

**THE IMPACT OF HUMAN CAPITAL
MANAGEMENT PRACTICES ON EMPLOYEE
MOTIVATION AND WORK EFFICIENCY
AMONG EMPLOYEES IN HI-TECH
ENTERPRISES IN CHINA**



DONG JIA YUAN

UNIVERSITI MALAYSIA SABAH

Dissertation Submitted in Partial Fulfillment
of the Requirements for the Degree of Master
of Human Capital Management (MHCM)

**SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITI MALAYSIA SABAH**

2007

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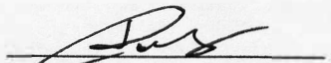
JUDUL: KESAN PENGURUSAN SUMBER MANUSIA YANG DIPRAKTIKKAN TERHADAP MOTIVASI DAN KECEKAPAN PEKERJA DIKALANGAN PARA PEKERJA DALAM INDUSTRI BERTEKNOLOGI TINGGI DI CHINA

IJAZAH: Sarjana Pengurusan Modal Manusia (MHCM)

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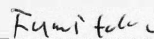

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Tarikh: 1 Julai 2007

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DECLARATION

The materials in this dissertation are original except for quotations, excerpts, summaries and references which have been duly acknowledged.

DONG JIA YUAN

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July 2007



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ABSTRACT

Employee motivation and work efficiency is very important with an organization. The objective of this research is to examine whether human capital management practices (compensation, supervisor, training, and employee relations) have a positive impact on employee motivation, whether employee motivation and work efficiency have a significantly relationship, whether employee motivation plays a role in intervening the relationship between human capital management practices and work efficiency, and whether age and job experience play moderate roles in the relationship between human capital management practices and employee motivation and the relationship between employee motivation and work efficiency. The literature review provides detail development of how these variables influence employee motivation and work efficiency. The respondents were based on randomly selected. The questionnaires were constructed out of extensive literature review. The hypotheses were tested using SPSS program of simple regression, multiple regression and hierarchical regression. The research discovered that human capital management practices (compensation, supervisor, training, and employee relations) have a positive impact on employee motivation, there is a significantly between employee motivation and work efficiency, employee motivation plays an intervening role between human capital management practices and work efficiency, and age and job experience do not play moderate roles in the relationship between human capital management practices and employee motivation and the relationship between employee motivation and work efficiency.

ABSTRAK

KESAN PENGURUSAN SUMBER MANUSIA YANG DIPRAKTIKKAN TERHADAP MOTIVASI DAN KECEKAPAN PEKERJA DIKALANGAN PARA PEKERJA DALAM INDUSTRI BERTEKNOLOGI TINGGI DI CHINA

Motivasi dan kecekapan pekerja adalah sangat penting dalam suatu organisasi. Objektif kajian ini adalah untuk mengkaji kesan amalan pengurusan sumber manusia (pampasan, penyelia, latihan dan hubungan antara pekerja) kepada motivasi pekerja, hubungan motivasi dan kecekapan kerja, sama ada motivasi pekerja memainkan peranan yang selang dalam hubungan antara amalan pengurusan modal manusia dan kecekapan kerja, dan sama ada umur dan pengamalan memainkan peranan yang sederhana dalam hubungan antara amalan pengurusan modal manusia dan motivasi pekerja dan hubungan antara motivasi pekerja dan kecekapan kerja. Ulasan karya membekalkan perincian perkembangan tentang bagaimana pembolehubah ini mempengaruhi motivasi dan kecekapan kerja. Responden-responden adalah dipilih secara rawak. Hypothesis telah diuji dengan menggunakan perisian SPSS dan analisis regresi mudah, regresi berganda dan regresi hierarki telah digunakan. Kajian ini menemui bahawa amalan pengurusan modal manusia (pampasan, penyelia, latihan dan hubungan antara pekerja) memberi kesan yang positif kepada motivasi pekerja, hubungan antara motivasi pekerja dan kecekapan kerja adalah signifikan, motivasi pekerja memainkan peranan yang selang antara amalan pengurusan modal manusia dan kecekapan kerja, dan umur serta pengamalan kerja tidak memainkan hubungan yang sederhana dalam hubungan antara amalan pengurusan modal manusia dan motivasi pekerja dan hubungan antara motivasi pekerja dan kecekapan kerja.

