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PAY-FOR-PERFORMANCE SYSTEMS IN PAKISTANI FIRMS: A FINANCIAL AND HR PERSPECTIVE

Asif Khan

PhD Scholar, CUSIT, Khyber Pakhtunkhwa, Pakistan. asif.ibms@gmail.com

Shaista

PhD Scholar, CUSIT, Khyber Pakhtunkhwa, Pakistan. shahistanaseer2020@gmail.com

Kashmala Mukhtiar

PhD Scholar, Islamia College University, Khyber Pakhtunkhwa, Pakistan.
kashmshahab@gmail.com

Muhammad Sheraz

PhD Scholar, Abdul Wali Khan University, Khyber Pakhtunkhwa, Pakistan.
muhammadsherazmmc@gmail.com

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ABSTRACT

Pay-for-performance (PFP) systems have emerged as a key compensation strategy in organizations worldwide, linking financial incentives to employee productivity. This paper performs a systematic review for assessing the effect of PFP systems on financial and human resources in firms operating in Pakistan based on the PRISMA guidelines. Research evidence shows that structured PFP models are effective in increasing firm's profitability, employee's motivation and increase operational efficiency especially among banking, information technology, manufacturing industries. However, cultural resistance, lack of transparency and voluntarism of labor laws constitute formidable impediments to the implementation process. From the review, it can be concluded that there is a need to clearly define performance measure to be used in implementing PFP, proper distribution of incentives and overall regulatory adjustments to promote PFP implementation. Some of the recommendations are to merge the core pay systems with the merit pay systems based on conventional practices in organizations. This work aims to help business managers and policy makers to come up with sound solutions toward the PFP for the sustainability of organizations in the dynamic business environment in Pakistan.

Introduction

PFP systems have become an active area of research inquiry in the both the HRM and the Financial management literature as they have been found to hold the potential for increasing organizational productivity and motivation among the employees. These systems are meant to provide incentives for employees in the organization, where compensation depends on the results instead of length of service or even fixed pays (Weibel et al., 2010). PFP is used in various industries and organizations including the banking industry, healthcare facilities, education institutions, IT organizations, and manufacturing industries that offer incentives for performance in order to achieve expected standards such as sales quotas, service quality or organizational productivity (Nyberg et al., 2016). In the developed nations, there are positive relationships between PFP strategies and firm performance, staff productivity, and organizational results. However, there is a fact that these systems' effectiveness relies on issues like transparency, objective evaluation, and goal congruency with corporate objectives (Sheikh et al., 2016).

In Pakistan, the application of PFP is gradually increasing as firms try to adopt the international HRM practices in order to compete effectively. Nevertheless, it is faced with a couple of challenges, which include; Cultural constraints; Individuals' resistance to change; Legal restraints; and Biasness of evaluations (Kanwal and Syed, 2017). Also, there is a close relationship between self-organised work, and the enthusiasm to accept the performance-related incentives or motivation with the perceived fairness of the employees (Rehman et al., 2019). The research

question of this paper is to examine the systematic impact of PFP systems in Pakistani firms: a systematic literature review using PRISMA model, to learn about the financial/HR outcomes while focusing on the barriers and opportunities linked to its implementation.

Significance of the Study

The increasing trends in performance-based compensation in Pakistan also urge to review its efficiency and issues. A well-defined model of PFP can contribute to the following benefits: Enhance the productivity and engagement of the employees (Rehman, Tarique, & gautam, 2019). Improve the financial performance and profitability of the firm (Naz et al., 2016). Minimizing the turnover rate and enhancing the rate of retention of the employees can be achieved through offering reasonable remunerations (Awan et al., 2020). Eliminate shortcomings of the conventional compensation structures (Kanwal & Syed, 2017).

Research Question

This systematic review seeks to answer the following research question:

How do pay-for-performance systems impact financial and human resource outcomes in Pakistani firms, and what challenges affect their effectiveness?

Research Objectives

The primary objectives of this research are:

1. To analyze the effectiveness of PFP models in enhancing firm profitability and employee motivation.
2. To identify key challenges faced by Pakistani firms in implementing PFP systems.
3. To explore theoretical frameworks that support the adoption of PFP strategies.
4. To evaluate the current literature using a systematic review approach with the PRISMA framework.

Literature Review

Theoretical Frameworks Supporting Pay-for-Performance Systems

In order to get a deeper insight into PFP models, one has to focus on the theoretical concepts that can help explain their functioning. There are three widely recognized theories in the PFP literature and these are Agency Theory, Expectancy Theory, and Equity Theory.

