

Impact of HR System on Organizational Performance in Multinational National 6 Companies in Pakistan by using Ethnocentric, Polycentric and Geocentric Management Approaches as Moderators

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Abstract

The aim of this study is to enhance the international arena of work in Pakistani context. It is the dream and need of every Multinational company to operate effectively in the overseas market and to be globally competitive at the same time i.e. to enhance the performance. This study aims to investigate the assumption that HR System-Performance relationship is moderated by certain staffing approaches i.e. Ethnocentric, Polycentric and Geocentric; to investigate this, sample size of 120 from various Multinational companies operating in different industries in Pakistan had been taken. The effect of different approaches as moderators was tested on the HR system and performance relationship and the findings of the study thus conducted, suggested that the polycentric approach is the most strongly moderating approach in Pakistan between HR system and performance as compared to the other two approaches.

Introduction

Over the last few years, the field of human resource management has been extensively researched and the literature of management has been specifically and comprehensively documented (Chen & Wilson, 2003). The field of human resource management has developed a lot from simple human resource management to strategic human resource management and is still in the process of development; all aimed at managing the human resources effectively and to reap the benefits for the organizations in the form of better organizational performance and thus success in the field of business (Fey & Björkman, 2001; Tzafirir, 2005; Wang & Shyu, 2008). Organizations are concerned with improving their performance because that is the main motive and goal of the organization, as the concern is to ameliorate performance in the long run, so strategic HR systems are put in place in the organizations, that's why organizations strive to adopt such strategic HR practices and systems that give them the edge and the required performance over their competitor organizations.

Different and variety of views exist to define performance and even number of measures has been designed to measure the performance of the firms. However, researchers are keen to determine the derivation of performance. International human resource management (IHRM) has been highly debated nowadays in terms of enhancing the performance of the firms, which also helps in highlighting the hurdles faced by the multinational companies while managing the operations in the international market (Schuler, Dowling, & De Cieri, 1993). IHRM can be perceived as an issue regarding the human resource management that has specifically risen due to the internationalization of the businesses. Considering the level of complexity, the role of strategic human resource management in the international market is comparatively higher relative to the domestic firms. Overseas affiliates are now considered as major players in terms of contributing in the global economy (Lengnick-Hall, Lengnick-Hall, Andrade, & Drake, 2009).

Initially, the researchers determined the best strategies and practices that resulted in consistently enhancing the performance of the firm, thus supporting the universalistic perspective. The universalistic approach reflects the convergence of HR practices which supports the "one best practice" that is applicable

everywhere in every situation (Delery & Doty, 1996; Martin-Alcazar, Romero-Fernandez, & Sánchez-Gardey, 2005; Schuler & Jackson, 1987; Tzafrir, 2006). Further research incorporated the contingent factors that also supported the universalistic approach but suggested the consideration of certain conditional factors that depended upon different modalities (Chang & Huang, 2005; Delery & Doty, 1996; Martin-Alcazar et al., 2005). Later, the concept of High performance work systems evolved that emphasized the integrated approach regarding the management of human resources and accentuating its alignment towards different HR practices (Barnes, 1972; Boxall & Macky, 2009). Lastly, the contextual approach dawned in that took into consideration all the internal and external factors thus reflecting the divergence paradigm (Lengnick-Hall et al., 2009). Firms, in order to compete, try to adopt the aforementioned approaches in accordance with their corporate strategy. However, in the case of Multinational Corporations (MNCs), the tension is intensely increasing regarding the divergence – convergence debate of HR practices (Martin-Alcazar et al., 2005).

Companies need to design separate strategy in order to expand internationally and to create competitiveness in the global market. The international strategy that the firm adopts must be aligned with the company's overall strategic orientation (Milliman, Von Glinow and Nathan, 1991). For this international strategy, HR managers must develop such practices that support the overall strategic plan of their respective multinational corporations (Caligiuri & Stroh, 1995); a well known typology regarding human resource staffing policies includes ethnocentric, polycentric and geocentric approaches. The initial work on international human resource management had been initiated by Perlmutter (1969). He conceptualized different staffing management approaches in the same way as Porter used different generic strategies that resulted in shaping the field of strategy (Ivinger & Lindvetter, 2006).

Perlmutter divided companies' human resource policies into ethnocentric, polycentric and geocentric categories. In Ethnocentric approach, the home country considers its own culture superior in comparison to the culture of the host country (Paauwe & Boselie, 2005). So subsidiary residing in the foreign country tends to follow the culture and practices of the home country. In contrast to ethnocentric approach, Polycentric approach is more responsive to the local culture of the host country by considering the locality of host country (Ivinger & Lindvetter, 2006) and last but not the least Geocentric approach suggests seeking and adopting the best practices ignoring the nationality or culture of any country (Ghoshal, 2002).

Since the challenge is even bigger for the multinational corporations as they have to operate in totally different settings and environment beyond the borders as compared to their home country conditions and to achieve better and stupendous performance in that situation is a daunting task. To overcome such issues, multinational companies have to adopt one out of the three management approaches i.e. ethnocentric, polycentric and geocentric to fit in and to earn profits for their subsidiaries. (Katsikeas, Samiee, & Theodosiou, 2006). They have to consummate better organizational performance by taking up such strategic HR systems that improve performance and are being moderated by the ethnocentric, polycentric and geocentric approaches.

