

## **UNVEILING THE E-HRM-PERFORMANCE LINK: EVIDENCE FROM PAKISTANI BANKING INDUSTRY**

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### **ABSTRACT**

*Organization worldwide has taken various initiatives to increase firm performance through investment in information and Communication Technologies (ICT) with a view to transform management practices and to increase efficiency of the organization. Social, organizational changes and increasing interest in information technologies have changed the ways in which human capital are managed. Organizations worldwide have recognized the increasing importance of IT for leveraging human resource management function, thereby leading to adoption of E-HRM. Despite the theoretical connection between E-HRM practices and organizational outcomes, empirical studies that link the two dimensions are sparse. The objective of the study is to provide insight about the E-HRM value creation propositions. The study provides evidence about impact of E-HRM and value outcomes by presenting results of 361 branches of the selected commercial bank. Theoretical framework is derived from resource base view of the firm (RBV) perspective. Significant as well as positive effects on organizational outcomes are found for such organizations who successfully implemented sophisticated operational, relational and transformational E-HRM practices.*

**Keywords:** *E-HRM practices, RBV, Value creation, Value outcome*

### **INTRODUCTION**

The importance of human capital for sustained competitive-advantage (SCA) has gained significant interest of academia and business community. The "terms of art", for example, "intellectual capital", "knowledge work and workers", and "high-performance work systems" (HPWS) including "Electronic Human Resource Management" (E-HRM) all exhibited that employees are source of SCA. Social, organizational changes and rapid development in information and communication technologies have transformed the role of Human Resource Management (HRM) which exert pressure on HR expert for innovation and improved quality services.

As sustainable organizational performance are now associated with human capital management, the effective human resource management is imperative for a firm to remain competitive and successful. Therefore, organization worldwide are trying to understand that how human resource management system influences organizational performance (Davis, Bagozzi & Warshaw, 1989; Parry, 2011; Marler and Fisher, 2013). Since past several decades, organization worldwide has taken various initiatives to increase firm performance through investment in ICT with a view to transform management practices and to increase efficiency of the organization (Tanya, Huub & Beatrice, 2009). E-HRM is a “way of implementing HR strategies, policies and practices in organizations through a conscious and directed support of and with the full use of web-technology based channels” (Ruël & Bondarouk, 2004).

A number of researchers agreed that E-HRM has a capacity to transform HRM department into strategic function by exploiting technology for “operational, relational and transformational” purposes (Parry & Tyson, 2011). Operational E-HRM practices that entail transactional day to day processes such as employee profiling and employee benefit management practices enhance operational efficiencies by alleviating administrative burden, improving accuracy and quality of HR processes (Strohmeier, 2007), relational practices such as e-performance management, e-recruitment, e-learning, e-grievance management practices are supporting business processes and strengthening employment relationship while transformational practices have strategic character and focus on employee development that include practices , for example, knowledge management, strategic orientation, HR planning and e-talent management practices (Bissola & imperatori, 2013). These practices may also be perceived as potential source of organizational performance.

The concept of E-HRM was developed and implemented first in industrialized countries. Much of E-HRM is conducted in U.S.A. Accordingly; it should not be assumed that this concept is automatically appropriate for developing countries. Thus, when introducing E-HRM to developing countries such as Pakistan, it is anticipated that more effort will be necessary than in developed countries (Strohmeier & Kabst, 2009; Parry, 2011, Marler, 2013). Reviews of the E-HRM (Strohmeier, 2007; Marler et al, 2013) confirm an association between more extensive use of e-HRM and its various consequences. However, these associations are often modest and, as both reviews note, they leave a number of issues unresolved. Despite much of the rhetoric in the popular press or vendor advertising claiming that e-HRM makes HRM more strategic, the empirical

evidence supporting this perspective is extremely weak. It was found that there was generally an assumption of the strategic value of the E-HRM system, but few studies directly examined the assumption (Marler and Fisher, 2013). To date, no equitant studies found in Pakistan that probed E-HRM performance link.

