

A Probe into the Relationship of Human Resource Practices with Human Resource Optimization

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Abstract—This research investigates the relationship between best human resource (HR) practices and optimized HR among public and private sector of Pakistan. Main objective of this research is to explore the impact of best HR practices on optimized HR in organizations of Pakistan. This study considered five practices such as recruitment & selection, training & development, performance appraisal, promotion and compensation & social benefits as best HR practices. The sample consists of public and private sector organizations and data was collected from all managerial and non managerial employees in various public and private organization of Pakistan. The result shows that there is significant and positive relationship between best HR practices and Optimize HR.

Key words—Human Resource (HR), Human Resource Practices, Optimized HR, Pakistan.

I. Introduction

This research explores the best human resource management (HRM) practices in public and private organization of Pakistan. It also describes the concept of optimized human resource and the impact of optimized human resource on HRM practices.

Human resources management practices play a very important role in achieving the organization's objective and maintain the competitive advantage. HRM practices refer to organizational activities directed at managing the pool of human resource and ensuring that the resources are employed towards the fulfillment of organizational goals (Schuler & Jackson, 1987; Schuler & MacMillan, 1984; Wright & Snell, 1991)[1-3]. In any organization HRM practices utilize and manage their human resource efficiently and effectively and tries to get maximum out of them, objective is to achieve organization goal that is maximum profit. Managing people at work is concerned with deciding approaches and making plans for finding ways of how they perform in the way to achieve company goals (Salanova & Kirmanen 2010).[4]

There are many HR practices which are important and essential for utilizing HR, but there are some HR practices that are considered best, without those best HR practices

implementation and utilization organization can't achieve their goal. Researchers refer to certain sets of HRM practices influenced by the HRM profession as "best practice" or "high-performance" (Kok Jan de et al.,2003)[5] or most appropriate term "Best HRM Practices" by Pfeffer (1994; 1998)[6-7]. There are many researchers who are working to identify the best HR practices for any organization which give the maximum output by utilizing minimum input. In scientific literature there is a debate about the optimum ways in which HRM can be utilized to contribute to a organization's success. As outcome of these debates two main approaches have been proposed: "best fit" and "best practice" (Paauwe & Boselie, 2005)[8]. Best practice approach is the collection of best HRM practices , that can be used in any organization and will produce positive results irrespective of firm conditions (Pfeffer, 1998; Wood and Albanese, 1995; Huselid, 1995) [7, 9-10]. This study focus on Best HR practices approach which are most essential for maximum benefits and positive result, author has presented some best HR practices in this paper.

In this research, Authors have adopted those HR practices, which are most consistent with the prior theoretical and empirical work in the field (Arthur, 1994;Lado & Wilson, 1994; Wright et al., 1994; Dyer & Reeves, 1995; Huselid, 1995; McDuffie,1995; Berker & Gerhart, 1996; Koch & McGrath, 1996) [10-17]. These practices included aspects like recruitment & selection(R&S), training & development (T&D), performance appraisal (PA), promotion and compensation & social benefits.

Main role of HRM system is to utilize their human resources in a very best way so that they perform better and contribute towards success of the organization. Bogdanova et. al (2008) [18] state in his research that HRM try to develop and allocate human capital in the best possible ways in order to achieve long-term goals; they provide them with many benefits and good environments that would boost employee's motivation, job satisfaction, and increase their performance. Many researches are going on utilization of human resource in best way, but there are very limited researches found in this regard, which specifically identified the best ways to utilization of human resource. Optimize HR is a need of any organization in order to get the maximum profit with competitive advantage. This research focus on optimal ways of HR and their impact on HR practices.

This study is conducted for identifying best HR practices and measuring the impact of these best HR



practices on optimized HR. Optimized HR concept is being introduced in this research, though there are many researchers found on optimal use of HR practices, some identified the ways of optimizing HR but there is a gap in implementation side. This research contributes the implementation of optimal ways of best HRM practices that leads the organization to achieve the productivity of the organization.

