

Effect of Human Resource Management Practices on Employee Performance: A Study of Telecom Sector

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Abstract

The study evaluates the effects of human resource management practices namely; compensation, performance evaluation and promotion on employee performance in private telecom sector organization of Rawalpindi and Islamabad. A total of 100 employees of telecom organizations responded to the self-administered questionnaire which measured the three HRM practices and employee performance. Regression and correlation analysis indicate a significant and positive association of these three practices with employee performance. The study provides insight to the management of the organizations to use these practices for superior and improved performance and contributes to the limited empirical knowledge in the context of Pakistan.

Keywords: Human resource management practices, employee performance, telecom sector, Rawalpindi and Islamabad, Pakistan.

Introduction

The business environment is changing rapidly in this era and it made the business units to adopt the human resource management practices to compete in their industries and to make success. The impact of human resource management practices on employee performance has been the concentrated research area in recent past and a lot of studies have been conducted to validate this relationship. These studies found a positive relationship between almost each human resource management practice and employee performance (Mathison & Vinja, 2010; Ishaq, Iqbal & Zaheer, 2009; Hooper & Newlands, 2009; Rasheed, Aslam, Yousaf & Noor, 2011; Grund & Sliwka, 2007; Shahzad, Bashir & Ramay, 2008; Qureshi, Hijazi & Mohammad, 2007; Farooq & Khan, 2011; Afaq & Khan, 2008). Telecom sector of Pakistan has shown a tremendous growth in recent years and has become a huge industry. So the employee retention is very difficult as other organizations offer more to the employees. So HRM practices become more critical for the sector.

At the time of independence, Pakistan inherited 14000 land lines. Now, there are more than 40million mobile phone connections in the country. Telecom sector is emerged as very rapid growing industry in past few years and now Pakistan is becoming one of the countries where heavy numbers of mobile phone connections are used. The huge growth of the telecom sector of Pakistan is not a miracle as it is a characteristic of many developing countries. As telecom sector of Pakistan is growing day by day, so the number of employees in this sector is also increasing. HRM practices are needed to be implemented, to attract, retain and improve the performance of the employees of this sector because this sector is also contributing its part to the economy of Pakistan. Use of HRM practices is a recent phenomenon in Pakistan but the organizations of telecom sector are setting the examples by using these practices and operating as knowledge organizations. There are five major operators in this industry, which are Mobilink, Telenor, Ufone, Warid and Zong.

In Pakistan, limited research work has been done to examine and understand the effect of human resource management practices and employee performance. For the sake of probing this relationship in the context of Pakistan, more research is needed. So, this study is supposed to find the necessary evidence, to understand the effect of HRM practices on employee performance in the private sector (telecom) organization of Islamabad and Rawalpindi.

Background

Relationship among Human resource management practices and employees and organizational performance has been the concentrated research area in recent years, for. A lot of research work is done regarding to HRM practices in developed countries but very little work is done in developing countries like Pakistan. A researcher (Aycan, 2000) termed Pakistan as “under-researched country”. In last decade a significant research work has been done in Pakistan but still there is a lot of research work needed to be done on HRM practices and their effects in Pakistan.

Significance/rationale of the study

HRM is the area of core importance for any kind of organization to make success. The relationship of HRM practices to the employee performance is very important for organizations because these are the employees who make organizations successful. The present study will provide with a useable information and knowledge for the management of the telecom organizations of twin cities about the importance of human resource management practices for getting more involved and productive employees with improved performances. The study will also contribute valuable information to the existing empirical knowledge about the link of human resource management practices to the employee performance in the developing economy of Pakistan.

Broad and specific problem area

Through observation it is found that HRM practices are not or very less implemented in organizations of Pakistan although it is very important for organizations to implement these practices to make success.

“The effect and relationship of HRM practices (Compensation, Performance evaluation and Promotion) and employee performance in telecom sector of Rawalpindi and Islamabad, Pakistan”.

Research objective (s)

1. To determine whether human resource management practices has an effect on the performance of employees.
2. To find out the effect of compensation, performance evaluation and training practices on the performance of employees.
3. To facilitate the decision makers of the telecom sector of Pakistan to follow the suitable HRM practices which can improve the performance of the employees of this sector.

Research question (s)

1. Do human resource management practices significantly effect the employee’s performance?
2. What is the effect of compensation practices on employee performance?
3. What is the effect of performance evaluation practices on employee performance?
4. What is the effect of training practices on employee performance?

