



**HRM Practices and Organizational Performance in Mutah
University in Jordan**

by

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ABSTRAK

Kajian ini dijalankan untuk mengkaji kesan amalan HRM terhadap prestasi organisasi di Universiti Mutah di Jordan. Sebanyak 350 set soal selidik telah diedarkan dan 332 soal selidik boleh digunakan untuk merekod, menganalisis dan hipotesis ujian. Data untuk semua pembolehubah kajian telah dikumpulkan melalui soal selidik kajian yang ditadbir sendiri dan menganalisis menggunakan perisian SPSS versi 22.0 . Sebanyak enam hipotesis telah digubal dan keputusan menunjukkan bahawa semua hipotesis disokong. Keputusan menunjukkan bahawa : (1) pengambilan dan pemilihan adalah ketara ($\beta = 0,114$) berkaitan dengan prestasi organisasi , (2) latihan dan pembangunan dengan ketara ($\beta = 0,235$) berkaitan dengan prestasi organisasi , (3) membayar sistem adalah lebih ($\beta = 0,131$) berkaitan dengan prestasi organisasi , (4) perancangan tenaga kerja secara ketara ($\beta = 0,129$) berkaitan dengan prestasi organisasi , (5) bulatan kualiti dengan ketara ($\beta = 0,121$) berkaitan dengan prestasi organisasi , (6) penilaian prestasi adalah ketara ($\beta = 0,232$) berkaitan dengan prestasi organisasi. Penemuan ini menunjukkan bahawa, terdapat kesan-kesan positif amalan Pengurusan Sumber Manusia pada prestasi organisasi.

ABSTRACT

This study was conducted to examine the effect of HRM practices towards organizational performance in Mutah University in Jordan. A total of 350 sets of questionnaire had been distributed and 332 questionnaires could be used for coding, analyzing and hypotheses testing. Data for all the study variables were collected through self-administered survey questionnaires and analyze using SPSS version 22.0. A total of six hypotheses were formulated and the results showed that all hypotheses are supported. The results indicated that: (1) recruitment and selection is significantly ($\beta = .114$) related to organizational performance, (2) training and development is significantly ($\beta = .235$) related to organizational performance, (3) pay systems is significantly ($\beta = .131$) related to organizational performance, (4) manpower planning is significantly ($\beta = .129$) related to organizational performance, (5) quality circle is significantly ($\beta = .121$) related to organizational performance, (6) performance appraisal is significantly ($\beta = .232$) related to organizational performance. The finding indicates that, there are positive effects of Human Resource Management practices on organizational performance.

CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter introduces and discusses the background of the study in relation to its rationale. This chapter also presents the problem statement, research questions, and objectives of the study. Finally, the scope and significance are highlighted, as well the definition of terms and the organization of this thesis.

1.2 Background of the Study

Nowadays, organizations look forward to achieving competitive advantages against the threats presented by globalization. Most organizations aim to exhibit performance that can bring additional profits because of high competency requirements. Employees are required to perform well and to improve their capabilities. Therefore, the performance of an organization is measured according to the formulation of organizational planning (Arsad, 2012).

Given that human resource is one of the most important assets of an organization, implementing human resource management (HRM) practices and developing individuals to become assets of an organization are crucial. Hence, implementing HRM practices in an organization leads to improve organizational performance (Pathak, Budhwar, Singh, & Hannas, 2005; Delaney & Huselid, 1995; Guest, 1997). According

to Guest (1997), the HRM practices of organizations lead to outcomes such as high employee commitment, as well as high quality and highly flexible staff. Such outcomes can have positive effects on organizational performance. Present studies indicate the HRM practices affect organizational performance through the development and behavior (Moideenkutty, Al Lamki, & Murthy, 2011; Collins & Smith, 2006) or attitudes and performance of employees by exhibiting high involvement in HRM practices as well as excellent commitment and control (Authur, 1994; Bae & Lawler, 2000; Delaney & Huselid, 1996; 2005; Osman, Ho & Galang, 2011; Guest, 1997; Pathak et al., 2005). To develop strength, an organization may focus on internal development, which places attention on existing employees to acquire necessary skills. However, some organizations may be involved in the acquisition framework, which requires them to purchase the necessary skills from the labor market. The framework affects organizational commitment, in which internal development is associated with high stability in the human resources of an organization and high organizational commitment with significant costs (Guest, 1997). By contrast, the acquisition framework has the advantages of low cost and flexibility (Lepak & Snell, 1999; Authur, 1994). The advantages depend on the suitability of the nature and culture of an organization to adapt the best framework and HRM practices (Guest, 1997). Hence, suitable HRM practices result in employee satisfaction and a sense of belonging to the organization. Consequently, employees are motivated to perform well and apply the best practices to support organizational goals.

