The Influence of Human Resource Practices towards Improving Organizational Performance

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ABSTRACT
Background: Human Resource Management is one of pertinent function in organizations that facilitates the manpower to achieve both organizational and individual goals. Human Resources is the most valuable assets of any organization with the machines, materials and even the money, nothing get done without manpower. In view of that, the aim of study is to investigate the influence of human resource practices towards improving organizational performance. Objectives: The objectives of the study are to examine the relationship between training and development as well as compensation and benefits towards improving organizational performance. Again, the study also will identify the strongest variable that influence on improving organizational performance. Results: There are two positive hypotheses have been proposed to both variables which are training and development as well as compensation and benefits positively contributing improving organizational performance. Conclusion: The proposed framework is very important to the organization that acts as guidelines in preparing human resource strategy by human practitioners particularly in deciding the decision on human resource outsourcing.

INTRODUCTION

Human Resource Management (HRM) is a vital function performed in organizations that facilitates the most effective use of people to achieve organizational and individual goals (Hashim, 2009). Human resources, are the most valuable assets of any organization with the machines materials and even the money, nothing get done without manpower. HRM is referring to the policies, practices and systems that influence employees’ behavior, attitudes and performance (De Cieri et al, 2008). Human resource practices include determining human needs, recruitment and selection, training, rewarding, appraising and also attending to labor relations, safety and health fairness concerns (DeCieri et al., 2008; Dessler, 2007).

The importance of HRM as a competitive advantage had been long recognized by companies in the West. However, in many countries in Southern Asia, awareness of the importance and value of HR as competitive advantage has yet to be appreciated in the analysis of HRM in Malaysia (Othman & Teh, 2003). After Malaysia gained its independence from British in 1957, the wider aspects of human resource practices were not given priority, as the main focus was mainly on work simplification and methods for increasing output. This scenario continued into 1970s, when employers still gave a low priority to personnel issues with the function often operating only as a sub-unit of “General Affairs” departments (Rowley and Abdul Rahman, 2007). Furthermore, studied by Haslina (2009), focusing on human resource development, an emphasis only a few HR practices.

A gap exists between what is expected and the actual scenario HRM in Malaysia. Here lies a gap that needs further investigation in explaining the influence of others HR practices towards improving organizational performance. Therefore, the aim of the current study is to study the influence of Human Resource practices mainly focusing on two core human resource activities which are training and development and compensation and benefits towards improving organizational performance. Again, the objectives of the current study are to examine the relationship between training and development as well as compensation and benefits towards...
improving organizational performance. Finally, is to identify the strongest variable influence the improving organizational performance.

**Organization Performance:**

Performance, in the context of organization, is not only a broad concept which has been used synonymously with productivity, efficiency, effectiveness and more recently is competitiveness. It has also been a subject of a study for social scientist from wide range of disciplinary perspectives. More recently efforts have been made by HRM theorists to try to establish a causal link between HRM and performance. Human resource is very important as the backbone of every organization as well as the main resource to the organization. The organizations invest huge amount on the human resource capital that will ultimately increase the performance of the organization. Performance is a major multidimensional construct aimed to achieve results and has a strong link to strategic goals of an organization (Ghafoor Khan, Ahmad Khan and Aslam Khan, 2011). They stated that, the performance is the key element to achieve the goals of organization which helpful for the achievement of the organizational goals. The right employee training, development and education at the right time will provide big payoffs for the employer increased productivity, knowledge loyalty and contribution. The contribution and improvement of organizational performance is primarily through development of people as individuals, work group and as members of the wider organization.

**Training and Development (T&D):**

Training and development is a systematic process that intends to ensure the organizations has effective employees to meet the exigencies of its dynamic environment. This is inclusive of adding to the employee’s knowledge, skills and attitudes required by an individual to improve his performance in the organization (Delaney and Huselid, 1996). Similarly, Bartel, (1994) stated that effective training techniques can produce significant business result especially in customer service, product development and capability in obtaining new skill set. This linkage of training to business strategy has given many businesses the needed competitive edge in today’s global market. They also found an effective training and development improves the culture of quality in business, workforce and ultimately the final product. It is supported by Holzer (1993), an educated and well trained workforce is considered to be essential to the maintenance of a business firm’s competitive advantage in a global economy.

