

Exploring the Mediating Role of Employee Motivation in the Relationship Between Post-Selection Human Resource Management (HRM) Practices and Organizational Performance

Aftab Tariq Dar, Government College University, Pakistan
Yasir Sharif, Government College University, Pakistan

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Abstract

The purpose of this cross-sectional study was to explore the mediating role of employee motivation in the relationship between post-selection Human Resource Management (HRM) practices (training & development, performance evaluation system, career development system, extrinsic and intrinsic rewards) and perceived performance of Islamic Banks operating in Pakistan. This study was based on primary data collected from 200-employees of different Islamic banks in Pakistan by distributing structured and reliable questionnaires. The demographic profile of respondents was diversified in terms of their grade, age, experience, education. Pearson correlation statistical technique was applied on collected data and results revealed that training & development($r = .829$), performance evaluation system($r = .752$), career development system($r = .666$), extrinsic rewards($r = .921$), intrinsic rewards($r = .852$) and employee motivation($r = .722$) have strong positive association with perceived performance of Islamic banks in Pakistan. Results of hierarchical regression analysis supported that post-selection HRM practices have positive impact on perceived organizational performance and employee motivation acts as mediator in the relationship between post-selection HRM practices and perceived organizational performance. The proper implementation of post-selection HRM practices makes employee motivated that resulted in improved organizational performance. Management of Islamic banks desiring optimum return and performance should pay special attention to need-based training programs, fair and merit based performance appraisal system, development of progressive career paths, performance-based extrinsic and intrinsic rewards management. While making HRM policies, employee motivation should be given paramount importance as the results of contemporary studies supported that it is the major contributing factor of higher organizational performance.

Keywords: Post-Selection Human Resource Management Practices, Employee Motivation, Perceived Organizational Performance, Islamic Banking Sector of Pakistan.

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1. Introduction

In the present age of competition, human resources are considered as a unique asset of organization and critical tool to achieve competitive advantage over the rivals. HRM practices help the organization to accomplish organizational goals i.e. profitability, shareholder's wealth maximization, considerable return on assets/equity, operational efficiency and customer services excellence. Realizing this fact, various organizations are adopting best pre-selection and post-selection HRM practices to survive and capture more market share in the competitive world. The prime objective of HRM is to ensure accomplishment of organizational goals by developing motivated & talented workforce through imparting need-based training. Accomplishment of organizational success is possible with well managed post-selection HRM practices like proper employees' training, fair performance evaluation system, better career progression opportunities, performance-based rewards management and motivating employees through provision of intrinsic or extrinsic rewards.

Ulrich (1997) explained that in order to grasp and attain benefit from new opportunities, effective HRM system is prerequisite and critical system of organization. Sett (2004) described that South Asian economy has been globalized therefore to compete in global competition, best HRM practices like skill oriented training & development programs, justified performance evaluation, career progression, better rewards management are being implemented by the organizations. There are lots of definitions of HRM, some of authors explained that HRM as a personnel management including activities like fulfilling demand/supply of labor in the short run. HRM activities like job analysis/design, human resource budgeting, hiring of competent employee, imparting training, succession planning, job rotation, performance appraisal of employee, career progression, succession planning, performance based rewards management are not performed by personnel manager. Storey (1987) recommended for treating HR like other factors of production i.e. material resource. Legge (1995) clarified the concept of HRM by differentiating between human resource and material resource and argued that human resource is most important resource of organization and should be given due importance as compared to other economic resource. Guest (1997) focusing on competitive advantage approach argued that human resource should be treated as a distinctive resource and highlighted the importance of HRM for attaining competitive advantage by leadership, motivation and through training & development. Based on range of definitions in literature, important functions of HRM includes job design/analysis, forecasting the demand/supply of human resource, technical and skill oriented training, job rotation, performance assessment, succession planning, career progression, employee motivation, extrinsic & intrinsic rewards management, developing motivated & well trained and competent HR base to accomplish strategic and operational objectives of organization.

Choi (2010) studied the effect of HRM practices on financial performance of organization, productivity of employees and their turnover and concluded that financial performance of organization and productivity of employees can be improved by effective HRM. The implementation of HRM practices in organization also helps to reduce employee turnover and retention of motivated workforce. Fombrun et al. (1984) recommended that HRM system must be designed according to the vision and mission of organization and described that HRM comprises of merit-oriented selection(hiring of most suitable candidates), employees' performance assessment,

performance based rewards management, developing sound HR base through imparting proper training, retention and motivation of employees in organization for achieving optimal level of organizational performance. Beer et al. (1984) described that human resources are strategic assets required to acquire competitive advantage and core functions of HRM are hiring/placing the right people for the right job, imparting training to successfully perform job's objective, evaluation of employees' performance. Ulrich and Lake (1990) argued that through development of sound HRM system, organizations can grasp the opportunities and acquire competitive advantage. Pfeffer (1998) highlighted the importance of HRM by introducing the human equation focusing on people as key stimulus of profitability and described that organizational profitability can be improved by effective HRM.