Without clear understanding about the capability and role of EHRM, practitioners may incorrectly estimate the benefits of implementing certain types of E-HRM practices. However, the empirical support regarding impact of E-HRM practices is extremely weak. Therefore research endeavor should be undertaken to probe the impact of E-HRM practices on organization performance.

## **LITERATURE REVIEW**

The theoretical perspective used for E-HRM research can be grouped into two theoretical considerations. First, technology adoption research provides theories and models that explain an individual's adoption of an IT innovation. Such research, frequently based on the Technology Acceptance Model, provides empirical evidence about individual's beliefs regarding E-HRM and respective usage behavior (Davis, Bagozzi & Warshaw, 1989). A second strand of literature is focused on the organization and strategic theories. With the advancement of technology, the possibility of using Electronic Human Resource Management system for strategic reasons has dramatically increased. The dominant paradigms in the field of strategic management during the 1980s and 1990s were the competitive forces approach (Porter 1980) and the resource-based perspective (Parry, 2011; Ruel & Bondarouk, 2007; Bissola & Imperatori, 2014).

SHRM researchers have adapted theories from the strategy literature to argue that human resources can help to achieve sustained competitive advantages (Ruel & Bondarouk, 2007). RBV (Resource base view) states that resources are the source of competitive advantages if a firm exploits collection of resources that are *rare, inimitable and valuable and not be substitutable* (Bondarouk, Harms & Lepak, 2015). RBV has been applied by number of HR scholars through the suggestion that the knowledge, skills and activities of the workforce are core resources that contribute to the firm's competitive advantage (parry, 2011). The numerous authors such as Marler & Fisher (2013) suggested that E-HRM enhances organizational effectiveness by improving cost efficiencies and HRM processes.

## **Strohmeier's E-HRM Research frame work**

Strohmeier (2007) had proposed a general framework to structure the E-HRM research which integrates conceptual and theoretical work. Firstly, the framework differentiates between “context”, “configuration”, and “consequences of e-HRM” in order to illustrate the moderating role of contextual factors to configuration and consequences while the configuration will create the consequences.

The framework refers that E-HRM is a multilevel-phenomenon and includes for example individual actors as well as interacting groups or organizations. The contextual factors are also relevant for e-HRM. They reflect individual factors (micro level) like attitude as well as organizational factors (Strohmeier, 2007).

