

**HUMAN RESOURCE PRACTICES TOWARD
EMPLOYEES JOB PERFORMANCE**

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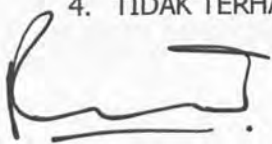
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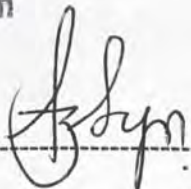


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DECLARATION

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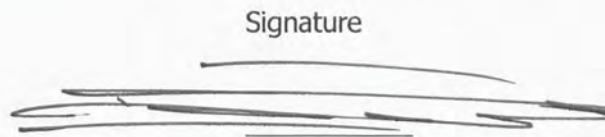
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ABSTRACT

HUMAN RESOURCE PRACTICES TOWARD EMPLOYEES JOB PERFORMANCE

The objective of this study is to examine the job performance among 'loan supervisor' in Yayasan Usaha Maju (YUM) Sabah. The purpose of this study to relate job performance with human resource practices that consists of performance appraisal, compensation and benefits, coaching and mentoring. The sample population involved a total of 81 loan supervisors from 23 district over Sabah which is use nonprobability sampling. From the study found that only performance appraisal has significantly related with employees job performance in YUM, while compensation and benefits, coaching and mentoring have insignificantly related with employees job performance in YUM.



ABSTRAK

Objektif kajian adalah untuk menguji prestasi kerja di kalangan 'Penyelia Pinjaman' di Yayasan Usaha Maju (YUM) Sabah. Kajian ini bertujuan untuk mengaitkan prestasi kerja dengan praktis sumber manusia yang terdiri daripada penilaian prestasi, ganjaran dan faedah, jurulatih dan bimbingan. Sampel populasi melibatkan 81 orang penyelia pinjaman di 23 Daerah seluruh Sabah, menggunakan kaedah persampelan bukan rawak. Hasil daripada kajian ini didapati hanya penilaian prestasi mempunyai hubungan yang signifikan terhadap prestasi kerja 'Penyelia Pinjaman' di YUM, manakala ganjaran dan faedah, jurulatih dan bimbingan didapati tidak mempunyai hubungan yang signifikan terhadap prestasi kerja 'Penyelia Pinjaman' di YUM.

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CHAPTER 1

INTRODUCTION

1.1 Overview

The Sabah state government has concentrate to eradicate poverty in its rural areas. A million ringgit provision was allocated by State government during year budget in 2007 which was channeled through its own agency named Yayasan Usaha Maju. Yayasan Usaha Maju which will be referred as YUM in this study. This large amount of provision are expected to use with good governance practice where the target to cut down the poverty can be achieve.

The redressed step that was emphasized five (5) years ago together with the effort towards improving the management capacity of state agencies, are critical in the economic participation, so that they can play an active role in the socio-economic development to overcome poverty especially in the rural areas. Currently, state agencies are given the opportunity to manage federal funds totaling RM180.48million (from Economic Planning Unit, Prime Minister's Department and Sabah Feluda fund) throughout 9MP, of which, a sum of RM66.06 million has already been provided. This is a accreditation for the state agencies that possess good governance practices and are up-to-date in their annual accounts. At the same time, the state government will provide grants to state agencies totaling RM103.00 million for their operation and RM54.33 million for development programs next year. Among the state agencies that will be receiving their grants are Sabah Tourism Board, Sabah Parks, Rural Development Corporation, Ko-Nelayan, SAFODA, Sabah Rubber Industry Board, **Yayasan Usaha Maju**, Sabah Sports Board, and Sabah Cultural Board. From the aspects of economic development, credit should be given to the rural women for their willingness to take up the challenge in making the micro credit scheme a success. (Datuk Seri Panglima Musa Aman during 2008 state budget, 2007).



With large amount of provisions YUM expected to perform well in order to achieve the state agenda to eradicate poverty. This is a huge task and challenge for YUM as an organization where every employee's have to perform well start from the top management up to subordinate. The top management responsible to plan the good policy and practice where reflects to subordinate performance.

