High Performance Work System and Export Performance

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Abstract
This paper aims to propose a conceptual framework about the relationship between high performance work system practices and export performance. HPWS is expected to play a crucial role in organizational success. Thus, this paper proposed a framework for studying the relationship among four dimensions of HPWS such as recruitment and selection, performance management, compensation and rewards and training and development and export performance in Pakistan’s textile sector. Moreover, entrepreneurial orientation acts as the mediating factor among these variables. This framework is developed based on extensive literature and this study is expected to contribute towards knowledge by delivering insights and pointing out ways to increase country’s export performance. Specifically, this research will benefit Pakistan’s textile sector in formulating strategies to increase manufacturer’s export performance.

Keywords: High performance work system, recruitment and selection, performance management, compensation and rewards, training and development, export performance, entrepreneurial orientation

I. Introduction

In today’s competitive business environment, employees are the most crucial asset for organizations as they are unique and inimitable, while all other resources such as financial and technological resources are easily imitable. So it is the human resources (HR) factors which plays the important role for organizational competitiveness (Rahman, Ab Hamid, & Mustaffa, 2018). In order to succeed, organizations need to attract those human resources who are skilled and talented. Nowadays due to globalization, diverse workforce and advance technology, firms that implement traditional HR practices are unable to perform well (Shazadi, Nadeem, Nisar,
& Azeem, 2017), so there is a drastic need to develop those HR in organizations who are more efficient, skilled and can cope up with severe competition. Clearly, there is a need to convince organization’s employees to come up with new ways of organizing work and increasing their performance, efficiency and commitment which made possible through implementation of high performance work system (HPWS).

HPWS comprises of interrelated HR practices that focuses on effectiveness and productivity to attain sustainable competitive advantage (Pereira, Fontinha, Budhwar, & Arora, 2018). Although association between HPWS and performance is widely elucidated but less attention is given among the association between HPWS and export performance especially in Pakistani textile sector. Pakistan’s textile sector is contributing an important role in empowering country’s economic growth. It contributes up to 25% in Pakistan’s GDP and among the largest sector that provides employment opportunities for the people. But this sector is facing innumerable challenges both internally as well as externally which has minimized Pakistan’s export performance by 4.5% in 2017 (Ikram & Siddiqui, 2019). Since the last decade this sector has faced sluggish growth and country’s export are continuously declining. Among the reasons identified in previous research are lack of skilled human resource, poor product innovation and lack of technological advancement (Rasheed et al., 2017).

This study purposes to investigates the importance of HPWS on textile manufacturers’ export performance, and in what way country can improve its exports by implementing HPWS.

II. Literature Review

A. Export Performance

Exporting is a significant mean of entering foreign market that boosts country’s sales (Chung, Ding, & Ma, 2019) and it is considered as essential mechanism for internationalization (Ferreras-Méndez, Fernández-Mesa, & Alegre, 2019). There is lack of agreement on export performance operationalization (Imran, Aziz, & Hamid, 2016). Despite the fact that export performance is vastly studied concept, still it remains most contentious and one of the least understood area. Exporting in international market is more complex in contrast to domestic market selling as export managers need to strive best of their abilities. In fact, for organizational success and performance, recently the focus of studies have been shifted from tangible to intangible resources (Monteiro, Soares, & Rua, 2017). In order to attain competitiveness, particularly in international markets it is necessary that organizations have heterogeneous and unique collection of intangible and tangible resources (Ribau, Moreira, & Raposo, 2019).

B. High Performance Work System
Organization’s HR plays as most valuable and important asset for their organizational success and they act as a backbone for their organization. No organization can grow and survive without implementing effective HR practices. Due to increased globalization, competition and technological advancement, dramatic changes have been resulted in organizations and that’s why organizations are now forced to move towards adopting efficacious HR practices known as high performance work system (HPWS) to attain organizational objectives more quickly (Jyoti & Rani, 2019). HPWS comprises of bundles of HR practices which focuses on effectiveness and productivity to attain sustainable competitive advantage (Pereira et al., 2018). HPWS successful implementation is vital for organizational performance. In other words, it is system of HR processes that are designed to enhance employee skills, productivity and commitment (Federici, Boon, & Den Hartog, 2019). Fu, Bosak, Flood, and Ma (2018), explains that HPWS are designed to enhance knowledge, performance of employees, commitment and their abilities so that they become source of competitive advantage.

Past researchers have proved that HPWS leads towards better performance and contributes a vital role in organizational success (M. U. Hassan, Nawaz, Abbas, & Sajid, 2013; Obeidat, Mitchell, & Bray, 2016; Zhang & Morris, 2014). However, there is no consensus over HPWS conceptualization (Obeidat et al., 2016; Punia & Garg, 2012) and that’s why different authors have adopted different sets of HPWS (Garg, 2019). According to Jyoti and Rani (2017), Kundu, Kundu, Gahlawat, and Gahlawat (2016), Mihail and Kloutsiniotis (2016) and Murali (2016) HPWS is also known as high commitment HR practices, high performance work practices and high involvement work practices. Among various HPWS practices, recruitment and selection, performance management, compensation and rewards and training and development are among most important dimensions that are expected to play an important role in firm’s export activities and performance.