I. Objective

The field of SHRM has been researched extensively to study the affect of strategic HR system on organizational performance by using different moderators and mediators and still this model is under research. The main objective of this paper is to underpin such management approaches that could influence the relation of strategic HR system and performance in Pakistan. Strategic HR practices proposed by Pfeffer (1994) are being used to make the HR system in this study. A key issue is; that how the firms design the appropriate strategy to balance the pressures regarding the standardization or localization of the policies (Delery & Doty, 1996). Effectiveness of strategic HR system is dependent upon different international management approaches in case of multinational companies. When managing a subsidiary in the international market, parent company has to decide; whether to transfer its home country's HR practices to the host country (Ethnocentric) or to adopt the local practices of the host country (localization/polycentric) or to standardize such policies that support the global integration (Geocentric) (Chen & Wilson, 2003; Lu & Bjorkman, 1997; Pudelko & Harzing, 2008). Deciding which approach to follow could be problematic for the management because a strategic fit must be ensured that aligns the HR policies and practices with the business strategy and also aligns all the internal functions of the firm to achieve desired organizational performance. Strategic fit ensures the management of interdependencies of internal and external functions i.e. the culture of the firm, the leadership style and the strategies that the firms follow (Schuler et al., 1993; Wang & Shyu, 2008). All the factors must be interlinked to ensure the strategic fit. To maintain the strategic fit would be challenging when the firms operate internationally (Gammeltoft, Filatotchev, & Hobdari, 2012; Katsikeas et al., 2006). The centre of this study is to highlight such management approaches that could foster the relationship between the strategic human resource management and the performance. In nutshell, this paper intends and is directed towards studying the impact of strategic HR system on organizational performance by using ethnocentric, polycentric and geocentric approaches as the moderating factors i.e. how the link between strategic HR system and performance is controlled by these management approaches.

II. Gap/ Originality

Research posits that HR practices enhance the performance of the organization and a lot of research has been conducted to prove this relation (Bhaskar, 1978; Wright, Gardner, Moynihan, & Allen, 2005). Further work in this area emphasizes HR systems rather than single HR practices in terms of perking up the performance of the organization (HarrÄ & Madden, 1975). However, the analysis of this relationship (i.e. strategic HR system and performance) in the settings of multinational companies is not much investigated and is an under researched area specifically in the Pakistani context. This study investigates such relation aiming to fill this research gap. Furthermore, by incorporating different management approaches (ethnocentric, polycentric and geocentric) as moderators between strategic HR system and performance will eventually ensure the originality of this paper, making this study more significant and unique.

III. Significance

This paper would be significant for the researchers as well as for the practitioners in the sense that it will create understanding as to which international management approach would be effective in MNCs working in Pakistan and will also increase the horizon of multinational companies regarding the adoption of appropriate management approach in Pakistan, thus saving their time and energy. Moreover, it will open and pave future ways for researchers and scholars to make this study a base and build on their further knowledge and findings on it; that will definitely increase the information bank of the human resource scholars.

IV. Research Question

1. Does ethnocentric approach moderate the relationship between strategic HR system and performance?
2. Does polycentric approach moderate the relationship between strategic HR system and performance?
3. Does geocentric approach moderate the relationship between strategic HR system and performance?

Literature review

I. HR practices, Strategic HR practices, HR system and performance

The concept of strategic human resource management had originated in the mid 1970s (Gooderham, Parry, & Ringdal, 2008). Effective human resource strategies could be the source of sustainable competitive advantage for a firm (Mahmood, 2010).

HRM practices can be characterized as a system; which results in attracting, motivating and retaining the employees (Schuler & Jackson, 1987). HRM practices could also be defined as the design and implementation of such policies in an organization that result in enhancing the human capital of the firm in order to make them contribute in achieving the overall objectives.

Research suggests that there exists a positive relationship between HR practices and performance (Bager, 1994; Bhaskar, 1978; Haveman, 1993). Firms nowadays prefer to embed strategic HR practices that lead to superior firm performance (Gooderham et al., 2008). HR system is comprised of different HR practices; the aim is to create synergy by combining different HR practices into different bundles to accelerate the overall performance of an organization. Some researchers emphasize on HR system rather than solely focusing on single HR practice. Research suggests that the HR system enhances the performance of the organization but this relationship could be moderated by different business strategies incorporated by the firm (Ondrack, 1985). Pena & Villasalero (2010) used the typology of business strategies proposed by Miles and Snow (1984) as moderator and suggested that business strategy could moderate the relationship between HR system and performance.

II. International management approaches

Perlmutter (1969) was the first who initiated the work on staffing management approaches i.e. home oriented approach (Ethnocentric), host oriented attitude (Polycentric) and standardization approach (Geocentric). He proposed the EGP profile in which different management approaches were established; keeping in view the product they were offering, the functions of the organization and geography (Barnes, 1972). For instance, the finance manager in the host country is more likely to follow the guidelines given by the home country. Similarly, marketing manager would like to embed the culture of the host county while advertising or marketing the product in host country, thus tending to follow the polycentric approach.

