Explore the Linkage between Strategic Human Resource Management Practices and Company Performance: Empirical Analysis

Nausheen syed¹, LIN Xiaoyan²

¹PhD Scholar, Beijing Jiaotong University, School of Economics and management
Siyuan East Building, Beijing Jiaotong University, Haidian District, Beijing 100044, China
²Professor of Economics, Director of Center for Transportation Technology Economics
Beijing Jiaotong University

ABSTRACT

This study explores the impact of strategic human resource management (SHRM) practices on company performance. A total of 320 employees in 70 randomly selected companies responded to self reported questionnaire which measured five SHRM practices and subjective measures of company performance. The study examined five SHRM practices such as training and development, employee participation, performance-appraisal, internal career opportunities and job security on company performance in manufacturing companies of Pakistan. Data was operated by using SPSS version 20. Correlation and regression analysis was done to establish the relationship between various SHRM practices and company performance. Results of this study illustrated that all selected SHRM practices were positively related to company performance. Based on the findings, Employee participation was the strongest predictor of company performance, followed by training and development and internal career opportunities, performance appraisal and job security is not associated with company performance.

KEY WORDS: Strategic human resource management, Manufacturing sector, Pakistan, Company performance

1. INTRODUCTION

Today’s market environment is vibrant and market constancy today may become ambiguity tomorrow. In a doubtful market, the passion of competition enhances from time to time. These variations have been supposed to be compelling companies to adapt their practices in order to remain competitive. These adaptive attempts may be due, to a large extent, to the rapid transmission of new technologies that produced situations for the so called knowledge revolution [1], which brought human resource management practices to a new eminence. The management of human resources is one of the approaches companies may employ to boost their competitiveness in the new business environment, while handling in a global marketplace, introducing new product or technology, expanding organizational knowledge, improving customer service or product quality and diminishing product/service costs, requires consider the “human equation”[2]. Many researchers have argued that the human resources of the firm are potentially one of the main sources of sustainable competitive advantage for companies and have required reveal that there is a positive relationship between HRM and firm performance [3]. But, since the idea of strategic HRM was initiated in the mid-1970s there has been doubt as to which of the many “high performance” HRM practices [4] that have been supported really assist superior performance [3,5].

Recent studies show that SHRM has a positive impact on performance of the company and it can be utilized as a sustainable competitive advantage since it generates such strategic asset that is unseen and hard to imitate [6]. In current years, the main key area in HRM literature is the proposition of universalistic approach. According to universalistic approach, there is a unique set of SHRM practices that are equally valuable for every organization [7, 8]. This study is an important contribution in the field of SHRM (universalistic) literature. No empirical research has as yet been conducted on the impact of SHRM practices on company performance in manufacturing sector of Pakistan. The present study is an effort to deal with this gap. This study will suggest valuable insight to the management of these manufacturing companies about the strategic importance of HRM practices for superior and sustainable organizational performance. In addition, it will add information to the limited empirical knowledge about linkage between

*Corresponding Author: Nausheen Syed, School of Economics and Management, Beijing Jiaotong University. School of Economics and Management, Beijing Jiaotong University. Beijing, 100044, P.R, E-mail: nausheenba@yahoo.com; nausheen.dr@gmail.com
SHRM practices and company performance in a developing economy like Pakistan, where the strategic role of HRM is gaining popularity.

This study explores the answer to the following research questions (RQ):

1. Q1: Is there any empirical association between Strategic Human resource management practices and company performance?

2. Q2: Do Strategic Human resource management practices have any impact on company performance?

The following specific objectives were considered:

- To identify the most effective practices among all strategic human resource management practices such as training and development, employee participation, performance appraisal, Internal career opportunities and job security.
- To identify the impact of strategic human resource management practices on company performance.
- To suggest some measures to enhance the strategic human resource management practices of selected segment.

The present research is divided into three major parts. The first part deals with the concepts of strategic human resource management and its practices, company performance and the second part presents methodology and data analysis. Finally, the third part discusses results and illustrates SHRM practices in manufacturing sector in Pakistan.

