

Impact of HR Practices Gap on Organizational Performance: Intervening effect of Employee Participation and HR Uncertainty

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Abstract: There is a need to distinguish between HR practices intended by the organization and actual practices implemented in the organization. When intended practices are not implemented according to the intention, there is a gap between actual and implemented HRM. It has been suggested that this gap negatively impacts organizational performance. We also suggest that this gap negatively influences organizational performance, but this influence can be moderated by HR uncertainty and employee participation, leading to better organizational performance. We have empirically tested the HRM gap and Organizational performance by gathering data from 123 respondents, including Pakistan's manufacturing and services sectors. The respondents include HR policymakers, managers, and employees at the implementation level. The current study's findings show that a gap between actual and intended HRM negatively influences organizational performance, and this relationship is moderated by HR uncertainty and employee participation.

Keywords: Implemented HR, Intended HR, Organizational Performance, HR Uncertainty, Employee Participation

1. Introduction

The past few decades have acquainted with the emergence of different trends in Human resource management. The most critical and evident trend is establishing and validating the relationship between human resource management practices and organizational performance by putting extensive efforts to link HRM and organizational performance to have a sustainable competitive advantage (Ali, Lei, & Wei, 2018). The next significant trend is the interdependence of individual HR practices in the form of a system that works in collaboration with each other because employees have to face several practices at the same time, and this interdependence tends to have a more significant favorable influence on the performance of the firm instead of a group of incongruent individual HR practices (Shahzad, Bajwa, Ansted, Mamoon, & Rehman, 2016).

For effective development and implementation of the HR system, the commitment and support of managers and the HR department are crucial because frequently, there exists a gap between implemented and intended HR system; thus, the exploration of heterogeneity of implementation is crucial to understanding HR- performance relationship Shaista E. Khilji and Xiaoyun Wang (2006). As the environment is complex and in such a dynamic environment, there may be a chance that the policy suitable for today's environment will not suit tomorrow's environment. The resource-based view (RBV) clarifies that the value is created if the firm's resources are assessed, organized, and manipulated correctly according to the environmental context. Thus, RBV advocates that the value creation through proper deployment of firm resources is the source of competitive advantage through causal ambiguity that is hard to imitate, rare, creates value for customers and is non-substitute-able. So, the complexity and causal ambiguity created through unique HR interactions are crucial for sustaining a unique competitive advantage. Thus, the value creation of resources depends on environmental situations, affecting the firm's performance (Rehman, Hafeez, Aslam, Maitlo, & Syed, 2020).

In the dynamic environment, the need is to vigorously manage the resources, especially human resources, to attain and maintain a competitive advantage through proper exploitation of current resources. The value of human resources tends to be affected by environmental uncertainties. The sustainability of higher performance of the firm in the face of environmental uncertainty is contingent on the firm's capability to create and sustain the fit between the dynamic demands of the environment and the resource configurations of the firm, especially the human resource configurations (Rehman & Saeed, 2015).

Stacey (1995) argued that no insider or outsider expert could precisely predict the destination before its occurrence. The subsequent interventions of individuals can be proposed, designed, and controlled, but the long-standing consequences of such interventions cannot be proposed or controlled because such long-standing consequences emerge through self-organizing. He proposed that such random connections between interventions and the people lead to chaotic dynamics and complex situations that ultimately result in a new strategic path and renewal of strategies by playing a positive role in the better performance of the organization. However, most of the literature on the intended and implemented HR gap shows that the gap negatively influences organizational performance (Piening, Baluch, & Ridder, 2014). But in light of Stacey's arguments of complexity that lead toward new strategic directions, we propose that the consequences of the gap depend on environmental conditions and the level of separation (communication barriers/isolation) between the policy-making and implementation levels. So, the influence of this gap on organizational performance can be moderated through employee participation and HR uncertainty (Kang & Kim, 2019).

