THE MEDIATING EFFECT OF EMPLOYEE MOTIVATION ON HIGH-PERFORMANCE WORK SYSTEM PRACTICES AND EMPLOYEE PERFORMANCE IN SABAH PUBLIC UNIVERSITIES

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FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTANCY
UNIVERSITI MALAYSIA SABAH
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ABSTRACT

This study aims to examine the relationship between High-Performance Work Systems (HPWS) practices (recruitment and selection, training and development and performance appraisal) and employee performance at individual level of analysis. The objective of the research is also to explore the mediating effect of employee work motivation on the relationship between HPWS practices and employee performance. Data were collected through questionnaire from 344 support staffs of Public Universities in Sabah who participated in this study. The hypotheses were tested using SmartPLS 3.0 analysis. Findings indicate that training and development significantly influence employee performance directly. Findings also indicate that recruitment and selection and performance appraisal have indirect positive effect on employee performance through employee motivation as a mediator. Statistical results show among the independent variables involved, training and development practice is the most significant predictor of employee performance. The result also revealed that employee motivation has strong influence to employee performance. It was also found that employee motivation mediates the relationship between High-Performance Work System Practices (recruitment and selection and performance appraisal) and employee performance.

ABSTRAK

KESAN PENGANTARAAN MOTIVASI PEKERJA TERHADAP AMALAN SISTEM KERJA BERPRESTASI TINGGI DAN PRESTASI PEKERJA DI UNIVERSITI AWAM DI SABAH

Kajian ini dilakukan bertujuan untuk mengenalpasti hubungan di antara amalan prestasi kerja berprestasi tinggi (amalan pengambilan dan pemilihan, latihan dan pembangunan dan penilaian prestasi) dan prestasi pekerja. Objektif penyelidikan juga adalah untuk mengenalpasti kesan motivasi pekerja sebagai pengantara terhadap hubungan di antara amalan sistem kerja berprestasi tinggi dan prestasi pekerja. Data kajian diperolehi melalui borang soal selidik yang telah dibuat ke atas 344 orang kakitangan kumpulan sokongan di Universiti Awam di Sabah. Analisis hipotesis kajian telah dilakukan menggunakan SmartPLS 3.0. Hasil dapatan kajian menunjukkan bahawa amalan latihan dan pembangunan secara langsung memberi kesan pengaruh yang signifikan ke atas prestasi pekerja. Hasil kajian juga menunjukkan bahawa amalan pengambilan dan pemilihan pekerja dan amalan penilaian prestasi pekerja mempunyai hubungan positif secara tidak langsung dengan prestasi pekerja melalui pembolehubah motivasi pekerja. Hasil dapatan statistik menemukan bahawa amalan latihan dan pembangunan merupakan pembolehubah tidak bersandar yang paling signifikan terhadap prestasi pekerja. Hasil kajian juga mendapati bahawa motivasi pekerja mempunyai pengaruh yang kuat terhadap prestasi pekerja. Kajian ini juga menunjukkan bahawa motivasi pekerja berfungsi sebagai pengantara terhadap hubungan di antara amalan sistem kerja berprestasi tinggi (amalan pengambilan dan pemilihan dan amalan penilaian prestasi) dan prestasi pekerja.

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LIST OF ABBREVIATIONS

HPWS	-	High-Performance Work System
HR	-	Human Resource
HRM	-	Human Resource Management
SET	-	Social Exchange Theory
SHRM	-	Strategic Human Resource Management
UiTM	-	Universiti Teknologi MARA
UMS	-	Universiti Malaysia Sabah

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CHAPTER 1

INTRODUCTION

1.0   Introduction

This chapter is an introduction chapter for the present research study. Several important topics and sub-topics will be discussed in this chapter which are include an overview of the research study, background of the organization in which study is conducted in, problem statement, research questions, research objective, scope of study, significant of study, structure of study, definition of the variables involved, and summary.

1.1   Overview

Human resource is one of the most important elements in any business and its strategy to achieve long term success. In today's world, due to increasing competitive environment, organizations are continuously improving their employee performances by improving their human resource management practices (Malik Shahzad Shabbir, 2014). Human capital plays an ever increasing and important role in the sustainability and the success of an organization in the past, present and most likely in the future as well. Organizations need the knowledge, skills, abilities as well as the experience that people have in order for them to sustain and continuously improving. Indeed, people or the human capital of an individual organization are expected to play major roles in strengthening the organization throughout the years.

