THE RELATIONSHIP BETWEEN HUMAN RESOURCE MANAGEMENT AND ORGANIZATIONAL PERFORMANCE

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ORGANIZATIONAL PERFORMANCE

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DECLARATION

"I hereby declare that I have read this thesis and in my opinion this thesis is sufficient in terms of scope and quality for the award of the Degree of Technopreneurship with Honesty"

Signature   :……………………………

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Date   : 28th June 2013

DECLARATION

I hereby declare that the work in this project is my own except for quotations and summaries which have been duly acknowledged. The project has not been accepted for any degree and is not concurrently submitted for award of other degree.

Signature   :……………………………

Name   : MUHAMMAD FUAD BIN ABDUL HADIB

Date   : 28th June 2013

DEDICATION

I would like to dedicate this thesis to my lovely mother, Mrs. Sakdiah Bt. Abdul Gani. There is no doubt in my mind that without their continued support and counsel I could not have completed this process.

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ABSTRACT

This study aimed to investigate the relationship between human resource management with organizational performance in selected organizations throughout the state of Malacca. The objective of this study was specifically i) Identify the relationship between recruitment and selection to organizational performance. ii) Identify the relationship between training and development with organizational performance. iii) Identify the relationship between the performance appraisal with organizational performance. Respondents consisted of 50 human resource management around Malacca. The questionnaire used in this study to evaluate the relationship between human resource management and the organizational performance. Data were analyzed using descriptive and inferential statistics. Results indicated that there is a positive relationship between human resource management practices in the performance of an organization in Malacca. In addition, the study showed a significant effect of recruitment and selection to the performance of the organization in which the value of $r^2 = 0.399$, P <0.05, and there was also a significant effect of training and development with organizational performance in which the value of $r^2 = 0391$, P <is 0.05. Similarly goes the performance appraisal with the performance of the organization in which the value of $r^2 = 0.369$, P <0.05.

ABSTRAK

Kajian ini bertujuan untuk mengkaji hubungan di antara pengurusan sumber manusia dengan prestasi organisasi di organisasi yang terpilih di seluruh Negeri Melaka. Objektif kajian ini secara khususnya adalah i) Mengenal pasti hubungan di antara pengambilan dan pemilihan dengan prestasi organisasi. ii) Mengenal pasti hubungan di antara latihan dan perkembangan dengan prestasi organisasi. iii) Mengenal pasti hubungan di antara penilaian prestasi dengan prestasi organisasi. Responden kajian terdiri daripada 50 pengurusan sumber manusia di sekitar Melaka. Soal selidik digunakan di dalam kajian ini untuk menilai hubungan di antara pengurusan sumber manusia dengan prestasi organisasi. Data di analisis dengan menggunakan statistik deskriptif dan inferensi. Keputusan kajian menunjukkan terdapat hubungan yang positif di antara pengamalan pengurusan sumber manusia dengan prestasi sesebuah organisasi di Melaka. Di samping itu, hasil kajian menunjukkan terdapat kesan yang signifikan antara pengambilan dan pemilihan dengan prestasi organisasi di mana nilai $r^2 = 0.399$, $P<0.05$ serta terdapat juga kesan yang signifikan antara latihan dan pembangunan dengan prestasi organisasi di mana nilai $r^2 = 0.391$, $P<0.05$. Begitu juga antara penilaian prestasi dengan prestasi organisasi di mana nilai $r^2 = 0.369$, $P<0.05$.

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LIST OF ABBREVIATIONS

HRM   =   Human Resource Management

T & D   =   Training and Development

R & S   =   Recruitment and Selection

PA   =   Performance Appraisal

df   =   Degrees of freedom

H_0 =   Hypothesis Null

H_1 =   Hypothesis Alternative

r   =   Correlation

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CHAPTER 1

INTRODUCTION

This chapter contains a description of the background of the study, statement of the problems, objectives, significance of the study, the scope of the study and the definition of key variables of human resource management and organizational performance.