Adler (1983) identified six approaches in order to manage the cross cultural issues. Ethnocentric, polycentric and geocentric are three of them which could be adopted for the purpose of cross cultural management issues (Schuler & Jackson, 1987). Similarly, Hill (2003) recognized four international strategies which include international strategy, multi domestic strategy, transnational strategy and global strategy; the main objective for the MNCs is to compete in the international market and to respond to the international pressures effectively. So, keeping this in view, ethnocentric staffing approach would be best suited for international strategic fit. Similarly, polycentric and geocentric staffing approach supports multi domestic strategy and global strategy respectively.

1) Ethnocentric

In Ethnocentric approach, the parent company is responsible for holding all the operations in the subsidiary company (Muratbekova-Touron, 2008; Ondrack, 1985; Treven, 2001). Underlying assumptions of ethnocentric approach suggests that parent country has more skilled labor as well as have designed such policies and practices that would be effective and successful in the host country. However, this approach results in the incidences of some problems also. As the subsidiary residing in the host country is not able to seek the best employees for its organization by ignoring the local nations and they may also encounter problems regarding the management of expatriates. Employee retention is a key issue while managing the expatriates in the MNCs when the firm follows the head quarter practices (Hiltrop, 1996).

Kopp compared the international human resource practices and strategies mainly in Japanese, European and American MNCs. He concluded that Japanese follow the principle of ethnocentrism more; as a result they do experience more problems and face more issues regarding the international human resource management (Björkman, Fey, & Park, 2007). This suggests that non ethnocentrism approach results in preventing the issues related to the international human resource management. Incorporating ethnocentric approach may cause problems regarding the international human resource management.

2) Polycentric

Following only the ethnocentric approach would be challenging for MNCs. For instance, foreign employment law could prove to be a major hurdle for a company to operate in the foreign market. MNCs must comply with the rules and laws of the host country and must be responsive to the needs and culture of the host country (local responsiveness) (Ondrack, 1985).

Emerging global model focuses on the optimal strategies and the standardized practices that ensure the global integration. In this regard, firms make the best practice as a benchmark to follow. However, this approach may not be absolutely followed by some firms keeping in view the deployment and diffusion of local culture of the host country. If the firm customizes their HR practices by diffusing the local culture of the host country, then they tend to follow the polycentric approach. Polycentric approach results in high level of local responsiveness. In contrast, the ethnocentric approach strictly follows the local culture of the parent country thus lacking responsiveness to the local culture of the host country.

3) Geocentric

The concept of standardization was first being recognized by Elinder in terms of standardization of different international marketing strategies unveiling the concept of similarity of product strategies, distribution strategies and the similarity of the promotional strategies ((Mahmood, 2010; Treven, 2001). The geocentric concept follows the standardization approach. In geocentric approach, MNCs seek for the best employee, regardless of their nationality. This approach helps the firm to be more locally responsive as well as helps to reduce the cultural myopia by adopting the best HR practice regardless of any nation (Hill & Jain, 2007). Geocentric approach tends to adopt and support the similarities across the culture globally (Mahmood, 2010; Pauwe & Boselie, 2005). In short, this approach ensures the adherence of global standards.

III. How Perlmutter's Typology (ethnocentric, polycentric and geocentric) moderates the HR system – Performance relationship:

1) Parent Company's Origin, Localization and Standardization

If the subsidiary firm conforms to the parent company's origin in terms of diffusing its culture; then it would not be able to balance the tension that would be created regarding the local responsiveness or global integration of the firm. Origin of the country does have an impact on the relationship between the HR practices/policies and the performance of the organization (Fey & Björkman, 2001). Adopting the HR practices in a firm is influenced by the country's origin of MNEs (Martin-Alcazar et al., 2005). However, the mainstream assumption is to diffuse and deploy the practices according to the locale of the host country (Ivinger & Lindvetter, 2006). This approach can also be referred as the localization approach. Localization refers to the customizing of the structure, process or policies of the organization in accordance with the particular environment where the firm operates. In order to create an effective HR system, the organization must ensure the alignment between the HRM policies / practices and the culture that would be prevailing in the host country (Fey & Björkman, 2001). *Brewster's contingent approach recognized the cultural factors as well as legislative factors that do affect the HRM strategies and choices of the organization (Krueger, 2009).*

This supports the polycentric approach suggesting that a firm should adopt such management approaches that result in the local responsiveness as well as help in the reduction of cultural myopia. Standardization (Geocentric) refers to the homogeneity of the policies and practices that could be applicable everywhere. By following this approach, a firm tries to seek the best practices regardless of the country's origin.

Firms design their management practices after deciding which approach to follow, which ultimately affect their performance.

