However, the ROE does not permit assessment of the profitability of all invested funds. Return on equity (ROE) is repeatedly used to determine financial performance by HRM researchers Delery & Doty (1996) and Snell & Youndt, (1995). This ratio is used to determine how many times the company earned with respect to shareholders equity.

$$\text{ROE} = \frac{\text{Net Income after tax}}{\text{Shareholder Equity}}$$

#### **2.5.4 Return on Assets (ROA)**

ROA is an indicator of how profitable a company is in relation to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Dividing a company's annual earnings by its total assets, ROA is calculated in percentage. Sometimes this is referred to as "return on investment".

Return on assets is an indicator of how profitable a company is before leverage, and is compared with companies in the same industry. Since, the total assets of the company depends on the carrying value of the assets, some caution is required for companies whose carrying value may not correspond to the actual market value. Return on Assets is a common figure used for comparing performance of financial institutions such as banks, because the majority of their assets have a carrying value that is close to their actual market value. Return on assets is not useful for comparisons between industries because of the factors of scale and peculiar capital requirements (such as reserve requirements in the insurance and banking industries). Return on Asset (ROA) is repeatedly used to measure financial performance by HRM researchers Delery & Doty (1996) and Snell & Youndt, (1995).

Smith (2007) used multiple variables to measure organizational performance. In this study Organizational Performance Index (OPI) is developed, and is based on multiple performance indicators i.e. Marris Ratio, Tobin's Q, Return on Equity, Return on Assets and perceived organizational performance.

#### **2.6 Recruitment & Selection (R&S)**

The recruitment and selection process is a sequence of precise steps used to make a decision about staff hiring (William B. Werther & Keith Davis). The main objective of recruitment and selection process is to obtain at the lowest cost, the quantity and quality of employees necessary to meet the human resource requirements. The use of non standardized, unreliable, invalid and biased selection/recruitment procedures in the companies, despite the presence of better substitutes, has been a matter of great concern for practitioners in Human Resource

Management for a long time and no one can deny its importance towards the best HRM and organizational performance. The process of selection/recruitment can be categorized into four stages: (a) advertising methods (b) receiving applications (c) initial screening of applications and (d) final selection decisions (Derek & Jane 2003).

There are different kinds of recruitment sources like referrals by employees, ads in newspapers or direct applications 'walk-ins' and a broad variety of substitutes also exist like rehires, internships, employment agencies, etc (Klaus, 2005). In the initial stage of the recruitment process, companies try to draw job hunters into the applicant pool (Rynes, 1991). This selection process affects the organizational performance. The selection process can be different in different firms but the main aim is the same i.e. to select the right person for the right job. Various studies regarding selection methods exert an early influence on the association between candidates and companies (Gilliland, 1993; Herriot, 1989). Selection procedures may also help a joint search for similarity and fit (Schneider, 1987). White & Doyle's (1997) studied five specialized groups and established a preference for informal, 'word of mouth' associates and interviews, with lack of the conservative concept of severity in selection. Different firms use different selection processes, for example Nike used Interactive Voice Response (IVR) technology, followed by computer-assisted interviews with selected candidates and finally executed face-to-face interviews (Thornburg, 1998). On the other hand companies such as Home Department and the US Defense Department use a number of technologies for selection, such as telephone, IVR, and computer adaptive testing (Frost, 1997).

Identification of the right candidate with required skills to perform the job for achieving organizational performance is the output of the sophisticated selection system (Holzer, 1987)) that signals a message of HRM importance to the organization (Pfeffer, 1994). The mismatch between the person and the job can slow down performance levels (Lado & Wilson, 1994) whereas, a sophisticated selection system can ensure a better fit between the person's abilities and the organization's requirements (Fernandez, 1992).

Greater significance is attached to develop transparent procedures that provide comprehensive job analysis and personnel planning followed by transparent

distribution of responsibilities for the selection process (Iles, et al. 1997, Sels, et al. 2003). On the other hand, one of the major mistakes made by the management is the failure to appoint "the right person for the right job" (Stone, 2002). Recruitment & selection process should be led by job analysis. A comprehensive study can be beneficial to identify important job factors for development of job description. These factors help selectors to pinpoint required skills, attitude, physical and mental characteristics that candidates must have. Good selection process has been found positively related with organizational performance, but this process is becoming increasingly complex and its integration into organizational and human resource strategies ensures organizational success. With proper consideration of organizational, economic, social and political contexts, matching the right applicant to the right job is a tricky and continuous activity for HRM professionals (Terpstra & Rozell, 1993).

After reviewing the research conducted by (Holzer, 1987; Pfeffer, 1994; Lado & Wilson, 1994; Fernandez, 1992) recruitment and selection has been added as an independent variable in this study. To acquire competitiveness at domestic, national and even at an international level, the organizations should use effective recruitment and selection processes, failing which the results could be quite disappointing or disastrous.

## **2.7 Training & Development (T&D)**

*"Training is something we hope to integrate into every manager's mindset"* (Chris Landauer)

In organizations the training remains a major activity of Human Resource Development (HRD) practice (Nordhaug, 1989) for employee development and their competencies building (Gritz, 1993). To perform effectively, at a managerial position, employees go through dynamic process of training and development (Baldwin & Padgett, 1994). Training activities are considered as an integral exercise to acquire competitive advantages over the competition (Barney, 1995). In this competitive world, one of the key strategies to attain competitive advantage is, conducting trainings properly which helps to achieve organizational objectives (Dobson & Tosh, 1998) by increasing organizational and employees productivity (Ng & Siu, 2004).



Training organized for bilateral benefits (employees and organization) contributes to high effectiveness (Noe, 1986). Enhancing employees' performance is a high demanding and continuous practice that enables organizations to compete within the competitive marketplace. It is possible when employees' attitude, knowledge and skills are developed on a regular basis. Although training is an expensive activity yet it can give various advantages, like improved employee performance, increased productivity and employee development (Elangovan & Karakowsky, 1999).

A significant amount of theoretical and empirical work is available on how training and development contributes to organizational performance. Acquisition of up to date skills always enhances people's performance. Gaining a strong competitive position largely depends on employees and organizational aptitude towards innovation, change and development. (Booth & Snower, 1996). Importance of training and team working is increasing because of interdependency and integration of assignments at site. For the last few decades, researchers and practitioners are focusing to identify the relationship of training, with organizational performance and have concluded different dimensions in different periods of times.

Russell et al. (1985) studied retail stores and explored the strong positive relationship between percentage of trained human resource, and organizational performance, measured in volume per employee and store image. Training evolves employees' professional approach and positive aptitude, in addition to skill enhancement that contributes substantially towards revenues (Pfeffer, 1998.a). Frequent research studies confirmed positive persuasion of training with organizational performance. 'People are the most valuable asset' nobody can rebuff it. People in many organizations remained undervalued, untrained and under utilized, which causes stress, low performance and weak profitability (Bartel, 1994). Weak organization can compete with the performance of the tycoons' employees by investing in proper training programs that lead to high performance. Companies invest in training and development of employees to enhance their attitude, skills, abilities and performance and training received in the desired direction is positively associated with organizational performance.

(Arthur, 1994; Huselid, 1995; Wan, et al. 2002; Patrick, et al. 2003; Sels, et al. 2003; Singh, 2004).

Training is the key to meet the demands, staff knowledge and skills within the organization and training programs are expected to provide many benefits, including staff development, increased productivity and improved staff performance. These programs are however, expensive investments and there is a mounting concern about costs and effectiveness of training (Elangovan & Karakowsky, 1999).

Given the high costs incurred in developing and implementing training programs, it is essential to gain a better understanding of the factors that combine to make an effective training program (Arthur, et al. 2003).

Training is a huge and expensive activity that affects a huge workforce at any point in time (Tobias & Fletcher, 2000). Although few researchers highlighted that there was a negative relationship between training and organizational performance, but based on different findings and theories, an argument could be developed, that training was one of the critical predictors that helped the organizational engine, and its employees, to get equipped with the required modern skills for predicting their performance that could make a significant difference in organizational performance. Numerous organizations are moving towards training and development to gain strategic strengths and high level of performance (Brown, 2005). Practitioners and researchers are investing substantial money, effort and time to figure out the essence of employee training from the last 30-plus years (Emadi, et al. 2007). In this research study, training and development is considered as an independent variable to test T&D contribution into organizational performance.

## **2.8 Performance Management (PM)**

*“Maximizing performance is priority for most organizations today”* (Bob Cardy)

In Human Resource Management, discipline and performance management remain one of the most vital and criticized processes (Compton, 2005). One of the most important among the HRM practices is the performance appraisal system.

Organizations can monitor the development of desired employee attitudes and behavior through the use of the appraisal mechanisms. This appraisal-based information could be used for changing the selection and training practices in order to select and develop employees with the desired behavior and attitude (Singh, 2004).

Performance Appraisal (PA) is a formal system of measuring, evaluating and influencing an employee's job-related attributes, behavior and outcome. The objective is to determine how productive an employee is and to determine the way in which an employee's productivity can be improved. Overall Performance Appraisals serve as an important purpose in managing people and meeting company goals. From the employee perspective, the Performance Appraisal informs them about what is required from them in order to do their job. It guides them how well they have achieved those objectives and helps them to take corrective measures to improve their performance, and consequently it may reward them for meeting the required standards.

Performance Appraisal (PA), also known as Employee Assessment (EA), is a method in which the performance of a staff member's job is evaluated (generally in terms of quality, quantity, cost and time). PA is part of the career development process and by this organizations evaluate employees' performance (William & Keith). Staff Performance Appraisal is an integral responsibility of HRM professionals and managers of concerned departments. The process that is used to appraise performance needs to be compatible with the culture and principles that indicates the behavior of the organization (Ebrahim, et al. 2005). Performance can be measured by different techniques according to the culture of the organization. Each organization sets standards through which it measures the performance of employees. Peers and subordinates, leaders and clients (whether internal or external) should be involved in the evaluation process.

Performance Appraisal is sometimes mismanaged and not done properly. The major causes of such incompetence of Performance Appraisal are subjective measures, ignoring individual objectives and poor management in providing feedback to employees (Ebrahim, et al. 2005).

Wan et al. (2002) found positive relationship between Performance Appraisal and organizational performance. Further Sels et al. (2003) found significant relationship between performance appraisal and organizational performance. They further add that an organization also needs a Performance Appraisal system in order to establish principles of managerial accountability. Naturally, where employees are given responsibilities and duties, they need to be held accountable. One of the functions of Performance Appraisals is to ensure that people are accountable for their organizational responsibilities. Perhaps the most significant benefit of Performance Appraisal is the opportunity provided to managers and subordinates to have a one-on-one discussion on important work issues. During appraisals, subordinates and supervisors can focus on work activities and goals, identify and correct existing problems and encourage better future performance.

In a nutshell, the Performance Appraisal enables a manager to identify the training needs of the employees to evolve a training plan to enable them to serve and meet other objectives. Performance Appraisal satisfies the psychological need, because individuals want to know how they are performing in their job and it increases employees' job satisfaction and morale when they know that the manager is interested in their progress and development. Many organizations use Performance Appraisals to plan placements, to provide input into decisions regarding salary increases and to promote and transfer as and when appropriate. Finally, each Performance Appraisal may be used as a basis for coaching and counseling an individual employee by the superiors.

## **2.9 Career Planning System (CPS)**

*“A comprehensive process by which people determine their interests, skills and values is called career planning” (Leibowitz, Farren & Kaye, 1988)*

Hall et al. (1986) describe Career Planning as a focused track for becoming aware of self, opportunities, limitations, choices and consequences, identification of career related goals, work, education, and related developmental experience to provide the direction, timing and sequence of steps to achieve a specific career goal. While career development is a route in which individuals recognize their values,

interest in job and their strengths and weaknesses that enhance the likelihood of attaining their career ambitions (Greenhaus, 1987).

Career Planning and Development Program, fostering organizational effectiveness, depends on the organization's ability to transfer staff from a conventional model of expectation to one of increased responsibility for their own career growth and development (Martin, Romero, Valle & Dolan, 2001). A well-designed career development structure allows organizations to tap into their wealth of in-house talent for staffing and promotion by matching the skills, experiences, and ambitions of individuals to the needs of the companies. In addition, it allows them to make informed choices around compensation and succession planning to attract, keep and inspire the staff, resulting in a more engaged and productive workforce (Thite, 2001; Kapel & Shepherd, 2004; Kaye, 2005). Career development must be an ongoing system connected with the organization's Human Resource (HRM) structures and not a one-time event (Leibowitz, et al. 1988). These arguments defining and maintaining a sustainable career development process, calls for theorizing and testing the antecedents and outcome of career development practices across the performance of different industries.

Career development is a long-term composite process. Indeed, organizations and individuals understand and appreciate the intrinsic longevity in this complex experience. Often, career development is reported as an organizational program whereby organizations set up processes, structures and systems to promote career development initiatives for individuals (McDaniels & Gysbers, 1992; Herr, 2001). In recent years, the views of individuals following their careers and shaping, molding and developing them in order to get utmost benefit have received more extensive concentration. For example Hall et al. (1986); and Granrose & Portwood (1987) emphasized the significance of Career Planning as the first step towards the career development process. Indeed, individuals need to discover career development areas and make decisions about personal objectives and development plans. Moreover (Leibowitz, Farren & Kaye, 1986) argue that individuals are responsible for initiating their own Career Planning as well as recognizing their skills, standards, interests and it is their responsibility to look for their career alternatives in order to set the objectives of their career plans.

The significant change in business environment, especially in the technological aspect, has caused a great impact on the perception of people towards their attitude and experience. The perception is dominated by organizational restructuring and downsizing. Hall, et al. (1986) said that, human resource professionals have focused on the use of career management and development within organizations to improve employee commitment leading to better performance.

Scholars and practitioners in the field of Human Resource Management have widely accepted that, performance feedback is an essential component for job performance and satisfaction (Denisi & Kiuger, 2000). Heckman & Oldham (1980) advocated that the performance feedback and motivation increases job satisfaction and motivation. They also argued that the career development models included a feedback loop focusing on the individual's learning based on receiving feedback. One effective way to meet the challenge of developing careers and increasing performance is the supportive role of organizations, which assist employees to develop a career path for success in their careers (Baruch, 2006).

Career exploration and career strategy both play a significant role in career development resulting in an individual's performance. A more systematic exploration process is likely to result in a better awareness and understanding of development needs. This awareness is an important prerequisite for development of behavior and willingness to participate in development activities (Noe, 1986). A career strategy is an activity or behavior, such as participating in a mentoring relationship that increases the likelihood of attainment of career goal (Gould & Penley, 1984).

To conclude the discussion, it can be said that career planning is viewed as an initiative where individuals apply personal control over their career and connect informed decisions to their occupation, organization, job assignments and self development (Hall, et al. 1986). On the other hand, organizations can assist by offering career planning tools or workshops through vocational counseling, or by using workbooks or career resource centers to guide employees to perform self assessment, examine and assess their career options and preferences, write down their development aims and arrange an implementation plan (Hall, 1986; Leibowitz, et al. 1988; Appelbaum, et al. 2002). It is because of the importance given to the Career

Planning System in management literature, that Career Planning has been taken as an independent variable in this study.

## **2.10 Compensation System (CS)**

*“Compensation is employee cheerfulness against the work they contribute in the company equity accounts”*. TMQ

Any monetary or non monetary reward given to employees for their endeavors is called compensation. It plays an important role in an employees' motivation and thus enhances organizational effectiveness (Lawler, 1971; Milkovich & Newman, 1996). There are different factors that need to be addressed while compensating any employee; i.e. work performance, relationship with coworkers, and relationship with managers, and personal needs. Compensation may be used to keep competent workers, boost or sustain satisfaction, encourage peak performance, decrease turnover and encourage company loyalty. Compensations may be different for different workers depending upon their level and type of formal education, experience and training (Pedro & Vicente, 2007). Many equity based compensation plans are normally used for staff. These plans include employee stock option plans, employee stock purchase plans, restricted stock plans, employee stock ownership plans, and various qualified retirement's plans. These are extensive plans and can be classified as non-retirement and retirement plans based on when the worker is entitled to get benefits (Melissa, 2004).

This study is based on instrumentality theory, introduced in the 19<sup>th</sup> century. The main idea is that if we perform one job it will lead to another and people work for money by contributing towards economic outcome. It further focuses that rewards are contingent upon effective performance and if penalties and rewards are directly related to performance, the employees will be motivated to work hard. This theory is derived from scientific management, Taylorism. FW Taylor in 1911 wrote: ‘It is impossible, through any long period of time, to get workmen to work much harder than the average men around them, unless they are assured of a large and permanent increase in their pay. This theory is also linked with principle of reinforcement by (Skinner, 1974) in which he said that people could be ‘conditioned’ to act in certain ways if they were rewarded for behaving as required. It was also called the law of effect’.

Payment sensitivity of performance needs to be strong. If the presence of a strong relationship exists, then it seems that high levels of executive compensations might be justified. Two important questions in literature related, to the issues of compensation include: (1) How to measure performance? (2) How to determine acceptable performance levels? Some researchers have concluded that the relationship between pay and performance in the past was stronger. Another issue raised by researchers was whether, controversy and public pressure on the board of directors made the compensation strategies less effective. Based on a comprehensive study, (Jensen and Murphy, 1990) said, “There is weak relationship between pay and performance”.

Employee compensation usually contains numerous elements: a base salary, annual bonus, stock options and other long-term incentive plans. Employee stock options (ESOs) are used to motivate staff to high levels of performance and retain talented employees (Chih-Ying, 2003).

Compensation is the outcome (reward) employees receive in exchange for their work. The latest trend appears to be performance-related pay integrated with the appraisal of the employee (Alen, 1998). A substantial body of work has provided evidence that incentive-based compensation has an impact on firm performance (Gerhart & Milkovich, 1992; Gomez-Mejia, 1998; Milkovich & Boudreau, 1998). Traditional reward practices and plans do not have a link with performance management system, and rewards are allocated on the basis of seniority and position. In contrast, rewards are now allocated on the basis of job performance. Rewarding for performance is a better motivating tool, as an employees’ effort is linked with performance. Consequently, one who performs well receives rewards, and employees value these rewards.

Numerous research studies highlighted performance-based compensation as highly motivating, and an influence creating HRM practice (Arthur, 1994; Huselid, 1995; MacDuffie, 1995; Delery & Doty, 1996; Shaw, et al. 1998; Sels, et al. 2003). Bonus systems are to motivate employees to work towards the company’s objectives (Pfeffer, 1994). Empirical studies on the relationship between performance-related pay and company performance have generally found



a positive relationship. A great deal of research shows that offering high wages can reduce voluntary turnover (Shaw, et al. 1998).

Some researchers have concluded that the relationship between pay and performance in the past was stronger, and agreed that compensation played a key role in enhancing employee effectiveness, and intrinsic and extrinsic “rewards” contributed towards shaping employee behavior. In generalized terms, it can be said that compensation is used as a motivator to enhance performance. Employee motivation for employees working in companies depends upon compensation (March & Simon, 1966; Rosenstiel, 1975; Weinert, 1998).

Lawler (2005) reported that organizational performance & effectiveness, organizational design and change management is the outcome of an outstanding HRM system. Commenting on the same, Hewitt (2004) and Saratoga Institute (2006) concluded that for the improvement of the various HRM tasks, HRM indicators were required to be empirically measured and reported by HRM systems. Resultantly, the approach would shift the HR systems and functions from traditional personnel administration towards Strategic HRM, having wide growth opportunities for an organization. It is therefore obvious that reward and performance are closely linked with each other to increase organizational effectiveness.

Various authors have studied the compensation system on the basis of which rewards were divided into two main categories i.e. intrinsic and extrinsic rewards. Intrinsic rewards are those that exist with the job itself or in the content of the job, such as variety, challenge, and autonomy. Extrinsic rewards are the context of jobs such as pay and fringe benefits, promotion or advancement opportunities within the organization, the social climate and physical working conditions. Brief and Aldag (1977) reported that it was useful to have a distinction between extrinsic and intrinsic rewards. Similarly, extrinsic and intrinsic rewards in organizations were differentiated by (Crino, 1978) who highlighted that, extrinsic and intrinsic rewards were not only just different types of an outcome, but were two separate ends of the same band. On the contrary, Guzzo (1979) suggested that differentiating extrinsic and intrinsic rewards is inadequate for understanding different types of reward and incentive systems in an organization.

Porter & Lawler (1968) noted that there was an equivocal relationship between extrinsic and intrinsic rewards with performance. However, there was a weak relationship between extrinsic rewards and work performance because it was very difficult to maintain consistency and fairness in rewarding work performance. Another reason was the inherent difficulty in the Performance Management System and evaluation of qualitative tasks. Intrinsic rewards could easily be linked to performance as these rewards were associated with the soul and spirit of a person. Intrinsic rewards focused on achievement of something good that was urgent, immediate and directly related with performance, and such rewards were not influenced by situations and were not externally controlled. They further contended that when they combined intrinsic and extrinsic rewards with one another, they influenced satisfaction and performance.

Although not much work has been done on this issue, but some researchers have shown significant association between rewards and incentives tied to organizational performance. A study by Bau & Dowling (2007) found that there was an association within the organizational life cycle especially in the reward and incentive systems. They further suggested that organizations having a large number of skilled and educated employees had better reward practices, both in financial and non-financial terms, while the smaller organizations with less staff could manage to have structured extrinsic rewards practices.

Kessler & Heron (2006) explored four distinctive pay practice systems in the United Kingdom. They found that the effort-based reward system and the understanding of the remuneration criteria were satisfiers for the employees. The employees were more content with the traditional remuneration system as it was linked with culture and belief of employees.

Chang et al. (2007) focused on the New Product Development (NPD) teams and worked on four aspects of the Joint Reward System (JRS); (1) participation in reward decision (2) reward linked to the NPD phases (3) risk-free participation (4) over-reward incentive using a conceptual model. They studied responses from individuals of the New Product Development teams, comprising of members from Research and Development (R&D), Marketing and Manufacturing Departments. The

results showed that the risk free knowledge sharing and NPD performance were the most important aspects of the JRS for the NPD teams. They found the commitment for the JRS among the marketing team and NPD performance. However, R&D and manufacturing produced conflicting results with respect to the tying up of rewards to the NPD phases. The researchers failed to find a relationship between over-reward incentive for knowledge sharing and NPD performance.

As per SoonYew et al. (2008) benefits for the employees have become integral parts of the compensation package nowadays. The employee commitment increases with increasing benefits. However, the fringe benefits have a stronger impact on the commitment as compared to the mandatory benefits. This research concludes, that by increasing the fringe benefits one could get fourfold benefits which consisted of (i) organizational commitment (ii) motivation (iii) overall productivity (iv) job performance.

Different extrinsic reward policies are adopted by different organizations. Sometimes, uncertainty pushes the organizations to adopt the compensation packages according to performance, and this act strengthens a culture of performance and performance improvement in an organization (TMC news, 2009).

Stoughton & Wong (2007) found that impact of stock option varied with the situation Companies kept on changing the option for its employees with the changing situation. However, it was found that the need to change such policies was reduced considerably by controlling the turnover of employees. The outcome of this stability in the staff resulted in the stability of the organization and had a positive impact on the overall market. The trend in this regard was interesting and showed that if an industry was dominated by a firm, the options were utilized, while if there was a good potential for domination, stocks were used. This proved that compensation schemes also helped the companies to gain better profits and became leaders in the industry.

Bau & Dowling (2007) in their research paper said, that, although not much work had been done on this issue, some researchers had found a relationship between the reward and incentive systems within the organizational life cycle, especially with respect to entrepreneurs. This particular research, targeting the entrepreneurs concluded that due to the small size of the company they emphasized more on

intrinsic rewards and incentives. From the employees' point of view, the ability to communicate with the employer directly, a high degree of responsibility etc could be a real incentive rather than gaining some financial benefits. The study further found that organizations having highly educated persons had a better reward system.

In a research, conducted by Qureshi et al. (2009) in the cement industry of Pakistan, the researchers concluded that both, the intrinsic and extrinsic rewards were highly correlated with the performance of the employees.

A firm's Compensation System reflects the firm's values and cultures. Employees are more likely to look at what a company pays rather than what it says. In many aspects, people behave as they are rewarded. The Compensation Scheme also indicates to the employees what the firm expects from them. Therefore, for example, if quality is an important value, it should be reinforced through some element of the total Compensation System. Managing a firm's Compensation System is a complex task as it involves providing systematically administered and equitable salaries, reconciling employees' career aspirations in terms of earnings, aligning employees' personal objectives with those of the organization and keeping the firm's costs under control. On the basis of literature review, the Compensation System has been considered as one of the independent variables in this study.