2. LITERATURE REVIEW

The view of strategic human resource management developed over the late 1980s and the early 1990s with an increased importance on a practical, integrative and value-taken approach to human resource management [9]. Strategic human resource management views human resources as assets for investment, and the management of human resources as strategic rather than hasty, prescriptive and clerical [10],[11], defines SHRM as “the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals”. Strategic human resource management is defined as “a managerial process involving human resource policies and practices to be linked with the strategic objectives of the organization. Strategic human resource management connects designing and implementing a set of practical human resource policies and practices that make certain that an organization's human capital make contributions to the achievements of its business goals. Basic to this perspective is an assumption that company performance is influenced by the set of HRM practices in place. Modern literature on human resource management illustrates that companies can achieve competitive advantage through their human resource and when human resource is utilized as a strategic asset and lodged in operational system in a significance added manner that includes prettiness to the operational system and produces an invisible competitive advantage[6]. According to resource-based view, internal resources and competencies are viewed as the key competitive sources of a firm’s strategy and the most of the firms returns are obtained from these resources. [5, 12, 13, 14, 15].Companies must have to effort to grow such a competitive advantage that is hard to imitate [12]. According to [16] advancement of Strategic human resource management from personnel management to human resource management and then from traditional Human resource management to strategic human resource management. Moreover, SHRM practices are to create a dominant competitive advantage for the companies. The traditional HRM practices, which are concerned with the management of people in a company, have added significantly to organization bottom line. HRM suggests traditional and administrative support services in the company, in terms of recruitment, training and development, employee participation, internal career opportunities. It usually concerned itself with attracting, developing and maintaining effective employees.

The emergence of SHRM as a paradigm shift produced more value-added core responsibility, and highlighted the need to incorporate HR practices with business strategy. SHRM is a strategic business partner model, which strongly believes that critical organizational capabilities or performance behaviors are essential for the accomplishment of a particular business strategy or objective. SHRM is a more fundamental and systematic approach to the management of human capital, placing more emphasis on organizational performance rather than individual performance. It is this approach that helps to create a fit or congruence or integration of HR practices with business strategies that enables the organization to achieve sustained competitive advantage.

The Resource based view of the company emphasizes the strategic position of the human capital, as a company asset, that adds significantly to the on the whole performance of the company, when sufficient investment is made on the human resources. The HR practices must be appropriately aligned with the strategic goals of the company.
3. Impact of Strategic Human Resource Management Practices on Company Performance:

A number of theoretical and empirical studies have linked HRM practices to firm performance. This study concentrates on manufacturing operational performance and there are a number of researches conducted on the relationship between HRM practices and company performance as follows. [17] estimated the impact of human resource managers' capabilities on HR management effectiveness and the impact on corporate firm performance of 293 US firms. They split HRM effectiveness into two categories: the first category is HRM effectiveness including compensation, recruitment and training, employee/industrial relations, selection tests, appraisal and employee attitudes. The second category is strategic HRM effectiveness including team work, employee empowerment and employee participation, employee and manager communications, management and executive development. Their study showed that there is positive relation between strategic HRM effectiveness and firm performance, but technical HRM effectiveness is not related to firm performance. They found that there is a relationship between HRM effectiveness and productivity of firms.

[18] carried out a research of 62 automotive assembly plants to identify the effect of HRM bundles on operational performance and his research study demonstrated that innovative HRM bundles changed operational performance. Using 590 profit and nonprofit firms from the National Organizations Survey, Delaney and Huselid establish positive associations between HRM practices such as training and staffing selectivity, and perceptual firm performance measures.

The empirical research on an HR “bundle” was carried out by[18]. Using an international data set from 1989 to 1990; he surveyed 62 automotive assembly plants. His most considerable discovery was that innovative HR practices affect performance not individually but as a group. Huselid found that high performance work practices were associated with lower employee turnover, greater productivity and higher corporate financial performance. His results were consistent across diverse measures of firm performance after corrections for selectivity and simultaneity biases. The assumption underneath the practice of HRM is that people are the organization’s key resource and company performance basically depends on them. If, consequently, a proper range of HR processes and policies is developed and executed effectively, then Human resource will make a substantial impact on company performance.

