

DETERMINANTS OF EMPLOYEE PERFORMANCE IN EMBRYONIC ECONOMY

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ABSTRACT. Purpose: Since the building of a nation is the main concern of most governments worldwide, and human resources have been recognized to be one of the most important promoters in the nation's development, this paper therefore focuses on the relationship between HR practices and employee performance in the embryonic economy. Also, this work seeks to establish the relationship between selected HR practices and employee performance.

Design/methodology/approach: In this work, extensive literature review is the approach adopted for the development of conceptual model. Also, review of literature is used to measure and discourse the relationship between the selected HR practices (i.e., compensation, performance appraisal, and succession planning) and employee performance.

Findings: This paper proposes a conceptual framework that indicates direct and positive relationship between the selected HR practices and employee performance. Hence, this work serves as guide on enhancement of employee performance.

Research limitations/implications: This paper is a conceptual work that has its own limitation. However, the study can be improved upon through collection and analysis of related data.

Practical implications: The paper can guide the stakeholders in Nigeria to understand better the roles of HRM practices through which employee performance can be enhanced.

Originality/value: It is believed that this work is a compendium that contributes to the extant body of knowledge in the HRM-performance research field, and serves as guide for stakeholders on the enhancement of employee performance.

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1. INTRODUCTION

In spite of the enormous importance of human resource (HR) practices towards the realization of employees' performance, many organizations are not fascinated to emphasize its optimum. Researchers have shown that no organization can exist unless its workers are highly productive. Also, performance can be propelled by workers' evaluation of what they gain or lose by acting in a particular way (Koshy and Suguna, 2014). Obviously, the most vital factor that affects the future of any organization is its employees, as they play an integral role in achieving organizations' objective (Koshy and Suguna, 2014). Therefore, this paper focuses on reviewing literatures on human resources practices, particularly compensation, performance appraisal, and succession planning and employee's performance in embryonic economy. It will later propose the potential relationship as well as effect of human resources practices on employee performance within embryonic economy's setting. While substantial numbers of research (Delery and Doty, 1996; Huselid, 1995; Seidu, 2011) have established the link between human resource practices enhanced employee performance, this kind of research in the context of embryonic economy would solidify the existing body of knowledge in the research field.

2. LITERATURE REVIEW

According to Anitha (2013), employee performance refers to employee's monetary or non-monetary outcome which is absolutely connected with performance and success. According to McConnell (2003), employee performance is the achievement and contribution of an individual

in practical and quantifiable term. Moreover, employee performance is a complex concept that can be affected by many variables (Popovich, 1998). These variables can range from age, gender, employee recognition to job satisfaction, performance appraisal techniques, and task types (Rahman, & Shah, 2012). Sarmiento et al. (2007) argued that job performance is often the result of at least two aspects: the abilities and skills (natural or acquired) that an employee possesses, and his/her motivation to use them in order to perform a job better.

In addition, a number of authors believed that employees can help to improve business performance through their ability to generate ideas and use these as building blocks for new and better products, services and work processes. Recently, there has been a behavioural view which claims that performance involves the results or the outputs. However, that doesn't mean companies should ignore their goals and targets. Thus, performance comprises all the behaviours that are related to achieving the unit or department goals as well as organizational goals in which individual works on (McShane and Glinow, 2005). Hence, there are two views of performance: results/output and behaviours, and that makes it difficult to distinguish between these two aspects of performance and would be confusing to do so. Nevertheless, behaviour is viewed as the cause of output, and output is used to measure employee performance and effectiveness (Anitha, 2013). Many scholars have tried to come up with the best way to explain employee performance and some of the definitions given are organizational-related (Meyer et al., 1991). Performance is also importance for the individual, accomplishing tasks and performing at a high level can be a source of satisfaction with feeling of mastery and pride (Sonnentag, 2003). Low performance and not achieving the goals might be experienced as dissatisfying or even as a personal failure (Sonnentag, 2003). Moreover, performance, if it is recognized by other within the organization, is often rewarded by financial and other benefits. Organization wants employees with highly performance as they would expedite the accomplishment of their goals, delivery of the products and services, and finally the achievement of competitive advantage (Sonnentag, 2003).

Furthermore, resources in organizational setting are defined as anything that could be thought of as a strength or weakness of a given firm including tangible assets (Wenerself, 1984). There are main organizational resources; human resources, financial resources and technological resources. The management of human resources involves an approach that deals on

employment management in which it seeks to accomplish competitive advantage via the tactical utilization of a highly committed and capable workforce, using on array of cultural, structural and personnel techniques (Storey, 1995). The purpose of HRM is to ensure that the employees of an organization are used in such a way that the employer obtains the greatest possible benefit from their abilities and the employees obtain both material and psychological rewards from their works (Graham 1998).

