

Contemporary HR Practices in Developing Countries Empirical Evidence from Pakistan

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ABSTRACT

Keywords:

HR Best Practices
HR Business Partner
Productivity, Performance

The Human Resources best practices are considered as performance improvement tool. HR role is fast changing and is now treated as strategic business partner, helping the leadership and functions to improve productivity. However, in developing countries Human Resources is not fully developed and unable to create an impact on performance. This study aims to make comparative analysis of HR Practices in Multinational, Local and Public sector organizations and establish its relation with organizational performance. A mixed method approach was used comprised of survey method using structured questionnaire, focused interviews and analysis of the information by panel of HR Experts. The Likert scale was used for analysis. Total 15 organizations participated in the study comprised of Multinational Public and Private, and local organizations. The study results revealed that Multinational companies both private and public are better compliant with Human Resources Best Practices and are rated as “Employers Of Choice” companies. The local private organizations with entrepreneurial control lack Human Resources system thus unable to attract & retain the best talent. The study shows that the organizations investing on people development, employee welfare, employee engagement, implementation of HR systems and have effective leadership, perform well and achieve organizational goals. The local companies lack people development and HR system that negatively impact on employee productivity and organizational performance. Thus, the study result provides a strong justification for local companies to start implementing HR best practices to improve organizational performance.

INTRODUCTION

Organizational performance is a reflection of the productivity of members of an enterprise measured in terms of revenue, profit, growth, development, and expansion of an organization (Saasongu, 2015). Organizational performance is measured by the output of an organization, although many researchers show that Human Resources (HR) practices are effective and directly contribute to the organization's performance (Khan et al., 2019). If the performance level of employees is low then the organizational

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performance is also going to be low (Sheikh & Naveed, 2016). A study conducted on 1081 managers from IT, Pharmaceutical and banking sectors in Karachi determined the causal link between the performance of the organizations and HR practices (Ahmad et al., 2019). Human Resource operations and practices work as the backbone of any company. These practices and operations directly impact organizational performance and need to be monitored regularly (Dmour et al., 2015).

On other side, the motivated and engaged workforce is very important for achieving breakthrough performance and achieves organizational goals. Many researchers found that breakthrough performance of the organization can be achieved through employee's participation and involvement. It relies on the attitude of the employees that convert HRM practices into crystal clear performance (Nishii & Wright,2007; Ramsay, Scholarios, & Harley,2000). If HR practices such as trainings, employee engagement, job rotation, compensation program, performance appraisal system is put in right place and in right context this will improve the organization performance and the organization will achieve its strategic goals effectively. Also, it will help to reduce the discrimination practices (Delery & Doty,1996; Ahmad & Schroeder,2003; Katou & Budhwar, 2007).

The leadership plays an important role in mobilizing resources and achievement of organizational strategic goals. The effective leader is responsible to analyze the capability of their employees and make the better environment for them to work effectively (Andrew Carnes, Jeffery D. Houghton & Christopher N. Ellison 2015). Conger and Church explains how leaders provide sense of direction, inspiration, and enthusiasm that encourage employees to help organizational in goals achievement. A leadership philosophy emphasizes leaders to serve, and focuses on the other people's needs and facilitate organizations for attainment of strategic objectives and goals. (Conger and Church, 2018).

When we talk about multinational companies, we find that they operate on a global scale and therefore they need managers and leaders who can not only lead a diverse set of teams abroad but also look into international operations while sitting at the headquarters. MNCs have this constant challenge to train and then retain employees that can lead global operations and culturally diverse teams. For better performance of the organization, the top management of any MNC needs to have leadership capacity in the global context. If we take into account the case of EMNEs (Emerging economy multinational enterprises), we see that they have little experience of running operations internationally. To successfully run their business and reach greater organizational performance they need to build their capacity through

various strategies. It has been seen that some EMNEs build their capability through a slow step-by-step process while others take bold steps such as acquiring big companies abroad. By acquiring companies abroad, EMNEs can benefit from local expertise and talent (Klaus E. Meyer, 2017).

