



Conceptual framework on the relationship between human resource management practices, job satisfaction, and organizational performance

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ABSTRACT

The aim of this paper is to propose a conceptual framework consisting of three human resources management (HRM) practice (selection and recruiting, performance appraisal, and compensation), job satisfaction, and organizational performance and to explain the relationships among these variables. Job satisfaction played an important role in organizational performance, the results indicate HRM practice a positively and significantly correlated with job satisfaction. On the other hand HRM practice and job satisfaction are significantly correlated with organizational performance. The results of HRM practice and job satisfaction are strong predictors of organizational performance.

Introduction:

In earlier studies, there are plentiful of job satisfaction research that often in two different types of variable which effect on job satisfaction (Steijn, 2002). First, individual characteristics define as race, gender, educational level and age such as the study of Reiner and Zhao (1999) explain a significant effect on age whereas Ting (1997) clarifies age and race associated effect to job satisfaction. On the other hand, in the second place in most studies are work environment as supported by Herzberg (1966) as the primary determinant of employee job satisfaction. For example, Reiner and Zhao (1999) employ five dimensions of the work environment; skill variety, task identity, task significant, autonomy, and feedback. However, their study is lack of explicitly variables related to the personal practices in this period (Steijn, 2002). In the recent year, the literature on Human Resource Management (HRM) emphasis on the high performance working system practices' on job satisfaction as hence employee performance and contributed the organization performance. Job satisfaction is one of the most widely studies work-related attitudes in the fields of industrial and organizational psychology, and organizational behaviour (Spector, 1997). Many researchers identify in several ways in definition of job satisfaction. Greenberg and Baron (1997) define

job satisfaction as an individual's cognitive, affective, and evaluative reactions towards his or her job. Locke (1976) provides more specific definition on job satisfaction as the state where one's needs and one's outcomes match well. According to Cranny, Smith and Stone (1992) job satisfaction is a combination of cognitive and affective reactions to the differential perceptions of what an employee wants to receive compared to what he or she actually receives. Job satisfaction is a factor that would induce the employee to work in the long term position. Regardless of job satisfaction the organization or firm should increase attention about employee satisfaction to increase organizational productivity and profit. For this reason, the organization should pay attention to employees' job satisfaction as well.

Literature Review:

Job satisfaction and organizational performance:

Job satisfaction of employees plays a very vital role on the performance of an organization. It is essential to know as to how employees can be retained through making them satisfied and motivated to achieve extraordinary results. Target and achievement depends on employee satisfaction and in turn contribute for organizational success and growth, enhances the productivity, and increases the quality of work. It is indispensable for an organization to exactly feel as to what employees feel, think, and wish and to discover and make strategies that how the staff dedication and commitment can be improved. Through this initiative business outcomes can be improved, productivity can be enhanced, commitment can get strengthened. Increasing staff satisfaction is very vital and important factor for the success of an organization.

Employee satisfaction is closely related to productivity which is then related to firm profitability. Employee satisfaction has a positive persuade on organizational performance. Beside this, firm profitability has a reasonable non-recursive effect on employee satisfaction. Employee satisfaction plays a considerable role in enhancing the firm profitability and improving operational performance of organizations and quality of good and services. There is no doubt in it that employee satisfaction is critical to attain quality and profitability in organization. Employee satisfaction impacts quality at industry, to achieve quality and profitability at organization, employee satisfaction is fundamental and without it, organization cannot think of being successful.

An imperative relationship exists between employee and organization. This employee organization relationship plays an important role in success of any organization. There is a need of developments in it. Managers are believed to develop a role relationship in which actions and decisions should promote the interest of organization. Employee involvement and contributions in organization is outcome of the interest. The quality of employee organization relationship requires fulfillment of needs, quality of interaction, adaptability and identification. Employee empowerment is also an effective way of satisfying them. When employees are given employee empowerment, then it leads to job satisfaction. Employee satisfaction is in fact job satisfaction. Job satisfaction is an important job organization factor. Both of them are significantly related. Therefore, it is necessary to maintain job satisfaction so that employees can be motivated.

Human Resource Practices

A company should implement best practices to enhance the capabilities of human resources that are important for the survival of the organization. Human Resource Management

Practices are identified as an important factor in gaining competitive advantage (Obeidat and Abdallah, 2014). Appropriate management of human resources played an important role in the development of employee commitment that helps in attaining organizational goals (Mohyin et al., 2012). A Study conducted by Tiwari and Saxena (2012), indicates that Human Resource Management is much more difficult than technology management. Sial et al. (2011) conducted a research on universities and indicate that effective management of HRM practices lead to the development of organizational commitment. Another research conducted on Construction professional services firms indicates that strategic management of human resources foster the organizational commitment of employees (Mohyin et al., 2012). HRM practices can be significant source of employee's satisfaction that lead to lower absenteeism, reduce turnover and increase employee's loyalty to the organizations (Ijigu, 2015).