## **2.11 Employee Participation (EP)**

*“Coming together is a beginning, Keeping together is progress, Working together is success”* Henry Ford

Ford & Randolph (1992) said that Management Style, where subordinates contribute extensively in decision making with their leaders is Participatory Management. Strauss (2006) said that participation is a process that allows employees to exercise some control over their work and the conditions under which they work.

It encourages employees to participate in the process of making decisions, which have a direct impact on work environment. Substantial employee participation in management is vital for cross-functional integration and efficient working. Open communication with the high chain of command, expression of creative & innovative

ideas, result in common vision, mutual respect and trust. Employee participation is a method where, a large number of subordinates share a degree of decision-making power with their superiors. Participation in management is very significant for cross-functional integration (Nyhan, 2000). Research in employee participation has examined how it effects an employee's normative, continuous, and effective commitment. Further it motivates employees and gives meanings to concepts like organizational loyalty (VanYperen, et al. 1999; Tesluk, et al. 1999) consequently leading towards high performance.

In the past, employee participation studies examined its process, content and nature. Majority of work is currently focused on evaluating impact of participation on organizational performance, which is the primary line of investigation (Cox, et al. 2006). Analysis of employee participation impact on organizational performance has been rather less common, but recently a lot of work has been done in this area (Bryson, 1999). Impact and relationship analysis of employee participation with employee and organizational performance was considered by Cox et al. (2006). Kessler et al. (2004) studied links between employee participation and employee perceptions. According to Marchington et al. (2001) EP definition is elastic and somewhat problematic; it can be categorized, (i) Direct participation requiring participation of an individuals' problem solving or team building. (ii) Indirect participation through workplace committees.

Different types of participation means different degrees of influence, known as Participation Intensity (Wilpert, 1998) while Participation Depth is focusing on central dimensions (Strauss, 1998). Heller (2003) pointed that the distribution of power is a necessary action in order to enhance performance and satisfaction through employee involvement. Different groups for strengthening their status, influence different situations in an institution (Ng, 1982). Likewise, an individual's status is determined on the basis of influence within the organization (Turner, et al. 1987; Tyler & Blader, 2003) but most of the time participation is necessary to get basic rights. These concepts emphasized the importance of including employee participation as a dimension in this study to test the relationship between employee participation and organizational performance.

Specifying the form while investigating employee participation is essential because, of the fact that different participation forms reflect various decision-making processes that might produce dissimilar results in terms of employee relations and attitudes (Wilpert, 1998). Work-related issues related to staff conditions immediately to perform a function, are called nearby issues, while the regulatory issues related to the regulatory environment are called far-issues. Issues related to work and organizations are two different phenomena and employee participation can be applied to both (Strauss, 1998).

To increase the competitiveness of the organizations, participative practices are praised and the main theme behind this principle is to encourage employees to achieve a higher output. (Zwick, 2004) using regression analysis found out that the shop floor employee involvement increased the organizational productivity. Research shows that profit sharing programs are more successful when combined with employee participation in the management (Blinder, 1990). Stock options, productivity and performance bonuses all are designed to provide financial incentives to employees for improving their performance (Strauss, 2006). Past studies also showed that employee participation is positively related to employee and organizational performance (Pfeffer, 1994; Wagner, 1994). Participation can be Work-related, like individual or collective and direct (face-to-face) or indirect (via a representative). Traditional collective participation shed light on fair sharing of power in organizations, and new participation forms are more direct and aim to secure employee commitment to organizational objectives through sophisticated communication procedures, and individualized reward and developmental initiatives, such as performance appraisal linked to performance-related pay. Different forms of direct participation have become additionally significant for managers to gain intentional loyalty from employees for the organizational (Walton 1985). Participative practices in HRM literature are shown as activities that encourage active utilization of human potential for increased organizational performance (Gallie, et al. 2001).

Employee participation in conventionally owned and organized institutions can be task-related (i.e. at the work station) or strategic (i.e. at corporate level), and participation at either of these levels can be communicative, consultative or

negotiable (Heller, et al. 1998). On the basis of research work by (Walton, 1985; Pfeffer, 1994; Wagner, 1994; Verma, 1995; Strauss, 1998; Gallie, et al. 2001; Wan, et al. 2002; Sels, et al. 2003; Singh, 2004; Kessler, et al. 2004; Cox, et al. 2006; Strauss, 2006) employee participation has been selected as an important factor for this study.

## **2.12 Employee Performance (EP)**

Performance of work, in terms of quantity and quality, expected from each staff member is called the Performance of the Employees. These standards are the foundation for performance evaluation. According to job performance theory Campbell (1990) performance is the behavior or people's actions that have an effect on the objectives of the organization. This behavior can be positive or negative and can be either provided as part of the work or outside the scope of the duties set forth.

Accordingly Porter & Lawler (1968) performance can be divided into three types. One is to measure the rates of production and the number of sales during a certain period of time. The second type of performance measurement and evaluation includes evaluation of individuals by someone other than the person who is being considered in the performance. The third type of performance measurement and evaluation is self-evaluation. As a result, the adoptions of self-evaluation and self-assessment techniques were found useful in encouraging staff to play an active role in preparing his own goals.

Factors such as work environment, feedback to managers, emotional intelligence, training and development of staff increase employee performance. Peter Hosie, Nick Forster & Peter Sevastos (2004). Today's market place and companies in every industry are packed with competitors. This, in turn, has a negative effect on the health and comfort of workers. This results as an issue of high cost to business (MacDonald, 2005). The present state of social system poses many problems for the working class, like balance between work, family and life satisfaction. This situation demands effective implementation of HRM practices (Cooper & Robertson, 2001). The workforce as a competitive weapon now has become a necessity for every organization. Edgar & Geare (2005) found that work related attitude of employees was the function of a number of HRM practices. Furthermore they conclude that

HRM practices had the potential to yield the greatest performance outcome for both, employee and employer. Managers who helped employees' progress in their careers and encouraged their professional development, supported subordinates through professional development by providing feedback about performance were likely to stimulate employee performance. They also argued that investments in human capital development could result in effective and positive results in the performance of the firm, so each company should understand the link between HRM and employee satisfaction (Wan, 2007). Huslied et al. (1997) found significant relationship between HRM practices and firm performance. They further elaborated that HRM practices had a positive impact on professional and business related performance of employees. The exercise of human agency had been proposed as a significant dimension of employee behavior, impacting upon organizational dynamics (Hesketh & Fleetwood, 2006). Research by Seeck & Parzefall (2008) demonstrates that an active role played by employees in constructing employment relationships, rather than simply responding to employer behavior, are not often considered in the highly management-centered perspective. HRM practices enable companies to gain a competitive advantage. Effective Human Resource Management enhances the ability of organizations to attract and retain quality employees, who can be motivated to perform. This result in greater profitability, low employee turnover, high product quality, lower production costs, and more rapid acceptance & implementation of corporate strategy, particularly when competitors do not have the right people such practice can create a number of competitive advantages for the organization (Schuler & MacMillan, 1984). High employee turnover rates are low in unionized workplaces than in nonunion workplaces, even in the presence of a range of human resource practices (Batt, et al. 2002). Fey & Bjorkman (2001) support the findings that HRM practices for managerial and non-managerial employees are found significantly related to firm performance. Furthermore, management and employee development, combined with reward systems on group performance for non-managerial employees, has positive effect on performance. Guest (2002) found investments in HRM practices benefit employees and proper use of HRM practice resulted in increasing the level of commitment of employees. He further elaborated that HRM was only concerned with the effective utilization of employees. Research exploring the relationship between HRM practice and positive employee attitudes showed a strong association (Guest & Conway, 2002).



HRM practices have a great impact on employees' workplace attitudes because of the strong correlation between them (Edgar & Geare, 2005) as employees and organization performances are parallel. They are as important to managers as to employers and other stakeholders. HRM research (Guest, 2001) led to the belief that the voice of an employee must be heard. Daniels (2006) describes that people look for jobs in an organization that match with their personality, and provide motivators that meet their needs. In this respect, key HRM practices like, work life balance and satisfaction etc, have become of great importance for both employees and organizations. As a result employers have embraced the issue of creating an acceptable work life balance for employees through flexibility and introducing a wide range of working patterns to fit the needs of the workforce. Flexibility relates to different aspects, work timings and work place (Houston, 2005).

HRM practices are getting importance because companies are trying hard to survive. They cannot perform successfully if their employees are not in an excellent state of health and wellbeing (MacDonald, 2005). Baptiste (2007) drew findings from his research study that, the implementation of HRM practices would promote commitment, trust, support and positive relationship. By promoting employee wellbeing at work at all levels, within an organization, the managers can contribute to develop a workforce which is more committed, satisfied with jobs, has work-life balance and is more positive towards enhanced performance, reduced absenteeism and turnover. A multitude of studies examined the relationships between HRM practices and firm performance. But, research of employee performance and HRM policies is relatively not to a great extent explored in literature. Human Resource Management (HRM) activities are often recognized as playing an essential role in identifying employee capabilities and performance requirements of a firm. This relationship is still open to debate (Youndt, et al. 1998). Further it is argued that mediating or moderating role of variables between HRM and organizational performance should be tested (Becker & Gerhart, 1996). Considering the importance of employee performance it has been selected as a mediator between HRM practices and perceived organizational performance.

## **CHAPTER 3**

### **METHODOLOGY**

This chapter addresses research design, research model, tested variables (independent, dependent, intervening, and control), hypotheses, population, sample, instrumentation, questionnaire reliability, data gathering procedures, response rate and statistical analysis methods.

#### **3.1 Study Design**

In this cross sectional study the primary data on six independent, one intervening, five dependent and seven demographic variables were collected from HRM professionals working in different financial sector companies in Pakistan, through questionnaires. Secondary data related to financial performance of the companies was collected from published financial reports.

#### **3.2 Population**

Population of the study comprised of all HRM professionals working in 866 listed companies with Karachi Stock Exchange (KSE). 129 financial sector companies of different industries i.e. Banking, Insurance, Leasing, Investment and Modaraba were taken from the KSE website. The companies were scrutinized and selected for the study on the basis of financial data availability and existence of HRM department. The postal addresses of the registered offices of these companies and HRM professionals were also obtained.

#### **3.3 Sampling**

Purposive Sampling (PS) technique, a form of non-probability sampling was used. The target groups of employees “HRM Professional” in different companies were identified. Purposive sampling was applied because the respondents for this study were not common employees; rather they were employees posted at different positions in HRM departments. All 350 HRM professional of 129 different listed companies from 5 different financial sector industries were selected for the study.

They were approached to answer the survey questions. In phase one, preliminary required information was collected with the permission of the departmental heads. This information was related to number of HRM professionals working in the HRM department, their email addresses and phone numbers. In the second phase, more data was collected using self-responded surveys from the same sample.

### **3.4 Instrumentation**

Both primary and secondary types of data have been used in this study. Primary data has been collected through a questionnaire, designed on seven points Likert scale with options from strongly agree to strongly disagree. Each option was assigned a scale. 7 = strongly agree, 6 = agree, 5 = somewhat agree, 4 = indifferent, 3 = somewhat disagree, 2 = disagree and 1 = strongly disagree. To measure the HRM practices, the questionnaire was based on questionnaires used by Snell & Dean (1992), Boselie et al. (2001), Singh (2004), Laka (2004), Qureshi et al. (2007). Like most researches in social sciences, in this study, the questionnaire was used for primary data collection. The survey is considered as the best data collection method because the dream of “data collection from large population” becomes a reality. The reliable and valid information collected from the selected sample can be generalized over the entire population (Kerlinger & Lee, 2000). To study the relationship amongst variables or to describe variables, standardized information is required which can be collected by surveys for quantitative study. Surveys can be of relational and descriptive types (Rungtusanatham, et al. 2003). Relational surveys are developed to collect data that can empirically test relationships between two or more variables in confirmatory or exploratory style, and the descriptive surveys identify current state of affairs. This study is a relational survey intended to identify relationship between different HRM practices and perceived organizational and financial performances.

The questionnaire was divided into two sections (A) and (B), (A) consisted of personal and company information based on nominal and ordinal scaling, while section (B) contained questions relating to Human Resource Management practices, employee performance and perceived organizational performance, based on seven

point Likert scale. A cover letter describing the objectives and scope assured respondents about strict secrecy.

The questionnaires were distributed amongst HRM professionals of 129 different financial sector companies. After five weeks, HRM professionals were given 1<sup>st</sup> reminder through emails, 2<sup>nd</sup> reminder was given three weeks after the first one, meanwhile responses started coming. This whole data collection process took 130 days.

Secondary data, relating to financial performance was taken from the financial reports of the companies submitted to the Karachi Stock Exchange (KSE). Data related to value of paid up capital, face value of shares, number of shares, equity, book value per share, total assets, sales bank financial charges, taxation, profit after tax, cash dividend, stock dividend were taken for the years 2004, 2005, 2006, 2007 and 2008. Using Excel 2003 the ratios like Marris Ratio, Tobin's Q, Return on Equity (ROE) and Return on Assets (ROA) were calculated for each company separately on year to year basis for five years, and the average for each financial variable were calculated. Secondary data consisting of financial performance indicators is given in (Annexure-IV).

### **3.5 Pilot Study**

One focus group discussion comprising of 50 human resource professionals from 5 different industries i.e. Banking, Insurance, Leasing, Modaraba, and Investment was organized. The moderator initiated the discussion on the importance of HRM practices by asking funneling questions by following unstructured interviewing methodology. Pilot study was conducted because HRM is relatively new phenomenon in Pakistan, Consensus of HRM professionals was very important to know the importance and usage of different HRM practices in different local industries. Based on their opinion there were six HRM practices with more importance in the Pakistani set up, i.e. recruitment & selection, training & development, performance appraisal, career planning system, employee participation and compensation system.

After focus group discussion and extensive literature review, an instrument was designed and distributed amongst same static panel of HRM professionals. The response was 100 % and all questions were considered for analysis, the results are given in (Table 3.1).

**Table 3.1: Descriptive Statistics**

	N	Minimum	Maximum	Mean	S. D
Industry Type	50.00	1.00	4.00	1.68	1.17
Organizational Life	50.00	3.00	64.00	24.38	22.46
No of Employees	50.00	20	15000	5157	5206
Gender	50.00	1.00	2.00	1.78	.42
Age	50.00	26.00	45.00	33.34	7.26
Education	50.00	14.00	18.00	16.00	.99
Experience	50.00	1.00	22.00	9.71	5.93
OP	50.00	4.50	7.00	5.80	.57
EP	50.00	4.00	7.00	5.54	.64
RS	50.00	3.80	7.00	5.76	.68
TD	50.00	4.30	6.90	5.55	.70
PA	50.00	4.10	7.00	5.50	.69
CP	50.00	3.60	7.00	5.51	.76
EPA	50.00	3.20	7.00	5.36	.87
CM	50.00	4.10	7.00	5.41	.80
Valid N (list wise)	50				

Analysis of data shows that almost all the respondents agreed with all the questions asked about different HRM practices as mean values for all the variables are more than ( $m > 5$ ) and standard deviation value is lesser than one ( $SD < 1.0$ ). Questionnaire is attached in annexure (I).

**Table 3.2: Correlation Matrix of demographic variables**

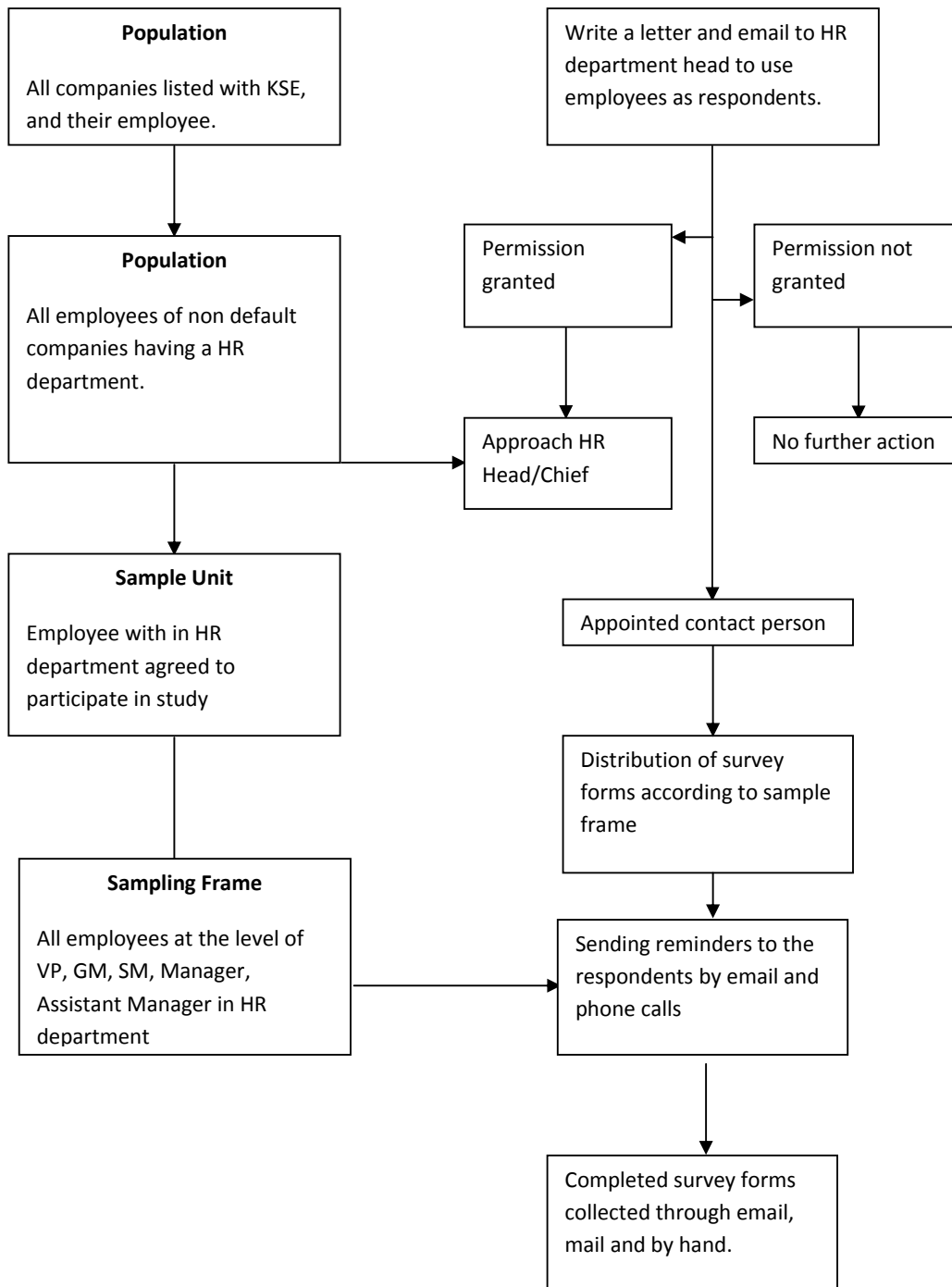
	InT	OrL	Gender	Age	Edu	Exp	NOE	POP	EP	RS	TD	PA	CP	EPA	CM
InT	1														
OrL	-.13	1													
Gender	-.23	.285*	1												
Age	-.414**	.273	.317*	1											
Edu	-.300*	-.034	-.296*	.063	1										
Exp	-.423**	.259	.459**	.837**	-.103	1									
NOE	-.547**	.388**	.196	.458**	.252	.370**	1								
OP	-.221	-.205	-.223	.085	.377**	.096	.247	1							
EP	-.232	-.06	-.136	.089	.284*	.038	.452**	.519**	1						
RS	-.226	-.183	-.202	-.065	.364**	-.012	.082	.679**	.335*	1					
TD	-.361*	-.153	.021	.139	.456**	.114	.352*	.695**	.641**	.673**	1				
PA	-.1	-.424**	-.145	.031	.347*	-.09	.024	.533**	.495**	.594**	.740**	1			
CP	.001	-.23	-.215	.077	.313*	.007	.167	.654**	.559**	.523**	.666**	.685**	1		
EPA	-.049	-.298*	-.249	-.064	.392**	-.094	.012	.656**	.441**	.702**	.747**	.803**	.819**	1	
CM	-.077	-.390**	-.365**	.059	.349*	-.048	.136	.608**	.399**	.423**	.529**	.661**	.578**	.641**	1

\*. Correlation is significant at the 0.05 level (2-tailed).

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

Correlation values are indicating a positive relationship with substantial significance. Recruitment and selection is having a strong positive correlation ( $r = .679$ ) with organizational performance and positive ( $r = .335$ ) with employee performance. Likewise training and development ( $r = .695$ ) ( $r = .641$ ), performance appraisal ( $r = .533$ ) & ( $r = .495$ ), career planning system ( $r = .654$ ) & ( $r = .559$ ), employee participation ( $r = .656$ ) & ( $r = .441$ ) and compensation system ( $r = .608$ ) & ( $r = .399$ ) with organizational performance and employee performance respectively. All these values are significant at ( $p = .01$ ). Control variables education correlation of ( $r = .377$ ) with perceived organizational performance. ( $r = .284$ ) with employee performance are significant in addition to ( $r = .452$ ) correlation of number of employees with employee performance. Based on pilot study findings a comprehensive research strategy was planned.

**Figure 3.1: Process followed from population to sampling to elements**





### **3.6 Data Collection**

For data collection a total of 350 HRM professionals of 129 companies from 5 different industries were contacted. Initially mail survey strategy was adopted for this purpose. Through this method 41 responses were received, but some problems reduced the response rate efficiency. HRM executives from different organizations were not quick in answering the questions asked; as such the data collection was slow. To overcome this problem, personal and one to one, interviewing method was adopted. Organizations operating in the twin cities (Rawalpindi and Islamabad) were personally visited and the questionnaires were distributed to their HRM Managers & Executives. As a result of self-administered data collection technique, the response rate became better in respect of quality and quantity. Responses were collected from 30 elements, but there were other problems like, time consumption and extensive traveling. To combat this situation telephonic method was exercised which proved more productive bringing of 35 responses. Within a short period of time, email attachment technique was used that produced even better results, and thus as many as 169 responses were collected.

For concrete research work, HRM professionals were requested to respond to all the questions to the best of their knowledge with reference to the HRM practices implemented in their organizations. There was an open option that any person from the HRM department at the managerial level could fill out the questionnaire. During data collection process, it was observed that a few organizations did not have a separate HRM department, but other departments like administration and management departments were taking care of the HRM activities.

Returned questionnaires were coded and data entered into Excel 2003 and SPSS 16.0.0. As the data was collected through mailed questionnaires there was no possibility for the researcher to ensure that respondents answered all the questions.. A small number of questions were not answered in some of the questionnaires.

According to Roth & Switzer (1995) two problems arise when some questions are not answered. (i) Missing data trims down the statistical power and it

needs to increase the size of the sample needed for the statistical test to be accurate, whereas statistical power means capability of data analytic technique to notice significant results through analysis. (ii) Accuracy of estimating parameters may be affected due to missing data, while accuracy refers to quantity of dispersion around a true score in the study. Missing records raise the variance around true scores because there is a lesser amount of data for analysis in the sample. Roth and Switzer (1995) are of the view that missing data can be dealt in different ways like hot deck imputation, regression imputation & mean substitution, pair wise and list wise deletion. Hot deck imputation replaces missing data with real data from a similar individual. Regression imputation uses related variables to estimate missing values. List wise deletion technique removes the entire information for the record containing any missing value. Mean substitution puts in the mean value of a variable in the place of missing data, is considered better because it saves important collected data.

In this study three different methods were followed to deal with missing values. (i) List wise deletion was used where more than 10 questions were not answered. According to this method, 6 questionnaires were identified so excluded. (ii) Hot deck imputation was used for local respondents by visiting Rawalpindi and Islamabad respondents personally with a request to fill the unfilled questions, as many as 7 questionnaires were completely filled in this way. (iii) In 6 questionnaires, one question in each was not answered; therefore mean values of particular scales were entered to fill the missing values. As a result, out of 280 responses, only 6 were discarded while the remaining 274 equivalent to 78 % were analyzed. This response rate is considered very good. Babbie (1998) recommended that more than 70% response rate is very good, 60% rate is considered good and 50% is adequate.

The reasons for very good response can be attributed to e-questionnaires, email reminders and telephonic calls. Response rate is the indication of success of a survey-based study and is important for different reasons. Completely filled items give prejudice-less results and give substantial representation where different statistical test can be tested (Fronlich, 2002).

**Table 3.3: Industry response rate**

No	Industry	Sample	Responses	Response %
1	Banking	80	60	75
2	Insurance	60	47	78
3	Leasing	60	46	77
4	Modaraba	110	97	88
5	Investment	40	24	60
		350	274	78

Out of the 350 questionnaires distributed, 80 went to the commercial and investment banks (response 60; response rate 75%), 60 to the insurance companies (response 47; response rate 78%), 110 to modaraba and mutual fund companies (response 97; response rate 88%), 40 to investment companies (response 24; response rate 60%), and 60 to leasing companies (response 46; response rate 77%). Total response rate is 78 %.