Rick & Russell (2004) [19] identified 14 critical HR areas in their book, which will result in employee’s great job in a great company. These 14 areas are Compensation, Benefits, Human Capital Management System (HCMS), Learning and Development, Staffing, Leadership Development, Communications, Process Excellence, Business Consulting, Employee Relations, Change Management, Performance Management, Diversity and Measuring Human and Organizational Capital Development

This paper is presented in a sequential manner. Section I describe the brief introduction of the paper. Research methodology including design of research, hypothesis, population and sampling technique, instrumental development and data acquisition is defined in Section II. Section III presents descriptive statistic and demographic analysis and Reliability analysis is presented in Section IV, Section V is dedicated to Hypothesis testing and discussion & conclusion is presented in Section VI.

II. Research Methodology

Quantitative research method is used to investigate the relationship between Best HRM practices and Optimized HR. There are five best HRM practices like recruitment & selection, training & development, performance appraisal promotion and compensation & social benefits are taken as independent variable and seven dimension of optimized as dependent variable.

A. Research Hypothesis

This research has tested the main hypothesis of this study, null and alternative hypothesis are given below:

H0: Best HRM practices do not lead towards optimized HR.

H1: Best HRM practices lead towards optimized HR

B. Population

This study is focused on the impact of best HRM practices on Optimized HR in public and private sector organizations in Pakistan. Population of this study is all the managerial and non managerial employees who are working in different departments of public and private sectors organizations.

C. Sample

A survey instrument in the form of close-ended questionnaire was developed for the purpose of collecting the

main data for the study. This study was conducted in public and private organizations in Pakistan. Non random probability sampling technique is used for selecting the respondent from public and private sectors. The sample of this study is 175 respondents who are working in the different departments in order to study of how best HRM practices impact on Optimized HR in public and private sectors organizations.

D. Instrumental development

Adaptive Questionnaire technique is used for questionnaire development in which all questions are used with some addition; for the purpose of this study 60 questions were made to collect data. Questionnaire was organized in two sections, Section I consists of four questions regarding the personal details of respondents such as gender, company category, experience and size of company. Section II was designed to test employees perceptions about best HRM practices (Recruitment & selection, Training & development, Performance appraisal, promotion and compensation & social benefits) and optimized HR. Five point Likert scale was used to measure the impact of HR practices on Optimized HR outcomes, scaling is from 1 (strongly agree) to 5 (strongly disagree), in order to analyze data. The software used to analyze the data is statistical package for social sciences(SPSS). Comparatively latest version of SPSS i.e. “SPSS 19.0 for windows” is used to test our data.

E. Data Acquisition

A number of 290 questionnaires were distributed in form of soft and hard copy among employees of private and public organization in Pakistan. Final responses were only 175, which is found accurate, completed and received back. Some received questionnaire were not completed and dropped and many respondents did not return it for unknown reasons. The response rate was 60.3% which was acceptable in social science research (Fowler 1988) [20], as shown in Table.1 below:

Table1: Summary of Data Acquisition

	Online sent	Paper based sent	Rejected/ Dropped	Total received
Public	40	100	60	90
Private	50	100	65	85

III. Descriptive statistics

Descriptive analysis refers to the transformation of raw data into a form that would provide information to describe a set of factors in a situation that will make them easy to understand and interpret (Zikmund, 2003) [21]. This analysis will be given information for the data through the frequency distribution, central tendency, and the dispersion. Data are collected on demographic variables are processed and reported in percentages.



Summary of the demographics of the population are presented in below Table 2. Regarding company category question, according to the Table.2, 51% (n=90) respondent from public and 49% (n=90) belongs to private organization of Pakistan, that shows that there is minor difference between respondents of public and private organizations. Question related to gender, the figures in the Table.2 shows that majority respondent i.e. 84% (n=76) are male and female participant are only 16% (n=14). Result related to experience question are; 43% (n=39) respondent in public sector have more than 10 year experience, while only 10% (n=9) from private sector have more than 10 year experience. More than 30% respondents are in 5-10 year range in both private and public organization. This indicates that public organization have more experienced (>10yr) employees than private organization. Regarding size of the company, Table.2 shows that in public sector 96% respondent (n=86) belongs to the organization which have more than 500 employees, its shows that public organization are lies in category of large organization in term of number of employees [22]. While in private sector 45% respondents belong to the organization which have more than 500 employees and 35% are less than 250 employees, which shows that majority private organization are lies under medium to large range of organization in term of number of employees[22].