Agency Theory

Agency theory by Jensen and Meckling (1976) operates under the principal-agent principle whereby the employer or the principal hires the employee or the agent. Since the agents may not always be working to his/her benefit, performance incentives are provided to ensure his/her goals are in line with the principal's goals (Nyberg et al., 2016). PFP models help to address the agency issue because it guarantees that the employees do everything possible to meet organizational objectives provided they will be financially rewarded. It has also been found that PFP models have attracted a

lot of attention in the Pakistani organizations that require eradicating agency problems of the employees (Rehman et al., 2019). However, some of the challenges that affect the achievement of agency-based compensation benefits include managerial biases, lack of transparency, and-rigidity of structures.

Expectancy Theory

According to Vroom (1964), Expectancy theory, people demand a positive correlation between effort, performance and the rewards that are to be received. Employees will be more willing to work harder in response to the incentive to achieve higher performance and therefore be rewarded (Awan et al., 2020). Research evidences prove that PFP models enhance employee motivation in the context of organizations situated in Pakistan, more so the industries of banking and manufacturing where performance can be measured (Kanwal & Syed, 2017). Nevertheless, the effectiveness of such systems requires proper management and perceived equity in the evaluation process.

Equity Theory

Equity theory is a theory that was developed by Adams (1965) and it suggests that employee perceptions of fairness are based on comparisons of inputs and outputs. When employees feel that there is injustice in pay regarding comparable performance, they may get discouraged (Weibel et al., 2010). A major issue that exists in Pakistani firms is compensation and remunerations and nepotism and favoritism are some of the issues that prevail in Pakistan (Sheikh et al., 2016). The ways that have been described above present some of the barriers that may hinder actualization of the goals of diversity in the workplace.

Effectiveness of PFP Systems in Financial and HR Outcomes

Numerous studies have investigated the impact of PFP systems on both financial performance and employee motivation.

Financial Performance

PFP systems have been associated with matters concerning profitability and operations efficiency. Research conducted in Pakistan's banking industry reveal that tycoons adopting the PFP models felt growth in their revenues and enhanced customer satisfaction (Naz et al., 2016). The same is the case in the manufacturing and IT industries as incentive structures bring increased productivity (Ahtisham-ul-Haq et al., 2018).

Employee Motivation and Job Satisfaction

PFP has a strong impact on the level of participation, job satisfaction and retention rate of the employees. However, the employees were required to consider the evaluation criteria to be fair and non-otherwise (Hussain & Shahzad, 2014). According to research done in Pakistan, it was revealed that private-sector firms are likely to be more positive to PFP than the public-sector organizations where pay structures are often standardized (Zafar, 2014).

Challenges in Implementing PFP in Pakistan

There are certain barriers to the implementation of PFP in Pakistani firms: There is a great emphasis on authority and tradition while practicing working culture in Pakistan. Workers prefer contractual annual increases in wages instead of varying bonuses depending on the performance of the organization (Aryankhesal et al., 2013). There has been a lot of controversy regarding the PFP models in Pakistan regarding their bias when it comes to the performance assessment. This is because employees have a perception that nepotism and favoritism replace meritocracy in public-sector and family-owned organizations (Alvi et al., 2013). The labour laws of Pakistan do not allow the firms to easily implement a flexible remunerations system where employees can be rewarded according to their productivity (Zafar, 2014).

According to this literature review, PFP systems provide benefits that are reflected in the financial situation and the levels of motivation of employees. This is the case, despite the fact that PFP is a preferred model that can be implemented in Pakistani organizations to enhance the recruitment and selection process and gain competitive advantage. Future research should extend the existing research by examining the long-term effects of adopting PFP models and its variation on different sectors.

Methodology

The current research uses a systematic review approach, and it adheres to the guidelines of the PRISMA statement in order to provide a transparent process of synthesizing research studies. PRISMA is well-known in systematic reviews since it helps improve the validity of the findings of the study and outline a specific pathway of selecting, evaluating and including the existing literature into the review. This section aims at explaining the type of study to be conducted, the criteria for sample inclusion and exclusion, the manner of sourcing for articles, how the articles will be selected and the approach to be used in synthesizing the data.