### **3.7 Procedures for data analysis**

Statistical analysis has been done at Mohammad Ali Jinnah University Islamabad, Pakistan. The researcher and the supervisor were involved in the planning and execution of the analysis. Reliability test, descriptive statistics, correlation and regression analyses were used to analyze data.

Beside Excel 2003, SPSS 16.0.0 package was used to perform required calculations. Construct validity of measures was determined for the validation of an instrument. For accurate relationship, among variable construct validity of measures is incredibly essential and it relies on the aptitude of the researcher to appropriately measure the variables. Cronbach's alpha was calculated to determine the internal reliability of the tool.

### 3.8 Respondents characteristics

The following table contains demographic variables used in the study.

**Table 3.4: Demographics**

Individual characteristics	Organizational characteristics
Age (in years)	No of employee
Gender	Life of organization (in years)
Education (in years)	Industry type
Experience (in years)	
7 Demographic variables used in study	

### 3.9 Frequencies

Frequencies of occurrence of certain variables are determined, from which the percentage and cumulative percentage are calculated. Frequency tables of demographic variables are given below and frequency tables of different independent variables, (recruitment & selection, training & development, performance appraisal, career planning system, employee participation & compensation system, intervening variable (employee performance), dependent variables (POP, Marris, Tobin's Q, ROE and ROA) are given in (Annexure III).

#### 3.9.1 Age

Respondents were requested to give their age in years. The participants' age ranged between 21 and 59 years. The mean age of the respondents is (M = 36.05) years with a standard deviation of (SD = 7.92). Majority of the respondents' age was between 27 to 45 years.

**Table 3.5: Respondents' Age**

Age in Years	Frequency	Percent	Valid %	Cumulative %
21-30	77	28.1	28.1	28.1
31-40	135	49.3	49.3	77.4
41-50	46	16.8	16.8	94.2
51-60	16	5.8	5.8	100.0
Total	274	100	100	

### 3.9.2 Gender

Respondents were asked to mention their gender. The gender distribution is given in table (3.6). Majority of the respondents were male (n = 235) representing 85.77 % of the sample, while females were (n = 39), 14.23%.

**Table 3.6: Respondents' gender**

Gender Type	Frequency	Percent	Valid %	Cumulative %
Male	235	85.77	85.77	85.77
Female	39	14.23	14.23	100.00
Total	274	100	100	

### 3.9.3 Education

Education was measured in years and the respondents were required to state years of schooling. Majority of the respondents had sixteen or eighteen years of schooling and a few senior employees had fourteen years of education, but, based on their experience they held senior HRM positions.

**Table 3.7: Respondents' education**

Years of Schooling	Frequency	Percent	Valid %	Cumulative %
Graduation	19	6.93	6.93	6.93
Master	217	79.20	79.20	86.13
M. Phil	38	13.87	13.87	100.00
Total	274	100	100	

### 3.9.4 Experience

Experience was also measured in years, which ranged from, (1 to 33) years. The mean value (M = 10.88) indicates that majority of the respondents were in the middle of their professional careers.

**Table 3.8: Respondents' experience**

Experience in years	Frequency	Percent	Valid %	Cumulative %
01-10	153	55.84	55.84	55.84
11-20	93	33.94	33.94	89.78
21-30	26	9.49	9.49	99.27
31-40	2	0.73	0.73	100.00
Total	274	100	100	

### 3.9.5 Industry Type

Five different types of industries were selected for data collection. All of them participated substantially but the response rate was different from industry to industry. Highest to lowest responses from industry to industry were in the following order:

Modaraba, Insurance, Leasing, Banking and Investment. The over all industries response rate was 78 %, which is considered as a very good response rate.

**Table 3.9: Industry Type**

Industries	Frequency	Percent	Valid %	Cumulative %
Banking	60	21.90	21.90	21.90
Insurance	47	17.15	17.15	39.05
Leasing	46	16.79	16.79	55.84
Modaraba	97	35.40	35.40	91.24
Investment	24	8.76	8.76	100.00
Total	274	100	100	

### 3.9.6 Organizational Life

Organizational life is measured in years. The newest organization used in the sample was one and half years old, and the oldest 72 years. Mean is (M = 20.43), indicates that on average organizations are two decades old.

**Table 3.10: Organization life in years**

Org Life in Years	Frequency	Percent	Valid %	Cumulative %
01-20	200	72.99	72.99	72.99
21-40	23	8.39	8.39	81.39
41-60	33	12.04	12.04	93.43
61-80	18	6.57	6.57	100.00
Total	274	100	100	

### 3.9.7 Number of Employees in the Organization

Number of employees in the organization was measured. The selected organizations had minimum number of employees working in one organization 7 and maximum as 26851.

**Table 3.11: No of employees**

Org. Employees	Frequency	Percent	Valid %	Cumulative %
1-10000	249	90.88	90.88	90.88
10001-20000	24	8.76	8.76	99.64
20001-30000	1	0.36	0.36	100.00
Total	274	100	100	

**Table 3.12: Descriptive statistics of demographic variables**

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Age	274	26.00	59.00	36.05	7.92
Gender	274	1.00	2.00	1.86	0.35
Education	274	12.00	18.00	16.07	1.08
Experience	274	1.00	33.00	10.88	7.08
Industry Type	274	1.00	5.00	3.04	1.37
No of Employees in Org	274	7.00	18000	2257	4270
Valid N (list wise)	274				

### 3.10 Reliability

At initial stage coefficient alpha (Cronbach, 1951) was applied. Data was analyzed to measure reliability. The study computed separate and combined reliability estimates, which are similar to the normally used coefficient alpha statistics. Cronbach value beyond ( $\alpha = .7$ ) signifies acceptable reliability (Cuieford, 1965).

Inter item consistency reliability or Cronbach's alpha reliability coefficients of one dependent, one mediating and six independent variables were obtained, they all were above ( $\alpha = .70$ ). Cronbach's alpha calculated is given in the table (3.13). As the coefficients get closer to ( $\alpha = 1.0$ ) the better is reliabilities and coefficients, and less than ( $\alpha = .60$ ) are considered poor. Recruitment & selection was measured by 10 items and had a Cronbach's alpha of ( $\alpha = .766$ ), training & development scale contained 10 items with ( $\alpha = .821$ ) Cronbach's alpha value, Career planning system was measured through 10 items and had Cronbach's alpha of ( $\alpha = .808$ ), performance appraisal scale contained 10 items with ( $\alpha = .776$ ) Cronbach's alpha, employee participation was measured through 10 items with Cronbach's alpha of ( $\alpha = .848$ ), compensation system the last HRM practice of the study was also measured by 10 item scale with Cronbach's alpha ( $\alpha = .815$ ), employee performance was measured by 10 item scale like all independent variable with Cronbach's alpha of ( $\alpha = .763$ ) and

the dependent variable perceived organizational performance was also measured by 10 items scale with Cronbach's alpha value of ( $\alpha = .742$ ).

The overall reliability for each question separately is given separately in table (3.13) representing that 80 different questions asked in the questionnaire had Cronbach's alpha value of more than ( $\alpha > .70$ ) signifying the acceptable reliability limit. Individual Cronbach's alpha for each item is even more than ( $\alpha = .70$ ) thus, the internal consistency reliability of the measurers used in the study can be considered to be good and reliable.

**Table 3.13: Reliability Analysis**

(Cronbach's Alpha)	( $\alpha$ ) Values
<b>Perceived Organizational Performance (POP)</b>	<b>(<math>\alpha = .742</math>)</b>
Quality of products/services has been improved.	.80
Development of new products or services is major activity in our organization.	.80
Organizational ability to attract employees has improved.	.79
Ability to retain employees is a major strength of our organization.	.79
Satisfaction of customers/clients is preferred concern of our organization.	.80
Management and employees are having trustful relationship with each other	.79
Market Share of organization has been increased.	.80
Our company has better standing in the market now, as compared to last 5 years.	.81
Organization shares are improving in the stock exchange.	.80
Organization sets SMART targets for the employees.	.80
<b>Employee performance</b>	<b>(<math>\alpha = .763</math>)</b>
Quantity of employees' work output has improved in last five years.	.74
Coming up with new ideas is appreciated in the organization.	.74
Most of the employees achieved organizational goals of last 5 years.	.71
Targets given to different employees are often met.	.72
Over all employees targets achievements has improved over the last 5 years.	.73
Employees feel happy to work in teams.	.73
Majority of employees can work independently and give high performance.	.71
Employees in organization have been enabled to make decisions well.	.70
Employees' communication skills have been improved in this organization.	.72
Employees' competencies are in line with the org. operational and strategic goals.	.71
<b>Recruitment &amp; Selection</b>	<b>(<math>\alpha = .766</math>)</b>



Recruitment & selection system followed in our organization is well defined.	.73
In our organization, line managers and HRM managers participate in recruitment & selection	.78
Valid and standardized tests are used in the selection process of employees.	.74
Selection system in our organization selects those having the desired (ASK).	.73
Our organization uses comprehensive selection process before rendering a decision.	.73
The organization uses assessment centers for selection.	.73
Our organization uses unbiased test and interviewing techniques for selection.	.74
Our organization selects employees without any bias.	.75
We have strong merit criteria for employee selection.	.74
We use attitude and desire to work in a team and individual as a criterion in selection	.74
<b>Training &amp; Development</b>	<b>(<math>\alpha = .821</math>)</b>
Our organization conducts extensive Training and Development (T&D) programs	.76
Employees at each job normally go through T&D programs every year.	.76
Training needs are identified through a formal need assessment mechanism.	.73
There are formal training programs to teach new employees the skills they need to perform their job.	.75
Trainings needs identified are realistic, useful and based on the business strategy of the organization.	.75
There are formal training evaluation methods to assess effectiveness of training.	.75
The organization has a system for calculating the cost and benefit of training.	.74
T&D has helped reduce employee turnover in our organization	.76
T&D has resulted in higher employee performance in our organization	.74
T&D has resulted in higher productivity and financial returns for the organization.	.75
<b>Performance appraisal</b>	<b>(<math>\alpha = .776</math>)</b>
Performance is measured on the basis of objectives and quantifiable results	.76
Appraisal system in our organization is growth and development oriented.	.80
Employees are provided performance based feedback and counseling.	.80
Appraisal system is unbiased and transparent	.80
Appraisal information is used for bonuses, promotions and selecting training	.80
Everybody working in the org. knows clear objectives of performance appraisal	.80
Appraisal system is modern and uses the latest techniques and technology.	.80
Appraisal system has a strong influence on individual and team behavior	.81
Our organization conducts performance appraisal on a regular basis.	.80
In our company, performance appraisal is not used for penalization.	.81
<b>Career Planning System</b>	<b>(<math>\alpha = .808</math>)</b>

Employees at each level in our organization have clear career ladder.	.75
Employees at each level in our organization are aware about their career ladder.	.76
Organizational and individual growth needs are aligned in this organization.	.76
Org. takes career planning & development and succession planning very seriously	.76
In our organization internal hiring is preferred over external.	.76
New employees get inspired by our career planning and development system.	.76
Minorities and women have comparable opportunities of growth and development.	.74
Organization is helping me develop skills needed for my future career.	.75
Our organization provides opportunities to develop skills to attain career goal.	.75
Employees in this organization get career guidance from their supervisor.	.78
<b>Employee participation</b>	<b>(<math>\alpha = .848</math>)</b>
Employees at each level in the org. take part in decision-making process up to an extent	.80
Employees are asked by superiors to participate in related decisions.	.77
Employees are provided opportunity to suggest improvements in the way things are done here	.80
Employees are trusted to make decisions for themselves and the organization	.79
Our organization gives rewards for making appropriate suggestions.	.80
We have a culture that promotes employee involvement in our organization.	.77
We meet voluntarily to identify, operational problems relevant to the organization.	.80
Our organization consults employees in strategic decision-making.	.79
Employees' decision freedom improves their satisfaction in our organization.	.79
Employees having liberty to organize their job tasks as per their convenience produce more output.	.80
<b>Compensation system</b>	<b>(<math>\alpha = .815</math>)</b>
Compensation offered by our organization matches the expectancy of employees.	.82
In our organization, salary and other benefits are comparable to the market.	.82
In our org., compensation is decided on the basis of competence of the employee	.83
The compensation for all employees is directly linked to their performance.	.84
In our org., profit sharing is used as a mechanism to reward higher performance	.83
Our org. offers both financial and non-financial rewards without discrimination	.84
The compensation plan is revised accordingly with the economic situation.	.84
Take home pay is enough for my family and me	.83
My last year's salary raise was better than the previous one.	.83
In general, I understand why I get what I get.	.86

### **3.11 Research model and variables**

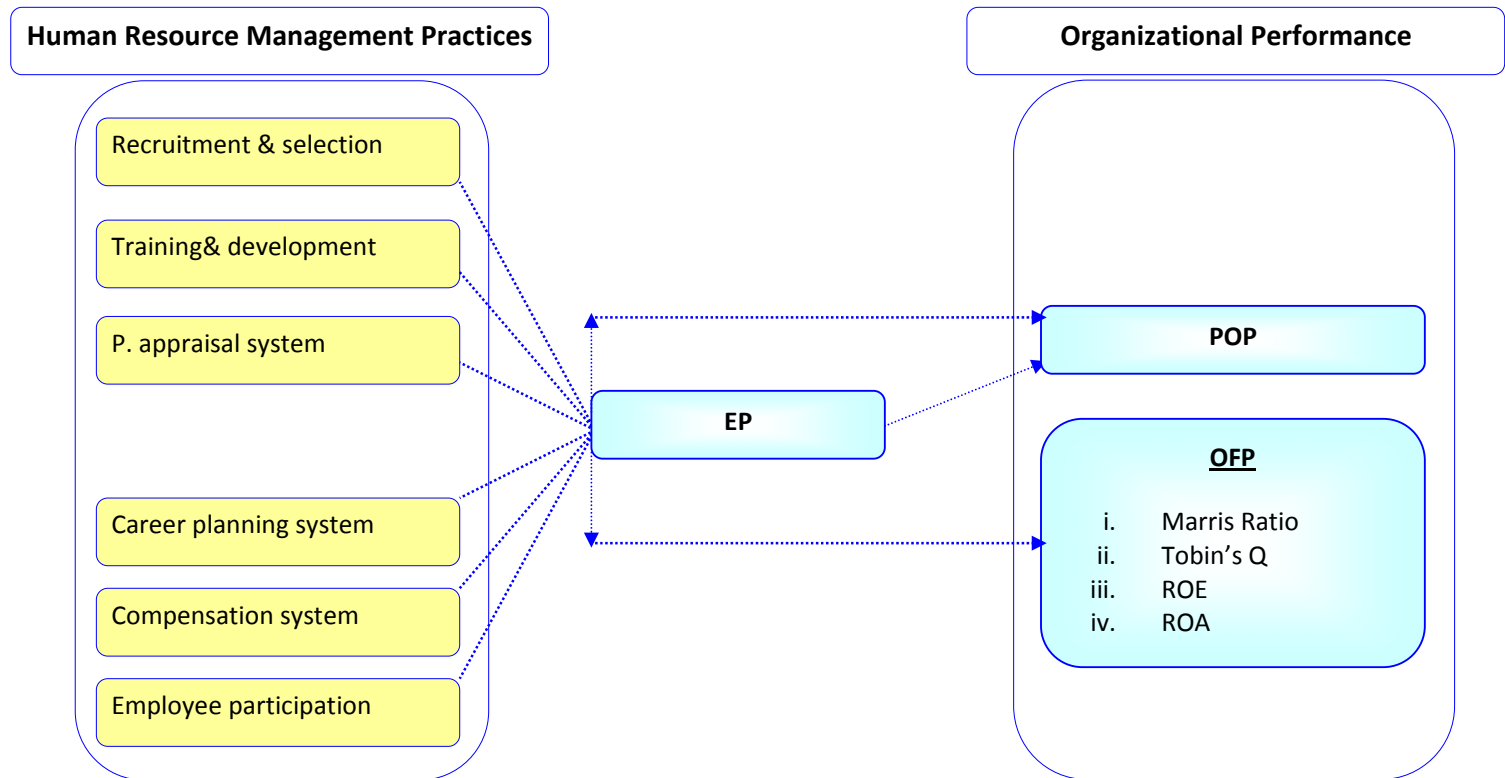
Based on extensive literature review, brainstorming session of HRM professionals and pilot study of different types of independent variables i.e. recruitment & selection, training & development, performance appraisal system, career planning system, employee participation and compensation system were selected for the study. Intervening variable employee performance was used to test mediation. To measure organizational performance, Marris ratio, Tobin's Q, Return on Equity, Return on Assets and organizational perceived performance were selected.

### **3.12 Theoretical framework**

Variance in the dependent variable, perceived organizational performance, Marris Ratio, Tobin's Q, ROE and ROA can be explained by six independent variables, (recruitment & selection, training & development, performance appraisal, career planning system, employee participation and compensation system), as HRM practices are low focused activities in the organization. Due to this myth or reality HRM activities are performed with low level of confidence towards profitability acquisition, but without focusing on these practices employee motivation and performance become low. Making employee dynamic to contribute desired performance, needs HRM practices to be exercised properly which leads towards substantial organizational perceived and financial performance.

Thus, the six independent variables considered here would significantly explain the variance and perceived organizational performance and the employee performance was used as mediating variable between dependent and independent variables.

**Figure- 3.2: Schematic diagram of theoretical model**



In this research study, **14** variables are considered for analysis. Out of these **6** are independent variables, **2** are control variables, **1** is intervening variable and **5** are dependent variables.

### **3.13 Hypothesis**

On the basis of extensive literature review the following different hypothesis were developed for the study.

#### **Hypothèses (1- a, b, c) (Recruitment & Selection)**

*H1a: Recruitment & Selection positively effects Perceived Organizational Performance.*

*H1b: Recruitment & Selection positively effects Organizational Financial Performance.*

*H1c: Employee Performance mediates relationship between Recruitment & Selection and Perceived Organizational Performance.*

#### **Hypothèses (2- a, b, c) (Training & Development)**

*H2a: Training & Development positively effects Perceived Organizational Performance.*

*H2b: Training & Development positively effects Organizational Financial Performance.*

*H2c: Employee Performance mediates relationship between Training & Development and Perceived Organizational Performance.*

#### **Hypothèses (3- a, b, c) (Performance Appraisal)**

*H3a: Performance Appraisal positively effects Perceived Organizational Performance.*

*H3b: Performance Appraisal positively effects Organizational Financial Performance.*

*H3c: Employee Performance mediates relationship between Performance Appraisal and Perceived Organizational Performance.*

**Hypotheses (4- a, b, c) (Career Planning System)**

*H4a: Career Planning System in organization positively effects Perceived Organizational Performance.*

*H4b: Career Planning System in organization positively effects Organizational Financial Performance.*

*H4c: Employee Performance mediates relationship between Career Planning System and Perceived Organizational Performance.*

**Hypotheses (5- a, b, c) (Employee Participation)**

*H5a: Employee Participation positively effects Perceived Organizational Performance.*

*H5b: Employee Participation positively effects Organizational Financial Performance.*

*H5c: Employee Performance mediates relationship between Employee Participation and Perceived Organizational Performance.*

**Hypotheses (6- a, b, c) (Compensation System)**

*H6a: Compensation System positively effects Perceived Organizational Performance.*

*H6b: Compensation System positively effects Organizational Financial Performance.*

*H6c: Employee Performance mediates relationship between Compensation System and Perceived Organizational Performance.*

**Hypothesis (Demographic variables)**

*H7: Demographic variables are having positive relationship with Perceived Organizational and Financial Performance.*

### **3.14 Dependent variable**

Financial and perceived organizational performances were dependent variable in this study. Financial performance was measured by 4 financial indicators i.e. Marris, Tobin's Q, ROE, ROA and in order to measure perceived organizational performance the questionnaire was used by benchmarking the competitors. All perceived and financial performance indicators together are termed as Organizational Performance Index (OPI).

#### ***3.14.1 Perceived organizational performance (POP)***

With comparison to other organizations in the same industry, data were collected by asking a question. "How the respondents compare their organization's performance over the past five years in with other organizations in the same industry", especially in relation to the following:

1. Quality of our products/services has been improved.
2. Development of new products or services is major activity in the organization.
3. Organizational ability to attract employees has improved.
4. Ability to retain employees is a major strength of the organization.
5. Satisfaction of customers/clients is preferred concern of the organization.
6. Management and employees are having trustful relationship with each other
7. Market Share of organization has been increased.
8. The company has better standing in the market now, as compared to last 5 years.
9. Organizations' shares are improving in the stock exchange.
10. Organization sets SMART targets for the employees.

The organizational performance variable covered such aspects, as, quality of the

product, development of new product, employee attraction ability, employee retention, customer satisfaction, trustful relationship, market share, market standing, value of shares and goal setting strategies of the organization.

### **3.15 Moderating variable**

#### ***3.15.1 Employee performance***

Employee performance variable covered different aspects like, quality of employee, idea creation and appreciation, goal achievement, target achievement, improvement in success, enjoyment at work, high performance at work, rational decision making of employees, communication skills and alignment of employees' competency with organizational requirements and goals.

1. Quantity of our employees' work output has improved in last five year.
2. Coming up with new ideas is appreciated in the organization.
3. Most of the employees achieved organizational goals of last 5 years.
4. Targets given to different employees are often met.
5. Over all employees target achievements has improved over the last 5 years.
6. Employees feel happy to work in teams.
7. Majority of employees can work independently and they give high performance.
8. Employees in the organization have been enabled to make decisions well.
9. Employees' communication skills have been improved in this organization.
10. Employees' competencies are in line with the organizational operational and strategic goals.



### **3.16 Independent Variables**

#### ***3.16.1 Recruitment & Selection***

Recruitment & Selection was considered as an independent variable measured by an instrument consisting of 7 items, and the respondents had to specify the significance attached to R & S practice. Recruitment and Selection covered different dimensions, i.e. well defined system, managerial participation, use of standardized tests, assessment centers, bias less selection, team working force selection, and selection based on ASK. Areas and items included in the questionnaire were as follows:

1. Recruitment & selection system followed in the organization is well defined.
2. Line managers and HRM managers participate in recruitment & selection.
3. Valid and standardized tests are used in the selection process of employees.
4. Selection system in our organization selects those having the desired Attitude, Skill and Knowledge (ASK).
5. Organization uses comprehensive selection process before rendering a decision.
6. The organization uses assessment centers for selection.
7. Organization uses unbiased test and interviewing techniques for employee selection.
8. Organization selects employees without any bias.
9. Organization has strong merit criteria for employee selection.
10. Organization uses attitude and desire to work in a team and individual as a criterion in employee selection.

### ***3.16.2 Training & Development***

Training and development was measured over the basis of different items like, arrangement of T&D in the organization, equal opportunities for training, implementation of need assessment mechanism. T&D evaluation mechanism, and T&D was used for positive multiple purposes. The questionnaire consisted of the following:

1. Organization conducts extensive Training and Development (T&D) programs for employees
2. Employees at each job normally go through T&D programs every year.
3. Training needs are identified through a formal need assessment mechanism.
4. There are formal training programs to equip new employees with the skills they need to perform their job.
5. Training needs identified are realistic, useful and based on the business strategy of the organization.
6. There are formal training evaluation methods to assess the effectiveness of the training.
7. The organization has a system for calculating the cost and benefit of training.
8. T&D helped reduce employee turnover in the organization.
9. T&D resulted in higher employee performance in the organization.
10. T&D resulted in higher productivity and financial returns for the organization.

### ***3.16.3 Performance Appraisal***

Performance appraisal is measured through a 7-item scale asking the respondents to indicate the extent to which the performance of the employees is

evaluated on the basis of quantifiable results using the performance appraisal data. The items from the questionnaire are as under:

1. Performance of the employees is measured on the basis of objectives and quantifiable results.
2. Appraisal system in the organization is growth and development oriented.
3. Employees are provided performance based feedback and counseling.
4. Appraisal system is unbiased and transparent
5. Appraisal information is used for bonuses, promotions and selecting training
6. Everybody working in the organization knows the clear objectives of performance appraisal.
7. Appraisal system is modern and uses latest techniques and technology.
8. Appraisal system has a strong influence on individual and team behavior
9. The organization conducts performance appraisal on regular basis.
10. The performance appraisal is not used for penalization.

#### ***3.16.4 Career Planning System***

Career planning and development was measured on a 7 point scale. As an independent variable it was measured by following 10 different dimensions.

1. Employees at each level in the organization have clear career ladder.
2. Employees at each level in the organization are aware about their career ladder.
3. Organizational and individual growth needs are aligned in the organization.
4. The organization takes career planning & development and succession planning very seriously.