Guest et al. found the relationship between HRM and performance. Though there are many stakeholders in a company, the principal strategic objective of any business is high financial performance or maximization of wealth for the shareholders [19]. Financial performance of a company depends to a large extent on effective operational performance. The operational performance of a company is a function of people, process and technology. For valuable communication of people with technology and process, the people in the company have to be proficient enough, with the required knowledge, skill and abilities. Proficiency of the individual is an essential factor that decides operational effectiveness in terms of providing quality products and services within a short time. HRM practices such as training and development, employee participation, internal career opportunities and performance appraisal may improve the competence of employees for higher performance.

Most of the evidence exists in literature about different HRM practices and their effects on superior firms’ performance. Researchers found a positive linkage between effective recruitment and selection practices and top-class performance [20]: training and development; performance appraisal employee relations.

Literature on SHRM illustrates that mostly there are three approaches related to accomplishment of SHRM practices:

**Universalistic approach:**
This is the simplest approach, universal set of HRM best practices can be employed to attain and sustain competitive advantage [21].

**Contingency approach:**
According to contingency approach, a firm to be more effective when its HR practices and strategy must be aligned with each other and strategies of the firm[22].Many researchers argues that contingency approach is more complex than universalistic approach.

**Configurational approach:**
This is the most complex one because this approach is concerned about the synergetic result of a certain SHRM practice [23].

In a world in which financial results are evaluated, a failure to evaluate human resource policy and practice execution destiny this to second-class status, oversight, neglect, and possible failure[24].The response from the dimensions is vital to refine and further develop implementation suggestions as well as to learn how well the practices are really achieving their proposed results.
In this study we are using five best practices of HRM which impact on the performance the companies, which are training and development, employee participation, performance appraisal, internal career opportunities and job security.

4. Theoretical Framework and Hypotheses:

The variables that are being considered are described in the theoretical framework (fig.1). Company performance is the dependent variable, which is going to be checked for a relationship with training, employee participation, performance appraisal, Internal Career opportunities and job security that are independent variables. For the purpose of this study, the following hypotheses have been formulated.

4.1. Training and Development:

Companies can develop and improve the quality of the current employees by providing extensive training. Training engages designing and supporting learning activities that resulted in a desired level of company performance. It also facilitates at achieving the overall goals of the company by contributing to the satisfaction and productivity of employee [25, 26]. According to [20], training can persuade performance in two ways: first, training develops relevant skills and abilities; and second, training enhances employees’ satisfaction with their current job and workplace. Training and development were used to promote company understanding; develop staff communication and self understanding, and boost self esteem. These were employed in combination with regular meetings which improved communication and reduced conflict within the company. Training and development has been seen as vital within the company, and not only emphasizes company related matters, but specially targets personal development of the employee as well. In both circumstances the company recognized that an intrinsically motivated employee is able to execute better within the workplace. Jennings, Cyr, and Moore, (1995) found that training and development to be the most significant SHRM practice, in the study of managerial attitude toward human resource management.

Hypothesis 1: Training and development is positively and significantly related with company performance.

4.2. Employee Participation:

Recent studies offer strong confirmation that employee participation positively and significantly influence company performance. Employee participation promotes commitment and greater quality and output, productivity, and firms’ performance [27, 28]. [27] found a positive association between worker participation and reduced absenteeism and turnover. So it means that, facilitating and improving greater employee influence and participation is clearly basic to successful SHRM practice in companies. According to [29] employee participation is positively related to performance, satisfaction, and productivity of an employee. According to [30], it is a particular type of delegation in which the subordinate get greater control, larger freedom of choice with respect to bridging the communication gap between the management and the employees. It refers to the degree of employee’s involvement in a firm’s strategic planning.
activities. A firm can have a high or low degree of employee involvement. A high degree of involvement (deep employee involvement in decision making) indicates that all types of employees are involved in the planning process. On the other hand, a low degree of involvement (petty employee involvement in decision making) shows a moderately exclusive planning process [31] which engages the top management only. This indicates that employee participation in the planning process immediate the potential innovations may make possible opportunity recognition throughout the company [32].