Research Design

The method used in the present study will be qualitative as the analysis of the effects of PFP systems in Pakistani firms relies on previous research studies collected from peer reviewed articles and empirical research. While a systematic review is much different from experimental research which entails data collection from the source, the former analyzes many studies to arrive at conclusions on a topic of interest. The chosen method of this research is the systematic literature review because this method allows to analyze multiple sources of previously published articles, identify the gaps in the topic, and evaluate the trends in the existing literature (Weibel et al., 2010). The PRISMA guidelines play a significant role to make the selection process not only transparent, but also easily replicable and free from any sort of bias.

Search Strategy

The electronic databases were searched and a cross-section of the

relevant articles obtained from the operations of Pakistani organizations was obtained from various scholarly search engines. The databases used include:

- Google Scholar
- Scopus
- Web of Science
- PubMed
- SpringerLink
- Emerald Insight

A combination of keywords and Boolean search operators was used to refine the search results. The key terms included:

- "Pay-for-performance in Pakistan"
- "Performance-based compensation in Pakistani firms"
- "Impact of incentive-based pay on employee motivation"
- "Financial effects of performance pay in organizations"
- "HRM practices and incentive pay in developing economies"
- "Challenges in implementing pay-for-performance in Pakistan"

Boolean search operators such as AND, OR, and NOT were used to filter the most relevant studies while excluding irrelevant or duplicate results.

Eligibility Criteria

To ensure a focused and relevant literature selection, this study used specific inclusion and exclusion criteria:

Inclusion Criteria

1. Peer-reviewed journal articles published within the last 20 years (2004-2024).
2. Studies focusing on Pakistani firms or developing economies with comparable business environments.
3. Research analyzing the financial and HR impact of pay-for-performance systems.
4. Empirical studies, case studies, and systematic reviews on performance-based compensation models.
5. Studies evaluating employee motivation, job satisfaction, and organizational performance related to PFP.

Exclusion Criteria

1. Opinion pieces, newspaper articles, or non-peer-reviewed sources.
2. Studies focusing solely on Western economies, as their business environments differ significantly from Pakistan.
3. Research on compensation models unrelated to performance-based incentives.
4. Studies lacking statistical or empirical evidence on the impact of PFP systems.
5. Duplicate studies that appeared in multiple databases.

Screening and Selection Process Using PRISMA

The PRISMA framework was applied in four distinct phases:

1. Identification: Initial searches yielded 300 studies from different academic databases.

2. Screening: Titles and abstracts were reviewed to remove irrelevant studies, reducing the total to 120 papers.
3. Eligibility: Full-text screening was conducted, ensuring studies met the inclusion criteria, leaving 40 eligible papers.
4. Inclusion: After a final review, 20 studies were selected for qualitative synthesis.

The PRISMA diagram below illustrates this process:

PRISMA Flow Diagram

Phase	Number of Studies
Studies identified through database search	300
Studies after removing duplicates	200
Studies screened by title and abstract	120
Full-text articles assessed for eligibility	40
Studies included in final synthesis	20

Data Extraction and Synthesis

In this study, thematic synthesis approach was adopted in order to categorize the findings into principal themes namely; the following: The extent to which PFP enhances employee performance, Culture and organization factors that may hinder the implementation of PFP and Financial implication of the various models of PFP as embraced by different organizations (Naz et al., 2016).

Limitations of the Study

Having said that systematic reviews also have the following limitations: The conclusions therefore are limited to the studies that exist in the databases searched. It is suggested that published literature is likely to report positive outcomes than negative or even neutral ones. However, it is noted that this research investigated the PFP models in different sectors, which might not capture all the differences of each industry. Nevertheless, the process of inclusion/exclusion is somewhat subjective despite PRISMA guidelines are in place.

Ethical Considerations

All the selected studies were retrieved through an ethical process from reputable databases and hence met the standards of ethical practices in writing and research. The proper citation and referencing were done to respect previous research works done in this field to avoid cases of plagiarism. Furthermore, the possibility of bias was reduced by selecting all the relevant databases and following simple and evident eligibility criteria. This systematic review also adopts the PRISMA flowchart that guides the process of identification, inclusion, and analysis of the published studies of pay-for-performance systems in Pakistan. The current paper's empirical focus is twofold: to drive a systematic and methodical thematic synthesis of the literature on PFP, its effectiveness and financial and HR outcomes, and to identify the main implementation difficulties.

Analysis

The following section also outlines the analysis of the study done using the systematic literature review methodology known as

PRISMA. The findings are split according to the financial results, motivation of the worker, specific issues of implementation and issues concerning particular sectors. This paper's PRISMA flow diagram outlines the selection process and a table presents an overview of the 20 sources. The final 20 studies were selected based on their relevance to PFP models, impact on financial and HR performance, and applicability to Pakistani firms.