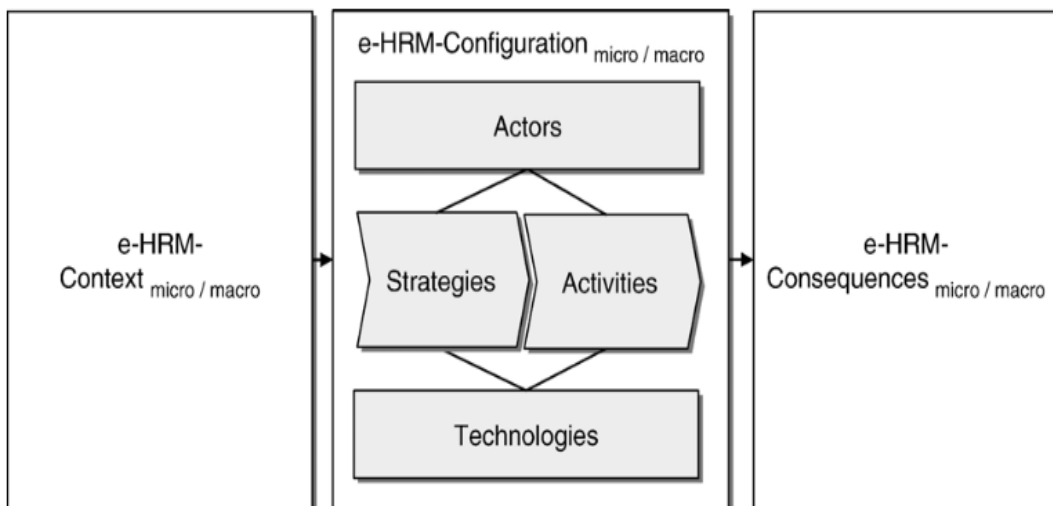


Fig 2.1 E-HRM Research Framework

Since there are different possibilities of e-HRM design, this framework integrates actors, strategies, activities, and technologies as components of the e-HRM-configuration. Actors are planning, implementing and performing e-HRM, for example, “HR professionals”, “employees”, and or organizational units etc. The objectives of the implementation of e-HRM are represented by the component strategies; the individually or organisationally performed tasks like recruitment, selection, development etc. are subsumed under the component activities (Strohmeier, 2007). Furthermore the applied technologies, for example self-service solutions, are of interest as well, especially the HR-related functionalities of the employed system. Taken together, such elements and its interactions permit systematic depiction of the “e-HRM configuration” and enable the researcher to describe and to examine any configuration of e-HRM (Strohmeier and Piazza, 2013).

E-HRM-consequences are all phenomena that arise from the application of e-HRM on the micro-level such as employee outcomes as well as on the macro level such as HR an organizational effectiveness (Strohmeier, 2007).

### **E-HRM practices and Firm Level outcomes**

HRM-Performance literature has highlighted the importance of investment in Human capital for enhancement of Firm performance. A number of authors developed linkages between people management system and performance (such as Davis, 1989; David, 1997; Bondarouk & Ruel, 2013; Bondarouk & Rul, 2009; Ruel et.al, 2007; Parry, 2011; Marler and Fisher, 2013; Wahyudi & Park, 2014).

Recent literature on E-HRM suggested that technology based practices pushed HRM function in new horizon through fast and accurate decision making, providing more flexible workplace environment and to make HRM more efficient (Godard, 2004). If distinctive/innovative approaches to HRM increase organizational performance then the E-HRM practices seems a good fit for superior organizational performance (Gardner, Lepak & Bartol, 2003; Orlikowski, & Scott, 2008; Marler & Parry, 2015; Bondarouk, Harms & Lepak, 2015). A plenty of literature can be found supporting the assertion that E-HRM enhances the HR and organizational effectiveness through cost reduction strategies (such as reducing head count), shorten the cycle and improving the quality of transactional-HR activities and decreasing administrative burden through devolution of HR task to line manager , improving decision making, ensuring timely completion of work, effective communication, supporting differential labour & enhancement of control over operation (Lepak & Snell, 1998; Hendrickson, 2003; Snell et al. 2002; Lengnick-Hall & Moritz 2003; Marler, 2009; Wickramasinghe, 2010).

### **Research Frame work**

The study uses technology deterministic approach to examine the impact of E-HRM on organizational performance. This approach reflects “an underlying positivist paradigm in which technology is a distinct independent measurable variable that has predictive consequences in organizations” (Lengnick, & Lengnick, 2009; Marler and Fisher, 2013). Therefore, organizational performance measures are used as dependent variables whereas E-HRM practices are employed as predictors of the study. Base on exiting literature, a theoretical framework is developed to analyze the impact of E-HRM on bank’s performance

through the lens of Resource base view of firm (RBV). Fig 2.2 presents the research framework.