HR Practices and Job Satisfaction: HR practices and job satisfaction are studied widely in different parts of the world. It is assumed that HR practices are closely associated with job satisfaction (Ting, 1997). Because many scholars and practitioners believe that sound HR practices result in better level of job satisfaction which ultimately improves organizational performance (Appelbaum, Bailey, Berg and Kalleberg, 2000). Steijn (2004) found that HRM practices had positive effect on job satisfaction of the employees of Dutch public sector whereas individual characteristics such as age, gender, and education had insignificant effect on job satisfaction.

Training and Development

Training and development is considered to be the most common HR practice (Tzafirir, 2006). 'Training and development' refers to any effort to improve current or future employees' skills, abilities, and knowledge (Aswathappa, 2008). 'Training and development' has a significant positive impact on employees' job satisfaction (Garcia, 2005). Thang and Buyens (2008) stated that training and development lead to superior knowledge, skills, abilities, attitudes, and behavior of employees that ultimately enhance excellent financial and non-financial performance of the organizations. In this era, organizations are facing tremendous challenges due to globalization. To deal with these challenges, organizations have to invest in human capital to increase their skills and knowledge. Today human Resources have become an important asset for the organizations. Organizations can enhance the performance of employees by providing them effective training that in turn increase the productivity (Vlachos, 2009). Trainer can be internal or external but external trainer can be more effective than internal (Lim and Ling, 2012)

Performance Appraisal :

Performance appraisal is a systematic process to evaluate the performance of an employee after a certain period. Performance appraisal also influences other HR practices such as recruitment and selection, training and development, compensation, and employee relations. As performance appraisal leads to pay raise, promotion, and training, it is assumed that better performance appraisal can have an impact on employee job satisfaction. Performance Appraisal Performance appraisal can be used by the management to evaluate the performance of employees in order to determine their promotions and rewards and appraisal has become the necessity of the organizations (Lim and Ling, 2012). Organizations are focusing more on performance appraisal to increase the organizational outcomes. A Study conducted by Nasurdin (2008) on 214 employees of Malaysian manufacturing sector determines that performance appraisal has a positive relationship with organizational commitment.

Performance Appraisal has been considered as the most significant and indispensable tool for an organization, for the information it provides is highly useful in making decisions regarding various personnel aspects such as promotion and merit increases. Performance measures also link information gathering and decision making processes which provide a basis for judging the effectiveness of personnel sub-divisions such as recruiting, selection, training and compensation. Performance appraisal is the process of obtaining, analyzing, and recording information about the relative worth of an employee to the organization. Performance appraisal is an analysis of an employee's recent successes and failures, personal strengths and weaknesses, and suitability for promotion or further training

Compensation :

Compensation refers to all types of pay or rewards going to employees and arising from their Compensation made to employees depends on their performance, Knowledge, skills etc. (Lim and Ling, 2012). Compensation is very much important for employees because it is one of the main reasons for which people work. Employees' living status in the society, satisfaction, loyalty, and productivity are also influenced by the compensation (Aswathappa, 2008). Ting (1997) in a study on the employees of US government found that compensation was one of the most important determinants of job satisfaction. Compensation is defined as a package comprises of medical compensation, accommodation, travelling benefits, salary and other rewards (Lim and Ling, 2012). A Study conducted by Sial et al. (2011) on Pakistan universities to evaluate the impact of HRM practices on organizational commitment stated that Compensation has a significant relationship with employee's commitment and leads to higher performance. Compensation systems that organizations offer to the employees play a key role in increasing employee motivation (Milgrom and Roberts, 1992, p.388), performance and productivity. Hence, most of the organizations are very much concerned about establishing and maintaining the optimal compensation systems. According to expectancy theory (Vroom, 1964), when pay is tied to some measure of individual or group performance, employees are more likely to work harder to increase the individual's, the group's or the organization's performance and an increase in performance in any of these areas will lead to an overall improvement in firm performance. Based on expectancy theory (Vroom, 1964), it can be expected that, if the company provides rewards desired by the employee in question, this employee is more likely to perform in a way that will bring him/her the reward. "Choosing an appropriate compensation mechanism is probably the core problem of human resource managers, and represents the heart of personnel economics" (Garibaldi P, 2006, p.82). Further he stated that compensation packages must be consistent with profit maximization on the part of firms, but they should also provide workers with the incentives to do as well as possible. Garibaldi P. (2006, p.85-86) has introduced three types of compensation schemes: Purely input based scheme, Bonus scheme and Franchising scheme.