Whitener (2001) using hierarchical regression analysis investigated mediating role of organizational commitment in the relationship between HRM practices and organizational performance and supported that best HRM practices improves employees' commitment towards accomplishment of organizational goals and have positive impact on organizational performance. Arthur (1992) conducted study to discover the effect of HRM practices on firm performance and found positive correlation between them and viewed that HRM practices increase organizational performance many fold. Huselid et al. (1997) conceptualized two dimensions of HRM i.e. strategic and technical dimensions. Former focuses on alignment and compatibility of HRM practices with mission and vision of organization and latter concentrates on proper implementation of HRM practices resulting improvement in operational efficiency and sustainable competitive advantage.

As far as financial services sector is concerned, banks are striving hard for sound HRM system therefore banks have established HRM department/wing/group to achieve organizational objectives i.e. profitability through retention of skilled & motivated human resources. On the basis of literature review, HRM practices are categorized as follows:

1. Pre-selection HRM practices
2. Selection practices
3. Post-selection HRM practices.

Job design, job description, job specification, HR budgeting are pre-selection practices. Selection practices involve activities relating to job offering, receipt of application from the potential candidates, screening test, interviews and medical tests. Post-selection HRM practices which are related to imparting training to the employees, fair evaluation of employees' performance, crystal clear career paths, intrinsic & extrinsic rewards management and employee motivation. HRM practices are affected by external factors i.e. workplace justice, workers unions, safety and health and international influences owing to rapid globalizations. Broadly speaking HRM is a process through which employees of organization are effectively and efficiently managed by imparting proper and need-based training, transparent and merit-oriented assessment of employees' performance, well designed rewards management system, promoting employees, career progression, succession planning and psychological motivation. HRM is based on the rationally designed policies and procedures and guidelines.

Exploring the influence of post-selection HRM practices on organizational performance in different developing countries is an important domain of research. In the past, numbers of studies have been conducted to explore the impact of HRM practices on firm's performance, employee turnover, employee motivation and employee performance in an international setting. However, in Pakistan, this segment of research is under ignorance and there is high need to investigate the effect of post-selection HRM practices on organizational performance in order to provide crystal clear guidelines to HRM policy makers.

Islamic Banks operating in Pakistan have recorded remarkable growth and network of their branches is being expanded nationwide day-by-day to capture more market share and provide better quality customer services. Due to expanded network of branches and outreach, hiring of large number of employees has been made therefore these banks are presently facing challenges in the domain of post-selection HRM practices. In 2008, On the basis of growth estimates provided by Islamic banks in Pakistan, State Bank of Pakistan (SBP) forecasted significant growth in deposits, financing and HR requirement of Islamic Banking (IB) sector of Pakistan. As per SBP Islamic Banking Bulletin July-September 2012, five exclusively Islamic banks are functioning in Pakistan and number of Islamic Banks is increasing with the passage of time that reflects growth potential of Islamic banking sector of Pakistan and lots of conventional banks have also established Islamic banking branches viewing the profitability potential of this niche.

By way of exploring the mediating role of employee motivation in the relationship between post-selection HRM practices and perceived performance of Islamic banks operating in Pakistan, the findings of this study is very helpful for management of Islamic Banks to choose the best post-selection HRM policies. The objective of this cross-sectional study is as follows:

1. To examine the influence of post-selection HRM practices (well designed employees' training & development programs, fair and justified employees' performance evaluation, well structured career development/ progression system, performance based extrinsic rewards & intrinsic rewards) on perceived performance of Islamic Banks operating in Pakistan.
2. To explore the mediating role of employee motivation in the relationship between post-selection HRM practices (well designed employees' training & development programs fair, justified employees' performance appraisal system, well structured career development/progression system, performance-based extrinsic & intrinsic rewards management) and perceived performance of Islamic Banks operating in Pakistan.

2. Review of Literature

2.1. Post-Selection HRM Practices and Organizational Performance

Delery & Doty (1996) studied the impact of recruitment & selection center, skill-oriented training & development programs, career progression, justified performance rating system, job involvement, employee engagement and performance-based rewards management on performance of strategic business units and found that implementation of HRM practices in an effective manner maximizes profitability of businesses. According to Beer et al. (1984), HRM department of organization is