Delimitations of the study

The present study considers the Pakistani organizations. The focused variables have been frequently used in research, and more and more studies are coming to validate the relationship among these variables. HRM practices include a lot of variables i.e, training, development, career progression, recruitment and selection, rewards and incentives, employee benefits, employee welfare, flexible timings, bonuses etc. but due to time constraints and limited resources we cannot study the whole list of HRM practices, so the present study focuses only three HRM practices which are compensation, performance evaluation and promotion practices. No moderating or intervening variables are included in the framework. We are concentrating our research work to the private sector (telecom) organizations operating in the twin cities of Islamabad and Rawalpindi, so the generalizability of results will also be limited to this sector and geography only.

Literature review

Employee Performance

According to (Aguinis, 2009), “the definition of performance does not include the results of an employee’s behavior, but only the behaviors themselves. Performance is about behavior or what employees do, not about what employees produce or the outcomes of their work”. Perceived employee performance represents the general belief of the employee about his behavior and contributions in the success of organization. Employee performance may be taken in the perspective of three factors which makes possible to perform better than others, determinants of performance may be such as “declarative knowledge”, “procedural knowledge” and “motivation” (McCloy, Campel & Cudeck, 1994).

Performance evaluation

According to (Mullins, 1999), the process of performance management includes continuous evaluation of employee’s behaviors and performance. Employees should clearly know that what is expected of them and how their performance will be measured. An ideal and formalized appraisal scheme should measure properly, the individual’s performance, highlight the potential of employees and determine the future needs for training in development. The effective appraisal practice should improve the performance of employees in future. It can also suggest for the rewards and career development of employees. The system which only measures the performance of employees once in a year without providing a continuous feedback and coaching is just a performance appraisal not the complete performance management system because performance management is much more than only measuring the performance (Halachimi, 2005). Performance appraisal is an obligatory process in which a rater measures the employee’s traits/behaviors individually and described in a specific time period and the record is maintained by the organization (Coens & Jenkins, 2000).

Compensation Practices

(Caruth & Handlogten, 2001) states that: “Employees are motivated when there are financial rewards directly tied to their performance”.

Employees receive compensation from a company in return for work performed. Compensation and pay are not the same; the fact is that compensation is much more than just the monetary rewards provided by an employer. According to (Milkovitch & Newman, 2005), in Compensation, it is "all forms of financial returns and

tangible services and benefits employees receive as part of an employment relationship". The term "financial returns" refers to an individual's base salary, as well as short- and long-term incentives. "Tangible services and benefits" are the things such as insurance, paid vacation and sick days, pension plans, and employee discounts.

Promotion Practices

Promotion always go with a salary increase, either it is done within a grade or to the higher grade. A Continuous process which is based on the length of service and professional "competency" is adopted at the time of promotion to higher step in the job within a grade promotion. It is or may be "continuous" in which test, review or competition is given which entitle for simple decision or selection (Hdigui, 2006).

Evidences from literature

Previous studies proved that there is a strong positive relationship between application of HRM practices and employee's performances or outcomes (Sels et al., 2006). There is a positive relationship between HRM practices and organizational performance as well (Qureshi et al., 2007). HRM practices improve organizational performance by improving employee outcome (Tahir, 2006). The effect of HRM policies or practices depends strongly upon the worker's response and interest, so the effects of HRM practices will follow the directions of employee perception of these practices (Guest, 2002). (Wan et al., 2002), studied the relationship among HRM practices and organizational performance and calculated the results through regression that show effective and proper implementation of core HRM practices increase organizational performance. Use of HRM practices strongly impacts the organization's performance (Datta et al, 2003).