5. Internal hiring is preferred over external hiring.
6. New employees always get inspired by company career planning and development system.
7. Minorities and women have equal opportunities of growth and development.
8. Organization is helping employees to develop skills needed for future requirements.
9. Organization provides opportunities to develop skills that may be needed to attain career goal.
10. Employees in the organization get career guidance from their supervisor without any hesitation.

#### ***3.16.5 Employee Participation***

Employee participation was measured based on 10 points, pertained to areas such as employees decision making, opportunities for improvement by decision making, trust of employee, employee involvement culture and decision making freedom.

Following 10 items were asked from the respondents.

1. Employees at each level in organization take part in decision-making process up to an extent.
2. Employees are asked by superiors to participate in related decisions.
3. Employees are provided opportunity to suggest improvements in the way things are done.
4. Employees are trusted to make decisions for themselves and the organization
5. Organization gives rewards for making appropriate suggestions.
6. Organization has culture that promotes employee involvement in the organization.

7. Employees meet voluntarily to identify, operational problems relevant to the organization.
8. The organization consults employees in strategic decision-making
9. Employees decision freedom improves their satisfaction in the organization.
10. Employees having liberty to organize their job tasks, as per their convenience, produce more output.

### ***3.16.6 Compensation System***

Compensation System scale was measured through a scale having 10 items asking the respondents to indicate the extent to which the compensation system was linked to the performance and the items in the questionnaire were as under:

1. Compensation offered by the organization matches the expectancy of employees.
2. The salary and other benefits are competitive to the market.
3. Compensation is decided on the basis of competence of the employee.
4. The compensation for all employees is directly linked to their performance.
5. The profit sharing is used as a mechanism to reward higher performance.
6. The organization offers both financial and non-financial rewards without discrimination.
7. The compensation plan is revised accordingly with the economic situation.
8. Take home pay is enough for my self & family.
9. The last year's salary raise was better than the previous one.
10. In general, an employee understands why he/she gets what he/she gets.

### ***3.16.7 Control variables***

Control variables can have an important effect on the results (Guest, 2001; Katou, et al. 2010). With the intention to control the influence of external factors, different research scholars used different variables i.e. (gender, age, education experience, industry type, organizational life, and number of employees working in the organization). Demographic variables were selected after extensive review of the research by (Freeman & Medoff, 1984; Lewis, 1986; Huselid, 1995; Singh, 2004). Theoretically many variables were included as controls in analysis to capture other organizational and environmental forces related to HRM practices and organizational performance. Primary data was collected using the questionnaire about the demographics. To decide about the potential control variables from the demographic variables ANOVA test was used. One-way analysis of variance revealed that responses only varied across gender type and education, which showed significant impact on organizational performance. All others showed highly insignificant impact on organizational performance. Therefore to control the effect of external and demographic variables only gender type and education levels were used as control variables.

## CHAPTER 4

### RESULTS AND DISCUSSION

This chapter presents information obtained for this research study from the data collected through primary and secondary sources. It includes the findings in respect of demographic information of respondents, recruitment & selection, training & development, career planning system, performance appraisal, employee participation, compensation system, employee performance and perceived organizational & financial performance. Analysis is done in two parts; the first part pertains to demographic information of the respondents while second part contains analysis of respondents' answers to the questions. Excel 2003 and Statistical Package for Social Sciences (SPSS 16.0) were used to calculate descriptive statistics, ANOVA, correlation and regression analyses. Main focus of the study was to find answers to the following questions.

- To what extent demographic variables effect different types of organizational performances?
- What is the relationship between demographic variables and perceived organizational and financial performance based on (Marris, Tobin's Q, ROE and ROA,
- What is the relationship between Human Resource Management practices and perceived organizational and financial performance?
- To what degree different types of HRM practices effect perceived and financial performance of the organizations?
- What is the mediating role of employee performance between different HRM practices and perceived organizational performance?
- How differently do HRM practices effect organizational perceived and financial performance in different financial sector industries?

Table (4.1) indicates different dependent, intervening, independent as well as demographic variables to be used in further analysis for finding answers to the research questions.

**Table 4.1: Variables included in analyses**

<b>Independent Variables</b>		
1	RS	Recruitment & Selection
2	TD	Training & Development
3	PA	Performance Appraisal
4	CP	Career Planning System
5	EPA	Employees Participation
6	CS	Compensation System
<b>Mediating variable</b>		
7	EP	Employee Performance
<b>Perceived organizational performance variable</b>		
8	POP	Perceived Organizational Performance
<b>Financial performance variables</b>		
9	ROA	Return on Assets
10	ROE	Return on Equity
11	TQ	Tobin's Q
12	MR	Marris Ratio
<b>Demographic variables</b>		
13	InT	Industry Type
14	Gen	Gender
15	Age	Age
16	Edu	Education
17	EXP	Experience
18	OrL	Organization Life in Years
19	NEO	No of Employees in Organization



## **4.1 Results**

### **4.1.1 Research Question 1:**

What is relationship between demographic variables and perceived organizational and financial performance? How do they effect the perceived and financial performances?

All demographic variables were tested with perceived organizational and financial performance variables. Besides calculating means and standard deviation of independent and dependent variables, correlation (Table 4.2) and multiple regressions (Table 4.3) were calculated to answer the first question. Pearson correlation was calculated to find out how variables were related to each other.

**Table 4.2: Pearson Correlation Coefficients between demographics variables and (OP), (MR), (TQ), (ROE) and (ROA)**

	POP	MR	TQ	ROE	ROA	InT	Gen	Age	Edu	Exp	OrL	NOE
POP	1											
MR	.029	1										
TQ	-.028	-.243(**)	1									
ROE	-.052	.003	-.021	1								
ROA	.081	.101	.54	.001	1							
InT	-.07	-.249(**)	.054	.066	-.012	1						
Gen	.155(*)	.005	-.027	-.063	-.016	-.007	1					
Age	.093	-.011	-.154(*)	.103	-.045	-.022	-.337(**)	1				
Edu	.154(*)	.11	-.132(*)	.043	.047	.016	.134(*)	.127(*)	1			
Exp	.093	-.024	-.117	.086	-.051	-.034	-.359(**)	.898(**)	.068	1		
OrL	-.062	.297(**)	-.057	-.065	.099	-.183(**)	-.132(*)	.058	-.06	.034	1	
NEO	.069	.176(**)	-.037	-.068	-.030	-.187(**)	.009	-.065	.085	-.122(*)	.283(**)	1

\* Correlation is significant at the 0.05 level (2-tailed).

The Pearson correlation matrix obtained for different variables including seven demographic variables, one perceived organizational performance and four financial performance variables is shown in (Table 4.1). Only two demographic variables, Gender type (.155  $p < .05$ ) and Education (.154  $p < .05$ ) are significantly and positively correlated with Perceived Organizational Performance. Organizational Life (.297,  $p < .01$ ) and number of Employees in the organization (.176,  $p < .01$ ) are significantly correlated with Marris Ratio. None of the HRM practices is significantly correlated with Marris, Tobin's Q, ROE and ROA. The highest correlation is of Experience with Age and it has proved the argument that if a person is employed, then his age and experience move in the same direction.

**Table 4.3: Multiple Regression Analysis of demographics with (POP), (MR), (TQ), (ROE) and (ROA)**

<b>1 – POP</b>					<b>2 – MR</b>				
	$\beta$	R <sup>2</sup>	$\Delta R^2$	Sig.		$\beta$	R <sup>2</sup>	$\Delta R^2$	Sig.
Gender	.0157	.024	.024	.011	Gender	.643	.012	.012	.07
Education	.4	.024	.024	.01	Education	.072	.000	.000	.936
<b>3 - Tobin's Q</b>					<b>4 – ROE</b>				
	$\beta$	R <sup>2</sup>	$\Delta R^2$	Sig.		$\beta$	R <sup>2</sup>	$\Delta R^2$	Sig.
Gender	-1.1727	0.017	0.017	.029	Gender	.29	.002	.002	.478
Education	-.893	0.001	0.001	.657	Education	-.107	.004	.004	.299
<b>5 – ROA</b>									
	$\beta$	R <sup>2</sup>	$\Delta R^2$	Sig.					
Gender	-.007	.000	.000	.787					
Education	-.009	.003	.003	.398					

No correlation of any demographic variable with any performance variables was higher than (.297). If correlation was higher than (.75), there might be doubt whether or not the highly correlated variables are two different and distinct variables, and that might challenge the validity of responses (Sekaran U., 1994). Very high correlation variables could also create multicollinearity issue.

Data were regressed on variable-to-variable basis. Gender had significant impact on POP ( $\beta = 157$ ,  $p .01$ ,  $R^2 = .017$ ) and MR ( $\beta = .643$ ,  $p .07$ ,  $R^2 = .012$ ). Education had only significant impact on POP ( $\beta = 157$ ,  $p .01$ ,  $R^2 = .024$ ). Results given in Table (4.3) show that variables Gender type and Education have positive effect but this effect is not significant.

#### **4.1.2 Research Question 2:**

What is the relationship between Human Resource Management practices and perceived organizational performance and financial performance?

Correlation results are shown in Table (4.5). Correlations amongst variables are positive. Correlation interpretation is based on following five classical rules introduced by Franzblau (1985) to interpret correlation coefficient amongst different variables,

- ( $r = 0$  to  $.20$ ) indicates negligible or no correlation
- ( $r = .20$  to  $.40$ ) indicates positive but low degree of correlation
- ( $r = .40$  to  $.60$ ) indicates positive moderate degree of correlation
- ( $r = .60$  to  $.80$ ) indicates positive and marked degree of correlation
- ( $r = .80$  to  $.1.00$ ) indicates positive and high degree of correlation

All variables are treated symmetrically, i.e. there is no distinction between dependent and independent variables. Two variables are said to be correlated when they tend to simultaneously vary in the same direction. If both the variables tend to increase or decrease together, the correlation is said to be direct or positive. When one variable tends to increase and the other decreases, the correlation is said to be negative or inverse.

	Range	Minimum	Maximum	Mean	Std. Deviation
POP	5.00	2.00	7.00	5.55	.90
EP	4.00	3.00	7.00	5.64	.91
MR	52.78	-22.09	30.69	2.12	5.19
TQ	134.52	.14	134.66	2.32	11.60
ROE	6.40	-1.94	4.46	.26	.59
ROA	1.63	-1.27	.36	.0366	.150
RS	4.00	3.00	7.00	5.71	.85
TD	4.00	3.00	7.00	5.76	.85
PA	4.00	3.00	7.00	5.64	.85
CP	4.00	3.00	7.00	5.59	.86
EPA	4.00	3.00	7.00	5.54	.83
CM	5.00	2.00	7.00	5.52	.95
Gen	4.00	0	1	.14	.35
Edu	4.00	14.00	18.00	16.09	.88

Valid N (list wise) 274

**Table 4.4: Descriptive Statistics**

Standard deviation is the balancing point for the distribution. It serves as a basic measure of variability. Smaller value of the standard deviation indicates that most of the observations in a data set are close to the mean, while a large value implies that the observations are scattered widely about the mean. Table (4.4) is showing standard deviation and means values of different variables. For POP (Mean = 5.55, S.D = .90), for EP (Mean = 5.64, S.D = .91), for RS (Mean = 5.71, S.D = .85), for TD (Mean = 5.76, S.D = .85), for PA (Mean = 5.64, S.D = .85), for CP (Mean = 5.59, S.D = .86), for EPA (Mean = 5.54, S.D = .83) and for CM (Mean = 5.52, S.D = .95). All these values are indicating that there is a minute difference between answers given by HRM executives. A generic argument can be developed on the basis of small value of standard deviation and high value of mean are indicative of respondents, agreement with the options for all the questions asked from respondents.

**Table 4.5: Pearson Product Movement correlation between factor variables (N = 274)**

	POP	EP	MR	TQ	ROE	ROA	RS	TD	PA	CP	EPA	CM	Ind	Edu
POP	1													
EP	.550(**)	1												
MR	.029	.023	1											
TQ	-.028	-.253(**)	-.243(**)	1										
ROE	-.052	.008	.003	-.021	1									
ROA	.081	-.013	.101	.054	.001	1								
RS	.351(**)	.235(**)	-.042	-.187(**)	.01	-.022	1							
TD	.250(**)	.106(*)	-.009	-.078	-.003	.057	.423(**)	1						
PA	.334(**)	.368(**)	-.043	-.278(**)	.027	-.034	.331(**)	.446(**)	1					
CP	.274(**)	.359(**)	-.004	-.049	.059	-.058	.378(**)	.350(**)	.423(**)	1				
EPA	.302(**)	.240(**)	.031	-.137(*)	-.108(*)	.015	.337(**)	.327(**)	.370(**)	.355(**)	1			
CM	.220(**)	.122(*)	.089	-.113(*)	.043	-.037	.198(**)	0.053	.220(**)	.256(**)	.412(**)	1		
Gender	.155(*)	.117	.005	-.027	-.063	-.016	.054	-.096	-.011	.038	.137(*)	.152(*)	1	
Edu:	.154(*)	.129(*)	.110(*)	-.132(*)	.043	-.051	.032	.02	.075	.023	.034	-.112(*)	.016	1

\*\*Correlation is significant at the 0.01 level (1-tailed).

\*Correlation is significant at the 0.05 level (1-tailed).

Table (4.5) contains correlations for all variables and Table (4.4) contains descriptive statistics comprising upon values of standard deviation, mean, median, modes, minimum maximum values and range. There is positive correlation amongst independent variables and dependent variable perceived organizational performance. ( $r = .351, p < .01$ ) correlation of recruitment and selection with perceived organizational performance with mean (5.77) and standard deviation (S.D = 0.85) is indicating that there is positive and significant correlation between these two variables, proving that standardized and transparent selection system is part of organizational performance indicators. Furthermore R&S has positive and significant correlation ( $r = .368, p < .01$ ) with employee performance and ( $r = .01, p = ns$ ) insignificant correlation with ROE. ( $r = .250, p < .01$ ) correlation of training with perceived organizational performance and ( $r = .106, p < .01$ ) with employee performance showing mean (4.14) and standard deviation (S.D = .85) indicates that training will be beneficial for individuals and organizations when conducted after training needs analysis. Training conducted in this fashion will ultimately increase the efficiency of the organization. Secondly it indicates that training should focus on what the present job demands are in terms of desired Attitude, Skill, and Knowledge (ASK) rather than on those (ASK) that are somewhat connected to the current job. While ( $r = .423, p < .01$ ) is the highest value of correlation of Training with Selection indicating that whenever there is a highly scientific and rigorous selection system, where line managers and HRM managers both participate in selection, valid and standardized tests are used for the selection of those who have desired knowledge, skills and attitudes, then training creates a more positive effect, otherwise training may not be a productive activity.

Performance appraisal is showing correlation ( $r = .334, p < .01$ , mean = 5.64 and S.D = .85) with perceived organizational performance and ( $r = .368, p < .01$ ) with employee performance, indicating that performance of those employees will be good who have been selected through standardized procedures with the right caliber and combined opinion of different concerned managers. Correlation ( $r = .446, p < .01$ ) between performance appraisal and training is the highest proving that training based on the needs identified through appraisal has a better fit. Training needs identified from performance evaluation process, considering

the opinion of all concerned stakeholders as realistic and useful. Correlation ( $r = .331, p < .01$ ) with recruitment and selection is indicating that PA is positively linked with RS. The significant association between performance appraisal and organizational performance reflects the psyche of the Pakistani organizations that the performance of the employees is measured on the basis of quantifiable results. The appraisal system in these organizations can be growth and development oriented, if, the employees of the organizations are provided with performance based feedback and counseling. Employees have more faith on the performance appraisal system and the appraisal system will have a strong influence on the individual and team behavior.

Career planning ( $r = .274, p < .01, \text{Mean} = 5.59$  and  $S. D = .86$ ) with perceived organizational performance and ( $r = .368, p < .01$ ) with employee performance are presenting positive and significant relationship. When organizations focus on career planning their employee performance and perceived organizational performance is enhanced. Furthermore ( $r = .378, p < .01$ ) with recruitment & selection, ( $r = .350, p < .01$ ) with training & development and ( $r = .423, p < .01$ ) with performance appraisal also indicate the same direction.

Compensation management correlation ( $r = .220, p < .01, \text{mean} = 5.52$  and  $S. D = .95$ ) with Perceived organizational Performance and ( $r = .122, p < .01$ ) with employee performance. ( $r = .198, p < .01$ ) with recruitment & selection, ( $r = .220, p < .01$ ) with performance appraisal, ( $r = .256, p < .01$ ) with career planning ( $r = .412, p < .01$ ) with employee performance shows that the compensation system will be acceptable and satisfactory when it is linked with the performance shown in the performance appraisal process. In a nutshell, the results show that the usage of pay based on merit and performance and matching with the expectations of employees leads to higher employee and organizational performance.

Employee participation ( $r = .302, p < .01, \text{mean} = 5.54$  and  $S. D = .83$ ) with Perceived organizational Performance and ( $r = .240, p < .01$ ) with employee performance, ( $r = .337, p < .01$ ) with recruitment & selection, ( $r = .327, p < .01$ ) with training & development, ( $r = .370, p < .01$ ) with performance appraisal and ( $r = .355, p < .01$ ) with career planning show positive relationships. These results are indicating



that Pakistani tycoons are moving steadily towards employee participation approach. It indicates that among individual HRM practices, employee participation in routine decision making and sometimes in strategic decision making, is also a very important factor which leads the organizations to a relatively high performance. It also indicates that the employees in the organizations are allowed to make decisions related to cost and quality matters. They are asked by their supervisors to participate in operation related decisions. Finally they are provided with an opportunity to suggest improvements in the way things are being done.

Highest mean of Training & Development (5.77) is indicating that majority of the managers think that T&D is the most important factor in organizational performance, but compensation management is showing the lowest mean (5.52), indicating that the compensation system already prevailing in the organizations is not as much of a focused factor as compared to other HRM practices. There are some correlation values that are positively correlated with MR, TQ, ROE and ROA but none of them is significant.

#### **4.1.3 Research Question 3:**

To what degree different types of HRM practices can predict perceived and financial performance of the organizations?

To answer this question, inferential statistical technique of Multiple Regression Analysis (MRA) was used. Kerlinger and Lee (2000) opined that regression analysis is a statistical method that relates one dependent variable to a linear combination of one or more independent variables. Regression identifies how much each independent variable has an impact on dependent variable. For each performance indicator separate data were regressed. (Table 4.6, 4.7, 4.8, 4.9 and 4.10) are depicting regression results. Multiple regression analysis calculates multiple correlation coefficients,  $R^2$ ; it is the proportion of variance in dependent variables explained by the independent variables. The contribution of independent variables towards dependent variables is measured by the Beta value and can be explained on the basis of p or t value.

**Table 4.6: Regression Analysis (POP) as dependent and HRM practices as independent variable**

	$\beta$	$R^2$	$\Delta R^2$	Sig.
<b>STEP 1 (Control Variables)</b>				
Gender type	.353	.042	.042	.024
Education	.139	.042	.042	.023
<b>STEP 2 (HRM Practices)</b>				
Recruitment & Selection	.362	.161	.119	.000
Training & Development	.280	.111	.069	.000
Performance appraisal	.347	.149	.107	.000
Career Planning System	.280	.113	.071	.000
Employee participation	.310	.121	.079	.000
Compensation system	.213	.090	.048	.000

Regression analysis of perceived organizational performance as dependent variable is indicating that all the tested variables are significantly contributing towards organizational performance. Recruitment and selection ( $\beta = .362$ ,  $R^2 = .161$  and  $p = .000$ ), training and development ( $\beta = .280$ ,  $R^2 = .111$  and  $p = .000$ ), performance appraisal ( $\beta = .347$ ,  $R^2 = .1149$  and  $p = .000$ ), career planning system ( $\beta = .280$ ,  $R^2 = .113$  and  $p = .000$ ), employee participation ( $\beta = .310$ ,  $R^2 = .121$  and  $p = .000$ ) and compensation system ( $\beta = .213$ ,  $R^2 = .090$  and  $p = .000$ ). Control variables gender type ( $\beta = .139$ ,  $R^2 = .042$  and  $p = .024$ ) and education ( $\beta = .353$ ,  $R^2 = .042$  and  $p = .023$ ) are significantly contributing towards perceived organizational performance. Therefore hypothesis H1a, H2a, H3a, H4a, H5a and H6a are fully accepted as all the tested variables predict perceived organizational performance.

**Table 4.7: Regression Analysis (MR) as dependent and HRM Practices as independent variable**

	$\beta$	$R^2$	$\Delta R^2$	Sig.
<b>STEP 1 (Control Variables)</b>				
Gender Type	-.148	.012	.012	.870
Education	.651	.012	.012	.070
<b>STEP 2 (HRM Practices)</b>				
Recruitment & Selection	-.276	.014	.002	.457
Training & Development	-.073	.012	.000	.845
Performance appraisal	-.318	.015	.003	.391
Career Planning System	-.040	.012	.000	.914
Employee participation	.180	.013	.001	.640
Compensation system	.588	.023	.011	.082

Regression analysis with Marris ratio as dependent variable indicates that all the tested variables are not significantly contributing towards MR except compensation system ( $\beta = .588$ ,  $R^2 = .023$  and  $p = .082$ ). Recruitment & selection ( $\beta = -.276$ ,  $R^2 = .014$  and  $p = .457$ ), training and development ( $\beta = -.073$ ,  $R^2 = .012$  and  $p = .845$ ), performance appraisal ( $\beta = -.318$ ,  $R^2 = .015$  and  $p = .391$ ), career planning system ( $\beta = -.040$ ,  $R^2 = .012$  and  $p = .914$ ) and employee participation ( $\beta = .180$ ,  $R^2 = .013$  and  $p = .640$ ) have insignificant results. From control variables, education is significantly contributing towards Marris ( $\beta = .651$ ,  $R^2 = .012$  and  $p = .070$ ). Therefore hypothesis H1b, H2b, H3b, H4b, H5b and H6b are rejected. None of the HRM practices is either or has effect on Marris Ratio except compensation system.

**Table 4.8: Regression Analysis (TQ) as dependent and HRM practices as independent variable**

	<b>B</b>	$R^2$	$\Delta R^2$	<b>Sig.</b>
<b>STEP 1 (Control Variables)</b>				
Gender Type	-.315	.117	.017	.876
Education	-1.710	.117	.017	.033

**STEP 2 (HRM Practices)**

Recruitment & Selection	-2.502	.051	.033	.002
Training & Development	-1.060	.023	.006	.202
Performance appraisal	-3.691	.090	.073	.000
Career Planning System	.621	.020	.003	.448
Employee participation	-1.886	.035	.018	.027
Compensation system	-1.608	.034	.016	.033

Regression analysis with Tobin's Q as dependent variable indicates that none of the variables are significantly contributing towards TQ. Recruitment and selection ( $\beta = -2.502$ ,  $R^2 = .15$  and  $p = .002$ ), training and development ( $\beta = -1.060$ ,  $R^2 = .023$  and  $p = .202$ ), performance appraisal ( $\beta = -3.691$ ,  $R^2 = .090$  and  $p = .000$ ), career planning system ( $\beta = .621$ ,  $R^2 = .020$  and  $p = .448$ ), employee participation ( $\beta = -1.886$ ,  $R^2 = .035$  and  $p = .027$ ) and compensation system ( $\beta = -1.608$ ,  $R^2 = .034$  and  $p = .033$ ). All yield insignificant results. Further no control variable is significantly contributing towards TQ, gender type ( $\beta = -.315$ ,  $R^2 = .117$  and  $p = .876$ ) and education ( $\beta = -1.710$ ,  $R^2 = .117$  and  $p = .033$ ) are contributing towards TQ. Therefore hypotheses H1b, H2b, H3b, H5b and H6b are not accepted.

**Table 4.9: Regression Analysis (ROE) as Dependent and HRM Practices as Independent Variable**

	<b>B</b>	<b>R<sup>2</sup></b>	<b><math>\Delta R^2</math></b>	<b>Sig.</b>
<b>STEP 1 (Control Variables)</b>				
Gender Type	-.119	.007	.007	.253
Education	.035	.007	.007	.319
<b>STEP 2 (HRM Practices)</b>				
Recruitment & Selection	.009	.007	.000	.836
Training & Development	-.007	.007	.000	.862
Performance appraisal	.015	.007	.000	.716
Career Planning System	.042	.010	.003	.319
Employee participation	-.074	.017	.010	.093
Compensation system	.039	.011	.004	.317

Regression analysis with Return on Equity (ROE) as dependent variable indicates that all the tested variables are not significantly contributing towards ROE. Recruitment and selection ( $\beta = .009$ ,  $R^2 = .007$  and  $p = .836$ ), training and development ( $\beta = -.007$ ,  $R^2 = .007$  and  $p = .862$ ), performance appraisal ( $\beta = .015$ ,  $R^2 = .007$  and  $p = .716$ ), career planning system ( $\beta = .042$ ,  $R^2 = .017$  and  $p = .319$ ), employee participation ( $\beta = -.074$ ,  $R^2 = .017$  and  $p = .093$ ) and compensation system ( $\beta = .039$ ,  $R^2 = .011$  and  $p = .317$ ). All show insignificant impact. None of the control variables, gender type ( $\beta = -.119$ ,  $R^2 = .007$  and  $p = .253$ ) and education ( $\beta = .035$ ,  $R^2 = .007$  and  $p = .319$ ) has significant impact. Therefore hypotheses H1b, H2b, H3b, H4b, and H5b are not accepted, and only H6b is accepted.