TABLES OF CONTENTS

Content	Page
CHAPTER 1: INTRODUCTION	
1.1 Overview	1
1.2 Background of Research Objectives	2
1.3 Problem Statement	4
1.4 Objectives of Study	7
1.5 Significance of Study	8
1.6 Key Variable	9
1.6.1 Human Capital Management Practices	9
1.6.2 Employee Motivation	10
1.6.3 Work Efficiency	10
1.6.4 Compensation	10
1.6.5 Supervisor	10
1.6.6 Training	11
1.6.7 Employee Relations	11
1.7 Organization of Dissertation	11
CHAPTER 2: LITERATURE REVIEW	
2.1 Introduction	13
2.2 Definition of key Concepts	13
2.2.1 Human Capital Management Practices	13
2.2.2 Employee Motivation	14
2.2.3 Work Efficiency	15
2.2.4 Compensation	16
2.2.5 Supervisor	16
2.2.6 Training	17
2.2.7 Employee Relations	17
2.3 Previous Studies on the Factors of Human Capital Management Practices and Employee Motivation and Work Efficiency	18
2.3.1 Compensation	18
2.3.2 Supervisor	22
2.3.3 Training	25
2.3.4 Employee Relations	27

2.4 Previous Studies on Employee Motivation and Work Efficiency	28
2.5 Previous Studies on Human Capital Management and Employee Motivation	29
2.6 Previous Studies on Human Capital Management and Work Efficiency	31
2.7 Summary	35

CHAPTER 3: RESEARCH METHODOLOGY AND FRAMEWORK

3.1 Introduction	36
3.2 Research Framework	36
3.3 Definitions of Variables	37
3.3.1 Independent Variables	37
3.3.2 Dependent/Intervening Variable	37
3.3.3 Dependent Variable	37
3.3.4 Moderating Variables	37
3.4 Hypotheses	38
3.5 Research Design	39
3.6 Sampling Design	40
3.7 Instruments Design	41
3.7.1 Independent Variables	42
3.7.1.1 Compensation	42
3.7.1.2 Supervisor	43
3.7.1.3 Training	44
3.7.1.4 Employee Relations	44
3.7.2 Dependent/Intervening Variables	45
3.7.3 Dependent Variable	46
3.7.4 Moderating Variables	47
3.8 Data Analysis Method	47
3.9 Summary	48

CHAPTER 4 RESULTS

4.1 Introduction	49
4.2 Profiles of Respondents	49
4.3 Reliability of Measures	51
4.4 Descriptive Statistics	52
4.5 Hypotheses Testing	54

4.6 Summary of the Findings	61
CHAPTER 5 DISSCUSSION	
5.1 Introduction	63
5.2 Recapitulation of the Study	63
5.3 Discussion and Implication	64
5.4 Limitation of the Study	69
5.5 Suggestions for Future Research	70
5.6 Conclusion	70
REFERENCE	72
APPENDIX A: QUESTIONNAIRE	80
APPENDIX B	85



LIST OF TABLES

TITLE	Page
Table 3.1: 5-point Scale Response on Independent Variables	42
Table 3.2: 5-point Scale Response on Dependent/Intervening Variable	46
Table 3.3: 5-point Scale Response on Dependent Variable	47
Table 3.4: Statistical Tools for Hypothesis Testing	48
Table 4.1: Profile of Respondents	50
Table 4.2: Cronbach Alpha for Variables	52
Table 4.3: Descriptive Statistics of the Variables	53
Table 4.4: Multiple Regression Analysis Results on Independent Variables	54
Table 4.5: Simple Linear Regression Analysis Results on Dependent Variable	57
Table 4.6: Simple Linear Regression Analysis Results on Intervening Variable	57
Table 4.7: Hierarchical Regression Analysis on Age	59
Table 4.8: Hierarchical Regression Analysis on Job Experience	60
Table 4.9: Hierarchical Regression Analysis on Age	61
Table 4.10: Hierarchical Regression Analysis on Job Experience	61
Table 4.11: Summary of the Findings	62

LIST OF PICTURE

TITLE	Page
Picture 1.1: The Sketch Map of Zhongguancun Science Park	3



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LIST OF FIGURE

TITLE	Page
Figure 3.1: The Impact of Human Capital Management Practices on Employee Motivation and Work Efficiency among Employees in the Hi-Tech Enterprises in China	36



CHAPTER 1

INTRODUCTION

1.1 Overview

Along with the society development and technology never give up advancement and following the process of economic integration of the world and arrival of the era of knowledge-driven economy, the management environment that enterprises face is complicated and changeable, the market competition is fiercer and fiercer, human resources has become primary resource that enterprise manage (Ma Yan Bin, 2002).

The core competitive advantage of companies do not come from physical capital any more, in contrast, they come from human beings who create virtual capital such as knowledge and skills. That is the reason that almost all companies start to concern about their own human capital.