IV. Institutional Pressures and Institutional Theory

Institutional pressures compel MNCs to shape their management approaches (DiMaggio & Powell, 1983). MNCs have to respond effectively to the institutional pressures in order to compete in the international market. According to the Institutional theory, organizations have to conform to the rules and laws prevailing in the specific country. In case of MNCs, the subsidiaries operating in different and diverse settings are bound to follow the rules prevailing in that specific environment. So, by complying with the rules and laws of the host country, the foreign subsidiaries are compelled to resemble to the locale of the host country through “Coercive Isomorphism”. Coercive Isomorphism occurs when the organization is forced to follow certain structure, process or political pressures prevailing in the environment (Bae & Yu, 2005). In other instances, the foreign subsidiary mimics the structure and processes of the organizations dominating in the host country in order to compete effectively (Kostova & Roth, 2002). In order to respond to the competitive environment, the organization mimics their competitor’s structure; the concept is referred as “Mimetic Isomorphism” (Haveman, 1993). This indicates that multinational company’s affiliates must ensure the adherence of HRM practices of the host country rather than their parent firm in order to respond to the institutional pressures (Rosenzweig & Nohria, 1994). Similarly, “Normative Isomorphism” enforces the organizations regarding the adoption of certain practices of the parent firm or to diffuse the local practices of host country respectively (Bager, 1994).

Thus, organization’s structures, systems and polices are shaped by institutional pressures i.e. Coercive, Mimetic and Normative Isomorphism (DiMaggio & Powell, 1983).

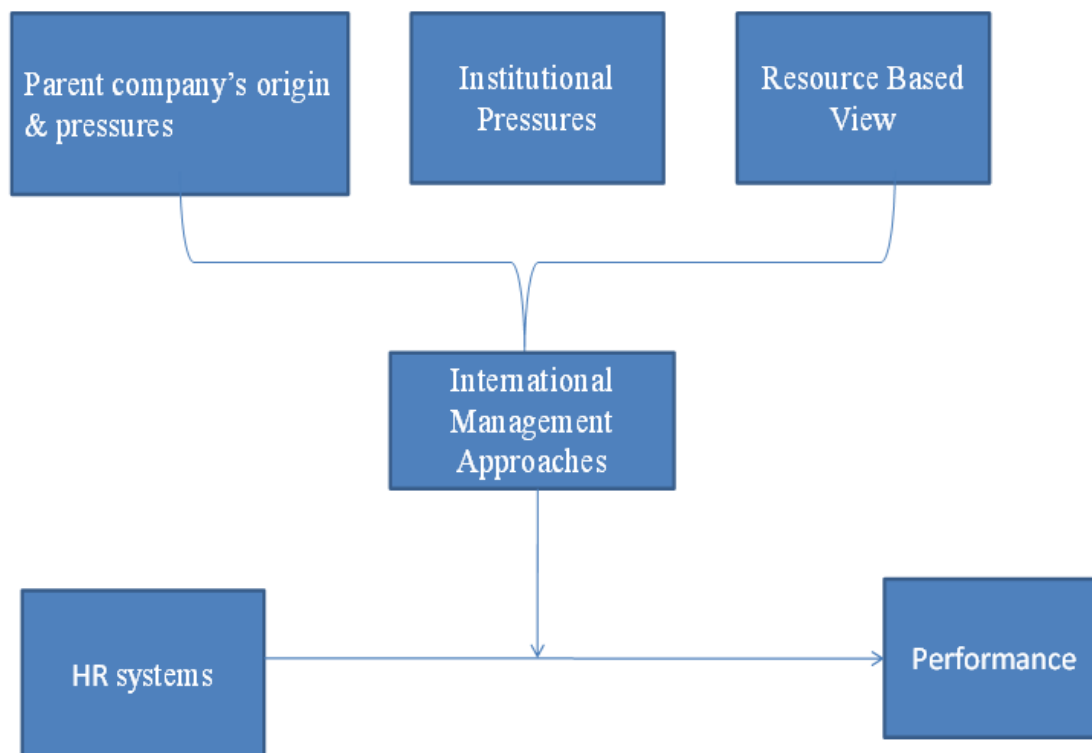
V. Resource Based View

Resource based view is considered as the one of the most popular theories that is being used in many studies regarding the link and relationship between HRM and the firm’s performance (Paauwe & Boselie, 2005). Barney (1991) proposed that a source of competitive advantage could be generated through valuable human resource that must be distinct, valuable and not easily imitable (Barney, 1991). In the case of MNCs, the issue of resource heterogeneity, distinctness and immobility may arise while balancing the tension between the degree of local responsiveness and the degree of global integration (Björkman et al., 2007).