**Hypothesis 2:** The greater participation of employees in decision making is positively related with performance of the company.

### 4.3. Performance Appraisal:

Companies can check the development of desired employee attitudes and behaviors through the use of the appraisal methods. This appraisal-based information could be utilized for changing the selection and training practices to select and develop employees with the desired behaviors and attitudes. Performance appraisal is an essential means to recommend promotion, recognition, and career development (Larsson et al. 2007). The performance appraisal process holds three steps: describe the job, appraise performance, and give feedback. Defining the job indicates making sure that the supervisor and the subordinate agree on his or her duties and job standards. Appraising performance means comparing the subordinate’s actual performance to the standards that have been set. Third, performance appraisal regularly needs one or more feedback settings. Here the supervisor and subordinate argue the subordinate’s performance and progress and make places for any development required[33]. Researchers establish positive and significant association between performance appraisal and organizational performance [34]. Performance appraisals have various uses within the company; firstly they permit for the measurement of the individual performance of employees. This in turn permits for compensation to be offered to these admirable employees, which show reciprocation in commitment from the employer for the commitment shown to the company by the employee. [8] establish a significant positive association between result-oriented appraisal and company performance.

**Hypothesis 3:** Performance appraisal is positively and significantly related with company performance.

### 4.4. Internal Career opportunities:

A well-planned career development system along with internal advancement opportunities based on merit, results in high motivation among employees, which has an impact on company performance [35]. According to [8], companies give more value to internal hiring as compared to external. The association between internal career opportunities and company performance is empirically supported by [36,37], who found a positive relationship between internal career opportunities and company performance. Employees internal career opportunities is a phenomenon which is formalized, organized and it is planned effort to accomplish the balance between requirement of organization workforce and individual career needs. Career development is essential for both the employees and company [38]. Career development is mutual benefited practice because it provides necessary results to employer and employees [38]. To achieve and maintain competitive advantage companies needed talented & productive employees and these employees need career development opportunities to improve and cultivate their competencies [39]

**Hypothesis 4:** Internal career opportunities are positively and significantly related with company performance.

### 4.5. Job Security:

Employment security means formal policies and procedures utilized by the company such as, formal contracts, non-redundancy clauses, equal employment opportunities, and general measures set within the company that suggest some degree of security to the workforce of the company. Job security means employment security via workforce stabilization and employment continuity policies. Employment security is significant to decide the work productivity of employees and the higher degree of job security offered to Employees, the more commitment an organization receives from them [40].

**Hypothesis 5:** Job security is positively and significantly related with company performance.

### 5. METHODOLOGY

The aim of his study is to demonstrate the relationship between Strategy human resource management practices and company performance.
5.1. Sample:
The data are derived from research conducted among employees working in manufacturing sector in Pakistan. The questionnaire was given to 380 employees. Sample size was selected on the basis of criteria described by [41] for known population. In this study, according to criteria of [41], minimum sample size for this population is 310. Three hundred and fifty questionnaires were dispatched to these companies. A total of 320 filled questionnaires were received which used for data analysis. Questionnaire survey was carried out between February to July 2012.

5.2. Research Instrument:
Most of the statements used in the survey were drawn from an in-depth study of literature on Strategic Human Resource Management practices and its impact on company performance. The questionnaire items used in the study were adapted from different studies [8, 42].

5.3. Measurement of independent variables and dependent variable:
The questionnaire measured five Strategic human resource management practices and its impact on company performance. The training, employee participation, Internal Career opportunities and job security. The training contained (4 items); performance appraisal (5 items); Employee participation (4 items); Internal Career opportunities (5 items), job security (5 items), company performance (5 items) respectively. Respondents were asked to rate their answers on multi-item scale. A five point Likert scale has been used in this questionnaire to measure the impact of Strategic HRM practices on company performance. The scaling is: 5 for strongly agree, 4 for agree, 3 for neutral, 2 for disagree and 1 for strongly disagree have been given in order to analyze data.