In China, following Mr. Deng Xiao Ping's the reformation and opening policy, Chinese economy has a very fast speed development. In 1984, not long after PCD was founded, 11 computer scientists in Beijing, China also had a vision – to create a company that would bring the advantages of information technology to the Chinese people. This company was the first hi-tech company in China.

The development of hi-tech enterprises was so speed in last century in China and in everyday there were many hi-tech enterprises born. However, following we entered into the new century, the development and economic conditions of hi-tech enterprises were not like them who were in hi-tech enterprises expected. Many enterprises had to close down. The reasons, one came from the external environment, the other came from the internal environment. These enterprises did not think that human capital was

the most important to them. The benefits of enterprises were always first.

Nowadays, Chinese hi-tech enterprises have already greater development. However, following China joined WTO; many problems came out, especially human capital management. The Chinese scholar Wu Jing Lian said that human capital management was one of the biggest problems that Chinese hi-tech enterprises must be faced. The employee motivation and work efficiency were not high in many enterprises. Return a root; they will be influenced by human capital management practices.

In this paper, it will focus on the factors of human capital management practices, and find the association between these factors and employee motivation and work efficiency. This paper hopes this study will provide valuable information to the study of employee motivation and work efficiency and finally help resolve these two problems in Chinese hi-tech enterprises.

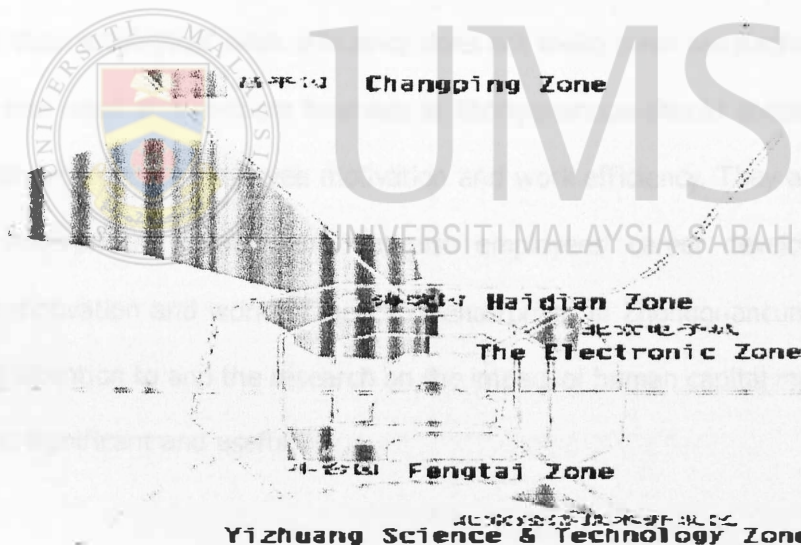
1.2 Background of Research Objectives

In this paper, it will focus on small and medium hi-tech enterprises which are in Zhongguancun Science Park in Beijing in China. Because of their flexibility and creativity, small and medium enterprises develop quickly in China, especially the hi-tech enterprises. Small and medium enterprises now are one of the main types of organizations who contribute to national economy. Most of these small and medium enterprises are private-owned, while large enterprises are national-owned. So during the development, small and medium enterprises meet more problems, such as employee motivation and work efficiency, than large enterprises.

In Beijing the Small and medium hi-tech enterprises located mainly in Zhongguancun Science Park. Picture 1.1 shows that the sketch map of Zhongguancun

Science Park. Zhongguancun Science Park is the first state-level high-tech development zone which was approved by the State Council in May 1988. Authorized by Beijing Municipal government, the Administrative Committee of Zhongguancun Science Park is the leading institute and will execute the comprehensive leading and administration power of municipality level over the Science Park. Zhongguancun Science Park is nationally the largest concentration area of intellectual resources, human resources and information resources. It consists of five zones: Haidian Zone, Changping Zone, Fengtai Zone, Yizhuang Zone and the Electronics City. Zhongguancun is an area with a high concentration of intellectual resources, in which there are first-grade technological talents and scientific achievements.

Picture 1.1 the Sketch Map of Zhongguancun Science Park
Source: The web page of Zhongguancun Science Park
(<http://www.zgc.gov.cn>)



Being as the first state-level hi-tech industry development zone, Zhongguancun has remained an over 30% economic growth rate in the past ten years. In 2003, there are 16299 small and medium hi-tech enterprises in Zhongguancun. The gross income of these enterprises is 285250 million Chinese Yuan, which is one of the main sources of financial revenue of Beijing. In 2006, income from technology, industry and trade of Zhongguancun Science Park amounted to more than RMB600billion, with RMB21billion

tax paid. At the annual work conference, authority from Zhongguancun Administrative Committee said that in 2006, about 10 high-tech enterprises were set up in the Park each day and the total number of high-tech enterprises amounted to 18000. Besides this, the small and medium enterprises of Zhongguancun have provided many employment opportunities for Beijing labor market. In 2003, it involved about 326,000 employees totally. Generally to say, enterprises in Zhongguancun sustain the hi-tech industry in China (China News, 2006).