Training and development is the important factors in the business world, because it may increase the efficiency and the effectiveness both employees and the organization. It has the distinct role in the achievement of an organizational goal by incorporating the interests of organization and the workforce (Stone, 2002). This HR function come after recruiting and selecting the right potential to the right job, employee needs to be trained accordingly. Training is the process of developing qualities in human resources that will enable them to be more productive and thus to contribute more to organizational goal attainment (Hashim, 2009). Meanwhile M. Aminuddin, 2008 defined the development is those learning activities designed to help the individual employee grow but which are not confined to a particular job. It involves learning that goes beyond today’s job and has more long term focus. Again it prepares employees to keep pace with the organization as it changes and grows. Both elements have impact on the return on investment and the organizational performance depends on the employee performance because human resource capital of organization plays an important role in the growth and the organizational performance (Ghafoor Khan, Ahmad Khan and Aslam Khan, 2011). Therefore, in order to improve the organizational performance training and development are needed to the employees of the organization.

According to Lam and White (1998), present strong evidence that a combination of extensive training and development programs positively influence corporate performance. Training and development objective is to actively support ongoing training and professional development of careers. Training should be about whole person development and not just transferring skills. The knowledge and skill in training and development are reflected in the quality of service. Continuing improving training and development policy can helps company to enhance the quality service or care provided. Training and development opportunities can comes in many ways such as forming small support group, sharing expertise and acting as mentors. Apart from that, it is good policy to invest in the development of the skills, so employee can increase their productivity. According to Swanson (1995), training and development is the process of systematically developing expertise in individual for the purpose of improving performance. Besides, training is required to cover essential work-related skills, techniques and knowledge. The most effective way to develop people is instead to enable learning and personal development. Training and learning development usually includes aspects such as ethics and morality, attitude and behavior, leadership and determination, as well as skills and knowledge. It is considered as the process of upgrading the knowledge, developing skills, bringing about attitude and behavioral changes and improving the ability of the trainee to perform tasks effectively and efficiently in organizations (Wills, 1994; Palo et al., 2003; Robert et al., 2004). Similarly, Stewart (1996) combines the two concepts of training and development gives an organization function which has the outcome of ensuring that the contribution of individuals and groups in
achieving the organizational objectives through the development of appropriate knowledge, skills and attitude of the employees.

Usually the purpose of training and developing within any organizations is to improve the overall effectiveness of goods, product and services, competitiveness, and emphasizes growth in all aspects. The importance of training and developing is to maintain and remain one of the best in its industry. Reasons for the success of training is contingent upon the effectiveness of planning and measuring.

In view of that, the training and development program is very important to ensure the objectives of the training are achieved as good as possible in achieving vision, mission and objectives both employee and organization. There are three structures of training session should be focused. Introduction is about topic to discuss, body an explanation and delivering materials and conclusion where summary of entire topic has been discussed in the training session.

Based on the previous researches, training and development increase the employee’s performance and important activity to increase the performance of health sector organizations (Itikhar Ahmad and Siraj-ud-din, 2009). They stated that the employee performance is the important factor and the building block which increases the performance of overall organization. Employees performance depends on many factors like job satisfaction, knowledge and management but there is a relationship between training and both employees and organizational performance (Chris Amisano, 2010). Furthermore, Saleem, Shahid and Naseem, 2011 observed that, training and development is a work activity that can make a very significant contribution to the overall effectiveness and profitability of an organization by provides a systematic approach to training which encases the main elements of training. Again, Oribabor (2000) submitted that training and development aim at developing competences such as technical, human, conceptual and managerial for the furtherance of individual and organizational growth. Meanwhile, the functions of training identified by Ankintayo (1996), Oguntimehin (2001) and Graig (1976) such as increase productivity, improves the quality of work, improves skills, knowledge, understanding and attitudes, enhance the use of tools and machine, reduce waste, accidents, turnover, lateness, absenteeism and the overhead costs, eliminates obsolesce in skills, technologies, methods, products, capital management and etc. Meanwhile, formal training programs are an effective way of directly transferring the organizational goals and values to a whole group of people simultaneously (Shen, 2006; Harzing, 2004) while appropriate training can develop managers at all levels including the knowledge and skills required to gain competency in order to manage change in organization in any business environment (Stewart 1995; John, 2000). Hellirieget al, (2001) states that training of employees in organization increases higher productivity through better job performance, more efficient use of human resources, goals and objectives more effectively met, reduced cost due to less labor turnover, reduced errors, reduced accidents and absenteeism, more capable and mobile workforce and retention of the existing staffs.