Table 2: Summary of Demographic analysis

Characteristics		n	%	n	%
Org category	Public	90	51		
	Private	85	49		
Gender	Public		Private		
	Male	76	84	52	61
	Female	14	16	33	39
Experience		90	100	85	100
	<2 yrs	6	7	17	20
	2-5 yr	18	20	27	32
	5-10 yr	27	30	32	38
	>10yr	39	43	9	10
Size of Company	< 50	0	0	9	11
	< 250	2	2	30	35
	250-500	2	2	8	9
	> 500	86	96	38	45

The results obtained in below Table.3 shows that the mean value of all the variables are around 2 (Agree). The highest value for the optimized HR with mean 2.95 and compensation & social benefit with 2.87 which shows that

most of the responses collected through the questionnaires were on the neutral side i.e. not agree not disagree. Moreover the dispersion value of the variables is on the positive side of the mean, which shows that the spread of the values on the normal distribution curve. As evident from the Table.3 below, the T&D and promotion has the most widely dispersed values with a mean of 2.81 and 2.69 respectively with corresponding standard value deviation of 0.978 and 0.929.

Table 3: Summary of mean and standard deviation

	No. of items	Mean	S.D
R& S	6	2.41	.768
T&D	4	2.81	.978
PA	5	2.48	.742
Promotion	4	2.69	.929
Compensation & Social Benefit	11	2.87	.707
Op.HR	7	2.95	.771

Note. Ratings based on statements that used a five-point Likert-type scale: Strongly agree (1), Agree (2), Neutral (3), Disagree(4), Strongly Disagree (5). M=Mean, SD=Standard Deviation

IV. Reliability Analysis

The internal reliability of the items was verified by computing the Cronbach’s alpha (Nunnally, 1978)[23]. Nunnally (1978) [23] suggested that a minimum alpha of 0.6 sufficed for early stage of research. The Cronbach alpha estimated for recruitment & selection is .75, training and development is .85, performance appraisal is .75, promotion is .81, compensation and social benefit is .84 and optimized HR is .86. Table.4 presents the result of reliability test for all dimensions, which indicates that all of the values are more than 0.6. These statistics reveal that internal consistency of item to the concept is good.

Table 4: Result of Reliability Analysis

HR items	No of Items	Cronbach's Alpha
R& S	6	0.75
T&D	4	0.85
PA	5	0.75
Promotion	4	0.81
Compensation & Social Benefit	11	0.84
Op.HR	7	0.86

v. Hypothesis Testing

In this study, dependent variable was optimized HR where as independent variable was the best HRM practices. Optimized



HR was measure by seven items (question), recruitment & section practice was measured by using six items, four items were used to measure two HR practices i.e., training and development and promotion practice. Five items were used to measure performance appraisal and compensation and social benefits practice was measured by eleven items. When some concepts are measured by several items (questions), the items can be summarized to calculate the mean values. This is called calculating total scale scores. To conduct the analysis and to test the hypotheses, total scale score was calculated for optimized HR and each HRM practices.

Multiple regression analysis and correlation analysis were conducted to test the hypotheses of this study. Correlation is a measure of relationship between two variables. The correlation coefficient gives a mathematical value (-1 to 1) for measuring direction and the strength of the linear relationship between two variables. A correlation of $r=.10$ is described as a small effect size, a correlation of $r=.30$ is described as a medium effect size, and a correlation of $r=.50$ is described as a large effect size (Cohen, 1988) [24]. Pearson’s correlation coefficients were computed through bivariate correlation for this study. Multiple regression analysis is the most commonly used technique to assess the relationship between one dependent variable and several independent variables. The purpose of regression analysis is to relate a dependent variable to a set of independent variables (Mendenhall and Sincich, 1993)[25].

