Impact of High Performance Work Practices on Employee Performance in Manufacturing Firms of Pakistan

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1.1 ABSTRACT
The study aims at exploring and understanding the underlying dimensions of the impact of HPWP's on employee performance among the manufacturing companies in the context of Pakistan. As the primary focus is on determining and finding out the impact and relationship so the proposed study is quantitative in nature. The sample is comprised of 80 employees of different manufacturing firms in Lahore. Employee of all the ranking and any department were selected randomly. For results formulation, descriptive analysis, bar charts, histograms and inferential statistics will be used (techniques of statistical analysis). We have determined the impact of High performance work practices as individuals rather than in bundle form.

Key word: High performance work practices, job rotation, self managed teams, performance based pay, employee motivation and employee performance.

1.2 Introduction
The manufacturing sector of any country bears significant importance. Globalization, and in particular, enhanced exports are generally believed to benefit developing countries. And with Pakistan’s exports concentrated largely in textile and semi-manufactures, the country needs to strengthen this sector. Since the foreign-currency dominated export prices for developing countries are largely determined in the international market, any downward slide in them exerts a downward slide in foreign-exchange export earnings. It is therefore imperative, for Pakistan, to prevent the decline in manufacturing output, not only to sustain but also to increase the export share and hence to gain external competitiveness in this sector.

The manufacturing sector in the country still revolves around the traditional low value added industries, whose share in world trade is continuously declining. The investment in upgrading technology is low and diversifying into emerging markets, products and processes is either slow or nearly constant. An efficient international quality supply chain, which is so essential for local industry to flourish, is missing, partly due to insufficient scale of economies and partly due to bundling of raw material, parts and modules by the multinationals in their assembly oriented companies, which discourage a local vendor industry to flourish. Major constraints in achieving and sustaining the goal of rapid industrialization, are low productivity level without the development of a widely embedded skills base, competence and productivity, global trading challenges cannot be achieved as well as skills shortage, and skills gap in key modern technologies which reduces optimum operation of both plant and machinery. Diversifying the manufacturing sector, developing SMEs and enhancing productivity are the major objectives to be achieved in the manufacturing sector. Pakistan has to make important strategic choices to ensure sustainable growth in the manufacturing sector in a rapidly changing and challenging international competitive environment. This requires massive structural changes, shift in the production paradigm to technology and knowledge based industrialization, with a focus on the quantitative and the qualitative growth of an integrated and competitive industry in the private sector.

There are some facts and figures regarding the manufacturing sector of Pakistan among various industries. The data is obtained from the data base of Economic Survey of Pakistan (2011-2012). During the first nine months of the current fiscal year 2011-12, Large Scale Manufacturing (LSM) posted a growth of 1.05 percent as compared to growth of 0.98 percent during the same period last year. The groups wise showing increase included: Pharmaceutical (10.9 percent), Paper and Board (8.4
percent), Wood Product (7.4 percent), Food Beverages and Tobacco (6.5 percent), Nonmetallic mineral Products (2.9 percent), Leather Product (1.8 percent) and Textile (0.8 percent). Automotive Industry such as Buses, Cars, LCVs and two/three wheelers managed significant growth at 23 percent, 9.1 percent, 5.7 percent and 3.1 percent respectively as compared to -24.7 percent, 16.4 percent, 23.3 percent and 12.6 percent during the same period last year. Mining and quarrying sector 4.4 percent in 2011-12 as against -1.3 percent last year. The main contribution to this modest performance came from Chromite, Flourite, Bauxite, Chalk and Natural gas which posted a positive growth of 591.5 percent, 111.3 percent, 82.2 percent, 82.2 percent and 4.0 percent respectively during the current financial year.

In this research work, the aim is to examine the impact of high performance work practices on employee performance in the manufacturing sector of Pakistan. We selected three work practices which are performance based pay/compensation, self-managed teams and job rotation. Many previous research articles have determined the positive impact of these practices on employee commitment level with the organization and their motivation level which ultimately enhance the employee performance. Some researchers have determined the impact of these practices as a group and individually too. But most have found that these practices are more effective when implemented in the form of groups or clusters. These practices should be grouped by considering the culture, values, environment and need of the organization. To find the impact of high performance work practices in the context of Pakistan is the basic purpose of this research work.

1.3 RESEARCH MODEL

HPWP's
- Job rotation
- Self-managed Team work
- Performance based pay

Employee motivation

Employee performance

1.4 LITERATURE REVIEW

Introduction of HPWP’s

The increasingly mounting markets in the global world have pushed the businesses in highly competitive situation in which they have to uphold reputation, keep hold on employees and consistently increase organization performance. Bashir M. et al. (2012) after studying the previous work gave definition of High Performance Work Systems as it is an incorporated system of Human Resource Practices that are in line with internal Human resource practices and externally aligned with organizational strategies and polices. The list of practices consist of selective staffing, self-managed team, decentralization decision making, extensive training, flexible job design, open communication and performance contingent component. As High Performance Work Systems comprise of enormous range of practices which can be implemented in various clusters depending upon the situation so they act as a strong foundation for the organizational performance.