This scheme is managed by **Yayasan Usaha Maju** with the objective to overcome poverty in the rural areas. The women have taken full advantage of the financial facilities provided to uplift the status and quality of life of their families, and have been able to repay the loans given with a good performance of up to 96 per cent. Our congratulations to Sabah women especially to those who have participated in the micro credit scheme. The cumulative loans which have been given out up to end of September 2007 amounted to RM15.69 million involving 3,825 borrowers, of which, 1,547 of them are from the poor and hardcore poor groups. (Datuk Seri Panglima Musa Aman during 2008 state budget, 2007).

Micro finance institution in Sabah were going globalization where the micro finance was offered by different kind of institution such as Majlis Amanah Rakyat Malaysia (MARA), Agriculture Bank of Malaysia (BPM) and Amanah Ikhtiar Malaysia (AIM), and all of these micro financer were established initial outside Sabah. Hence it important to YUM to perform well and be competitive in the market as a Sabah state agency micro financer in order to complemented the Sabah government objective in eradicating poverty amongst the poor households in Sabah.

1.2 Organization Background (Yayasan Usaha Maju)

YUM is the state government micro-credit institutions. YUM is the primary function of providing micro-credit to poor families adopted the approach of GrameenBank, Bangladesh (<http://www.sabah.gov.my/yum/index.php?p=p1>).

YUM was established on 30th June 1995 under the Ordinance (the Corporation) Trust, 1951, chap. 148 (Sabah) and placed under the Ministry of Finance, the State poetry in 2006. Prior to that YUM is under the Ministry of Agriculture and Food Industry in Sabah (KPIM) as a continuation of the project Usahamaju Pioneer Project in 1988 under the state government agency Koperasi Pembangunan Desa (KPD). YUM is



governed by a Board of Trustees and is headed by YUM Managing Director. YUM operate through branch offices across the state. Since its inception, YUM has successfully leveraged thousands of poor rural communities in the state.. (<http://www.sabah.gov.my/yum/index.php?p=p1>).

The justification of the selection for YUM is because this organization has been transformed in year 2010 by implementing the strategic plan that involving in organizational planning and system and human resource practice towards more successful future and remain more competitive. This will be followed by the activities of monitoring, evaluation and 'review to assess performance' and make the appropriate changes and improvements. This is the reason to choose this organization in examine the human resources practices towards employees job performance where the findings from this study will indicate the effectiveness of the transformation.

1.3 Problem Identification

In this chapter the problem identification is to identify the symptoms of problem which would bring to the construction of the problem statement. The gaps in the previous literature were examined to develop the foundation of the study.

The variable which were identified to have relationship with job performance is the Human Resource (HR) Practices that consist of 'Performance appraisal', 'Compensation and benefits' as suggested by Ivancevich an et al., (2008), (Brown et. al, 2010), (Poon, 2004), (Baptiste, 2008), (Bambacs, 2009) and (Artz, 2010), 'coaching' and 'mentoring' as mention by Onyemah (2009), Edwards (2003), Hetherington (2002) and (Baugh and Sullivan, 2005). Hence this study aim to incorporating the Job Performance with HR practices that was set as independent variables in order to define a new knowledge on a wider job performance towards employees in YUM.

Referred to the Yearly Performance Evaluation Report which will be reffered as 'Laporan Penilaian Prestasi Tahunan (LPPT)' year 2010 from one of loan supervisor grade N19 from Ranau branch found that the annual works target for year 2010 was not achieved due to repayment problem from borrower and facing difficulty in processing loan for new borrower. Beside that the YUM also experiencing high competition from Amanah Ikhtiar Malaysia (AIM) in recruiting new borrower that make

the target quantity of new borrower decreased. This situation may consider as symptom that employee performance in YUM organization maybe affected. Hence it is necessary to investigate further the factors that influence the loan supervisor job performance since they are the person who in ground directly dealt with the customers. The high performance of this loan supervisor is vital for YUM since they want to remain competitive in terms of providing facilities of micro credit to poor household in Sabah.

The loan supervisor supposedly increases the works quality in order to be more competitive in the market. However, certain factors could be distracting the works quality of loan supervisor and delivery performance. It is perceived that the job performance related to the organizational and human resource practices such as performance appraisal, compensation and benefits, coaching and mentoring. Therefore, it is important to examine these human resources practices among the loan supervisor in YUM.