6. RESULTS AND DATA ANALYSIS

The statistical package used was SPSS-20 version. The following statistical techniques were applied to analyze the data:
1. Cronbach’s alpha
2. Descriptive statistics (Mean and Standard deviation)
3. Correlation
4. Linear regression

6.1. Reliability and Validity of Data:
Table 1 shows the internal reliability, internal reliability of the instrument was checked by using Cronbach’s alpha. The result of cronbach alpha is 0.758 which is well above the standard presented by [43] that is 0.70. Therefore, this is clear that the instrument used in this study had strong internal reliability and it could be used with confidence for the application of further statistical analysis and interpretation.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training and Development</td>
<td>0.826</td>
</tr>
<tr>
<td>Employee participation</td>
<td>0.762</td>
</tr>
<tr>
<td>Performance appraisal</td>
<td>0.775</td>
</tr>
<tr>
<td>internal career opportunities</td>
<td>0.717</td>
</tr>
<tr>
<td>Job security</td>
<td>0.708</td>
</tr>
<tr>
<td>Company performance</td>
<td>0.753</td>
</tr>
<tr>
<td>Overall Alpha for the instrument</td>
<td>0.758</td>
</tr>
</tbody>
</table>

6.3. Descriptive statistics:
The results of descriptive statistics are shown in table 2, results of descriptive statistics designated general agreement of the respondents to the different SHRM practices. The mean values ranged from highest (2016 to lowest 2.829). The results for Internal career opportunities indicated highest concurrence (Mean =3.2016, Standard Deviation =.74287); Job security (Mean =3.0677, Standard Deviation =.74261); Performance appraisal (Mean =3.0219, Standard Deviation =.73773); Employee participation (Mean =3.0121, Standard Deviation =.79443); Training and development (Mean=2.8290, standard deviation=.73405) respectively. The mean score and standard deviation reflected conformity of respondents’ perception about these SHRM practices and the agreement to the model. Therefore if the ratio of their mean score is calculated then it is clear that internal career opportunities have the highest value of mean, and then the number of performance appraisal; the rest of the order is as follows: Job security and then training and development and employee participation.
Table 2. Characteristics of respondents (320 respondents)

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Categories</th>
<th>Frequency</th>
<th>Percentage (approx)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>20-25</td>
<td>70</td>
<td>21.8</td>
</tr>
<tr>
<td></td>
<td>26-30</td>
<td>85</td>
<td>26.5</td>
</tr>
<tr>
<td></td>
<td>31-35</td>
<td>69</td>
<td>21.5</td>
</tr>
<tr>
<td></td>
<td>35-40</td>
<td>58</td>
<td>18.1</td>
</tr>
<tr>
<td></td>
<td>41-45</td>
<td>18</td>
<td>5.62</td>
</tr>
<tr>
<td></td>
<td>45-55</td>
<td>20</td>
<td>6.25</td>
</tr>
<tr>
<td></td>
<td>55-69</td>
<td>18</td>
<td>5.62</td>
</tr>
<tr>
<td></td>
<td>69-85</td>
<td>20</td>
<td>6.25</td>
</tr>
<tr>
<td></td>
<td>85+</td>
<td>18</td>
<td>5.62</td>
</tr>
<tr>
<td>Gender</td>
<td>Male</td>
<td>261</td>
<td>81.5</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>59</td>
<td>18.5</td>
</tr>
<tr>
<td>Qualification</td>
<td>Graduate</td>
<td>162</td>
<td>50.6</td>
</tr>
<tr>
<td></td>
<td>Master</td>
<td>95</td>
<td>29.6</td>
</tr>
<tr>
<td></td>
<td>MS/M.Phil</td>
<td>63</td>
<td>19.6</td>
</tr>
<tr>
<td>Tenure</td>
<td>1-5</td>
<td>152</td>
<td>47.5</td>
</tr>
<tr>
<td></td>
<td>6-10</td>
<td>41</td>
<td>12.8</td>
</tr>
<tr>
<td></td>
<td>11-15</td>
<td>38</td>
<td>11.8</td>
</tr>
<tr>
<td></td>
<td>15-20</td>
<td>42</td>
<td>13.1</td>
</tr>
<tr>
<td></td>
<td>Above 20</td>
<td>37</td>
<td>11.5</td>
</tr>
<tr>
<td>Department</td>
<td>Marketing</td>
<td>147</td>
<td>45.9</td>
</tr>
<tr>
<td></td>
<td>Management</td>
<td>64</td>
<td>20.0</td>
</tr>
<tr>
<td></td>
<td>Production</td>
<td>71</td>
<td>22.1</td>
</tr>
<tr>
<td></td>
<td>Technology</td>
<td>22</td>
<td>6.80</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>16</td>
<td>5.00</td>
</tr>
</tbody>
</table>