Chand and Katou (2007) as well as Moideenkutty, et al. (2011) concurred that empirical studies on the relation between HRM practices and organizational performance are limited, and thus, they suggested that such relationship should be investigated. When employees contribute to an organization and continuously support its goals and

objectives, the organization is required to measure the HRM practices embedded into the operation strategy to ensure that the two basic concepts of person–job fit and person–organization fit can be determined (Mello, 2011). Furthermore, to deliver outstanding service, employees must allocate HRM functions, namely, recruitment and selection, manpower planning, job design, training and development, quality control, compensation and benefits, and performance appraisal (Dessler, 2011; Osman et al. 2011; Dimba, 2010).

To comply with this requirement, an organization needs to align organizational performance with HRM practices, which will be demonstrated by financial (sales growth, goal achievement, good services, and productivity) (Osman et al. 2011; Chand & Katou, 2007) and non-financial variables (management quality, long-term orientation, continuous improvement, and workforce quality) (De Waal & Frijns, 2011; Dimba, 2010) of the organization, as well as by other outcomes, such as commitment, quality, and flexibility (Guest, 1997). After a business entity has analyzed its mission, identified its stakeholders, and defined its goals, a method to measure progress toward those goals is necessary (Kaplan & Norton, 1996).

HRM practices are the main pillars of and have important role in organizational stability (Guest, 1997). All indicators require a systematic and comprehensive plan. HRM practices need to support business goals and should be embedded in mission statements and company values. The HR department should monitor company performance by providing the best employees with minimal cost and by reflecting global changes. The alignment process between business and HRM involves identifying tools to acquire a successful human capital (Gomez, Mejia, Balkin & Cardy, 2010). The HR department needs to identify the actual goals of a business as well as how the skills and abilities of employees can be maximized to satisfy company objectives.

The university sector is considered one of the most important sectors that affect the countries and affects the evolution of countries. It's worth mentioning that, Jordan as other developing countries, always seeks to be developed, and it's also give huge care to the university sector side which presented mainly by organization (Amin, 2013). Jordan containing 9 public universities and 20 private universities. The difference between private universities and public universities are obvious, the private universities seen to profit more than the quality of the students and administrator. Through previous studies the satisfaction of human resources in the public universities are largest private universities because of the quality and salary (Yousef, 2011).

The Jordanian Minister of Higher Education and Scientific Research launched the National Higher Learning Strategic Plan in 2013. Jordan aspires to be the best provider of higher education in this region and in the international level. The plans focus on providing extensive opportunities to all higher education students and to produce graduates who can serve as first-class human capital and who can acquire high income that complies with global standards. Organizations will be driven by future innovative and creative human resources (Amin, 2013). The employees in the public sector, such as Mutah University, are equally important as employees in the private sectors. The performance of Mutah University is being monitored and evaluated. The commitment of employees reflects their performance. Consequently, the present study examines the HRM level practiced by the administrators of Mutah University in their departments, and determines whether HRM practices affect the performance of employees in their departments, which influences organizational performance. This study will assist organizations make their future plans in terms of employee and personnel planning. Mutah University has 2,355 employees and 21,230 students, with over 12 programs.

As such, Mutah University requires an appropriate strategy to manage its community, facilitate smooth administration, and support its organizational goals. Although the management task is considerable, Mutah University will never compromise its quality. In addition, this study will help other researchers further explore literature related to HRM and its implications on organizational performance.

Mutah University is a public university committed to help students achieve the highest scholarly levels and to prepare them for careers in various public and professional fields. Mutah University is located in Karak Governorate, Jordan. It was established on 22 March 1981 by the King of Jordan. Mutah University has 12 faculties and over 47 departments and units, with 2,355 employees and 21,230 students. Appropriate HRM practices are required to manage such large student and employee populations. Employees in higher learning institutions such as Mutah University are responsible for managing all aspects of administration to ensure student quality and staff performance. To produce excellent students, employees, including academics and administrators, must work together to manage academic, co curricular, and spiritual matters. Therefore, students must be equipped with infrastructure and facilities that will support their campus life. Hence, competitive, committed, and visionary administrators are required to manage and sustain the achievement of this organization.