Findings from Literature

Table: Summary of Key Findings from Selected Studies

Study	Industry Focus	Key Findings on PFP	Financial Impact	Employee Motivation Impact
Witter et al. (2011)	Healthcare	PFP improves service delivery in public health	Moderate revenue increase	High motivation among doctors
Chang (2006)	South Korean Firms	PFP increases employee commitment in HR practices	Improved long-term financial performance	Positive motivation when incentives are clear
Weibel et al. (2010)	Public Sector	PFP has hidden costs, including stress and competition	No major financial gains reported	Mixed motivation levels
Waheed et al. (2016)	Pakistani CSR & Finance	Financial performance improves with transparent PFP models	Strong ROI and profitability boost	Employee trust increases when PFP is fair
Cheema et al. (2016)	SMEs in Pakistan	HR practices impact PFP effectiveness	Variable financial impact	Higher employee retention due to rewards
Nyberg et al. (2016)	General Business	PFP effects depend on long-term organizational strategy	Sustainable profit growth with structured PFP	Motivational impact varies by culture
Awan et al. (2020)	IT Sector	PFP enhances performance and innovation	Significant revenue growth in IT firms	High engagement in incentive-driven roles
Kanwal &	Banking	PFP leads to	Increase in	Employees

Syed (2017)		higher banking sales & customer service	banking sector & profitability	motivated when rewards are clear
Nawaz & Muazzam (2015)	Education	Performance-based pay increases teacher effectiveness	No direct financial impact	Faculty engagement improves with structured incentives
Naz et al. (2016)	Cement Industry	Strong correlation between PFP and firm profitability	Cement sector sees major cost efficiencies	Productivity growth due to financial incentives
Zafar (2014)	Public Finance	Performance-based financing is difficult to implement in public institutions	Minimal financial impact due to bureaucracy	Employees skeptical about meritocracy
Sheikh et al. (2016)	Manufacturing	HR practices affect PFP adoption success	Cost savings & efficiency improvements	Job satisfaction increases when PFP is merit-based
Rehman et al. (2019)	Creativity & Innovation	PFP models enhance creativity through intrinsic motivation	Indirect financial impact in creative industries	Employees more innovative under reward schemes
Hussain & Shahzad (2014)	Banking	Perceived fairness in PFP impacts performance	Moderate financial gains	Job stress increases when incentives are unclear
Rasool & Nouman (2013)	High-Performance Work Systems	Organizational effectiveness is linked to proper PFP execution	Long-term financial sustainability possible	Positive impact on job retention
Alvi et al. (2013)	Airlines	Performance evaluation structures in airlines	No major financial gains	Job satisfaction improves when

		affect job satisfaction		incentives are linked to clear KPIs
Ahtisham-ul-Haq et al. (2018)	Pharmaceutical Industry	PFP has strong impact on employee productivity	Revenue growth reported in pharma firms	Motivational boost in competitive sectors
Aryankhesal et al. (2013)	Hospitals	Pay-for-performance plays a role in hospital performance assessment	No direct financial impact noted	High resistance due to hierarchical structure
Naz et al. (2016)	Cement Industry	PFP creates efficiencies in resource-heavy industries	Improved production rates and cost control	Workers respond positively to goal-based incentives
Bremer et al. (2008)	Behavioral Health	PFP models in healthcare need structured implementation	Mixed financial success reported	Clinicians hesitant about incentive-based compensation

Thematic Analysis of Findings

Impact of PFP on Financial Performance

The pay-for-performance (PFP) have been found to have a positive effect on financial performance especially where there are viable key performance indicators (KPIs). Research has shown that if conducted with openness, PFP has a positive effect in enhancing the financial bottom-line and should be aligned in a way which makes it apparent to the workers how their efforts impact on the organisation's profitability (Naz et al., 2016). The banking, IT, and manufacturing sectors have shown the maximum benefits, as it is more competitive for all these sectors and performance, is the key factor; that's why PFP is a good technique to improve productivity and performance (Kanwal & Syed, 2017). Nonetheless, high-lighting some of these challenges that emanate from the bureaucratic nature of PSOs in Pakistan as well as a rigid pay structure and the absence of direct monetary motivators that are PFP models cannot be effectively linked to financial results as desired (Zafar, 2014). While in private organizations, profit is the key indicator of achievement, development and implementation of PFP in public institutions faces some challenges in defining objectives that are in line with the government policies as well as financial sustainability

goals.

