

## Human Resource Management Influence Organizational Performance and Employee Behaviour as a Mediator

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**Received date:** 12 August 2018, **Accepted date:** 15 October 2018, **Online date:** 4 November 2018

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### Abstract

HRM policies can help employees to adapt the employee behavior in organization. It is inspire the employee outcome and increase the behavior of employee to achieve organization's goals and targets. When the relationship exists between HRM and employee behavior, it can lead to better organization performance. Therefore, the aim of this study is to explore employee behavior as a mediator between HRM and organizational performance. A sample of this study was 219 respondents from employee construction in Libya. The data was analyzed using structural equation modelling (SEM) approach. This study showed that employee behavior is a full mediator between relationship HRM and organizational performance. Therefore, HRM practices influence employee behavior and its give impact to organizational performance for more effective and efficient in achieving organization goal.

**Key words:** Employee behavior, human resource management, organizational performance, positive behavior,

### INTRODUCTION

The practice of human resource management (HRM) is vital to assess to determine the companies succeed or fail or varying the performance levels. It seems that organizations that use proper HRM techniques do have higher levels of performance (Yeung & Berman, 2012). As such, HR process provides the employees with a system that guides them in making the correct decision not only in regards to what they have to do rather also provide them with the appropriate way for doing it (Raj & Kothai, 2014). One of the HRM output such as employee behavior strongly influence Organizational performance. It should be noted that these elements and performance are interlinked variable and these are counted as the key factors in moving the Organization forward. If the employee behavior towards the organization is not positive, the outcome cannot be positive. Study conducted by Dearden *et al.* (2006) found that appropriate job training motivate employees towards increased productivity where the results are shared by both the employees and the employers.

However, rewarding structure in the modern organizations is now days have changed. As the assessment and planning appraisal for employee performance is not an easy task, organizations must use proper mechanism and accurate tools effectively for managing its diverse workforce. An Organization must remember that a properly managed human resource can be an essential tool for the organization. Therefore, there is a need for strategic HRM policies through which moulding individual expectations will be easier that ultimately help employees to adapt their behavior. In literature review, there is a lack of studies to look into the employee behavior as a mediator between HRM and organizational performance, particularly in Libya. Therefore, the main objective of this study is to examine employee behavior as a mediator between HRM and organizational performance from the employee's construction in Libya.

### LITERATURE REVIEW

#### Human Resource Management (HRM)

HRM has grown as the key and most integral portion of organizations. In recent time, HR is seen as "the available talents and energies of people who are available to an organization as potential contributors to the creation and realization of the organization's mission, vision, strategy and goals" (Boselie *et al.*, 2009). Gardner and Wright (2009) have termed HRM as "The pattern of planned human resource developments and activities intended to enable an organization to achieve its goal". A further study conducted by Nishii and Wright (2008) have noted HRM as "A general approach to the management of human resources in accordance with the intentions of the organization on the future direction it wants to take. It is concerned with longer term people issues as part of the management processes of the business". According to Deb (2006), "HRM is the process by which an organisation ensures that it has the right number and right kind of people, at the right place, at the right time, capable of effectively and efficiently completing those tasks that will help the organisation achieve its overall objectives". Abdullah, Ahsan and Alam (2009) have studied the effect of HRM on business performance in the context of Malaysia. There are few important elements of HRM need to be considered which effect business performance. These elements are training and development, team work, compensation/incentives, HR planning, performance appraisal and employees' security. This is because, HRM has grown as the central part of an organization that implies the overall organizational performance. HRM deals with multiple management activities including dealing with hiring, firing and payroll for the employees. Thus, it deals with the

management of people in Organizations'. For example, the performance appraisal must observe the employee's performance as well as defining important training and development needs as more skilful workers will perform better. Hence, developing skills of the employees through right training will contribute and enhance organizational performance. Hence the role of HRM is to make sure that it has the right number and right kind of people, at the right place, at the right time who are capable of carrying out the tasks assigned to them proficiently that helps the organisation to accomplish its overall objectives.