responsible for hiring the right person for the right task, defining and matching job description with job specifications, employees' development through imparting future-oriented training, transparent and unbiased performance evaluation, career progression, succession planning, motivating employee, retention of talented workforce and compensating employee according to their job ranking/grading. Bartel (1994) studied that how the implementation of post-selection practices affect performance of enterprises and concluded that organizations which have adopted best HRM practices was performing successfully and had competitive advantage over peers lacking effective HRM system. Becker (1996) studied 740-companies and expressed that organization which was implementing HRM practices produced optimum performance as compared to those which lacks in implementation of HRM practices. Peter & David (2001) studying the effect of High Performance Work System (HPWS) on employee performance supported that organization can increase its productivity by adopting HRM practices and HPWS are positively associated with organizational performance. Wan et al. (2002) by performing regression analysis concluded that existence of HRM practices in an organization has significant positive impact on productivity of business. Purcell et al. (2003) discovered that well managed HRM practices and accomplishment of organizational goals have positive associations. Deepak et al. (2003) explained that through HPWS, performance of organization can be boost up many times. According to Singh (2004), recruitment, merit-based selection and fair performance evaluation, skill-oriented training & development programs, employee motivation, justified compensation system have significant positive impact on perceived organizational performance. Teseema et al. (2006) investigated effect of post-selection HRM practices like training & development programs, merit-based promotion, performance-based compensation, employee communication on perceived employee performance and found that positive relationship exists between these HRM practices and perceived employee performance mediating to organizational performance. Katou (2008) described that organizational performance is positively correlated with selection through merit-oriented rigorous process, performance-based compensation, training & development of employees to make them skillful, unbiased performance evaluation and employee motivation. Shahzad et al. (2008) studied the relationship between compensation, performance appraisal, promotion practices and organization performance and found it positive. Using correlation analysis technique, Budhwar et al. (2010) found that post-selection HRM practices like fair and transparent rewards system and employee participation positively correlates with performance of organization.

The extensive study of literature reveals that post-selection practices i.e. need-based and future-oriented training & development programs, fair performance evaluation of employees, career progression, performance-based extrinsic & intrinsic rewards system were tested by the researchers to investigate the impact of these post-selection practices on organizational outcome. On the basis of literature review, following post-selection practices were used in this study to examine their influence on perceived organization performance.

1. Training & development
2. Performance evaluation system
3. Career development system
4. Extrinsic rewards
5. Intrinsic rewards

2.2. Training & Development and Organizational Performance

To perform assigned task effectively, employees need to go through proper training and development courses conducted by trained employees Baldwin & Padgett (1994). Training is an important exercise helpful to achieve organizational goals i.e. sustainable competitive advantages over competitors and grasp significant market share Barney, (1995). In this contemporary competitive world, human resource is considered as most important organizational resource and strategic HRM is pivotal to attain competitive advantage. Imparting proper training is best HRM practice which significantly contributes in achievement of organizational goals Dobson & Tosh, (1998). Proper training leads to high organizational efficiency and effectiveness Noe, (1986). Organizations which invest on training have competitive advantage over organizations lacking trained and skilled workforce. Training expenses should be considered as an investment as it gives favorable results and maximum output Elangovan & Karakowsky, (1999).

Training is very important for improvement of employee's skills. To attain sustainable competitive advantage, organization depends on skilled workforce and product development to grasp more market share and improving profitability Booth & Snower, (1996). Management of organization assesses effectiveness of training & development programs through comparing the costs of conducting training programs and contribution of skill-oriented training programs into organizational productivity Elangovan & Karakowsky, (1999). Organizations are conducting extensive training of employees for their development and achieving strategic position over competitors and improved level of performance Brown, (2005). In the contemporary study, training & development is considered as predictor of perceived performance of Islamic banks operating in Pakistan.

H₁: Well designed employees' training & development programs are positively correlated with perceived performance of Islamic banks operating in Pakistan.

2.3. Performance Evaluation System and Organizational Performance

By using performance rating system, organizations can develop desired employee attitudes and behavior. The performance of employees evaluated to provide feedback to them and indentify the training gaps owing to which employees failed to perform up to the desired level. Fair and transparent performance assessment motivates workforce to work more with zeal and zest for accomplishment of organizational objectives Singh, (2004). The objective of performance appraisal system is to determine productivity level of an employee as well as find out the way through which productivity level of non-performer can be improved. Justified performance assessment is also instrument used to decide the compensation of employees and plays a role of motivator for the hardworking employees. Performance appraisal system first defines job objectives and performance measures of employees and then guides them the way through which these agreed objectives can be accomplished by them. Under performance rating system, employees who achieved their job objectives are rewarded for meeting the performance standards. Different techniques for measuring performance are being used by the organization to conduct this post-selection HRM practice. Each employee in organization is given performance targets and subsequently employee's performance is measured in relation to assigned performance target. Under 360-degree performance appraisal, feedback regarding employee's performance is obtained from all stakeholders to have fair and transparent

performance appraisal of employees. Performance appraisal of employee is sometimes mismanaged and biased. If the performance appraisal system is based on subjective measures then this system leads to dissatisfaction and frustration among the employees. Subjective performance appraisal is based on judgment of appraiser and ignores objectives of job holders Ebrahim, et al. (2005). Wan et al. (2002) explained that if performance appraisal is based on merit & transparency then motivation level of employees will improve and ultimately organizational performance will be affected positively due to motivated workforce. Sels et al. (2003) described that fair performance evaluation enhances productivity and motivates workforce to effectively contribute in the organizational performance. Principles of managerial accountability require existence of performance appraisal system.

H₂: Fair and justified employees' performance evaluation system is positively associated with perceived performance of Islamic banks operating in Pakistan.

