Impact of Human Resource Management on Organizational Performance
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Abstract
The objective of all organizations is to improve their performance so the aim of this study is to investigate the organizational performance of 200 employees of ufone and Mobilink franchises in Sargodha city. The population in this study has included all companies in telecommunication in Pakistan. We are conducting the exploratory factor analysis. In analyzing the data the descriptive statistics was used. Software used for data analysis was SPSS version 20. The results shows that the higher level of compensation management, organizational citizenship behavior and employee development practices that will lead to a higher level of organizational performance, also indicate that compensation management, organizational citizenship behavior and employee development is positively associated with organizational performance. Our result shows that there is positive or significant relationship between independent and dependent variables, so we reject the null hypothesis. There are some areas that need more development in future including the topics that relate to the study that can be conducted on manufacturing firms with more variables.

Keywords: Organizational performance; Organizational citizenship behavior; Compensation management; Employee development; Telecommunication sector

Introduction
The business of the telecom sector is not only capital intensive, where the important component of capital is to assess to ensure the growth of the strong network but also the core competencies, skills of management, qualification and abilities of management are the dense drivers to increase the achievement of organization profits and the sustainability of business.

No doubt that organization internationally is determined for achievement and high profit those in the same industry. For the purpose of this, organizations have to get and apply their human resource effectively and efficiently. Organizations have to be aware of human resource need to know about HRM more realistically and organizations have to keep their human resource up-to-date. Consequently, manager play significant role for the purpose of achieving company’s goal and meet profits, basically the core functions of managers have to manage the human resource in a way that right number in right way. This paper therefore, examines the influence of human resource management that is compensation, employee’s development and organizational citizenship behavior on the performance of the organization.

In any organization performance of organization is very important. The super objective of all organizations is to improve their performance. There may be three areas that create or to enhance the organizational performance: employee development of organization (EDO), compensation management of organization (CMO) and organizational citizenship behavior (OCB).

The main objective of this study is to measure the effect of compensation on organizational performance. Compensation is vital for organization’s performance. As the employee compensation, training and rewards have risen the performance of human resource management results generally raise the satisfaction and performance. There are three independent variables citizenship behavior, employee’s development, and compensation management and their combine effect on organizational performance.

According to Turnipseed and Russuli explained that when organization criticized in investment, which means organizational citizenship behavior is “going beyond the call of duty” [1]. Poncheri [2] refers that organization citizenship behavior have significant impact on performance of organization. OCB not relevant to individual duties, it is related to the organization’s functions and duties which is significant to improve the organizational effectiveness or performance Applebaum et al. [3]. Moreh/Griffin explained that organizational citizenship behavior creativity and adaptation leads to the organizational effectiveness and work related management in HRM (1375, 132).

Torraco and Swanson [4] observed the positive relationship between employee development and organizational performance. Organizational performance can be achieved through the learning opportunities, through better employee performance on their jobs. The unit of analysis in the research is employee development which has an impact on performance but the less information is available. Learning opportunities are the part of employee development programs.

Research has established the significant impact on organizational performance. There is connection between HRM and organizational performance is considered a “black box” that is absence of clarity as to, what leads to what. Gerhart [5]. Therefore this study shows the significant positive relationship between independent variables and organizational performance either financial or non-financial.

In this study we fill the gap of previous studies and more observe the procedure through which HRM policies, procedures techniques and effect of organizational performance, it is important to conduct analysis in Pakistan context on the telecom sector. The main objective of this research is to examine how the HRM practices influence the performance of organization, to enhance the relationship instead of

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two variables we take three variables that are employee development, compensation management and organizational citizenship. Next we present the hypothesis to be verified. The discussion is followed by methodology and evaluates the hypothesis. The following portion concentrates on important findings, their applied effects and argument. Lastly sum up the key of the research and focus the key purpose direction for additional study, contributions, limitations of the analysis and results.