The Human Resources is the emerging trend in Pakistan, multinational organizations, joint venture companies and limited number of professionally managed large, medium and small size organizations (SMEs) practice Human Resources systems to some extent. The family own businesses and other organizations have either the personnel management and /or in transition, striving to change from personnel management to Human Resources Management. At large there is consensus and agreement in Pakistan that the performance of the organizations can be improved by improving the people performance. The Human Resources interventions and tools can help the organizations to improve the performance of the people, leading to improved organizational performance. The entrepreneurs are willing to adopt and implement the Human Resources framework and focus on people development and employee friendly policies to motivate the employees. However, key challenges and bottlenecks in the change transition are the lack of availability of professionally trained HR professionals, reluctance of the organizations to invest on people development and implementing HR interventions (to accelerate the employee commitment), and inequitable compensation & benefit structure etc. The organizations inherent the HR systems and policies from the developed world however due to compatibility of these foreign concepts with local mindset, culture, socio economic systems and lack of commitment the systems could not deliver the same results as in the western world. The multinational and joint venture companies who are successfully implementing the HR systems in the western countries have different experiences and implementation challenges in developing countries like Pakistan. The system and document is there but zeal, commitment and believe of the people has questions. Thus it can be concluded that HRM practices are different from nation to nation and it is quoted by (Ozutku , 2009). HRM practices assist organizations to obtain competitive edge (Penrose, 2013) and (Barney, 1991). The analysis of HRM practices literature showed that organizations should apply innovative HRM interventions to improve the employee-employer relationship. These methods should be periodically evaluated and updated accordingly (Tiwari, 2012).

Scope

The investigations are focused on strategic Human Resources, Leadership, HR operations (best practices) and organizational values prevalence in Pakistan, in the context of private, public and

Multinational organizations. The study sample size is limited to 15 corporate sector organizations who volunteered their information and participated in the study.

The purpose of the study is to examine the HR best practices and its association with the organizational performance in the context of MNCs, Local and public sector organizations operating in Pakistan. The study further aims to examine the relationship of HR best practices with organizational performance. The study results will be helpful for the local entrepreneurs, HR professionals and policy makers, to understand the GAP and apply HR best practices.

LITERATURE REVIEW

HR Operations (practices)

Training: HR best Practice through which we can improve employee performance and achieve better results for the organization (Huselid,1995). It's a tool, which we can use to enhance the performance of the organization and increase the effectiveness and efficiency of workforce (Cook & Hunsaker, 2001). If learning and development objectives are not closely aligned with an organizational development strategy, workforce lacks efficiency and focus. For this reason, we are seeing learning and development budgets increase (Matthews, 2019). But in Pakistan inaccessibility of skilled training staff and inadequate training equipment's are the causes of low performance (Paauwe,2004).

Employee Engagement: This practice has a very beneficial effect on the performance of employees. If we involve employees in every decision their relationship with employers will improve and they will give more creative ideas and will take more responsibility happily. Leaders who placed individuals first when setting organizational goals encourage their workers to achieve high efficiency while meeting all stakeholders ' expectations (McClelland & Burnham, 2003). Researchers (Wright, Gardner, & Moynihan, 2003) believed that if employees engage and participate in decision-making, their self-confidence will be enhanced and they will give better results and best performance. Moreover, if we include employees in every decision and ask their opinion also it will create new opportunities for the employees and the employers. One of the main functions of HRM is to reduce the gap between the employers and employees and serve as a bridge between them but unfortunately there is a high-power distance in Pakistan, gender-based discrimination, and lack of training and communication gap (Ali & Brand, 2017).

Job Rotation: (Sheikh, Naveed, & Khan, June 2016) and (Khan & Jalees, 2017) stated that job rotation strategy resulted in high employee performance because it provides opportunities for learning new skills and growth. This is the most practiced strategy in corporate setups especially in MNCs, used for capacity building of the high potential employees and before assigning them leadership role such as Business unit head or CEO etc. Job rotation is also used as development tool at operational level where the employees are rotated across various related functional areas to develop diversity of skills within the department. Tarus (2014) has conducted research to monitor the effect of the job rotation on staff performance and indicated that job rotation significantly predicted high performance workplace. Conclusively job rotation is the best HR practice that improves employee's capacity and performance.