The HR management process is more complex in developing countries like Pakistan than developed ones. Over the past few decades, due to globalization and market competitiveness, Pakistan has significantly progressed from the drastic changes of moving from an agriculture economy to a service and manufacturing economy. One of the biggest challenges faced by Pakistan today is effective HR management in the face of environmental dynamics and complexity to gain differentiation, better performance, and hence competitive advantage. HR is the only resource that cannot be imitated easily by the competitors. Thus, the need is to scrutinize the proper HR management instruments in the face of dynamism to improve organizational performance (Bajwa, Kitchlew, Shahzad, & Rehman, 2015).

1.1 Significance of Study

The main focus of this study is to identify and empirically test the gap between implemented and intended HR practices through moderating variables of employee participation and HR uncertainty in the service and manufacturing sectors of Pakistan. This study would be novel in this context. This study would increase the awareness of organizations regarding the potential benefits that could be gained through the gap in the face of environmental dynamics and complexity. So, the organizations can improve their performance by properly handling gaps through a practical understanding of HR uncertainty and employee participation.

1.2. Research objectives

This study aims at the following research objectives;

- To evaluate the gap between the implemented and intended HRM.
- To measure the impact of intended and actual HRM gaps on organizational performance
- To analyze the influence of HR uncertainty on the HR gap and organizational performance relationship
- To investigate the relationship between the HR gap and organizational performance through the influence of employee participation.

1.3. Research Questions

In this study, we are aiming to address these questions:

- Is there any gap between the implemented and intended HRM?
- What is the effect of intended and actual HRM gaps on organizational performance?
- Do HR uncertainty and employee participation have a moderating effect on the HR gap and organizational performance relationship?

2. Literature Review

2.1. Implemented and Intended HR Practices

Intended HR practices are planned by policymakers like higher managers and HR managers, and these HR practices can be a system with training, compensation, appraisal, recruitment, and selection. Implemented HR system relates to the actual practices and policies experienced by the workers and operationalized in an organization. (Implemented HR system relates to the actual practices and policies operationalized in an organization and experienced by the workers. HR stakeholder has a distinction in personality, observation, and objectives. Differences among the stakeholders lead to the difference in the fundamental practices applied by line managers, supposed HR practices by the worker, and intended practices designed by the HR department. Stakeholders at the same level have different

Impact of HR Practices Gap on Organizational Performance: Intervening effect of Employee Participation and HR Uncertainty

agendas and backgrounds. These differences lead stakeholders to resist behaving according to goals and intended practices (Nishii & Paluch, 2018).

Workers have different perceptions based on distinct objectives, and it is difficult for workers to have the same perception of the HR system; these differences lead to variation between intended and implemented practices. HR department wants to decrease this variation between actual and perceived HR practices, but it is collective behavior desired by the employee. The difference between the intended and implemented HR system is due to the different HR stakeholders and multiple actors like HR experts, Line managers, and workers. The difference between the intended and implemented HR practices in an organization leads to particular perceptions of its employees that affect a company's performance (Trullen, Bos-Nehles, & Valverde, 2020). There is a delegation of authorities and responsibilities of HR systems, including HR philosophies, policies, and practices, to the line managers, which may cause conflict due to different priorities between HR responsibilities and operational tasks. The actual HR practices are not always aligned with the intended HR practices. There is a gap between the formal requirements of the HR policy and the actual delivery by the line managers (Makhecha, Srinivasan, Prabhu, & Mukherji, 2018).

H1: There exists a gap between intended and implemented HRM in Pakistani business organizations.

The study by Damhuis (2014) shows no difference between implemented and intended HR philosophy because achieving the organizational objectives is the primary concern of top management and line managers. The interpretative schemes are different; top management's primary focus is on quality requirements of care and budget cuts, while the line managers' primary focus is on listening to and understanding employees, but philosophy is the same at both levels. His study shows a gap between intended and actual recruitment policies because actual recruitment norms transcend the intended recruitment policy norms and no sanctions follow. The modality facilities and the actions, power, and sanctions influence this gap. No sanction is followed because the line managers have the power and facilities to make the actual recruitment practices transcend the intended norm.

