Human Resource Professionals’ Effectiveness, Organizational Culture and High Performance Work System Link: Evidence from Pakistan

Muhammad Fareed¹*, Mohd Faizal Mohd Isa², Wan Shakizah Wan Mohd Noor³

¹School of Business Management, College of Business, Universiti Utara Malaysia, Malaysia, ²School of Business Management, College of Business, Universiti Utara Malaysia, Malaysia, ³School of Business Management, College of Business, Universiti Utara Malaysia, Malaysia. *Email: fareed.dr143@gmail.com

ABSTRACT

Human resource professionals’ effectiveness (HRPE) is widely discussed as the most significant factor within the organization to gain sustainable competitive advantage at the present time. Nonetheless, the study investigates the impact of organizational culture (OC) on HRPE in telecom sector of Pakistan. Moreover, it also examines the moderating role of high performance work system (HPWS) in above mentioned correlation. A total of 75 survey questionnaires were distributed to HR managers of telecom firms, out of which 40 HR manager responded which makes 53.3% response rate. The study has used SmartPLS 3 for the assessment of the hypothesized model. The statistical results have established the strong positive effect of OC on HRPE, however, findings reveal HPWS doesn’t moderate this relationship. The study concludes organizations with strong OC can achieve sustainable competitive advantage by augmenting HRPE, moreover, organizations have to align their HR strategies with robust HR system which can enhance HRPE. The findings of the study are of a great value to both theory and practice and have vital implications for academicians, practitioners and policy makers.

Keywords: Human Resource Professionals’ Effectiveness, Organizational Culture, High Performance Work System, Telecom, Pakistan, Structural Equation Modeling-Partial Least Square

JEL Classifications: D23, L20, O15

1. INTRODUCTION

In the modern global economies, the business situations are turning more explosive and competition is rising stronger each day (Ulrich et al., 2009). Though, in such an environment, global economies bring several challenges to human resource (HR) functions where firms must strive for sustainable competitive advantage. Pertinent to this, HR professionals are being consistently questioned to assist businesses to compete, and to do so HR must recognize and adapt to the modern business trends and challenges (Ulrich et al., 2008). It is believed that competent and capable HR professionals are vital for the success of any organization in gaining and sustaining a competitive advantage (Kirwan and Birchall, 2006). Scholars have argued that sustaining competitive advantage is likely to be greater when strong HR system is in place (Bowen and Ostroff, 2004; Huselid, 1995). Moreover, the strategic role of a firm’s HR management (HRM) system has become the focus of empirical investigation (Huselid et al., 1997; Jackson and Schuler, 1995).

In today’s highly competitive environment, companies’ traditional sources of competitive advantage, such as technology, patents and economies of scale, have been weakened by globalization and other environmental changes (Ulrich and Lake, 1990). As an alternative, managers and leaders recognize strong organizational culture (OC) to achieve long and short term objectives (Kuratko and Welsch, 2004) as well as to sustain firm’s competitive advantage (Barney, 1986; Pfeffer, 1994). While, Goromonzi (2016) indicated that the deviation in performance or effectiveness can also be explicated through intangible resource aptitudes of an organization. Whereas, culture and HR strategic implication capability are some of the significant intangible competences of an organization that has a direct influence on performance. Moreover, it demands higher
level of skillful HR professionals in the organization to sustain long-term competitive advantage. Becker and Huselid (1998) have emphasized that considering economic transformation from agriculture to industrial, formerly industrial to services and lately to information economy, one of a source of competitive advantage for any business can be its HRs.

Since last decade, the global telecom sector has continued to grow, mainly because of technological progressions and rising trends of smart phone adoption. In the similar fashion, telecom sector of Pakistan has grown too primarily as a result of trade and investment liberalization, favorable policies and strong rivalry. Furthermore, government of Pakistan has sustained the telecom sector of Pakistan by way of tax reliefs, import duties and regulatory charges (Imtiaz et al., 2015). Similarly, the advancements in information and communication technology have shaped intense competition due to customers and suppliers’ awareness in Pakistan (Fareed et al., 2016). Fast expansion and aggressive rivalry in the sector is having a reflective consequence on how industry providers ought to cope with their strategies to fascinate and most importantly please and preserve their valuable employees. On the other hand, there is a horrible fact that scholars have found several issues “HR development (Halepota and Shah, 2011) recruitment and selection standards (Malik et al., 2012) job stress and dissatisfaction (Mansoor et al., 2011) high turnover (Abdullah, 2006; Hussain and Asif, 2012)” in telecom sector of Pakistan mainly due to HR professionals are incompetent to perform what is expected from them and companies are unable to create strong OC where employees’ empowerment is encouraged. Therefore, the purpose of this research is to examine the influence of OC on HR professionals’ effectiveness (HRPE) through moderating impact of high performance work system (HPWS).