### Organizational Performance

Organisational performance basically can be defined as how a company or an organisation is performing with respect to the current business market. An organisation with efficient performance can be considered as successful for profit-making. An important part of the human management process of any organisation includes selection of suitable human resources and keeping the employees motivated. Human resource management is the base of an elevated performance for any business. In the construction industry, there is adequate scope for improving organisational performance through efficient people management. The development of an efficient system for the managers and employees is a major challenge with any organisational performance management system (Mohamad & Lo, 2009).

Katou (2008) noted that an organization's set of HRM policies are very effective in determining the performance of the Organization. If the HRM policies are aligned with business strategies, organizations will be able to gain and retain competitive advantage which will ultimately enhance organizational performance. According to Katou (2008), identifying the definite mechanisms is crucial to understand the relationship between HRM practices and organizational performance. Vermeeren *et al.* (2014) have pointed out that business strategies are defined in line with the organizational goals and objectives.

Therefore, HRM policies need to be modified or adjusted to the target set by the Organization. However, HRM policies and organizational performance sometimes controlled by different factors such as size, capital intensity, industry and degree of unionization. Here, size is about how large the organization is. Definitely, larger Organisation will have bigger variation in the output compare to smaller Organisation. This is because, large organizations may be more likely than small ones to have well-developed HRM policies. The size variable is referred as the number of total employees in the Organisation so that few large firms would not affect the results disproportionately. Besides, capital intensity, industry and degree of unionization also influence the values and development of the Organisation. Hence, these elements can be considered as the control variables that will help to better understanding the linkage between HRM policies and organizational performance (Katou, 2008).

### Employee Behavior as a Mediator

HRM policies can assist employees in adapting to the employee behaviour within the organisation. It aims to improve the employee outcome and employee behaviour to help achieve the goals and targets of the organisation. When there is a relationship between employee behaviour and HRM, better firm performance can be achieved. HRM output, like employee behaviour, is one of the outputs that have the strongest influence on organisational performance. However, if the behaviour of the employee towards the organization is negative, the result will never be positive. Dearden *et al.* (2006) discovered that suitable job training encourages employees to increase their productivity, where both the employees and the employers share the results.

A human resource that is properly managed can be an important tool that influences the behaviour of the employee. Recent literature explains employee behaviour based on different constructs (Purcell *et al.*, 2003; Purcell & Hutchinson, 2007). Eskildsen and Kristensen (2006) then partitioned these constructs further into five categories based on the work environment and the characteristics of the job. These categories are organisational vision, organisational image, superiors, condition of work, and co-worker.

Organisational image describes how a person or the actual employee sees their organisation (Eskildsen & Kristensen, 2006). This has a direct relationship to the overall reputation of the reputation. This is also related to the employees branding initiative of the organisation (Combs *et al.*, 2006). One can also link this organisational image with the industry image of Libya since the employees will consider their organisational image as their job linked satisfaction. This means that they will have the chance to make a comparison of their job with others. This will therefore affect their behaviours. Apart from that, organisational vision is vital in job satisfaction (Lambooi *et al.*, 2006). For instance, if the Libyan industries will envision a relationship with the career vision of the employees, the organisational vision becomes parallel and even in line with the behavioural pattern of the employees.

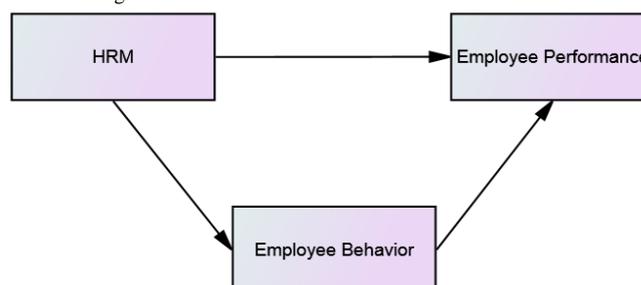
Superiors pertain to the head of an organisation, which is typically the bosses of the employees or the managers (Cadwallader *et al.*, 2010). An employee who is happy with his or her superior manager or boss will function as a tonic for the current job (Cheng & Robertson, 2006). It is apparent that the mode and satisfactory levels of employees are related to the workplace environment. In certain cases, superiors are responsible for creating a working environment (Eskildsen & Kristensen, 2006). However, one can also say that the behaviour of employees is closely related to the superiors as well. The term co-worker refers to a person who works with the employee or a fellow worker who is working within an organisation (Dar *et al.*, 2014). In any industry, co-workers have an important role in influencing their behaviours (Cheng & Robertson, 2006). Because industrial work needs a numerous activities like repair and installation of equipment, having a good internal relationship among co-workers is vital in doing these kinds of activities. Thus, the employee's behaviour and attitude influence the presence of a good relationship.