General purpose of the study

In the light of above outline, the goal of this study is to test the effects of human resource management on performance of organizational within the telecom sector in Sargodha Pakistan.

Specific purpose

The sub goals included are as follow:

a) To examine the influence of compensation management on organizational performance.

b) The effect of employee development on performance of organization.

c) The impact of organizational citizenship behavior on organizational performance.

d) The purpose is to introduce the relationship of above these independent variables first time with dependent

e) Variable as organizational performance.

Literature Review

Employee development and organizational performance

Stiles and Kulvissaechana [6] observed the positive relationship between the human resource development and organizational performance according to the large and expand body of literature. Human Resource management in an independent and intangible variable, market value depends on intangible variable. Shih, Chiang, and Hsu [7] observed that the part of framework of human resource development is retaining and recruiting theperfect employees. The cooperative goals of the organizations can be shared and applied through knowledge, employee's capacity and competence hold by the organization through training and encouraging environment. Expansion in productivity and business performance expand the Future returns. Future returns depend on the employee’s skills and abilities. Hاردre [8] study the impact of resourcing and growth on the employee's attitude which include motivation, satisfaction and commitment. Personnel training and development and organizational development contribute to unleashing human expertise and to enhance performance [9]. Organizational performance and productivity is positively affiliated with comprehensive training activities [10]. The effectiveness and efficiency of public sector depends on the positive future oriented employee development [11]. The organizational performance depends on the training and development of human resource and the organization spends millions of money for this purpose. Organizational performance depends on the employee development because employee development enhances knowledge base of the organization [12].

There is a positive relationship between business performance and employee development. Performance management programs have impact on this relationship. Performance management programs include the incentives plans, feedback mechanism. This study suggests that low level of performance management programs and low employee development decrease the industrial performance [13]. The employee development depends on the two important measures, training and promotion. There is a significant relationship between investment in employee development and business performance. The factors effecting the employee development include the selection strategies, recruitment, evaluation of performance and planning procedure. There is an indirect relationship between employee development and organizational performance, relationship include the human resource practices [14].

The honest conversation regarding the employee development showed that there is the positive correlation with employee’s attitudes; employee attitude includes the goal commitment and job satisfaction [15].

The four approaches are used for employee development which includes laissez-faire, autocracy, meritocracy and co-determination. Management behaviors directly or indirectly related to the employee development and situational outcomes [16]. Organizational performance and employee development are affected by the tuition assistance programs. Tuition assistance programs are a method that the organizations used to invest their resources in the human resource with the aim to develop more knowledgeable and educated workforce. Swanson [9] indicates that the independent variable is employee development which directly affects the organizational performance. Organizational performance positively affected by employee development because of effective use of employee empowerment practices.

Compensation management and organizational performance

Holt [17]employee receive compensation in the form of rewards, pay, benefit it is basically the output that management uses to increase the performance of organization.

Half of the cash flow is equal to the compensation of the organization but more than half in the service sector. Ivanecilikh, Glueck [18]. For the purpose to increase performance of organization the key factor is to motivate employees and attract the employees.

Compensation can be in the form of multiple pay plans and can be in the form of individually, merit pay to performance long incentives, bonus, and merit pay in the form of rewards. These are the different qualities and components of compensation that are in the form of individual performance and multiple pay plan performance, this research was conducted by Millvier and Newman. In order to increase the performance of organization pay plan is commonly used Chani. The most common appraisal of employee is pay plan by Heneman and warnar.

The research conducted in ref. [19]. Pay have direct impact on the performance of employees the compensation and the pay structure directly impact the performance of the employees and they provide the output according to the pay plan and pay structure according to the performance of employees. In 1999 the employees have fixed pay and the organization give rewards for their better performance that will give the power job shorter oriented so there is relationship between compensation like pay and performance.

