

Influence of HRM Practices on Project Performance: Conceptual Framework

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DOI: 10.6007/IJARBSS/v7-i3/2691 URL: <http://dx.doi.org/10.6007/IJARBSS/v7-i3/2691>

Abstract

The main purpose of this paper is to conceptualize the importance of human resource management (HRM) practices towards project performance in the construction industry of Libya. HRM have been considered as the main source of sustainable competitive edge for the organization. It helps to create the workforce contribution, however there have not been extensive studies to fairly bleak the picture of employment practices and industrial relations specifically in the construction sector of Libya. The extensive literature having established the HRM-performance relationship, what is lacking is empirical research examining the mechanisms through which the relationships works. After reviewing the extant literature on HRM and performance, different conceptualisation have emerged. Perhaps the most important with regards to HRM practices is the concept of implementation reflecting to see the organisation succeed in its goals and feelings to being part of the organisation. This research will significantly contribute to provide new promising HRM framework that will tend to improve project performance in the construction industry.

1. Introduction

In order to ensure successful accomplishment of projects, project team need to maintain quality performance with effective human resource communication, procurement and support functions. Management needs information on employee job satisfaction in order to make sound decisions, both in preventing and solving employee problems. Organisations develop human resource policies that genuinely reflect their beliefs and principles and the relationship between management and employees, or they may merely devise policies that deal with current problems or requirements. The importance of human resource management has increased because management can achieve the organizational objectives only with the co-operation of the people working in the organization (Berkes, 2009).

Several theoreticians have argued that the human resources of the company are potentially the only source of sustainable competitive edge for organisations (Khandekar and Sharma, 2005; Need, 2006). (Becker and Huselid, 2006; Chadwick and Dabu, 2009) advocates that a human resource system helps create a workforce whose contributions are valuable, unique, and difficult for competitors to imitate. In contrast to the model of HRM developed by Storey (1995) which emphasises an approach to people management concerned with

developing and utilising employees in pursuit of organisational objectives. Much of the existing research tends to paint a fairly bleak picture of employment practices and industrial relations in the construction sector.

Construction industry although is one of the most labor-intensive industries, human resource management (HRM) issues are given inadequate attention (Dainty and Loosemore, 2013). Thus there is a need to redress this issue by examining both the strategic and operational aspects of managing human resources within the construction sector. Yet it has long been recognised that the way employees are managed can have important implications for organisational performance, and can even be a differentiator between successful and unsuccessful organisations (Townsend, Wilkinson, Allan, and Bamber, 2012).

The construction industry in Libya has witnessed several changes over the last fifty years. In the early 1950s, when funds were limited and the country was emerging from the Italian occupation, construction was of limited scale and value. In addition, construction skills were transferred from one generation to another, and construction products reflected people's values and cultures. After the revolution of 1969 and during the oil boom that followed in the 1970s, the construction industry played a key role in social and economic development processes. As a result, the country experienced a tremendous increase in the scale and volume of construction activities. However, construction constitutes an important component of global economic activity, and the very nature of the work is labour intensive, there has been a lack of attention given to the study of human resource management issues. Furthermore, though management styles clearly vary between firms and across countries, thus making it difficult to generalise, the construction industry has been beset by a poor image in relation to approaches to human resource management and workforce relations (Goodwin, 2006). Thus, the main research question arises is:

- What are the key HRM factors that affect project performance of the construction industry in Libya?

2. Literature Review

Employee retention issues have been continuously strained construction industry all over the world. Organizations today are constantly facing challenges due to radical trends: accelerating products and global competition, technological advancements, demographic challenges and simultaneously they must strive to implement trends towards the information age society. Many exploratory studies have identified that academicians like job hopping and are willing only to stay in their current organizations for less than three years. Construction sectors are seriously looking into staff retention strategies as administrating turnover is costly to them.

There have been studies confirming the role of internal career ladders as important HRM practice, but how the company conduct the internal career ladder practices including enrolment, selectivity, promotion, career aspirations and clear paths in relationship with performance have not been sufficiently documented. Thus, this paper utilized HRM practices like on job training, internal career ladders, result oriented appraisals, employee participation, employee security, information sharing, decentralization and employee reward to investigate its influence on project performance of construction companies in Libya.