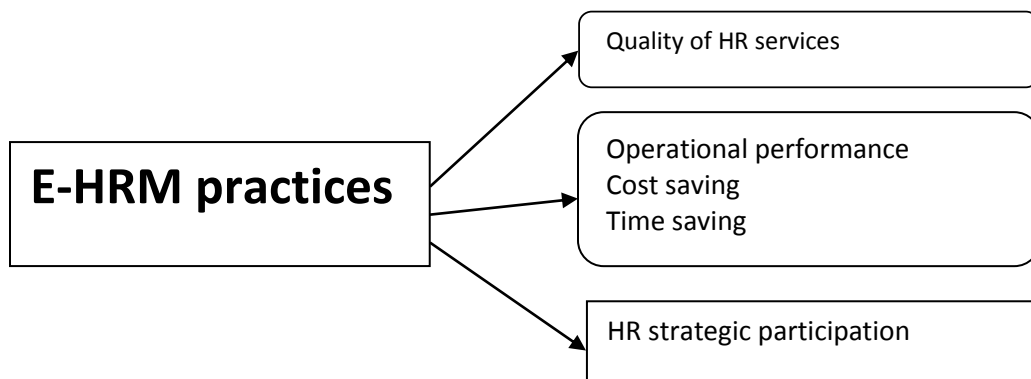


Fig 2.2 Theoretical Framework

- H<sub>1</sub>: There is a positive relation between E-HRM practices and quality of HR services
- H<sub>2</sub>: The HR strategic participation will be greater the higher the adoption of E-HRM practices
- H<sub>3</sub>: There is positive relation between E-HRM practices and bank's operational performance

## RESEARCH DESIGN

A quantitative methodology was adopted for this study, by using numerical methods and statistical tools to collect and analyse the data. Generally, research studies regarding HRM have used secondary data by using existing data repositories such as "Cranet survey of organisational HR management policies and practices" (parry, 2011) and "National Employer Survey" or collect primary data (Ruel et al, 2007; Bondarouk et al., 2009). However, we are unable to find any such surveys in Pakistan. Therefore primary data was used to examine the impact of E-HRM. Structure questionair was also used to collect the data from KSE listed bank.

### Sample size

The sample of the study covered all KSE listed comercial banks where operational, relational and transformational E-HRM practices are applied. The questionair is sent to the 500 branches in four metroplotian cities i.e Islamabad, Lahore, Karachi and Quetta. However, we received 323 valid responses.

### Reliability Analysis

Cronbach's alpha ( $\alpha$ ) was used to check the reliability of the construct. Table 3.2 represents alpha values with corresponding reliability category. Hinton (1980) has proposed that reliability categorized as "excellent- 0.90 and above", "high-0.70-0.90", "moderate-0.50-0.70" and "low-below 0.50" reliability. It is clear from table that all cronbach alpha for all construct was within acceptable range which shows that the instrument is reliable. Thus, it is concluded that instrument component are internally consistent.

Table 3.2 Reliability Analysis

<b>Construct</b>	<b>No of item</b>	<b>Cronchbach alpha</b>
E-HRM practices	18	.868
Cost saving	3	.656
Time Saving	4	.797
Quality HR services	9	.868
HR strategic Participation	3	.675

## DATA ANALYSIS

The unit of analysis of the study is bank's branch and data are collected from branch manager and majority of the respondents (56.3%) have Master/MBA degree wheareas small portion of respondents have Bachlor degree. Large portion of the respondents have above 10 years experience. The demographic of the study is presented in Table 2.

Table 4.1 Demographic-data

<b>Description</b>	<b>Variable</b>	<b>Results</b>
Education	Bachlor	21.6 percent
	Master/MBA	56.3
	MPhil/PhD	8.7
Experience	Less then 3 years	9.5 percent
	3.1 to 7	19 percent
	7 to 10 years	25 percent
	10-15 years	32.1 percent
Age	20-30 years	4.4 percent
	30-40 years	55.6 percent
	Above 40 years	27.5 percent

Table 4.2 Descriptive-Statistics and Correlation

	<b>Mean</b>	<b>SD</b>	<b>1</b>	<b>2</b>	<b>3</b>
1.E-HRM practices	5.3086	.78880			
2. Quality HR services	5.7042	.80815	.499		
3. Operational Performance	5.5911	.94270	.650	.720	
4. HR strategic Participation	4.9570	1.03843	.326	.459	.355