In the work of Cappelli & Neumark’s (1999) the name of High performance work practices has yet not defined properly. According to them, high performance work practices are also known as ‘alternate work practices’ and ‘flexible work practices’. According to the studies of Cappelli & Neumark’s (1999), the name of high performance work practices may vary but they have some common aspects which are high performance recruitment and selection, incentives and rewards on the basis of performance and broad training programs.

High performance work practices basically demand heavy investments for human resource the purpose
of which is to improve employees’ skills, abilities, knowledge, motivation and flexibility, provided the employer is encouraging employee participation and involvement. Cappelli and Neumark's (1999) analyzed the literature and they recommend that productivity can be increased at average by the implementation of High Performance Work Practices. As these practices demands high level of investments in human capital, so it is very important that these practices compensate benefits and efficiency with its cost. Cappelli and Neumark's (1999) also concerned about the cost side of the program of high performance work practices and other researchers didn’t take cost into the consideration. In their research work they mentioned that many past studies focused on measuring the impacts of work practices.

**Relationship between HPWP’s and Employee Performance**

As the research work has developed a lot in several fields, high performance work systems have been encouraged as latest move towards the enhancement of productive ventures and categorized as field of human resource management which has positive results in the terms of organizational performance. The focus on HPWS is on the overall design of process of the organization rather than individual task which new work designs and formations are formed in work team oriented environment to achieve the outcomes (Sawyer, Revels an Ciampa, 2010). Their driver’s job is not only to make deliveries but now to satisfy the customer’s needs, they can redesign their jobs as they are provided with new skills of sophisticated problem solving. By redesigning the jobs by altering their jobs from simple routines responsibilities to more highly skilled and customer oriented jobs, both drivers and Federal Express have got paybacks (Sawyer, Revels and Ciampa, 2010).

Regardless of the concern of cost, a strong relationship was found in several studies between the organization performance and high performance work practices (Huselid, 1995). An interesting thing that Cappelli and Neumark's (1999) found, that cost of high performance work system programs didn’t counterbalance the benefits but the observed effect was neutral.

In the view point of Pfeffer, (1994) the purpose of high performance work practices is to encourage people to think about themselves and they can design and administer their own work. High performance work practices brings innovation by converting the management style to decentralizing which permit employees to participate and can learn knowledge and then bringing it into use (Laursen, 2002).

In the published studies of Tamkin, (2004) he refers to a Meta-analysis by Kling (1995). He believes that three specific types of practices have strong impact on employee productivity. These three practices include training, compensation linked to worker performance and employee involvement.

The conventional source to gain competitive advantages has lost their worth worldwide because now they are consider as the less important means (Bashir et al. 2012). According to him, in the new business world, employees are counted as essential asset which can endow with sustainable competitive advantages for the reason that it is complicated to duplicate and tough to substitute. These practices basically provide the path for competition on the basis of quality and company heavily depends upon its human resource development and employees is consider to be contributing in the victory of the firm which means it direct the firm towards ‘high road’ approach of management (Ramsay et al., 2000).

Although, still there is scope exists to discover the methods and limitation, through which High ‘Performance Work system (HPWS) has impact on employees’ attitude, behaviors and at least they add to organizational outcomes or performance (Bashir et al., 2012). According to Bashir et al., (2011a), High Performance Work systems present structural design to employer and employees with which they can bring organizational goals into line by developing and motivating employees by implement High Performance Work Practices which includes high selection staffing, performance based pay, decentralization, providing opportunity for promotion and result oriented appraisal. Tung-Chan Huang (1997) conducted the studies of a survey of 308 ventures in Taiwan, China. The studies found that a direct effect on employees’ performance outcome in the form of employee turnover rate and absenteeism rate can be observed by High Performance Work Practices which are linked with participative management styles.
Strategic Human resource researchers have reported that High Performance Work Practices are impacting organizational performance through three intermediaries. High Performance Work Practices function through three factors (i) developing employees’ knowledge, skills, and abilities (KSAs), (ii) authorizing employees to act, and (iii) motivating them to do so (Combs J. et al 2006). Recruiting and selecting employees in a broader spectrum extensively, carry KSAs in the organization (Hoque, 1999). Further practices such as training, job design, and compensation tied to skill development enhance Knowledge, skills and abilities of the employees (Hoque, 1999).

They further debated that the use of High Performance work practices increase motivation of employees, enhance employees skills and develop job design and work structure. The consequences of all these improvements resulted into advanced financial performance which produces high revenues and expansion, eventually increasing the market value of the company.