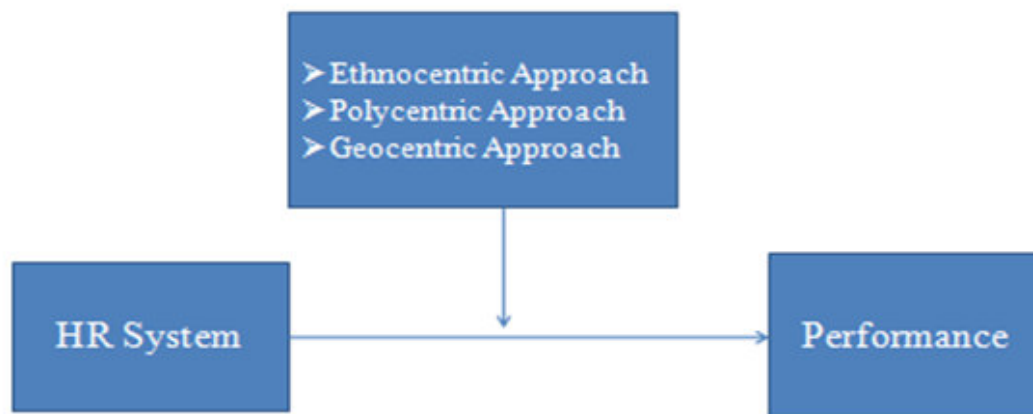
Conceptual Framework and Theoretical Framework

The above discussion leads to the development of conceptual framework and theoretical framework.

I. Conceptual Framework



II. Theoretical Framework



This theoretical Framework is backed by contingent perspective, configurational perspective; Resource based theory and Institutional theory.

Universalistic perspective suggests the utilization of best HR practice; that results in enhancing the overall performance of the organization. In contrast to universalistic perspective, the contingent approach implies that the relationship between dependent and independent variable is moderated by certain factors and is dependent upon contingent variables; the theoretical framework thus made illustrates that the HR- performance relation is moderated by different management approaches i.e. Ethnocentric, Polycentric and Geocentric; thus being supported by the contingency perspective.

Similarly, configurational approach suggests the use of bundle of HR practices rather than solely relying on single HR practice; the view of embedding the bundles of HR practices to make HR system is backed by configurational approach; thus supporting the theoretical framework of this study.

Resource based theory suggests the adoption of strategic HRM practices that result in creating sustainable competitive advantage. Sustainable competitive advantage could be attained through unique and distinct competencies. Firms while managing the operations internationally have to seek resources that are not easily imitable and are unique.

Institutional theory suggests that a firm has to respond to the international pressures; meanwhile keeping the balance between local responsiveness and global integration. As a result of institutional pressure, a firm may shape its management approaches in order to respond to the external factors.

Methodology

I. Nature of the study

The scope of this research is objective that supports the quantitative design strategy. Since this study seeks to solve a particular issue which does have practical implications, so this study follows the *Applied Approach* (Krueger, 2009). This paper aims to examine the causal relationship between the HR system and performance which reflects the *Causal Research*. The causal research intends to determine the cause and effect relationship between the variables (Krueger, 2009).

II. Population of interest

Population of interest in this study includes all the MNCs operating in Pakistan.

III. Variables of interest

Variables of interest that are being used to support the theoretical background of this paper include HR system, Performance and International Management approaches. Performance is the dependent variable that could be enhanced by embedding the independent variable of effective HR system. Moderating variables that could moderate the given relationship are the different staffing approaches i.e. Ethnocentric, Polycentric and Geocentric.

IV. Sampling technique

Convenience sampling technique is being used to collect the data. Convenience sampling is considered as the non-probability technique. "Convenience of accessibility" is the factor that researchers do consider while following this approach.

V. Data collection

Close ended questionnaire has been used to collect the *primary data*. Source of the *secondary data* is the scholarly articles that are being used to support the literature review.

Eight industries have been targeted in order to collect the primary data. Industries that have been specifically targeted considering the convenience of accessibility are food, software, medical care, FMCG, banking, electronics, telecom and transportation. 15 respondents have been chosen from each industry; thus making the total number of respondents to 120.

VI. Sample size

The sample size is comprised of 120 respondents.

VII. Unit of analysis

The unit of analysis includes the middle level managers as well as the employees working in the organization.

VIII. Measurement of the Variables

Measurement of Strategic HR system: Instrument of Delery and Doty (1996) has been taken in order to gauge the strategic HR system.

Measurement of International management approaches: Instrument of Paula M. Caligiuri and Linda K. Stroh (1995) is being used to gauge the international management approaches i.e. ethnocentric, polycentric and geocentric.

IX. RESEARCH PARADIGM

Morgan and Smircich proposed a significant research paradigm that is based on different philosophical approaches (Gammeltoft et al., 2012). Philosophical approaches that are being used in the given study are highlighted below:

	Subjective Approach	Objective Approach
Ontological Assumptions	Nominalism	Realism
Epistemological Assumptions	Anti- Positivism	Positivism

Objective approach has been used to support the scope of this paper. An ontological assumption considered in this study is based on realism. According to Bhaskar (1978) and Harre and Madden (1975), "Realism" is a philosophical approach which supports the fact that the existence of reality is independent of the researcher's mind that ultimately validate the existence of external reality as cited by (Pudelko & Harzing, 2008). Epistemological assumptions are based on the positivism approach. In positivist approach, a researcher ignores his beliefs and values and does limit his/her roles in terms of collecting the data. Research findings in this approach are based on the objective approach and are easily quantifiable.

Results

I. Correlation

In order to test the impact of HR system on organizational performance by using three management approaches (ethnocentric, polycentric and geocentric) as moderators; firstly test of correlation was applied and a positive correlation was found out among the organizational performance, HR practices that make up the HR system and the management approaches.