2. LITERATURE REVIEW

2.1. HRPE

Preliminary the research to assess HRM effectiveness has established with the investigation of Tsiu (1984) where he has given the idea that the effectiveness of employees would require to be scrutinized. At the present time, effectiveness of HRM is a condemning element in the expansion process of developing countries (Fareed et al., 2016). Moreover, recently scholars and practitioners have positioned their prominence on the effectiveness of managers and their performance especially in developing countries and economies (Ahmad et al., 2015; Mangi et al., 2012). Additionally, Mangi et al. ascertain that HR professionals are not skillful to advance or execute good HR practices which lead to discontent of employees and eventually employees are incompetent to execute what is estimated from them. As a result, the effectiveness of the HR professionals is very much under inspection (Sultan et al., 2012).

Rastogi and Dave (2004) claimed that HR effectiveness can be viewed as output which HR professionals construct from a given situation. Moreover, it can be seen as HR contribution to firm’s performance (Ruel et al., 2007). Whereas, Ahmad et al. (2015) stated HRPE as successful and effectual execution of HRM functions which reflect the effectiveness of both HR professionals as well as the organizations. In other words, it can be defined as the successful achievement of goals by the HR professionals. Currently, HR effectiveness is a critical component in the growth of developing countries (Fareed et al., 2016), even though it is a critical component, HRM is still in healthy criticism in several developing economies with significant reservation about their effectiveness (Praha, 2004; Wang and Shyu, 2008).

2.2. OC

Schein (1992) defined OC as “shared norms, values, and assumptions.” Thomya and Saenchaiyathon (2015) described OC as the observable objects, for instance; symbols, rituals, stories and behaviors or central values which are hard to distinguish, for example; feelings, beliefs and attitudes. Additionally, Fareed et al. (2016) clarified OC “in a way a group of people think, which directly influence the way they behave inside the organization.” They further specified it “as a unique pattern of norms, values, beliefs and ways of behaving that characterize the manner in which groups and individuals come together to get things done.” Besides, they highlighted that OC is the practical attitude of the organization, which is composed and recognized over ages by means of diverse “formal or informal” social process.

Since early 1990s, OC has been a very momentous topic in the literature of managerial researches (Fareed et al., 2016). OC has focused on the culture of a firm as a reflection of its forefather and top leaders (Hofstede et al., 1990). Several scholars have examined OC as a foundation of sustainable competitive advantage (Barney, 1986; Pfeffer, 1994). According to theory premises, HR leaders should be capable of shaping strong OC to fit the effective anticipated strategies (Al-Swidi and Mahmood, 2012; Kuratko and Welsch, 2004). Further, theory postulates that OC might influence the constructive behaviors of individuals and such constructive behaviors are significant for employees’ effectiveness (Schein, 1985). Once employees recognize with the culture of an organization, the work setting appears to be more pleasant which improves the employees’ morale, teamwork, information sharing in addition to the acceptability to fresh ideas (Goffee and Jones, 1996). Such behaviors lead to increased interface and constant learning amongst individuals and individuals likely to be more effective in fulfilling their responsibilities (Fareed et al., 2016). Moreover, Denison and Mishra (1995) stated that specific traits of OC can be pragmatic predictors of employees’ effectiveness.

Scholars (Deal and Kennedy, 1982; Peters et al., 1982) have emphasized on the strategic importance of OC which presents employees to be strategic partners of the organization that can improve employees’ effectiveness by way of communication and teamwork. Furthermore, researchers clarified that contemplation of correlation between OC and effectiveness is fractional because of the unfortunate measurements of effectiveness (Fey and Bjorkman, 2001; Fey and Denison, 2003) even though researchers have found the robust impact of OC on employees’ and organizational effectiveness (Clugston et al., 2000; Rowe et al., 1994; Wasti, 2003). It is believed that extremely effective organizations embrace a culture which encourages employees’ involvement that ultimately leads to employees’ productivity (Fareed et al., 2016). Nevertheless, employees willingly involve in such culture where
decision-making, goal setting and problem resolving activities have constantly been inspired that sequentially lead to superior employees’ performance (Hellriegel et al., 1998). However, any attempt to measure OC must be taken into consideration in different concepts (Goromonzi, 2016). Hence, established on the above discussion, it is hypothesized that:

H₁: OC is positively linked to HRPE.

