

THE RELATIONSHIP BETWEEN  
HUMAN RESOURCE MANAGEMENT AND  
ORGANIZATIONAL PERFORMANCE

NURSYAZWANI BINTI MOHAMED

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 2017

## DECLARATION

“I hereby declare that i have read thus 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 :

Name of Supervisor : En. Amir bin Aris

Date :

## DECLARATION

“I hereby declare that i have read thus 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 :

Name of Panel : Prof Dr Mohd Ridzuan bin Nordin

Date :

## DECLARATION

I hereby declare that 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 : Nursyazwani binti Mohamed  
Date :

## **DEDICATION**

I would to dedicate this thesis to my beloved father, Mr Mohamed bin Napi and my lovely mother, Mrs Zaimah binti Mustafa. I also would like to dedicate this thesis to my 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, strenght 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 and I also would like to thank Prof Dr Mohd Ridzuan bin Nordin who is the panel that contribute a lot in guidance.

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 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 encompassed 60 individual from Human Resource Department workers that selected in industrial organization at Melaka. It is found that there is a positive relationship between human resource management and organizational performance in this study.

## CONTENTS

CHAPTER	TITLE	PAGE
	DECLARATION	I
	DECLARATION	Ii
	DECLARATION	Iii
	DEDICATION	Iv
	ACKNOWLEDGEMENT	v
	ABSTRACT	vi
	CONTENTS	vii
	LIST OF TABLES	xi
	LIST OF FIGURES	xii
	LIST OF APPENDIX	Xiii
<b>CHAPTER 1</b>	<b>INTRODUCTION</b>	<b>1</b>
	1.1 Introduction	1
	1.2 Background of Study	1
	1.3 Problem Statement	3
	1.4 Research Questions	5
	1.5 Research Objective	6
	1.6 Scope of Study	6
	1.7 Limitation of Study	7
	1.8 Significance of Study	7
	1.9 Conceptual and Operational Definition	8
	1.9.1 Human Resource Management	8
	1.9.2 Recruitment and Selection	9
	1.9.3 Training and Development	10
	1.9.4 Performance Appraisal	12
	1.9.5 Organizational Performance	13



1.10 Summary	14
<b>CHAPTER 2 LITERATURE REVIEW</b>	<b>15</b>
2.1 Introduction	15
2.2 Organizational Performance	16
2.3 The Concept of Human Resource Management	16
2.3.1 Performance Appraisal	18
2.3.2 Recruitment and Selection	18
2.3.3 Training and Development	19
2.3.4 Compensation	20
2.3.5 Safety and Health	21
2.3.6 Industrial Relation	21
2.3.7 Human Resource Development	22
2.4 Most Important of Human Resource Management	22
2.4.1 Recruitment and Selection	22
2.4.2 Training and Development	23
2.4.3 Performance Appraisal	24
2.5 Previous Research	25
2.5.1 The Relationship between Human Resource Management and Organizational Performance	25
2.6 Research Framework	28
2.7 Summary	29
<b>CHAPTER 3 RESEARCH METHODOLOGY</b>	<b>30</b>
3.1 Introduction	30
3.2 Research Design	31
3.3 Research Location	32
3.4 Research Subject	32

3.5 Research Instrument	33
3.6 Data Sources	33
3.6.1 Primary Data Sources	34
3.6.2 Secondary Data Sources	34
3.7 Research Procedures	34
3.7.1 Quantitative Research	35
3.7.2 Descriptive Research	36
3.8 Data Analysis	37
3.8.1 Reliability Test: Cronbach's Alpha	38
3.9 Scientific Canon	40
3.9.1 Validity	40
3.9.2 Reliability	41
3.10 Summary	41
<b>CHAPTER 4 DATA ANALYSIS</b>	<b>42</b>
4.1 Introduction	42
4.2 Finding of Distribution of the Organization Information	43
4.2.1 Company Size	43
4.2.2 How Long Company has been Establish	44
4.2.3 HRM Establish Period	45
4.3 Descriptive Analysis	46
4.4 Simple Linear Regression	47
4.4.1 Objective 1: To Study the Relationship between Human Resource Management and Organizational Performance	47
4.4.2 Objective 2: To Study the Relationship between Recruitment and Selection and Organizational Performance	49
4.4.3 Objective 3: To Study the Relationship between Training and	51