2.4. Career Development System and Organizational Performance

Career Development System is formal system that shows clear track of career progression and employee development. It provides awareness to employees regarding career opportunities, work experience, professional education, timing and progression steps to achieve a specific career goal Hall et al. (1986). Career development is progressive steps through which job holder recognizes his values and acquires interesting assignment compatible with his or her skills, education, and experience. Greenhaus, (1987). Career progression system & succession planning depends on the ability of organization to provide its employees more responsibility and better career position. Martin et al. (2001). If the career progressive system exists in organization then organizations prefer internal hiring/ job placement rather than external hiring to fill the vacant position. These organizations give preference to in-house talent by matching their skills, professional experiences with the requirement and job specification of job offering. Career development is an ongoing exercise connected with HRM structures and hierarchy of organization having positive impact on organizational performance. Leibowitz et al. (1988). The study of literature enables us to propose the following.

H₃: The existence of well structured career development/progression system has positive impact on perceived performance of Islamic banks in Pakistan.

2.5. Extrinsic & Intrinsic Rewards and Organizational Performance

Provision of monetary or non monetary rewards motivates workforce and motivated employees do maximum efforts to positively contribute in organizational performance. Lawler, (1971); Milkovich & Newman, (1996). Intrinsic and extrinsic rewards are very helpful to keep employee motivated, retention of talented workers, increased satisfaction, and improved performance of employee, low turnover and develop employee's loyalty. Now-a-days equity based compensation plan i.e. provision of shares to employee are being used by the organization for compensating the staff against their optimum performance. Melissa, (2004). Equity based rewards are very important tool to give a sense of ownership to employees and boost up the organizational productivity. Chih-Ying, (2003). Performance based bonus system are used to motivate employees to work hard towards achievement of organizational

objectives & competitive advantages over the rival. Pfeffer, (1994). Results of numerous studies supported that intrinsic and extrinsic rewards are positive contributor towards accomplishment of organizational goals and improved organizational performance. Gerhart& Milkovich, (1992); Milkovich & Boudreau, (1998); Gomez-Mejia,(1998). Many researchers concluded that intrinsic and extrinsic rewards lead to employee motivation and thereby high performance of organization. Employee motivation is highly dependent on extrinsic and intrinsic rewards. March & Simon, (1966); Weinert, (1998). Bau & Dowling (2007) conducted study of large and small scale organizations to investigate about association between reward system and organizational life cycle. They described that large organization having skilled workforce had better extrinsic and intrinsic rewards as compared to small organizations with less trained and skilled employees.

Intrinsic rewards have become part and parcel of compensation now-a-days. Employee performance is directly proportional to increasing rewards. SoonYew et al. (2008). Results of various studies revealed that as compared to extrinsic rewards, intrinsic rewards are most effective instrument to achieve desired level of employee motivation. After conducting research

in the cement industry of Pakistan, Qureshi et al. (2009) concluded that extrinsic and intrinsic rewards are positively correlated with the organizational performance. Rewards provided on the basis of fair performance evaluation are motivational tool helpful to get enhanced productivity. In present competitive world, organizations are implementing the philosophy i.e. low performance low rewards or vice versa. The critical issue being faced by the HR Manager is motivation and retention of employee. As compared to other HRM techniques, rewards are most effective tool for motivating the employees. Carraher et al. (2006) advocated that effective reward system is essential to retain talented workforce. Performance based rewards enhance level of motivation resulting optimum organizational performance whereas ill-managed reward system causes dissatisfaction and deteriorated performance. Reio & Callahon (2004) concluded that both extrinsic and intrinsic rewards are source of employee motivation and higher productivity. Deeprouse (1994) explained that organizational success is dependent on employee motivation. Through psychological rewards & recognition programs, employees can be motivated and their performance can be improved. Motivated employees lead to improved organizational performance. Both Intangible rewards like appreciation, empowerment and recognition etc. and extrinsic rewards like pay, fringe benefits, bonuses and promotion etc are vital for employee motivation and maximum organizational performance. Andrew (2004) expressed that better rewards system and recognition of employee's performance are prerequisite to employee motivation. According to Ajila & Abiola (2004), intrinsic rewards are intangible or psychological rewards like employee's inner satisfaction, appreciation of seniors, job autonomy and recognition while extrinsic rewards are tangible in nature like pay, fringe benefits, bonuses and promotions etc. Filipkowski & Johnson (2008) found negative relationship between job insecurity, poor reward management and employee commitment as well as organizational performance.

H₄: Performance based extrinsic rewards have positive impact on the perceived performance of Islamic banks operating in Pakistan.

H₅: Performance based intrinsic rewards are positively associated with the perceived performance of Islamic banks operating in Pakistan.