These HRM practices may not fruitful for improving the performance of the small and local market organizations (Batt, 2002). The factors like economic conditions, political and environmental instability and uncertainty affect the HRM practices like recruitment and selection, performance appraisals, training, compensation plans and reward systems (Ghebrejorgis & Karsten, 2006). Five HR practices are studied by (Carlson et al., 2006), and proved effecting performance which are competitive compensation plans, recruitment, appraisals, training and development, and maintaining the morale of employees. (Teseema & Soeters, 2006) studied eight HRM practices which effect significantly and positively the perceived performance, including pension or social security, training, grievance practices, placement, promotion, recruitment and selection, compensation and performance evaluation practices. A study of 178 Greek manufacturing organization reported positive correlation of organizational performance with HRM practices which are benefits, training, promotion, recruitment, health and safety, involvement and incentives (Katou & Budhwar, 2006). Effectiveness of HRM policies also depends on the culture of an organization, so the organizations should be more decentralized and more oriented towards the expertise (Katou & Budhwar, 2009). Organizations produced much more than others and performed committed beyond the others that are vertically aligned and horizontally integrated HRM practices and had more productive employees in terms of individual and organizational performance (Green et al., 2006). Effective and properly applying employee empowerment practices show positive correlation to organizational performance (Tsai, 2006). In addition to get real success for the organization, the employees must be satisfied, motivated and committed (Paul & Anantharaman, 2003). The organization which cannot retain its employees, can also not be able to capitalize its human assets. So, employee retention has a positive impact on organizational performance (Boselie, Pauwee & Jansen, 2001). Consistency among various HRM practices is found fruitful for organization and also for employee as he/she keeps on knowing that what is expected from him/her (Bowen & Ostroff, 2004). HRM practices does not have a direct impact on the performance of an organization, unless mediated by the employees' behaviors, skills and attitudes (Katou & Budhwar, 2009).

Compensation Practices

According to (Frye, 2004), there is a positive relationship among the equity based compensation of employees and their job performance as well as organizational performance. According to him, the organizations which are human capital intensive, the compensation for their employees is very much critical to hire and then retain the competent employees. We can take the example of universities as human capital intensive organizations in terms of faculty. Compensation practices show a positive correlation with the perceived employee performance (Teseema & Soeters, 2006). Positive relationship lies between compensation systems and organizational performance (Singh, 2004). (Caruth & Handlogten, 2001), stated that; "Employees are motivated when there are financial rewards are tied directly to their performance". A research proved positive relationship between compensation plans and performance of university faculty (Shahzad, Bashir & Ramay, 2008). Employees performance can be enhanced by introducing bonuses and incentives like stock options (Rajkumar, 2004). Incentives can be linked to the stated targets to improve employee and organizational performance and productivity (Armstrong, 2001). Organization should link the incentives for employees to the organizational strategies in order to achieve high levels of productivity according to the proposed goals (Ian, Jim & Haper, 2004). The HRM practices are proved more effective in private sector organizations in a study of HRM practices in Indian private and public sector

organization (Budhwar and Boyne, 2004). A study found that the salary or wage effect the level of an employee's effort for work (Rynes, Gerhart & Minette, 2004). Employees may more keen and care full towards the organization if they are equally and fairly treated in all the matters, this will motivate and encourage them. Employees are also found comparing their rewards with other co-workers of same level (Bloom & Michel, 2002). According to some researchers the money is the motivational factor for teachers and some argue that money is one among many other factors and the best possible candidates can be recruited by offering the performance based and competitive market based salary (Odden & Kelley, 2002).

Performance evaluation practices

Performance appraisal is intended to be, for the improvement of employee's productivity and performance as it is a formal process of monitoring the employees (Brown & Heywood, 2005).