**Table 4.10: Regression Analysis (ROA) as Dependent and HRM Practices as Independent Variable**

	<b>B</b>	<b>R<sup>2</sup></b>	<b><math>\Delta R^2</math></b>	<b>Sig.</b>
<b>STEP 1 (Control Variables)</b>				
Industry Type	-.004	.003	.003	.873
Education	-.008	.003	.003	.415
<b>STEP 2 (HRM Practices)</b>				
Recruitment & Selection	.010	.003	.000	.341
Training & Development	.018	.006	.003	.174
Performance appraisal	-.005	.004	.001	.612
Career Planning System	-.010	.006	.003	.351
Employee participation	.003	.003	.000	.767
Compensation system	-.007	.004	.001	.492

Regression analysis with Return on Assets (ROA) as dependent variable indicates that all the tested variables, recruitment and selection ( $\beta = -.010$ ,  $R^2 = .003$  and  $p = .341$ ), training and development ( $\beta = .018$ ,  $R^2 = .006$  and  $p = .174$ ), performance appraisal ( $\beta = -.005$ ,  $R^2 = .004$  and  $p = .612$ ), career planning system ( $\beta = -.010$ ,  $R^2 = .006$  and  $p = .351$ ), employee participation ( $\beta = .003$ ,  $R^2 = .003$  and  $p = .767$ ) and compensation system ( $\beta = -.007$ ,  $R^2 = .004$  and  $p = .492$ ), have insignificant impact and none of the control variables is significant, gender type ( $\beta = -.004$ ,  $R^2 =$

.003 and  $p = .873$ ) and education ( $\beta = -.008$ ,  $R^2 = .003$  and  $p = .415$ ) have no effect on ROA. Therefore hypotheses H1b, H2b, H3b, H4b, H5b and H6b are rejected. .

#### **4.1.4 Research Question 4:**

To what extent HRM practices effect different industries' perceived & financial performance in the financial sector?

To find out the answer to this question, the data for different industries were separately regressed.

Regression analysis with organization performance as dependent variable and six HRM practices as independent variables were tested in different industries, i.e. banking, insurance, leasing, modaraba and investment industries. All tested HRM practices including recruitment & selection ( $\beta = .662$ ,  $P = .000$ ), training & development ( $\beta = .471$ ,  $P = .001$ ), performance appraisal ( $\beta = .560$ ,  $P = .000$ ), career planning system ( $\beta = .471$ ,  $P = .000$ ), employee participation ( $\beta = .545$ ,  $P = .000$ ), compensation system ( $\beta = .298$ ,  $P = .015$ ), are significantly contributing towards the performance of the banking industry. Therefore an inference can be drawn that organizational performance in the banking industry is significantly affected by HRM practices. Likewise in the insurance industry, 5 HRM practices are significantly related to Perceived Organizational Performance, which includes recruitment & selection ( $\beta = .301$ ,  $P = .040$ ), training & development ( $\beta = .340$ ,  $P = .053$ ), performance appraisal ( $\beta = .471$ ,  $P = .003$ ), career planning system ( $\beta = .368$ ,  $P = .011$ ), employee participation ( $\beta = .516$ ,  $P = .005$ ). Whereas, none of the HRM practices is significantly contributing in organizational performance of the leasing industry.

**Table 4.11: Regression Analysis, (POP) as dependent and HRM practices as independent variable**

	Banking Industry			Insurance Industry			Leasing Industry			Modaraba Industry			Investment Industry		
	B	R <sup>2</sup>	Sig.	B	R <sup>2</sup>	Sig.	B	R <sup>2</sup>	Sig.	B	R <sup>2</sup>	Sig.	B	R <sup>2</sup>	Sig.
Recruitment & Selection	.662	.326	.000	.301	.091	.040	.163	.039	.190	.311	.072	.008	.464	.253	.012
Training & Development	.471	.172	.001	.340	.081	.053	.128	.024	.304	.139	.014	.243	.204	.062	.241
Performance appraisal	.560	.268	.000	.471	.180	.003	.019	.000	.907	.343	.109	.001	.053	.003	.807
Career Planning System	.471	.233	.000	.368	.134	.011	-.178	.027	.274	.233	.037	.061	.156	.042	.339
Employee participation	.545	.245	.000	.516	.160	.005	.016	.000	.913	.258	.048	.032	.134	.027	.446
Compensation system	.298	.098	.015	.299	.065	.083	.137	.023	.313	.172	.026	.112	.090	.032	.402

**Table 4.12: Regression Analysis, (Marris Ration) as dependent and HRM practices as independent variable**

	Banking Industry			Insurance Industry			Leasing Industry			Modaraba Industry			Investment Industry		
	B	R <sup>2</sup>	Sig.	B	R <sup>2</sup>	Sig.	B	R <sup>2</sup>	Sig.	B	R <sup>2</sup>	Sig.	B	R <sup>2</sup>	Sig.
Recruitment & Selection	-1.494	.072	.038	-1.893	.042	.168	.029	.006	.597	1.380	.072	.008	-.555	.012	.606
Training & Development	-.722	.018	.313	.099	.000	.953	.049	.019	.365	-.200	.002	.706	-.393	.008	.681
Performance appraisal	-1.704	.107	.011	-1.367	.018	.373	.064	.020	.348	1.333	.083	.004	-.660	.015	.574
Career Planning System	-1.206	.066	.047	1.346	.021	.331	-.025	.003	.726	-.105	.000	.851	-.410	.010	.645
Employee participation	-1.917	.131	.004	3.491	.065	.046	-.058	.019	.361	.850	.026	.114	-1.374	.096	.142
Compensation system	-1.455	.101	.013	4.203	.150	.007	.053	.019	.362	1.048	.049	.029	.300	.012	.609

While in modaraba industry HRM practices – Recruitment and Selection ( $\beta = .311, P = .008$ ), Performance appraisal ( $\beta = .343, P = .001$ ), Career Planning System ( $\beta = .233, P = .061$ ) and Employee participation ( $\beta = .258, P = .032$ ) are contributing significantly towards organizational performance. In the investment industry only Recruitment and Selection ( $\beta = .464, P = .012$ ) among six HRM practices is contributing significantly in perceived organizational performance.

Regression analysis with financial performance indicator Marris ratio as dependent variable and six HRM practices as independent variables were tested in different industries. Majority of the HRM practices have no significant contribution towards the financial performance of tested industries except recruitment & selection ( $\beta = .1.380, P = .008$ ), Training and Development ( $\beta = .1.333, P = .004$ ), Compensation system ( $\beta = 1.048, P = .029$ ) in modaraba industry.

Regression analysis with financial performance indicator Tobin's Q ratio as dependent variable and six HRM practices as independent variables were tested in different industries. Majority of the HRM practices were not significantly contributing towards the financial performance of tested industries except employee participation ( $\beta = 1.903, P = .057$ ) and compensation system ( $\beta = 2.282, P = .011$ ) in insurance industry and performance appraisal ( $\beta = .148, P = .104$ ) and compensation system ( $\beta = .104, P = .183$ ) in leasing industry.

Regression analysis with Return on Equity as dependent variable and six HRM practices as independent variables were tested in different industries. Majority of the HRM practices were not significantly contributing towards the financial performance of tested industries except employee participation ( $\beta = .024, P = .154$ ) in the banking industry, career planning system ( $\beta = .422, P = .110$ ) and employee participation ( $\beta = .486, P = .039$ ) in the leasing industry and compensation system ( $\beta = .016, P = .509$ ) in modaraba industry.

Regression analysis with ROA as dependent variable and six HRM practices as independent variables were tested in different industries. Majority of the HRM practices were not significantly contributing towards the financial performance of tested industries. In the banking industry only two HRM practices, Recruitment &



Selection ( $\beta = .004$ ,  $P = .079$ ) and employee participation ( $\beta = .003$ ,  $P = .132$ ) were significantly contributing towards the financial performance of the banking industry. In the insurance industry only Compensation System ( $\beta = .043$ ,  $P = .014$ ) and in modaraba and investment industries only training & development ( $\beta = .027$ ,  $P = .032$ ), ( $\beta = .027$ ,  $P = .032$ ) respectively contributing towards financial performance.

It can be generalized that majority of the HRM practices are not effecting the financial performance of the banking industry.

**Table 4.13: Regression Analysis, (Tobin's Q) as dependent and HRM practices as independent variable**

	Banking Industry			Insurance Industry			Leasing Industry			Modaraba Industry			Investment Industry		
	B	R <sup>2</sup>	Sig.	B	R <sup>2</sup>	Sig.	B	R <sup>2</sup>	Sig.	B	R <sup>2</sup>	Sig.	B	R <sup>2</sup>	Sig.
Recruitment & Selection	-.154	.070	.041	-1.189	.051	.128	-.071	.021	.333	-7.419	.093	.002	-.423	.008	.679
Training & Development	-.088	.024	.241	-.114	.000	.905	-.044	.008	.543	-2.892	.014	.247	-.508	.015	.574
Performance appraisal	-.184	.114	.008	-.814	.019	.352	.148	.059	.104	-9.220	.179	.000	-.645	.016	.562
Career Planning System	-.121	.060	.058	.780	.022	.324	.104	.027	.273	-2.378	.009	.363	-.505	.017	.549
Employee participation	-.160	.084	.025	1.903	.078	.057	.050	.008	.562	-6.576	.070	.009	-.222	.003	.806
Compensation system	-.109	.052	.080	2.282	.136	.011	.104	.040	.183	-5.205	.055	.021	.066	.001	.905

**Table 4.14: Regression Analysis, (Return on Equity) as dependent and HRM practices as independent variable**

	Banking Industry			Insurance Industry			Leasing Industry			Modaraba Industry			Investment Industry		
	B	R <sup>2</sup>	Sig.	B	R <sup>2</sup>	Sig.	B	R <sup>2</sup>	Sig.	B	R <sup>2</sup>	Sig.	B	R <sup>2</sup>	Sig.
Recruitment & Selection	.013	.009	.475	-.051	.077	.058	.066	.002	.749	-.005	.000	.839	-.024	.001	.899
Training & Development	.016	.014	.369	-.025	.012	.456	.014	.000	.944	-.047	.034	.070	-.011	.000	.947
Performance appraisal	-.017	.018	.311	-.031	.000	.318	.194	.013	.455	-.022	.009	.345	-.178	.034	.386
Career Planning System	-.013	.012	.402	-.072	.152	.007	.422	.057	.110	-.027	.010	.322	.122	.028	.432
Employee participation	.024	.035	.154	-.001	.000	.981	.486	.093	.039	-.012	.002	.648	-.299	.147	.065
Compensation system	.009	.007	.521	.049	.051	.128	.069	.002	.758	.016	.005	.509	-.050	.011	.626

**Table 4.15: Regression Analysis, (Return on Assets) as dependent and HRM practices as independent variable**

	Banking Industry			Insurance Industry			Leasing Industry			Modaraba Industry			Investment Industry		
	B	R <sup>2</sup>	Sig.	B	R <sup>2</sup>	Sig.	B	R <sup>2</sup>	Sig.	B	R <sup>2</sup>	Sig.	B	R <sup>2</sup>	Sig.
Recruitment & Selection	.004	.052	.079	-.022	.047	.145	.016	.022	.331	-.006	.003	.608	-.006	.003	.608
Training & Development	.002	.015	.344	.005	.002	.775	.014	.017	.393	.027	.047	.032	.027	.047	.032
Performance appraisal	.001	.003	.690	-.012	.010	.500	-.007	.003	.724	-.012	.012	.283	-.012	.012	.283
Career Planning System	.000	.000	.986	-.020	.036	.198	-.016	.014	.436	.011	.007	.411	.011	.007	.411
Employee participation	.003	.039	.132	.013	.009	.526	.011	.007	.577	-.003	.001	.802	-.003	.001	.802
Compensation system	.001	.009	.470	.043	.128	.014	.021	.032	.237	-.005	.002	.680	-.005	.002	.680

#### 4.1.5 Research Question 5:

How employee performance mediates the relationship of different HRM practices and perceived organizational performance?

**Table 4.16: Mediation Regression Analysis (EP) as mediator, between (HRM) and (OP)**

<b>Perceived Organizational Performance</b>				
	B	R <sup>2</sup>	ΔR <sup>2</sup>	Sig.
<b>STEP 1 (Control Variable)</b>				
Gender Type	.353	.042	.042	.024
Education	.139	.042	.042	.023
<b>STEP 2 (HRM Practices)</b>				
Recruitment & Selection	.362	.161	.119	.000
Training & Development	.280	.111	.069	.000
Performance appraisal	.347	.149	.107	.000
Career Planning System	.280	.113	.071	.000
Employee participation	.310	.121	.079	.000
Compensation system	.213	.090	.048	.000
<b>Employee Performance Mediation</b>				
	B	R <sup>2</sup>	ΔR <sup>2</sup>	Sig.
<b>STEP 1 (Control Variable)</b>				
Gender Type	.353	.042	.042	.024
Education	.139	.042	.042	.023
<b>STEP 2 (Mediation)</b>				
Employee Performance	.524	.316	.274	.000
<b>STEP 3 (HRM Practices)</b>				
Recruitment & Selection	.247	.367	.051	.000
Training & Development	.218	.357	.041	.000
Performance Appraisal	.166	.337	.021	.004
Career Planning System	.094	.323	.007	.096
Employee Participation	.189	.334	.028	.001
Compensation System	.152	.340	.024	.002

Mediation analysis is shown in (Table 4.16). In the first step the control variables, gender type and education were entered. In the second step the mediator employee performance and in the third step, Human Resource Management practices were entered in the equation. This three-step model was regressed with organizational performance, separately, for each HRM practice.

As per Barron & Kenny (1986) recommendations, the result partially supported hypothesis H1c, that employee performance mediates relationship between recruitment & selection and perceived organizational performance. Main effect size reduced from ( $\beta = .362$ ,  $p < .000$  to  $\beta = .247$ ,  $P < .000$ ) while change in explained variance was reduced from ( $\Delta R^2 = .119$ ,  $p < .000$  to  $\Delta R^2 = .052$ ,  $p < .001$ ). Thus, after controlling the effect of mediator, main effects were substantially reduced; hence it is proved that employee performance sustained partial mediation between recruitment & selection and Perceived Organizational Performance.

To test hypothesis H2c, i.e., Employee performance mediate relationship between training & development and perceived organizational performance, same process was repeated to regress the model by using training and development as independent variable. Main effect size reduced from ( $\beta = .280$ ,  $p < .000$  to  $\beta = .218$ ,  $P < .000$ ) while change in explained variance was reduced from ( $\Delta R^2 = .069$ ,  $p < .001$  to  $\Delta R^2 = .041$ ,  $p < .000$ ). Thus after controlling the effect of the mediator, main effects were reduced; therefore it can be said that employee performance mediates the relationship between training & development and perceived organizational performance.

For testing hypothesis H3c, employee performance mediates relationship between performance appraisal and perceived organizational performance, data was regressed by using performance appraisal as independent and POP as dependent variable. Main effect was reduced from ( $\beta = .347$ ,  $p < .000$  to  $\beta = .166$ ,  $P < .004$ ) while change in explained variance was reduced from ( $\Delta R^2 = .107$ ,  $p < .000$  to  $\Delta R^2 = .021$ ,  $p < .004$ ). By controlling effect of mediator, main effects were substantially reduced in all three areas ( $\beta$ ,  $p$ , and  $\Delta R^2$ ). Therefore, it can be said that employee performance mediates the relationship between performance appraisals and Perceived Organizational Performance. According to the argument developed by Barron & Kenny (1986) substantial mediation is proved for this model.

To test hypothesis H4c, employee performance mediates relationship between career planning system and perceived organizational performance. Using career planning system as independent variable regression was again applied. It was observed that main results were reduced from ( $\beta = .280, p < .000$  to  $\beta = .094, P$  value was (ns) not significant) while change in explained variance was reduced from ( $\Delta R^2 = .071, p < .000$  to  $\Delta R^2 = .007, p = ns$ ). In this test main effects were substantially reduced in all three areas ( $\beta, p,$  and  $\Delta R^2$ ). Therefore according to Barron & Kenny (1986) full mediation of employee performance was proved between career planning system and Perceived Organizational Performance.

For testing hypothesis H5c, employee performance mediates relationship between employee participation and perceived organizational performance, using compensation system as independent variable, the equation was regressed and identified that the main effect was reduced from ( $\beta = .310, p = .000$  to  $\beta = .189, P < .01$ ) while change in explained variance was reduced from ( $\Delta R^2 = .079, p = .000$  to  $\Delta R^2 = .028, p < .01$ ). By controlling the effect of the mediator, main effects were substantially reduced in all three areas ( $\beta, p, \Delta R^2$ ). Therefore it can be said that employee performance mediates the relationship between employee participation and Perceived Organizational Performance. According to the argument developed by Barron & Kenny (1986) substantial mediation is proved between employee participation and Perceived Organizational Performance due to employee performance.

To test hypothesis H6c, employee performance mediates relationship between compensation system and Perceived Organizational Performance data was regressed. It was observed that the main effect size was reduced from ( $\beta = .213, p < .001$  to  $\beta = .152, P < .05$ ), while change in explained variance was reduced from ( $\Delta R^2 = .048, p < .001$  to  $\Delta R^2 = .024, p < .05$ ). Main effects were minutely reduced; therefore it can be generalized that there is very little mediation between compensation system and Perceived Organizational Performance due to employee performance.

Altogether the results are supporting fully or partially all six-hypotheses H1c, H2c, H3c, H4c, H5c, and H6c.

## 4.2 Scatter plots:

Scatter diagram is used to study the relationship between two variables. It shows what happens to one variable when the other variable changes.

For finding the relationship between variables, each pair of independent-dependent variables is plotted in graphical shape, using X-axis for independent and Y-axis for dependent variables. There is positive and linear relationship amongst all the variables with perceived organizational performance, therefore the points in the scatter diagrams are showing a tendency around a straight line.

Scatter plots are indicating visible pattern of how two factors vary simultaneously. The trend of scatter plots is that of upward straight line, which shows direct positive correlation between the two variables. In figures (4.1, 4.2, 4.3, 4.4, 4.5 and 4.6) scatter plots are developed between HRM practices (recruitment & selection, training & development, performance appraisal, career planning system, employee participation and compensation system) with Perceived Organizational Performance, showing significantly positive relationship. The relationship of different independent variables, with financial performance indicators (Marris, Tobin's Q, ROE and ROA) as dependent variables are shown in figure (4.7 to 4.3) in (Annexure II). Most of the relationships with financial performance indicators are not significant.

**Figure 4.0: Scatter Diagram: OP as dependent variable**

Figure 4.1

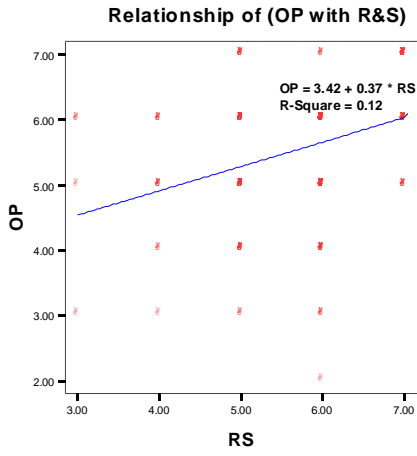


Figure 4.2

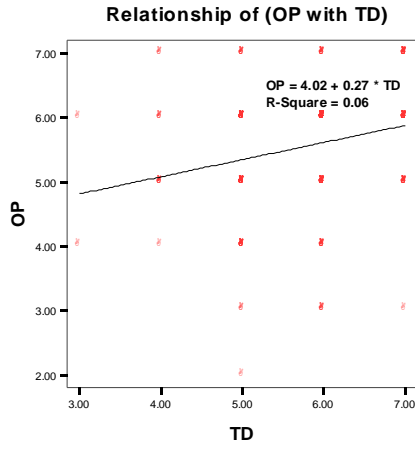


Figure 4.3

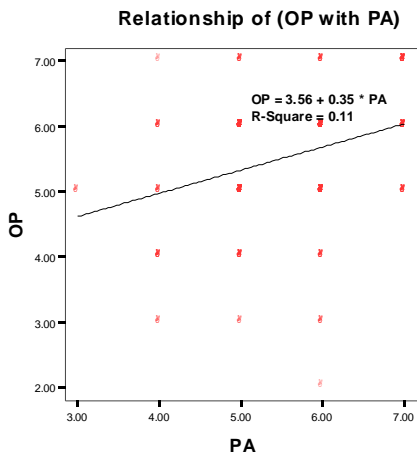


Figure 4.4

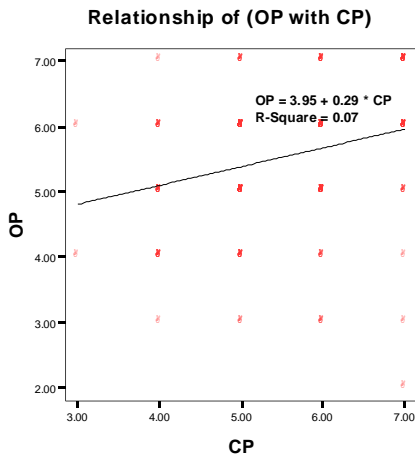


Figure 4.5

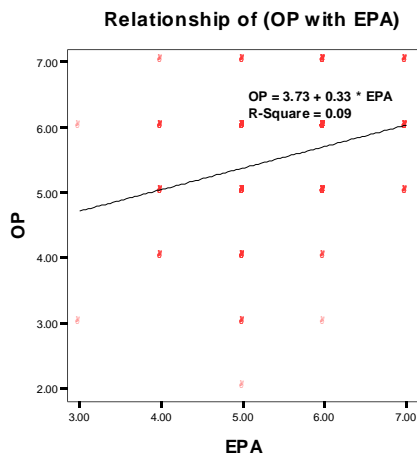
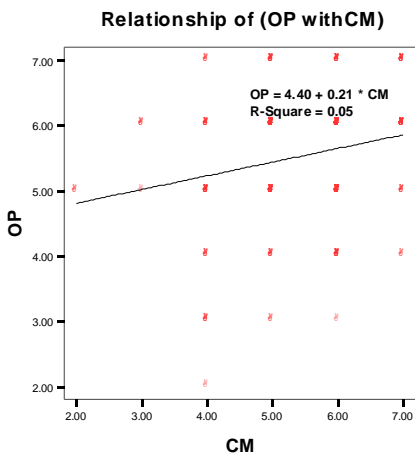


Figure 4.6





## CHAPTER 5

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter pursuit's discussion on major findings with regards to the previous findings in other studies, implications of the findings for management practices, contributions of the current study and finally, the limitations of the study are discussed.

#### 4.3 Discussion of Findings

The first research question was about relationships of different demographics such as age, gender, education, experience, industry type, organization life and number of employees variables with perceived organizational and financial performances. The analyses indicated that some demographic variables had significant relationship with perceived organizational performance and with organizational financial performance indicators. Each of the selected demographic variables has been discussed in the proceeding.

The age demonstrated no significant relationship with perceived organizational and financial performance matching with Karatepe et al. (2006); who found non-significant relationship of these variables with performance. Gender is significantly and positively correlated with Perceived Organizational Performance, contrary to the findings of Karatepe et al. (2006); but it is not correlated with any one of the financial performance indicators. According to the results, the organizational performance is significantly effected by gender type responses, education shows significant difference in perceived organizational performance, but insignificantly correlated with ROE, contrary to the findings of Karatepe et al. (2006); who found negative relationship between education level and employee performance. In this study majority of the respondents working in HRM field, had Masters or M. Phil degree, which appeared to be a healthy sign. This trend might bring new changes and innovative styles in HRM systems. Experience of the respondents showed no significant relationship with perceived and financial performances of the organization. Organizational life indicated positive correlation with one financial performance indicator, Marris Ratio, but it did not have significant correlation with others. With Marris Ratio, the number of employees in the

organization also had significant and positive relationship but insignificant correlation with rest of the variables.

The findings of this study suggested that demographic variables play relatively minor part towards perceived organizational and financial performances. The research study was carried out in order to examine the relationship and impact of human resource practices and demographics on organizational performance index comprised on, Perceived Organizational Performance, Marris Ratio, Tobin's Q, Return on Equity and Return on Assets in financial sector industries.