High performance work systems should be developed to advance the level of employees’ skills and motivation consequently these employees turn out to be a source of sustainable competitive advantage (Naqvi & Sadia, 2011). In their studies they examined the impact of high performance work practices on employee motivation in the banking sector of Pakistan. They collected data through questionnaires from middle level and senior level managers of 25 listed commercial banks and found the result of 1704 responses, response rate of more than 56.8%, reported that the 10 significant high performance work practices make a system that impacts the employees’ motivation. They are high wages, incentive pay based on performance appraisal, employee ownership, information sharing, involvement, training and skill development, job design, reduced status distinctions and barriers, self-managed teams and measurement of HR practices. They further added that adaptation of high performance work practices can lead to higher level of motivation.

1.5 PURPOSE STATEMENT
In order for manufacturing sector of Pakistan to be successful they must be able to employ people who will stay with the business and perform at their best. Research indicates that employees who are motivated, committed and involved with the organization are more likely to perform well. So the implementation of HPWP is one way that manufacturing organizations can create a blend of motivation to extract the optimum and greater performance of employee. Therefore the purpose of this quantitative research is to determine the impact of High Performance Work Practices on employee performance in the context of Pakistan manufacturing company.

1.5 METHODOLOGY
Research Paradigm and Approach
Basically three paradigms are used to conduct the research and these are positivism, interpretivism and pragmatism. Positivism approach is used because it deals with quantitative. This study tests the impact of High performance work practices on Employee performance in manufacturing firms of Pakistan.

Population and Sampling
The population of my study is employees of manufacturing firms. The sample has been selected by using convenient sampling and random sampling under the probability sampling technique. In this research, the sample size comprised of 150 employees. Out of 150 questionnaires only 80 questionnaires were responded and received back.

Data Collection and Instruments
Data is collected by several ways like by sending questionnaire using e-mail, by postal correspondence and through physical interaction. To conduct this study I have used physical interaction approach. I collected the data by doing survey in different manufacturing firms of Lahore, Pakistan. The main objective of the study is to analyze the impact of HPWP's on employee performance in manufacturing firm of Pakistan. For this purpose a testing booklet consisting of demographic data sheet and Likert scale questionnaire was adopted and used as a tool for data collection.

Data Analysis
To successfully carry out this study, data was collected through questionnaire For results formulation,
descriptive analysis, bar charts, histograms and inferential statistics were used (techniques of statistical analysis) by using SPPS 17v.

**Reliability and Validity**

Keeping in view my research problem I have choose the quantitative approach in which reliability means, whether the result is replicable whereas validity means whether means of measurement are accurate and whether they are measuring what they intend to measure. So for validating the data collected, face validity and convergent technique were used. I have also established the validity of the questionnaire through content validity that is asking the expert opinion which in this case is our subject teacher. Moreover validation of the instrument was done through a pilot study and by taking a large number sample representative of the population.

With regard to reliability, results were checked through statistical procedures of internal consistency. Reliability test was applied by putting the data in SPSS software and applying the Cronbach’s Alpha test.

**2.0 Results & Analysis**

**Correlation:**

<table>
<thead>
<tr>
<th></th>
<th>JR</th>
<th>PBC</th>
<th>SMT</th>
<th>EM</th>
<th>EP</th>
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<td>JR</td>
<td></td>
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**Model Summary**

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<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
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a. Predictors: (Constant), SMT, PBC, JR

**ANOVA**

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<td>Total</td>
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<td>79</td>
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a. Predictors: (Constant), SMT, PBC, JR
Model Summary

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<th>Model</th>
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<th>R Square</th>
<th>Adjusted R Square</th>
<th>R</th>
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<td>.481</td>
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b. Dependent Variable: EM

Coefficient

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<td>Std. Error</td>
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<tr>
<td>(Constant)</td>
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<td>.242</td>
<td>.029</td>
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<tr>
<td>JR</td>
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<td>SMT</td>
<td>.452</td>
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a. Dependent Variable: EM

Interpretation:
Above all tables i.e correlation, Model Summary, Anova and Coefficient shows all result which were used in SPSS. Job rotation, Self-managed Team work and Performance based pay are taken as an Independent variable. Employee performance is taken as a dependent variable and employee motivation are taken as mediator variables to study their relationship. For this purpose regression technique is used because all the variables are scale variables. The regression line that derives from the coefficient table is:

Employee motivation = constant + coefficient JR + coefficient PBC + coefficient SMT

From the coefficient table, the significant level of JR, PBC and SMT are respectively 0.046, 0.022 and 0.000 which is less than 0.05 which states that all hypothesis are accepted.

From the model summary table, the adjusted r square is showing a value of 0.508 which means that the change in employee performance level is due to 50.8% of employee motivation and the rest of the change is due to other factors.

