

THE RELATIONSHIP BETWEEN
HUMAN RESOURCE MANAGEMENT AND
ORGANIZATIONAL PERFORMANCE

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This report submitted in partial fulfillment of the requirements for the award
of Bachelor Technopreneurship with honours.

Faculty of Technology Management and Technopreneurship
Universiti Teknikal Malaysia Melaka

JUNE 2014

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 Bachelor Degree of Technopreneurship with Honour”.

Signature :

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Date : 20th June 2014

DECLARATION

I hereby declare that the work in this project is my own except for the 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 : JULIA BINTI AHMAD SUPARI

Date : 20th June 2014

DEDICATION

I would like to dedicate this thesis to my beloved father, Mr. Ahmad Supari Bin Wahid and my lovely mother, Mrs. Sukmawati Binti Mohd Yusoh. I also would like to dedicate this thesis to my fiance, Mohamad Ezdwan Bin Amran and siblings. There is no doubt in my mind that without their continued support and counsel, I could not have completed this process.

ACKNOWLEDGEMENT

In the name of Allah, Most Beneficent and Most Merciful. Praise to Allah S.W.T for providing me with great health, strength and emotional support in completing this paper for the title “The Relationship between Human Resource Management and Organizational Performance”.

A project report is an assessment of one’s great skill and aptitude. One needs to devote in immense patience, time and brains for the compilation of one such rewarding outcome of true efforts.

I am indeed thankful to honourable supervisor, Mr. Amir Bin Aris who had been a constant source of inspiration and extensive guidance, cooperation and support.

I also would like to thank Dr. Syaiful Rizal Bin Abdul Hamid who is the panel that contribute a lot in guidance of completing my final year project paper and let us gain many knowledge in conducting future research.

Very special thanks to my family and my friends who helped me gather these data and gave me full support in giving useful information regarding to this undergraduate final year project paper.

Last but not least, I am grateful to University Teknikal Malaysia Melaka (UTeM) especially to main faculty which is Faculty of Technology Management and Technopreneurship administration, city campus library and staff of the centre of the postgraduate studies who was helped me in many different ways to complete this undergraduate final project paper.

Thank you very much.

ABSTRACT

This study aimed to investigate the relationship between Human Resource Management (HRM) practices and organizational performances. The objective of this study was specifically; i) Study relationship between recruitment and selection and the organizational performance. ii) Study the relationship between training and development and the organizational performance. iii) Study the relationship between performance appraisal and the organizational performance. A descriptive survey research was used to get the primary data by using questionnaire. Respondents were encompassed of 60 individual who were Human Resource Executive or either Human Resource Manager in selected organizations throughout the states of Negeri Sembilan, Malacca and Johor. It showed there is a positive relationship between human resource management and organizational performance in this study. The data were analyzed using descriptive and regression analyses found that training and development, which the value of $r^2 = 0.375$, $P < 0.05$, were the best conjecturers that had significant effect of the organizational performance. Another two dependent variables, showed the significant effect which the value of $r^2 = 0.315$, $P < 0.05$, of performance appraisal and also the significant effect which the value of $r^2 = 0.309$, $P < 0.05$, of recruitment and selection.

ABSTRAK

Kajian ini bertujuan untuk mengkaji hubungan di Antara pengurusan sumber manusia dengan prestasi organisasi. Objektif kajian ini secara khususnya adalah; i) Mempelajari hubungan di antara pengambilan dan pemilihan dengan prestasi organisasi. ii) Mempelajari hubungan di antara latihan dan perkembangan dengan prestasi organisasi. iii) Mengenalpasti hubungan di antara penilaian prestasi dengan prestasi organisasi. Kajian dijalankan secara statistik deskriptif dalam mendapatkan data primer menggunakan borang kaji selidik. Responden kajian terdiri daripada 60 individu sama ada Pegawai Eksekutif Sumber Manusia ataupun Pengurus Sumber Manusia dari organisasi terpilih di Negeri Sembilan, Melaka dan Johor. Hasil kajian menunjukkan terdapat hubungan positif di antara pengamalan pengurusan sumber manusia dan prestasi organisasi dalam kajian ini. Data-data yang dikaji menggunakan analisis deskriptif dan regresi mendapati bahawa latihan dan perkembangan, dengan jumlah $r^2 = 0.375$, $P < 0.05$, adalah penyumbang terbaik kepada kesan signifikan ke atas prestasi organisasi. Tambahan pula, hasil kajian juga menunjukkan kesan signifikan dengan jumlah $r^2 = 0.315$, $P < 0.05$, bagi penilaian prestasi dan kesan signifikan dengan jumlah $r^2 = 0.309$, $P < 0.05$, bagi pengambilan dan pemilihan.