Simon, more and hunt, jahangar Suggested that rewards of managers supervisors significant positive relationship with performance of organization that is performance of employees, enhance productivity, satisfaction of employees organizational
citizenship behavior and turnover. For the purpose of achievement of organizational performance either it is financial or non-financial compensation in the form of rewards or incentives are most important component to eradicate employees paying their energy to produce innovation in cress the performance of organization. The researches by employees productivity can be increase by motivation which provide effective recognition as a result improve organizational performance.

The research on relationship between organizational performance and compensation in the form of pay suggested that pay is not directly related to the performance of organization but in many statements or claims merit increases the salary and hence increase the performance.

Their research concluded that significant positive relationship between HRM practices and organizational performance [20], HRM practices like selective hiring, compensation management, training and development, status differences, decentralization, information sharing, employment security, and use of groups on performance of organization as operational performance like flexibility, cost reduction, quality, and commitment. HR administration structures in US study investigates that organizational performance has significant positive relationship to various HR practices compensation and benefits. Gerhart and Trevor [21], kochy McGrath [14], recruitment and selection.

HRM practices like compensation and rewards, training and development, recruitment and selection and performance management have positive effect on organization performance observed in 104 articles documented in 18 that four most important [22].

To measure the impact of HRM practices like training and development, compensation and rewards, performance appraisal, and employees recruitment and selection their relations on performance of organization that are (product quality, Product cost, performance, market share compared with competitors and 19 organization performance relative to industry average) and in 20 companies of oil and gas establish significant positive relationship with HRM practices like compensation, training and development, employees development and performance of the organization.

Khan investigates Motivational factor for the employees are the compensation so proposes structure of compensation in which employees who perform better are paid more than average performing employees is important to increase the performance of organization Hewitt [23].

Organizational citizenship behavior and organizational performance

In 1770s OCB has been studied and its interest significantly increased. Denis Organ considered as the father of OCB. Organ explained “Individually behavior that is discretionary not directly or explicitly recognized by the formal reward system and that in aggregate promotes the effective functioning of the organization” (P.4). Duton et al. expressed that better standing of employees with organization that ultimately affect the organizational citizenship behavior [24].

Coole [25] indicates that the organizational citizenship performance speculate the overall performance and across all task performance levels. Morisnin defines citizenship behavior as a function of employee's in-role and extra-role job behaviors [26]. Mc Ulster described organizational citizenship behavior is favorable for organization. To improve the organizational performance issues has been facing by senior management. The findings of [27] organizational citizenship behavior prove to be helpful to the organization. Podsakoff and Mackenzie researched that OCB are significant to the performance of all organizations [28].

The type of OCB creates strong link between organizational performance and organizational workers [1]. Todd described that if we add the social work environment the overall performance of organization increases substantially [24]. According to Niehoff and Yen that the organization becomes more effective if there are more employees in organizational citizenship behavior. As a result we anticipated OCB to make the correlation between organizational performance and HR practices.

Hypothesis

H1: There is positive relationship between employee’s development and organizational performance.

H2: There is positive relationship between compensation management and organizational performance.

H3: There is positive relationship between organizational citizenship behavior and organizational performance.

Conceptual framework

Our research consist of total four variables and three are independent such as employee development, compensation, and organizational citizenship behavior they have influence or effect on dependent variable organizational performance. According to refs. [29-35] the impact of human resource management practices on the performance of organization have some backing for positive relationship between human resource management like compensation, employee development and citizenship behavior and performance particularly profitability (Figure 1).

Methodology

The purpose of our research is to analysis the impact of human resource on organizational performance. There are the two major sources of research. The study was conducted on the bases of different publications on this field. The secondary source refers to the collection of qualitative data from faculty members of ufone and Mobilink franchises in Sargodha city. We use the structured questionnaires to get the sufficient information. The study conducted on Sargodha city [36-41].

Population and Sample size

The target sector of our study is Pakistan telecommunication. The target population of the study all companies in telecommunication. Franchises of ufone or Mobilink in Sargodha city are our sample size. By using convenience sampling technique, 200 employees of ufone...
and Mobilink franchises has been chosen. Sample subjects have been chosen on the basis of accessibility of the researchers.