Shaista E Khilji and Xiaoyun Wang (2006) argue that there are varying HR satisfaction levels in the research population which depends on the implementation of HR practices. Their quantitative and qualitative analysis also mentioned the gap between actual and intended HRM, and the result of their study explains that there are inconsistencies between actual and intended HR practices. A minimum gap between actual and intended HRM will result in higher satisfaction and, ultimately, higher organizational performance. Satisfaction with HR arose as a clear sign of actual performance of the organization, and employee satisfaction would lead to improved organizational performance, not the imitation of HR practices.

H2: Gap between intended and implemented HRM harms organization performance

Wagenvoort (2014) study results also prove that a gap exists between actual and perceived HR. Secondly, there is a positive relationship between co-implementation and the actual and perceived HR gap. Co-implementation is a concept introduced in this paper with an assumption that it would influence the power of the relationship between actual and perceived HR; it refers to how employees support their line managers in executing tasks related to HR practices. Co-implementation leads to communication, and a high degree of co-implementation leads to more precise, sufficient, and consistent communication, which will enhance understanding and satisfaction, increase employee

participation, and reduce the gap. Thus, we expect that communication positively influences co-implementation, which increases organizational performance.

There is a strong need that the employees should be able to understand, accept and implement HRM strategy at both explicit and tacit levels to achieve effectiveness in strategy. When employees cannot understand the strategy at both levels, a gap can occur between the proposed strategy and what is implemented in practice. Individual behavior depends on the perception regarding actual and intended HR practices. Individuals behave according to their perception, and differences among these behaviors positively influence organizational performance, depending on the communication level. HR practices are institutional communication policies intended to communicate the different messages to workers. By focusing on integrating the cultural and structural changes with the development of effective HRM systems which will ensure HR friendly policies, bridge the communication gap towards the access of the HR department, encourage employee involvement, participation, and management support towards the implementation of change initiatives in an organization that will increase the organization's performance (Khaliq Ur Rehman Cheema, 2012).

2.2. Employee Participation

Employee participation doesn't involve power and authority sharing, but it gives employees new channels to enhance their influence by applying their ideas, expertise, and efforts. Employee participation involves upward problem solving, representative participation, financial involvement, and downward communication. Employee participation enhances the capability of decision making in the organization, work-related attitudes, commitment, motivation, inspiration, satisfaction, empowerment, productivity, the well-being of workers, and reduced cost and cycle time of the product. Human resource management and employee involvement flourished when gurus of management started to moralize that the motivational level of employee and organizational performance is enhanced by training, reward, and decision-making involvement of workers. Extensive literature was examined for Japanese success and identifies that employee involvement in decision making is the main critical success factor for Japanese. Employee involvement is also the primary tool for making policies and strategies and best HR practices component or committed practices. Employee commitment is not easily sustained or generated because it operates at different levels and directions that do not necessarily enhance organizational performance. The nature of employee involvement is different or may not exist in an organization that practices soft and hard HRM. Employee involvement changes according to the organizational environment. Sometimes it is by introducing a downsizing package, while it may respond to new information (Roberts & Wilkinson, 1991). Employee participation enhances organizational performance when workers have enough information about the task to be done. Employee involvement in job design facilitates workers to make proposals productive and find out more about their work content (Khalid & Nawab, 2018; Wohlgemuth, Wenzel, Berger, & Eisend, 2019).

H3: Employee participation in the HRM process will moderate the relationship between intended-implemented HR Gap and organization performance, where the negative association between intended-implemented HR Gap and organization performance will decrease as employee participation in the HRM process increases.

2.3. Organizational Performance

Organizational performance is the ability of an organization to manage well, achieve goals efficiently and effectively, and create value for the stakeholders and customers. Organizational performance

Impact of HR Practices Gap on Organizational Performance: Intervening effect of Employee Participation and HR Uncertainty