**Recruitment and Selection**

Recruitment is defined as the procedure of attracting employees having right profile in terms of skills, experience, qualifications and having interest to work for organization. While selection is choosing the best and turning down the rest (Sarah, Sang, & Ngure, 2018). Selecting right individual for the right job is essential step for organizational success. Attracting high quality human resource is the key challenge for any organization (Renwick, Redman, & Maguire, 2013).

Nowadays organizations are more concerned about acquiring appropriate employees because they are most precious and crucial asset for any organization. Moreover, employees...
plays an essential role in creating competitiveness for the organization (Oaya, Ogbu, & Remilekun, 2017; Sangeetha, 2010). Decision regarding recruitment and selection procedure impacts organization’s future. Clearly, good hire in organization continues to multiply while bad hire reduces value and adds serious costs. Recruitment and selection has a significant influence on organizational performance (Rahman et al., 2018; Sheikh, Hasnu, & Khan, 2016) and it creates conflict among employees if duties are not properly performed.

The important reason behind recruitment process is generation of eligible candidate’s pool for selecting best candidate while purpose of selection is picking up suitable candidate. Recruitment plays an essential role in any organizational success as it is the main constituent in strategizing organization’s overall resourcing. Moreover, there is a positive association among recruitment and selection and performance (Murage Sarah, Sang, Ngure, & Sciences, 2018; Saddam & abu Mansor, 2015; Sang, 2005). Extensive selection and recruitment process has substantial influence on skill and quality of potential employees thus improving firm’s ability to enhancing organizational performance output. As recruitment and selection has influential impact on performance so it will also play a significant role in enhancing export performance.

Performance Management

Performance management is defined as a procedure through which employees are encouraged to improve their professional skills so that they can achieve their organizational objectives and goals in a better way (Ahmad, 2015). Performance management system (PMS) plays a crucial role in attaining organization’s goals and objectives. Good PMS has an effect on organizational performance (Nura & Osman, 2013). Effective implementation of PMS ensures all organizational employees know all the relevant information at right time and outcomes are equitably and fairly distributed. It also allows employees in understanding their job responsibilities and furthermore achieving their individual growth more quickly. Ugheoke, Al-Rawas, Isa, and Noor (2015), suggested that doing this, helps bringing positive change in organizational culture by setting agreed upon goals, prioritizing resources and informing managers to change or confirm existing policies in order to meet set goals.

PMS helps in evaluating employee’s current efficiency, finding gaps, investigating improvisation measures and setting future goals (Mishra, 2017). PMS motivates employees by providing them feedback on their performance and issuing them performance standards so that they can perform better (Chin, Yean, & Yahya, 2017). PM is comparing predetermined objectives and goals with employee outputs. It plays a crucial role in organization’s success as
when employees know their desired targets, objectives and goals they put more efforts to
achieve them (Qureshi, Hassan, & Sciences, 2013). Employee performance management
practices helps in employee’s skill development. Additionally, their willingness to stay in
organization is also enhanced. Effective performance management system has influential effect
on performance (Decramer, Smolders, & Vanderstraeten, 2013). As performance management
system has significant impact on performance so it will also play an important role in enhancing
export performance.

Compensation and Rewards

Compensation and rewards are commonly assumed to be the most powerful tool for
connecting employee’s interest to organizational interest. Compensation consists of tangible
benefits and financial returns that motivates employee to perform well (Mohamad, Yahya,
Ishak, & Nordin, 2016). While, Hameed, Ramzan, and Zubair (2014), defines that
compensation is benefit and output that employee receive in terms of pay and wages. Moreover,
they can motivate employees to exert their utmost efforts to achieve organizational goals
(Ahmad, 2015; Jackson, Renwick, Jabbour, & Muller-Camen, 2011). Particularly, every
organization should pay special attention to compensation of their staff in order to motivate and
retain current employees while attracting potential employees. Attractive compensation and
rewards enhances employee productivity and loyalty (Rahman et al., 2018).

Compensation strategies plays a crucial role in skilled employee’s recruitment and
retention. S. Hassan (2016), suggests that mostly firm’s use performance based compensation
to reward their employees that positively effects their performance. Performance of employee
is increased when they are rewarded with satisfied compensation (Mohamad et al., 2016).
Compensation and rewards also plays a crucial role in skilled employee’s recruitment and
retention. As when employees are satisfied with their compensation they will not think of
leaving their organization. Moreover, it increases employee’s willingness to work efficiently
and effectively (S. Hassan, 2016). Positive relationship exists among compensation and
organizational performance (Katou & Budhwar, 2010; Mohamad et al., 2016; Rahman et al.,
2018). As compensation and rewards has significant impact on performance so it will also play
an essential role in enhancing export performance.