Performance Management:

A research study discovered that performance assessment information maintained over the years can allow executives to make choices about bad and average performers and encourage them to improve in conjunction with elevated performers and create compensation plans (Walton,1985; Zacharatos, Barling, & Iverson,2005). Employers should use a good system of performance management for evaluation and development of employees and also to use it to motivate employees and to report the difference between the expected and actual performance (Jones,2005;Welbourne & Andrews,1996. Thus performance management is best HR practice to improve employee performance leading to organizational performance.

Compensation Program: Brown (1988) emphasizes more on pay and rewards, and states that “employment represents the exchange of pay and possibly other rewards for work, buying and selling of labor power. He goes on to say that employment necessitates a continuing relationship between the buyer and seller of labor power. As Brown acknowledges, within the employment relationship, the power and resources of the employer typically exceed those of the employees

- Armstrong (1996) further strengthens Brown's point of view and mentions that “the starting point of the employment relationship is an undertaking by an employee to provide skill and effort to the employer in return for which the employer provides the employee with a salary or a wage. Armstrong mirrors the views of Gospel and Palmer in that: The benefits package offered by employers is just one element an employee considers when joining, remaining or leaving an organization. The most important one is arguably your office culture (Charles Goff Deakins, 2019).

Strategic Human Resources

Multinational Companies: Multinational Corporations have a greater challenge of devising and implementing HR practices because they operate on a global scale and it's difficult to develop uniform HR strategies for diverse environments. Moreover, it is not favorable to develop a uniform HRM strategy on a global scale thus requiring differentiation of policies on a globally which is an even greater challenge (David G. Collings, 2018). It has been noted by scholars that generally MNCs have to face two types of challenges; one is to perform well globally and implement international standards among their subsidiaries and the other is to understand the local conditions to be successful in the local market too (Latukha, 2019).

Leadership: Saasongu (2019) mentions that leadership is a behavioral trait to guide the team for realization of shared organizational targets. Edoka consider leadership a process of influencing thoughts, attitudes and behavior of others. According to Andersen (2016) an effective leader is one who stimulates, motivates, and recognizes their employees in order to get work done in an effective, positive manner and achieves the desired results. Thus, conclusively, effective leaders drive people, their thoughts, influence behaviors and directs. However the leadership style may vary person to person, organization to organization that directly impact on organizational performance.

Leadership styles: Yahya and Ebrahim (2016) and Spano-Szekely (2016)} mentioned leadership style influences behaviors towards attainment of organizational goals. Some of the commonly practiced leadership styles includes charismatic, transactional, autocratic, transformational, democratic etc. However the new leadership styles keep emerging through research studies to accommodate the changing employees' expectations, dynamic business environment, fast cultural changes, and globalization and to rightly influence younger generations.

Transformational Leadership: According to Bass, Transformational leaders attempt to inspire trust, admiration, and respect in their followers (Sonko, 2018) . Syaifuddin (2016) mention Transformational leadership style is an influencing kind of leadership wherein a leader motivates, mentor and inspire his team in a way that they will align their visions and missions. According to Jeevan Jyoti and Sonia Bhau (2015), Every employee is empowered to share their ideas, thus, making them more motivated and creative in the process. Jyoti & Bhau (2015) believed such leaders encouraging employee's principles and skill development. They also enhance their motivation level by understanding their needs. They also

stated that organizational behavior is directly related to transformational leadership. To cope up with the modern organizational challenges, it is essential for the leaders to create a friendly culture where employee feels comfortable and empowered to speak up .This is a cordial environment where everyone feel at "home" in their workplace and a job gets done with confidence knowing that they do it as a team stated by Sofi and Devanadhen (2015).

Conclusively: the transformational leaders provide congenial work environment and people have association with leadership and the work place that positively impact on performance of the employees and organization.

Charismatic leadership style: The charismatic leaders develop vision and followers are asked to follow and execute, this is considered to be the most successful leadership style. Charismatic leadership is considered to be one of the successful leadership styles, where the charismatic leaders develop a vision and the followers are asked to execute. The major drawback of this style is dependence of the followers on leaders. The problem worsens when the leaders do not train their subordinate to act as there Replacement in the future. Peter Guy Northouse (2015) stated that such leadership is basically influencing others via Charisma and mentoring them towards the common goal. A leadership vision and mission are the guiding principles of this team.