Employees can be made more productive/efficient and committed toward the organization by using appropriate performance appraisal systems (Brown & Benson, 2003). If performance is measured and supervised properly and correctly, it leads the employees to high job satisfaction and commitment to their profession (Rahman, 2006). A positive relationship lies between performance appraisal and organizational performance (Singh, 2004). Performance management is much more than only performance measurement (Halachmi, 2005). Employees will use open effort if a fair and appropriate performance appraisal system is applied and is linked with the compensation system (Wright et al., 2003). Organizations can improve and expand their operations by increasing efficiency through the proper use of rewards and performance appraisals (Ruwan, 2007). A positive relationship is present between performance evaluation and employee performance (Teseema & Soeters, 2006). An appropriate performance appraisal system provides basis for evaluation of employees performance, assess the potential for future career development and most importantly improves the employee performance (Mullins, 2002). Performance appraisal is an instrument which measures the employee current performance and merely affect the future performance (Dave & Wayne, 2005). A study of 74 Chinese SMEs resulted that performance evaluation practices are useful to increase performance levels (Zheng et al., 2006). The effective, productive and efficient employee performance reviews are only possible if there is a healthy and pleasant relationship occurs among the employees and their super-ordinates as well as the continuous discussions about the performance over the year according to the best context of HR practices (Mathison & Vinja, 2010). Development of fair and clear performance standards in any organization can decrease the communication problems and gaps related to performance appraisals feedback among employees and their supervisors (Jafari, Bourouni & Amiri, 2009). Performance appraisal has a positive correlation with employee job satisfaction and negative correlation with employee intentions of turnover but the employee satisfaction to the performance appraisal system is critical as the dissatisfaction with the performance evaluation process negatively affect the employee job performance (Ahmad, Hussain, Ahmad & Akbar, 2010). In Pakistani context, the knowledge and awareness in public and private sector organizations, about the positive use or the effectiveness of performance appraisal practice is much more than the factors or things which can decrease or negatively effect the effectiveness of performance appraisal. But the perception of managers and employees about the determinants to effectiveness of performance appraisal is different and regarding the effectiveness of performance appraisal the point of view of the male and female managers and employee is also different. Overall relative standard deviations and mean scores of the study show that there is a strong agreement about the outcomes of PA and a general agreement on the determinants of Performance appraisal, among the respondents (Ishaq, Iqbal & Zaheer, 2009). In manpower management, the performance appraisal is very important too, if it is used fairly, appropriately and logically than it can lead the organizations to their targeted goals and their employees to their interests but according to the study the currently used appraisal method is weak and in-appropriate and need improvements and reforms (Najafi, Hamidi, Vatankhah & Purnajaf, 2010). The results of study emphasis that there is a need to improve the design of present evaluation system or improve the implementation process of the system. Half of the respondents think that existing performance evaluation system does not work for their career development. The correlations of the study tell that, if performance appraisal is based on the employees job description than it will contribute for the employee career development. (Hooper & Newlands, 2009). A study conclude the factors for the improved performance and developing an appropriate and fruitful performance appraisal for the faculty of higher education institutes, which are performance review sittings and performance planning. Findings of the study also suggest that role of the supervisors or evaluator is critical while evaluating the employees(faculty teachers), so the supervisors should trained for doing the practice of evaluation on the basis of modern appraisals systems concepts (Rasheed, Aslam, Yousaf & Noor, 2011). Performance appraisals are mostly used in the large firms for the younger employees preferably. Females and older employees are not focused during appraisals practice. There are different purposes for the use of performance appraisals, such that bonus payments and making promotion decisions for the evaluated employees (Grund & Sliwka, 2007).

Promotion Practices:

According to a study of university teachers in Pakistan, results of the statistical tests prove that promotion practices are significantly correlated with the performance of university teachers. Promotion provides the teachers with better hierarchical position and also teachers get motivated as they get a chance of professional development. Some financial benefits are also attached to the promotion practice, so the performance of teacher is greatly affected by the compensation practice in the universities of Pakistan, Government should provide the employees with the opportunities for professional growth (Shahzad, Bashir & Ramay, 2008). Career planning is positively correlated with the performance of employees of telecom sector in Pakistan (Marwat, Qureshi & Ramay, 2007). A study conducted for the banking sector (private and public) of NWFP, Pakistan also concluded that the promotion practices have a significant positive relationship with the perceived employee performance (Baloch, Ali, Kiani, Ahsan & Mufty, 2010). Another study also finds positive correlation among the promotion practices and perceived employee performance (Teseema & Soeters, 2006). The companies like HP, which are making success financially always promote and develop their employees because these are the employees who make them successful (Truss, 2001).

The present study is investigating the effects of three human resource practices on employee performance, which are; compensation practices, performance evaluation practices and promotion practices.