1.4 Problem Statement

The YUM structure organization for this moment can be divided into 3 divisions which are Management and Finance, Operation, and Planning and System. The Management and Finance division responsible to the human resource administration and finance while the Planning and System responsible to plan the budget, monitoring research and evaluation, and management information system. Although the Operation division will do the operation in ground where are responsible to give the information, to give loan and to collect loan from target group. Hence the practice of the Management and Finance in specific human resource management as well as Planning and System will directly influence the Operation division especially in the lower level of operation named 'loan supervisor'.

It is important to YUM to ensure this loan supervisor perform at the maximum level in order to archive organizational high performance thus to make YUM sustainable and competitive as a government agency. However this is dependable to the top management as a policy maker and planner.

The workers could be trained into valuable, rare and non substitutable if managed properly and that provide the firm with sustainable competitive advantage (Ross, 2006). Organizationally committed employees demonstrate improved job performance (Bambacs, 2009).

Thus it is very crucial for top management of YUM to know whether the existing human resource practices that were outline in strategic plan in year 2010 can influence the job performance of subordinate. Hence, the factors in specific human resource practices that influence the job performance of subordinate such as performance appraisal, compensation and benefits, coaching and mentoring are important to examine.

Given the changing organizational circumstances in managing careers, there is a need for continued research into career management practices that elicit components of organizational commitment advantageous to the organization. In particular, more attention needs to be given to organizational policies and practices on careers and how employee preferences may improve or hinder levels of commitment to the organization. The moderating effect of work values also needs to be examined. (Bambacs, 2009).

The problem that found in this study is unknown practice that has significant toward job performance that needs to implement by the human resource. Hence the research question is "what are the significant factors in human resource practice that have influence towards employee's job performance?"

1.5 Objectives of Study

The objectives of the study are:

- 1.2.1 To examine the relationship between performance appraisal; and job performance
- 1.2.2 To examine the relationship between compensation and benefits; and job performance
- 1.2.3 To examine the relationship between coaching; and job performance
- 1.2.4 To examine the relationship between mentoring; and job performance

- 1.2.5 To examine the relationship between human resource practice; and job performance

1.6 Scope Of The Study

The study will be conducted in micro credit institutions YUM the state-owned government agency located in Sabah, Malaysia.

The total of respondent that involved in this research are 81 respondents in specific designation as 'loan supervisors'. These 'loan supervisor' was located permanently at 23 districts all over Sabah that responsibly to give the loan and also to collect the loan. The respondents will be covered regardless of the gender, ages, seniority, race, and so forth. This figure is based on the employee's list that be given by YUM office.

1.7 Significance Of The Study

By knowing the elements and factors that contributed the employees' job performance, hopefully this organization will come up with the comprehensive of the best human resource practices especially in performance appraisal, compensation and benefits, coaching and mentoring in order to ensure the job performance of the employees in specific 'loan supervisor' can be set to the maximum level.

1.8 Key Variables

In this study, the Independent variable to be studied is the human resource practices were performance appraisal, compensation and benefits, coaching and mentoring. Meanwhile the dependent variable is job performance.

1.9 Summary

As a summary, Chapter 1 gave an overview introduction for this research as the background of study. This chapter identified the problem arisen in YUM, and developed a problem statement for this research. Also mentioned in the chapter are the objectives and significance of study which could be beneficial to YUM especially for designated as 'loan supervisor'.

CHAPTER 2

LITERATURE REVIEW

2.1 Variables

The value of human resource practice towards employee job performance has been recognized over the years and the relationship with employee outcomes need to better understand (Luthans et. al, 2008). Hence it is very important to investigate the outcome of employee job performance because it reflects the practice of the human resource team.

In this study the independent variable was identified that contribute to the employee job performance as a dependent variable is the human resource practices that consists of four (4) dimensions which are performance appraisal, compensation and benefits, coaching and mentoring.

2.2 Job Performance

In order to describe the job performance that will become the independent variable, there are several studies about job performance that links to performance appraisal and compensation and benefits. According to Rusli (2010) found that, there is relationship between job performance in personality where concluded that well-constructed measure of normal personality are valid predictors of wide range of occupational and generally do not outcome in adverse impact for minority groups and can be linked to performance defined in the context of productivity. Frequently, the rewards (monetary or non monetary) given to the employees demanded the appraisal on employees' job performance must be done firstly.