Moreover, human resource management is a process, which consists of four main activities, namely, acquisition, development, motivation, as well as maintenance of human resources (Gupta and Shaw, 2014). Gupta and Shaw (2014) cited Scott, Clothier and Spriegel, (1961) that he defined Human Resource Management as that branch of management which is responsible, on a staff basis, for concentrating on those aspects of operations which are primarily concerned with the relationship of management to employees and employees to employees and with the development of the individual and the group. Also, Human Resource Management is responsible for maintaining good human relations in the organisation. It is also concerned with development of individuals and achieving integration of goals of the organisation and those of the individuals. Human resource management is also an extension of general management that is of prompting and stimulating every employee to make his fullest contribution to the purpose of a business. Human resource management is not something that could be separated from the basic managerial function. It is a major component of the broader managerial function. The next section discusses the selected HR practices.

2.1. HR PRACTICES

Human resource practices have received increased attention for its impact on employees' performance. The majority of the researches in this area have focused on the degree to which the human resource practices can enhance individual and organizational performance (Joarder, Sharif and Ahmmed, 2011). There is a lack of information regarding dynamic nature of human resources in the setting of countries in an embryonic economy. Moreover, it is difficult to generalize the human resources practices of the western setting, and adopt the western model of human resources practices in the embryonic economy countries (Joarder *et al.*, 2011). Therefore,

there is need for research in the embryonic economy. Budhwar and Debrah (2004) opined that there is a greater need to know how employees in various parts of the world perceive human resource practices in different environment. Thus, this paper is expected to fill the gap on human resource practices-employee performance link within the setting of embryonic economy countries. Three sets of HR practices are highlighted in this present paper which include (i) compensation, (ii) performance appraisal and (iii) succession planning.

2.1.1. COMPENSATION

Compensation, as a HRM practice, deals with all type of rewards that employees receive in an exchange for what they have performed towards achieving organizational objectives (Philip, 2003). Compensation packages vary for different workers depending upon their levels and types of formal education, experience and training (Pedro and Vicente, 2007). Compensation has been considered a fundamental issue of concern on employees and a powerful utility for them to improve their performances, and pay is the most popular way of motivating employee to perform and ensures effective performance.

The rationale for employee's compensation in organization is always with a common goal to advance employee performance and overall organizational capabilities. Numerous research studies highlighted performance-based compensation as highly motivating and an influence creating HRM practice (Arthur, 1994; Huselid, 1995; MacDuffie, 1995; Delery & Doty, 1996). Bonus systems are to motivate employees to work towards the company's objectives (Pfeffer, 1994). Some researchers have concluded that the relationship between pay and performance in the past was stronger and agreed that compensation played a key role in enhancing employee effectiveness and generalized terms, it can be said that compensation is used as a motivator to enhance performance.

2.1.2. PERFORMANCE APPRAISAL

The most difficult and most distasteful human resource management task for line managers to perform is the process that appraises employee performance and acts on that appraisal termed "Performance Appraisal". Performance appraisal (PA) has been and still is the most problematic HR

area and the most avoided/detested HR area for line managers and HR departments alike (Dessler, 2011). Grote et al. (2010) points out that PA has more influence on individual careers and work lives than any other management process. Performance appraisal can both make a business more efficient and help keep employees motivated. By evaluating people at regular intervals, appraisals help firms show where their employees excel, where they can improve, and how well they have followed the goals set by the firm.

However, some of the authors are in the view that better performance appraisal result in improved employee performance, Daoanis (2012) posits that performance appraisal is a vital tool to measure the frameworks set by any organization to its employees. It is utilized to track individual contribution and performance against organizational goals and to identify individual strengths and opportunities for future improvements and assessed whether organizational goals are achieved or serves as basis for the company's future planning and development.

2.1.3. SUCCESSION PLANNING

McConnell (2006) defined succession planning is the process of identifying people who could presently move into key positions or could do so after specifically targeted development occurs. The process identifies the better people in the organization and takes a consistent approach to assembling, analysing, and retaining information about potential leaders and planning for their further development. Mehrabani and Mohamad (2011) opined that organization's future plans may change by some reasons such as retirements, promotions within the organization, serious illness, death or any voluntary departure from the organization to follow a career elsewhere. To cover such changes, organizations must have a key employees' replacement plan. Succession planning is considered as a suitable effort in this regards Mehrabani and Mohamad (2011) cited Sambrook, (2005) there are mainly three focal points of succession planning as pointed out by Hedum (2010). These are:

- It addresses the needs of the organization as senior leadership ages and retires.