This correlation result supports the universalistic perspective that HR system has a positive impact on organizational performance. It can be seen in table 1.

2) Table 1: Correlation

Correlations		Org Performance	Training	Participation	Job Security	Job Description	Appraisal	Career	Profit	Mgt_Approaches
Pearson Correlation	Org Performance	1.000	.581	.445	.150	.604	.484	.473	.249	.139
	Training	.581	1.000	.326	.150	.683	.625	.489	.214	-.089
	Participation	.445	.326	1.000	.256	.473	.398	.430	.339	.257
	Job Security	.150	.150	.256	1.000	.208	.122	.317	.467	.137
	Job Description	.604	.683	.473	.208	1.000	.641	.566	.289	.096
	Appraisal	.484	.625	.398	.122	.641	1.000	.526	.292	.167
	Career	.473	.489	.430	.317	.566	.526	1.000	.412	.153
	Profit	.249	.214	.339	.467	.289	.292	.412	1.000	.125
	Mgt_Approaches	.139	-.089	.257	.137	.096	.167	.153	.125	1.000
	Sig. (1-tailed)	Org Performance	.000	.000	.000	.051	.000	.000	.000	.003
Training		.000	.000	.000	.052	.000	.000	.000	.010	.169
Participation		.000	.000	.000	.002	.000	.000	.000	.000	.002
Job Security		.051	.052	.002	.000	.012	.000	.000	.000	.069
Job Description		.000	.000	.000	.012	.000	.000	.000	.001	.148
Appraisal		.000	.000	.000	.092	.000	.000	.000	.001	.035
Career		.000	.000	.000	.000	.000	.000	.000	.000	.049
Profit		.003	.010	.000	.000	.001	.001	.000	.000	.088
Mgt_Approaches		.066	.169	.002	.069	.148	.035	.049	.088	.000
N		Org Performance	119	119	119	119	119	119	119	119
	Training	119	119	119	119	119	119	119	119	119
	Participation	119	119	119	119	119	119	119	119	119
	Job Security	119	119	119	119	119	119	119	119	119
	Job Description	119	119	119	119	119	119	119	119	119
	Appraisal	119	119	119	119	119	119	119	119	119
	Career	119	119	119	119	119	119	119	119	119
	Profit	119	119	119	119	119	119	119	119	119
	Mgt_Approaches	119	119	119	119	119	119	119	119	119

II. Regression

Then regression analysis was run and the management approaches were introduced as a dummy variable in the regression analysis (Aiken and West 1991). This dummy variable was used under the independent variable category. The results of the regression analysis showed that the model is moderate with the R square value of .465 (Table 2), thus again assuring that HR system has an affirmative influence on organizational performance along with management approaches. Moreover, there was no issue of auto correlation in the data, as the Durbin-Watson value stands at 1.930 which exists in the range of 1.7-2.3, which is a cushion for social scientists.

3) Table 2: Model Strength

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.682 ^a	.465	.427	.28096	1.930

a. Predictors: (Constant), Mgt_Approaches, Training, Job Security, Participation, Profit, Career, Appraisal, Job Description

b. Dependent Variable: Org Performance

The significance of the regression model is also proved from the ANOVA table (Table 3) that is $0.000 < 0.05$; which gives the results a degree of generalizability.

4) Table 3: ANOVA

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.562	8	.945	11.974	.000 ^b
	Residual	8.683	110	.079		
	Total	16.245	118			

a. Dependent Variable: Org Performance

b. Predictors: (Constant), Mgt_Approaches, Training, Job Security, Participation, Profit, Career, Appraisal, Job Description

A good data set is one in which there is no relation among the independent variables i.e. no doubling and commonality in the data set, so data was also analyzed for multi co linearity concerns and all the VIF values were found to be below 10 (Table 4), which falls in the ignorable range for social scientists.

Co efficients^a

Model	Un standardized Coefficients		Standardized Coefficients	t	Sig.	Co linearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	2.142	.220		9.722	.000		
1 Training	.167	.054	.328	3.081	.003	.430	2.328
Participation	.104	.054	.163	1.925	.057	.675	1.481
Job Security	-.020	.034	-.047	-.575	.567	.742	1.347
Job Description	.160	.071	.250	2.267	.025	.398	2.511
Appraisal	-.010	.062	-.016	-.158	.875	.466	2.147
Career	.057	.054	.099	1.054	.294	.550	1.818
Profit	.010	.033	.025	.299	.766	.679	1.473
Mgt Approaches	.064	.052	.093	1.221	.225	.842	1.187

a. Dependent Variable: Org Performance

5) Table 4: Multi co linearity

The data also passed the normality test and after removing an outlier the data was absolutely normal with the SW test value of .325 (Table 5). As the sample size was small i.e. 120 and after removing an outlier it was 119, so SW test is being used.