Condition of work is the last characteristic. The condition of work is an important factor. This can be explained in various ways (Guest, 2001). The organisation has to improve the working condition. This can be achieved through practices such as observing good management in order to gain better focus and achieve the organisational goal. Alternatively, one can experience job stress given certain symptoms in an organisation (Leopold & Harris, 2009). Within the industrial sector, this also has a vital role in the business arena, where signs of stress in employees are observable through the behaviour that employees have towards the performance of the organisation (Zheng & Lamond, 2009).

There is therefore a need for proper HRM policies that will ease the process of moulding individual expectations, which will ultimately help employees in adapting to their behaviour (Bowen & Ostroff, 2004; Lambooi *et al.*, 2006). The most appropriate HRM strategy for an organisation will help ensure that employees are aware of the kinds of behaviours that the organisation expects out of them (Delaney & Huselid, 1996; Bowen & Ostroff, 2000). This also helps inspire the employee outcomes, ultimately improving employee behaviour (Cadwallader *et al.*, 2010). As a result, employees will build an environment that will make it easier for all the employees of the organisation to know how and where they can assist their co-workers (Miller & Whitford, 2007; Prašnikar *et al.*, 1999).

### Conceptual Framework and Hypotheses Development

The basic research model in this study is exhibited in Figure 1.



**Fig 1.** Conceptual Framework

To meet the research objectives and based on the conceptual framework presented above, four hypotheses are constructed as follows:

H1: Human Resource Management (HRM) is positively related to Employee Behavior.

H2: Employee Behavior is positively related to Organizational Performance

H3: Human Resource Management (HRM) is positively related to Organizational Performance

H4: There is a mediating relationship through Employee Behavior between Human Resource Management (HRM) and Organizational Performance

## RESEARCH METHODOLOGY

The research design of this study focus on a quantitative approach to achieve the research objectives. This study will use a five point Likert scale. Pallant (2007) mentioned that Likert scale is that it sums up the responses to represent a particular statement which then can be manipulated to obtain certain desirable result with regards to objective of the study. In this proposed research study, data was collected through a self-administered questionnaire from the various construction companies operating in Libya. The respondents for this study are the employees working at various construction companies in Libya. A random sampling method is used to select the samples for this study. The respondents are chosen from the different companies randomly. Prior to that, the respondents are asked their willingness to participate in this survey and only those who voluntarily agreed is given the questionnaire.

## FINDINGS AND DISCUSSION

### Demographic Profiles

Table 1.1 summarizes the demographic profile of the employees. The samples comprised of 219 employees. 61.2 percent (N = 134) of the employees were working in commercial, and 38.8 percent (N = 85) were working in housing. In terms of classification of organization (total capital), 52.5 percent (N = 115) were in category A (more than 10 million dinner), 40.2 percent (N = 88) were in category B (between 5 and 10 million dinner), 5.5 percent (N = 12) were in category C (between 1 and 5 million dinner) and 1.8 percent (N=4) were in category D (less than 1 million dinner). In term of nationality, 54.3 percent (N = 119) of the employees were local, while the 45.7 percent (N = 100) were foreigner. Majority 64.4 percent (N=141) were degree holder, 26.5 percent (N=58) were Master degree, 6.4 percent (N=14) were Diploma and 2.7 percent (N=6) were PhD. Regarding the job position, 56.5 percent (N = 124) of the employee work as civil engineer, 20.1 percent (N = 44) have work as mechanical engineer, 13.2 percent (N=29) work as architect, 5.9 percent (N=13) work as quality controller and 4.1 percent (N=9) work as site manager. The demographic data of employees revealed that majority of them monthly income (in Dinar) 3,001 – 5,000 (29.2 percent), 3,000 and below (28.8 percent), 5,001 – 10,000 (27.9 percent) and 10,001 and above (14.2 percent). Majority 45.7 percent (N=100) of the employee had working experience in 6-10 years, 34.2 percent (N=75) had working experience 16 years and above, 10.5 percent (N=23) had working experience 11-15 years and 9.6 percent (N=21) had working experience 5 years and below. In term of organization type, 94.1 percent (N=206) working in private organization and 5.9 percent (N=13) working in government employee.