- It helps an organization prepare for an unexpected event such as the sudden illness or death of a person in a key leadership role in the organization.
- It ensures that an organization has the right calibre of personnel in place to function at peak efficiency.

Today's dynamic environment filled with global competition and business discontinuities defines the arena in which succession planning must flourish. To do so, a much more active orientation is required; one that is better characterized by succession management and its emphasis on going and integrated processes (Bruer et al., 1996). The concept of succession planning is a positive approach to guarantee continuity in an organization by identifying how vacant positions that were created due to planned and un planned departures of employees will be filled (Schmalzried and Fallon, 2007). This implies that succession planning is both a dynamic and systematic leadership and talent development strategy embarked upon to be able to accomplish future organizational operational needs and goals. Simply put, succession planning is the life event of an organization. Consequent upon this, succession planning has been proven to be an antidote to disruption of organizational policies due to the effects of resignation and loss of talent in organization (Nayab, 2010).

3. RELATIONSHIPS BETWEEN THE SELECTED HR PRACTICES AND EMPLOYEE PERFORMANCE

It has become an empirical fact that relationship between compensation and employee performance exists, and the studies that establish this include Oluigbo and Anyiam (2014), and Rizal et al. (2014). For example, Oluigbo and Anyiam (2014) studied the relationship between compensation and employee performance. The study used a sample of 92 employees of Zinox Technologies Limited (a private company that specialized in information technology). Frequency distribution table, simple percentage and chi-square are the statistical instrument used in the analysis of data. The study revealed that compensation influence employee performance.

Regarding performance appraisal, many empirical studies have established a positive relationship between performance appraisal and employee performance in organization, the studies include Owoyemi and George (2013), Kuvaa (2011), Daoanis, (2012), Shaharyar et al. (2014). Similarly, there are some empirical studies that show the significance of succession planning in an organization, these includes Daspit et al. (2015). Sharma, Chrisman, & Gersick, (2012). Based on the observation made by Posthuma et al. (2013), there is dearth of research on the effect of succession planning. This implies that despite that succession planning is a vital HR practice that has its crucial role in the achievement of organizational success, little is known about its influence on employee performance.

Given the argument put up above, this paper proposes a conceptual model of HR-performance connection as illustrated in the figure below:

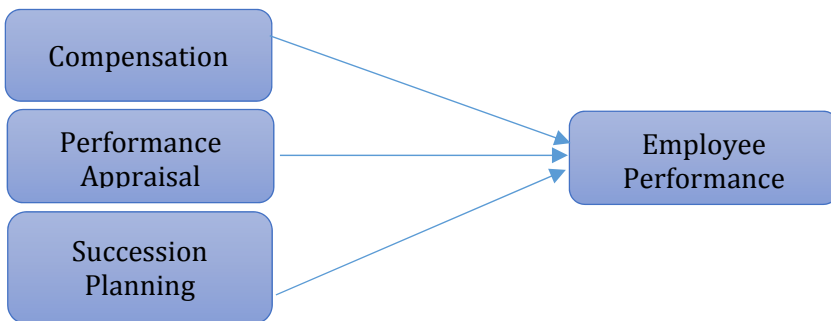


Figure 1. Research Framework (Source: authors' work)

Based on the evaluation of relevant literature, it is proposed that there is enough evidence to show the linkage between HR practices and employee performance, especially given the three reviewed sets of HR practices. This is illustrated in the figure above which depicts the proposed framework where HR practices are independent variables and employee performance is dependent variable. HR practices are measured through compensation, performance appraisal and succession planning. While employee performance could be measured by task and contextual performance. These are postulated to exist in an embryonic economy, in which higher and better employee performances are important in

ensuring organizational success as well as in sustaining business competitiveness. It is obvious that HR practices are probable variables that will affect employee performance.

The proposed research framework is well supported by the Ability-Motivation-Opportunity (AMO) model, AMO model posits that performance of the firm can be speed up through three factors which are ability, motivation and opportunity. The first factor can be achieved through recruiting and selecting quality personnel. Jiang Lepak, Hu and Baer (2012) emphasizes that ability of the firm's human capital can be enhanced through all-inclusive compensation, performance appraisal, and sound succession planning. AMO theory is commonly adopted at individual level. Thus, this theory ground the proposed relationships among the variables of this paper.

4. CONCLUSION AND DISCUSSION

This paper surveyed the research on the relationship between HR practices, particularly compensation, performance appraisal and succession planning, and employee performance. The general information from the literature is that HR practices have impact on employees' performance. However, since this paper focuses purely on the conceptual perspective of the relationship between compensation, performance appraisal and succession planning and employee performance, the trend for future research should be empirically test to what extend and how HR practices, more specifically compensation, performance appraisal and succession planning are related and impacting employees' performance in the embryonic economy.

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