6) Table 5: Normality

Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Un standardized Residual	.072	119	.200*	.987	119	.325

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

III. Interaction

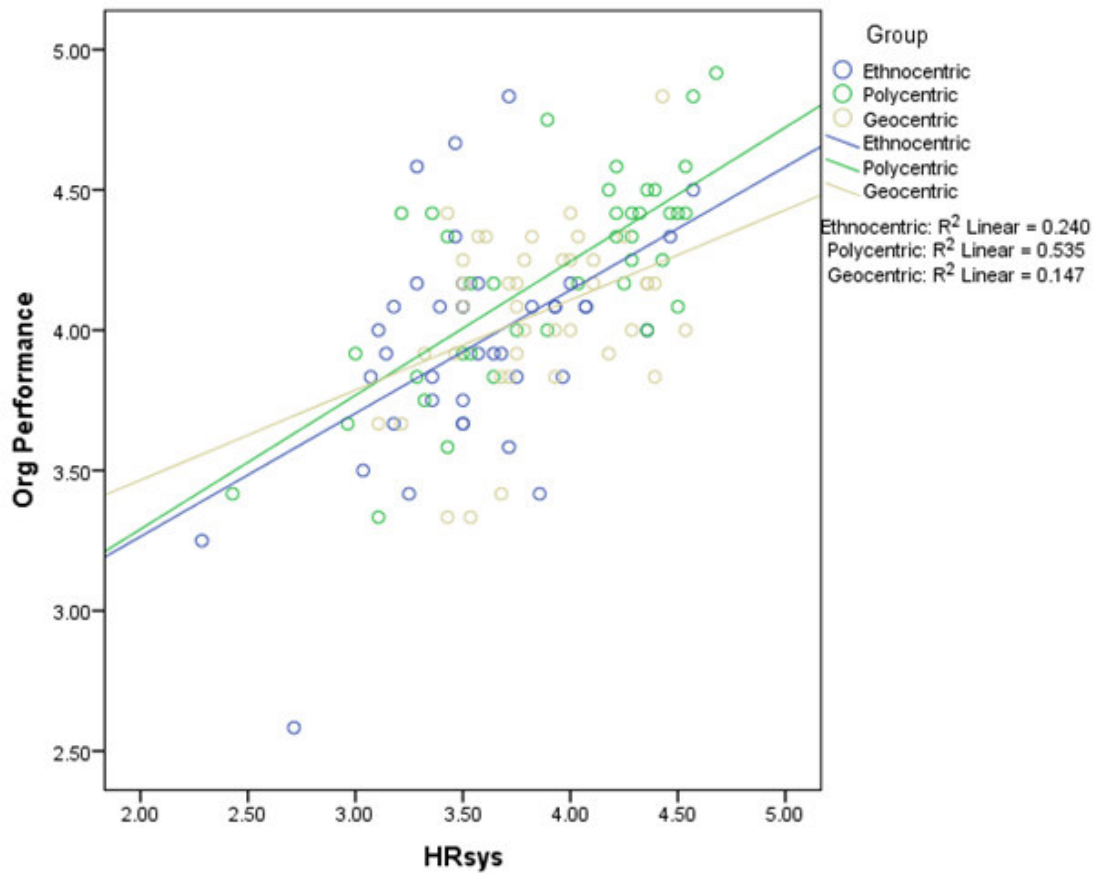
An interaction is plotted via scatter plot between the HR system and the organizational performance to check and visualize that which management approach is highly prevalent in MNCs operating in Pakistan.

It can be visualized from the plot that polycentric approach has a strong regression effect in the model, having R square value of 0.535 and that makes the correlation between HR system and organizational performance to 0.731 which is quite high.

The ethnocentric approach comes with R square value of 0.240 and correlation between HR system and organizational performance decreases to 0.489 and for geocentric approach R square is 0.147 and this further decreases the correlation between HR system and performance to 0.383.

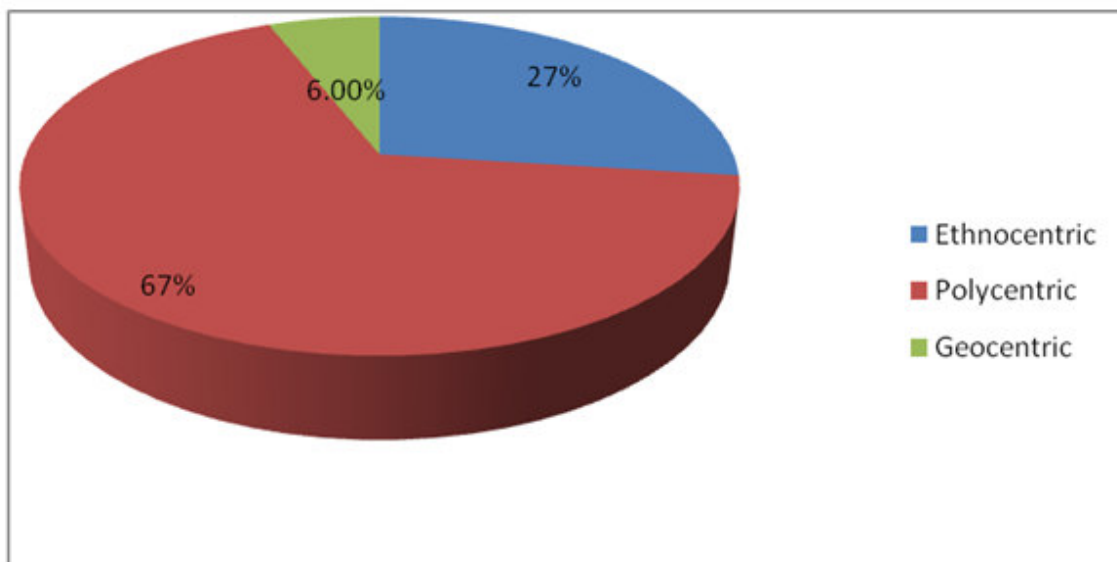
Through this interaction effect, it is obvious that the strength of relationship changes between independent (HR system) and dependent variable (organizational performance) as a function of another variable (moderator i.e. ethnocentric, polycentric and geocentric).