2.6. Employee motivation and post-selection HRM practices.

Motivation is psychological force that directs employees' behavior towards achievement of organizational goals i.e. better customer services, improved productivity. Kreitner & Kinicki, (1995). Entwistle (1987) explained that motivational factors enhanced the employee performance as well as organizational performance. Organization can only synergize its performance if its employees are satisfied & well-motivated to work. Jones & George (2008) explained motivation as psychological factor that directs an individual's behavior in an organization towards positive contribution into organizational productivity. In contemporary world, organizations are providing monetary and non-monetary rewards to its employee in order to keep them motivated which are precondition for optimum organizational performance. Mitchell, (1973). According to Porter, (1982), motivated employees are prime factor to attain desired level of performance as motivated workforce makes all possible efforts to perform up to the mark. Mitchell, (1982) described that employee motivation is driving force of employees' behavior resulting high level of employee productivity and increased organizational performance. Motivation energizes the workforce and directs their behavior towards optimum performance to achieve personal as well as organizational objectives. Meyer & Becker, (2004); Tung, (1981). Minner, Ebrahimi, & Watchel, (1995) described that employee motivation consists of needs and incentives. Maslow theory of motivation described that five needs of human being are 1) Physiological i.e. food, water etc. 2) safety i.e. job security and fearless 3) social i.e. friendship and belongingness 4) self-esteem i.e. recognition 5) self-actualization (knows himself and self-identification). Alderfer's ERG theory categorized Maslow's five human needs into three groups. 1) Existence i.e. physiological, safety needs 2) relatedness i.e. social 3) growth i.e. self-esteem and self-actualization. Employees' motivation depends upon expectancy, instrumentality and valence. Expectancy means employees' expectation of rewards that forces him to show high level of performance. Instrumentality means reliable relationship between provision of rewards on satisfactory performance and valence means value or importance of rewards in employee's mind.

Oosthuizen, (2001) described that prime function of HRM is to keep employees motivated towards their work and positively affects employee attitude in way that they work with full zeal and zest for achievement of organizational goals i.e. output maximization and optimum productivity. La Motta, (1995) explained that employee performance is dependent on skills, ability, education, experience to perform assigned task and more importantly level of motivation. Freedman, (1978) described that better rewards management and employee recognition programs motivates employees to meet the optimum performance standards. Employees' recognition programs boost up their self-esteem and vigor to work with full potential which is positively influenced organizational performance. Csikszentmihalyi, (1990) viewed that when the employees are motivated then they put their maximum efforts to perform up to the desired level. Organizations used employees' recognition programs and revised compensation package to get their employees more motivated towards work. La Motta, (1995).

In contemporary competitive environment, motivated workforce has synergized impact on the organizational goals, business objectives, productivity and performance. Recognition and communication programs have positive influence on employee motivation. Morris, (2004). After studying various organizations, Bull (2005) pointed out that provision of incentives and recognition of employee are causal

factor of motivation at workplace that drives employee's behavior towards accomplishment of enterprise's objective. Ali & Ahmed (2009) studied interrelationship of performance based reward management, employee recognition programs, employee motivation and organizational performance. Results of study revealed that financial or non-financial rewards, recognition of employees' achievement and appreciation of line-manager are positively correlated with motivation level of employee and improve organizational performance. After reviewing relevant literature, following hypotheses were formed.

H₆: Employee Motivation will play mediating role in the relationship between need-based and future oriented training & development programs and perceived performance of Islamic banks in Pakistan.

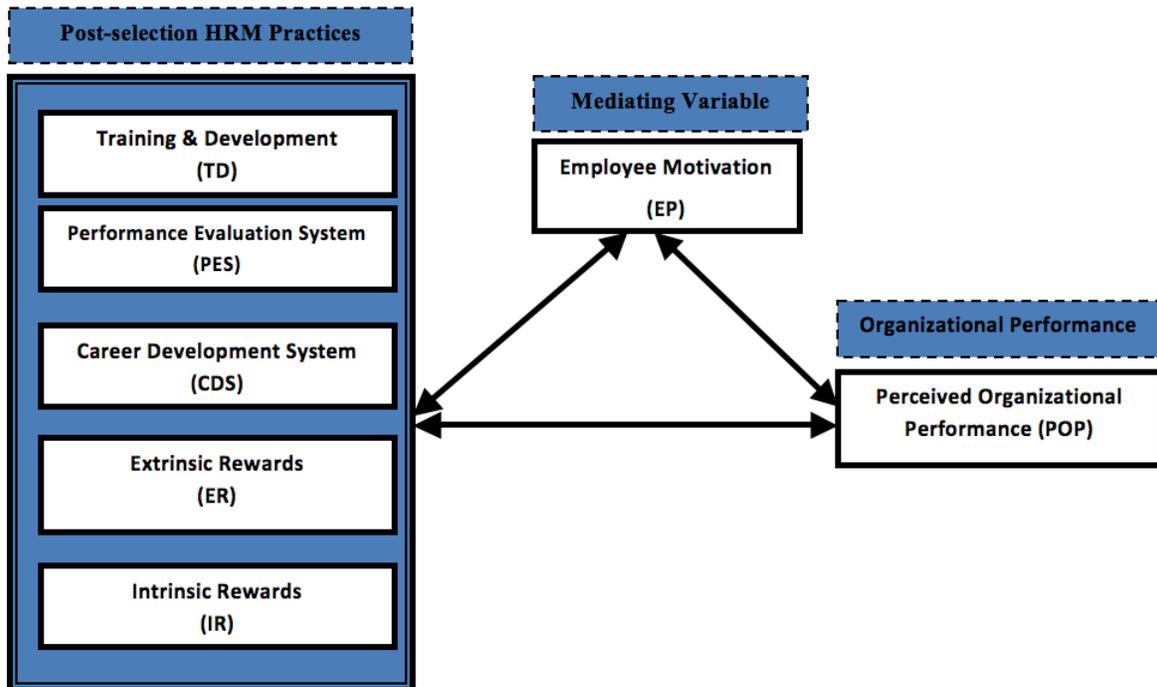
H₇: Employee Motivation will intervene in the relationship between fair and justified employees' performance assessment system and perceived performance of Islamic banks in Pakistan.