2.3. HPWS

Scholars have argued that the classification of HPWS can depend on industrial settings (Bartram et al., 2007; Stanton et al., 2010). Nevertheless, most profound scholar in this research work has denoted HPWS as a system which contains extensive HR practices, such as; rigorous staffing practices, performance management, compensation management system besides training and development undertakings which aims to highlight, acquire and enhance employees’ skills and behaviors which are vital to implement a firm’s competitive strategy (Huselid, 1995). Fundamental argument about HPWS is that ‘organizations could enjoy the modern technological equipment but such equipment would be inadequate without well trained, innovative, extremely driven and proficient employees’ (Fareed et al., 2016). Additionally, they elaborated that HPWS is a perception through which organizations are willing to accomplish their mission by HR professionals.

Whitener (2001) further suggested that HPWS assists organizations to create conducive workplace environment with the purpose to encourage individuals to attain organizational goals. However, organizations which implement HPWS are frequently identified as ‘high performance culture organizations’. Furthermore, Fareed et al. (2016) have highlighted few HR practices as the components of HPWS which enhance HRPE, such as; opportunities to grow, developing competencies, teamwork, participatory working environment, fairness and consistent management practices. Nadler et al. (1992) explicated that HPWS is an organizational operational design that brings together work, employees, technology and information in a manner which improve the communication amongst employees permitted to produce employees’ effectiveness. In spite of the fact that, research has shown positive impact of HPWS on effectiveness, empirical studies to the point indicate that the execution of HPWS to some extent is partial and scarce (Godard, 2004; Posthuma et al., 2013).

Additionally, it is seen there is a link between OC and HRM practices, more specifically high performance work practices (Hartog and Verburg, 2004). They believe that high performance work practices might have an impact on OC or the other way around, whereas, high performance work practices positively correlate with perceived employee performance. Further, they proposed that it is worth exploring to determine if employee performance can be enhanced by aligning OC with high performance work practices. As research shows the empirical evidence concerning the relation between OCs, HPWS and employees’ performance is partial up till now (Hartog and Verburg, 2004). Moreover, Fareed et al. (2016) have emphasized to investigate the link between OC, HPWS and HRPE. Consequently, in the light of above discussion, the succeeding hypothesis can be formulated:

H₂: HPWS moderates the link between OC and HRPE.

3. RESEARCH FRAMEWORK AND METHODOLOGY

Research framework is established grounded on the extensive literature review and resource-based view (RBV) theory (Figure 1). According to RBV, organizations who own superior HRs would recognize and implement unique strategies which competitors would not be able to imitate easily (Barney, 1991). Therefore, it is important to study the influence of OC, on HRPE through HPWS in the background of telecom sector of Pakistan.

The data of the study has been collected through survey questionnaires from HR professionals of telecom sector of Pakistan. However, the survey questionnaire for the current study is drawn from the previous research studies, for instance (Becker and Huselid, 1998; Han et al., 2006; Van der Post et al., 1997; Wang and Chen, 2013) and modified appropriately for the better understanding of the respondents in the Pakistani environment. All the indicators are measured using five point Likert scale where 1 is for strongly disagree and 5 is for strongly agree. Additionally, a pilot test was conducted with 15 HR professionals to measure the internal consistency of the instrument. The Cronbach’s alpha values can be seen from Table 1, in fact, internal consistency of all constructs are higher than 0.60 which is quite acceptable as per criteria specified by Hair et al. (2010).

The population of the study included HR professionals ‘HR specialists and HR generalists’ of five telecom firms of Pakistan. These HR professionals are involved in HRM practices within their departments, such as; operational managers, functional managers and line managers, however, the total population of the present study was 85 HR professionals. To achieve the objectives of the study, self-administered survey questionnaire was distributed to 75 HR professionals of telecom firms, out of
which 40 questionnaires were received which represents a response rate of 53.33%. Due to self-administration method and repetitive follow-ups by the researchers, there were no missing values in the data collected. Moreover, the current research has used G*Power analysis technique for calculating sample size, which is most popular technique in social science (Cohen, 1992). However, the total sample size for the present study is 74 HR professionals. Figure 2 displays the calculation of G*power analysis:

Sekaran (2003) proposed that sampling design and sample size are very crucial part of quantitative research as proper sampling design assists researchers to draw conclusion that can be generalized to the whole population. Nevertheless, researchers have adopted snowballing sampling technique as it has fascinated relatively a lot of responsiveness over the years. Further, it is an exceptionally convenient sampling technique for attaining access to the respondents who are extremely tough to find under common circumstances (Bhattacherjee, 2012; Bryman and Bell, 2011).