The transactional leaders: They act through reward and recognition in return of employee efforts such as promotion, pay raise, new responsibilities. Sofi and Devanadhen (2015) found out that Transactional leader are the kind of leaders who motivate his employees through reward system. Reward maybe in the form of monetary, promotion, pay raise, performance appraisal among others. This leadership style does not encourage creativity and innovation among the employees. This kind of leadership does not have direct relation to organization's performance as employees do not perform well because their work is restricted by their leader.

Democratic leaders: believe on decentralization of the decision-making and empower subordinates. They motivate the employees and value their input and reward them appropriately. Bhargavi and Yaseen (2016) mention that employees under the supervision of such leadership, perform as per the expectations because of equal opportunities provided to them to express and implement their ideas and make decision make decisions analyzed by them.

Autocratic Leadership: Igbaekemen and Odivwri (2015) defined autocratic leader as the one who control the actions, methods and strategies of all employees and expects them to follow them by line.

They lack faith in their employees. Autocratic leaders are typical and domineering in nature. However, Bhargavi, & Yaseen (2015) concluded that such leadership can be proved effective for urgent work deadlines are needed to be met. Igbaekemen and Odivwri (2015) mentions that an autocratic leader can be easily compared with a chief in a military organization.

Bureaucratic Leadership Style: Owens & Hekman (2016) identify humility as key constituent that every leader should have. Humble leader will use their experience and set of knowledge to entice employees and bring them for the contribution of the organization. Conclusively they function according to what is mandated by laws and regulations set by the government.

METHODOLOGY

Research Design

Among the five important research approaches (i.e. narrative, ethnography, grounded theory, case study and phenomenology) as suggested by (Creswell et al., 2003). In view of the said literature review and study of the HR function in Pakistan and abroad, the key elements of Human resources function were shortlisted for getting the feedback from the selected group of organizations operating in Pakistan. The HR element benchmarked for the study included organizational values, strategic HR, Leadership, HR operations(best practices) .

Participants

Participant selection strategy for this study was based on non-probability purposive sampling because it focuses on the participants who have experienced the phenomena (Creswell et al., 2003). A total of 15 companies comprised of Multinational, large public and local Small and Medium Size organizations were selected. Selection of the organization was not by choice rather by readiness of the organization to share their information. The limited number of respondent companies participated in the survey was due to confidentiality issues of the organizations in the corporate sector and organizations internal policies to restrict the sharing of HR information.

Procedure

Phase one: structured questionnaire designed using main objective of the study was circulated to collect the information.

Phase two: focused group interviews of HR heads of participating companies were conducted. The interviews comprised of open-ended questions, conducted in a conversational style while each interview lasted between 35 to 50 minutes.

Hypothesis

H1: HR Best Practice improves employee productivity and organizational performance.

H2: Multinational companies' better performance is because of implementation of HR practices and professional leadership.

H3: HR best practices and professional leadership can improve employee productivity and organizational performance in Local companies.

Research Questions

The research study was guided by following question in the context of local, MNCs and public limited companies in developing countries.

1. What is the association of organizational performance with strategic HR, Leadership effectiveness, HR best practices and organizational values.
2. How application of strategic HR, Leadership effectiveness, HR best practices and organizational values can help local companies to improve employee and company performance.
3. How strategic HR, Leadership effectiveness, HR best practices and organizational values are applied in MNCs
4. How strategic HR, Leadership effectiveness, HR best practices and organizational values are applied in Public corporations

RESULTS

Data Analysis

This is descriptive and exploratory research. A panel of HR experts reviewed the information provided and assigned the weightage and rating to each practice on rating scale of 5. The likert scale was

used for analysis and to work out the results. The likert scale used in this study that was introduced in 1932 and have been widely used as a tool to collect data specifically in survey research research (Weng & Cheng, 2000). Revilla, Saris, and Krosnick (2014) mention that agree and disagree scale can be used to measure wide range of construct as the visual display of scale is easy on paper and administration of the questionnaire is easier and quicker even on internet and web.