However, not many researchers examined the negative impact of HRM practices on organization performance that include employees’ stress level (Ramsay et al., 2000). Lee and Chee (1996) in their study did not find as association between training and development practices and business performance. Clearly shows that, the employee’s performance is important for the performance of the organization and the training and development is beneficial for the employee to improve its performance. Thus, training and development towards improving organizational performance can be hypothesized as:-

\( \text{H}_1: \) Training and development will have a positive relationship towards organizational performance.

**Compensation and Benefits (C&B):**

In competitive business environment both locally and globally, many companies attempting to identify innovative compensation strategies. It is directly linked to improving organizational performance. Incentive compensation form has been a common feature of employment contract. The use of incentive systems is not only a defense mechanism on the part of failing firms, but more often is also a positive action in recognition of the strategic role of compensation in furthering corporate goals (David and Robbins, 2006). The basic of incentive pay and how it correlates with known organizational behavior theories can be linked with achievement of corporate goals through the use of rewards system. Many researchers have suggested that, utilization of human resources in organizations is often below optimum levels, because employees rarely perform at their maximum potential (Huselid, 1995). Therefore, organizational attempts to obtain discretionary efforts from employees are likely to provide benefits in excess of costs (Huselid, 1995). There are many approaches to incentive compensation, such as bonuses, stock purchase, profit sharing and so on.

Compensation and benefits function is very important to ensure effective compensation and benefits package can significantly increase the motivation of an individual to increase their performance. Employee
compensation refers to all forms of pay or rewards going to employee and arising from their employment and it has two main components (Dessler, 2008). Compensation management is one of the strapping features that organizations use to attract and retain its most valuable and worthy assets. It is includes financial and non-financial rewards. Direct compensation (financial) is in the form of wages, salaries, incentives, bonuses, commissions and so on. Indirect compensation is the form of non-financial benefits like vacation, annual leave entitlement, medical and hospitalization benefits, employer retirement contribution and etc. Today’s employees not only require money to fulfill their basic needs but they also necessitate various non-financial rewards and benefits often known as the “Fringe Benefits”. These include bonus, retirement benefits, gratuity, educational, medical facilities including family and etc. (Khan, Aslam & Lodhi, 2011). For example, INTEL Corporation designed the benefits to keep their employees as the most important assets to stay in healthy and productive. Their packages is tolerant and personalized, in many cases letting their employees choose the options that are right for themselves and their family.

The compensation management is considered to be a complex process which requires accuracy and precision. Failure carried out these properly, may lead to organizational failure. An ideal compensation policy encourages the employees to work harder and with more determination that can help the organizations to set the standards that are job related, realistic and measurable. The policies should have integration with other practices of human resource management and may provide growth opportunities to its employees and to create a vigorous competition among the employees in order to have an urge work more efficiently and proficiently. Again, the compensation management policy is used to motivate and retain employees and ultimately its aims at improving the overall effectiveness of an organization. The organization should develop its compensation structures in accordance with its goals, objectives and strategies. Compensation management is advantageous to both employees and employers. It is beneficial for the employer in the sense that it lowers the absenteeism rate. Low satisfaction from job and increased absenteeism rate are the consequences arising from the insufficient and inadequate benefits (Khan, Aslam, Lodhi, 2011).

Employee’s job performance exceeds the prescribed performance level for the organization, the related rewards is called merit pay. It can be paid in the form of a bonus or as an addition to base pay. Generally preferred by employees, as such an increment becomes part of the base pay and continues to be received for the duration of employment, regardless of future performance levels with often residual life-long benefits. The bonus is a single, one-off, lump-sum payment which can be in the form of cash or other creative monetary scheme such as stock options. It is not automatically received in subsequent years unless justified by level of performance in those years. Summarily, merit pay can be viewed as a reward for past performance and incentive compensation as an inducement for future performance. Incentive plans are cash payments made to employees when they exceed predetermined job or organizational goals and serve as inducements to produce specific results desired by the organization. These metrics can be fiscal targets such as sales and bookings, production output or productivity gains such as cost reduction, quality and etc. Incentive pay outs must be directly linked with either short-term or long term measures. Both merit and incentives pay plans are considered forms of result-oriented compensation, recognizing superior job performance in the belief that such performance has made a valuable contribution to the organizational effectiveness (Kanungo & Mendonca, 1992).

