THE IMPACT OF HUMAN RESOURCE PRACTICES ON HUMAN RESOURCE
OUTCOMES OF SMALL AND MEDIUM ENTERPRISES IN PAKISTAN

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ABSTRACT

The purpose of this study is to investigate the overall influence of the human resource practices that contributes in organizational commitment and human resource outcomes. These practices are of significant value and can play a pivotal role in small and medium enterprises growth. The study is quantitative in nature. Field survey method was used to collect the primary data from 311 small and medium enterprises operating in Karachi, Pakistan. The data was analyzed by using descriptive statistics, correlation, t-test, ANOVA, multiple regression and MANOVA analysis. Findings revealed that human resource practices, organizational commitment and human resource outcomes executed at moderate level in small and medium enterprises. The study reported positive relationship among human resource practices, organizational commitment and human resource outcomes. The analysis also showed that all human resource practices variables are significantly predict the variance in organizational commitment and human resource outcomes. Moreover, the regression results indicated that organizational commitment does not influenced the relationship between human resource practices and human resource outcomes. Overall results suggested that human resource outcomes and organizational commitment are activated by human resource practices. In light of the findings it is cleared that small and medium enterprise owners/managers can maximize the organizational commitment and human resource outcomes through human resource practices. This study reported the impact of human resource practices on organizational commitment and human resource outcomes in small and medium enterprises and hence contributed to existing knowledge by reporting empirical proves. Consequently this study is considered as the pioneering research in context of Pakistan.

KESAN AMALAN SUMBER MANUSIA TERHADAP HASIL SUMBER MANUSIA FIRMA KECIL DAN SEDERHANA DI PAKISTAN

ABSTRAK

Tujuan kajian ini adalah untuk menyiasat pengaruh keseluruhan amalan sumber manusia yang menyumbang dalam komitmen organisasi dan hasil sumber manusia. Amalan-amalan ini mempunyai nilai yang penting dan boleh memainkan peranan penting dalam pertumbuhan perusahaan kecil dan sederhana. Kajian ini adalah kuantitatif dalam alam semula jadi. Kaedah kajian lapangan telah digunakan untuk mengumpul data utama dari 311 perusahaan kecil dan sederhana yang beroperasi di Karachi, Pakistan. Data dianalisis dengan menggunakan statistik deskriptif, korelasi, ujian-t, ANOVA, regresi berganda dan analisis MANOVA. Hasil kajian ini menunjukkan bahawa amalan-amalan sumber manusia, komitmen organisasi dan hasil sumber manusia dilaksanakan pada tahap sederhana dalam perusahaan kecil dan sederhana. Kajian yang dilaporkan hubungan positif di kalangan amalan sumber manusia, komitmen organisasi dan hasil sumber manusia. Analisis juga menunjukkan bahawa semua amalan sumber manusia pembolehubah ketara meramalkan perbezaan dalam komitmen organisasi dan hasil sumber manusia. Selain itu, keputusan regresi menunjukkan bahawa komitmen organisasi tidak dipengaruhi hubungan antara amalan sumber manusia dan hasil sumber manusia. Keputusan keseluruhan menunjukkan bahawa hasil sumber manusia dan komitmen organisasi diaktifkan oleh amalan-amalan sumber manusia. Memandangkan kajian, dijelaskan bahawa pemilik / pengurus perusahaan kecil dan sederhana boleh memaksimumkan komitmen organisasi dan hasil sumber manusia melalui amalan-amalan sumber manusia. Kajian ini melaporkan kesan amalan sumber manusia dalam komitmen organisasi dan hasil sumber manusia dalam perusahaan kecil dan sederhana dan dengan itu menyumbang kepada pengetahuan sedia ada dengan melaporkan empirikal membuktikan. Oleh yang demikian kajian ini dianggap sebagai penyelidikan perintis dalam konteks Pakistan.

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EOC	-	Employer of choice
HR department	-	Human Resource department
HR functions	-	Human Resource functions
HR management	-	Human Resource management
HR manager	-	Human Resource manager
HR outcomes	-	Human Resource outcomes
HR practices	-	Human Resource practices
HR professional	-	Human Resource professional
HR	-	Human Resource
HRIS	-	Human Resource Information System
HRM	-	Human Resource Management
SME	-	Small and Medium Enterprise
SMEDA	-	Smalland Medium Enterprise Development Authority

CHAPTER 1

INTRODUCTION

This thesis is broadly concerned with human resource practices (HR practices) that influence organizational commitment and shapes the human resource outcomes (HR outcomes) in the SMEs. It highlights the relationships between how problem statement and research questions related to the HR practices, organizational commitment and HR outcomes in the small and medium enterprises (SMEs) of Pakistan. Specifically, it investigates the way in which such enterprises implement and practice human resource activities to ensure the commitment of employees, which ultimately contributes to the HR outcomes. Chapter one intends to present a description about the background of the study. Problem statement, research objectives, research questions and hypotheses are presented in this chapter. Thus this

chapter helps to identify operationalization for research, discussed in the available literature of HR practice.