Table1 *Prevalence of HR Policies -Comparative Analysis across Industry*

| Mean | Prevalence of HR Polices -Comparative Analysis Across Industry | | | | | | | | |
|--------------------------------|--|--------|----------------------|-------------------------|--|-------------------------|----------------------|--------|--|
| Questionnaire | General section | Values | HR Function al Areas | Strategic HR (planning) | Unique/ HR Best Practices(Employ ee development) | Leadership (management) | Industrial Relations | Total | |
| overall rating | High | Medium | Low | Medium | Low | High | High | Medium | |
| | 70% | 63% | 48% | 52% | 37% | 89% | 74% | 61% | |
| Multinational Private | High | Medium | Medium | High | Low | High | High | High | |
| | 83% | 56% | 60% | 70% | 42% | 100% | 84% | 75% | |
| Multinational public | High | High | Low | Medium | Low | High | High | Medium | |
| | 75% | 73% | 35% | 57% | 25% | 87% | 70% | 55% | |
| Multination public and private | High | Medium | Low | Medium | Low | High | High | Medium | |
| | 79% | 64% | 47% | 63% | 33% | 93% | 77% | 65% | |
| Public Sector | High | High | Medium | Medium | Medium | High | High | High | |
| | 90% | 94% | 68% | 60% | 59% | 95% | 93% | 79% | |
| Private Sector | Low | Low | Low | Low | Low | High | Medium | Low | |
| | 32% | 31% | 30% | 20% | 22% | 75% | 50% | 36% | |

The above table illustrates that overall compliance with standard HR practices has been 61% that shows good number of sample organization have HR systems in place. However the compliance rate of

Leadership, strategic HR, HR best practices (HR Operations) and values has been 89%, 52%, 48% and 63% respectively.

The overall compliance in Multinational public and Multinational private shows 75% and 55% respectively that is indicative of the fact that public limited corporations has better application of the HR best practice, accordingly better managed and are considered employers of the choice.

The overall results of public sector organizations and local companies reveal 79% and 36% compliance with standard HR practices respectively. Here it is important the public sector large size autonomous organizations were included in the sample however the public sector organization operating under government control may not have this level of compliance. While the local companies being operated by the owners lack corporate setups accordingly not investing on system and people development and lacks efficiency and productivity as compared with MNCs

Strategic HR standard benchmarks results show that the MNCs, Public and Local organizations show compliance 63%, 60% and 20% respectively. The results are indicative of the fact that local companies lacks even basic application of the Strategic HR role as the organizations are operated by owners instinct and delegation and empowerment to the professionals is minimal.

Leadership effectiveness results show that the MNCs, Public and local organizations represent compliance at the rate of 93%,95% and 75%. The results is indicative of the fact that MNCs and Public autonomous corporation have effective leadership tools in place. While in local companies the leadership effectiveness rating is relatively better than other HR elements because these companies are directly lead by the owners and they have direct interface with the leadership team.

General HR Policies: The overall presence of HR policies has been 70% that includes MNC public and private 79%, Public sector (corporations) 90% and local private 32%. The results indicate consistently that the local private organization lack HR system and policies in all areas and need improvement.

Organizational Values

The overall picture at national level on values depicts that the Pakistani large public sector organizations (corporations) have values, mission, vision, in the organization with overall 94% prevalence. The prevalence rate in the multinational, public and local private organizations is 94%, 64% and 31% respectively. The local private organizations lack presence of value system in few cases the organizations have formal values printed for employees but these are neither followed nor given importance in practice.

RESULTS & DISCUSSIONS

The above results depicts that the local companies constituting more than 85% of the industrial sector in Pakistan and backbone of the economy lacks structured approach and appropriate documentation and best Management practices that includes Human Resources policies and system. The above study result shows consistently lowest score of local companies on organizational values, Strategic Human Resources, HR best practices and leadership effectiveness.

It is pertinent to mention that earlier researches and this study have established a relationship between “organizational performance” and strategic Human Resources management practices, Leadership effectiveness, HR best practices and organizational values compliance. The multinational companies and large size public corporation having better systems and policies show better performance and efficiency of the employees while local companies with relatively weak Human Resources system are relatively less efficient with reduced organizational performance.