Nature of data

Nature of data is qualitative which consist of feelings and behaviors of faculty members of Ufone and Mobilink franchises in Sargodha city. We are conducting the exploratory Analysis.

Instrument: We use the Questionnaire technique on 5 likert scale which consist of the following scale

a) Strongly agree
b) Agree
c) Neutral
d) disagree
e) Strongly disagree

The questionnaire consists of 19 questions that are distributed in four different sections each section represents factors.

The questionnaire contained the two sections: the first section was designed to gather the information about the respondent’s personal background. In the second section of the questionnaire, the respondents were asked to

Salient features of Ufone and Mobilink Company. The questions asked in this section include those that measured the employee development, compensation management, organizational performance, and organizational citizenship.

The analyses were run to determine the response of respondents about Ufone and Mobilink Company. Since this study is exploratory in nature.

The four to six items have been tested as a measure of the dependent variables and the three variables are taken as the independent variables.

Analysis technique: We use SPSS software for data analysis. In SPSS, we compute frequencies, descriptive analysis, reliability and validity of test, correlation and at the end we run regression; we analyze model summary, ANOVA and coefficient analysis.

Data Analysis

Demographic profile

There are 200 employees in Ufone and Mobilink franchises in Sargodha. According to the Table 1, there are 167 Male and 33 female. The age of respondents, 3 % was below 19 years old, 19.5 % was between the ages of 20-29 years. 34 % was between the ages of 30-39 years. 28.5 % were between the ages of 40-49 years. 15% was above 50 years old. 24 % had less than 5 years worked experience. 43 % had 5-10 years worked experience. 17.5 % had 11-15 years worked experience. 35 employees had 16-20 years worked experience. 3 employees had working experience of more than 20 years (Table 1).

The 23.5 % employees were senior managers, 45% were middle managers, 19.5% were junior employees, 12% were other staff members.

Descriptive statistics

We describe this central position using a number of statistics, including the minimum, maximum, and mean. To describe this spread, a number of statistics are available to including the range, variance and standard deviation. The mean value represent that the respondent’s satisfaction regarding the human resource management practices in franchises (Table 2).

Reliability analysis

According to the cronbach’s Alpha the reliability of the scale require the value of cronbach’s alpha should be >0.6, the value more than 0.6 is called significant value.

To check the reliability of the scale and internal consistency of the measure, we use the cronbach’s Alpha method. Internal consistency of the measure means that the suggested method gives the same results, when we apply the same test under the same condition again and again.

According to the Cuieford the cronbach’s alpha value should be more than 7 that identify the reliability of the measure (Table 3).

Reliability value

The scale that we used in our study is reliable for data analysis. The internal consistency of the measure is good and reliable because the cronbach’s alpha value is >0.7. we get the results of inter item
consistency and reliability coefficients of all independent variables (organizational citizenship behavior, compensation management, employee development) and dependent variable (organizational performance). The calculated values of cronbach’s Alpha are given in Table 3. The cronbach’s alpha values that is near to α=1.0 is considered more significant and value that is less than α=0.6 is insignificant. We measured the organizational performance (telecommunication Pakistan) through 4 items and the value of cronbach’s alpha is α=0.892. This value is near to α=1.0. We measured the compensation management through 5 items and the cronbach’s alpha value is α=0.909, employee development was measured through the 6 items and the cronbach’s alpha value is 0.872 which is significant.

We also measured the organizational citizenship behaviors with 4 items and value of Cronbach’s alpha is α=0.845 that is reliable.

**Correlation (Table 4)**

The first item organizational citizenship behavior is highly correlated with organizational performance with value of 0.586 it means that increase in citizenship behavior of employees increases the performance of organization. So it rejects the null hypothesis that there is no relationship between organization citizenship and performance of organization.

The null hypothesis of employee development has no relation with organizational performance is also rejected because it also correlated with performance of organization with value of 350. There is medium correlation, not highly correlated but there is correlation.