One out of sixteen measurement items about service performance is staff reward for improved service delivery (Brannick et. al, 2002). The rewards whether by intrinsic neither extrinsic can be influenced on the job performance. In employees perspectives, the reward shall be worth with the contribution of the employees to



ensure they are motivated in order to foster high employees job performance. It can be assumed that when the rewards given to the employees is most likely worth with what they have done and contributed, it will end up with good motivation among the staff. With the high employees high motivation will encourage them to work hard and definitely target or goals stated by the top management will be achieved (Ivancevich et al., 2008). Sla^otten (2009) found that employees' feelings of joy and frustration explain more of the variance in employee-perceived service quality than managerial practices, i.e. "reward" and "empowerment." Specifically, employees' feelings of frustration are found to be detrimental for employee-perceived service quality. Hence there is relationship between performance appraisal that will determine the benefits of employees that affecting the job performance.

The job performance also has influence by the organization practices and human resource practices. There are several study that link the job performance with the organization practices and human resources practices that brings to the functionality of human resource and organizational toward employee job performance. Prowse and Prowse (2010) found that the main finding of research is the understanding of the problems of research design in measuring the contribution of HRM to develop performance in organizations. Adhikari (2010) mention that clear link between organizational objectives and outcomes should be established by developing a human capital base in organizations in order to manage Project Manager in Nepalese organizations . HRD professionals help to integrate HRD functions and organizational objectives by creating a learning environment.

Dimba (2010) found that the Strategic Human Resource Management (SHRM) practices that best predict firm performance are training and development and compensation systems. The relationship between the use of SHRM practices and firm performance does not hold across the five bundles of what are considered as "high performance work practices". (Aggarwal and Bhargava, 2009) stated that the role of business and employment relationship strategy on Human Resource Practice (HRP); the relationship between HRP and organization culture as well as employees attitudes and behaviours; the relationship between HRP on and employee's psychological contract; and the moderating effect of those conceptions on employee attitudes and behaviours relationship.

The firm through human resource professional has significant input in designing the financial practice and human resource practice specifically in training, promotion, performance evaluation, and profit sharing where linked to better job performance. Hence concluded that the human resource manager has the capability in developing each of the aforementioned areas toward it employees will more likely the firm to achieve competitive advantage thus increased the firm performance (Ferguson and Reio Jr, 2010). Garg and Rastogi (2006) found that there are various approaches that allow management to design jobs for employee motivation, increased productivity and future growth. In order for the job design to be effective, management needs to look at what aspects of the jobs are important and better fit the organizational goals. Thus, one of the major purposes of job design is to be able to discuss what is needed from the job and the employees.

There are several study found that the job satisfaction has link to organizational commitment but not the job performance. Lee and Kamarul Zaman (2009) found that leadership behavior was found to be significantly related to organizational commitment, and organizational culture played an important role in moderating this relationship. Organizational commitment was found to be significantly associated with job satisfaction, but not with employee performance. However, only supportive culture influenced the relationship between commitment and satisfaction. The job satisfaction is predicted by organizational learning culture and performance goal orientation. Organizational learning culture, developmental feedback, and learning goal orientation are the significant predictors of organizational commitment (Joo and Park, 2010). Hence it is interesting to conduct the study in order to determine the significant of job performance instead job satisfaction in the YUM.

Several study about the job performance measurement especially in terms of quantity and quality that produced by the employee. There are four aspect that responded to the job performance such as works quantity, works quantity, punctuality and works system where the respondent have to indicate their level of performance in 10-likert scale (Shaffril and Uli, 2010).

In order to conceptualizing performance, the action aspect and an outcome aspect must be differentiated. The performance factors such as knowledge of work,

initiative, cooperation, problem solving, planning and organizing, communication, attention to safety, and attendance or punctuality can be self-rated and rated by superior office (Campbell et al., 1996).

However referred to the yearly performance evaluation report or 'Laporan Penilaian Prestasi Tahunan (LPPT)' in section 'Performance Appraisal Report' produced by YUM as an indicator to the employees performance, there are four main items that would be measured such as part III –work produced that consist of 50% marks, part IV- knowledge and skill that consist of 25% marks, part V-Interpersonal quality that consist of 20% marks and part VI- activities and contribution to community, department, district, state, country and international that consist of 5% marks. While the others are in part I described about the employee information, part II describe about activities, contribution and training, part VII is about the total mark of employee appraisal, part VII contain of comment and verification by the first appraiser and part IX is about comment from second appraiser.