Organizational Performance: Cambridge Dictionary (2015) defines performance as an execution of an action and an effort that has exerted towards achieving a goal. Saasongu (2015) mention performance is the capacity of the organization in terms of achievement of profits, increased share market, growth and product quality. Al Matrooshi et al. (2016). Mentions, when the stated objectives of an organization are achieved according to plan then ultimately the organization perform effectively. The organizations are driven and excel because of people who are true leaders and can make things happened. These said studies validate our findings that the multinational and public sector corporations are employer of choice companies and the top talent is attracted there and delivers best results thus improved organization performance and public perception. The local entrepreneurs need to consider and study the root causes, why they are unable to retain the best talent and build a high profile agile team to turnaround the organizational performance. The the findings of the study can be helpful for local companies and provides the road map for improvement of organizational performance. Thus the above cited literature review and results of the study validate the hypothesis that “HR Best Practices improves employee productivity and organizational performance”.

Multinational Companies: MNCs seek to transfer their HRM practices from headquarters to subsidiaries. There are three ways to transfer and diffuse HR management strategies which are called as forward transfer, horizontal transfer and reverse transfer. Forward transfer is from headquarter to

subsidiaries, horizontal transfer is from one subsidiary to another and reverse is from subsidiary to headquarters. In HRM's context, for an MNC there are three types of strategies to choose from. These three strategies are that of exportation, adaptation and integration. Scholars believe that MNCs prefer the exportation strategy over others and this strategy is built around the assumption that HR best practices can be applied universally. MNCs see some benefits in adopting these strategies such as costs reduction, better coordination and control over subsidiaries (Latukha, M et al 2019). Thus while developing an HR strategy for subsidiaries; MNCs have to choose between two strategies. One is the standardization of practices based on the standards of the parent company or to localize the strategies based on the practices followed in the host country. Both strategies have their distinct benefits however a strategy that is an amalgamation of standardization and localization strategies provides better results (Mohan Pyari Maharjan, 2017). The above finding of the researchers can be validated by the practices adopted by MNCs in Pakistani context. The study depicts that organizations have well placed strategic planning process in placed and before the end of the financial year the strategic plan including Strategic HR Plan is made based on the performance of the previous years. This business plan for the local corporate is integrated with the international regional plan and regional plan is linked with global plans of the MNCs. The local leadership teams of MNCs in Pakistan are properly trained and develop their capacity to effectively carry out the business planning process. However at times this strategic planning process is restricted at the top tier of management and gross root level staff is not effectively involved. Likewise talent management efforts are also not effectively cascade down. MNCs: work as per standard operation procedure (SOP) to attain goal of organization so they need leaders who are directive, goal oriented, promotes creative and innovative ideas to solve problems and these were the qualities of transformational leadership. Multinational companies having synergistic environment, the leadership style is to mobilize people towards change, building emotional bonds and develop people for future responsibility. Some of the MNCs from emerging economics have become influential though they have had humble beginnings, due to their technologies, products and knowledge from their leaders. Multinational companies use diverse mechanisms and standardized procedures to control the subsidiaries. Some departments of multinational also follow Bureaucratic leadership style as they are strongly committed to their processes and procedures. Thus MNCs because of their well-defined strategic management system; policies, global structure and support are effective in managing strategic HR initiatives and show better results. The leadership of MNCs is accountable for results and accordingly drives the strategic and operational processes in line with global internal standards of the organization to ensure better results and compliance. In view of the literature review and study results it

is evident that “multinational companies’ better performance is because of implementation of HR practices and professional leadership” thus validate our hypothesis.

Public Companies: In public companies, a strategy to transfer the real HR structure to a desired new target structure is required. This method manages conflicting goals and is based on experience increased in an organization of the public sector, but it can also be essential for non-governmental industry and service companies (Rausch, et al., 2018). The public sector large corporations have the strategic planning process in place and their business plans are made and executed. All corporations made business plan and have the structure in place for implementation of the strategic plans. However because of the governmental structure, political influences, lack leadership orientation and involvement to drive these plans as per the spirit of the process, as compared with MNCs. MNCs CEO has the exclusive accountability for results and no compromise is made if the results are not achieved unlike public corporations where the leadership appointments are influenced by political affiliations. Although the strategic planning process and strategic initiatives are in placed but the spirit and accountability for results lacks thus organizations at time could not optimize results.