The Relationship between job satisfaction and organizational performance:

In order to conduct this research study, first of all secondary literature is reviewed to learn about existing studies on the topic and to know about findings and results of existing research studies. This part defines the major concepts involved in problem statement of the study. These Concepts are job satisfaction, performance and organizational performance. It is the general understanding that job satisfaction is an attitude towards job and organizational performance depends on staff satisfaction. Persons having high level of job satisfaction hold

positive attitudes towards his or her job, while a person who is dissatisfied with his or her job holds negative attitudes about the job and even about the organization. It is factual that employee satisfaction is an innermost concern in the business. It is a multi-factorial construct. Employee satisfaction contains basic factors, excitement factors. Basic Factors are the minimum requirements that cause dissatisfaction. Excitement factors increase employees satisfaction and performance factors result in satisfaction only when performance is high. Employee satisfaction is closely related to productivity which is then related to firm profitability. Employee satisfaction has a positive persuade on organizational performance. Beside this, firm profitability has a reasonable non-recursive effect on employee satisfaction. Employee satisfaction plays a considerable role in enhancing the firm profitability and improving operational performance of organizations and quality of good and services. There is no doubt in it that employee satisfaction is critical to attain quality and profitability in organization. Employee satisfaction impacts quality at industry, to achieve quality and profitability at organization, employee satisfaction is fundamental and without it, organization cannot think of being successful. An imperative relationship exists between employee and organization. This employee organization relationship plays an important role in success of any organization. There is a need of developments in it. Managers are believed to develop a role relationship in which actions and decisions should promote the interest of organization. Employee involvement and contributions in organization is outcome of the interest. The quality of employee organization relationship requires fulfillment of needs, quality of interaction, adaptability and identification. Employee empowerment is also an effective way of satisfying them. When employees are given employee empowerment, then it leads to job satisfaction. Employee satisfaction is in fact job satisfaction. Job satisfaction is an important job organization factor. Both of them are significantly related. Therefore, it is necessary to maintain job satisfaction so that employees can be motivated. In studying job satisfaction, job rotation, work method, problem solving and goal setting are important factors to consider and job satisfaction is also influenced by employee's are, marital status and work experience. Lawler (1971, p. 158) cites six separate studies of the relationship between pay and performance, and finds that "their evidence indicates that pay is not very closely related to performance in many organizations that claim to have merit increase salary systems. The studies suggest that many business organizations do not do a very good job of tying pay to performance. This conclusion is rather surprising in light of many companies' very frequent claims that their pay systems are based on merit. It is particularly surprising that pay does not seem to be related to performance at the managerial level. Thus, the Medoff and Abraham evidence seems to be indicative of general performance measurement and compensation systems, and we have no thorough understanding of the forces responsible for these practices.

Data Collection

Data Collection In order to collect data a detailed and comprehensive field survey was conducted. The field surveyor collected primary data related to perception and attitudes related with job satisfaction, performance effort, rewards, age, sex and experience of employees To collect data, first of all 2 detailed questionnaires were prepared for covering both major aspects i.e one for staff satisfaction and one for organizational performance and link between both categories. The questionnaire one (job satisfaction measuring questionnaire), covered the relevant organization and designation (management, senior managers, mangers, professionals and support staff), age and sex and effect on job satisfaction, employee satisfaction with different aspects of job, like, self-esteem, opportunity

for growth, job security, respect of job, nature of job, power delegation, independent decision making, feedback on performance, freedom on the job, benefits for job, opportunity for promotion, gender equality, safe environment, reasons for employee to stay in the organization or leave the organization. During data collection against above mentioned point's staff level of satisfaction was rated by using a five-point scale ranging from very low to very high. The questionnaire two was developed to measure the organizational performance in terms of staff benefits, staff promotion, power delegation, staff facilities, rewards, working environment, organizational productivity etc. Data was collected from 150 employees, This total sample is consisted of 55 % men and 45 % women. Further age wise classification is 20-30 years 40% employees, 30-40 yrs 40% employees and over 40-20% employees.

Results and Discussion the results and findings of research study are:

- 1- There is a significant impact of job satisfaction on organizational performance in development organizations.
- 2- Employees who are in higher levels tending to derive more satisfaction from intrinsic rewards while, employees who are in lower levels tend to derive more satisfaction with extrinsic rewards.
- 3- Higher level employees are more satisfied than the lower level employees in development organization.
- 4- Senior manager, managers are willing to extend more effort to the job than professional and support staff.
- 5- Senior employees are more satisfied than the junior employees in development organizations.
- 6- High experienced employees tend to satisfy with their jobs than the less experienced employees. 7- Satisfied workers tend to less absenteeism to the work than low satisfied workers.
- 8-High satisfaction staff has fewer turnovers of employees.
- 9-Financial benefits, reward, promotion plays very important role to satisfy, retain and attract employees.
- 10-Organizations having satisfied employees are more productive and have good working environment and reputation.

Conclusion and Recommendation.

Positive relationship between all HR practices and job satisfaction. Compensation is the most popular that leads to job satisfaction. Financial benefits are more important for employee. Power as motivation and promotion as monitory benefit also works. Universities should take keen interest in enhancement of compensation of their employees. Proper career counselling from university side will improve the performance of employees and also improve them professionally. Future researchers need to study the relationship between HRM practices and organizational performance with a moderating role of job satisfaction. When other organizations will attest Job satisfaction with HR practices will also be investigated and will

provide a very clear and broader picture to managers and it will be very easy for them to decide that which factors lead towards job satisfaction and where they can bring the improvement.

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