TO INVESTIGATE THE EFFECTIVENESS OF HUMAN RESOURCE MANAGEMENT FOR ORGANIZATIONAL SUCCESS

Syarina binti Sajali

Corporate Master in Business Administration
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TO INVESTIGATE THE EFFECTIVENESS OF HUMAN RESOURCE MANAGEMENT FOR ORGANIZATIONAL SUCCESS

SYARINA BINTI SAJALI

A dissertation submitted in partial fulfillment of the requirements for the degree of Corporate Master in Business Administration

Faculty of Economics and Business
UNIVERSITI MALAYSIA SARAWAK
2012
Letter of Transmittal

Corporate Master in Business Administration (CMBA)
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May 30, 2012

Prof. Dr. Abu Hassan Md. Isa
Project Advisor
Faculty of Economics and Business
Universiti Malaysia Sarawak (UNIMAS)
94300 Kota Samarahan

Dear Prof.,

RE: SUBMISSION OF FINAL BUSINESS PROJECT

The above matter is referred.

Enclosed herewith is the final Business Project entitled “To Investigate the Effectiveness of Human Resource Management for Organizational Success”, for your kind perusal.
It is very much believed that the said project will fulfill the requirement necessary for the completion of the course, Corporate Master in Business Administration (CMBA).

Your kind recognition and acceptance is very much valued and appreciated.

Thank you.

Yours Sincerely,

SYARINA BINTI SAJALI

Student ID No.: 09031567
Acknowledgement

Assalamualaikum.

First and foremost praise to Allah who has given me the strength and good health to complete this project paper. This project could not be accomplished alone. It is a result of many other contributions by individuals. There are so many people to thank, people who inspired and encourage me and have been extremely helpful in completing this project paper.

However, there are some individuals in particular whom I would like to mention in order to express my gratitude and appreciation. My deepest appreciation to my project advisor, Prof. Dr. Abu Hassan Md. Isa, who has relentlessly guided me throughout the preparation of this project. Without his guidance, support, idea and thoughtfulness, this project would not be completed.

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Thanks to all member of family, friend, classmates, lecturers and office colleagues for their supports. I have tried my best in completing this project and it is with great hope that this project be beneficial one for all the parties mentioned above. Finally, by submitting this business project,
my studies in Corporate Master of Business Administration has been successfully completed.

Insyallah.

Thank you.

SYARINA BINTI SAJALI
Confidentiality Statement

This business project is submitted in partial fulfillment for the requirement of Corporate Master in Business Administration and is strictly for academic purposes only.

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May 30, 2012
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Abstract

(Over the last decade, much research has been conducted in the field of human resource management (HRM) and its associations with firm performance. The purpose of this study is to investigate the effectiveness of HR department towards organization success.)

This study examines the effectiveness of HRM practices towards the beneficial of the employee and also the employer. Data were collected by hand from selected state government agencies, government linked company, private company and a multinational corporation to get the different ideas and practices of human resource management. This study is focusing in Kuching area where research had been conducted at Land Custody Development Corporation, MEMC Kuching Sdn. Bhd., Naim Cendera Sdn. Bhd. and Craun Research Sdn. Bhd.

A total of 100 useable responses were obtained and used for the purpose of analysis. The results are analyzed by using descriptive statistics which is “frequencies” as the analytical techniques. The findings can form the basis for useful recommendations for Malaysian managers in encouraging the practice of human resource management and for employees who are concerned with the effectiveness level of their Human Resource department for long-term organizational success.)
Abstrak

Sejak kebelakangan ini banyak penyelidikan telah dijalankan dalam bidang pengurusan sumber manusia dan kaitannya dengan prestasi firma. Tujuan kajian ini adalah untuk menyiasat tahap efektif pengurusan sumber manusia untuk kejayaan firma.


Sebanyak 100 respond yang boleh digunakan diperolehi untuk tujuan analisis. Hasil dari keputusan dianalisis dengan menggunakan statistic deskriptif sebagai teknik analitis. Hasil dari kajian ini boleh menjadi satu asas cadangan yang berguna kepada pengurus di Malaysia dalam mengalakkan amalan pengurusan sumber manusia dan kepada pekerja yang begitu prihatin untuk meningkatkan tahap keefektifan pengurusan sumber manusia mereka untuk kejayaan jangka panjang sesuatu organisasi.
1.0 INTRODUCTION

1.1 Human Resource Management

Human resource management (HRM) is the strategic and coherent approach to the management of an organization's most valued assets—the people working there who individually and collectively contribute to the achievement of the objectives of the business. The terms "human resource management" (HRM) and "human resources" (HR) have largely replaced the term "personnel management" as a description of the processes involved in managing people in organizations. HRM is evolving rapidly. HRM is both an academic theory and a business practice that addresses the theoretical and practical techniques of managing a workforce.

Miller (1987) suggests that HRM relates to: "... those decisions and actions which concern the management of employees at all levels in the business and which are related to the implementation of strategies directed towards creating and sustaining competitive advantage". Kleinman, (2003), defines HRM as the organizational function that consists of practices that help the organization deal with its people during the various phases of the employment.