Pearson correlation analysis was conducted between dependant variable i.e., optimized HR and independent variable of five best HRM practice i.e. recruitment & selection, training & development, performance appraisal, promotion and compensation & social benefits. Results shown in Table.5 describe that there are strong and positive relationships between optimized HR and compensation & benefits ($r=.608$) and promotion($r=.503$). There is moderate and positive relationship between optimized HR and performance appraisal($r=.481$), training & development ($r=.452$) and R&S ($r=.382$). Pearson correlation coefficients illustrate that there is positive relationship between all HR practices and optimized HR. correlation coefficients of five independent variables are significant at the significant level of 1% as shown Table.5.

Regression analysis was conducted with optimized HR as the dependent variable and five HR practices as the independent variable. According to the table 6 , the adjusted R^2 is 0.422 and F value is 26.420 ($p = 0.000$) that reveals all best HR practices variable have significantly explained the 26.4% of the variance in optimized HR.

It is also found that regression coefficient of compensation and social benefit ($B=.443$; $p= .000$) and promotion ($B=.155$; $p= .014$) are significant with Optimized HR at 1% and 5% significant level respectively presented in Table.6. While other variables recruitment & selection, training, performance appraisal are found insignificant with variables in explaining the variance in Optimized HR. It is of

interest to note that while studying individually only two dimensions of HRM practices emerged as the predictor of employee optimized HR in the case of public and private organization of Pakistan. These practices are compensation & social benefit and promotion. The overall p-value of model is <0.001 which shows that all best HRM practices has highly significant positive effect on optimized HR. Therefore overall result of regression supports the alternative hypothesis that best HRM practices are positively related to optimize HR. Hence, on the bases of overall model and values, the null hypothesis is rejected and alternative hypothesis is supported by the data set.

Table 5: Result of Pearson correlation coefficients best HR practices and Optimized HR

	R.S	T&D	PA	Promo tion	Comp	O.HR
R & S	1					
Training & Development (T&D)	.560**	1				
Performance Appraisal (PA)	.575**	.558**	1			
Promotion	.450**	.453**	.580**	1		
Compensation & Benefit (Comp)	.377**	.499**	.535**	.514**	1	
Optimized HR (O.HR)	.382**	.452**	.481**	.503**	.608**	1

** significant at 1% level

Table 6: Result of regression analysis for Optimized HR

ANALYSIS OF VARIANCE				
Correlation (R)	0.662			
R- squared	0.439			
Adjusted R- squared	0.422			
Standard Error of Estimates	0.586			
F (26.420) p = .000				
	Coefficients (B)	Standard Error	t Stat	P-value
intercept	0.743	0.203	3.654	0.000
Recruitment & Selection	0.048	0.076	0.637	0.525
Training	0.076	0.061	1.253	0.212
Performance Appraisal	0.076	0.087	0.876	0.382
Promotion	0.155	0.062	2.48	0.014
Compensation & Benefit	0.443	0.08	5.522	0.000

VI. Discussion & Conclusion

The aim of this research is to explore the relationship between best HRM practices and optimized HR and to explore the impact of best HRM practices on optimized HR. Regression and correlation analysis result shows that there is significant and positive relationship between best HRM practices and optimized HR, which means that effective implementation of best HRM practices leads the HR towards optimization. Finding of this study also shows that compensation & social benefits and promotion had found only two significant predictors of explaining the variance of optimized HR at significance level 1% and 5% respectively . It shows that employees would be given appropriate benefits & rewarded according to their desired behavior and core values, and would promote the internal promotion environment in the public and private organization of Pakistan. As a result, employee would be satisfied and motivated towards their goal and perform better and struggle to achieve organization goal. Hence it is concluded that there is positive and significance relationship between bundle of best HRM practices and optimized HR in public and private organization of Pakistan. Future researchers can also study other best HRM practices and can investigate the relationship with optimized HR in any sector.

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