H₈: Employee Motivation will act as mediator between well designed career development system and perceived performance of Islamic banks in Pakistan.

H₉: Employee Motivation will mediate the relationship between performance based extrinsic rewards and perceived performance of Islamic banks in Pakistan.

H₁₀: Employee Motivation will mediate the relationship between intrinsic rewards and perceived performance of Islamic banks in Pakistan.

Theoretical Framework of Research:



In this cross-sectional study, Training & Development (TD), Performance Evaluation System (PES), Career Development System (CDS), Extrinsic Rewards (ER) and Intrinsic Rewards (IR) are independent variables. Employee Motivation (EP) is mediating variable and one dependent variable is Perceived Organizational Performance (POP).

3. Materials and Methods

This cross-sectional study was based on primary data. Primary data on five independent variables, mediating and dependent variable were collected from officers/managers and executives working in Islamic banks operating in Pakistan through distribution of structured questionnaire. Convenient sampling technique used to obtain responses from targeted respondents and avoiding any outlier effect on the results. Keeping in view the cost of collecting primary data, sample size was consisted of 200 targeted respondents residing in big cities of Pakistan i.e. Faisalabad, Lahore, Islamabad and Karachi.

To examine the meditational role of employee motivation in the relationship between post-selection HRM practices and perceived performance of organization, scale/instrument used in this study was developed on the basis of questions/items used by Curtis et al. (2009), Tahir Maqsood (2010), Zaman et al. (2011) for measuring the independent variables i.e. post selection HRM practices, employee motivation i.e. intervening variable and dependent variable i.e. perceived performance of Islamic banks in Pakistan. For checking inter-questions consistency and reliability of instrument, Cronbach's alpha reliability coefficients of each variable were computed by using SPSS (statistical package for social sciences). According to Cuieford, (1965), Cronbach alpha value above then 0.70 ($\alpha > 0.70$) shows that scale/measure of variable used to collect data is reliable and internal consistency exists between items/questions considered to measure variable. Cronbach's alpha reliability coefficients of each variable were above than 0.7 reflecting inter-item consistency of scale used to measure the variable.

In order to collect primary data, structured questionnaires were distributed among the targeted respondents by personally visiting the branches of the Islamic Banks or through surface mail/ email where the branches located out of station or in remote area. Questionnaire was designed on the basis of five points Likert scale with following options of responses. 5 = strongly agree, 4 = agree, 3 =neutral, 2 = disagree 1 = strongly disagree. Questionnaire was comprised of two parts, first part was designed to obtain information regarding demographics profile of respondents i.e. gender, age, experience, grade, type of job and bank whereas second part was designed to collect information regarding post-selection HRM practices, employee motivation and perceived performance of organization.

The information regarding demographic variables was collected through distribution of structured questionnaires to the targeted respondents. Out of 200 respondents, 171 were male respondents i.e. 85.50 % of total respondents. However female respondents were 29 representing 14.50 % of total sample. Majority of respondents' age were between 30-40 years. Out of 200 respondents, 129 respondents' age was up to 40-years i.e. 64.5 % of total respondents. This shows that management of Islamic banks

preferred to hire young talented and energetic graduates. Most of respondents possessed 16-years of schooling i.e. 94% of total respondents. Out of 200, 31 respondents were graduates but having reasonable banking experience. 6% respondents possessed 18 or above years of schooling representing presence of highly qualified employees in Islamic Banks. 61.5% of total respondents possessed 2-5 years banking experience. 29.5% of respondents were having above 5-years experience i.e. middle or top management. Out of 200 respondents, 18-respondents possessed up to 2-years indicating hiring of fresh graduates for establishing sound HR base. 93% of respondents were working into private sector Islamic banks showing presence of large number of private Islamic banks in Pakistan. Majority of respondents were officer i.e. 69 % of total respondents. 31% of respondents are managers or executives. Most of respondents were permanent/regular employees of Islamic banks operating in Pakistan. However the collected data were also representing presence of contractual employees in Islamic banks. The collected data were analyzed by using descriptive statistics, correlation and multiple regression techniques and hierarchical regression analysis. SPSS was used to process and analyze data by applying aforesaid statistical techniques.