Training and Development

Increased competition has pressurized organizations to train their staff with best
knowledge, abilities and skills to perform competently. Researchers have given much attention
to employees training and development (Aragón, Jiménez, & Valle, 2014; Ugheoke et al.,
2015), because according to Ballesteros-Rodríguez, De Saá-Pérez, and Domínguez-Falcón (2012), it not only improves employee’s performance but organizational performance as well. Training and development plays an important role in preparing qualified, well trained and flexible workforce. Moreover, it ensures that right individual with necessary knowledge and characteristics are properly trained so that they can perform their job tasks cautiously and fit in the working environment. Training has a positive influence on organizational employees and they become more competitive because they learn new skills and knowledge (Muduli, 2015; Rahman et al., 2018).

Indeed, training and development is a process that emphasis on development of employee’s knowledge, attitude, abilities and skills (Ahmad, 2015). Training focuses on educating organizational employees about technical standards, regulatory requirements and development of new technical skills in complying with standards and meeting such requirements. It also develops awareness among employees about organizational business strategies and goals (Jackson et al., 2011). Effective training plays a crucial role in achieving competition. Organizations need to invest on their human sources to enhance performance of their employees. Effective training increases knowledge and skill of employees which in turn increases organizational productivity (S. Hassan, Mahmood, & Sciences, 2016). Training and development increases employees as well as organizational performance that results in enhancing overall performance of organization. Positive relationship exists between training and development and performance (Al-Qudah, Osman, Ab Halim, Al-Shatanawi, & Sciences, 2014; Tahir, Yousafzai, Jan, Hashim, & Sciences, 2014; Weru, Iravo, Sakwa, & Sciences, 2013). As training and development has significant impact on performance so it will also play an important role in enhancing export performance.

C. Gaps in Literature

Although, innumerable researches have been done on HPWS and performance (Úbeda-García, Claver-Cortés, Marco-Lajara, Zaragoza-Sáez, & García-Lillo, 2017; Zhu, Liu, & Chen, 2018) but still there are very limited researches that have been conducted on HPWS and export performance, specifically focusing on dimensions of HPWS. At the same time, there is lack of studies that focused on developing countries, especially in Pakistan’s textile sector. Therefore, future study may fills the gap by focusing on these dimensions of HPWS and export performance.

III. Proposed Research Framework
On the basis of reviewing extensive literature and theoretical gaps, following framework is proposed. This research framework has four dimensions of HPWS which serves as independent variables while export performance serves as dependent variable. The theoretical foundation is based on the Resource Based View theory which provides theoretical background to support and validate the proposed framework. According to this theory, HPWS and EO are valuable, rare, inimitable and non-substitutable resources that gives sustainable competitive advantage, leading towards higher export performance (Barney, 1991). This study proposed that HPWS may have significant influence on export performance.

Figure 1: Research Framework

Source: The authors

A. Propositions

The following propositions are put forth, based on above reviewed literature:

Proposition 1: Recruitment and selection will have significant influence on export performance

Proposition 2: Performance management will have significant influence on export performance

Proposition 3: Compensation and rewards will have significant influence on export performance

Proposition 4: Training and development will have significant influence on export performance

IV. Conclusion

HPWS is expected to play a significant role in improving export performance of an organization. Therefore, the purpose of this paper was to study previous research and identify the potential key role of HPWS dimensions on export performance. This proposed framework has several contributions regarding HPWS dimensions and export performance. If this proposed framework is validated, research findings will provide valuable information to managers that HPWS dimensions may provide significant contribution towards export performance. It is
expected that HPWS implementation may lead to positive increase in country’s export performance. It also enhance labor productivity, customer satisfaction, product quality and organizational innovation.

This study highlights the importance of HPWS practices to sustain and achieve higher export performance and need for integrated approach for implementing and formulating of HPWS practices. Hopefully, managers can apply the findings of this proposed framework in order to boost export performance of their firms and at the same time will enhance country’s exports activities and income. This study is also expected to be helpful for Pakistan’s textile sector, especially in formulating strategies that could benefit this sector’s export performance. Moreover it can increase employee performance as well because when HPWS practices are properly implemented, it ultimately enhances employee motivation and commitment.

V. Directions for Future Research

This paper presented the conceptual model that could be used in future studies to empirically test the constructs of this proposed framework, to practically examine role of HPWS on export performance. This paper suggested four dimensions of HPWS namely recruitment and selection, performance management, compensation and rewards, and training and development. Future studies may test these variables or may also include other dimensions of HPWS which are empowerment, participation, individual role and work life balance etc. This paper also focuses only on textile industry, and it is further recommended that in depth research is applied in multiple sectors of industry such as telecommunication, services, hotel and banking sector etc. Future researchers may conduct the in other countries or in multiple countries in order to have more evidence on the relationship among HPWS practices and export performance.

References