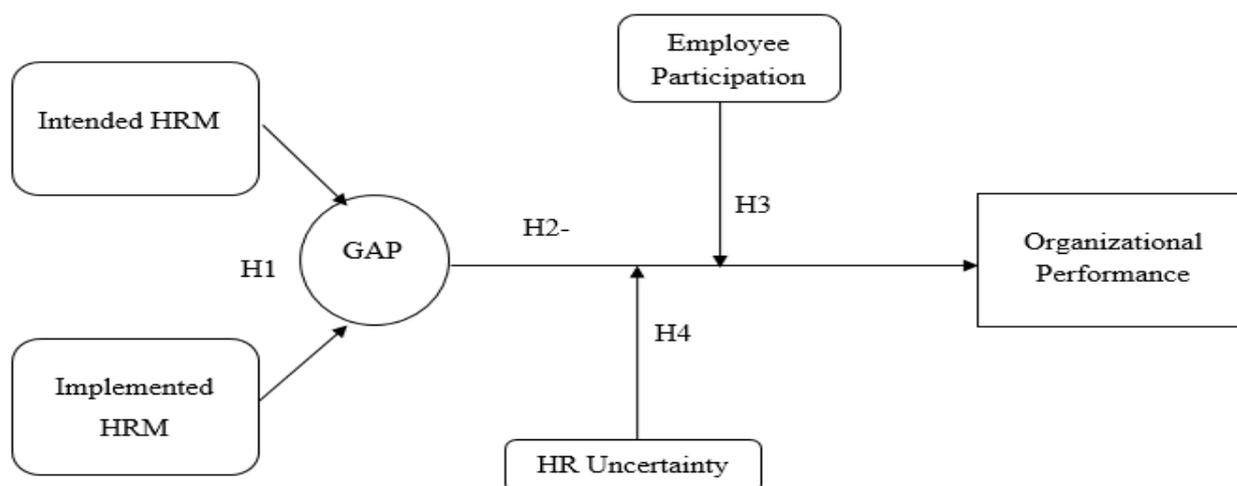
characterizes organizational value in requisites of total input made by management efficiently and effectively of human resources. Organizational performance has five components: work design, leadership, models of motivation, human resource management policy, organizational culture, and environment (Shehzad, Xiaoxing, Arif, Rehman, & Ilyas, 2020).

Human resource is the most fundamental factor contributing to organizational performance, and researchers concluded that HRM practices positively impact organizational performance. Human resource management is the system, practices, and policies impacting worker performance, attitudes and behaviors, and organizational performance. HR influences employee attitude, behavior, commitment, and motivation which plays a decisive role in determining the organization's success. Different authors identify different HRM practices that relate to organizational performance. The training, internal labor market, employee participation, compensation, recruitment, and selection components of best HR practices. High pay, training, decentralization, employee security, information sharing, team orientation, and selective recruitment as the significant components of best HR practices (Manzoor, Wei, Bányai, Nurunnabi, & Subhan, 2019).

The literature mostly shows a gap between the intended and implemented HRM and identified negative influence on organizational performance. However, we propose that it depends on HR uncertainty and the separation (communication barriers/isolation) between the policy-making and implementation levels. The environment is complex, and there may be a chance that the policy suitable for today's environment will not suit tomorrow's environment. The HR strategy is more effective when it is well aligned according to its specific environment; HR strategy should fit its specific environment for its effectiveness. As other assets are similarly affected by dynamic and uncertain environments, HR is becoming more and more uncertain in this changing and dynamic environment. Firms operating in rapidly changing and uncertain environments, specifically countries like Pakistan, need to develop their HRM accordingly to anticipate the uncertain environmental changes. So, human resources may need to become uncertain and flexible to successfully cope with uncertain and dynamic environments (Heilmann, Forsten-Astikainen, & Kultalahti, 2020).

H4: HR uncertainty will moderate the relationship between intended-implemented HR Gap and organization performance, where the negative association between intended-implemented HR Gap and organization performance will decrease as HR uncertainty increases.

3. Theoretical Framework:



4. Methodology

After developing the theoretical background and hypothesis, the methodology was employed to test the key questions and hypotheses mentioned above. Now we will discuss our methodology in this section. We conducted our research under the positivist paradigm using survey research methodology and used questionnaires as a tool for data collection. The researchers mostly used interviews and qualitative research methodology to gauge the gap between intended and implemented HRM, but we used the quantitative method (structured questionnaire) to gauge this gap. We prefer this because, under qualitative research, the personal biases and idiosyncrasies of the researcher may influence the results, and the knowledge may not be generalized to other settings or people. So, we overcome these issues in the current study.