	Development and Organizational Performance	
	4.4.4 Objective 4: To Study the Relationship between Performance Appraisal and Organizational Performance	53
	4.5 Summary	55
<b>CHAPTER 5</b>	<b>DISCUSSION AND CONCLUSION</b>	56
	5.1 Introduction	56
	5.2 Respondent's Demographic	56
	5.3 The Conclusion of Objective 1: To Study the Relationship between Human Resource Management and Organizational Performance	58
	5.4 The Conclusion of Objective 2: To Study the Relationship between Recruitment and Selection and Organizational Performance	59
	5.5 The Conclusion of Objective 3: To Study the Relationship between Training and Development and Organizational Performance	60
	5.6 The Conclusion of Objective 4: To Study the Relationship between Performance Appraisal and Organizational Performance	61
	5.7 Recommendation	62
	5.8 Summary	63
	REFERENCES	65
	APPENDICES	68
	Questionnaire	68
	Gantt Chart PSM 1	75
	Gantt Chart PSM 2	76

## LIST OF TABLES

<b>TABLE</b>	<b>CAPTION</b>	<b>PAGE</b>
3.8	Data Analysis Method	38
3.8.1	Rangers of Cronbach Alpha Value	39
3.8.2	Reliability Statistic	39
4.3	Descriptive Statistic	46
4.4.1.1	Model Summary Objective 1	47
4.4.1.2	ANOVA	47
4.4.1.3	Hypothesis and Result	48
4.4.2.1	Model Summary Objective 2	49
4.4.2.2	ANOVA	49
4.4.2.3	Hypothesis and Result	50
4.4.3.1	Model Summary Objective 3	51
4.4.3.2	ANOVA	51
4.4.3.3	Hypothesis and Result	52
4.4.4.1	Model Summary Objective 4	53
4.4.4.2	ANOVA	53
4.4.4.3	Hypothesis and Result	54

## LIST OF FIGURES

<b>FIGURE</b>	<b>CAPTION</b>	<b>PAGE</b>
2.3.3	The Training Process	20
2.6	Research Framework	28
4.2.1	Pie Chart: Company Size	43
4.2.2	Pie Chart: Operation Period of Company	44
4.2.3	Pie Chart: HRM Establish Period	45

## LIST OF APPENDICES

<b>APPENDICES</b>	<b>CAPTION</b>	<b>PAGE</b>
A	Questionnaire	68
B	Gantt Chart of PSM 1	75
C	Gantt Chart of PSM 2	76
D	Surat Permohonan Mendapatkan Maklumat dan Kajian Kes untuk Menyiapkan Tugas Projek	77

# **CHAPTER 1**

## **ITRODUCTION**

### **1.1 Introduction**

This chapter present the background of study, problem statement on this study, research question, research objective, scope of study, limitation of study, significance of study, conceptual and operational definition of forms related to human resource management practice and organizational performance.

### **1.2 Background Of Study**

In the organization, human resource management is essential to ensure the management of the organization is working well. Implementation of human resource management in the organization can contribute to improved organizational performance. Human resource management defined as the process of recruitment, selection of employee, providing proper orientation and induction, providing proper training and the developing skills, performance appraisal, providing proper compensation and benefits, motivating, maintaining proper relations with labour and with trade unions, maintaining employee's safety, welfare and health by complying with labour laws of concern state or country.

According (Boxall, P., Purcell, J., & Wright, 2008) Human Resource Management(HRM) refers to all the activities associated with the management of people in firms'. The researcher says that the management of people means that how the human resource management evaluating the employee attitude and behavior. Therefore, the manager will know the ability their employees which can give competitive advantage to the organizational performance.

Other than that, human resource management include a policies, practices and system which can influence employees behaviour (Ali, Zakaria et al. 2010), attitudes and performance says ((De Cieri, H., Kramar, R., Noe, R.A., Hollenbeck, J., Gerhart, B. and Wright, 2008). With the implementation of human resource management practices among employees can improve organizational performance such productivity, turnover, production.

In term of recruitment and selection,((Lu, Chen, Huang, & Chien, 2014), Fisher et al (1990) defined that recruitment as the process for organization to locate and attract individuals to fill job vacancies. While, Bohlander and Snell (2007) defined that selection is the process of reduce the number and choose from among those individuals who have the relevant qualifications. Applying this term in organization can helps managers to attract and select the best candidate who can improve organization performance says Rehman (2012).