In part I-employee information where the appraisee have to fill in a name, designation and grade, and department.

While in part II- activities, contribution and training that also have to fill in by the appraisee. This part II were divided into two sub part, sub part no. 1 is about activities and contribution where the appraisee need to list down the activities and contribution that she or he has involved during the year such as sport, organization, creative contribution that beneficiary to community level, department level, district level, state level, nation level and international level. While in sub part no. 2 is about training where the appraisee need to list down the training that she or he was involved for the year including the duration of training and the training location. Beside that the appraisee also requested to list down the training and justification for the training that she or he needed which is related to the works.

In part III- works produced, the appraiser need to measure the appraisee performance based on the actual 'annual works target'. The measurements are based on four criteria's using scale of 1 to 10. Criteria no 1: Quantity of works – the quantity of works produced such as total of works, number of works, ratio of works, frequency

of works that were produced by the appraise then compared to the 'expected annual works target' will be measured. Criteria no. 2: Quality of works- the quality of works will be measured based on works perfection, works in order and well arrange. In addition the works effort and the initiative for the works in order to attained works perfection also measured. Criteria no.3: punctuality – the ability to produced the works or executed the works within the time frame will be measured. Criteria no.4: the works were produced that meet the stake-holder expectation also will be measured. The total marks for this part III are 50 % which is the higher weighted for the marking.

In part IV- knowledge and skill, the appraisee will be measured based on three criteria's using scale of 1 to 10. Criteria no 1: knowledge and skill in works- the measurement based on the employee knowledge and expertise in produced the works that covered the ability to identify problem, ability to analyst the problem and ability to solve the problem. Criteria no. 2: policy implementation, regulations and administrative instruction – the ability of appraise in recognizing and implement policies, regulation and administrative instructions relating to the job. Criteria no. 3: Communication effectiveness – the measurement based on the appraise ability to express the opinions, the ideas, the understanding or the oral and written instructions that related to the job include the proficiency in written and oral presentation using good grammar. The total marks for this part IV are 25% which the second highest weighted for the marking.

In part V- Interpersonal quality, the appraisee will be measured based on four criteria's using scale of 1 to 10. Criteria no 1: Ability to manage- capability of mobilizing all the resources within his/her control such as finance, human resource, tools and information that to be fully utilized for plan, organize, distribute and operate a task in order to achieve the objectives of the organization. Criteria no. 2: Discipline – Capability to control her/his self mentally and physically, including compliance with regulations, punctual, fulfill a promises and passion. Criteria no. 3: Proactive and innovative – the measurement based on the appraise ability to predict, invent and produced new ideas, and do a reform in order to enhance the quality and productivity of the organization. Criteria no. 4: Relationship and cooperation – the appraise ability to create conducive corporation and harmony and also ability to adjust themselves in all circumstances. The total marks for this part IV are 20% which is the third highest weighted for the marking.

In part VI – Activities and contribution outside official duties, the measurements are based on the activities and contributions of appraisee to the community, department, district, state, nation and international level. The total marks for this part VI are 5% which is the lowest weighted for the marking.

In part VII – Total marks, both appraisers need to total up the marks from the evaluation in parts III, IV, V and VI where the average marks of appraisee will be produced.

In part VIII and IX- Comments and verification from both appraisers which are contained of the works durations of appraisee, comments regarding the whole appraisee performance and career development. Then both appraisers need to verify the performance evaluation by signing in the end of these parts.

In the LPPT also has 'Annex A' which is consist of three parts where the part I is about to determine the annual works target, part II is about to evaluate the annual works target in the middle of the year and part III is about report and comment regarding the annual works target from both appraisee and appraiser.

In part I Annex A, the YUM have specific annual works target for the 'loan supervisor' which is shown in Appendix I in this study.

In LPPT also has 'Annex B' which is describe about the measurement scale for the performance where divided into four parts. Part 1 is scaling in works produced aspect; part 2 is scaling in knowledge and skill; part 3 is scaling in personal quality and part 4 is scaling in activities and contribution outside official duties. All of these scaling were shown in Appendix J, Appendix K, Appendix L and Appendix M in this study.

2.3 Performance Appraisal

The performance appraisal is a process where the superior evaluate and judges the work performance of a subordinate. Performance appraisal system is formal process and is a apart of personnel management policy. The results of performance appraisal

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