4.1. Population and Sample

The current study's population is the manufacturing and services sectors of Lahore, Pakistan, including banking, pharma, education, and others (Textile). The respondents from banking, pharma, education, and others were 55, 24, 24, and 20. Among the total of 123 respondents, the number of males was 85, and females were 38. Data was taken from HR managers responsible for designing the HR policies and employees involved in implementing these intended policies for assessing the gap between actual and intended HRM and testing other hypotheses. The sample included 69.1 percent males, 30.9 percent females; 26 percent HR managers, 74 percent employees; among these respondents, 35.8 percent belonged to the manufacturing sector, 64.2 percent to the services sector. We distributed 200 questionnaires among the respondents and received 128 responses, of which five were neglected due to incompleteness. So, the resultant final sample consists of 123 respondents with a response rate of 62 percent. Table 1 shows the complete description of our sample.

Table 4.1. Demographics

Demographic Analysis		Frequency	Percentage
Gender	Male	85	69.1
	Female	38	30.9
Org. Size	More than 300 and less	08	6.5

Impact of HR Practices Gap on Organizational Performance: Intervening effect of Employee Participation and HR Uncertainty

(No. of Employees)	than 1000		
	More than 1000	115	93.5
Designation	Manager	32	26
	Employees	91	74
Sector	Manufacturing	44	35.8
	Service	79	64.2
Industries	Banking	55	44.7
	Pharma	24	19.5
	Education	24	19.5
	Others	20	16.3
Experience	Less than 3	39	31.7
	3-9	51	41.5
	Above 9	33	26.8

4.2. Data Collection Methods and Instruments

Data is gathered through convenience sampling, and we distributed the questionnaires among the targeted organizations of our study. The questions related to HR practices were adapted from Zheng & Milia (2007) for gauging the difference between intended and actual HRM. The questions related to employee participation were adapted from Muindi (2011) to understand the level of separation/isolation between HR policymakers and line managers. The questions related to organizational performance were adapted from Narver & Slater (1990) and Stock, Greis & Kasarda (2000). Questions of uncertainty are taken from Sanyal & Sett (2011). Before testing the hypotheses, the scales were tested for reliability. Face validity was conducted before undertaking the pilot testing. This method helped us refine the questionnaire for attaining maximum responses, and this method also gave us confidence that the respondents had no difficulties understanding and answering the questions. A Cronbach's alpha value of more than 0.7 was treated as adequate (Cooper & Schindler 2008). The reliability of different variables has the following value: HR practices scale ($\alpha = 0.75$), employee participation scale ($\alpha = 0.77$), organizational performance scale ($\alpha = 0.70$) and HR uncertainty ($\alpha = 0.75$).

4.3. Reliability

To examine the consistency of the proposed questionnaire, we used the reliability analysis test (Cronbach's α). The table below shows the reliability values and the number of items (proxy variables) describing the main variables of the study.

Variable names	Cronbach's α	Number of items
HR Uncertainty	0.745	10
Employee Participation	0.774	3
Organization Performance	0.695	6

HR Practices

0.922

20

Table 4.2: Illustration of internal consistency of the variables under study

The reliability of HR uncertainty ($\alpha=0.745$), Employee Participation ($\alpha=0.774$), Organizational Performance ($\alpha=0.695$), and HR Practices ($\alpha=0.922$) shows that the reliability of the questionnaire is within the limit of reliability value.

4.4. Factor Analysis

Factor analysis is the robust and most acceptable tool to analyze the construct of variables of the study (Tharenou and Donohue, 2007). Kaiser-Meyer-Olkin (KMO) is the main component in factor analysis that determines the stability of the construct of variables, and it should not be less than 0.70 (Leech, Barrett & Morgan, 2005). If the proxy variables are not overlapping, Bartlett's Sphericity test and the significance should be $p < 0.05$ (Leech, Barrett & Morgan, 2005).