Other than that, in term of training and development, the researcher says that most Malaysian firms perceive that it is costly to train employees beyond the basic skills required to perform their contractual scope of work ((Osman et al., 2011). Therefore, there have an agreement that appropriate training aimed at enhancing their skills and knowledge is critical for facilitating organizational innovation (Lau and Ngo, 2004).



While, other researcher proposed a broad application of training in order to develop the skills and knowledge of employees (Schuler and Jackson, 1987).

Last but not least, performance appraisal, according Schuler and Jackson (1987) argued that performance appraisal that is more oriented toward long-term and group-based achievements will encourage innovation. Moreover, in other empirical studies regard results oriented (Miles and Snow, 1984) and performance oriented (Mumford et al., 2000) appraisal as important for becoming an innovative organization. Adding to this, the feedback provided for employees can enhance the intrinsic motivation for innovative idea.

In a nutshell, in organizational performance there had three primary outcomes to be improved which are financial performance, market performance and shareholder value performance and also production of organization. These can be improved through the human resource management practice such as recruitment and selection, training and development and performance toward organizational performance.

### **1.3 Problem of Statement**

The study of the relationship between human resource management practice and organizational performance has long been said in previous research. Generally, discussion about the impact of human resource management on organizational performance has been done by previous researchers. Therefore, this study to identify the several of human resource management practice (recruitment and selection, training and development and performance appraisal) can effect on organizational performance (Boselie et al., 2005; Collins and Smith, 2006; Hailey et al., 2005). Human resource management practice can affect also the organizational performance. The concept of human resource management

refers to the policies, practice and system that can influence employees' behaviour, attitude and performance (De Cieri et al., 2008)(De Cieri, H., Kramar, R., Noe, R.A., Hollenbeck, J., Gerhart, B. and Wright, 2008).

However, based on the other empirical study, there are two assumptions about the effect of human resource management on organizational performance. According to Schuler and Jackson, (1999) there are direct relationship between human resource management and organizational performance; while Ferris et al. (1998)(Ferris, G.R., Arthur, M.M., Berkson, H.M., Kaplan, D.M., Harell-Cook, G. and Frink, 1998), Edwards and Wright (2001) says that there are indirect relationship between human resource management and organizational performance. Other researcher have investigated the relationship human resource management on organizational performance through the practice on turnover, productivity and corporate financial performance Huselid , (1995).(Huselid, 1995)

This study was done because many previous researches investigate the relationship between human resource management and organizational performance. The field of HRM support the relationship between high-commitment HR practices and performance that stated by (Guest, 1997; Guthrie, 2001; Huselid, 1995; Mitchell et al., 2013; Razouk, 2011). Therefore, the research in investigate relationship between human resource management practice and organizational performance are to know whether it can increase the knowledge, skills and abilities among employees, enhance the empowerment of employees like giving employee employment security and organize some participation programmers for employees and to give employees motivation through both incentive means like giving employees compensation and benefits.

Therefore, the study in finding relationship between human resource management practice and organization performance was focuses on industrial organization such as

manufacturing industry, production industry and food and drink industry. The researcher chooses industrial organization at Melaka to investigate the effect of human resource management practice toward organizational performance. The researcher found that some of the industrial has problem among their employee which is lack of skill, delaying of works, and attitudes and behavior. 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).

These problems within organizations are possible to give any effects to organizations such as company productivity, turnover, growth and performance. In order to overcome these problems, organizations to find the solutions and try to make some improvement to enhance their employees' skilled ability. This study will determine the relationship between human resource management practice and organizational performance.

#### **1.4 Research Question**

This study examined the relationship between human resource management (HRM) practice and organizational performance. There has three research questions come out in this study. These are:

- I. What is relationship between Human Resource Management and organizational performance
- II. What is relationship between recruitment and selection and organizational performance?

- III. Are there any significant relationships between training and development and organizational performance?
- IV. What relationship exists between performance appraisal and organizational performance?

### **1.5 Research Objective**

- I. To study the relationship between human resource management practices and organizational performance.
- II. To study the relationship between recruitment and selection and organizational performance.
- III. To identify the relationship between training and development and organizational performance.
- IV. To identify the relationship between performance appraisal and organizational performance.

### **1.6 Scope of Study**

In the research, the study focuses on industrial organization. This research investigates the relationship between human resource management practices on organizational performance. It focuses on recruitment and selection, training and development and performance appraisal. In this study, the location has been selected at Melaka. The respondents for this research involve the workers in the human resource department of industrial organization.