4. DATA ANALYSIS AND FINDINGS

The partial least square structural equation modeling (PLS-SEM) has been applied for the purpose of assessment of measurement and structural model using SmartPLS 3.2.3. Testing validity and reliability of the constructs are the vital steps prior to examine the hypotheses (Al-Dhaafri et al., 2016). A detailed assessment of the management literature exposes that PLS-SEM is widely being accepted as a non-parametric technique of testing model in last decade (Al-Dhaafri et al., 2014). Likewise, covariance based-SEM, PLS-SEM is a latent variable modeling technique that combines various dependent constructs and clearly identifies measurement errors (Karim, 2009). The purpose of this study was to examine the impact of OC on HRPE through moderating effect of HPWS (Figure 1).

4.1. Assessment of Measurement Model

Measurement model which is also recognized as outer model, is a structural correlations among latent variables and their indicators. Measurement model can be examined through construct validity and reliability, more precisely, it can be measured using convergent and discriminant validities using the values of composite reliability (CR) and average variance extracted (AVE) (Al-Dhaafri et al., 2016; Henseler et al., 2009).

4.1.1. PLS factor analysis result

For the objective of factor analysis, PLS algorithm has been calculated in SmartPLS 3.2.3 (Ringle et al., 2015) and attained the factor loadings and cross-loadings. The results showed (Figure 3) that factor loadings for all items were in between 0.518 and 0.843, which is considerably adequate in exploratory study (Hair et al., 2014). Nevertheless, OC1, HPWS6, HPWS9, HRPE3 and HRPE7 items loaded low as per criteria identified by Fornell and Larcker (1981) and these items have been deleted from the measurement model. Conversely, items for each construct loaded high in their respective construct above the cross-loadings in other constructs. Consequently, this shows the good internal consistency of the measurement model.

Figure 2: Output of power analysis using G*power
4.1.2. Internal consistency and convergent validity (CV)

CR, AVE and factor loadings techniques have been used to assess the internal consistency and CV established on the criteria specified by Hair et al. (2010). They stated that CV is a degree of agreement between a set of items which converge to measure a particular construct. According to management scholars the values for factor loadings should be higher than 0.7, whereas for AVE it should be at least 0.5 and for CR minimum 0.7 (Hair et al., 2010; Fornell and Larcker, 1981). Nevertheless, Hair et al. (2014) claimed that factor loadings above 0.4 could be retained, unless if the deletion of those items would increase the values of AVE or CR. However, From the Table 2 it can be seen that the values of AVE and CR have exceeded the benchmark set earlier. Furthermore, Table 3 depicts that all the items are significant at P = 0.000 which confirms the CV and internal consistency of the measurement (Hair et al., 2014).

4.1.3. Discriminant validity

Hair et al. (2014) designated discriminant validity is the degree to which a set of indicators represent a latent construct and how they can differentiate a construct from other constructs in the research model. Explicitly, the indicators are obligatory to have variances amongst each other greater than the variance shared with other variables. According to Venkatesh and Morris (2000) the square root of AVE value for each latent construct should be higher than the value of correlation with other constructs. However, the highest correlation amongst the constructs has been found 0.687 between OC and HRPE (Table 4), whereas, the lower value of square root of AVE is 0.537 for HPWS. Table 4 shows that the square root of AVE values for each construct is greater than the value of correlations of that particular construct with other constructs. This is consistent with the criteria identified by Fornell and Larcker (1981), however, it confirms the discriminant validity of the measurement model is good.

Table 2: Factor loadings, CV and reliability

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Items</th>
<th>Loadings</th>
<th>Cronbach’s α</th>
<th>CR</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRPE</td>
<td>HRPE1</td>
<td>0.837</td>
<td>0.884</td>
<td>0.907</td>
<td>0.523</td>
</tr>
<tr>
<td></td>
<td>HRPE2</td>
<td>0.660</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HRPE4</td>
<td>0.747</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HRPE5</td>
<td>0.655</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HRPE6</td>
<td>0.633</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HRPE8</td>
<td>0.764</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HRPE9</td>
<td>0.829</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HRPE10</td>
<td>0.586</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HRPE11</td>
<td>0.756</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OC</td>
<td>OC2</td>
<td>0.694</td>
<td>0.899</td>
<td>0.916</td>
<td>0.500</td>
</tr>
<tr>
<td></td>
<td>OC3</td>
<td>0.696</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>OC4</td>
<td>0.814</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>OC5</td>
<td>0.720</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>OC6</td>
<td>0.641</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>OC7</td>
<td>0.716</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>OC8</td>
<td>0.783</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>OC9</td>
<td>0.714</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>OC10</td>
<td>0.742</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>OC11</td>
<td>0.592</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>OC12</td>
<td>0.638</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HPWS</td>
<td>HPWS1</td>
<td>0.518</td>
<td>0.848</td>
<td>0.887</td>
<td>0.537</td>
</tr>
<tr>
<td></td>
<td>HPWS2</td>
<td>0.663</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HPWS3</td>
<td>0.576</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HPWS4</td>
<td>0.812</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HPWS5</td>
<td>0.800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HPWS7</td>
<td>0.843</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HPWS8</td>
<td>0.839</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*CR=(Σ factor loading)²/[(Σ factor loading)²+Σ(variance of error)], ΑVE=Σ(factor loading)²/(Σ(factor loading)²+Σ(variance of error)). HPWS: High performance work system, HRPE: Human resource professionals’ effectiveness, OC: Organizational culture, CR: Composite reliability, AVE: Average variance extracted*
4.2. Assessment of Structural Model and Hypotheses Testing