Critical review of literature

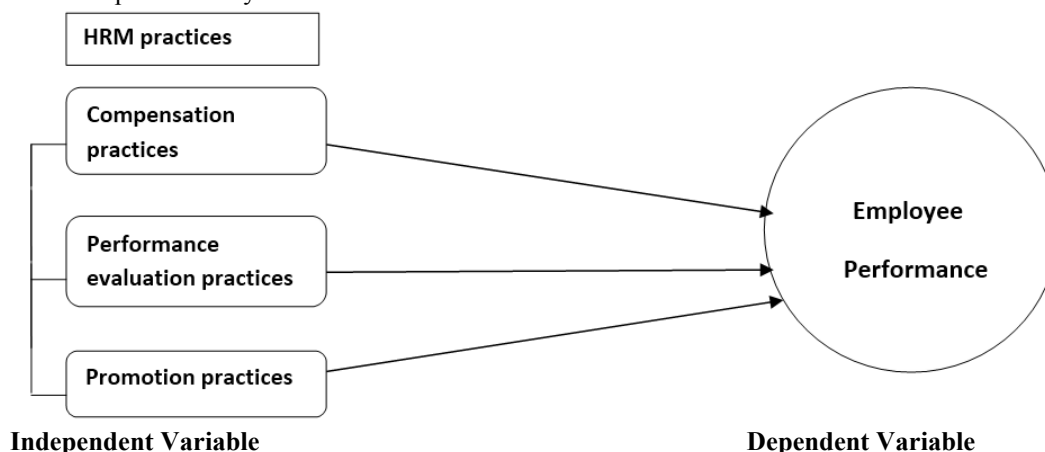
After a thorough study of literature, it can be concluded that each and every HRM practice has an effect on performance of employees. If these practices are implemented properly, then the performance of employees can be improved in a real sense, which will ultimately beneficial for the organizations. A lot of research work is done in last 10 to 15 years on the link between HRM practices and performance (employee and organizational), but the most of the studies on this topic are conducted in developed countries (Mathison & Vinja, 2010; Hooper & Newlands, 2009; Grund & Sliwka, 2007; Teseema & Soeters, 2006; Dave & Wayne, 2005; Mullins, 2002; Brown & Benson, 2003; Brown & Heywood, 2005; Odden & Kelley, 2002) and a little research work is done in developing countries including Pakistan. There is a strong need of research work to be conducted in developing countries on HRM and performance link, which will contribute a lot to make success.

Literature Gap

As a limited research work is done in Pakistan and researchers termed Pakistan as “under researched country” (Aycan, Kanungo, Mendonca, Deller, Stahl & Kurshid, 2000), we can find only a few studies on the relationship of human resource management practices and employee performance in Pakistan, specifically in the telecom sector of Pakistan. So, related to this topic of research, there is a lot of capacity in this area to understand this relationship properly. This capacity is creating a research gap in this area of core importance for the economy of Pakistan. This study is intended to narrow down this gap.

Theoretical/conceptual Framework:

The dependent variable of employee performance is influenced by almost each practice of human resource management as discussed in literature. But for the present study, I am choosing three independent variables – compensation practices, performance evaluation practices and promotion practices. The variables are decided on the basis of a study conducted for university teachers of Pakistan to understand the relationship among human resource management practices with perceived performance of university teachers, (Shahzad, Bashir & Ramay, 2008). These variables will be used in our questionnaires to measure the relationship among them and to find the results of present study.



Hypotheses

H:1 Compensation practices has a positive relationship to the employee performance.

H:2 Performance evaluation practices has a positive relationship to the employee performance.

H:3 Promotion practices has a positive relationship to the employee performance.

Research Methodology:

The most common method for the primary data generation was used, which is survey through questionnaire (Zikmund, 1999).

Sample selection

Non probability sampling method, convenience sampling was used to select the sample, because of the availability of the respondents and their willingness to participate in our survey. So the sample may or may not represent the whole population well. The responses were collected from Mobilink, Telenor and Warid. A total of 110 questionnaires were distributed among the employees of these three organizations and 100 of them were filled completely showing a response rate of 90%, which were taken as the sample and used for the evaluation of results.

Population frame

The target population for the study was the employees of telecom sector (private organizations) of Rawalpindi and Islamabad.

Unit of analysis

Unit of analysis for this study is individual, as the data was collected from individuals and our results will also discuss the behaviors of individuals.

Type of study

The present study is a cross sectional study, where we will evaluate the relationship among the focused variables. The data was collected in one short for this study from the employees of private organizations of telecom sector of twin cities.

Instrument development

The questionnaire was based on questionnaire used by (Teseema & Soeters, 2006) for measuring impact of various HR practices on employee performance. The reason for the selection of the questionnaire is that the same variables are included in present study and the results of the internal consistency were also acceptable, which are thoroughly discussed in data analysis. The questionnaire included 4items of employee performance, 6items of performance evaluation practices, 6items of compensation practices and 3items of promotion practices.