The growing economy in competitive environment has also pushed firms and organizations to sustain their well-being, existence, to retain employees as well as to increase organizational performance through the adoption of the new system approach known as High Performance Work System (HPWS) which able to bring and provide way to the organization and firm to make their employees more productive.

Over the past two decades, several empirical works have explored the relationship between High-Performance Work Systems (HPWS) and organizational performance and revealed that the use of effective human resource management

practices enhances individual as well as organizational performance (Huselid; 1995). For example, Huselid (1995) argued that "an increasing body of work contains the proposition that the use of High-Performance Work Practices can improve the knowledge, skills and abilities (KSA) of a firm's current and potential employees, increase their motivation, reduce shirking, and enhance retention of quality employees while encouraging nonperformers to leave the firm".

The notion of High-Performance Work Systems advocates a claim that there is exist a work system in which an organization benefits from its workers' greatest performance through their knowledge, skill and commitment which leads to greater performance of organization. HPWS are systems of managerial practices that increase the workers' empowerment and enhance the knowledge and skills that motivate them in the accomplishment of jobs with the advantage of workplace greater empowerment (Appelbaum, Bailey, Berg, and Kalleberg, 2000; Gollan, 2005; Lawler, 2005).

Researchers have found that there is a positive link between HPWS and both individual worker's and organizational performance (Muslim Amin *et al.,* 2014; Qureshi *et al.,* 2006 and Tessema and Soeters, 2006). Effective human resource practices are seen as the crucial and among the important factors that will create and maintain employees' performance at the desired level of performance (Shahzad, Bashir, and Ramay, 2008). Human resource practices including recruitment and selection, training and development, as well as performance appraisal will significantly influence the behavior of the employees or the staff in such a way that they will perform better due to the enhancement of their knowledge, skills and abilities.

The literature shows that most of studies on examining the relationship between human resource management and performance are in the sectors of business, manufacturing as well as services (Datta *et al.,* 2005; Sushila, 2007). As far as this research is concerned, there is no such study has been conducted in examining the relationship between High-performance work system practices and employee performance at Public Universities in Sabah.

In Universiti Malaysia Sabah (UMS) and Universiti Teknologi MARA (UiTM) Sabah Branch, the employees' or the staffs' roles are very important and crucial in ensuring that the organization achieve the ultimate goal and objectives. Without the staffs, the Universities have little chance to achieve what it wanted to achieve. In order to fulfill the needs of the country and the aspiration of the government to be an international hub for world class university ranking (Muslim Amin *et al.,* 2014), UMS and UiTM Sabah have to strengthen its human resources, especially the human capital so that these two Public Universities will become among the top universities not only in the region, but in the international level, possibly.

This study aims at determining the factors that contribute to the employee or staff performance. UMS and UiTM Sabah Branch through its Human Resource Department have been practicing some of the elements associate with the latest trend that is so-called High-Performance Works Systems (HPWS). However, empirical study has to be conducted in order to determine to what extend this relationship occurred.

Universiti Malaysia Sabah (UMS) was established on 24th November 1994 as the ninth public university in Malaysia. Its main campus is located in Kota Kinabalu, Sabah while the two branches are located in the Federal Territory of Labuan and Sandakan. Currently, UMS has about 17,000 undergraduates as well as postgraduate who are in pursuing knowledge at those beautiful campuses. UMS consists of several departments which named as faculties, centers, institutes and units.

Universiti Teknologi MARA Sabah Branch which formerly known as Institut Teknologi MARA (ITM) was established in March 1973 with the cooperation and support from the Sabah Foundation and State Government. The temporary campus was previously located in Sembulan which comprised of 159 students as the first intake in July of that year. The campus was officially open by the Chief Minister of Sabah on 17 August of the same year. After the permanent campus at Kuala Menggatal has completely constructed the main facilities which include the hostels, the students started to move in January 1982. The move was completed in 1991 and now the university is known as Universiti Teknologi MARA (UiTM) Sabah.