1.1   Background of the Study

Human resource management is the integration and coordination of resources human to effectively move toward the desirable goal within an organization. (Zaidatol & Foo Say Fooi, 2007). Through continuous works, employee will enhance the knowledge, working skills and skills to adapt to new situations. On the impact, individual working to improve the quality of work, group works morale increase, thus contributing to the enhancement of the quality product and organizational performance. Thus, continuous training enable employee to achieve outstanding performance and reduce dissatisfaction, complaints, absenteeism and schedule replacement workers.

Human resources within organization is an asset that should be administered systematically in order to provide organizations with competent workforce. Therefore,

the management of human resources in generally functions as the training and development, recruitment and selection, and performance appraisal. However, in managing human resources, satisfaction factors among the workers should be the main objective because it will directly leads to organization performance. Many studies show a profit, production, employee discipline and customers satisfaction contact with the employees job satisfaction. This satisfaction stimulate employees to contribute the best service that will produce customer satisfaction and will finally give positive impact on organizational performance. (Hooi Lai Wan, 2008).

Jackson and colleagues (2009) says, to achieve effective human resource management, the administrators need to ensure 5 themes of well policies and practices implemented which is manage, team work, diversity, ethics, globalization and evaluation. Many people believed that the structure organization that based on work-group can produce potential outstanding on improvement of the quality of innovation and the working speed. Background of different employees in terms of gender, personel value, cultural, religious, sexual orientation, marital status, family, age and others need the ingenuity of administrators to manage all of it with different approaches.

Globalization demands to changes and adjustments mainly related to computer technology. Administrators which is human resource manager should develop programs that can affect ethical behavior to employees to do the right things at work. The evaluation also important in used to measure the performance of the organization, determine the increase in salary, bonus or promotion process basis.

1.2   Problem Statement

The aspect of human resource management is one of the most important aspects of an organization. Based on the study, it is found that the main reason of failure in an organization is the disadvantages of human resource management practices in terms of

recruitment and selection, training and development, as well as performance appraisal. This stems from lack of training and experience in the administration of the organization. Many business organizations in particular failed not simply because of the lack of capital and competition, but due to the upheaval in the organization. (Juhairi Ali & Ishak Ismail, 1991).

Human resource management is one of the key in the success of the organization. It plays major role in the planning and structuring in an organization. Human resource management issues is very important in the development of an organization. Without proper management, it can affect work performance of employees in turns affects the customers also. Therefore, the role of commitment of all employees in an organization is very important and should be noted as customer satisfaction depends on the quality of service by the employees and services received by the customer thereby improving the company's performance (Walker John R, 1999).

Luthans (1995) also pointed out that an organization that has consistently managed to increase productivity is due to the high level of commitment among employees. Recognizing this fact, human resources must be well managed to ensure that potential employees can be fully utilized to allow the organization to one step ahead.

In general, human resource management is an approach in managing employees and it was seen human resource as the most important assets of the organization (Bohlander & Snell, 2010; Boxall & Macky, 2009; Dessler, 2010). However, the study that was conducted about the contribution of human resource management to the organization's performance was mixed. Most of the studies in the field of human resource management indicated that there is a positive relationship between human resource management and organizational performance. (Tan & Aizzat Mohd Nasurdin, 2010, 2011; Williiams & Mohamed, 2010). Meanwhile, there are few empirical studies that obtain the results in otherwise (Chan, Shaffer, & Snape, 2004; Chang & Huang, 2005). There are also studies that show about the organization's awareness of the important role of human resource management towards improving organizational

performance and also the vice versa. So, the problem arises on the contribution of the human resource practices to the performance of organizations. Therefore, this study was undertaken to identify the relationship on human resource management to the organizational performance.

1.3.1 Research Objectives

1.3.1 General Objective

The general objective of this study was to determine the relationship between human resource management and the organizational performance.