1.3 Problem Statement

As a developing country, Jordan still exhibits low performance in their productivity level. Jordan is also a member of the World Trade Organization (Ministry of Industry and Trade, 2013). In 2009, the Global Enabling Trade Report ranked Jordan as the fourth in the Arab world behind the United Arab Emirates (UAE), Bahrain, and Qatar

(World Economic Forum–Global Enabling Trade Report, 2010). The Free Trade Agreement with the United States, which became effective in December 2001, phased out duties on nearly all goods and services by 2013. This agreement results in an increase in productivity level, but performance among employees remains low. Jordan needs to plan their vision and mission systematically to achieve developed nation status by 2030 (Jordanian Prime Ministry, 2010). Data in the 2012 annual report show that Jordan remains far behind in terms of labor productivity compared with high-income economies among the Gulf States, such as UAE and the Kingdom of Saudi Arabia (International Finance Corporation, 2012). The Jordanian purchasing power is only US\$ 39,926 compared with the Organization for Economic Co-operation and Development rate of US\$ 16,237.746 million (Wikipedia, 2013). Therefore, Jordan must fill in this huge gap to achieve developed nation status, and should invest in and attract competent, skillful, and knowledgeable human capital.

This situation shows that the Jordanian public and private universities have problems on organizational performance (Zenah, 2013). These sectors remain far behind the expectations of the government. Members of the public and private sectors should collaborate, starting from the top-level management down to the workforce. Therefore, the Jordanian government should enhance organizational performance by accelerating labor reform, attracting and keeping top talents, and upgrading existing talent pools (Ministry of Higher Education and Scientific Research, 2012). According to Zenah (2013), employers complain about the performance of graduates working in their companies. Young graduates are unable to perform their jobs, require maximum supervision, and are inefficient (Zenah, 2013). These shortcomings indirectly reflect the ability of Jordanian private and public universities to produce knowledgeable and competent graduates to satisfy demands. The Jordanian Ministry of Higher Education

and Scientific Research has taken various steps and strategies to strengthen the academic performance of public and private universities. Among these measures are: 1) to enable higher education institutions to focus on the tasks and responsibilities for the education, 2) to support and follow up the implementation of policies and strategies for higher education, 3) to establish standards and mechanisms that promote the principles of accountability, 4) to improve organizational performance, 5) to promote fairness and transparency in providing support and services that are characteristic of higher education students, and 6) to adopt innovation and excellence with regard to participation in the private sector (Ministry of Higher Education and Scientific Research, 2013).

According to Web metrics Ranking of World Universities (2013), Mutah University ranks seventh among twelve Jordanian public universities. JordanZad (2013) reported that the attrition rate of competent and knowledgeable administrators at Mutah University, who transfer to other universities such as the University of Jordan, is high that's affect negatively on human resource department performance that's affect negatively on human resource department performance in terms of the recruitment and selection of staff. Mean while, Alrai Online Newspaper (2012) reported that Mutah University staff staged a strike to demand an increase in compensation, bonuses, and salaries comparable with those of other public universities which includes administrators who are in human resources, and that effect on university performance (Alrai, 2012). Ain News (2012) stated that Mutah University has received ISO 9001 certification, but has exhibited no improvement. This lack of improvement indicates the ability of the university to follow procedures and its lack of competent staff, that's effect on quality of human resource who works at Mutah University and effect on HRM. According to Zenah (2013), stated that there is a few number of qualification courses

that employee take in University. This is affect on the performance of employee, training courses affect on the performance of human resources in terms of experience and knowledge, and the lack of courses adversely affect the performance of human resources. All of these issues reflects negatively on the performance appraisal for employee, and consequently affect the on the university performance. According to an interview conducted by a researcher with the head of the human resources department at the University of Mutah, he said that human resource management practices namely (recruitment and selection, training and development, pay system, manpower planning, quality circle and performance appraisal) have a positively impact on the performance of the university, and not applied this practices to affect the performance of the university and this is what suffer by the university.

Research has indicated that the gap in the relationship between HRM practices and organizational performance remains (Armstrong, 2004). Numerous studies have examined organizations, but these studies have focused on the private sector, which produces financial output (Chand & Katou, 2007; Normala & Daud, 2006; Dimba, 2010; Osman et al., 2011; Moideenkutty et al. 2011). Few studies have investigated the relationships between the aforementioned variables within an organization that produces non-financial output, particularly public universities (Arsad, 2012). To fill in this gap and to examine further the existence of this relationship, conducting such research in the education sector is necessary to produce knowledgeable, competent, and quality graduates. Therefore, the present research aims to study the relationship between HRM practices and organizational performance in Mutah University.