Data collection procedures

For the purpose of data collection, self-administered questionnaire were floated to the employees of telecom organizations. They were supposed to answer against each item of the questionnaire on the Likert scale ranging from A (strongly disagree) to E (strongly agree). The respondents were asked to indicate whether they are strongly disagree, disagree, neutral, agree or strongly agree to the each question asked. The questionnaire was designed on five segments. Segment one was the demographics i.e., age, sex, marital status, experience etc. Segment two was for the dependent variable employee performance, segment three for the performance evaluation practices, segment four for the compensation practices and segment five for the promotion practices.

Data analysis techniques

To check the direction and significance of the bivariate relationship among the variables of the study, regressions, correlation were used through SPSS. Reliability analysis was performed to check the internal consistency of the items of the instrument of present study. Demographics were also evaluated to describe the necessary demographics of the sample. Demographics in focus in this study were education level, gender and marital status.

Data analysis and results:

Data analysis has been done using SPSS version 17.0. The results obtained from running the SPSS are illustrated in following tables.

Reliability analysis of the instrument

To check the internal consistency reliability of the items of the instrument, Cronbach's Alpha of the data was analyzed. Following table explains the reliability analysis of four variables, where employee performance is dependent variable and rest are the independent variables and the total items are 19.

Table 1

Variables	No of items	Cronbach's Alpha
Employee performance	4	.673
Compensation practices	6	.804
Performance evaluation	6	.809
Promotion practices	3	.490
Overall predictors	15	.912

The reliability of the dependent variable is .673, which is acceptable. Then analyzing the independent variables, compensation practices show an Alpha value of .804, which is very good. For performance evaluation practices the value of Alpha was .809, which is again very good. The Alpha value for the promotion practices is .490, which is less than .60. But the overall internal consistency reliability of the instrument is .912, which is higher than .70 (Nunnally, 1978) and very much acceptable and good. So there was no problem with instrument in terms of inter consistency reliability and it was good enough to measure the concepts and dimensions well, as the closer the Cronbach's alpha is to 1, the higher the internal consistency reliability (Sekaran, 2009).

Correlations Analysis

Table 5

	Employee Performance	Compensation Practices	Performance Evaluation Practices	Promotion Practices
Employee Performance	1			
Compensation Practices	.732**	1		
Performance Evaluation Practices	.670**	.849**	1	
Promotion Practices	.649**	.785**	.825**	1

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

H:1 Compensation practices has a positive relationship to the employee performance.

This hypothesis is accepted, because a significant positive relationship has been found between compensation practices and employee performance, whose value is .732**.

H:2 Performance evaluation practices has a positive relationship to the employee performance.

This hypothesis is accepted, because a significant positive relationship has been found between performance evaluation practices and employee performance, whose value is .670**.

H:3 Promotion practices has a positive relationship to the employee performance

This hypothesis is accepted, because a significant positive relationship has been found between promotion practices and employee performance, whose value is .649**.

Analysis of Means and standard deviations

Table 6

	Mean	Std. Deviation
Employee Performance	4.1563	.70866
Compensation Practices	3.7833	.80878
Performance Evaluation Practices	3.7125	.78536
Promotion Practices	3.9250	.79703

Standard errors for all the variables is (<1) and the Beta coefficient for all the variables remains positive showing the values for compensation practices .468, for performance evaluation practices .076 and for promotion practices .142.

Table 9 (Coefficients^a)

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
1 (Constant)	1.544	.413		3.741	.001
Compensation Practices	.468	.193		2.423	.021
Performance Evaluation Practices	.076	.218		.350	.729
Promotion Practices	.142	.183		.778	.442

a. Dependent Variable: Employee Performance

The above table shows the value of adjusted R-square is .514, which means that there is 51.4% variance in dependent variable explained by the variations in independent variables (Gupta, 2000). The value of R-square is .551, which shows a 55.1% variation in dependent variable explained by the variations in independent variables. Standard error of the estimate is .49402, which shows a bit of high value of 11.8% (Gupta, 2000), after comparing with the mean of predicted value of dependent variable which is 4.1563.

Table 10 (Residual statistics)

	Minimum	Maximum	Mean	Std. Deviation
Predicted Value	2.8178	4.8735	4.1563	.52623
Residual	-1.17746	.97442	.00000	.47464
Std. Predicted Value	-2.543	1.363	.000	1.000
Std. Residual	-2.383	1.972	.000	.961

Discussion, conclusions and recommendations:

The study contributes in understanding the influence of HRM practices on the performance of employees in Pakistan. The results provide the sufficient empirical evidence to say that, HRM practices has a positive and statistically significant relationship with the employee performance in Pakistan. The present study of private telecom organizations of twin cities supports our hypothesized positive effects of HRM practices on employee performance. The results show a significant and positive relationship of compensation, performance evaluation and promotion practices with employee performance.

