



Does Human Capital play an important role in the Telecom Sector of Pakistan

Dr. Adnan Ahmad¹, Adnan Ahmad², Ijaz Ali Shah³, Jehangir Khan Khattak⁴, Daud Rehman⁵, ¹Associate Professor, Institute of Business Studies and Leadership (IBL), Abdul Wali Khan University Mardan; ^{2,3,4,5}PhD Scholar, IBL, Abdul Wali Khan University Mardan, Email: ¹adnankhattak@awkum.edu.pk, ²ahmadadnan3215@gmail.com, ³shah_ijazali@yahoo.com, ⁴jahan_kkj@yahoo.com, ⁵daudrehman143@gmail.com

This research is conducted to examine the association of human capital/human resources (HC/HR) and its practices and employee performance in telecom sector of Pakistan. Two major firms Ufone and Zong have been chosen for conducting this study. The reason behind selecting these two industries is to match the standard HC functions of two global organizations being competitors of each other in the industry. The data has been collected through questionnaire. The sample of questionnaire was 65 while the responses were 60. The questionnaires were distributed among employees working in franchises of both firms of the Kyber Pakhtunkhwa Province. Our findings suggest that employee performance is highly affected by HC practices i.e., selection, training, performance appraisal, compensation, and benefits. The main purpose of this research to study the impact of HC practices on employee performance in telecom sector in Pakistan is to investigate whether HC practices and process are in fact followed in firms in industries or the studies of HR practices are only theoretical. We support the presumption that HR practices are followed in industries however, these are adopted with modifications as per needs of the firms. Our results suggest that following such universal practices do help organizations achieve their objectives. We conclude that regulators and oversight boards need to focus on the adoption of HC/HR practices, if they wish to improve the performance of their firms.

Key Words: *HR practices, Telecom Sector, Correlation.*



1. INTRODUCTION

The business organizations can only ensure continued success through best HR practices. Wood (1999) and Guest (2002) argue that a capable, devoted and concerned work force is a significant requirement for the excellent execution of business plan. Guest (2002) suggests that human capital and other resources are an essential part of a firm to have its performance reached to the competitive level. Huselid (1995) finds that employees' success depends on impact of HR practices. Huselid (1995) argues that by adopting best HR practices, the flow would increase the skill list of a firm. He emphasizes on the significance of training throughout the time-period to align the employee behavior and organizational culture for constructive outcomes. Cook (2000) reports that the performance is associated with both efficiency and effectiveness while separated from competitiveness and productivity. He further argues that individual performance is improved through training which is used as an instrument to develop skills and knowledge.

On the other hand, research reports that other best HR practices such as compensation also adds to organizational performance. Wright, (2003) argues that employees will devote their selves if suitable performance measurement approach is available and is sustained by compensation structure associated with performance management method. For examples, Singh (2004) argues that compensation is a mechanism through which employees' behavior is aligned with the organization strategy. Career planning is an instrument to provide balance plan with potential human resource needs and support employees to struggle for their own growth (William, 2003). When employee involvements increase in an organizational operation, it helps raise employee and organization productivity. The good HR practices highlight a greater relationship with organizations output in greater business growth (Datta, 2003).

Keeping in view the rapid growth of telecom sector, employee retention is a serious problem. Organizations are now attracting capable employee by using innovative HRM system as an instrument to attract and retain employees. Telecom corporations needs right man for the right job to take advantage from the expanding market. Creative HR practices are needed to be acquired for attracting, retaining, and adding value to shareholders. Human resource is one of the core elements for any business to achieve the competitive edge (Becker & Huselid, 2006).

After liberalization of the economies around the world, majority of the funding came to the telecom sector in the form of foreign direct investment. This led to a huge change in the establishment of many telecom companies around the world in general but in developing countries in specific. This is evident from the fact that in 1998 only 19 licensed telecom services perform their business while in 2004, the number got increased to 126.