4. Results

4.1. Descriptive Statistics and Correlation Analysis

As per recommendations of Baron and Kenny (1986), before testing the mediating role of intervening variable in the relationship between predictors and outcome, we have to first prove correlation between independent variables, mediating variable and dependent variable therefore Pearson correlation statistical technique was applied on the data to check the association among post-selection HRM practices (TD,PES,CDS,ER and IR), perceived organizational performance and employee motivation before carrying out the hierarchical regression analysis. Correlation coefficients of each variable showed positive association amongst all variables. Training & Development ($r = .829$), Performance Evaluation System ($r = .752$), Career Development System ($r = .666$), Extrinsic Rewards ($r = .921$) and Intrinsic Rewards ($r = .852$) and employee motivation ($r = .722$) have strong positive association with Perceived Performance of Islamic banks in Pakistan at the significant at the 0.01 level. Mean and standard deviation of each variable supported that effective implementation of post-selection HRM practices have positive impact on perceived organizational performance.

Table 4.1: Descriptive Statistics, Pearson Correlation & Cronbach's Alpha Coefficients

Variable Name	Mean	S.D	1	2	3	4	5	6	7
Training & Development	3.85	0.79	1	0.86					
Performance Evaluation System	3.45	0.67	0.41	1	0.75				
Career Development System	3.70	0.90	0.70	0.14	1	0.85			
Extrinsic Rewards	3.89	0.65	0.72	0.72	0.51	1	0.75		
Intrinsic Rewards	4.00	0.77	0.65	0.57	0.64	0.79	1	0.84	
Employee Motivation	3.95	0.81	0.73	0.35	0.67	0.63	0.49	1	0.92
Perceived Organizational Performance	4.65	0.91	0.82	0.75	0.66	0.92	0.85	0.72	1

Notes: Correlation is significant at the 0.01 level (2-tailed). N= 200

Values in bold font represent Cronbach's alpha reliability coefficients of each variable.

4.2. Hierarchical Regression Analysis for Testing the Mediation Effect

To estimate the effect of post-selection HRM practices (TD, PES, CDS, ER and IR) on perceived performance of Islamic banks in Pakistan and to explore that whether employee motivation mediates the relationship between post-selection HRM practices and perceived organizational performance or not, Hierarchical regression analysis was performed through SPSS and produced following results.

Table 4.2: Hierarchical Regression Analysis

Step	Dependent Variable	Independent Variables	Beta	t-Value	Sig.	F-Value	R-Square	Results
1	POP	TD	0.256	12.205	.000	1401.615	0.972	H₁ Accepted
		PES	0.341	17.726	.000			H₂ Accepted
		CDS	0.205	10.228	.000			H₃ Accepted
		ER	0.266	10.016	.000			H₄ Accepted
		IR	0.145	6.536	.000			H₅ Accepted
2	POP	TD	0.225	10.940	.000	1321.751	0.976	H₆ Accepted
		PES	0.330	18.114	.000			H₇ Accepted
		CDS	0.158	7.493	.000			H₈ Accepted
		ER	0.230	8.870	.000			H₉ Accepted
		IR	0.182	8.229	.000			H₁₀ Accepted
		EM	0.095	5.081	.000			

Step 1.

POP = A + β₁ X₁ + β₂ X₂ + β₃ X₃ + β₄ X₄ + β₅ X₅ + U... Multiple Regression Equation
 Perceived Organizational Performance = Intercept + Coefficient (Training & Development) + Coefficient (Performance Evaluation System) + Coefficient (Career Development System) + Coefficient (Extrinsic Rewards) + Coefficient (Intrinsic Rewards) + U

$$POP = A + 0.256(TD) + 0.341(PES) + 0.205(CDS) + 0.266(ER) + 0.145(IR)$$

Coefficients of independent variables shows that Training & Development ($\beta_1=.256$, Sig. = .000), Performance Evaluation System ($\beta_2=.341$, Sig. = .000), Career Development System ($\beta_3=.205$, Sig. = .000), Extrinsic Rewards ($\beta_4=.266$, Sig.= .000) and Intrinsic Rewards ($\beta_5=.145$, Sig.= .000) have positive impact upon dependent variable Perceived Organizational Performance at substantial significance level. Coefficient of determination i.e. R^2 Value (0.972) of research model indicates independent variables are significantly contributing towards change in dependent variable. It is proved that post-selection HRM practices (TD, PES, CDS, ER and IR) have positive impact on perceived performance of organization therefore related hypotheses was accepted.

Step 2.

$$POP = A + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_m(\text{Employee Motivation}) + U$$

Where β_m = Coefficient of mediating variable (Employee Motivation)

$$POP = A + 0.225(TD) + 0.330(PES) + 0.158(CDS) + 0.230(ER) + 0.182(IR) + 0.095(EM)$$

Result of Hierarchical Regression Analysis reveals that Employee Motivation ($\beta_m = 0.095$, Sig. = .000) have positive impact upon Perceived Organizational Performance. The inclusion of mediating variable in the regression equation intervened in the aforesaid proved relationship between post-selection HRM practices and perceived organizational performance. The change in value of coefficient of Training & Development ($\beta_1 = 0.256$, Sig. 0.000 to $\beta_1 = 0.225$, Sig. 0.000), Performance Evaluation System ($\beta_2 = 0.341$, Sig. 0.000 to $\beta_2 = 0.330$, Sig. 0.000), Career Development System ($\beta_3 = 0.205$, Sig. 0.000 to $\beta_3 = 0.158$, Sig. 0.000), Extrinsic Rewards ($\beta_4 = 0.266$, Sig. 0.000 to $\beta_4 = 0.230$, Sig. 0.000) and Intrinsic Rewards ($\beta_5 = 0.145$, Sig. 0.000 to $\beta_5 = 0.182$, Sig. 0.000) were observed due to inclusion of intervening variable in regression equation shown at step-1. As the value of R-Square increased from 0.972 to 0.976 therefore it is proved that employee motivation plays mediating role in the relationship between post-selection HRM practices.