The second research question was about inter-relationship between HRM practices and organization performance. Although results indicated no correlation between HRM practices and organizational financial performance indicators i.e. Marris Ratio, Tobin's Q, Return on Equity and Return on Assets, yet there was a positively significant correlation between HRM practices and Perceived Organizational Performance.

Recruitment & selection, based on well-defined merit and unprejudiced system developed through managerial expert opinions, using standardized test to scrutinize the exact required attitude, skills and knowledge in potential candidates showed notable significant correlation with employee performance and Perceived Organizational Performance. Results were similar to the findings of Holzer (1987), Sels et al. (2003), Datta (2003), Singh (2004), Katou (2008) and also support the argument of Tseng et al. (2009) that identification of the right candidate with required skills to perform the job for achieving organizational performance is the output of sophisticated selection system.

Training & development programs in organizations based on training need assessment, performance appraisal, customization and practically applicable with skills imparting capability are indicating positive correlation with employee performance and Perceived Organizational Performance. These results were similar to the findings of (Russell, et al. 1985; Arthur, 1994; Huselid, 1995; Wan, et al. 2002; Patrick, et al. 2003; Sels, et al. 2003; Singh, 2004; Katou, 2008; Tseng, et al. 2009). Their findings supported the argument that training was an expensive activity but it could give different advantages i.e. improved employees performance, increased productivity and employee development.

There is a significant relation between Perceived Organizational Performance and performance appraisal system, that seems based on focused counseling, employee feed back, transparent disbursement of bonuses, performance based promotions, training selections and clarity of objectives. Results are similar to the findings of (Thompson, 1998; Wan, et al. 2002; Sels, et al. 2003; Singh, 2004; Katou, 2008; Shahzad, et al. 2008; and Tseng, et al. 2009).

A perception that the Career Planning System (CPS) is significantly correlated with employee performance and Perceived Organizational Performance is true if, the Career Planning System is based on clear career ladder, aligned goals with organizational vision, used for succession planning, transparent internal hiring, and equal unambiguous employment opportunity.

Employee participation related to decision-making process based on opportunities to make company and self related decisions, suggestion collection for the betterment of organization and employee wellbeing as also on appreciation strategy has significant positive correlation with employee performance and perceived organizational performance. Results partially match with the findings of (Bryson, 1999; Addison, et al. 2001 & 2000; Singh, 2004; Katou, 2008; Tseng, et al. 2009; and Budhwar, et al. 2010).

Compensation system based on expectancy of employees, comparable with market packages, competency based, performance based, profit sharing based mechanism, covering both financial and non financial dimensions, is positively correlated with employee performance and perceived organizational performance. (Singh, 2004; Shahzad, et al. 2008; Katou, 2008; Qureshi, et al. 2009; Tseng, et al. 2009; and Budhwar, et al. 2010) also had similar findings.

Findings of this research study match with findings of (Arthur, 1994; Huselid, 1995; Huselid & Becker, 1996; Kelley, 1996; Ulrich, 1997a; Patterson, et al. 1997; Hoque, 1999; Khatri, 2000; Cappelli and Newmark 2001; Kaplan & Atkinson, 2001; Wan, et al. 2002; Batt, 2002; Sels, et al. 2003; Purcell, et al. 2003; Paul & Anantharaman, 2003; Deepak. et al. 2003; Singh, 2004; Pfeffer, 1994; Tzafirir, 2005; Huselid, 1995; Cho, Woods, Jang, & Erdem, 2006; Qureshi, et al. 2009; Tseng, et al. 2009; and Budhwar, et al. 2010).

The third research question was intended to determine the degree to which different HRM practices predicted perceived organization and financial performance. Results of multiple regression analysis showed weak predictions of organizational financial performance but strong perceived organizational performance. Results indicated that the six different HRM practices predicted perceived performance with high level of significance and substantial beta values. Career planning was significant with Tobin's Q, compensation system was significant with Return on Equity; however the training and development contributed marginally towards Return on Assets.

Recruitment & selection has significant impact on perceived organizational performance. Training & development has significant impact on Perceived Organizational Performance and Return on Assets (ROA). Performance appraisal system has significant and positive impact on Perceived Organizational Performance. Career planning system is showing significant impact on Perceived Organizational Performance and Tobin's Q. Employee participation has significant and substantial impact on Perceived Organizational Performance. Compensation system has significant and positive impact on Perceived Organizational Performance and Return on Equity (ROE).

The fourth research question was about the impact of HRM practices on performance of different industries. Multiple regression models were tested to analyze data separately for each industry. The results indicated that recruitment & selection had positive and significant impact on perceived performance of banking, insurance, leasing and investment industries. Additionally, it showed positive impact on Marris Ratio and Return on Assets (ROA) of modaraba and banking industries accordingly.

Training and development has positive impact on perceived performance in banking and insurance industries. Performance appraisal has positive impact on perceived performance of banking, insurance and modaraba industries. Furthermore, it has positive impact on Marris Ratio of modaraba industry. The career planning system has positive impact on perceived performance of banking and insurance industries. Employee participation has positive impact on perceived performance of banking, insurance and modaraba industries besides generating positive impact on Marris Ratio, Tobin's Q and on Return on Equity of modaraba, insurance and leasing industries. Compensation system has positive impact on perceived performance of banking, insurance and modaraba

industries, on Marris Ratio of insurance and modaraba industries, on Tobin's Q and Return on Assets of Insurance industry.

The fifth research question was about mediating role of employee performance between HRM practices and Perceived Organizational Performance.

Mediation regression analysis proved mediation between different HRM practices and Perceived Organizational Performance. Employee performance when treated as mediator showed partial mediation between recruitment & selection and Perceived Organizational Performance. Very little mediation has been proved between training & development and POP, substantial mediation has been proved between performance appraisal and POP, full mediation has been proved between career planning system and POP, satisfactory mediation has been proved between employee participation and POP, but there was little mediation between the compensation system and POP.

Perceived Organizational Performance in the financial sector measured through (quality of products or services, development of new products or services, ability to attract employees, ability to retain employees, satisfaction of customers and relations between management and employees, marketing activities, growth in sales, profitability and increase in the market share of the organizations) was tested with different six HRM practices. Delery & Doty 1996 said that larger exercise of specific HRM practices would always result in improved organizational performance. The results of this study were in conformity with the above findings. The sample represented organizations drawn from a variety of domestic industry sectors and from different geographical locations in the country. So the results were applicable to all geographical locations.

#### **4.4 Contribution of the Current Study**

This study is unique in nature due to a variety of reasons. Human Resource Management practices have been linked with Perceived Organizational Performance and perceived market performance without considering employee performance in numerous studies, but the question is that how does employee performance play mediation role. This question has been tested in this research and mediation has been proved between different HRM practices and perceived organizational performance. Very few studies have tested the correlation and impact of HRM practices on organizational financial

performance. Some researchers tested the company's internal financial measures (ROE & ROA) as well. In this study the Organizational Performance Index (OPI) has been created by measuring organizational performance through five different indicators; Perceived Organizational Performance, Marris Ratio, Tobin's Q, Return on Equity (ROE), and Return on Assets (ROA). Researchers studied HRM practices and organizational performance, but comparison of different sectors was not made. Impact of HRM practices on different performance indicators in different industries and comparative analysis is another unique feature of this study.

This study is an addition to earlier research efforts in understanding the relationship between organizational performance and HRM practices. The study provides new dimensions in the research of management by opening a debate on the importance of HRM practices in organizational performance. Statistically significant correlations and regression results were indicated that different HRM practices, such as recruitment & selection, training & development, performance appraisal, employee participation, career planning system and compensation system are significantly related and make positive contributions towards perceived organizational performance.

This study is also significant for the reasons that employee performance has been tested as mediator with organizational performance index consisting of perceived organizational performance, Marris Ratio, Tobin's Q, ROE and ROA dependent variables. Data obtained from organizations through the questionnaires were in the shape of perceptual measures about effective HRM practices, employee performance and organizational performance. Normally, instead of perceptual measures, the objective measures are more desirable and they are particularly more consistent. This study has thus considered both types of variables. Additionally, it appears that demographic variables of gender type and education have statistically significant role in organizational performance.

#### **4.5 Implication for Management**

- Empirical facts support the analysis, that HRM practices can manipulate perceived organizational performance and employee performance plays a mediation role between HRM practices and perceived organizational performance. Organizations interested in their development and growth ought to adopt transparent procedures

for recruitment & selection of human resource on competency basis. Similarly for creating high level of organizational commitment and company ownership with high quality service and productivity, the comprehensive training & development programs need to be arranged to update employee skills for meeting the challenges of contemporary competitiveness. Organizational performance needs appropriate employee handling so that they stay in the company. It needs a suitable career planning system. For making effective decision-making the employees should be given adequate chances of participation in decision-making, because sometimes, employees know, what the management does not. Most of the organizations in Pakistan do not see employee participation as a catalyst to better employee performance and thereby higher financial growth. This research is indicating that it is one of the major contributory tools towards performance. Compensation is the reward for which majority of the people work. If it is paid on time, on merit and comparable with market packages, then it makes employees feel happier and they contribute more. The study indicated that the organizations that make use of effective HRM practices on a wider scale generate higher performance.

- Organizations should establish a process of identifying Return on Recruitment & Selection System (RORS), Return on Training & Development system (ROTD), Return on Career Planning System (ROCP), Return on Performance Appraisal System (ROPA), Return on Employee Participation system (ROEP), and Return on Compensation system (ROC).
- Organizations should think about launching a proper procedure for monitoring the implementation of HRM practices to gain higher performance.
- Organizations should also consider designing HRM practices with focus on employee performance.

#### **4.6 Limitations of the Study**

Results of this study may be viewed with the following limitations in mind.

- Although out of a sample of 350 as many as 274 (78%) responded from 5 different industries of the financial sector. This sample size is not large to reflect the factual

image of the organizations functioning in Pakistan especially in the context of measuring the relationship between effective HRM Practices and Organizational Performance Index (OPI) based upon perceived organizational performance, Marris Ratio, Tobin's Q, Return on Equity and Return on Assets.

- This study considered only listed companies with the Karachi Stock Exchange, while the non-registered and defaulting firms were ignored. Therefore, the results may not be generalized over the entire market.
- Only six HRM practices (recruitment & selection, training & development, career planning system, performance appraisal, employee participation and compensation system) have been used for this study. The remaining practices like job analysis, orientation, motivation, job rotation, job description have been ignored.
- Respondents' consideration of English as a foreign language could have affected the responses.

#### **4.7 Directions for Future Research**

This research is indicating that certain HRM practices can influence organizational performance, but it does not shed light on the mechanisms through which this can be accomplished. Future research directions may include:

- Longitudinal studies to establish a causal relationship between variables.
- Since the study was conducted by selecting HRM professionals as respondents, other employees working in the organization can also be interviewed about HRM practices, by asking different questions regarding how they feel about HRM practices and their implementation because they are the real stakeholders of these practices.
- To enhance external validity, the future research efforts may obtain a bigger sample size from other organizations and industries as well.
- The relationship with HRM practices adopted by bankrupt companies can also be studied.



- Further research is needed to authenticate the validity and reliability of the tools outside Pakistan and to assist making a generalization that HRM practices positively impact on organizational performance.

#### **4.8 Conclusion**

Organizations having transparent selection systems, adequately scheduled training programs and employee participation in decision-making are high performers. These organizations become attractive for local and foreign investors for further investment that contributes considerable growth in the economic activities in Pakistan. Since the employee performance is contributing the mediating role between HRM practices and POP, hence the motivating HRM practices can enhance their performance that increase company performance.

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## APPENDICES

### 7.1 Annexure I: Questionnaire

HRM Survey

A case of Financial Sector listed companies

2008

*Impact of Human Resource Management (HRM)*

*Practices on*

*Organizational Performance in Pakistan*

Dear Respondent!

I am conducting a research on 'Impact of Human Resource Management Practices on Organizational Performance' and have designed this questionnaire to collect data from HRM professionals working in the vicinity of various financial sector organizations. The data collected will be used and reported in aggregate form; no individual responses will be referred to or quoted. The information you furnish will be treated as confidential.

The objective of this research survey is to identify and explain the extent of HRM Practices in the organizations of Pakistan and their impact on organizational performance. The results of this study will facilitate the organizations to address their growth and performance and will help to design effective HRM strategies for future goals achievement.

You are requested to take 25 minutes out of your busy schedule to fill this questionnaire that comprises two parts. Please fill both parts completely. Your cooperation is highly appreciated. If you need findings of this research please send a request to [tahirmasood2002@hotmail.com](mailto:tahirmasood2002@hotmail.com) , [tq@tahirmasood.com](mailto:tq@tahirmasood.com)

**Tahir Masood, PhD Scholar**

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**Part A**

Please provide the following information.

**Organizational Information**

Name of the organization: -----

Industry Type/Name: -----

Life of organization (in years): -----

No. of employees in the organization: -----

**Personal Information**

Gender: -----

Age: -----

Education in years: -----

Total professional experience: -----

Email: -----

Phone: -----

Postal Address-----

-----

**Part B**

Please encircle the appropriate number against each statement, according to the scale given below.

Strongly Disagree	Disagree	Somewhat Disagree	Indifferent/Natural	Somewhat Agree	Agree	Strongly Agree
1	2	3	4	5	6	7

**Organizational Performance**

**How would you compare your organization’s performance over the past five years in comparison with other organizations in the same industry, in relation to the following;**

- 01. Quality of our products/services has been improved.  1  2  3  4  5  6  7
- 02. Development of new products or services is a major activity in our organization.  1  2  3  4  5  6  7
- 03. Organizational ability to attract employees has improved.  1  2  3  4  5  6  7
- 04. Ability to retain employees is a major strength of our organization.  1  2  3  4  5  6  7
- 05. Satisfaction of customers/clients is preferred concern of our organization  1  2  3  4  5  6  7
- 06. Management and employees are having trustful relationship with each other.  1  2  3  4  5  6  7
- 07. Market Share of organization has been increased.  1  2  3  4  5  6  7
- 08. Our company has better standing in the market now, as compared to last 5 years.  1  2  3  4  5  6  7
- 09. Organizations’ shares are improving in the stock exchange.  1  2  3  4  5  6  7
- 10. My organization sets SMART targets for the employees.  1  2  3  4  5  6  7

### Employee performance

- |  |                          |                          |                          |                          |                          |                          |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 11. Quantity of our employees' work output has improved in last five years.                      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 12. Coming up with new ideas is appreciated in our organization.                                 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 13. Most of the employees achieved organizational goals of last 5 years.                         | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 14. Targets given to different employees often met.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 15. Over all employees targets achievements has improved over the last 5 years.                  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 16. Employees feel happy to work in teams.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 17. Majority of our employees can work independently and they give high performance.             | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 18. Employees in our organization have been enabled to make decisions well.                      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 19. Employees' communication skills have been improved in this organization.                     | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 20. Employees' competencies are in line with the organizational operational and strategic goals. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

### Recruitment & Selection

- |   |                          |                          |                          |                          |                          |                          |                          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 21. Recruitment & selection system followed in our organization is well defined                           | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 22. In our organization, line managers and HR managers participate in recruitment & selection             | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 23. Valid and standardized tests are used in the selection process of employees                           | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 24. Selection system in our organization selects those having the desired knowledge, skills and attitudes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 25. Our organization uses comprehensive selection process before rendering a decision                     | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 26. The organization uses assessment centers for selection  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 27. Our organization uses unbiased test and interviewing techniques for employee selection                | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 28. Our organization selects employees without any bias   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 29. We have strong merit criteria for employee selection  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 30. We use attitude and desire to work in a team and individual as a criterion in employee selection      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

### Training & Development (T&D)

- |  |                          |                          |                          |                          |                          |                          |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 31. Our organization conducts extensive (T&D) programs for Employees                         | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 32. Employees at each job normally go through T&D programs every year                        | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 33. Training needs are identified through a formal performance appraisal mechanism           | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 34. There are formal training programs to teach new employees the skills they needed         | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 35. Trainings need identified are realistic, useful and based on the organizational strategy | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 36. There are formal training evaluation methods to assess the effectiveness of the training | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 37. The organization has a system for calculating the cost and benefit of training           | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 38. T&D has helped reduce employee turnover in our organization                              | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 39. T&D has resulted in higher employee performance in our organization                      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 40. T&D has resulted in higher productivity and financial returns for the organization       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

### Performance Appraisal

- |  |                          |                          |                          |                          |                          |                          |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 41. Performance of the employees is measured on the basis of objectives and quantifiable results | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 42. Appraisal system in our organization is growth and development oriented                      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 43. Employees are provided performance based feedback and counseling                             | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 44. Appraisal system is unbiased and transparent   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 45. Appraisal information is used for bonuses, promotions and selected training                  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 46. Everybody working in the organization knows clear objectives of performance appraisal        | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 47. Appraisal system is modern and uses the latest techniques and technology                     | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 48. Appraisal system has a strong influence on individual and team behavior                      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 49. Our organization conducts performance appraisal on a regular bases                           | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 50. In our company, performance appraisal is not used for penalization                           | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

### **Career Planning & Development**

- |  |                          |                          |                          |                          |                          |                          |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 51. Employees at each level in our organization have clear career ladder                   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 52. Employees at each level in our organization are aware about their career ladder        | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 53. Organizational and individual growth needs are aligned in this organization            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 54. Our organization takes career planning and succession planning very seriously          | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 55. In our organization internal hiring is preferred over external                         | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 56. New employees always get inspired by our career planning and development system        | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 57. Minorities and women have comparable opportunities of growth and development           | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 58. Organization is helping me develop skills needed for my future career                  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 59. Our organization provides opportunities to develop skills needed to attain career goal | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 60. Employees get career guidance from their supervisor without any hesitation             | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

### **Employee Participation**

- |   |                          |                          |                          |                          |                          |                          |                          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 61. Employees at each level in org. take part in decision-making process up to an extent              | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 62. Employees are asked by superiors to participate in related decisions                              | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 63. Employees are provided opportunity to suggest improvements in the way things are done here        | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 64. Employees are trusted to make decisions for themselves and the organization                       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 65. Our organization gives rewards for making appropriate suggestions                                 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 66. We have culture that promotes employee involvement in our organization                            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 67. We meet voluntarily to identify, operational problems relevant to the organization                | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 68. Our organization consults employees in strategic decision-making                                  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 69. Employees decision freedom improves their satisfaction in our organization                        | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 70. Employees having liberty to organize their job tasks as per their convenience produce more output | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

**Job Description**

71. The duties of every job are categorically and clearly defined in our organization  1  2  3  4  5  6  7
72. Each job in our organization has an up to date job description  1  2  3  4  5  6  7
73. The job description for each job contains all the duties performed by individual employee  1  2  3  4  5  6  7
74. The actual job duties are shaped more by the employee than by the formal job description  1  2  3  4  5  6  7
75. Employees are never asked to performed duties not mentioned in the job description  1  2  3  4  5  6  7
76. Job descriptions are revised from time to time to incorporate the upcoming changes  1  2  3  4  5  6  7
77. Employees in our organization are evaluated based on job description  1  2  3  4  5  6  7
78. Job descriptions in our organizations are clear and easy to understand  1  2  3  4  5  6  7
79. Job description in our organization is clearly oriented to new employees for clarity  1  2  3  4  5  6  7
80. Our job descriptions are matching other companies' job descriptions for similar positions  1  2  3  4  5  6  7

**Compensation**

81. Compensation offered by our organization matches the expectancy of employees  1  2  3  4  5  6  7
82. In our organization, salary and other benefits are comparable to the market  1  2  3  4  5  6  7
83. In our organization, compensation is decided on the basis of competence of the employee  1  2  3  4  5  6  7
84. The compensation for all employees is directly linked to their performance  1  2  3  4  5  6  7
85. In our organization, profit sharing is used as a mechanism to reward higher performance  1  2  3  4  5  6  7
86. Our organization offers both financial and non-financial rewards without discrimination  1  2  3  4  5  6  7
87. The compensation plan is revised accordingly with the economic situation  1  2  3  4  5  6  7
88. Take home pay is enough for my family and me  1  2  3  4  5  6  7
89. My last year's salary raise was better than the previous one  1  2  3  4  5  6  7
90. In general, I understand why I get what I get  1  2  3  4  5  6  7

**Positive Adaptability of Employees**

- 91. Employees in our organization always try to avoid problem creation for co-workers.  1  2  3  4  5  6  7
- 92. Employees in our organization always consider the impact of their actions on co-workers  1  2  3  4  5  6  7
- 93. Employees in our organization are satisfied from the HRM practices.  1  2  3  4  5  6  7
- 94. Employees in our organization take keen interest in their job assignment  1  2  3  4  5  6  7
- 95. Employees in our organization are sensible and adaptive towards innovation.  1  2  3  4  5  6  7
- 96. Employees in our organization don't agitate against change.  1  2  3  4  5  6  7
- 97. Employees always attend meetings that are not mandatory, but are important.  1  2  3  4  5  6  7
- 98. Employees in our organization attend functions that are not required, but help company image  1  2  3  4  5  6  7
- 99. Employees in our organization read and keep up with organization announcements, memos, etc.  1  2  3  4  5  6  7
- 100. Employees in our organization always show positive attitude towards new ideas  1  2  3  4  5  6  7

**HRM Scorecard**

To develop HRM Scorecard following HRM practices have been proposed based on literature review. You are requested to please give your opinion about following 9 HRM practices with reference to Pakistani setting, kindly give your opinion about a statement that “This practice should be part of HRM scorecard”. While scorecard is a combination of most important HRM practices used in different industries.