**Table 1.1:** Demographic and Profile Details of Samples

Characteristic	Frequency	Percentage	Cumulative Percentage
Types of Construction (n=219)			
Commercial	134	61.2	61.2
Housing	85	38.8	100
Classification of Organization (Total Capital) (n=219)			
A (More than 10 million Dinner)	115	52.5	52.5
B (Between 5 and 10 million Dinner)	88	40.2	92.7
C (Between 1 and 5 million Dinner)	12	5.5	98.2
D (Less than 1 million Dinner)	4	1.8	100.0
Nationality (n=219)			
Local	119	54.3	54.3
Foreigner	100	45.7	100.0
Level of Education (n=219)			
Diploma	14	6.4	6.4
Bachelor Degree	141	64.4	70.8
Master Degree	58	26.5	97.3
PhD	6	2.7	100
Job Position (n=219)			
Architect	29	13.2	13.2
Civil Engineer	124	56.6	69.9
Mechanical Engineer	44	20.1	90.0
Quality Controller	13	5.9	95.9
Site Manager	9	4.1	100.0
Monthly Income (in Dinar) (n=219)			
3,000 and below	63	28.8	28.8
3,0001 – 5,000	64	29.2	58.0
5,001 – 10,000	61	27.9	85.8
10,001 and above	31	14.2	100.0
Years' Experience			
5 years and below	21	9.6	9.6
6 -10 years	100	45.7	55.3
11- 15 years	23	10.5	65.8
16 years and above	75	34.2	100.0
Organization Type			
Private Organization	206	94.1	94.1
Government Employee	13	5.9	100.0

The researcher has tested the direct effect of Human Resource Management (HRMT) and Organizational Performance (OrgP) and employee behavior (EBV) as a mediating as shown in figure 2