In current years Pakistan telecom sector has gained incredible advancement. For example, In Pakistan, the contribution of the telecom sector the GDP was 1.5% in 2000 which increased to 1.9% in 2005). In 2012, about Rs 363 billion was deposited by telecom sector to national



economy and presented 5.4 % increase as compared to last year. This sector also has given direct employment to 20,000 individuals. Another 350,000 employees are indirectly working in the telecom sector. However, this sector is still in shortage of highly capable employees in the field of engineering, technical and non-technician.

This study investigates the conclusion of prior research regarding different HR practices and strategies which are required for an efficient performance of a firm. This study takes two companies (namely Zong and Ufone) as a test case to investigate both the theoretical aspect as well as practical aspects of the HR practices. Reason of selecting these two companies is to match the standard of Human Capital and other resources functions of these two global organizations which offers the same services and are competitors of each other within the same industry.

Till the year end 2008, in Pakistan telecom sector invested around \$1500 million by CMPAK. With the fastest growing market in Pakistan, they tried to provide unprecedented coverage, data, and voice services as well as a wide range of tariff options. Accordingly, Paktel (Zong) was the first mobile corporation in Pakistan which was granted license to provide cellular services. Paktel was named as Zong that initiated GSM services and provided services like AMPS. On the other hand, Pak. Telecom mobile limited offered the services of Ufone. Ufone Pakistan telecom mobile limited (**PTML**) is entirely owned by Pakistan Telecommunication Limited (PTCL) which is recognized to run cellular telephony. After the partial privatization of the PTCL, Emirates Telecommunication Corporation (Etisalat) obtained about 26% of its shares and it became the component of the Etisalat Group.

As stated above, this study has selected two companies as a sample to examine their HR practices. We use questionnaire to collect data from employees of both the companies. We compare the results through tabulated and graphical methods and presents our results. we report that both organizations have devised good HR practices as reported by their employees through data collection. We also conclude based on the employees' premises that training, selection, and employee participation has a positive effect in the organizational performance of the firms. This study adds to the human capital and its performance literature in a new paradigm of telecom sector i.e., human capital and other resources to unveil these practices and effects in such a dynamic industry. This study also reflects on the internal structures of the companies with respect to HR practices and utilization of its human capital. The study also directs the management of such firms to consider the latest best HR management systems for an efficient and effective management of the firm.

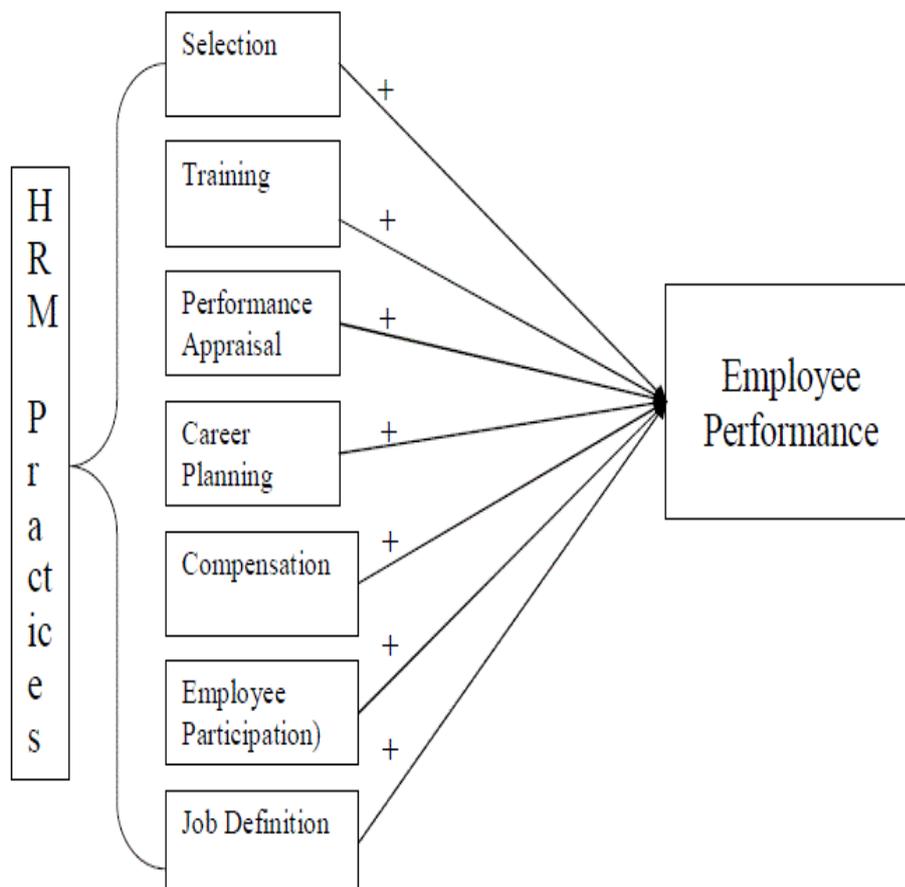
The rest of the paper is structured as follow. The next section presents the methodology; section 3 reports results and analysis of the paper while the last section (Section 4) concludes the paper.