Following the successful validation of measurement model, the structural (inner) model was examined and the proposed hypotheses are tested by bootstrapping technique as stated by Hair et al. (2014). Below Figures 4 and 5 and Table 5 illustrated the results of the direct and moderating hypotheses.

Table 5 depicts the positive impact of OC on HRPE at the 0.000 level of significance (β = 0.561, t = 3.588, P < 0.001). Similarly, hypothesis related to moderating effect of HPWS has also been found significant, though, at 10% level of significance (β = 0.093, t = 1.731, P = 0.084). Hence, both hypotheses have been supported.

Table 4: Correlations of discriminant validity

The values in the diagonals cells (bold) are the square root of the AVE while the un-bolded values are the correlations. HPWS: High performance work system, HRPE: Human resource professionals’ effectiveness, OC: Organizational culture, AVE: Average variance extracted.

<table>
<thead>
<tr>
<th>No.</th>
<th>Hypotheses</th>
<th>Path coefficient</th>
<th>SE</th>
<th>t-values</th>
<th>P values</th>
<th>R²</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H₁</td>
<td>OC→HRPE</td>
<td>0.561</td>
<td>0.156</td>
<td>3.588</td>
<td>0.000**</td>
<td>0.708</td>
<td>Supported</td>
</tr>
<tr>
<td>H₂</td>
<td>OC*HPWS→HRPE</td>
<td>0.093</td>
<td>0.054</td>
<td>1.731</td>
<td>0.084**</td>
<td>0.720</td>
<td>Supported</td>
</tr>
</tbody>
</table>

*P<0.05; **P<0.01; ***P<0.001. HPWS: High performance work system, HRPE: Human resource professionals’ effectiveness, OC: Organizational culture, SE: Standard error.
Figure 4: Direct effect model (bootstrapping)

Figure 5: Moderating effect model (bootstrapping)
The present study has contributed to the literature of strategic HRM on the viewpoint of HRPE, OC and HPWS. Moreover, the study is a primary effort in the telecom sector of Pakistan using OC and HPWS to apprehend HRPE model rather than HR practice centered assessment. The study has found the significant positive impact of OC on HRPE in telecom sector of Pakistan. Additionally, HPWS significantly moderates the above said relationship since study has found upsurge in $R^2$ “0.708-0.720” subsequently introducing interacting term of moderating variable. However, in this highly competitive global economy, it is truly important for every organization to sustain competitive advantage through their HRs by providing strong OC to ensure the success of all HR strategies and facilitating such HR extensive practices which enable professionals and enhance their effectiveness.

Although, this study is a significant contribution in the SHRM literature in the context of Pakistan, nevertheless, future researches might reflect on adding other variables which can enhance employee and organizational effectiveness in telecom sector of Pakistan. Moreover, variables which have been utilized by the current research were impeccably examined uni-dimensionally due to the limited time and data accessibility. Upcoming scholars might study such variables multi-dimensionally to get a more comprehensive picture. Besides, influx of historic foreign direct investment of USD 46 billion in the shape of China-Pakistan Economic Corridor subsequently give emphasis to the importance of studying employees’ and organizational effectiveness in the governmental organizations of Pakistan for the better business opportunities and security conditions for foreign investors. Public sector organizations must look towards their HRs for gaining sustainable competitive advantage in this turbulent and competitive environment. Additionally, upcoming researchers might consider qualitative and/or mixed-method approach to explore the phenomenon more comprehensively by studying higher professionals. By doing that researchers may get into clearer understanding how organizations of Pakistan can perform effectively. The scope of the study might also be enhanced by future research studies to other private and public sectors of Pakistan.

**REFERENCES**


Venkatesh, V., Morris, M.G. (2000), Why don’t men ever stop to ask for directions? Gender, social influence, and their role in technology acceptance and usage behavior. Management Information Systems