Table 4.3: Bartlett's test of Sphericity

Variable	KMO	χ^2	Sig*
HR Uncertainty 0.000	0.753	233.806	
Employee Participation 0.000	0.696	96.713	
Organization Performance 0.000	0.692	138.510	
HR Practices	0.856	1743.865	0.000

* $P < 0.05$

To assess the internal consistency, we used the principal axis factor analysis to check the loaded factors, and its value should be above 0.30 (Tharenou, 2007). Study variables (HR Uncertainty, Employee Participation, Organization Performance, and HR Practices) and the result of factor analysis are shown in table 4.4, which shows the component rotated matrix.

Table 4.4.: Factor Analysis of HR Uncertainty, Employee Participation, Organization Performance, and HR Practices

Variable	Items	Communalities
HR Uncertainty	Un1	0.394
	Un2	0.667
	Un 3	0.452
	Un4	0.696
	Un5	0.666
	Un6	0.592
	Un7	0.403
	Un8	0.548

Impact of HR Practices Gap on Organizational Performance: Intervening effect of Employee Participation and HR Uncertainty

	UN9	0.731
	UN10	0.496
Employee Participation	EP1	0.686
	EP2	0.657
	EP3	0.722
Organization Performance	OP1	0.594
	OP2	0.681
	OP3	0.446
	OP4	0.446
	OP5	0.742
	OP6	0.625
HR Practices	HRP1	0.749
	HRP2	0.702
	HRP3	0.408
	HRP4	0.752
	HRP5	0.809
	HRP6	0.697
	HRP7	0.590
	HRP8	0.829
	HRP9	0.798
	HRP10	0.739
	HRP11	0.695
	HRP12	0.766
	HRP13	0.656
	HRP14	0.711
	HRP15	0.871
	HRP16	0.812
	HRP17	0.858
	HRP18	0.729
	HRP19	0.685
	HRP20	0.675

4.5. Descriptive Statistics

To check the normality of data, we use skewness and Kurtosis value. The skewness value should be between (-1 to +1), and the Kurtosis value should be in the limit (+3 to -3) to check the normality of the data. The data values in the table show that our data is standard within the limit values of Kurtosis and skewness.

Table 4.5: Normality of data

	HRP	OP	EP	HRU
Skewness	.472	.072	.179	-.499
Std. Error of Skewness	.218	.218	.218	.218
Kurtosis	-.846	-.245	-.542	2.478

Std. Error of Kurtosis	.433	.433	.433	.433
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5. Analysis

5.1. Independent Sample T-Test

The Independent sample T-test is used to check whether the difference between two group levels exists. The table shows the difference between the mean values of manager and employee exists with a significant value (.000). The Independentsample T-test shows a gap between intended and implemented HRM in Pakistan organizations.

Table 5.1: Independent Sample

	Designation	N	Mean	Mean Difference	Sig. (2-tailed)
HRPmean	Manager	32	3.7797	.84782	0.000
	Employee	91	2.9319	.84782	0.000

5.2. Regression Test

The regression test shows that the GAP between intended and implemented HRM has a significant negative influence on the organizational performance and the findings of this hypothesis are consistent with the previous studies of Khilji& Wang (2006). R-value inthe table indicates that a 1 percent change in the HRM gap influencesa 19.7 percent change in organizational performance. Hypothesis 2 concluded that the organizational performance would be higher or positive when there is a small gap between the intended and implemented HRM.

Table 5.2: Direct Effect

Model	IV	R	R ²	Fstat	β
H2.	GAP	0.197	0.039	4.907	-.215*

*P<0.05

The table shows that GAP negatively influences organizational performance because the beta value (-0.215) shows a negative impact of the HRM gap on organizational performance, which is highly significant (0.029).