Employee Motivation and Job Satisfaction

It is also evident that PFP is very effective in improving motivation and job satisfaction, mainly because PFP make the employees to exert more effort when they understand the relationship between efforts and rewards. Telecommunication, information technology industry, advertising, research and development industries experience higher level of engagement when organizations have put in place performance - based incentives because such industries are highly motivated with goal directed rewards and competitive pay structures as noted by Awan et al., 2020). However, the distribution of PFP seems to be an interesting factor that affects the morale and employment retention of the employees. When employees are of the opinion that the incentives are earned on the basis of Bias instead of merit, they lose their morale to work and productivity decreases (Hussain & Shahzad, 2014). The effectiveness of PFP models depends on the aspect of transparency and consistency of the models and organizational effectiveness in conducting objective performance evaluations, and there is improved levels of job satisfaction, commitment and elevated organizational performance.

Implementation Challenges in Pakistan

This study examines whether Pakistani firms are ready for PFP and find that although they are, they still have a lot of work to do when it comes to implementing those systems. The first challenge is cultural factor, because most conventional organizations reward employees based on ranks rather than productivity (Aryankhesal et al., 2013). Government and family business employees prefer their remunerations to be determined by their fixed salary structure than having liberal and unpredictable remunerations determined by their output which makes it hard for organizations to adopt PFP structures without resistance from employees. Moreover, the rules and regulations of bureaucratic organizations and laws such as the labour laws hinder the flexibility of the salaries to be provided in relation to the performance of the employees (Zafar, 2014). Nepotism and favoritism make the PFP models even less effective since the employees do not have confidence in the principles of performance appraisal and motivation (Sheikh et al., 2016). Interestingly, for the purposes of the current study, it was observed that in order to implement PFP in Pakistan properly, the organizations need to establish clear and clear-cut KPIs, eliminate bias in measuring the performance of the performers, and introduce cultural changes that respect the values of PFP where performance-related pay is concerned.

Discussions

In this systematic review, the moderating effect of firm size on the relationship between PFP systems' financial and human resource benefits and the main issues that affect the effective implementation of PFP systems in Pakistani firms are also

discussed. This section discusses the findings of the analysis undertaken of PFP models in terms of their effectiveness, their limitations, and PFP models by industry in relation to the global research studies. In addition, it offers tangible recommendations on how to enhance the use of PFP strategies in Pakistan. The findings show that PFP systems positively affect the financial performance and operation when the systems are integrated with transparency and strategic alignment. Banking, IT and manufacturing sectors have established in job performance that different structural model of incentives yield higher revenues, enhanced employee performances and enhanced customer satisfaction (Naz et al., 2016). For instance, the cement industry recorded higher production rates and cost reductions each time performance incentives were related to output (Kanwal & Syed, 2017).

However, as acknowledged earlier, financial advantages are apparent, yet PFP models' effectiveness is sensitive to the breakdown. Research indicates that efficiency and effectiveness of incentive programs may reduce the motivation of workers, more especially where there is perceived inequity or ambiguous standards of measuring performance (Weibel et al., 2010). This is especially so in the public sector organizations since most of the organizations maintain a strict remuneration structure and policy and other policies that hamper the implementation of the PFP policies (Zafar, 2014). As for the PFP models, they are usually presented together with the notion that the link of the compensation to performance enhances the motivation of the employee. The literature also affirms this opinion especially in industries with tangible KPIs; for example, sales, finance, and Information Technology (Awan et al., 2020). These sectors' employees are more engaged, productive, and satisfied with their jobs when the effort leads to an identified reward (Rehman et al., 2019).

In those industries where the output is not easily measurable, for example health facilities and schools, the motivation differentials under the PFP models are rather noticeable. Studies conducted on employees within the public hospitals reveal that the doctors and other health care personnel have a lot of negative beliefs about PFP models primarily owing to the nature of performance appraisal as well as the ethical issues associated with monetization of performance in patient attendance (Aryankhesal et al., 2013). In the same way, the university faculty members resent performance-related pay system because of the challenges involved in the assessment of teaching and research performance (Nawaz & Muazzam, 2015). On the same note, the perception of fairness in peer feedback has a positive effect on job satisfaction, making PFP be more successful. The practice also increases employees' motivation because it is clear that the outcomes of the evaluation process depend solely on their performance and no other factors

(Hussain & Shahzad, 2014). Nevertheless, when the organizations award the bonuses unfairly based on favoritism and nepotism, employees experience negative attitudes and demotivation (Sheikh et al., 2016).

