



Faculty of Cognitive Sciences and Human Development

**THE IMPACT OF HUMAN RESOURCE MANAGEMENT (HRM)
PRACTICES ON EMPLOYEE PERFORMANCE IN
MANUFACTURING SECTOR**

SAMALAH A/P R.VELLU

Bachelor of Science with (Honours)
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**THE IMPACT OF HUMAN RESOURCE MANAGEMENT (HRM) PRACTICES ON
EMPLOYEE PERFORMANCE IN MANUFACTURING SECTOR**

SAMALAH A/P R. VELLU

This project is submitted
in partial fulfillment of the requirements for a
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UNIVERSITI MALAYSIA SAWARAK

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Final Year Project Report



Masters

PhD

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Samalah Vellu (62452)

Name of the student (Matric No.)

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Received for examination by:



(Dr Siti Mariam Binti Abdullah)

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Gred A-

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ABSTRACT

The purpose of this study is to examine the relationship between Human Resource Management (HRM) practices on employee performance in the manufacturing sector. Human Resource Management practices here include Recruitment and selection, training and development, compensation and appreciation of employee performance. The data for this study were obtained from 50 employees from Malacca Infineon Technologies, a manufacturing organization. The quantitative research methodology was used in this study, and data were collected using a 'goggle form' which based on questionnaires as an instrument for this study. The collected data were analyzed using descriptive and inferential statistics. The SPSS tests which are known as 'Person Correlation' and 'Multiple Regression' are used in this study to measure the relationship between Recruitment and selection, training and development, compensation and rewards, performance appraisal towards the employee performance. And to determine the most dominant HRM practices which influence the employee performance. The Findings of the study have shown that there is a significant relationship between all the HRM practices with employee performance. At the same time, the most dominant HRM practices which influence employee performance is compensation and reward. Finally, the researcher has recommended few recommendations that could be helpful to the organization, HR practitioners and the future researcher.

Keywords : Human Resource Management (HRM), Recruitment and selection, training and development, compensation and rewards, performance appraisal, employee performance.

ABSTRAK

Tujuan kajian ini adalah bertujuan untuk mengkaji hubungan antara Amalan Pengurusan Sumber Manusia terhadap prestasi pekerja di sektor pembuatan. Amalan Pengurusan Sumber Manusia di sini merangkumi pengambilan dan pemilihan, latihan dan pembangunan, pampasan dan ganjaran terhadap prestasi pekerja. Data untuk kajian ini, telah diperoleh daripada 50 pekerja dari Malacca Infineon Technologies, sebuah organisasi pembuatan. Metodologi penyelidikan kuantitatif telah digunakan untuk kajian ini dan data dikumpul dengan menggunakan 'goggle form' yang berdasarkan soal selidik sebagai instrumen untuk kajian ini. Data yang dikumpul telah dianalisis dengan menggunakan statistik deskriptif dan inferensi. Ujian SPSS yang dikenali sebagai 'Person Correlation' dan 'Multiple Regression' digunakan untuk mengukur hubungan antara pengambilan dan pemilihan, latihan dan pembangunan, pampasan dan ganjaran, penilaian prestas. Hasil kajian menunjukkan bahawa terdapat hubungan yang signifikan antara semua amalan pengurusan sumber manusia dengan prestasi pekerja. Manakala, amalan pengurusan sumber manusia yang paling dominan mempengaruhi prestasi pekerja adalah pampasan dan ganjaran. Akhirnya, pengkaji telah mencadangkan tumpuan kepada kajian yang boleh membimbing organisasi, pengamal HR dan pekaji masa depan.

Kata kunci : Amalan pengurusan sumber manusia, pengambilan dan pemilihan, latihan dan pembangunan, pampasan dan ganjaran, penilaian prestasi, prestasi pekerja

CHAPTER ONE

OVERVIEW OF STUDY

1.0 Introduction

The purpose of this research was to identify the relationship between Human Resources Management (HRM) Practices and employee performance. This chapter consists of seven sections, including the summary of the chapter. The first section explained the background of the study, continued by the problem statement, objectives of the study, and research hypotheses. In the next segment of this chapter, a conceptual framework was explained to describe the independent and dependent variables of this study in the simplest way. After that, the definition of the terms used for this study was explained well by the researcher. The conclusion of the important points was discussed in the end of this chapter.

1.1 Background of Study

In this competitive and unstable common era, the study related to the correlation between (HRM) practices and the employee's performance was needed to assist for the organization to attain its aim by accomplish an efficient and effective workforce. This is because the outcome of a positive employee's performance will directly lead to the growth of an organization's performance. According to Jackson and Schuler (1987), HRM practice was a process or a tool that recruits, creates, motivates and retains employees to ensure that the organization and its members are successful in implementing and surviving.