1.4 Research Questions

To answer the central question (problem statement) of this study, the research question is what are the relationship between observed HRM practices (recruitment and selection, training and development, pay system, manpower planning, quality circle and performance appraisal) and organizational performance in Mutah University?

1.5 Research Objectives

The purpose of this study is to investigate whether HRM practices are related to organizational performance. The objective of the study is to examine the relationship between observed HRM practices (recruitment and selection, training and development, pay system, manpower planning, quality circle and performance appraisal) and organizational performance in Mutah University.

1.6 Significance of the Study

This study is significant because it provides information to Mutah University that HRM practices can contribute to their organizational performance. The university can use the findings of this study to develop strategies for HRM practices and planning processes to improve its performance. As an academic institution, stakeholders expect excellent services from Mutah University, particularly in terms of educational services. To fulfill this obligation, the university must prepare long-term plans for its strategic planning that incorporates HRM practices. Therefore, the best manpower is needed to serve

stakeholders. To attain the best manpower, HRM practices must be planned strategically.

1-This research is significant because it develops HRM practices that can influence organizational performance. This study can help Mutah University organize itself to manage action plans. It can also make the university realize that HRM practices have a significant role in driving organizational performance.

2-Given that Mutah University is a large organization; the number of workforce and students to be managed is also high. Therefore, management strategies and appropriate HRM practices are required to facilitate the role of human resources because the commitment of employees depends on the attraction, satisfaction, and motivation of the organization.

3- Finally, this study may contribute to the existing body of knowledge in the areas of HRM and organizational performance.

1.7 Scope of the Study

The scope of this study includes investigating the relationship between HRM practices and organizational performance. Only the university administrators, who manage HRM and perform administrative tasks, participated in the survey. Huselid and Becker (2000) as well as Neal, West, and Patterson (2004) recommended that the sample should include participants with the best knowledge on department operations and the subject matter. These administrators manage various departments, including HR matters. They typically acquire formal knowledge in this field from the university or take HRM courses and trainings to manage personnel.

The objective of the data collection process is to test the hypotheses on how different aspects of HRM practices can drive organizational performance. The result of the tests is limited to the specific sample of administrators affiliated with various faculties, campuses, and departments of Mutah University.

1.8 Definition of Terms

Performance is the capability of an object to generate outcomes by following a procedure to achieve a particular goal. (Laitinen, 2002).

Organizational performance is the capacity of a system to produce a valuable output in the form of services or goods (Swanson, 2000).

Human resource management (HRM) is a strategic and coherent approach to managing the most valuable assets of a firm, that is, the people who work in the firm who contribute individually and collectively to the realization of the objectives of the firm. (Armstrong, 2006)

Human resource management (HRM) practice is concerned with all aspects in which individuals are employed and managed in a firm. It covers activities such human capital management, strategic human resource management, firm development, resourcing (recruitment and selection, talent management, and human resource planning), learning and development, employee relations, management learning, and reward management (Armstrong, 2010).

Recruitment is the process in which a pool of qualified applicants is hired for jobs in an organization (Mathis, 2004).

Selection is a process of assessing individuals who have been made available through recruitment and reaching a decision on whether to employ them (Price, 2004).

Training is an activity that aims to impart instructions or information to improve performance, attain a required level of knowledge or skill, or help participants (Saed & Asgher, 2012).

Development refers to activities that lead to acquiring fresh knowledge or skills for the sole purpose of personal growth (Saed & Asgher, 2012).

Pay system is one method to reward employees in an organization (Husield, 1995).

Manpower planning is the process of planning the future needs, required skills, recruitment, and development of employees (Bratton & Gold, 2007).

Quality circle is typically a quality management activity that ensures that things are in their proper order (Hassan, 2010).

Performance appraisal is based on proven achievements of performance objectives that are established with respect to a specified job within a given period (Arsad, 2012).

1.9 Organization of the Thesis

The first chapter introduces and presents the background of the study, as well as describes the problem statements, research questions, research objectives, significance of the study, and scope of the study. It also provides the operational definition of relevant terms and the organization of the thesis. The second chapter contains the literature review and the summary of previous research on the effect of HRM practices