Leadership effectiveness: Many public organizations prefer transactional leadership style as this style of leadership promotes compliance of his/her subordinates through reward and punishment base on predetermined standard that measure performance. This is wherein employees are punished and rewarded accordingly. Hence, not an effective style of leadership because it discourages creativity and innovation among its employees. Mostly this type of leadership would not be followed in local sector, as they don’t motivate their subordinates by exchanging rewards for performance. Odkhuu Khaltar and Moon (2019) perform a study on Korean public organization and observed transformational leadership are found to increase organizational performance by reducing unethical behavior and improving organizational commitment in public agencies. Quite the contrary, bureaucratic leaders are strongly committed to their processes and procedures but not to their people. They appear aloof. This method lacks the development and motivation of the employees. One example of such leadership can be leaders in public sector are bound by rules and regulations. Conclusively they function according to what is mandated by laws and regulations set by the government. Thus the public companies although have elaborated strategic planning processes and HR system in place but due to ineffective leadership styles, political influence and Bureaucratic approach are unable to drive the organization to maximize its output. However these companies because of better compensation and benefits and system are considered employers of the choice for the employees and retain best talent.

Local Companies: In case of local Pakistani companies and companies directly lead by entrepreneurs the situation is greatly varies with the mindset of the owner. Since the corporate values and norms are not fully developed the implementation of the system also varies. The good local organizations are fast changing and moving towards the corporate setup and enforcement of HR system. However their short-term priorities and contingencies bypass the system and at times the SOPs are not followed. The people in the organizations are more focused to understand and deliver as per leadership priorities. The two most ignorant areas are employee capacity building and performance management system. Its most difficult part of the Human Resources Professionals job to get the budget for training especially on soft skills. The training generally offered in the local organizations is of technical nature and for technical staff; soft skills training are not encouraged. The root cause of this problem is lack of availability of trained HR professionals who could relate the training with ROI to get the budget for capacity building of the staff specially managers. Unlike multinational the local organizations specially small and medium size enterprises (SMEs) the formal system of managing the employee performance by KPIs and linking the reward with level of achievement, is not fully developed. The appraisals are made based on personal relations rather than tangible measurable results. The employees having good relations with the leadership and bosses get rewarded well contrary to the silent workers and true contributors. On the contrary the multinationals and large sized corporate public entities have relatively better formal system of performance evaluation and reward linked with performance. However the study reveals the emerging trend in the local entrepreneurs to replace the intuition based system and with KPIs based appraisals. This is a long journey and main challenge is the readiness of the entrepreneurs and leadership to invest on people for long-term sustainable gains and start trusting people and system. In view of the above ground realities, and earlier research studies, it is evident that “HR best practices and professional leadership can improve employee productivity and organizational performance in Local companies”, thus support and confirm our hypothesis.

Leadership: Leaders in local organization lead people by using power that may be coercive and based on reward and punishment. Referent – based on charisma (charisma combines power with task orientation). Organizations align and recruit top level executives who in turn align the managers of different levels to develop strategy, succession plans, performance management in an effective manner which directly affects the organization’s performance outcomes . Local organization leaders are high in dominance, self-confidence, and belief in own values and have follower behavior, which are the characteristics of charismatic leadership. The other leadership style prevalent in local companies is autocratic leadership. Odivwri (2015) defined autocratic leader as the one who control the actions,

methods and strategies of all employees and expects them to follow them by line. They lack faith in their employees. Autocratic leaders are typical and domineering in nature. Iqbal, Anwar and Haider (2015) in his study determined that Autocratic leaders have full authority and control of the organization [23]. Iqbal et al. (2015) quoted that employee working under an autocratic leader show decline in productivity due to conflicts, thus bringing down over all organizational performance. However, Bhargavi and Yaseen (2015) concluded that such leadership can be proved effective for urgent work deadlines are needed to be met. Omol-lo (2015) in his study established that motivation comes from inspiration, if the leader gives inspiration and motivation to employee it can be the reason of employee to work with high performance, and help organization to grow which an autocratic leader lack. Odivwri (2015) mentioned that an autocratic leader can be easily compared with a chief in a military organization.