John Storey (1995) also defined that HRM is a distinguishing approach to job management that aims to achieve the competitive advantage of highly dedicated and competent employees, using an interconnected set of economic, institutional and personal strategies. Human resource management is also related to both individual and organization development by designing programs that enhance the cooperation and communication between the employees in order to maximize organizational development. Furthermore, human resource management's responsibilities such as the process of job analysis and staffing, implement of workforce and reward systems and also the maintenance of workforce are indicated as HRM practices that optimizing the effectiveness of employees.

HRM practices also included research analyzes and designs, develops human resources requirements, recruits potential employees, hires personnel, train employees how to succeed and how to prepare for the future, rewards employees assesses their outcomes and develops an improved work environment. It also can be explained as a practice that aimed at increasing competence, commitment and enhance culture (Narang 2014). HRM Practices have helped an organization to retain its employees and also increased their performance by creating a positive working environment. Katou (2008) noted that HRM practices have direct influence or effect on subordinate attributes such as human abilities, attitudes, and behaviour.

Nowadays, there are many HRM practices were consistent and associated with an organization, especially in Malaysia to enhance the quality of employee's performance. It seems as a successful organization considers the HRM practices as a major aspect that directly affects the employee's performance. Consequently, there are some interesting factors from the previous research studies by different researchers attracted to conduct this study. For instance, according to Snell and Dean (1992), HRM practices such as training and

development, performance appraisal, encourage employees to work better to improve organizational performance. If employees feel comfortable with their managers, which in turn leads to innovative practices (Delery and Doty, 1996). Training helps employees improve their knowledge and skills to enhance the quality of products, production processes and day-to-day management (Schuler et al., 1987). Therefore, this study had chosen a some selective factors of HRM practices such as recruitment and selection, training and development, compensation and reward and also performance appraisal that associate the employee's performance for further investigation.

First and foremost, recruitment is the method of hiring people required for a organization's ongoing operations. This is the process of finding a list of potential workers to fill the vacancies. While, the selection of employees is a part of the recruitment process, in which qualified and competent candidates are chosen, and which can be filled with a vacancy (Kamran, 2015). Apart from that, Divyalachsmi (2017), have emphasized that proper recruiting helps line managers to accomplish their main goal of the company most efficiently so that every Human Resources manager should pay proper attention to the process of recruitment and selection in their organization.

Secondly, besides recruitment and selection, one of the important elements of HRM is training and development (Vlachos, 2009). Organizational performance can benefit from training and development in a number of ways. While development refers to activities that help employees acquire new knowledge or skills required for their personal growth. All-inclusive training and development programs help trainees focus on their attention towards the skills, behaviors, and information needed to achieve goals and to provide a company with competitive advantages (Peteraf, 1993). Training and development could

affect an organization's success as an employee's abilities, knowledge and skills could be continuously improved.

Thirdly, compensation processes are the compensation philosophies and approaches in the form of regulations, guiding principles, frameworks and procedures that are structured and controlled to provide and sustain acceptable styles and rates of pay, benefits and other forms of compensation. This includes assessing the value of work, creating and managing the pay structure, paying for results, expertise and abilities, and providing benefits for workers. Nevertheless, the management of compensation is not just about income, it is also about non-financial compensation that provides intrinsic or extrinsic motivation to the employee to be productive in the workplace (Bob, 2011).

In addition, performance appraisal is a process of evaluating those employee performance levels by observation, 360-degree feedback which includes co-workers and supervisors, self-evaluation which asked the employees to evaluate his or her own performance and so on. The performance appraisal of employees is an objective review of employee performance and opportunities for change by supervisors or others with their results over a certain period of time. It is one of the oldest and most used methods in practice. Performance appraisal is also an essential tool for an organization because it produces some useful information about their employee's performance level.

Performance is the capacity of both physical and mental state to perform specific tasks, assessed at high, medium and low levels by the employer. In other words, success can be defined in various aspects such as organizational performance, employee performance and individual performance in order to achieve departmental goals and improve productivity.

Enache, Sallan, Simo and Fernandez (2013) notes that workers are the most valuable asset of every organization because they can build or ruin the reputation of the company and have a positive effect on profitability. Employees are often responsible for the great bulk of required work, the satisfaction of consumers and the quality of products and events.

Employee performance is described as how an employee performs their job duties and their given tasks. It refers to their output 's effectiveness, consistency, and performance. Employee success has always been a major challenge in organizational management, and inspiring workers to achieve and produce higher job output as well as improving organizational productivity is the key objective of every business enterprise (Sansom, 1998). Employee performance is the foundation of an organization, thus characteristics that give rise to high performance must be objectively analyzed by organizations in order to succeed. (Song, Kolb, Lee, & Kim, 2012). Growing employee is a serious investment for a corporation, so each employee's return must be large.