Incentive compensation can be based on the performance of the individual employees, a group or departmental unit or the organization as a whole. For example, sales incentives pay i.e. bonuses and sales commission is viewed as traditional way to compensate sales staff on an individual basis. The success criteria for individual incentive plans are that the employees is capable of performing the desired behavior and the employees perceives that the rewards is valued and is contingent on performance (Kanungo & Mendonca, 1992). Meanwhile, group or team incentive plans have the same basic objective of individual plans that is to meet a desirable organizational objective by providing employees with the opportunity to increase their earnings. Team effectiveness is maximized when the process requires the cooperative effort of all members owing to the interdependence of work operations or functions. In return, a team based incentive compensation plan can nature non-monetary benefits such as the satisfaction of an individual’s social needs and the development of positive behavior related to team work and co-operation (McNerney, 1995).

The purpose of any compensation, whether direct or indirect, is to recognize the performance value of employees and to establish ways to motivate them to work with full efficiency and could link with the improvement organizational performance. Effective rewards system can significantly increase the motivation of individuals to increase their performance. In real situation people not only looking for a job that suitable with their qualification and talents only but they also consider the compensation and benefit that employer can provide to them in term of salary and other benefits. This topic is very important because no body work for free and everybody wants to be valued. An empirical study shows that five factors of employee satisfaction have been chosen namely empowerment and participation, working conditions, reward and recognition, team work and training and personal development (Ali & Ahmed, 2009).

Compensating employees is quite challenging because packages must be competitive and should provide sufficient incentives to motivate employees to boost their productivity. The key to create a good compensation
is balance between salary and incentive. Failure to provide competitive compensation and benefits packages most likely would not attract or retain talent, motivate employee or even allow the cooperation to achieve its maximum profitability. Compensation program should be easy to understand and implement. Performance measure should objective as possible and formulating to calculate commission or bonuses should base on concrete and determine numbers. Hence, the compensation and benefits towards improving organizational performance can be hypothesized as:

**H2**: Compensation and benefits will have a positive relationship towards organizational performance.

**Theoretical Framework:**

Based on the previous reviews, the proposed theoretical framework can be proposed as Figure 1 below:

![Proposed Theoretical Framework](image)

**Fig. 1:** Proposed Theoretical Framework.

**Conclusion:**

It is concluded that, Human Resource Management (HRM) is a vital function performed in organizations that facilitates the most effective use of people to achieve organizational and individual goals. It is the most valuable assets of any organization with the machines materials and even the money, nothing get done without manpower. The importance of HRM as a competitive advantage had been long recognized by companies in the West. However, in many countries in Southern Asia, awareness of the importance and value of HR as competitive advantage has yet to be appreciated in the analysis.

Training and development is one of the elements in HR practices that can positively contribute to the improving of the organizational performance. It is involving the process of adding to the employee’s knowledge, skills and attitudes required by an individual to improve his performance in the organization. An effective training technique can produce significant business result especially in customer service, product development and capability in obtaining new skill set. Meanwhile, compensation and benefits function is very important to ensure effective compensation and benefits package can significantly increase the motivation of an individual to increase their performance. Compensation management is one of the strapping features that organizations use to attract and retain its most valuable and worthy assets whether both financial and non-financial rewards.

In addition, the main aim of study is to investigate the influence of human resource practices towards improving organizational performance. Specifically, the objectives of study are to examine the relationship between training and development as well as compensation and benefits towards improving organizational performance. Again, is to identify the strongest variable influence the improving organizational performance. Finally, two positive hypotheses have been proposed in training and development as well as compensation and benefits towards improving organizational performance. The proposed framework is very important to the organization that acts as guidelines in preparing human resource strategy particularly in deciding the decision on human resource outsourcing. Future research should focus on other human resource practices such as recruitment and selection, labor relations, talent management and any other human resource functions.

**REFERENCES**