Table5.3: Moderation effect of employee participation

Model	IV	R	R ²	Ad R ²	Fstat	β
H3.	GAP	.197(a)	.039	.031	4.907	-.215*
2	Moderation	.273(b)	.075	.059	4.851	.152*

a Predictors: (Constant), GAP

b Predictors: (Constant), GAP, EP Moderation

*p<.05

The above table informs us of moderation results by following conditions among the variables. The first condition is a significant relationship between IV and DV, and the respective second condition is that

Impact of HR Practices Gap on Organizational Performance: Intervening effect of Employee Participation and HR Uncertainty

there is a significant relationship between IV and moderation term (IV*moderator) that significantly influences the relationship between IV and DV (Baron & Kenny, 1987). The moderation impact in hypothesis 3 illustrates that employee participation significantly ($p = .033$) moderates the relationship between the HRM gap and organization performance. Employee participation changes the relationship between the HRM gap and organizational performance. R-value in the table indicates that a 1 percent change in HRM gap influence 19.7 percent change in organizational performance but due to the moderation impact of employee participation, 1 percent change in independent variable effect 27 percent change in organizational performance. Due to employee participation, the gap between intended and implemented HRM decreased and consequently positively influenced organizational performance.

Table 5.4: Moderation effect of HR Uncertainty

Model	IV	R	R ²	Ad R ²	Fstat	β
H3.	GAP	.197(a)	.039	.031	4.907	-.215*
2	Moderation	.284 (b)	.081	.066	5.277	.304*

a Predictors: (Constant), GAP

b Predictors: (Constant), GAP, HRU Moderation

* $p < .05$

The above table informs us of moderation results by following conditions among the variables. The first condition is a significant relationship between IV and DV. The second condition is a significant relationship between IV and moderation term (IV*moderator) that significantly influences the relationship between IV and DV (Baron & Kenny, 1987). Moderation impact in hypothesis 4 illustrates that HR uncertainty significantly ($p = .021$) moderates the relationship between the HRM gap and organization performance. HR uncertainty changes the relationship between the HRM gap and organizational performance. R-value in the table indicates that a 1 percent change in the HRM gap influences a 19.7 percent change in organizational performance. Due to the moderation impact of HR uncertainty, a 1 percent change in independent variable affects a 27% change in organizational performance. Due to HR uncertainty, the gap between intended and implemented HRM decreased and consequently positively influenced organizational performance.

6. Conclusion

The current study identified new factors requiring attention while developing HR policies and practices to achieve higher organizational performance. Our research proves that HR uncertainty and employee participation have moderating effect on HR intended and implemented gap and organizational performance. It is essential that HR policymakers always remain supportive and committed to developing effective HR policies by focusing actual implementation of policies and considering HR uncertainty and employee participation while developing HR policies to enhance organizational performance. The first time we gauge the intended and implemented HRM gap quantitatively and try to remove the personal biases and idiosyncrasies of the researchers with the help of this study. So, this study contributes to the literature by empirically testing and gauging the implemented and intended

HRM gap and the effects of HR uncertainty and employee participation. It is further noticeable that effective implementation of HRM, rather than intention, would lead organizations toward competitive advantage. On these findings, it is highly recommended to the HR policymakers that while developing the policies, they should consider the HR uncertainty and employee participation for effective implementation of the policies that will enable the organization to achieve competitive advantage.

6.1. Limitations and Future Directions

Demographics (age, experience, gender) also played an essential part in creating the gap between the intended and implemented HRM. Employees having more experience can easily tackle the uncertainty and complexity. Moreover, Leadership style and culture can influence organizational performance by encouraging and restricting employee participation in policy-making. According to our research scope, many other variables that can affect organizational performance are not considered in our research. Our study is generalizable based on sector (Manufacturing and Service). However, a lack of generalization based on a small sample size effectively ensures the implications.

Limitations of our study are time, resources, demographics, the sample size for effective generalization, and other variables (Leadership and culture), which can directly influence the relationship between the HRM gap and organizational performance. Future studies could incorporate the like gender which affects to create gap because, in an organization, different HR practices are done for males and females (gender discrimination); leadership style and culture can influence the HRM gap and its relation to the organizational performance.

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Impact of HR Practices Gap on Organizational Performance: Intervening effect of Employee Participation and HR Uncertainty

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