In the nutshell, HRM practices can enhance employee performance, and impact on employee's perception of their performance (Khalid, 2014). The research chose the four HRM practices which are recruitment and selection, training and development, compensation and reward and performance appraisal due to the past research study which concludes that thus practices are highly increased the employee's performance compared to other HRM practices to complete this study.

1.2 Problem Statement

Issues which are related to theoretical gaps, empirical gaps and also practical gaps in the literature are explained below.

The focus of this study is to highlight to the significant relationship between human resources management HRM practices and employee's performance. In past research studies related to this topic, had to identify that the most appropriate theoretical gap which explained about HRM practices and employee's performance was Maslow's hierarchy of need. This theory was proposed by Abraham Maslow in the year of 1943. Abraham Harold Maslow has developed this theory with outlined five hierarchical criteria that could also be extended to the success of an organization and its employees (Gordon, 1965). This theory may be applied to the role of organizational culture and also HRM in improving the performance of the employees. Although some work has endorsed Maslow's theory, others have not managed to validate the notion of a need hierarchy that is perceived to be conditioned by Western culture.

Basically, this theory also highlights the importance of motivation which helps the organization to improve its employee performance. DR. Nyameh (2013) said that the hierarchy of needs theory of Abraham Maslow is still important and relevant every corporation that seeks to achieve empirical achievement and innovation in today's organizations. Figure 1 below shows the Hierarchy of needs theory that used in that related this study

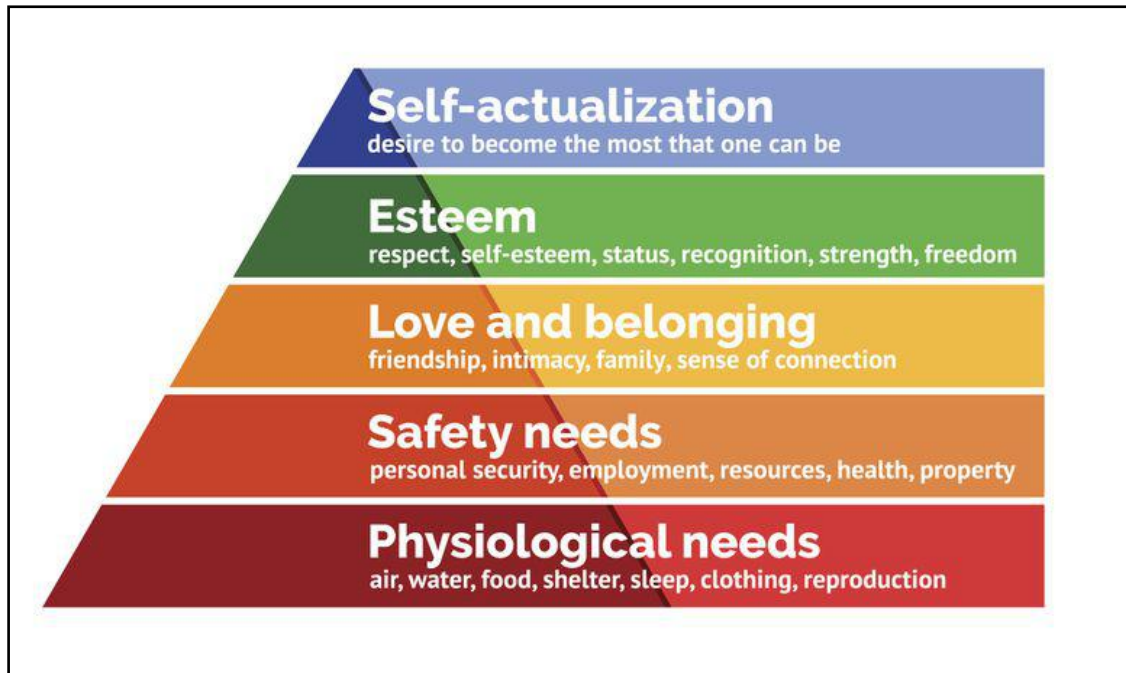


Figure 1 : Maslow Hierarchy of Needs Theory

In addition, Thomson also acknowledged that Maslow's Needs Theory was applicable to business organizations and to HRD roles in companies, meanwhile he also found that this theory is very useful in shaping employee's actions, which in effect would increase organizational efficiency. Thus, this study aimed to determine whether this theory is still used in the context of motivating employee's performances as the previous decade or not.