1.1   Introduction

In current epoch organizations are persistently facing the innovative challenges to substantiate their position in the business world. They are supposed to respond swiftly to technological changes, global competition, deregulation, and rapid demographic changes. The unrestrained business environment limits the option for business processes efficiencies, and on the counterpart, retention, competencies and commitment of employee is become one of the emerging challenges facing by many business organizations.This issue become more crucial in small and medium enterprises (SME).

Many studies found that retention, competencies and commitment of employees, are recognize as a vital for the achievement of organizational goals (Chew & Chan, 2008; Falkenburg&Schyns 2007; Zheng, Morrison & Neill, 2006; Osman,Ho&Galang, 2011). Organizations are now striving to be the "employer of choice". According to Clarke (2001) 'employer of choice' (EOC) is an organization that outperforms its competition in the attraction, development and retention of people with business-required aptitude, often through innovative and compelling human resource programs. Organizations are assumed to creating a likeable and competitive working environment.They offer challenging assignments that foster personal growth. Incorporationof these elements in structure, enable organizations, to perform well in

terms of employee relationship. Hence they are considered as a preferred employer or employer of choice, while making employment decision by a potential employee.

Essentially more organizations are now realizing the significance of employees and consider it as a strategic issue, hence, adaptation of effective HR practices program may provide an edge for organizational sustainability and regarded as a competitive advantage in the business.

1.2   Overview of the socio-economic condition of Pakistan

Small and medium sized enterprises represent a large, diverse and important sector worldwide and considered as the most significant sector which contributes in the development of a country. In recent years the small and medium sized enterprises (SME) have come under "public policy limelight" (Schlogl, 2004) and get attention of the policy makers of developed and developing countries. According to the figures and facts provided by the UNIDO, 90 percent business worldwide are fall into the category of SME sector and it provide approximately 60 percent employments around the world.

Analysing the significance of SME sector worldwide and its importance into the country's economy it can be inferred that SME sector plays a vital role in developing the Pakistan's economy.

Islamic Republic of Pakistan got independence in 1947 from British India. Pakistan follows the Federal Republic Government system. It has four provinces which include Sindh, Punjab, Balochistan and Khyber Pakhtunkhwa, and one territory Federally Administered Tribal Areas (FATA) and one capital territory Islamabad. Pakistan follows common law system with Islamic law influence. It has joint electorates and reserved parliamentary seats for women and non-Muslims. President of the country holds the position of Chief of the State and Prime Minister is the Head of the Government. The Cabinet appointed by the President of Pakistan upon the advice of the Prime Minister of the country. The President elected through an Electoral College comprising the members of the Senate, National Assembly, and Provincial Assemblies for a five-year term. Majlis-e-Shoora consists of the Senate and the National Assembly.

Pakistan is situated in the Southern Asian region bordering with India on the east and Iran and Afghanistan on the west and China in the north. The total area of the country is 796,095 sq km, it has four seasons, and mostly the weather is hot and dry. Pakistan has extensive natural gas reserves. Pakistan is basically an agriculture country with the irrigated land field of 198,700 sq km.

Pakistan is a 6th most populated country in the world with the population of 190.29 million. Muslims are in majority with the ratio of 95 percent and rest of the population include Christian and Hindu. Urdu is the national languages of the country and English is the official language of Pakistan, moreover, more than eleven languages are widely spoken in the different areas of the country. The literacy rate of the country is 49.9 percent with educational expenditure of 2.7 percent of total GDP.

Pakistan is a developing country and mostly the economy based on agricultural activities. However country substantially shifted to industrial activities as well. Textiles industry is one of the most prominent sectors in the country and account for most of Pakistan's export earnings. The total labour force in Pakistan is 58.41 million with the unemployment rate of 5.6 percent. Agriculture sector engaged the majority of workforce with the proportion of 45 percent; moreover, industry and service sector employed 20.1 percent and 34.9 percent respectively with per capita income of USD 2800. The major agricultural products include cotton, wheat, rice, sugarcane, fruits, vegetables; milk, beef, mutton and eggs. Moreover, the industrial sector of Pakistan comprises of textiles and apparel, food processing, pharmaceuticals, construction materials, paper products and fertilizer.

1.3   SME sector and Human Resource Practices in Pakistan

1.3.1   Small and Medium Scale Firms in Pakistan

The Small and Medium Enterprises (SMEs) are playing vital role in the economies around the world in irrespective of the countries development stage (Dasanayaka, 2008). SMEs are now considered as the foremost source of economic growth. However, due to dynamic environment and globalization, SMEs are struggling harder to survive. In Pakistan there are about 90 percent of enterprises fall under the category of SME (SMEDA, 2006) therefore Pakistan can be considered as a SME driven economy. According to the Federal Bureau of Statistic data 65 percent enterprises are