1.3.2 Specific Objectives

- To identify the relationship between training and development and the organizational performance.
- To identify the relationship between recruitment and selection and the organizational performance.
- To identify the relationship between performance appraisal and the organizational performance.

1.4 Hypotheses

Hypothesis 1: H_0: There is no relationship between recruitment and selection and organizational performance.

Hypothesis 2: H_0: There is no relationship between training and development and organizational performance.

Hypothesis 3: H_0: There is no relationship between performance appraisal and organizational performance.

1.5 The Significance of the Study

This study was conducted to find the relationship between human resource management and organizational performance. Weaknesses in human resource management practices may lead to the weakness of work performance among employees in organization. Therefore the knowledge of practices in human resource management are needed. Through this study, it would perhaps can help the management to develop the better management in human resource to strengthening and improving the organizational performance.

In addition, this study was also bring the awareness to the organization about the importance of the knowledge in human resource management practices in moving towards the achievement of the goals, vision and mission set by the organization.

1.6   Scope of the Study

This study examined the relationship between human resource management practices based on competency (recruitment and selection, training and development, performance appraisal) with organizational performance. Only three of the seven practices become the focus of the study and this study was done in several organizations in Melaka.

1.7   Definition of Conceptual and Operational

1.7.1   Human Resource Management

Human resource management (HRM) is defined as the policies, practices, and systems that influence employee's behavior, attitude, and performance in the attainment of organizational goals (Mathis, Jackson & Zinni 2008). HRM is the utilization of individuals to achieve organizational objectives. Consequently, managers at every level must concern themselves with HRM. Basically, all managers get things done through the efforts of others; this requires effective HRM. In this research, Human resource management was defined as the activity of recruiting and selecting, training and development, performance appraisal that was done in organization.

1.7.2   Recruitment and Selection

Recruitment is the process of attracting individuals on a timely basis, in sufficient numbers, and with appropriate qualifications, to apply for jobs with an organization (Mondy R. W. 2008). The firm may then select those applicants with qualifications most closely related to job descriptions. Selection is the process of

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choosing from a group of applicants the individual best suited for a particular position and the organization (Mondy R. W. 2008). Properly matching people with jobs and the organization is the goal of the selection process. A firm that selects high-quality employees reaps substantial benefits and on the other hand, poor decisions can cause irreparable damage. In this research, recruitment and selection was the information that must have in process of recruiting that was done by human resource department in order to get new employees to work with the company.

1.7.3   Training and Development

Training and development (T&D) is the heart of a continuous effort designed to improve employee competency and organizational performance. Training provides learners with the knowledge and skills needed for their presents jobs while development involves learning that goes beyond today's job and has a more long-term focus. It prepares employees to keep pace with the organization as it changes and grows (Mondy R. W. 2008).

In this research, training and development was the effort that is giving by organizational to increase the capability of employee in conducting the duty and improving themselves in organization.

1.7.4   Performance Appraisal

Performance appraisal (PA) is a formal system of review and evaluation of individual or team task performance. A critical point is the word formal, because in actuality, management should be reviewing an individual's performance on a continuing basis (Mondy R. W. 2008).

In this research, performance appraisal (PA) or performance evaluation is a systematic and periodic process that assesses an individual employee's job performance and productivity in relation to certain pre-established criteria and organizational objectives.

1.7.5   Organizational Performance

Organizational performance is the dependent variable in this study. It is defined as a firm at a level to achieve their goals and objectives (profitability and competitive advantage). In this study, measurements are made based on the relationship between human resource management and organizational performance.

In this research, organizational performance was meant by the results that have been obtained (achieved) or achievements of the company in using strategic human resource management.

1.8   Summary

This chapter explains on background of the study, objectives, problems statement, scope and significance of the study. This chapter also explain on definitions of independence variable and dependence variable in terms of conceptual and operational. The next chapter will explain on literature review of past researcher on this topic and also the research framework.