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LIST OF ABBREVIATION

UTeM	=	Universiti Teknikal Malaysia Melaka
HRM	=	Human Resource Management
HCWP	=	High Commitment Work Practices
T & D	=	Training and Development
RJPs	=	Realistic Job Previews
PA	=	Performance Appraisal
df	=	Degree of Freedom
H ₀	=	Hypothesis Null
H ₁	=	Hypothesis Alternative
R	=	Correlation
R ²	=	R Square
OCB	=	Organizational Citizen Behaviour
SPSS	=	Statistical Package for Social Science

LIST OF SYMBOLS

$<$	=	Less than
$>$	=	More than
α	=	Alpha
π	=	Mean
$\%$	=	Percent

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CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter contains description of the background of the study, statement of the problem, objectives, key assumption of the study, objectives, hypotheses, scope of the study, significance of the study and the definitions of the four key variables of human resource management and organizational performances.

1.2 Background of Study

Human Resource Management is the integration and coordination of resources human to effectively move toward the desirable goal within an organization (Zaidatol & Fooi, 2007). Christopher (2009) says, for many years that there is a lot of empirical strategic human resource management tended to focus on the human resources practices that related to organizational performances. Besides that, through continuous works, employee will enhance the knowledge, working skills and skills to adapt to new situations. They also may increase their work cohesiveness through the fairly and equally threatening by the human resource management. As 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 (Shen, Chanda, D'Netto & Mongga, 2009).

Thus, continuous training enable employee to achieve outstanding performance and reduce dissatisfaction, complaints absenteeism and schedule replacement workers.

According to Shen (2010), recruitment and selection process must be fairly practices in the organization. In order to capitalize on diversity, the organization needs to ensure that recruitment and selection process should free from several issues such as stereotyping and discrimination. A positive approach to diversity might enable organization to choose and select the best talented person for the job. For example, age, gender, disability and race play no part in the recruitment and selection process. Furthermore, these initiatives will make organization seen to be as a fair, positive and progressive place to work by diverse workforces. Background of different employees in terms of gender, personnel value, cultural, religious, sexual orientation, marital status, family, age and others need the ingenuity of administrators to manage all of it with different approaches (Resources, 2012).

In fact, to achieve effective human resource management, the administrators need to ensure five themes of well policies and practices implemented which are manage, team work, diversity, ethics, globalization and evaluation. Many people believed that the structure organization that based on grouping work may produce potential outstanding on improvement of the quality of innovation and the working speed(Jackson and colleagues, 2009).Shen (2010) says, if the traditional HRM practices will be develop to Human Resource Diversity Management (HRDM), the all practices will be utilize until the all human resource functions are free from bias. Not only that, the minorities might be appreciated through the contribution of the strategic diversity management.

Human resources within organization are 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 objectives because it will directly leads to organization performances. Many studies show a profit, production, employee discipline and customers satisfactions. These satisfactions stimulate employees to contribute the best service that will produce customer satisfaction and will finally give positive impact on organizational performances (Hooi Lai Wan, 2008).

In conclusion, my opinion, the evaluation is very important in order to measure the performance of the organization, determine the increase in salary or bonus as the promotion process basis. Not only that, this research will deeply encourage people to know what does the functional of Human Resource Management that may related both directly or indirectly towards the organizational performance. Therefore, do the administrators which are the Human Resource Manager or Senior Human Resource Manager had develop any programs that may effect on the ethicalbehaviour to employees and are they do the right things at work that indirectly affecting their own performance appraisal?

1.3 Problem Statement

In general, human resource management is an approach in managing employees and it was seen that human resource as the most important assets of the organization (Bohlander & Snell, 2010; Desler, 2010; Boxall & Macky, 2009). However the study that was conducted about the contribution of human resource management to the organization's performance was mixed. According to Amirtharaj, Cross and Vembar (2011), an effective Human Resource Management were the contribution to the success of the organization. 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 Nasuridin, 2010, 2011; Williams & Mohamed, 2010).