5. Discussion

On the basis of result, it can be generalized that need-based training programs, merit oriented and transparent performance evaluation system, clear career paths and succession planning, performance based rewards management increase productivity and employee performance resulting accomplishment of organizational goals. Regression analysis showed that variation in perceived performance of Islamic banks was explained by post-selection HRM practices. Training & Development is an expansive activity but results of present study proved that need-based & technical trainings programs help to boost organizational performance. In contemporary world, successful organizations consider training expenses as investment having higher return in shape of improved customer services, profitability or other financial indicators. Through imparting proper training, talented and skilled workforce base can be developed. The presence of trained workforce in organization enhances the productivity of employees and helpful to attain competitive advantage over rivals. Skilled employees are prerequisite to accomplish the organizational goals i.e. improved customer services and profit maximization etc.

Fair and transparent performance evaluation system is major contributing factor of organizational performance. Merit-based performance evaluation system motivates

employees and thereby improves the organizational performance. Performance evaluation based on transparency, employee feedback and clear performance objectives positively correlates with the perceived organizational performance. Biased and unjustified performance appraisal system causes dissatisfaction among well performing employees and ultimately adversely affected the organizational performance. Results showed that performance appraisal based on transparency, merit and performance based promotions, clear performance objectives has positive relationship with perceived performance of Islamic banks.

Career Development System is positively correlated with perceived performance of Islamic banks in Pakistan provided that it is based on well defined career paths, transparent internal hiring, succession planning and equal employment opportunity. Results of study also revealed that if the rewards & incentives are not based on performance then it creates dissatisfaction among the devoted employee that caused adverse impact on the organizational performance. Performance-based rewards motivate the employee to achieve organizational goals. The results of present study are consistent with the finding of previous studies conducted in the same domain by other researchers. (Huselid, 1995; Wan, et al. 2002; Patrick, et al. 2003; Sels, et al. 2003; Singh, 2004; Katou, 2008; Tahir Masood, 2010).

The extensive study of literature reveals that considering the mediating role of employee motivation, the impact of post-selection HRM practices on perceived performance in the Islamic Banking sector of Pakistan was not investigated by the researchers. The limitation of previous studies has been addressed in the current study by exploring the intervening role of employee motivation in the relationship between post-selection HRM practices and performance of Islamic banks operating in Pakistan and results of current study proved that employee motivation is major contributory factor of organizational performance. Present study empirically highlighted the importance of post-selection HRM practices by defining their positive impact on organizational performance as proved by econometric techniques applied on the collected data.

Researchers are recommended to overcome the following limitation while conducting research on the same area in future. Due to resource constraint, sample size consisted of 200-respondents was taken to empirically investigate the inter-relationship between post-selection HRM practices on perceived performance of Islamic banks therefore sample size can be increased for more generalization of findings in the future. Post-selection HRM practices like training & development, performance evaluation system, career development system, intrinsic and extrinsic rewards and employee motivation were tested in this research. The impact of other post-selection practices like job rotation, employee participation etc. and pre-selection practices like job design, job description, job specification and HR budgeting etc. leading to performance maximization may be investigated to provide guidelines to HR policy makers and enrich the literature on the subject. Researchers may investigate the effect of post-selection HRM practices on organizational financial performance by using profitability ratios i.e. gross profit ration, net income ratio, return on equity/assets, dividend/earnings per share as financial indicators of organization.

6. Conclusion:

This study empirically shows that implementation of post-selection HRM practices leads to employee motivation and thereby improved organizational performance. Islamic banks desiring optimum return and performance should pay special attention to need-based training programs, fair performance appraisal system, development of progressive career paths, better extrinsic and intrinsic rewards management. Management of Islamic Banks in Pakistan should have to devise the policies and procedures to evaluate the effectiveness of post-selection HRM practices and its contribution towards accomplishment of strategic goals and improving the profitability of banks. While making HRM policies, employee motivation should be given due importance by the management as the results of contemporary studies revealed that it is the major contributing factor of higher organizational performance. The major objective of HRM is to keep the employee motivated and retention of talented employee by providing progressive career development opportunity within the organization and providing them extrinsic and intrinsic rewards. Results of present study endorsed the theoretical concept i.e. effective HRM makes employee motivated and helps to improve organizational performance through retention of motivated and skilled employees.

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Contact E-mail: aftabtariqdar@gmail.com, yasir_sharif@hotmail.com