	<b>HRM Practices</b>	<b>Score</b>
01	Employee performance	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7
02	Recruitment and Selection	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7
03	Training and Development	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7
04	Performance Appraisal	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7



05	Career Planning & Development	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7
06	Employee Participation	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7
07	Job Description	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7
08	Compensation	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7
09	Positive Adaptability of Employees	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7

Thank you for your valuable contribution and time

**7.2 Annexure II: Scatter Diagram**  
**Marris as dependent variable**

Figure 7

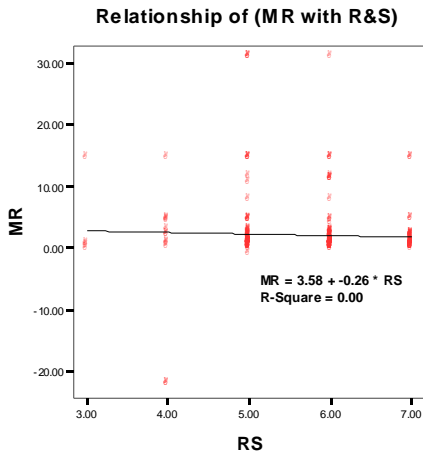


Figure 9

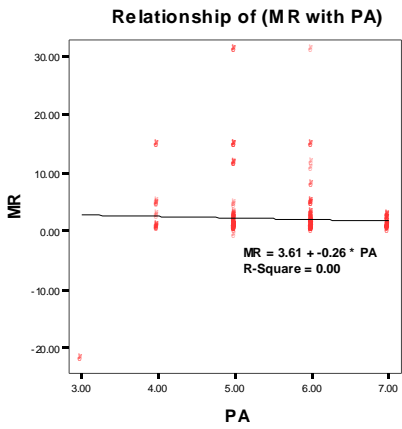


Figure 11

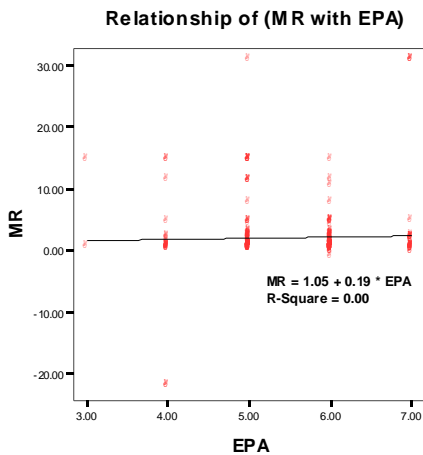


Figure 8

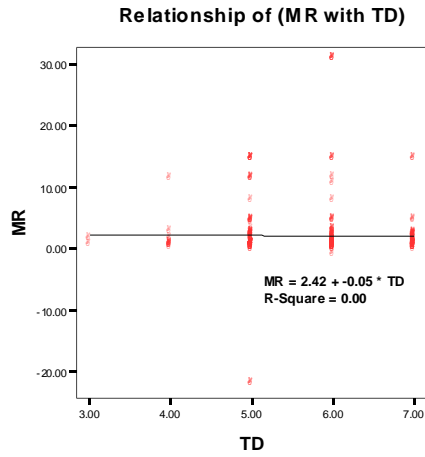


Figure 10

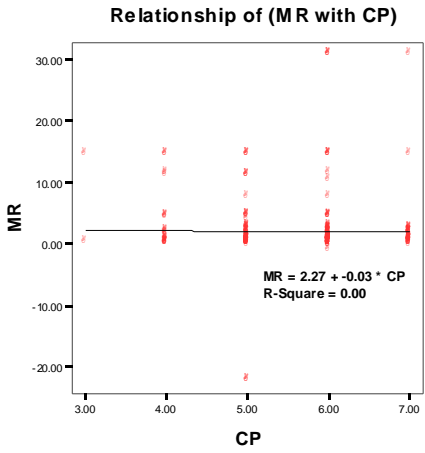
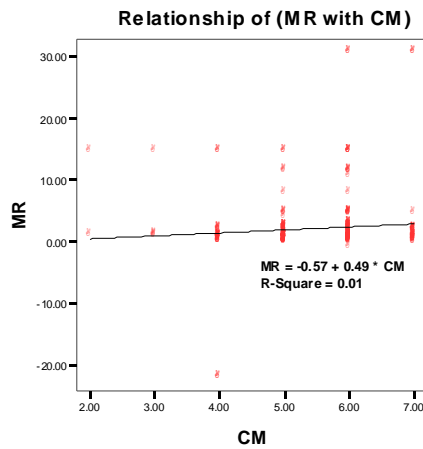


Figure 12



# Scatter Diagram

TQ as dependent variable

Figure 13

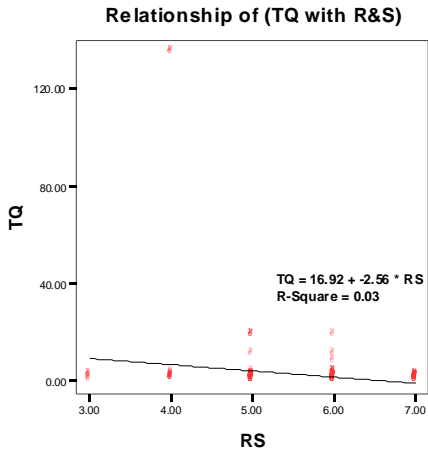


Figure 14

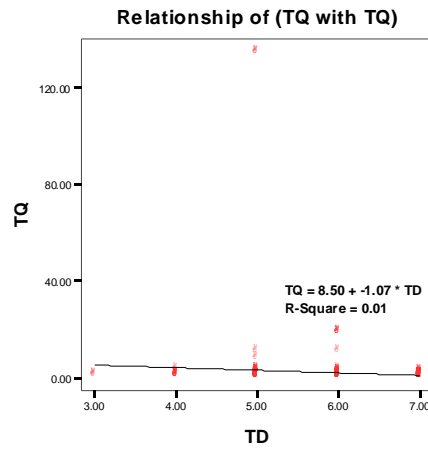


Figure 16

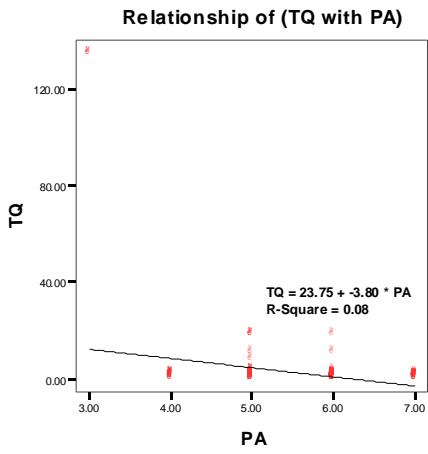


Figure 15

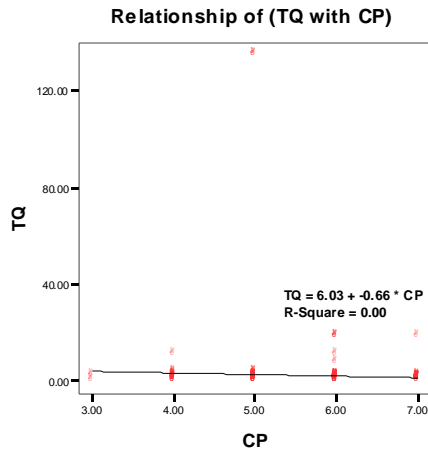


Figure 17

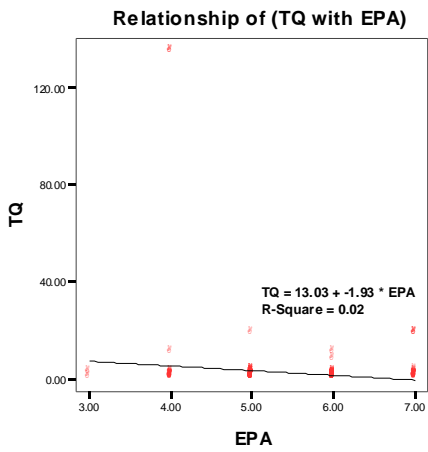
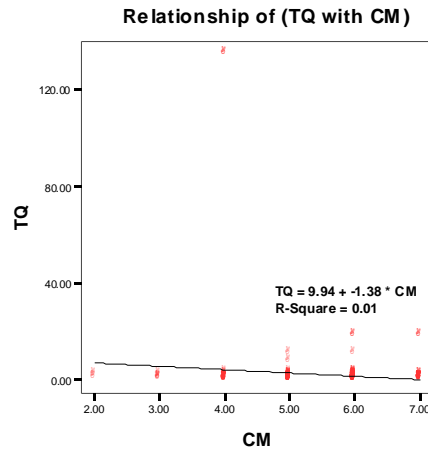


Figure 18



**Scatter Diagram**  
**ROE as dependent variable**

Figure 19

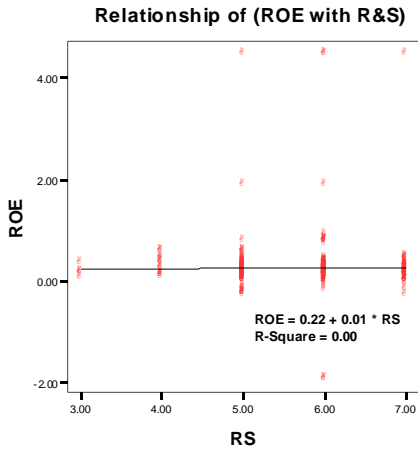


Figure 20

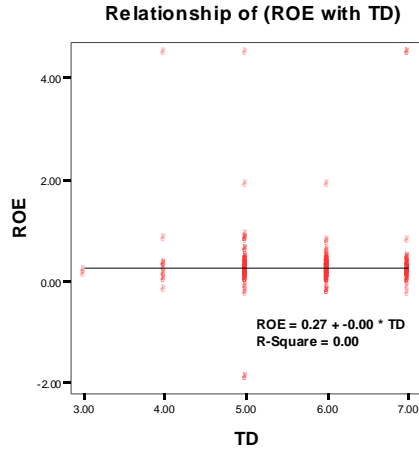


Figure 21

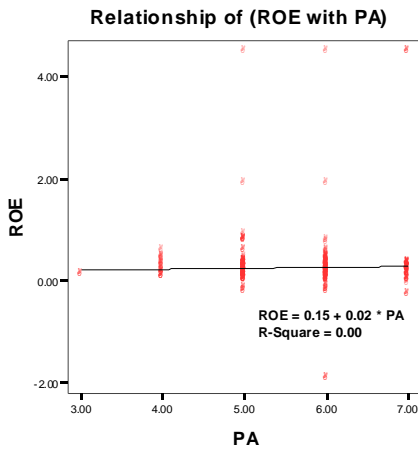


Figure 22

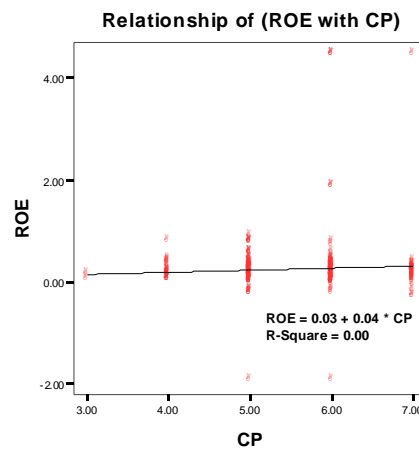


Figure 23

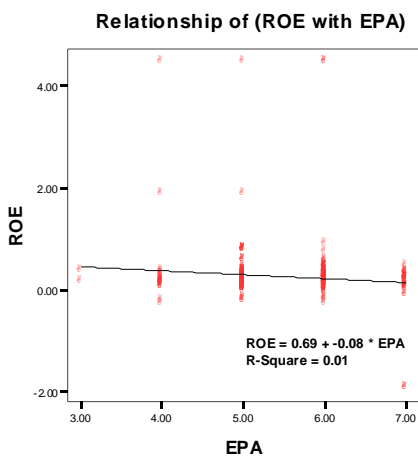
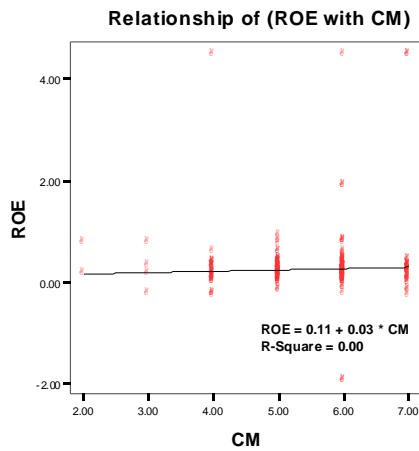


Figure 24



**Scater Diagram**  
**ROA as dependent variable**

Figure 25

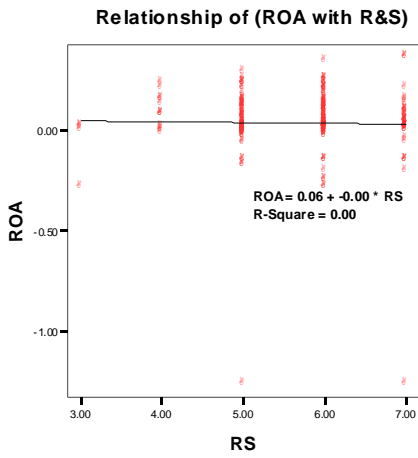


Figure 26

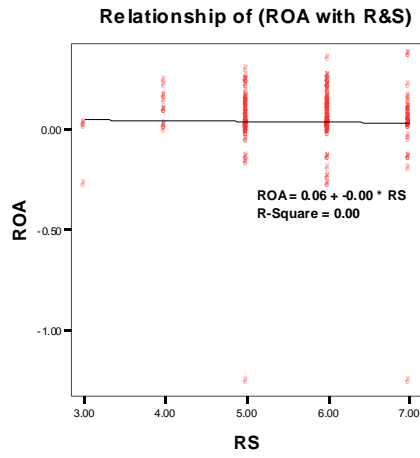


Figure 27

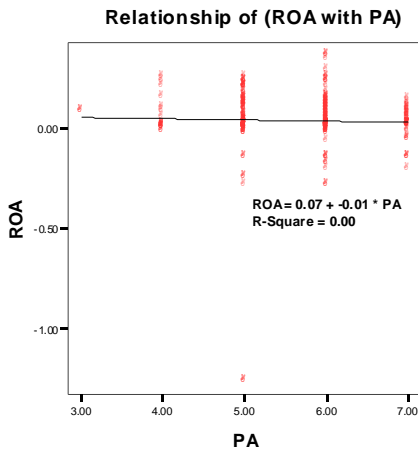


Figure 28

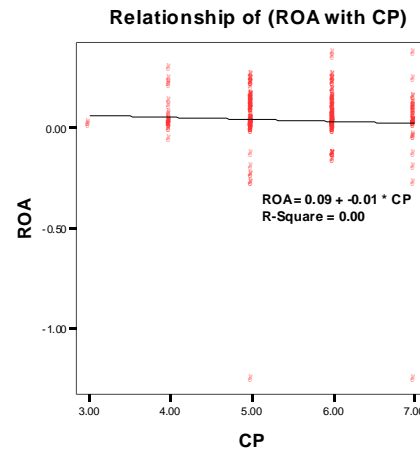


Figure 29

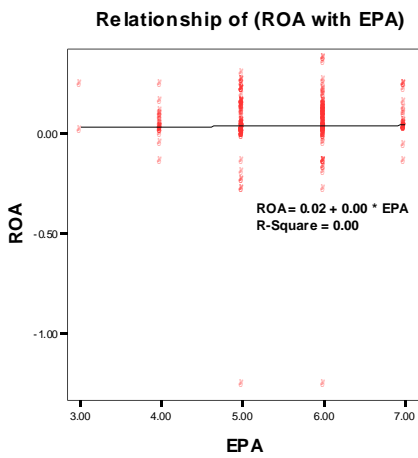
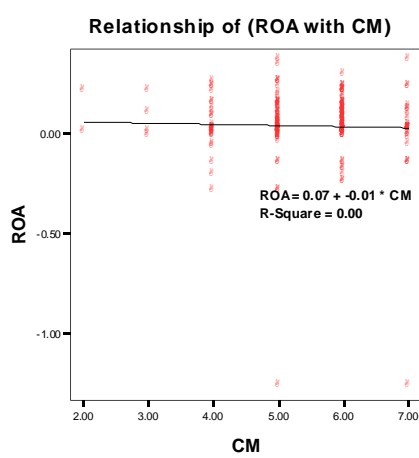


Figure 30



### 7.3 Annexure III: Frequencies

**Table No. 1: Industry Type**

Industries	Frequency	Percent	Valid %	Cumulative Percent
Banking	60	21.90	21.90	21.90
Insurance	47	17.15	17.15	39.05
Leasing	46	16.79	16.79	55.84
Mudaraba/Mutual Funds	97	35.40	35.40	91.24
Investment	24	8.76	8.76	100.00
Total	274	100	100	

**Table No. 2: Gender Type**

Gender Type	Frequency	Percent	Valid %	Cumulative Percent
Male	235	85.77	85.77	85.77
Female	39	14.23	14.23	100.00
Total	274	100	100	

**Table No. 3: Age**

Age in Years	Frequency	Percent	Valid %	Cumulative Percent
21	1	0.36	0.36	0.36
23	1	0.36	0.36	0.73
24	4	1.46	1.46	2.19
25	4	1.46	1.46	3.65
26	10	3.65	3.65	7.30
27	12	4.38	4.38	11.68
28	12	4.38	4.38	16.06
29	15	5.47	5.47	21.53
30	18	6.57	6.57	28.10
31	14	5.11	5.11	33.21
32	16	5.84	5.84	39.05

33	11	4.01	4.01	43.07
34	12	4.38	4.38	47.45
35	25	9.12	9.12	56.57
36	10	3.65	3.65	60.22
37	8	2.92	2.92	63.14
38	14	5.11	5.11	68.25
39	7	2.55	2.55	70.80
40	18	6.57	6.57	77.37
41	6	2.19	2.19	79.56
42	4	1.46	1.46	81.02
43	1	0.36	0.36	81.39
44	8	2.92	2.92	84.31
45	7	2.55	2.55	86.86
46	2	0.73	0.73	87.59
47	4	1.46	1.46	89.05
48	7	2.55	2.55	91.61
49	3	1.09	1.09	92.70
50	4	1.46	1.46	94.16
51	1	0.36	0.36	94.53
52	2	0.73	0.73	95.26
53	2	0.73	0.73	95.99
54	2	0.73	0.73	96.72
55	2	0.73	0.73	97.45
56	3	1.09	1.09	98.54
57	1	0.36	0.36	98.91
58	1	0.36	0.36	99.27
59	2	0.73	0.73	100.00
Total	274	100	100	

**Table No. 4: Education**

Years of Schooling	Frequency	Percent	Valid %	Cumulative Percent
14	19	6.93	6.93	6.93
15	6	2.19	2.19	9.12
16	211	77.01	77.01	86.13
17	6	2.19	2.19	88.32
18	32	11.68	11.68	100.00
Total	274	100	100	

**Table No. 5: Experience**

Experience in years	Frequency	Percent	Valid %	Cumulative Percent
1	5	1.82	1.82	1.82
2	12	4.38	4.38	6.20
3	24	8.76	8.76	14.96
4	18	6.57	6.57	21.53
5	14	5.11	5.11	26.64
6	19	6.93	6.93	33.58
7	14	5.11	5.11	38.69
8	18	6.57	6.57	45.26
9	9	3.28	3.28	48.54
10	20	7.30	7.30	55.84
11	9	3.28	3.28	59.12
12	15	5.47	5.47	64.60
13	9	3.28	3.28	67.88
14	16	5.84	5.84	73.72
15	10	3.65	3.65	77.37
16	5	1.82	1.82	79.20
17	10	3.65	3.65	82.85
18	4	1.46	1.46	84.31



19	5	1.82	1.82	86.13
20	10	3.65	3.65	89.78
21	3	1.09	1.09	90.88
22	8	2.92	2.92	93.80
23	1	0.36	0.36	94.16
25	5	1.82	1.82	95.99
26	1	0.36	0.36	96.35
28	2	0.73	0.73	97.08
30	6	2.19	2.19	99.27
31	1	0.36	0.36	99.64
33	1	0.36	0.36	100.00
Total	274	100	100	

**Table No. 6: Org Life**

Org Life in Years	Frequency	Percent	Valid %	Cumulative Percent
1.5	2	0.73	0.73	0.73
2	4	1.46	1.46	2.19
3	7	2.55	2.55	4.74
4	11	4.01	4.01	8.76
4.5	2	0.73	0.73	9.49
5	19	6.93	6.93	16.42
6	11	4.01	4.01	20.44
7	17	6.20	6.20	26.64
8	6	2.19	2.19	28.83
9	5	1.82	1.82	30.66
10	7	2.55	2.55	33.21
12	10	3.65	3.65	36.86
13	6	2.19	2.19	39.05
14	10	3.65	3.65	42.70
15	21	7.66	7.66	50.36

16	17	6.20	6.20	56.57
17	9	3.28	3.28	59.85
18	12	4.38	4.38	64.23
19	10	3.65	3.65	67.88
20	14	5.11	5.11	72.99
21	1	0.36	0.36	73.36
22	7	2.55	2.55	75.91
23	3	1.09	1.09	77.01
24	2	0.73	0.73	77.74
25	2	0.73	0.73	78.47
28	1	0.36	0.36	78.83
34	1	0.36	0.36	79.20
35	2	0.73	0.73	79.93
36	2	0.73	0.73	80.66
40	2	0.73	0.73	81.39
42	2	0.73	0.73	82.12
46	1	0.36	0.36	82.48
47	9	3.28	3.28	85.77
49	4	1.46	1.46	87.23
50	2	0.73	0.73	87.96
51	1	0.36	0.36	88.32
56	1	0.36	0.36	88.69
57	8	2.92	2.92	91.61
59	2	0.73	0.73	92.34
60	3	1.09	1.09	93.43
62	13	4.74	4.74	98.18
64	1	0.36	0.36	98.54
67	3	1.09	1.09	99.64
72	1	0.36	0.36	100.00
<hr/>				
Total	274	100	100	
<hr/>				

**Table No. 7: No of employees in the organization**

Org. Employees	Frequency	Percent	Valid %	Cumulative Percent
7	1	0.36	0.36	0.36
8	1	0.36	0.36	0.73
11	1	0.36	0.36	1.09
12	1	0.36	0.36	1.46
13	1	0.36	0.36	1.82
17	2	0.73	0.73	2.55
19	1	0.36	0.36	2.92
20	2	0.73	0.73	3.65
22	5	1.82	1.82	5.47
24	3	1.09	1.09	6.57
25	5	1.82	1.82	8.39
28	1	0.36	0.36	8.76
40	6	2.19	2.19	10.95
45	2	0.73	0.73	11.68
50	1	0.36	0.36	12.04
60	2	0.73	0.73	12.77
66	2	0.73	0.73	13.50
67	2	0.73	0.73	14.23
70	2	0.73	0.73	14.96
72	4	1.46	1.46	16.42
75	2	0.73	0.73	17.15
76	2	0.73	0.73	17.88
78	2	0.73	0.73	18.61
80	4	1.46	1.46	20.07
85	2	0.73	0.73	20.80
86	2	0.73	0.73	21.53
93	2	0.73	0.73	22.26
95	2	0.73	0.73	22.99

100	2	0.73	0.73	23.72
103	2	0.73	0.73	24.45
105	1	0.36	0.36	24.82
110	1	0.36	0.36	25.18
111	2	0.73	0.73	25.91
115	2	0.73	0.73	26.64
120	1	0.36	0.36	27.01
122	1	0.36	0.36	27.37
125	4	1.46	1.46	28.83
135	3	1.09	1.09	29.93
147	1	0.36	0.36	30.29
150	5	1.82	1.82	32.12
160	6	2.19	2.19	34.31
170	2	0.73	0.73	35.04
175	1	0.36	0.36	35.40
180	3	1.09	1.09	36.50
185	1	0.36	0.36	36.86
190	2	0.73	0.73	37.59
200	14	5.11	5.11	42.70
202	1	0.36	0.36	43.07
203	1	0.36	0.36	43.43
210	4	1.46	1.46	44.89
215	1	0.36	0.36	45.26
230	1	0.36	0.36	45.62
231	3	1.09	1.09	46.72
235	2	0.73	0.73	47.45
240	2	0.73	0.73	48.18
250	6	2.19	2.19	50.36
260	1	0.36	0.36	50.73
291	2	0.73	0.73	51.46

300	10	3.65	3.65	55.11
312	2	0.73	0.73	55.84
336	1	0.36	0.36	56.20
342	1	0.36	0.36	56.57
350	6	2.19	2.19	58.76
386	2	0.73	0.73	59.49
392	1	0.36	0.36	59.85
400	7	2.55	2.55	62.41
420	1	0.36	0.36	62.77
423	2	0.73	0.73	63.50
475	1	0.36	0.36	63.87
500	2	0.73	0.73	64.60
550	1	0.36	0.36	64.96
600	4	1.46	1.46	66.42
630	1	0.36	0.36	66.79
650	2	0.73	0.73	67.52
680	1	0.36	0.36	67.88
729	2	0.73	0.73	68.61
735	2	0.73	0.73	69.34
800	1	0.36	0.36	69.71
865	2	0.73	0.73	70.44
900	4	1.46	1.46	71.90
928	2	0.73	0.73	72.63
1000	2	0.73	0.73	73.36
1100	2	0.73	0.73	74.09
1200	8	2.92	2.92	77.01
1263	1	0.36	0.36	77.37
1500	2	0.73	0.73	78.10
2000	8	2.92	2.92	81.02
2350	1	0.36	0.36	81.39

4000	4	1.46	1.46	82.85
4140	1	0.36	0.36	83.21
4500	2	0.73	0.73	83.94
5911	2	0.73	0.73	84.67
6000	1	0.36	0.36	85.04
7584	2	0.73	0.73	85.77
8000	2	0.73	0.73	86.50
8537	1	0.36	0.36	86.86
9000	9	3.28	3.28	90.15
10000	2	0.73	0.73	90.88
11000	11	4.01	4.01	94.89
13000	2	0.73	0.73	95.62
13500	2	0.73	0.73	96.35
14000	2	0.73	0.73	97.08
15000	2	0.73	0.73	97.81
18000	5	1.82	1.82	99.64
26851	1	0.36	0.36	100.00
Total	274	100	100	

**Table No.8: Perceived Organizational Performance**

Responses	Frequency	Percent	Valid %	Cumulative Percent
2	1	0.36	0.36	0.36
3	7	2.55	2.55	2.92
4	21	7.66	7.66	10.58
5	84	30.66	30.66	41.24
6	132	48.18	48.18	89.42
7	29	10.58	10.58	100.00
Total	274	100	100	

**Table No. 9: Employee Performance**

Responses	Frequency	Percent	Valid %	Cumulative Percent
3	2	0.73	0.73	0.73
4	29	10.58	10.58	11.31
5	83	30.29	30.29	41.61
6	113	41.24	41.24	82.85
7	47	17.15	17.15	100.00
Total	274	100	100	

**Table No. 10: Recruitment and Selection**

Responses	Frequency	Percent	Valid %	Cumulative Percent
3	4	1.45	1.45	1.45
4	12	4.37	4.37	5.83
5	90	32.84	32.84	38.68
6	122	44.52	44.52	83.21
7	46	16.78	16.78	100
Total	274	100	100	

**Table No. 11: Training and Development**

Responses	Frequency	Percent	Valid %	Cumulative Percent
3	2	0.73	0.73	0.73
4	11	4.01	4.01	4.74
5	93	33.94	33.94	38.69
6	112	40.88	40.88	79.56
7	56	20.44	20.44	100.00
Total	274	100	100	

**Table No. 12: Performance Appraisal**

Responses	Frequency	Percent	Valid %	Cumulative Percent
3	2	0.73	0.73	0.73
4	18	6.57	6.57	7.30
5	100	36.50	36.50	43.80
6	111	40.51	40.51	84.31
7	43	15.69	15.69	100.00
Total	274	100	100	