In studies by Takeuchi (2003), progressive employee selection, training skill development, and motivation, there were positive associations with perceived firm performance (Delaney and Huselid, 1996) and corporate financial performance (Huselid, 1995). Employee empowerment and communication practices enhanced employee trust had been stated by Tzafir et al., (2004). In turn, progressive selection and training practices improved perceived organizational and market performance (Harel and Tzafir, 1999). Soltani (2004), reported critical dimensions of performance appraisal for a TQM context include employee participation, employee involvement, training, communication, and learning are critical to improve firm performance and customer satisfaction (Claver et al., 2003).

Therefore, as 80% manufacturing and production companies, and also 20% engineering and services companies around Malacca, Negeri Sembilan and Johor were selected as the research location, the researcher found that some of the companies got the high number of turnover because of the unsystematic recruitment and selection practices. It is because in terms of Recruitment and Selection, based on the position applied, the HR Assistant will just pass around the candidates resume from one department to another department shown the lack of confidentiality and lack of professionalism of the way they assist that will effect on others (Resources, 2013).

In terms of Training and Development, Amirtharaj (2011) says that, training can be utilized to overcome organizational problems such as turnover and departmental problems. The practices that included strategies, tools, and procedures designed to enhance the ability and capability of the organizational workforce. In fact, the practices also gave impacts towards employee's attitudes and performances. According to D'Netto, Monga, Shen and Chelliah (2008), retaining the employees with training process or in other words, diversity awareness training may cope with the groups differences problem will helps on enhancing respect for individuals differences in terms of behaviours, attitudes and values. Therefore, training also may enhance to the integration of the minority and the mainstream employees.

The third issues arise is regarding on Performance Appraisal. According to D'Netto (2008), inclusion of minorities such as migrant employees in performances process may diminish perceived discrimination between the mainstream employees and non-mainstream employees. All employees should be threat same as one to another without any special treatment, non-subjective (objective) practices and strictly job related. Multicultural representative of the appraisal committee may concern to the objective and fair performance appraisal process. In addition, the failure of using the good HRM practices will give an impact towards the failure of developing the employee's performance and productivity. Hence, the employee's improvement can be done through the fair and unbiased HRM practices.

Based on the explanations above, clearly each organization supposed to has own human resource management systematic practices according to the style and sustainability of work. Based on the proof of previous researchers, the training that connects humanity is a very practical option. Approach to recognize human as a very important source of organization will make the human feel appreciated. The correlation study of this research requiring the researcher in several analyses, which is, does there are any relationship between the human resource management and organizational performances? For this purpose, the researcher has outlined several possible questions, which are;

- i)** What is the relationship between recruitment and selection and the organizational performance?
- ii)** Are they any significant relationship between training and development and the organizational performance?
- iii)** How does the level of the relationship between performance appraisal and the organizational performance?

1.4 Research Objective

- i)** To study the relationship between recruitment and selection and the organizational performance.
- ii)** To identify the significant relationship between training and development and the organizational performance.
- iii)** To identify the level of the relationship between performance appraisal and the organizational performance.

1.5 Hypotheses

- i)** Hypothesis 1: H_0 : There is no relationship between recruitment and selection and the organizational performance.
- ii)** Hypothesis 2: H_0 : There is no significant relationship between training and development and the organizational performance.
- iii)** Hypothesis 3: H_0 There is no relationship between the performance appraisal and the organizational performance.

1.6 Scope of Study

This study focused on the Human Resource Department of 60 selected companies. This research investigates on the relationship between human resource management towards the organizational performances. The respondents will be either Senior Human Resource Executive or Human Resource Manager. Only three out of the seven practices of human resource management become the focus of the study, which are; recruitment and selection, training and development and performance appraisal. On top of that, this study will be done in selected organizations in three states of Malaysia Peninsular that are Negeri Sembilan, Malacca and Johor.

1.7 Limitation of Study

Sample of this study are limited to Human Resource Manager or Human Resource Executive who work either in Manufacturing and Production Companies, and also Engineering and Services Companies in Negeri Sembilan, Malacca and Johor. The results and findings of this study may not be generalized to other types of jobs and cluster groups. Based on the factor constraints of time, finance and personnel, sample selection are done in only three different states and the importance of this study is limited to a review only.

In addition, because of this study used a survey method using a closed questionnaire. The study subjects responded only based on the answer provided. In addition, the measurement tool in this study consisted of items adapted from previous researchers. Although, the previous study have highly reliable, but it is limited to the context of this study. To what extent honesty study subjects answered questions given handled are beyond the control of the researcher.

1.8 The Significance of Study

This study was conducted to study the relationship between human resources 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 was really needed. 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 that had been set up by the organization. Through this study, it also can help the management to develop the better management in human resource to strengthening and improving the organizational performance.