There are 2,802 people serve in UMS as the staffs or the employees (HR Division, Registrar Office as at 27 Apr 2015) in 50 different departments. In both UMS and UiTM Sabah Branch, staffs are basically divided into three main categories or groups which are Academician (Professor, Associate Professor, Senior Lecturer, Lecturer, Tutor, and Language Teacher), Non-Academician Officer (Management & Professional), and the Support Staffs. The list of the departments involved and the number of support staffs who are the targeted respondents in this study will be presented in Appendix 2.

As a responsible center for human resource management in both UMS and UiTM Sabah, Registrar Department has been practicing a management system of human resource including the whole functions and activities of human resource such as planning, staffing, training and development, performance management, grievances system and so on. There are policies and procedures that have to be observed and followed by the human resource managers before such human resource activities have to be done. New staffs are not just simply recruited in a walk-in-interview session. They have to go through several processes before they can be selected as one of the chosen candidate for a particular post in the organization. Applicants have to pass all the steps required such as basic requirement screen test, personality or aptitude test, physical fitness test, and the interview session. Only the rightful candidate lies at the ending of the process is eligible to be selected or appointed as new staffs.

Apparently, all staffs regardless of their tenure either current or new, have the opportunities to be fairly evaluated in terms of their work performance from the first six months since they joined the organization. Several important and critical aspects of their performance are to be evaluated in the performance appraisal system by their immediate supervisor or the superior. Through the performance appraisal process, staffs are getting feedback of their current or the whole year performance by their superiors. None will be left behind from this process. Fortunately, the manager, or superior will not simply give high or low marks to each staff under his or her supervision. There are criteria and particular aspects of job performance that have to be observed before a decision on one's performance evaluation is made.

Furthermore, the Registrar Department through its Human Resource Division has conducted several trainings and development for the whole staffs. In fact, these activities are continuously arranged and held throughout the year. Various kinds of staff training include courses and workshops are to be held from week to week, and month to month in ensuring that the desired level of staff performance is achieved. All current and active staffs are welcomed to join the suitable training programs that suit their needs as well as the need of the organization or department where they work in.

Such programs and activities are well arranged in order to equip the staffs with knowledge, skills, and abilities (KSA) so that they can perform better in doing their jobs. The elements of KSA will be shown in their attitudes towards day to day routine jobs. These KSA are actually the important elements that become the foundation and key factor for Human Resource Management Division to look into before designing all types of training and developments.

Thus, this study is conducted to identify the factors that contribute to the employee performance. As the literature (Appelbaum and Batt, 1994; Huselid, 1995; MacDuffie, 1995; Messersmith and Guthrie, 2010; and Zhang *et al.*, 2014) demonstrates that some important elements in the human resource management practices do affect the performance of the organization as a whole, therefore, the present study is conducted in an attempt to explore the relationship between High-Performance Work Systems practices (recruitment and selection, training and development, and performance appraisal) and employee performance through the employees' perception. Besides, researcher seeks to explore whether other factors such as HR outcome which is employee work motivation has any influence on employee performance.

In addition, it has been demonstrated that the impact of HRM practices on organizational performance depends on the response of workers to HRM practices (Guest, 2002). Meanwhile, according to Paauwe & Boselie (2005), different group of workers have different priorities and needs. It is therefore, opinion or the perception of the employees is to be accepted and highly needed because they are the right group of people from whom an organization is able to receive feedback and

suggestion with regards to its human resource management practices (Paul & Anantharaman, 2003). Thus, the workforce or staff perception and feedback are important, useful and beneficial in the institution for its sustainability and improvement of human resource management practices.

1.2 Problem Statement

In today's world of rapid change, knowledge capital must be retained in order for organizations to be productive and responsive to the needs of their stakeholders (Muslim Amin *et al.,* 2014). As higher learning institutions, public universities need to attract, retain and develop their employees to be well trained and motivated employees. This is crucial for the organization to be committed while conducting research and undergoing training for the benefit of the nations (Lew, 2009). Literature has shown that effective application of HPWS practices enables university employees to be committed to their work for good performance of both individual and organizations (Shahzad *et al.,* 2008; Yasir Tanveer, 2011; and Tessema and Soeters, 2006).