But according to the Beijing Government Human Resource Management Report (2003), it showed that employee motivation and work efficiency were two of main problems which restricted the small and medium hi-tech enterprises development. There are 62.6% employees who feel that work is a thing that have to do. The employees lack of work enthusiasm and commitment. There are 55.7% employers who think that their employees' work efficiency does not make them satisfaction. We can conclude that small and medium business in Zhongguancun should consider how to solve these problems of employee motivation and work efficiency. They are harm to not only enterprises' development, but also employees' career development. So employee motivation and work efficiency of enterprises in Zhongguancun should be paid more attention to and the research on the impact of human capital management practices is significant and useful.

1.3 Problem Statement

Human Capital Management (HRM) is a planned approach to managing people effectively for performance. It aims to establish a more open, flexible and caring management style so that staff will be motivated, developed and managed in a way that they can and will give of their best to support departments' mission.

Human capital management activities are carried out by all those in a leadership role in an organization. Every manager or team leader is necessarily involved in concerns about the way in which people are employed as well as about what they need to be doing, and how well. Over the last 50 years or so, the term 'Personnel Management' has been used to describe that function of management that deals with the recruitment, employment, training, redevelopment, safety and departure of employees (Gerald, 2002). In the contemporary situation, the prime role of HR practitioners is that of developing the organization's staff resources so as to enable people to make a flexible, multi-skilled contribution to the overall aims of the organization, be it a business or in the public sector.

Human capital management has an importance on employee motivation and work efficiency. In the contemporary human capital management, people-first values are very important. At the same time, the contemporary human capital management is on the value-based hiring. As the managers, they must comprehend the employees' motivation and direct their work that can bring high work efficiency. To achieve success and growth and viability, a firm would need employees that could be productive and would be committed to helping the organization succeed. The ability to find and keep good employees, to interact with employees, and to create a climate for their performance could have a positive impact on the survival of the firm.

Managing employees effectively means identifying their needs. Employees bring their needs, aspirations and hopes to their jobs, and expect to find a work environment where they can utilize their abilities and satisfy many of their basic needs. Individuals become committed to employers that take concrete steps to help them to develop their abilities and to achieve their potential. For example, young graduates or new recruits often start their jobs expecting challenging assignments to help them test and prove their abilities. Employee attitudes and behaviours (including performance) reflect their

perceptions and expectations, reciprocating the treatment they receive from the organization. Kraut and Korman (1999) advocated the self-enhancement model of HR practice, which relates to an employee's need for personal achievement and development. Current HCM thinking emphasizes the benefits of meeting employee needs and enabling workers to have control over their work lives. Many firms recognize the necessity to provide the information, flexibility and voice the employees require contributing to organizational success.

Employee motivation is the power that through behaviour to product, so only satisfies the different needs of the individual, and then can adjust their work motive to move. Work efficiency can exhibit how the employees work. So the human capital management has the importance on employee motivation and work efficiency. The people who work at the human capital management department, they must through the way, such as economy, belief, promotion, felling, objective, credit, and so on, to motivate the employees and help them to enhance their work efficiency. Hence human capital management must act as a source of information about and a source of inspiration for the application of the findings of behavioral science and make them work efficiency on the high level.

Small and Medium hi-tech enterprises in Zhongguancun, they are not only developed very fast, but also made the contribution for Chinese economy. But following their development, there are many problems emerged, one is human capital management. As this paper has discussed, there are some employees motivation and work efficiency which were not high in Zhongguancun Science Park in Beijing in China. So there is a question for this research: why do employee motivation and work efficiency which is the problems to small and medium hi-tech enterprises in Zhongguancun? What are the underlying factors of human capital management practices influence them?

Therefore, by focusing on 4 fields of human capital management practices (compensation, supervisor, training, and employee relations) and find how HCM practices in these fields affect employee motivation and employee motivation affect work efficiency, this paper may find some solution to problems meted by SMEs in Zhongguancun. Overall, this research, basically, will try to answer to the foregoing research questions as outlined below:

- 1.3.1 Is there a relationship between human capital management practices and employee motivation?
- 1.3.2 Is there a significantly between employee motivation and work efficiency?
- 1.3.3 Does employee motivation play a role in intervening the relationship between human capital management practices and work efficiency?
- 1.3.4 Do age and job experience play a role in moderating the relationship between human capital management practices and employee motivation and the relationship between employee motivation and work efficiency?