### **1.7 Limitation of Study**

In this study, the limitation facing researchers is to collect information related to the issue of research. This is because the time to get the data was short and sample size is small, the sample provided to the human resource executive and human resource management at the industrial company. Other than that, the difficulty in obtain cooperation from the human resource executive and human resource manager to complete the survey. The result and findings of this study cannot be generalized to other types of jobs and cluster groups.

### **1.8 The Significant of Study**

The aim of this study was to examine the extent to which the relationship of the implementation of human resource management practice on organizational performance and further suggests that some elements in the HRM can improve organizational performance. This research is hoping to help and benefit the industrial organization. This study will help the organization to improve organizational performance and to identify the extent of human resource management capabilities to improve organizational performance. Therefore, study will assist organizations in the selection of employees, and improve of employee attitudes and behaviors. Through this study, organizations are able to identify the extent of the employee performance to increase productivity, turnover, quality and service in the organization (organizational performance).

## **1.9 Conceptual and Operational Definition**

Conceptual definition means that the underlying understanding of something that is necessary to attain before understanding how it is used or applied. In science, it is necessary to understand the subject of research prior to conducting effective research.

A Conceptual Definition is a critical element to the research process and involves scientifically defining a specific concept (also known as a variable), or construct, so it can be systematically measured. The conceptual definition is considered to be the (scientific) text book definition. The construct must then be operationally defined to model the conceptual definition.

However, operational definition is a result of the process of operationalization and is used to define something (e.g a variable, term, or object) in terms of a process (or set of validation tests) needed to determine its existence ,duration, and quantity.

### **1.9.1 Human Resource Management**

The meaning of human resource management according Boxall and Purcell , (2008) refers to all the activities involve the management of people in the organization. HRM is one of the ways that can affect the performance of an organization through the knowledge, abilities, attitude and behavior of employees, (Schuler/Jackson, 1995), (Guest,1997) and ( Den Hartog/Boselie/Paauwe, 2004). Other than that, De Ceiri et al, (2008) mention that human resource management (HRM) as a policies, practices, and systems which can influence employee behaviour, attitudes and performance.

In other researcher perspective, human resource involve determining resource needs, recruiting, screening, training, rewarding, appraising, attending to labor relations, health and safety and fairness concerns De Cieri et al, (2008) and Dessler, (2007). Human resource management also refers to a distinctive approach to employment management which seeks to obtain competitive advantage through the deployment of a highly committed and skilled workforce, using an array of techniques (Storey, 1995).

### **1.9.2 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). Recruitment represents one of the core staffing activities that need to be efficiently and effectively planned and conducted for organizations to attain success (Darrag et al., 2010). According to Boateng (2007), recruitment is the process of searching for and attracting an adequate number of qualified job candidate, from whom the organization may select the most appropriate to field staff needs. The firm may then select those applicants with qualifications most closely related to job descriptions.

Selection is the process of 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 one of the ways have in process of recruiting that was done by the Human Resource Department in order to get new employees to work with the company.

David S. Gill, (2007) says that, “several techniques to recruit and to select in order to eventually hire the employees had been utilized by the organizations. It is important because it will helps the organization to achieves their successfully performances”.

In addition, internet recruiting, open house sessions and interviews were the techniques involve in order fulfilling the utilizing of the particular of organization. Besides that, as organizations compete to attract, select and retain higher levels of talent, multiple techniques are used. Therefore, popular approaches to attract and select the employees are realistic job previews (RJPs) and role play test. In fact, each of these approaches can provide additional benefits beyond the specific purpose of the research.

Based on this research, researcher may identified whether the selected organizations clearly defined steps for the recruitment of employees, identify the formal written guidelines to identifies employee candidates uses, recognize the talented and knowledgeable individuals fundamental to organizational success, written guidelines for employee selection and also the critical process of candidate recruitment and selection.

### **1.9.3 Training and Development**

Training and Development (T&D) is the heart of a continuous effort designed to improve employee competency and organizational performances. Training provides learners with the knowledge and skills needed for their present’s jobs while development involves learning that goes beyond today’s job and has more long term focus. It also prepares employees to keep pace with the organization as it changes and grows (Mondy R.W., 2008). In this research, the researcher believes that, the training can be improved