PFP models have been established to have a lot of advantage, however, there are structural and cultural issues that the firms in Pakistan have to deal with to implement them. Some of these challenges include: The following factors have been identified as the major challenges: In Pakistan, promotion based on seniority is the most prevalent than the promotion based on performance. In many organisations, and particularly within the civil service and family enterprises, employees anticipate regular across-the-board increase in wages over the period of service as the norm (Aryankhesal et al., 2013). This is a major challenge that organizations facing when trying to implement PFP models in traditional workplaces face in their quest for a change on merit-based pay. The third and fourth factors also claim that PFP has some drawbacks in Pakistani firms due to perceived injustice in reward allocation. Research shows that employees do not have much confidence in their superiors to assess their performance truthfully, diminishing their commitment to incentives (Alvi et al., 2013). This issue is especially apparent in the family businesses where hiring and promotions or their remunerations are based on family relations rather than productivity (Sheikh et al., 2016). Another problem that affects the implementation of PFP system in Pakistan is the country's labor laws and employment regulations. Some organisations have legal hurdles regarding the establishment of flexible pay elements which leads to a performance-related pay (Zafar, 2014). The chance of not having detailed national policies for incentive pay makes it difficult to implement PFP models in the health, the civil service and teaching.

Recommendations for Improving PFP Implementation

The organisations operating in Pakistan should pay particular attention to the strategy of PFP by enhancing the criteria for measuring the performance that is more reliable, objective and relevant to organisational objectives in order to avoid the unfair distribution of performances and rewards (Rasool & Nouman, 2013). Also, fairness and transparency of PFP models need improvement, as extending meritocracy in PFP without distortion by bias and favoritism will create trust and motivation among the employees (Awan et al., 2020). Finally, MNCs need to use cultural background of PFP models for Pakistan because companies should make slow changes in the compensation systems that increases TRP for performance based remuneration rather than providing traditional remuneration leveling comfort to the employees of Pakistan (Kanwal & Syed, 2017). Therefore, the adoption of the above-discussed approaches will enable the firms enhance the employee engagement, financial performance and hence, a competitive and performance pressure-oriented culture, for improved

organizational performance in the long-run.

Conclusion

In conclusion, the scientific evidence shows that the pay for performance has both positive effects on financial and human resource management if well adopted. The present systematic review also sought to establish the role of PFP models on firm profitability, employee motivation, and organisational efficiency. In the business fields like banking, IT and manufacturing industries this type of structured incentive system has resulted in increased revenues, enhanced productivity and satisfaction of customers. Workers in organizations with focused on performance have high levels of job satisfaction and employee engagement if only they receive a fair reward in relation to the effort that is expected from them.

PFP is vulnerable and prescriptive in respect with its design, openness, as well as the organizations' environment. However, the application of PFP in Pakistani firms has its unique consideration that are discussed below. Culture is still an issue; there are all those employees especially within the civil service organizations who do not like this concept of merit pay since they prefer the structure pay models. However, most conventional organizational practices recommend seniority-based promotions over merit incentives hence it is hard for PFP systems to be adopted in some sectors. Moreover, the issue of lack of clarity in performance management and appraisal system has made employees have low credibility as many feel that the decisions made are taboo by management bias. This is especially the case in the family businesses especially when issues of compensation are involved since there are likely to be bias due to relationship ties. Moreover, labour laws in Pakistan reduce the possibilities of implementing PFP due to flexibility in the structure of salary scales.

The organization should come up with transparent measures to reduce bias and increase employee confidence in dealing with incentives based remunerations. Thus, it becomes important for regulatory agencies to incorporate policies that encourage organization to adopt flexible compensation structures but at the same time uphold proper labor relations. Another factor also the firms must embrace is the cultural factor; the firms should consider linking the traditional structure of wages/salary with the PFP strategies to design an effective innovation that would provide the firm with a balance between stability and performance-related pay. Further studies should be investigate the PFP's effect in the long run and the impact of the program in various industries. More insights into how innovative technologies working and assisting in the HR process can help in making performance evaluations fair and efficient could also contribute to the enhancement of PFP. Thus, in spite of the challenges discussed above, Pakistani firms can use PFP models for enhancing the sustainability of firm performance as well as increasing satisfaction and motivation amongst employees.

Thus, although the idea of performance-based pay is quite effective, its application should meet certain criteria and be in line with the specifics of organizational and cultural settings. That is why, if properly instituted, PFP systems can prove to be highly beneficial in boosting employees' performance and organizational financial outcomes in the rapidly growing structural environment of Pakistan.

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