2. Data Collection and Methodology

As stated above, this study takes two main firms as sample of the study to investigate and compare the selected HR practices. We take Zong and Ufone as sample. We collect data through a questionnaire using selected HR practices. We adopt the questionnaire from Tahir Singh, (2004); and Tahir (2006). We collect data from the different franchises of both firms. We distribute questionnaire to 65 employees wherein we receive 60 responses from the employees of the firms. Thus, we have a 92% response rate. We use different scales for selection, trainings, performance appraisal, career planning, compensation, employee participation, and job definitions as HR practices. We also use employees' performance as a dependent variable.

We present the following theoretical perspective of the HR practices and employee's performance. We presume that the HR practices influence the performance of its employees. The framework presents that HR practices are taken as independent variables while employees' performance is taken as dependent variable.

Theoretical Framework of the study



3. Results

3.1 Correlation Analysis

We present correlation analysis in table 1. The results show that almost all the variables are correlated positively with each other. However, the relationship of compensation (0.67) and training (0.66) have the highest correlation. Compensation and training have a strong positive relationship (0.78) with mean of (3.45) representing that compensation is directly correlated with Employees' performance. Training (0.66), Performance appraisal (0.46), Career planning (0.29), Employee participation (0.55), Job definition (0.33), compensation (0.67) and selection (0.61). These results indicate that all the HR practices (proxies) add to the employee performance based on the motivation and devotion from employees and firms as well.

Table 1 Correlation Analysis of HR Practices Proxies and Employee Performance

Variables	EP	Train	PA	CP	EP	JD	Compen	Select
EP	1.00							
Train	0.66	1.00						
PA	0.47	0.73	1.00					
CP	0.29	0.49	0.63	1.00				
EP	0.56	0.56	0.54	0.57	1.00			
JD	0.34	0.51	0.57	0.27	0.39	1.00		
Compen	0.67	0.78	0.74	0.55	0.68	0.58	1.00	
Select	0.62	0.59	0.58	0.57	0.58	0.30	0.73	1.00

The above table presents correlation analysis. EP is employee performance; Train is Training; PA is performance Appraisal; CP is Career Planning; EP is Employee' Participation; JD is Job Description (job definition); Compen is Compensation and Select is Selection.

The above results are consistent with the conclusion of Qureshi (2006). He reports that while employees making decisions regarding their own job as well as organizational development, they consider employee participation, training and selection process which is evident from the correlation table. These results are in line with the results of earlier studies of Singh (2004) who suggested that compensation and training have positive impact on employee's performance and organization. Organization wants to improve employee participation and high development and thus should consider compensation, selection, employee participation and training.