Compensation management is also highly correlated with organizational performance with the value of 0.531 and it will reject the null hypothesis that it has no relationship with performance of organization. This means that it can be interpreted that there is positive relationship between compensation and performance of organization.

There is concluded that there is large Pearson correlation or relationship with these above mentioned items with performance of organization with Pearson correlation of above 0.5 for each.

**Regression**

**Model summary:** The model summary of regression analysis consists of the values of R, R square, adjusted R square, standard error of the estimates. R called the Pearson R. Pearson R is equal to the R². R² is used to determine the model fitness. Coefficient of determination is also called R square. R² is equal to the regression divided by total sum of square which is given in ANOVA Table 5. R square is used to determine the variation in dependent variable that is explained by independent variables. According to Table 6, 37% variation in organizational performance is due to the predictors (Compensation management, organizational citizenship behavior and employee development). The rest of the 62.8% variation in organizational performance is explained by other factors that are not the part of our study (Table 5).

**ANOVA (Table 6)**

The results of ANOVA test reveal that the model is statistically significant that analyzed the factors affecting the organizational performance. The above model demonstrates that the significance level is less than 0.05 that is a sign of approval that there exists a relationship between organizational performance and independent variables of the study.

**Coefficients (Table 7)**

The coefficient table includes unstandardized coefficient (beta and std. error) and also include standardized coefficient (beta) t value and significance. Beta value is value of Y it means value of dependent variable that is organizational performance when there is one unit change in independent variables (compensation, employee development, and organizational citizenship behavior) it would change in dependent variable. t Value is significant at 95 % confidence level

![Correlations Table](image)

Correlation is significant at 0.01 (1-tail).
Correlation is significant at 0.05 (1-tail).

![Model Summary Table](image)

a. Predictors: (Constant), COMPMANAGE, EMPDEVELOP, ORGCLITIZEN.
b. Dependent Variable: ORGPER.

Adjusted R square is based upon the sample size and the number of regressors (constant). The value of standard error of the estimates is calculated with the help of Mean square value of ANOVA Table. The standard error of the estimate is a measure of the accuracy of predictions. Model summary table also includes Durbin Watson value if it is exactly 2 it means there is no auto correlation, but here there is some auto correlation.
that we are confident organizational performance is affected by these independent variables. Organizational citizenship, compensation is positively significant at 95% with t value 5.175 and 2.467, respectively. Employee development is positively insignificant with t value of 0.598.

**Areas needing more contribution**

Several areas in which HR is needed to play a role but were not yet working to fulfill the need and in which HR was already playing significant role but there was still gap in which HR should consider.

a) Scope of this study covers only employees in future this study can be conducted on customer.

b) The comparative research can be conducted between private and public sector.

c) The study conducted only on the Sargodha in future researcher conduct study on other cities of Pakistan as well.

d) In future the study can be conducted on manufacturing firms with more variables.

e) Due to time shortage there are few variables next research can be on human resource management and its impact on change management, financial performance of company.

**Conclusion**

The purpose of the present study is to empirically examine the impact of compensation management, employee development and organizational citizenship behavior on organizational performance of Ufone Company and Mobilink Company (telecommunication Pakistan). A questionnaire survey was conducted among employees and Mobilink’s faculty members. Its intention was to measure the impact of organizational citizenship behaviors, employee development and compensation with the perspective of employees on the performance of organization. The study’s findings indicate that the establishment of higher levels of compensation management practices, employees development and organizational citizenship behavior that will lead to a higher level of organizational performance. As a result, they indicate that compensation management is positively associated with organizational performance (ufone and Mobilink Company). Furthermore, the results also show that the effect of employees development and organizational citizenship behavior are also measures the organizational performance. There are some areas that need more development in future including the topics that relate to the study that can be conducted on manufacturing firms with more variables. There is need to conduct the research that include more variables i.e., human resource management and its impact on change management, financial performance of company in other cities of Pakistan.

**References**


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