After a comprehensive review of the literature, three essential and important HRM practices were identified namely; compensation practices, performance evaluation practices and promotion practices, to check their relationship with the employee performance in present study.

Compensation includes all forms of monetary returns and allied services provided to employees by the organization (Milkovich & Newman, 1999). A comprehensive compensation system can contribute a lot to attract and retain the competitive human resources and can also shape the behaviors and performance of employees. Researchers argued that a balanced, fair and competitive compensation system effect the retention of talented employees (Mathis & Jackson, 2004). Researchers found a strong and positive correlation of compensation practices with the employee performance (Shahzad, Bashir & Ramay, 2008; Frye, 2004; Teseema & Soeters, 2006). The results of present study are in accordance with and validate the results of earlier studies. The correlation matrix indicate that a strong positive relationship exist (.732** at p< 0.01) between compensation practice and employee performance, which is supported by the results of (Teseema & Soeters, 2006), who found the value of (.38** at p< 0.01) and also supported by (Shahzad, Bashir & Ramay, 2008), who found the value of (.44** at p< 0.01).

Performance management includes continuous evaluation of employees behaviors and performance. Employees should clearly know that what is expected of them and how their performance will be measured (Mullins, 1999). An ideal and formalized appraisal scheme should measure properly, the individual's performance, highlight the potential of employees and determine the future needs for training in development. Researchers found a strong and positive correlation of performance evaluation practices with the employee performance (Frye, 2004; Teseema & Soeters, 2006). But a study of university teachers of Pakistan found a weak positive correlation of performance evaluation with the employee performance (Shahzad, Bashir & Ramay, 2008). The results of present study are in accordance with and validate the results of earlier studies. The correlation matrix indicate that a strong positive relationship exist (.670** at p< 0.01) between performance evaluation practice and employee performance, which is supported by the results of (Teseema & Soeters, 2006; Frye, 2004), but there is a variation in the results of (Shahzad, Bashir & Ramay, 2008), who found the value of (.15** at p< 0.01).

Promotion is a Continuous process which is based on the length of service and professional “competency” is adopted at the time of promotion to higher step in the job within a grade promotion. It is or may be “continuous”

in which test, review or competition is given which entitle for simple decision or selection (Hdiggui, 2006). Researchers found a strong and positive correlation of promotion practices with the employee performance (Shahzad, Bashir & Ramay, 2008; Frye, 2004; Teseema & Soeters, 2006). The results of present study are in accordance with and validate the results of earlier studies. The correlation matrix indicate that a strong positive relationship exist (.649** at $p < 0.01$) between promotion practice and employee performance, which is supported by the results of (Teseema & Soeters, 2006), who found the value of (.48** at $p < 0.01$) and also supported by (Shahzad, Bashir & Ramay, 2008), who found the value of (.56** at $p < 0.01$).

The results of the present study created a harmony with the results of prior studies that HRM practices of compensation, performance evaluation and promotion have a positive and significant relationship with the employee performance.

Limitations

The study has limitations. The present study is focused on a small sample of the organizations of one sector of twin cities only. So the generalizability of findings of the present study is also limited. Respondents provided their responses on the implementation of HRM practices and employee performance, where a 'bias' can also exist. Convenience sampling was used to collect the data from respondents on the basis of their availability and willingness to participate in survey, so the sample may or may not represent the whole population well.

Future research

Regardless of some limitations, this study contributes well to understand and validate the relationship of the HRM practices and employee performance in the telecom sector of Rawalpindi and Islamabad. Future studies can take the large samples and focus other industries as well, to validate the results of the present study. Studies can also include other HRM practices to their models and some other variables, which can mediate or intervene the relationship of HRM practices and employee performance.

Managerial implications

This study has some implications for bothe, the managers and the decision makers. The important implications are as follows:

- It has been found that employee performance is clearly dependent on the HRM practices, but the compensation is more critical for the employees of private telecom sector of twin cities. So compensation have a biggest effect on employee performance.
- The proper implementation of the HRM practices will surely improve the employee performance, which will ultimately increase the organizational performance.

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