6.4. Correlation Analysis:

The results of correlation analysis are in Table 4. Range of correlation between HRM practices is between 0.083 to 0.385. All variables have positive relationship and statistically significant at (p < 0.001).

Table 3. Mean, Standard deviation and correlation.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>S.D</th>
<th>TD</th>
<th>EP</th>
<th>PA</th>
<th>ICO</th>
<th>JS</th>
<th>CP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training and Development</td>
<td>2.8290</td>
<td>.73405</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee participation</td>
<td>3.0121</td>
<td>.79443</td>
<td>.202</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance appraisal</td>
<td>3.0219</td>
<td>.73773</td>
<td>.385</td>
<td>.131</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal career opportunities</td>
<td>3.2016</td>
<td>.74287</td>
<td>.244</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job security</td>
<td>3.0677</td>
<td>.74261</td>
<td>.083</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company performance</td>
<td>3.2748</td>
<td>.72626</td>
<td>.358</td>
<td>.491</td>
<td>.152</td>
<td>.366</td>
<td>.144</td>
<td>1</td>
</tr>
</tbody>
</table>

** Significance at p < 0.001 level (2 tailed)
* Significance at p < 0.05 level (2 tailed)

6.5. Regression Analysis:

In the present study, we analyzed our data by enter wise method in a multiple regression analysis. In this context, a multiple regression was performed; the overall model fit for regression equation was determined by F statistics. The model indicates positive and statistically significant relationship. To test how well the model fit the data and findings, R, R2 (Coefficient of determination), variance, analysis of variance (ANOVA) and the t statistic were used.

In order to prove the impact of each independent variable on dependent variable and to check the hypothesis developed linear regression analysis was applied. Results of linear regression analysis are presented in table 4.

35.8% variance in company performance is enlightened by training and development, which is evident by the value of R=0.358 F=45.2 at p=0.000 illustrates the model’s goodness of fit. Significant positive relationship between predictor and predicted variable is evident by the value of t=6.72. Therefore, based on the results it can be inferred with confidence that H1 is accepted.

49.1% variance in company performance is enlightened by employee participation, which is evident by the value of R=0.491 F=27.7 at p=0.000 illustrates the model’s goodness of fit. Hence, on the basis of these results it can be inferred with confidence that H2 is accepted.

15.2% variance in company performance is enlightened by performance appraisal, which is evident by the value of R=0.152 F=7.24 at p=0.000 illustrates the model’s goodness of fit. Therefore, on the basis of these results it can be inferred with confidence that H3 is accepted.

36.6% variance in company performance is enlightened by internal career opportunities, which is evident by the value of R=0.366. F=47.6 at p=0.000 illustrates the model’s goodness of fit.
positive relationship between predictor and predicted variable is evident by the value of t=6.90. Therefore, based on the results it can be inferred with confidence that H4 is accepted.

14.4% variance in company performance is enlightened by job security, which is evident by the value of R=0.144, F=6.53 at p=0.002 illustrates the model’s goodness of fit, which is not satisfactory. Insignificant relationship between predictor and predicted variable is evident by the value of t=0.624. Hence, on the basis of these results it can be inferred with confidence that H5 is not accepted.