**Table No. 13: Career Planning**

Responses	Frequency	Percent	Valid %	Cumulative Percent
3	2	0.73	0.73	0.73
4	23	8.39	8.39	9.12
5	99	36.13	36.13	45.26
6	112	40.88	40.88	86.13
7	38	13.87	13.87	100.00
Total	274	100	100	

**Table No.14: Employee Participation**

Responses	Frequency	Percent	Valid %	Cumulative Percent
3	2	0.73	0.73	0.73
4	23	8.39	8.39	9.12
5	103	37.59	37.59	46.72
6	116	42.34	42.34	89.05
7	30	10.95	10.95	100.00
Total	274	100	100	



**Table No. 15: Compensation System**

Responses	Frequency	Percent	Valid %	Cumulative Percent
2	2	0.73	0.73	0.73
3	4	1.46	1.46	2.19
4	31	11.31	11.31	13.50
5	83	30.29	30.29	43.80
6	121	44.16	44.16	87.96
7	33	12.04	12.04	100.00
Total	274	100	100	

**Table No. 16: Marris Ratio**

Value	Frequency	Percent	Valid %	Cumulative Percent
-22.09	2	0.73	0.73	0.73
-1.14	1	0.36	0.36	1.09
-0.31	1	0.36	0.36	1.46
-0.27	4	1.46	1.46	2.92
0	23	8.39	8.39	11.31
0.11	2	0.73	0.73	12.04
0.15	5	1.82	1.82	13.87
0.16	2	0.73	0.73	14.60
0.18	3	1.09	1.09	15.69
0.19	1	0.36	0.36	16.06
0.2	4	1.46	1.46	17.52
0.25	2	0.73	0.73	18.25
0.26	2	0.73	0.73	18.98
0.28	5	1.82	1.82	20.80
0.3	1	0.36	0.36	21.17
0.31	2	0.73	0.73	21.90
0.32	2	0.73	0.73	22.63

0.33	4	1.46	1.46	24.09
0.36	2	0.73	0.73	24.82
0.38	3	1.09	1.09	25.91
0.39	5	1.82	1.82	27.74
0.44	2	0.73	0.73	28.47
0.46	6	2.19	2.19	30.66
0.48	4	1.46	1.46	32.12
0.49	4	1.46	1.46	33.58
0.51	2	0.73	0.73	34.31
0.52	2	0.73	0.73	35.04
0.53	3	1.09	1.09	36.13
0.56	4	1.46	1.46	37.59
0.57	4	1.46	1.46	39.05
0.58	7	2.55	2.55	41.61
0.59	2	0.73	0.73	42.34
0.61	2	0.73	0.73	43.07
0.63	9	3.28	3.28	46.35
0.65	2	0.73	0.73	47.08
0.66	10	3.65	3.65	50.73
0.67	6	2.19	2.19	52.92
0.68	2	0.73	0.73	53.65
0.7	4	1.46	1.46	55.11
0.71	2	0.73	0.73	55.84
0.72	4	1.46	1.46	57.30
0.73	2	0.73	0.73	58.03
0.76	2	0.73	0.73	58.76
0.8	1	0.36	0.36	59.12
0.82	2	0.73	0.73	59.85
0.83	4	1.46	1.46	61.31
0.9	3	1.09	1.09	62.41

0.98	3	1.09	1.09	63.50
1.02	1	0.36	0.36	63.87
1.09	2	0.73	0.73	64.60
1.11	2	0.73	0.73	65.33
1.14	1	0.36	0.36	65.69
1.18	2	0.73	0.73	66.42
1.25	1	0.36	0.36	66.79
1.35	2	0.73	0.73	67.52
1.36	2	0.73	0.73	68.25
1.41	1	0.36	0.36	68.61
1.51	2	0.73	0.73	69.34
1.58	3	1.09	1.09	70.44
1.62	3	1.09	1.09	71.53
1.85	6	2.19	2.19	73.72
1.91	2	0.73	0.73	74.45
1.92	1	0.36	0.36	74.82
1.95	6	2.19	2.19	77.01
2.05	4	1.46	1.46	78.47
2.11	3	1.09	1.09	79.56
2.19	2	0.73	0.73	80.29
2.3	1	0.36	0.36	80.66
2.33	4	1.46	1.46	82.12
2.37	7	2.55	2.55	84.67
2.74	1	0.36	0.36	85.04
2.81	3	1.09	1.09	86.13
2.83	1	0.36	0.36	86.50
3.95	1	0.36	0.36	86.86
4.25	1	0.36	0.36	87.23
4.43	2	0.73	0.73	87.96
4.44	2	0.73	0.73	88.69

4.51	3	1.09	1.09	89.78
4.67	4	1.46	1.46	91.24
7.67	2	0.73	0.73	91.97
10.35	1	0.36	0.36	92.34
11.1	4	1.46	1.46	93.80
11.42	2	0.73	0.73	94.53
14.49	11	4.01	4.01	98.54
30.69	4	1.46	1.46	100.00
Total	274	100	100	

**Table No. 17: Tobin's Q**

Value	Frequency	Percent	Valid %	Cumulative Percent
0.14	2	0.73	0.73	0.73
0.16	2	0.73	0.73	1.46
0.21	2	0.73	0.73	2.19
0.25	5	1.82	1.82	4.01
0.28	5	1.82	1.82	5.84
0.33	3	1.09	1.09	6.93
0.34	2	0.73	0.73	7.66
0.35	1	0.36	0.36	8.03
0.37	2	0.73	0.73	8.76
0.41	2	0.73	0.73	9.49
0.42	2	0.73	0.73	10.22
0.45	2	0.73	0.73	10.95
0.46	2	0.73	0.73	11.68
0.49	9	3.28	3.28	14.96
0.52	2	0.73	0.73	15.69
0.57	2	0.73	0.73	16.42
0.58	2	0.73	0.73	17.15
0.59	2	0.73	0.73	17.88
0.6	8	2.92	2.92	20.80

0.61	2	0.73	0.73	21.53
0.64	2	0.73	0.73	22.26
0.67	4	1.46	1.46	23.72
0.69	2	0.73	0.73	24.45
0.7	8	2.92	2.92	27.37
0.71	6	2.19	2.19	29.56
0.72	5	1.82	1.82	31.39
0.73	3	1.09	1.09	32.48
0.74	2	0.73	0.73	33.21
0.75	8	2.92	2.92	36.13
0.76	6	2.19	2.19	38.32
0.77	1	0.36	0.36	38.69
0.78	5	1.82	1.82	40.51
0.8	3	1.09	1.09	41.61
0.81	2	0.73	0.73	42.34
0.83	2	0.73	0.73	43.07
0.87	2	0.73	0.73	43.80
0.9	4	1.46	1.46	45.26
0.91	5	1.82	1.82	47.08
0.93	5	1.82	1.82	48.91
0.95	6	2.19	2.19	51.09
0.96	6	2.19	2.19	53.28
0.97	1	0.36	0.36	53.65
0.98	10	3.65	3.65	57.30
0.99	6	2.19	2.19	59.49
1.00	1	0.36	0.36	59.85
1.01	2	0.73	0.73	60.58
1.02	2	0.73	0.73	61.31
1.04	1	0.36	0.36	61.68
1.05	13	4.74	4.74	66.42

1.06	3	1.09	1.09	67.52
1.07	2	0.73	0.73	68.25
1.08	11	4.01	4.01	72.26
1.09	7	2.55	2.55	74.82
1.10	3	1.09	1.09	75.91
1.11	3	1.09	1.09	77.01
1.13	2	0.73	0.73	77.74
1.16	4	1.46	1.46	79.20
1.21	1	0.36	0.36	79.56
1.3	4	1.46	1.46	81.02
1.32	2	0.73	0.73	81.75
1.37	4	1.46	1.46	83.21
1.59	1	0.36	0.36	83.58
1.6	7	2.55	2.55	86.13
1.65	1	0.36	0.36	86.50
1.76	1	0.36	0.36	86.86
1.79	1	0.36	0.36	87.23
1.81	2	0.73	0.73	87.96
1.87	1	0.36	0.36	88.32
2.03	2	0.73	0.73	89.05
2.22	4	1.46	1.46	90.51
2.26	11	4.01	4.01	94.53
2.54	1	0.36	0.36	94.89
3.15	1	0.36	0.36	95.26
3.31	4	1.46	1.46	96.72
7.6	1	0.36	0.36	97.08
10.85	2	0.73	0.73	97.81
18.2	4	1.46	1.46	99.27
134.66	2	0.73	0.73	100.00
Total	274	100	100	

**Table No. 18: Return on Equity**

Value	Frequency	Percent	Valid %	Cumulative Percent
-1.94	2	0.73	0.73	0.73
-0.28	2	0.73	0.73	1.46
-0.24	4	1.46	1.46	2.92
-0.2	2	0.73	0.73	3.65
-0.17	2	0.73	0.73	4.38
-0.13	2	0.73	0.73	5.11
-0.07	1	0.36	0.36	5.47
-0.05	1	0.36	0.36	5.84
-0.03	2	0.73	0.73	6.57
-0.01	2	0.73	0.73	7.30
0	8	2.92	2.92	10.22
0.01	11	4.01	4.01	14.23
0.03	2	0.73	0.73	14.96
0.04	5	1.82	1.82	16.79
0.05	4	1.46	1.46	18.25
0.06	9	3.28	3.28	21.53
0.07	2	0.73	0.73	22.26
0.08	5	1.82	1.82	24.09
0.09	9	3.28	3.28	27.37
0.11	5	1.82	1.82	29.20
0.12	6	2.19	2.19	31.39
0.13	11	4.01	4.01	35.40
0.14	2	0.73	0.73	36.13
0.15	15	5.47	5.47	41.61
0.16	11	4.01	4.01	45.62
0.17	1	0.36	0.36	45.99
0.19	5	1.82	1.82	47.81
0.2	9	3.28	3.28	51.09

0.21	13	4.74	4.74	55.84
0.22	11	4.01	4.01	59.85
0.24	9	3.28	3.28	63.14
0.25	9	3.28	3.28	66.42
0.26	5	1.82	1.82	68.25
0.27	2	0.73	0.73	68.98
0.28	5	1.82	1.82	70.80
0.29	14	5.11	5.11	75.91
0.3	2	0.73	0.73	76.64
0.31	6	2.19	2.19	78.83
0.32	6	2.19	2.19	81.02
0.33	4	1.46	1.46	82.48
0.35	4	1.46	1.46	83.94
0.36	6	2.19	2.19	86.13
0.37	4	1.46	1.46	87.59
0.38	1	0.36	0.36	87.96
0.4	2	0.73	0.73	88.69
0.42	2	0.73	0.73	89.42
0.43	3	1.09	1.09	90.51
0.44	1	0.36	0.36	90.88
0.45	4	1.46	1.46	92.34
0.5	1	0.36	0.36	92.70
0.55	1	0.36	0.36	93.07
0.58	4	1.46	1.46	94.53
0.73	1	0.36	0.36	94.89
0.77	3	1.09	1.09	95.99
0.8	4	1.46	1.46	97.45
0.88	1	0.36	0.36	97.81
1.88	2	0.73	0.73	98.54
4.46	4	1.46	1.46	100.00



Total	274	100	100
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**Table No. 19: Return on Assets**

Value	Frequency	Percent	Valid %	Cumulative Percent
-314.04	2	0.73	0.73	0.73
-182.97	1	0.36	0.36	1.09
-115.59	6	2.19	2.19	3.28
-45.63	3	1.09	1.09	4.38
-30.18	4	1.46	1.46	5.84
-29.61	3	1.09	1.09	6.93
-11.82	1	0.36	0.36	7.30
-11.71	2	0.73	0.73	8.03
-11.35	2	0.73	0.73	8.76
-10.82	2	0.73	0.73	9.49
-8.33	2	0.73	0.73	10.22
-7.73	4	1.46	1.46	11.68
-5.99	2	0.73	0.73	12.41
-5.06	2	0.73	0.73	13.14
-3.43	2	0.73	0.73	13.87
-1.73	2	0.73	0.73	14.60
-1.26	1	0.36	0.36	14.96
-0.73	2	0.73	0.73	15.69
-0.08	1	0.36	0.36	16.06
0	7	2.55	2.55	18.61
0.01	3	1.09	1.09	19.71
0.02	2	0.73	0.73	20.44
0.1	4	1.46	1.46	21.90
0.14	1	0.36	0.36	22.26
0.55	2	0.73	0.73	22.99
0.69	4	1.46	1.46	24.45

0.72	2	0.73	0.73	25.18
0.83	4	1.46	1.46	26.64
4.67	2	0.73	0.73	27.37
5.19	1	0.36	0.36	27.74
5.92	2	0.73	0.73	28.47
6.08	2	0.73	0.73	29.20
6.44	2	0.73	0.73	29.93
7.04	1	0.36	0.36	30.29
7.29	2	0.73	0.73	31.02
8.6	3	1.09	1.09	32.12
8.92	2	0.73	0.73	32.85
9.24	1	0.36	0.36	33.21
12.51	2	0.73	0.73	33.94
13.07	5	1.82	1.82	35.77
14.03	1	0.36	0.36	36.13
15.54	1	0.36	0.36	36.50
16.56	4	1.46	1.46	37.96
16.66	2	0.73	0.73	38.69
17.06	2	0.73	0.73	39.42
17.69	2	0.73	0.73	40.15
18.53	3	1.09	1.09	41.24
18.56	2	0.73	0.73	41.97
20.82	5	1.82	1.82	43.80
21.5	2	0.73	0.73	44.53
21.76	2	0.73	0.73	45.26
22.68	3	1.09	1.09	46.35
24.41	1	0.36	0.36	46.72
24.52	1	0.36	0.36	47.08
27.41	5	1.82	1.82	48.91
27.76	3	1.09	1.09	50.00

27.85	2	0.73	0.73	50.73
32.37	4	1.46	1.46	52.19
38.63	1	0.36	0.36	52.55
41.81	2	0.73	0.73	53.28
42.36	1	0.36	0.36	53.65
42.7	2	0.73	0.73	54.38
49.17	1	0.36	0.36	54.74
49.24	4	1.46	1.46	56.20
52.3	4	1.46	1.46	57.66
55.56	1	0.36	0.36	58.03
60.21	11	4.01	4.01	62.04
61.65	2	0.73	0.73	62.77
63.49	1	0.36	0.36	63.14
63.58	2	0.73	0.73	63.87
64.03	2	0.73	0.73	64.60
70.26	1	0.36	0.36	64.96
76.81	1	0.36	0.36	65.33
80.47	3	1.09	1.09	66.42
81.15	1	0.36	0.36	66.79
85.74	4	1.46	1.46	68.25
88.15	2	0.73	0.73	68.98
104.01	4	1.46	1.46	70.44
111.01	4	1.46	1.46	71.90
118.89	2	0.73	0.73	72.63
124	2	0.73	0.73	73.36
132.32	2	0.73	0.73	74.09
168.91	4	1.46	1.46	75.55
183.98	1	0.36	0.36	75.91
189.83	2	0.73	0.73	76.64
193.87	2	0.73	0.73	77.37

203.32	2	0.73	0.73	78.10
203.9	2	0.73	0.73	78.83
236.39	1	0.36	0.36	79.20
249.79	4	1.46	1.46	80.66
318.05	2	0.73	0.73	81.39
383.32	2	0.73	0.73	82.12
437.17	2	0.73	0.73	82.85
482.99	3	1.09	1.09	83.94
510.2	2	0.73	0.73	84.67
621.99	7	2.55	2.55	87.23
759.17	2	0.73	0.73	87.96
791.29	2	0.73	0.73	88.69
854.93	3	1.09	1.09	89.78
1042.41	6	2.19	2.19	91.97
1075.17	3	1.09	1.09	93.07
1246.62	3	1.09	1.09	94.16
1948.31	1	0.36	0.36	94.53
2700.74	4	1.46	1.46	95.99
5051.27	6	2.19	2.19	98.18
13114	5	1.82	1.82	100.00
<hr/>				
Total	274	100	100	
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#### 7.4 Annexure IV: Financial Performance Indicators, duration (2004-2008)

<b>Industries/Companies</b>	<b>Marris</b>	<b>Tobin's Q</b>	<b>ROE</b>	<b>ROA</b>
<b>Modaraba</b>				
AL - Meezan Mutual Fund	1.09	1.06	.32	.18
Asian Stock Fund Limited	.66	.61	.12	-.02
Atlas Fund of Funds	.51	.52	.24	.10
BSJS Value Fund Limited	.66	.67	.24	.23
First Capital Mutual Fund Limited	7.67	.28	.25	.23
First Dawood Mutual Fund	2.05	.60	.58	.14
Golden Arrow S. Stocks Fund Limited	.70	.71	.37	.25
Meezan Balanced Fund	.56	.60	.29	.12
Pakistan Premier Fund Limited	.71	.72	.36	.21
Pakistan Strategic Allocation Fund	.44	.46	.35	.15
PICIC Growth Fund	.61	.64	.25	.15
PICIC Investment Fund	.68	.71	.27	.13
Prudential Stock Funds Limited	.72	.75	-.24	-.21
Safeway Mutual Fund Limited	.48	.49	.13	.10
Tri - Star Mutual Fund Limited	.31	.34	.15	.15
First AI – NoorModaraba	.10	.26	.13	.04
AI - Zamin Leasing Modaraba	.49	.93	.25	.08
Allied Bank Modaraba First	.00	.26	.06	.01
B. F. Modaraba	.16	.25	.12	.04
Crescent Standard Modaraba	.25	.58	.16	.11
First Elite Capital Modaraba	.39	.49	.09	.00
First Equity Modaraba	.67	.70	.00	.08
First Fidelity Leasing Modaraba	.53	.73	.08	-.02
First Habib Bank Modaraba	.00	.51	.01	.05
First Habib Modaraba	.63	.80	.21	.01
First Imrooz Modaraba	.36	.69	.30	.06
First Investec Modaraba	.00	2.27	-.08	.10

First National Bank Modaraba	.00	.86	.12	.01
First Pak Modaraba	.18	.25	.04	.00
First Prudential Modaraba	.73	.83	.08	.03
First Punjab Modaraba	.57	.75	.06	.07
First Tri - Star Modaraba	.33	.37	.06	.03
Islamic Modaraba 1 <sup>st</sup>	.76	.81	.12	.05
Modaraba Al – Mali	.63	.78	.29	.07
Standard Chartered Modaraba	.00	.72	.13	.02
SchonModaraba	.98	.99	.11	.04
TawakkalModaraba 1 <sup>st</sup>	.28	.33	.13	.03
Trust Modaraba	.21	.35	-.04	.12
UnicapModaraba	11.01	3.31	.80	-.03
Unity Modaraba	-22.09	134.66	.09	.11
<b>Leasing Companies</b>				
Asian Leasing Corporation Limited	.00	.16	.01	-.25
Askari Leasing Limited	1.18	1.02	.31	.01
Capital Assets Leasing Corporation Ltd.	.32	.70	-.03	.01
Crescent Leasing Corporation Ltd.	.58	.95	.03	-.01
Grays Leasing Limited	.26	.21	.11	.00
English Leasing Limited	.65	.99	.22	.10
Interasia Leasing Company Ltd.	-.27	2.22	.33	.00
International Multi Leasing Corporation	.00	.29	.00	-.29
National Assets Leasing Corporation Ltd.	.20	1.37	4.46	.00
Natover Lease & Refinance Limited	.49	.74	-1.94	-.18
Network Leasing Corporation Limited	.11	1.07	-.13	-.15
Orix Leasing Pakistan Limited	.83	.98	.32	-.15
Pak Gulf Leasing Company Limited	.00	.59	.14	.02
Pakistan Industrial & Commercial Leasing	.38	.93	.16	.02
Saudi Pak Leasing Limited	.46	.95	.31	.00
Security Leasing Corporation Limited	.15	.91	.16	.01

Sigma Leasing Corporation Limited	.00	.76	.26	.02
Universal Leasing Corporation Limited	.52	.68	.01	.03
<b>Inv. Banks / Inv. Cos. / Sec/ Cos.</b>				
Al-Mal Securities & Services Limited	.00	.90	-.20	.01
AMZ Venutres Limited	.63	.76	-.05	-.02
ArifHabib Securities Limited	1.02	.99	.73	-.03
Assests Investment Bank Limited	.00	4.92	.16	.34
Atlas Investment Bank Limited	.82	.98	.24	-.76
Crescent Standard Investment Bank Limited	.00	.78	.22	.03
Dawood Capital Mgmt (Pak Venture)	.00	.28	.15	.05
Escorts Investmen Bank Limited	.66	.96	.36	.08
First Capital Securities Corporation Limited	1.35	1.32	.21	.03
First Dawood Investment Bank Limited	1.25	1.04	.36	.19
First International Investment Bank Limited	.00	.85	.08	.01
First National Equities Limited	3.95	1.76	.88	.01
International Housing Finance Limited	.00	.50	.04	.07
Investec Securities Limited	-.31	7.60	.25	.02
Jahangir Siddiqui& Company Limited	.90	1.08	.77	-.27
Jahangir Siddiqui Investment Bank Limited	1.92	1.09	.36	.21
Javed Omer Vohra& Company Limited	.95	1.10	.81	.12
JS Investments Limited	.14	.55	.08	.06
Network Microfinance Bank Limited	.33	.45	-.17	-.01
Orix Investment Bank Pakistan Limited	.28	.92	.16	-.08
Prudential Discount & Guarantee House	11.42	10.85	.19	-.03
Prudential Investment Bank	.00	3.15	.07	.18
Security Investment Bank Limited	.59	.90	.13	-.15
Trust Securities & Brokerage Limited	4.44	1.81	1.88	.03
<b>Banking</b>				
Bank Al - Habib Limited	2.81	1.10	.24	-.07
Bank Alfalah Limited	2.37	1.05	.21	.01

Bank of Punjab Limited	1.95	1.08	.22	.01
Crescent Commercial Bank Limited	.52	.87	-.28	.02
Faysal Bank Limited	2.11	1.11	.20	-.06
KASB Bank Limited	1.58	1.05	.01	.02
Meezan Bank Limited	.58	.96	.29	.00
Mybank Limited (Bolan)	14.49	2.26	.15	.03
MCB Bank Limited	1.51	1.08	.09	.01
National Bank of Pakistan Limited	1.85	1.09	.20	.01
NIB Bank Limited (NDLC - IFIC)	2.33	1.16	.01	.02
Saudi Pak Commercial Bank Limited	.56	1.00	-.95	.00
Soneri Bank Limited	1.62	1.05	.19	-.02
Standard Chartered Bank (Pakistan) Ltd.	4.51	1.60	.06	.01
United Bank Limited	.66	.98	.28	.01
<b>Insurance</b>				
Adamjee Insurance Company Limited	4.43	2.03	.43	.02
American Life Insurance Co. Limited	1.41	1.00	.15	.13
Asia Insurance Company Limited	.00	.42	.07	.01
Askari General Insurance Company Ltd.	2.19	1.30	.22	.04
Beema Pakistan Limited	.19	.35	-.07	.05
Business & Industrial Insurance Company	.46	.67	.01	-.05
Central Insurance Company Limited	1.36	1.13	.42	.01
Century Insurance Company Limited	2.30	1.65	.28	.36
Crescent Star Insurance Company Ltd.	.66	.77	.16	.14
Dadabhoy Insurance Company Limited	.00	.41	.00	.08
EFU General Insurance Company Limited	4.67	1.60	.45	.00
EFU Life Assurance Company Limited	10.35	1.87	.50	.07
East West Insurance Company Limited	.00	.42	.36	.05
Habib Insurance Company Limited	4.25	2.54	.44	.21
IGI Insurance Limited	.28	.57	.40	.23
Ittefaq General Insurance Company Ltd.	.00	.05	-.06	.29



Metropolitan Life Assurance Company Ltd.	.80	.97	.17	-.06
Muslim Insurance Company Limited	2.83	1.79	.55	.11
New Jubilee Insurance Company Limited	1.11	1.01	.35	.23
New Jubilee Life Insurance Company Ltd.	19.14	2.90	.15	.14
Pakistan General Insurance Company Ltd.	30.69	18.20	.05	.01
Pakistan Reinsurance Company Limited	1.91	1.30	.25	.03
Platinum Insurance Company Limited	.00	.28	-.01	.09
Premier Insurance Company Limited	.30	.72	.38	-.01
Progressive Insurance Company Limited	-1.14	1.21	.43	.18
Raja Insurance Company Limited	.00	.72	-.03	.20
Reliance Insurance Company Limited	1.50	1.21	.22	-.01
Shaheen Insurance Company Limited	2.74	1.59	.22	.09
Silver Star Insurance Company Limited	1.14	1.06	.21	.06
Union Insurance Company of Pakistan Ltd.	.00	.14	.04	.11
United Insurance Company Limited	.00	.43	.25	.03
Universal Insurance Company Limited	.55	.90	.17	.14

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