Looking towards the ANOVA table, the significance level of f test is 0.000 which is less than 0.05 which states that HPWP’s (job rotation, performance based compensation and self managed teams) effect employee motivation. So it is concluded that this is a good fit model.

HYPOTHESIS

H1: There is significant relation between job rotation and employee motivation.
H2: There is significant relation between performance based compensation and employee motivation.
H3: There is significant relation between self-managed teams and employee motivation.
H4: There is significant relation between employee motivation and employee performance.
H5: There is significant relation between job rotation and employee performance.
H6: There is significant relation between performance based compensation and employee performance.
H7: There is significant relation between self-managed teams and employee performance.
H8: Employee Motivation mediates the relationship between employee performance and HPWS.

Limitation

This research work is limited to the area of Lahore as it was not possible for us to go to other cities and approach all the manufacturing firms of Pakistan for the collection of data due to the lack of resources, time and cost.

3.0 Discussion

The main objective behind the research thesis is to provide a real guidance and the direction towards the management as well as the higher authorities so that due to these changes and implications they
can enhance their productivity and can achieve a stable performance in this competitive market.

• The employee should be treated as a family and it should be make sure that the values of organization are being simultaneously carried with the values of the employees, as it develop commitment in employees for the organization.

• The basic needs of the employee should be fulfilled, that will enhance the motivation level of the employees and he will strive and work hard for the organizational cause.

• Organizations should have updated and effective performance appraisals through which they evaluate their employee's performance in a given time. This enables the employees to work hard because they are well aware of the fact that their performance is being monitored.

• Positive and friendly appraisals should be implemented because unfriendly appraisal can increase the gap of interaction between the employees and their subordinates and even between the colleagues as they knew that the one who will perform better will be rewarded in that regard the employees start unfair means which includes leg pulling and back biting, etc.

• Employees should be respected and their views should be appreciated, this will enhance the self-confidence of the employees and even their self-esteem will grow. This will play a vital role in their satisfaction level as their performance in such regards increases dramatically.

• Focusing on one single job makes the employees fed up and more casual regarding the worth of it so in such scenarios the employees take their work for granted and results in the decrease of performance and the productivity.

• The performance based compensation eliminates the possibility of the unfair appraisal unjust benefits allocation, so this increase the conformity in the employees and they become mentally satisfied and relaxed that they will not be over ruled or will not be treated unfairly so in this regards the level of hard work and commitment in the employees is increased, which increases the performance if the organization.

• Team work should always be welcomed in the organization because it increases the urgency of mutual strength and mutual concentration

4.0 Conclusion
High Performance Work Practices (HPWP) mean such work practices that maximize the fit between the company's social system and technology.

This whole report and market research conclude the following facts:
The purpose of any business is to maximize its profit, while keeping itself within the limits of what are known as good business practices. The main factor that plays its role in the efficient process of a company is the efficiency of its workers, i.e. employees’ performance. That means the better the employees perform while on work, the more profitable will be the business. So, the real need is to increase employee performance, which is direct function of Employee Motivation.

High performance work practices help organizations to improve the emotional relations between the employees and the organization with the aid of constructing high level of trust and inspiring the importance of mutuality. High Performance Work Practices includes several human resource practices such as merit base selection, training to develop skills, sharing of information with employees, pay and bonuses on the basis of performance appraisals, internal career opportunity are employ to incorporate higher level of motivation among the employees.

Researchers also mentioned some more factors that enhance employee motivation like when employee’s organization endow with more opportunities for growth and career development and possibilities to enhance their skill, knowledge and abilities level. The purpose of high performance work practices is to encourage people to think about themselves and they can design and administer their own work.

It is concluded that impact of HPWP’s on employee performance is mediated by employee motivation. The correlation and regression analysis overall show a positive relation between HPWP’s and employee motivation which indicates that HPWP’s enhance employee motivation which ultimately results in improved employee performance.
The overall analysis suggested that HPWP’s impact employee performance mediated by employee motivation which indicates that HPWP’s have positive impact on employee motivation which ultimately enhance employee performance.

5.0 Ethical Considerations

While carrying out research process, ethical issues were deeply and wholly kept into considerations since the introduction of research problem statement till writing and disseminating the whole research process and aftermaths.

- Determining the problem statement it is been ensured through pilot study that the research would benefit the individuals been studied and further it will be ensured that the participants would not be marginalized and disempowered at any step.
- The purpose of the study is made clear and simple to be easily understood by the readers.
- While looking forward to the data collection, the comfort of the respondents was ensured through sheltering their right to participate and withdraw at any time.
- The respondents were clearly acquainted with the purpose of conducting the study.
- Permission letter were provided to each company for providing the authenticity of the work as a written proof of conducting this research work as a student of university.
- It was made secure that the information gathered from the respondent will only be used for the research purpose and not for any other reason.

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