Implementation of appropriate HRM practices or known as HPWS practices for universities' employees will ultimately promote universities' performance. The higher learning institutions are expected to produce high-quality graduates and human capitals who will become future leaders for the nation. Malaysia universities need to employ effective HRM practices which is so-called HPWS practices such as recruitment and selection, training and development and performance appraisal in order to attract, retain, motivate and develop their knowledge workers including academicians, administration and support staff (Muslim Amin *et al.,* 2014; Muhammad Zia-ur-Rehman *et al.,* 2009; and Tessema and Soeters, 2006).

In Malaysia, it is learnt that researches on the impact of HPWS practices on performance have focused on the private sector (Muslim Amin *et al.,* 2014). Moreover, the researcher has found little study has been conducted to examine the relationship between HPWS practices and employee performance at public universities in Malaysia. As far as the study on the HRM practices – performance link, literature indicates that past studies have more focused on the HRM practices on university performance with academicians as the center of focus (Muslim Amin *et al.,*

2014) and lack of study examining on the support staff. Current study by Darwis Awang (2016), for instance, has focused on the administrative officers in exploring employee performance-competency link at Universiti Malaysia Sabah.

Universities, specifically public universities in Malaysia consist of several categories and levels of workers or staffs who serve in it. There are Academic Staffs which consists of Professor, Associate Professor, Senior Lecturer and Lecturer; Administrative Officers which include those from grade 41 to 54; and Support Staff whose grades ranging from grade 1 to 38. As higher learning institutions, Public Universities do not only depend on the higher level of position such as the Academic staff as well as Administrative Officers to run daily routine tasks and activities. As a matter of fact, Support staffs do have major responsibilities towards the attainment of universities' goals and targets. Many other important jobs and tasks beside teaching and learning are handled and performed by these groups of support staff.

In teaching and learning matters for instance, the machines in the laboratories are operated and handled by the support staffs especially the Lab Assistants. Filing system and the document keeping system in the admin offices are performed and taken care by the Admin Assistants. Besides, there are many other crucial responsibilities in the universities which require their skills and capabilities to handle. In other words, good performance as well as the success of universities also depends highly on support staffs' performance.

The literature shows that implementation of appropriate HRM practices known as HPWS practices will enhance the performance of both employee and organization. Although many human resource practices and activities have been implemented, and numbers of trainings have been organized, still there are several staffs did not achieve the desired level of performance. In his 2015 annual speech, the Vice Chancellor of UMS has emphasized that the emolument of 22 UMS staff was cut due to low performance in 2014; eight had their salary stopped due to absence from work while disciplinary action was taken against six others. The 2013 annual performance review has also shown that 25 staffs were found unfit or ineligible for their salary increment (UMS Vice Chancellors's 2015 Annual Speech).

Thus, appropriate study has to be conducted on support staff at public universities to see the influence of HPWS practices on the performance of the employees as past empirical researches have ascertained positive relationship between HPWS practices and employee performance. Therefore, the present study is conducted to examine the relationship between HPWS practices and employee performance with the concentration on Support staffs at both Public Universities in Sabah. This study has been carried out at both UMS and UiTM Sabah Branch since both Public Universities play same significant role as higher learning institutions and more or less have similar organizational structure.

It is hoped that this study will close the gap that exist with regards to HRM - employee performance link especially in the governmental institutions and agencies. This study seeks to explore whether HPWS practices that are being practiced in UMS and UiTM Sabah have positive impacts on employees' performance. Besides examining the relationship between HPWS practices and employee performance, researcher seeks to analyze whether other element such as work motivation has an impact on the performance of employees.

Finally, it is also hoped that the present study will assist the management of UMS and UiTM Sabah especially the Human Resource Department in taking the right steps and the appropriate plan so that the staff performance is enhanced and strengthened and the way it is desired by the Universities.

1.3 Research Questions

To achieve the research objectives, the following research questions guide the study as follow:

(1)   What is the relationship between High-Performance Work System (HPWS) practices (recruitment and selection, training and development, and performance appraisal) and employee performance?

(2)   What is the relationship between employee motivation and employee performance?