We may conclude the results in the existence of the prior research wherein such variables' association have been investigated and examined. We argue that the staffing role of organization is a serious part of the organization operational unit. The right recruitment for the job is vital because in strategic decision making, they support the management. The organization can never fulfill its strategic objectives and never obtain the benefit of the



technology without the right staffing (Lawler, 2005). We also report that the firm's decision for a right person to be hired for a right job supports the article. To acquire the right skills and to enhance the decision making of the recruiter the firm must give them training (Brody, 2007).

The recruiting of a right person for right job the education, abilities and attributes required for the excellent match should be clear and known. The selecting of right media for the job advertisement is also important while recruiting. A framework is very important in recruitment and selection to develop for short listing of candidates and then finally conduct an interview (Brody, 2007).

The study makes clear the bond among performance and HR practices. Employees' performance depends on both organizational and employees' behavior, attitude of the staff including absenteeism and turnover. It has been experimental that organizations with planned and controlled HR practices manage their staff well and are able to gain high level of performance and achievements in the market (Patrick, 2003). Additionally, we also present our case based on the earlier studies such as Mathews (2004) where he reported that to maintain the motivation of the staff, effective reward system is a prerequisite to attain performance standards and organizational objectives. The organization should have a clear pay system and shall be modified with time. Mathew (2004) also reports that the rewards must be fair, and merit based because if it is unfair, it discourages employees and may have a negative impact on their performance. Wages and incentive structures must be defined to avoid all these problems.

The next section discusses and compares the human capital and human resource practices adopted by the sample companies.

3.3 Comparison of Zong and Ufone HR Practices

The following table provides a detailed description of the HR practices adopted by Zong and Ufone. The description has been extracted from the questionnaire distributed among these firms' employees.

HR Practices	
Zong	Ufone
Employees are encouraged towards their work and organizations due to strong HR department of Zong. Compensation, Recruitment, Training and Development, Benefit operation department are the key functions of HRM in Zong.	Recruitment and selection, operation, payroll, compensation and benefits are the major functions of Human resource management in Ufone and from management point of view there are no issues related to human resource of Ufone.



2. Online Selection, Interviews, Ads, Personal reference and Assessment test for call center are the sources for Recruitment and Selection.	2. Major newspapers, Personal reference and job fairs are the main sources for recruitment and selection.
3. The criteria used for selection Zong focuses on external selection.	3. The criteria used for selection Ufone focuses on internal selection.
4. Zong present internal and external employees training with ratio of internal training is 50% and 50% to external training (China).	4. Both internally and externally trainings are offer by Ufone to its employees, still their 70 % focus is on internal and 30% focus is on external training.
5. Online appraisal system is the performance appraisal process in Zong. Employees and managers understand the appraisal and then finally review for the end results.	5. In Ufone appraisal system not only supervisor or managers but also employees are fully participative and jointly realized assessment then review it and finishing sanction give by HR department.
6. Zong has 2500 plus Contractual and Permanent employees with ratio of 22 % are of females and 78 % are of males.	6. Ufone has round about 3000 contractual and permanent employees in which 72% of males and 28% of females are employed in Ufone Organization.
7. For administration staff 20000 is the minimum range of start salary.	7. For administration staff 23000 is the minimum range of start salary.
8. Bonuses, Allowances, traveling facilities and medical cover are given in compensation in Zong.	8. Ufone provides facilities like medical, life insurance, laptops, further education, Gratuity, provident fund etc.

By comparing both organizations, it can be deduced that human capital is one of the most focused of all telecom industry and is well established in both these telecom companies. These firms emphasize on following best HR practices to achieve the organizational and individual performances of its employees. These firms not only focus on employees' satisfaction, motivation to improve their performance but also ultimately aim for achieving organizational objectives. These firms tend to spend their budget on training sessions, incentives their pay and performance systems with other fringe benefits to retain their employees for a healthy competition in the industry.