Table 4.3 Impact of E-HRM practice on quality of HR-services

<b>R square</b>	<b>Adjusted R quare</b>	<b>F statistics</b>	<b>T value</b>	<b>Sig</b>
.247	.247	120.192	11.936	.000

Table 4.4 Impact of E-HRM practices on operational performance

<b>R square</b>	<b>Adjusted R quare</b>	<b>F statistics</b>	<b>T value</b>	<b>Sig</b>
.422	.421	264.726	5.729	.000

Table 4.5 Impact of E-HRM practices on Cost Saving

<b>R square</b>	<b>Adjusted R quare</b>	<b>F statistics</b>	<b>T value</b>	<b>Sig</b>
.302	.301	156.961	1.696	.000

Table 4.6 Impact of E-HRM practices on Cost Saving

<b>R square</b>	<b>Adjusted R quare</b>	<b>F statistics</b>	<b>T value</b>	<b>Sig</b>
.335	.333	182.477	7.503	.000

Table 4.7 Impact of E-HRM practices on HR strategic Participation

<b>R square</b>	<b>Adjusted R quare</b>	<b>F statistics</b>	<b>T value</b>	<b>Sig</b>
.107	.104	43.171	7.623	.000

Table 4.3 presents that E-HRM practices has significant, positive impact on quality of HR services (F value=120.192,  $P < .05$ ). The table also demonstrates that E-HRM practices explain 24.7 variance in HR process quality. This indicates that E-HRM practices can improve the quality of HR process. Hence, Hypothesis 1 is



supported. This finding also support Wahyudi and Park (2014) that showed that E-HRM practices improves the quality of HR processes. The study verified that E-HRM Practices has significantly increase Pakistani bank's commercial banks performance. Table 4.4 demonstrates that there is positive relation between E-HRM and operational performance ( $F=264.726$ ;  $P<.05$ ). We used two variable i.e cost saving and time saving to measure the operational performance.

E-HRM practices explain 33% percent variance in cost saving while 30% in time saving. Therefore, it is suggested that organization who effectively implement E-HRM practices in Pakistani bank can earn more rents through cost saving and time and effort saving which can be source of competitive advantage for bank. Our findings is also supported by pervious research such as Ruel and Bondarouk (2004) by indicating that E-HRM can improve operational performance by increasing cost efficiencies, improving communication process and decreasing time to perform particular HR processes leading to growth in productivity and financial outcomes. Table 4.7 supports our third hypothesis that E-HRM practices increases HR strategic participation with F value 46.171 and T-statistics 7.623 at  $P<.05$ .

It also demonstrates that E-HRM practice explain 10.4 % variation in HR strategic participation indicating a positive and crucial role of E-HRM practices to enhance strategic orientation of the HR function. This result is supported by Parry (2011) and Wahyudi and Park (2014) by showing that E-HRM practices release the administrative responsibilities and spare for strategic and value added activities which has a positive impact on employee –employer relation which could be a first step towards sustain competitive advantage

## **CONCLUSION**

Our study demonstrate that E-HRM improve quality and efficiency of HR activities by efficient delivery of HR service, cost saving and transforming the role of HR function from administrative expert to a strategic partner. The basic goal of the study is to analyze whether E-HRM practices in Pakistani banking sector increase bank's performance. There are many studies can be identified that discussed potential benefit of E-HRM practices ,however, very few studies are dedicated to examine the impact of E-HRM practices on organizational performance in the context of developing countries such as Pakistan. The study provide guidance HR practitioner and policy maker in Pakistan about potential effects of different E-HRM practices.

Despite of the fact that the study produced useful information both for practitioners and academia, it still has several limitations. First, generalizability of study's findings is limited. As empirical data is based on only KSE listed banks, data set from non KSE listed bank would be handy for generalizability of the findings. Another limitation of the study is common method variance, as data was collected through self-administration from branch manager. By collecting data from different respondents such as corporate managers and employees etc. would tackle the issue of common method variance on one hand while on the other hand increase reliability and generalizability of the results.

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