Synonyms such as personnel management are often used in a more restricted sense to describe activities that are necessary in the recruiting of a workforce, providing its members with payroll and benefits, and administrating their work-life needs. So if we move to actual definitions, Torrington and Hall (1987) define personnel management as being: "A series of activities which: first enable working people and their employing organizations to agree about the objectives and nature of their working relationship and, secondly, ensures that the agreement is fulfilled".
1.2 The Effectiveness of Human Resource Management

Productivity, quality, service, absenteeism, and turnover are all measurable and they are related to the way activities are performed in an organization. Yet, there is a long-standing myth that one cannot really measure what the HR function does.

That myth has hurt HR departments in some cases, because it suggests that any value added by HR efforts is somehow “mystical” or “magical.” None of that is true; HR like marketing, legal, or finance must be evaluated based on the value it adds to the organization. Defining and measuring HR effectiveness is not as straightforward as it might be in some more easily quantifiable areas, but it can be done.

Effectiveness for organizations is often defined as the extent to which goals have been met. Efficiency is the degree to which operations are done in an economical manner. Efficiency can also be thought of as cost per unit of output. To be effective, organizations must be able to achieve their goals, but must reach them using limited resources efficiently. For example, providing essential benefits for all employees might help an employer to achieve an effectiveness goal of reducing turnover.

Other departments, managers, and employees are the main “customers” for HR services. If those services are lacking, too expensive, or of poor quality, then the organization may have to consider outsourcing some HR activities. The HR department is an organization within an organization. What it does (or does not do) affects the entire organizational system. To function effectively, HR needs a clear vision of what it does and whom it serves. That perspective should unify the HR staff and provide a basis for making decisions. HR can position itself as a partner in
an organization, but only by demonstrating to the rest of the organization that there are real links between what HR activities contribute and organizational results. To demonstrate to the rest of the organization that the HR unit is a partner with a positive influence on the bottom line of the business, HR professionals must be prepared to measure the results of HR activities. Then the HR unit must communicate that information to the rest of the organization.

Measurement is a key to demonstrating the success of the HR activities. The contribution of the HR unit’s efforts to organizational effectiveness and the efficiency of the department’s activities should both be measured. A high-quality, highly motivated workforce is hard for competition to replicate, which is an advantage that improves organizational effectiveness. Data to evaluate performance can come from several sources. Some of those sources are already available in most organizations, but some data may have to be collected. Considered here are using existing HR records, an HR audit, HR research for assessment, and exit interviews.
1.3 Problems Statements

1.3.1 HR Planning

In order for a Human Resource Department in an organization to provide excellent care to their employee, they need to have a Human Resource Planning that includes manpower planning, training and development planning, career succession planning and others.

1.3.2 Increasing Employee Turnover

Some organization failed to maintain the headcounts in their organization which leads to increasing in employee turnover. There are many aspects that play a significant role in the employee turnover rate of a particular company. Such aspects can stem from both the company as well as the employees. The employers generally give more importance to the turnover rate, as it is a very expensive aspect of the business.

1.3.3 Increasing number of employee complaints and unimportant of service quality

If HR department does not see the important service quality, employee complaints will continue to escalate. There are strong link between service quality and employee satisfaction, which is very obvious.
1.3.4 Inter-group Conflicts

In order to become an effective HR Department, they should be able to minimize the inter-group conflicts in their organization. In reality, the impact of conflict is always negative.

1.3.5 No career development practices

Effective career development practices such as employee growth and development can facilitate healthy organizations. There is recognition that employee development must necessarily be closely aligned with the strategic business needs of the organization.

1.3.6 Employee Satisfaction

In order for HR Department to increase their employee satisfaction, they should be able to reduce staff turnover, reduce complaints, enhance performance, and ultimately help the organization gain and maintain a competitive advantage.

1.3.7 No clear job design

If there is no clear job design for employee, employee will not know what tasks are required within the job, when, where and how the job is performed, under what conditions, and what qualifications are needed to perform the job.
1.3.8 No clear performance measures

Meanwhile, if there Human Resource department has no clear performance measures; employee will have a feeling that they are not being appreciated by their employer. In general, performance management includes activities that ensure that organizational goals are consistently being met in an effective and efficient manner so that it involves shared vision, management style, employee involvement, incentives and rewards, competence framework, team work, education and training, attitudes, and dialogue.

1.3.9 Poor recruitment standards / practices

Poor recruitment standards or practices will affect the overall performance of the HR department in specific and the organization by general. Recruitment standards and practices must meet the needs of the modernizing organization, provide a quality service to job seeker that is fair, transparent and equally accessible and attract good recruits as possible.

1.3.10 Training Programs

If training is effective it should lead to productivity increases, improved job performance, higher job satisfaction, reduced labour turnover, less difficulty in filling vacancies and less stress from skill inadequacy. If training and development is a process of updating knowledge, skills and abilities of employees to improve their job performance, then training and development should be evaluated.
1.4 Objectives

1.4.1 General Objective

To investigate the effectiveness of the human resource management in an organization

1.4.2 Specific Objective

To understand about:

- The HR planning
- The aspects that plays a significant role in employee turnover
- The link between service quality and employee satisfaction
- The impact of inter-group conflicts
- The importance of career development practices
- The employee satisfaction / dissatisfaction
- The importance of employee job design
- The employee performance measures
- The recruitment standards / practices
- The training programs