This interaction shows that polycentric approach increases the strength of relationship between HR system and performance as compared to the other two approaches. So, projecting that polycentric approach is the one that is being most commonly used by the multi national companies in Pakistan thus, positively moderating the relationship between HR system and organizational performance.



IV. Pie chart Analysis of Approaches

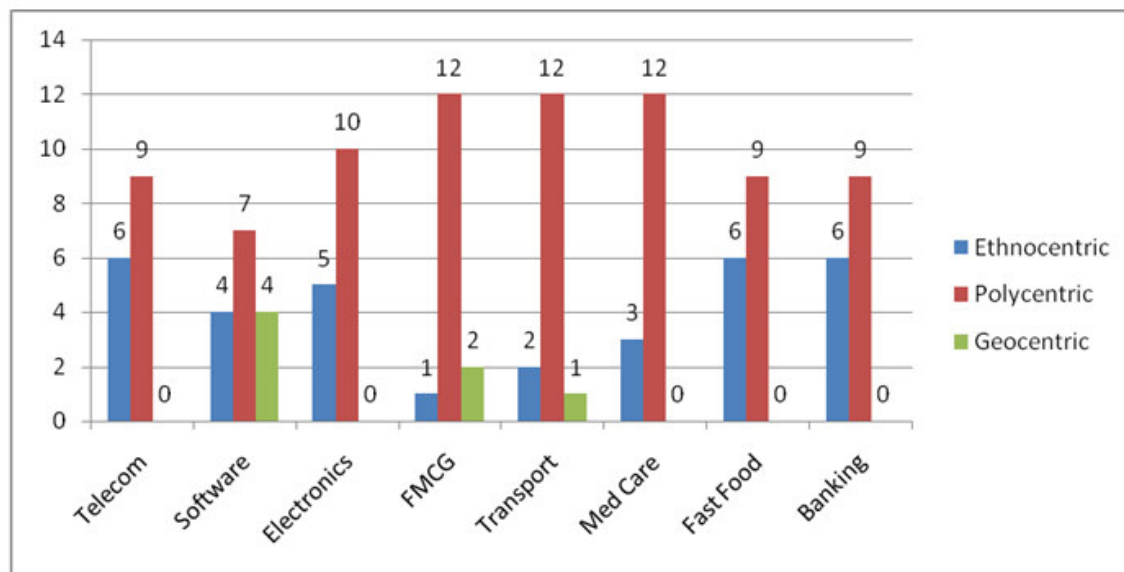
The data collected from various multi national companies working in different industries in Pakistan showed that 67% of them are using polycentric approach, 27% of them have employed ethnocentric approach and only 6% of the total are following the geocentric approach.



V. Analysis of the responses

The responses of the respondents were analyzed, as to how many of them from each company selected which approach. 15 respondents were taken from each multi national company in various sectors and most of the respondents across different companies chose polycentric approach as the practicing management approach in their company and ethnocentric and geocentric were second and third among the chosen options, it is

demonstrated below in the bar graph.



Limitations of research

There are certain limitations in the research thus conducted, so the results should be considered, keeping in view the constraints. First limitation is the level of awareness of the respondents/employees about the management approaches prevalent in the company, most of them were not aware as to which approach their company is following. Second limitation is that the respondents in some companies were not open and willing to share the information about their company that might be because of their company policies. Third limitation pertains to the overrated and exaggerated responses by the respondents and lastly the biggest limitation was the restricted time and availability of resources that curbed our efforts regarding the sample size, if it was not time bound, sample size would have been increased and it would have made the research and the results more generalizable.

Future implications

The basic purpose of conducting this research is to gain useful results and insights out of it which will help the multinational companies in decision making while opening their subsidiaries in Pakistan. This study will help MNCs to choose the most suitable management approach in accordance with the human resource system to increase the performance of their organization in Pakistan. This research will break the ground for human resource scholars and researchers, to further study this area and generate meaningful knowledge and findings out of it.

Conclusion

This research was conducted to find an impact of HR system on the organizational performance by introducing management approaches (ethnocentric, polycentric and geocentric) as the moderating factors specifically in multinational companies in Pakistan. It turned out that the polycentric approach is the one which got the highest support in the results that came out, as the management approach, most widely applied by the MNCs while operating in Pakistan. Thus, it implies the strongly moderating the relationship between the HR system and performance in MNCs in Pakistan.

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