4. Conclusion of the Study

This study theoretically and empirically investigates the human capital functions of telecom sector of Pakistan. We collect data through a questionnaire and distribute the same to 65 employees of the sample companies Zond and Ufone. We get a response from 60 employees with a 92% response rate. We use employee performance, training, performance appraisal, career planning, employee' participation, job description/job definition, compensation, and selection as different human capital practices in the questionnaire with different scales and questions assigned to each proxy of the human capital traits. The questionnaire was distributed to employees working in the franchises of these two companies based on the convenience sample approach. We present a theoretical perspective on the responses we received from the employees. We find that both firms focus on achieving their organizational objectives through their employees. Both firms have different approaches in using their human capital. These firms have all the HR functions at their sleeves however, these functions are adapted and modified to their own environments. We conclude that training, selection, and employee participation are important factors and determinants of not only employee performance but also for achieving the organizational objectives. Moreover, these firms also focus on performance appraisal, job definition, compensation, and career planning for retaining their human capital. We also conclude that both these firms have well designed HR policies and implement these to have an impact on organizational performance.



References

- Becker, B. E., & Huselid, M. A. (2006). Strategic human resources management: where do we go from here? *Journal of management*, 32(6), 898-925.
- Collins, C. J., & Smith, K. G. (2006). Knowledge exchange and combination: The role of human resource practices in the performance of high-technology firms. *Academy of management journal*, 49(3), 544-560.
- Datta, D. K., Guthrie, J. P., & Wright, P. M. (2003). HRM and Firm Productivity: Does Industry Matter?
- Edward E. Lawler III (April 2005). "Strategic Human Resource Management" CEO publication G 05-10 (482).
- Gould-Williams, J. (2003). The importance of HR practices and workplace trust in achieving superior performance: a study of public-sector organizations. *International journal of human resource management*, 14(1), 28-54.
- Guest, D. (2002). Human resource management, corporate performance and employee wellbeing: Building the worker into HRM. *Journal of Industrial relations*, 44(3), 335-358.
- Haas, J. S., Cook, E. F., Puopolo, A. L., Burstin, H. R., Cleary, P. D., & Brennan, T. A. (2000). Is the professional satisfaction of general internists associated with patient satisfaction?. *Journal of general internal medicine*, 15(2), 122-128.
- Huselid, M. A. (1995). The impact of human resource management practices on turnover, productivity, and corporate financial performance. *Academy of management journal*, 38(3), 635-672.
- Joy-Matthews, J., Megginson, D., & Surtees, M. (2004). *Human resource development*. Kogan Page Publishers.
- Lawler, E. E. (2005). From human resource management to organizational effectiveness. *Human resource management*, 44(2), 165-169.
- Marwat, Z. A., Qureshi, T. M., & Ramay, M. I. (2006). Impact of human resource management (HRM) practices on employees performance. *International Journal*.
- Murry, V. M., Berkel, C., Brody, G. H., Gibbons, M., & Gibbons, F. X. (2007). The Strong African American Families program: Longitudinal pathways to sexual risk reduction. *Journal of Adolescent Health*, 41(4), 333-342.



- Sels, L., De Winne, S., Maes, J., Delmotte, J., Faems, D., & Forrier, A. (2006). Unravelling the HRM–Performance link: Value-creating and cost-increasing effects of small business HRM. *Journal of Management Studies*, 43(2), 319-342.
- Singh, K. (2004). Impact of HR practices on perceived firm performance in India. *Asia Pacific Journal of Human Resources*, 42(3), 301-317.
- Singh, K. (2004). Impact of HR practices on perceived firm performance in India. *Asia Pacific Journal of Human Resources*, 42(3), 301-317.
- Wood, S. (1999). Human resource management and performance. *International journal of management reviews*, 1(4), 367-413.
- Wright, P. M., Gardner, T. M., & Moynihan, L. M. (2003). The impact of HR practices on the performance of business units. *Human Resource Management Journal*, 13(3), 21-36.