CONCLUSION

The performance of the organization is directly associated with the application of Strategic Human Resources system, HR best Practices, effective leadership and compliance with organizational values. The employee productivity and performance of the local companies is less as compared with MNCs because the MNCs attract and retain the best talent of the industry thus their performance improves. Local companies fail to attract and retain best people because they fail to provide corporate environment, empowerment, delegation and competitive compensation and reward system. Application of fair and transparent performance evaluation system to track individual employee contribution and accordingly rewarding using KPIs and balanced score card tools deliver better results. Building the corporate environment and application of best HR practices to involve people in decision making, undertaking programs for employee motivation, engagement and building better psychological contract will improve talent retention and eventually performance. The investing on people development is another HR best practice that lacks in local companies that badly impact on organizational performance and talent retention. Professional Human Resources setup and design of employee capacity building program linked with organizational objectives and ROI will improve employee efficiency and organizational performance. The leadership style in local companies needs to change to empower people, delegate effectively, respect people and lead them by charisma and democratic styles rather than autocratic traits. The leaders should track performance and contribution level using balanced scorecard and other tools rather than people, and reward contribution generously and fairly performance will improve. SMEs are backbone of Pakistan and efficiency of these organizations is not satisfactory there is tremendous potential to optimize productivity that will benefit the employees, employer and the

country that is only possible by investing on development of people, systems, processes and our leadership. Thus the above facts confirm hypothesis that “HR Best Practice improves employee productivity and organizational performance”.

Public corporations have better HR systems and processes in place as a result high profile talent is attracted and retained. The employees consider these big corporations as employers of choice however due to ineffective leaders appointed under political influence, government influence, and lack of accountability and involvement of top leadership the organization fail to optimize their productivity. These organizations have performance evaluation systems but lack the true spirit and transparency that contribute to decline productivity. Thus the presence of HR systems and processes alone will not work without effective and vibrant leadership and fair transparent and objective performance management is present.

MNCs have proper HR systems and local leadership is accountability for effective implementation and achievement of results from parent companies. The top leadership is appointed on merit and held responsible for delivery of results, accordingly the CEOs are involved and closely monitor from strategic planning to operational efficiency at all levels and at all times, as a result HR systems and processes directly impact on organizational performance and benefits of high profile team is converted into business results. Conclusively, The benefits of strategic HR interventions, application of HR best practices, standards policies can only be capitalized and converted into profits and excellence when organization is lead by effective able and vibrant leadership team and merit is ensured at all levels. Public companies have system but lacks leadership. thus validate hypothesis that “Multinational companies better performance is because of implementation of HR practices and professional leadership”. Local companies lack HR best practices, and operated under the influence of autocratic leadership where people are not respected, creativity and risk taking is discouraged as a result they fail to maintain best talent thus organizational performance decline. Thus hypothesis that “HR best practices and professional leadership can improve employee productivity and organizational performance in Local companies” is validated.

Recommendations

- Invest on people hire, retain and develop talent in the organization it will give best return and optimize organizational performance.

- Apply performance tracking & measurement tools and pay for performance based on contribution level. Be generous to reward true success and put sanctions on non-contributors.
- Adopt best HR and Management practices, ensure strict compliance and develop corporate environment where people can learn and grow with the organization
- Respect employees, show empathy and give them confidence to take initiatives, encourage innovative ideas and support risk taking organizational performance will improve and people would like to stay and contribute.

Study Limitations & strengths

- The companies are reluctant to share the confidential information and only 15 companies volunteered the data accordingly generalizability of the study results is limited.
- The public sector organizations included are large corporations accordingly the results may not be true reflection of the other public sector organizations.
- The local companies participated in the study are relatively better managed the true reflection of the other companies is not appropriately represented where they work with no system.
- The study is true reflection of the prevalent systems in all sectors that include public, private and multinational that provide a fairly good comparison of the prevalent practices
- The information provided by Human Resources Heads and evaluated by team of corporate HR experts so the evaluation of results is more realistic and practical.
- The study covers all key elements of Human Resources so give a better understanding of the prevalent system and the GAP with global benchmarks.

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