Secondly, in the term of the empirical gaps, much research has been done in the same topic which was how the HRM practices influence employee's performance. For instance, a quantitative research which is done in Pakistan with the topic of HRM and employee performance: A case of university teachers of Azad Jammu and Kashmir (AJK) in Pakistan by Sohrab and Khurram (2011). Besides that, other research also is done in Pakistan with the title of Impact of Human Resource Management Practices on Employees Performance by Glass and Hopkins (2015). In this study, the researcher chooses one of the organization

located in Malacca, Malaysia to identify how the HRM practices influence the employee in Malaysia. As the past research studies, this study is also used a quantitative approach to examine the significant relationship between (HRM) practices and employee performance in Malaysia.

Finally, in the term of practical gaps, this study is mainly focused on the impact HRM practices on employees performance where the training and development in most organizations have become one of the necessary functions because they contribute to high efficiency in the same sector and are an integral part of the Human Resources Department. This has a huge impact on the success of a company by increasing the productivity of the employee (Mozael, 2015). The definition of HRM activities is often linked to performance evaluation, recruiting, selection, training and development, and also compensation and reward. Good HR practices are a key source of competitive advantages for companies and have a positive connection with organizational performance (Collins, 2007). For the organization with high growth with employee performance should be focused especially on recruitment and selection, training and development, compensation and benefit and also performance appraisal. This research study was about how an organization effectively using HRM Practices as a key to enhance their employee's performance and to identify capable and quality employees that are required by the organization.

1.3 Research Objective

Research objective in this study were explained into categories which are general and specific objectives.

1.3.1 General objective

To study the relationship between Human Resources Management (HRM) Practices and the employee performance of a manufacturing company in Malacca.

1.3.2 Specific objectives

There are five types of specific objectives were explain below :

- a. To determine the relationship between recruitment & selection and employee performance.
- b. To determine the relationship between training & development and employee performance.
- c. To determine the relationship between compensation & reward and employee performance.
- d. To determine the relationship between performance appraisal and employee performance.
- e. To determine a most dominant HRM Practices that influences the employee performance.

1.4 Research Hypotheses

There are 5 hypotheses were discussed in this study.

H_{a1}: There is a significant relationship between recruitment & selection and employee performance.

H_{a2}: There is a significant relationship between training & development and employee performance.

H_{a3}: There is a significant relationship between compensation & reward and employee performance.

H_{a4}: There is a significant relationship between performance appraisal and employee performance.

H_{a5}: There is a most dominant HRM Practice that influences the employee performance.

1.5 Conceptual Framework of Research

The conceptual framework of this research was categorized into two sections which were HRM Practices as independent variables and employee's performance as a dependent variable. The independent variables would be recruitment & selection, training and development, compensation & reward and also performance appraisal. The dependent variable was employee performance. Figure 2 below showed the conceptual framework of this study.

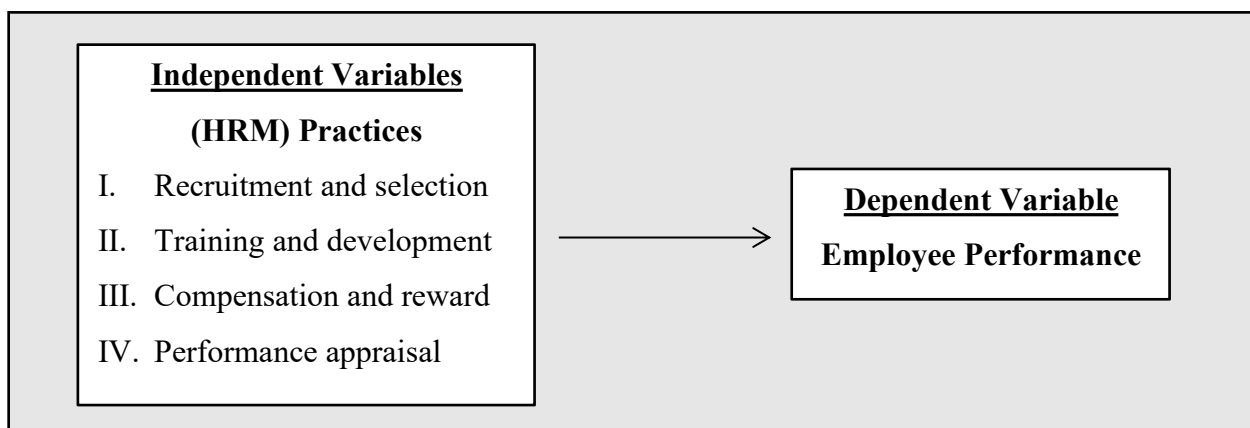


Figure 2 : Conceptual framework of this study

1.6 Definition of Terms

In this section, conceptual and operational definitions of the important terms in this study were explained clearly.

1.6.1 Human Resource Management (HRM) Practices

Conceptual definition: Schuler et al (1987) described that HRM practices are a method for recruiting, creating, empowering, and retaining employees so that the company and its members can function and thrive effectively.