Table 4. Regression Analysis:

<table>
<thead>
<tr>
<th>Variables</th>
<th>R</th>
<th>t-value</th>
<th>B-coefficient</th>
<th>F-value</th>
<th>R²</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training and Development</td>
<td>0.358</td>
<td>6.72</td>
<td>0.358</td>
<td>45.2</td>
<td>0.128</td>
<td>0.00</td>
</tr>
<tr>
<td>Employee participation</td>
<td>0.491</td>
<td>9.88</td>
<td>0.491</td>
<td>27.7</td>
<td>0.241</td>
<td>0.00</td>
</tr>
<tr>
<td>Performance appraisal</td>
<td>0.152</td>
<td>2.69</td>
<td>0.152</td>
<td>7.24</td>
<td>0.023</td>
<td>0.00</td>
</tr>
<tr>
<td>internal career opportunities</td>
<td>0.366</td>
<td>6.90</td>
<td>0.366</td>
<td>47.6</td>
<td>0.134</td>
<td>0.00</td>
</tr>
<tr>
<td>Job security</td>
<td>0.144</td>
<td>2.54</td>
<td>0.144</td>
<td>6.53</td>
<td>0.021</td>
<td>0.01</td>
</tr>
</tbody>
</table>

N = 320

*Unstandardized Beta Coefficients in parenthesis

7. DISCUSSION AND CONCLUSION

The objective of this paper to investigate the relationship between Strategic human resource management practices and company performance in manufacturing sector in Pakistan. Four SHRM practices, namely, training and development, employee participation, internal career opportunities and performance appraisal have significant positive relationship with company performance and these results are reliable with the literature on SHRM. While, on the other hand, the remaining one SHRM practice, namely, job security has no significant relationship with company performance. The most reliable variable that has a positive relationship with organizational performance is employee participation and the findings of this study related to this variable also have a sound support in literature [8, 42, 44]. Results of this study in respect of training and development are reliable with the results of several previous studies [33, 37, 42], which illustrate that training and development has the significant effect on performance. ‘Internal career opportunities’ is the third most significant SHRM practice that this study exposes. Moreover, the results of this study in respect of ‘internal career opportunities’ are matched with the findings of [8, 42]. The fourth most influencing variable is ‘performance appraisal’, which has a significant positive relationship with organizational performance; these results are consistent with the results of [42]. The fifth variable which is job security that is not significantly related with company performance and this variable are showing contradictory results as compared to the previous results [6, 18, 34, 37, 42].

Therefore, it can be concluded based on the study that training and development, employee participation, internal career opportunities and performance appraisal are most effective SHRM practices in manufacturing sector of Pakistan. Training and development, employee participation, internal career opportunities and performance appraisals have positive relationship with company performance. The HR managers, practitioners and companies can benefit immensely if they spotlight on these variables to improve the company performance. The implications from this and other empirical research studies are that managers should consider the benefits of integrating their Human resource function with the firm’s business strategy and operation, and that the training and development and employee participation suggested to line managers should be increased to accomplish the objectives of devolvement. The other implication is that future research is obliged to continue work towards measuring the added value of SHRM under different situations. This means in addition to observing the influence of SHRM on perceived financial performance as we did in this paper, we may also need to study its relationship with companies actual financial performance and social performance for instance improving employee well-being and customer satisfaction in the context of a variety of degrees of HRM integration and devolvement.

7. Limitations and Future directions

There are a number of limitations that present opportunities for future research. One major limitation of this study is the relatively small sample size. With larger samples, there will be a more data of companies. Second, we have not examined how company culture affects HRM strategy and hence company performance. One way to evaluate an organization’s HRM culture is to examine its management beliefs
and core values. We could then proceed to find out whether firms that manage human resource practices into systems consistent with their culture and organizational strategy do in fact perform better. Third limitation of this study is the use of self evaluation criteria of measuring performance, which may be biased. Even though, some previous studies are also supported on the critical measures [16, 18] states that in order to cope with the difficulty of taking objective data, subjective measures can be used. But it would be valuable for future studies to study the relationship between the same SHRM variables and performance by taking objective measures of performance i.e. return on equity, return on assets, profit ratios, etc. In future, same study can be done with longitudinal data in order to conquer the limitations of cross sectional data. Future research should confirm the direction and strength of the relationship between strategic HRM practices and perceived financial Performance observed in our study.

REFERENCES