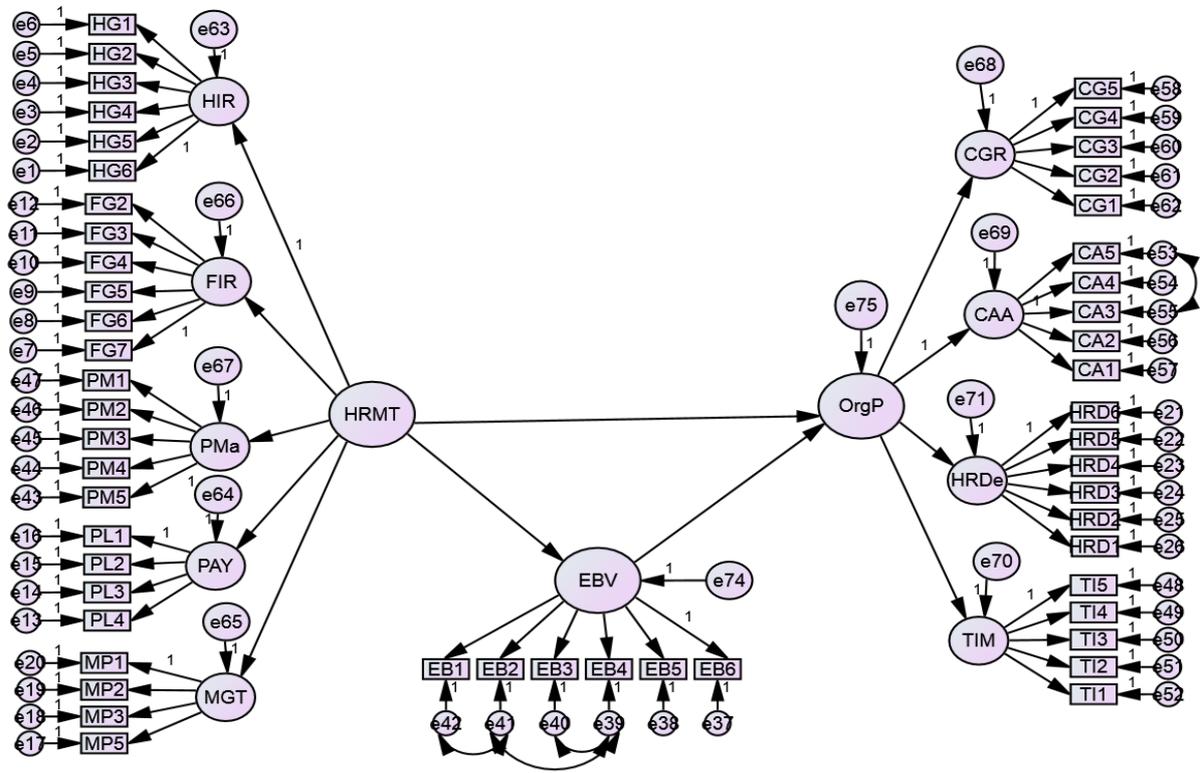


Fig 2: The output showing Regression Weights between construct

The first path coefficient HRMT → Employee Behavior (EBV) as shown in Table 1.3 proved acceptable result that can be judged via Critical Ratio (C.R.) and significance level (P). As C.R. is greater than 1.96 and P is significant, thus, it can be shown that the regression weight for HRM in the prediction of employee behavior which is significantly different from zero at the 0.05 level (two-tailed). Besides, the second path coefficient employee behavior → organizational performance also confirms an adequate result that can be determined using Critical Ratio (C.R.) and significance level (P). Since the C.R. is greater than 1.96 and P are significant, as a result, it can be indicated that the regression weight for employee behavior in the prediction of organizational performance is considerably different from zero at the 0.05 level (two-tailed). Hence, there is a true mediating relationship exists between HRM and organizational performance when employee behavior is treated as a mediator.

Table 1.3: The Path Regression Coefficient and its significance

Variable	Variable	Estimate	S.E.	C.R.	P	Result
OrgP	<--- EBV	.556	.096	5.806	***	Significant
OrgP	<--- HRMT	.237	.147	1.608	.108	Not Significant
EBV	<--- HRMT	.806	.096	8.442	***	Significant

Furthermore, the third path coefficient (HRMT → OrgP (organizational performance) indicated acceptable result that can be proved using Critical Ration (C.R.) and significance level (P) values. In this circumstance, the C.R. value is lower than 1.96 and P is not significant Therefore, there is direct relationship between HRM and organizational performance, which is a sign of full mediating relationship while there is a factual intervening relationship exists between HRM and organizational performance when employee behavior plays a mediating role.

**Hypotheses Testing**

However, total four hypotheses, including mediating relationship, have been answered by goodness-of-fit indices, showing the HRM influence employee behavior and employee behavior influence organizational performance. Moreover, Table 1.4 summarizes the findings on the hypotheses in this research framework.

Table 1.4: Summary of Hypotheses Testing

H (x)	Hypotheses	Finding
H1	Human Resource Management (HRM) is positively related to Employee Skills	Supported
H2	Employee Skills is positively related to Organizational Performance	Supported
H3	Human Resource Management (HRM) is positively related to Organizational Performance	Not Supported
H4	There is a mediating relationship through Employee Skills between Human Resource Management (HRM) and Organizational Performance	Supported

The findings suggested that employee behavior is a significant and full mediator to the relationships between HRM and organizational performance. Therefore, employee behavior is critical in boosting the effect of HRM with organizational performance.

### CONCLUSION

This study is an attempt to assess the employee behavior as mediator between HRM and organizational performance in employee Construction Company in Libya. Prior to conducting Structural Equation Modelling (SEM), the reliability analysis is checked via Cronbach's alpha coefficient of the three extracted factors for the purpose of ensuring the internal consistency. Next, the mediating relationship is performed using SEM to indicate the appropriateness of the measurement instruments. The results indicated that HRM is positively related to the employee behavior directly related to the organizational performance. Apart from this, the employee behavior is found assertively allied to the organizational performance while employee behavior plays the mediating roles in the HRM towards organizational performance in Libya. The current study adds value to the current level of knowledge in the existing literature.

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