1.4 Objectives of Study

Until now the study on the relationship between human capital management practices and employee motivation and work efficiency is scarce. To understand this point, I select different human resource practices that study its effect on employee motivation and work efficiency. Therefore the objectives of this research are divided into two parts. The first part consists of the main objective while the second is the additional objectives.

The main objectives of this research are as follows:

- a) To examine whether factors of human capital management practices (compensation, supervisor, training, and employee relations) has a positive impact on employee motivation to the organization.
- b) To examine whether employee motivation has a significant impact on work efficiency.
- c) To explore whether employee motivation plays an intervened role in the relationship between human capital management practices and work efficiency.
- d) To explore whether age and job experience play a moderated role in the relationship between human capital management practices and employee motivation and the relationship between employee motivation and work efficiency.

Additional objectives of this research include:

- a) To discuss the solution of employee motivation problems in human capital management practices through finding the impact of factors of human capital management practices on employee motivation.
- b) To discuss the solution of work efficiency problems in human capital management practices through finding the impact of employee motivation.

To increase managers' ability to recognize employee motivation and work efficiency, this paper will provide prospective organizations to react swiftly in meeting their strategy objectives.

1.5 Significance of Study

The research on the relationship between human capital management practices and employee motivation and work efficiency are far from maturation; much study can be done here. This paper gives a helpful trial. It not only provides an example for further

study on employee motivation and work efficiency respectively, but also helps the managements of the hi-tech enterprises in Zhongguancun Science Park improving the human capital management practices. Chinese Sage Lao Tze said: The journey of a thousand miles begins with a single step. From this study, employers of small and medium enterprises will find that what and how factors can influence employee motivation and work efficiency, they are not only change their mind in human capital management, but also from the actions. Indeed recognize that employees are the most important resource or capital to their enterprises; indeed use the actions to indicate that people first.

Without doubt, this study is still limited in some fields, but the result of this research could serve as a reference for further investigations about factors of employee motivation and work efficiency.

1.6 Key Variable

The key variables used in this study have specific meaning and such definition in general context as well as in the context of this research are outlined below.

1.6.1 Human Capital Management Practices

Human capital refers to an organization's employees, described in terms of their training, experience, judgment, intelligence, relationships, and insight (Raymond, John, Barry & Patrick, 2004).

Human capital management refers to the policies and practices involved in carrying out the "people" or human resource aspects of a management position, including recruiting, screening, training, rewarding, and appraising (Gary Dessler,

2005).

Human capital management practices refer to the practices into every human capital management aspect: strategic planning and HR, compensation and benefits, hiring, performance management, company culture, keeping it legal, and others (Leah Rubin & Clarinda Merripen, 2003)

1.6.2 Employee Motivation

Employee motivation refers to a psychological drive or force that directs someone toward an objective (Richard M. Hodgetts, 2002)

1.6.3 Work Efficiency

In this paper, work efficiency approximately refers to job performance. Job performance be viewed as a function of the capacity to perform, the opportunity to perform, and the willingness to perform (Ivancevich, Konopaske & Matteson, 2005).

1.6.4 Compensation

Compensation refers to all financial returns and tangible services and benefits employees receive as part of an employment relationship (Milkovich & Newman, 2005).

1.6.5 Supervisor

Supervisor is a manager at the first level of management who assigned tasks, monitor

performance and appraisal result to subordinates (Vandenberghe, Bentein & Stinglhamber, 2004; DeConinck, Stilwell, 2004).

1.6.6 Training

Training refers to the process of teaching new employees the basic skills they need to perform their jobs (Gary Dessler, 2005).

1.6.7 Employee Relations

Employee relations refer to a field that seeks to understand work-related aspects of interpersonal relations and apply its knowledge to help organizations and individuals in facing their goals (Catherine, Paul & Robert, 2000).

1.7 Organization of Dissertation

This dissertation contains 5 chapters. Chapter 1 presents an overview of the study and its importance. In addition, the significance of the study and background of research objectives are also included.

Chapter 2 discusses the literature related to the study and the definition for the variables. Evidence from this part will be the focus in this chapter.

Chapter 3 illustrates the research framework and methodology that is used in this dissertation. The research frame work basically gives an overview of the variables included while the methodology includes some hypotheses testing, sampling, data collection procedures, and instruments used. This chapter also describes the research method used and the reason for choosing this method. The definition of terms used for