2.1. On Job Training

Training can be characterised as the planned intercession that is intended to upgrade the determinant so of individual performance (De Grip and Sauermann, 2013). Keeping in mind the end goal to enhance the organisational productivity, training improves the productive and henceforth helps the employees accomplish their organisational objectives. Extensive training and development of employees are key as a source of competitive advantage (Laursen and Foss, 2012). Training helps employee to develop and gain knowledge, skills and abilities enhancing current job performance (Merchant Jr, 2010). According to Tzafrir (2005) employee development could be considered as trust creation mechanism and was found to be positively related to employee's trust. Furthermore, Becker et al, (2011) stated that performance is measured against the performance standards set by the organization. Besides, training gives the impression of being all the more identified with organisational results when coordinated with key contextual variables such as capital and business structure. Thus it is expected that:

H1:

2.2. Internal Career Ladders

Internal career ladder is defined as the extent to which an organization has an internal career ladder or provides internal career opportunities for its employees (Daley and Vasu, 2005). Policies for internal career opportunities have been shown to relate the employee pay and job satisfaction (Lee, 2009). There have been evidenced that shared services are not materialized. Shared services of employees face issues like less interesting work, low level of employee and customer satisfaction and induced career opportunities that lead to transfer of jobs from high wage to low wage economies (Cooke, 2006). Wealth of the employees is a signal of performance of the firms (Panigrahi and Yuserrie, 2015). Furthermore, Niederman and Ferratt (2006) mentioned that the main HR practice for long term tenure of employees includes employee reward and benefits associated instead of initiatives like reward and recognition and flexibility of work arrangements. Employees who are not satisfied are likely to seek career opportunities outside the organisation and are less willing to put in extra effort to comply with the organisation's policy. Having a policy for internal career opportunities reflects a project performance to its employees.

2.3. Result Oriented Appraisals

Performance appraisal an antecedent factor of HRM practice is a part of performance management based on organisational and employee goals. Performance appraisals are conducted once a year and help employees to focus on the formal goals and performance expectations that influence their pay, rewards, or promotions. Performance appraisals seeks to resolve communication challenge, increase productivity by providing timely feedback to employees, and make effective organisational decisions on pay, professional development, and promotion (Coens and Jenkins, 2002; Daley and Vasu, 2005). This sentiment was mirrored by Mayer and Davis (1999) who argued that perceptual reactions to the appraisals are equally important to build trust and performance. There are many financial and non-financial factors that can be used to measure performance appraisals of an individual (Panigrahi, Zainuddin, and

Azizan, 2014). In addition, Mathis and Jackson (2004) recommended that an adjusted, straightforward, and focused prize and pay framework affect the employee's talent. Similarly, according to Dreher and Dougherty (2005), a reward based methodology works as the driver of group and individual performance in the organisation. The concepts of performance are studied through evaluation of overall performance and the management of the performance and the evaluation of performance is the process classifying certain outcomes within a definite timeframe (Coens and Jenkins, 2002). The criteria should not include factors beyond the control of the individual employee. Supervisors also need to be trained to provide regular, meaningful and constructive feedback. Employees should also be provided with appropriate training and development opportunities to overcome weaknesses in performance identified through the appraisal process.

2.4. Employee participation

Employee participation is in response to the movement of quality in the organisation where an individual is encouraged to accept responsibility and challenges to deliver more output that is set. Traditional HRM is an efficiency-oriented model based on the skills and abilities of employees within the organisation. Traditional HRM practices like selection, employee reward, incentives, continuous employee development, and employee engagement led the practices to team effectiveness (van Emmerik, De Cuyper, and Jawahar, 2009). Khatoon et al. (2013) presented the HRM practices in relation to performance using dimensions like HR strategy and organisation, strategic recruitment, HR selection, strategic training and development, strategic performance, and employee participation in management. Furthermore, (Sung and Ashton, 2005) argued that participating in internal and external training courses is valuable to the employees as well as the organization. Inevitably, those employees who perceive greater formal training programs will be relatively more satisfied with their jobs than others, which will give them good feelings about their jobs and the organizations that their work in (Burke, 1995).

2.5. Employment Security

Employment security as one of the HRM practice is desired by all employees. Government jobs are often associated with greater job security than private jobs (Munnell and Fraenkel, 2013). Employment market in the organisation due to its flexibility through national policies with existing high standards and policies of income and employment security has become key component (Muffels, 2008). In addition Bashir and Ramay (2008) studied work environment, job security, pay satisfaction, and participation in decision making as factors affecting employees' commitment towards an organisation and found that work environment and job security result in high commitment to an organisation whereas pay satisfaction and participation poorly correlate with commitment. Job security is considered as an important factor for the job. The job in government and private consists of huge difference of job security. Private jobs have less security as compared to the government jobs due to long procedure for the termination of employees.

2.6. Information Sharing

Information sharing conveys employees the right meaning that the company trusts them. Information sharing also helps to make informed decision, employees should have access to critical information. Communicating performance data on a routine basis throughout the year help employees to improve and develop. Employees presumably want to be good at their jobs, but if they never receive any performance feedback, they may perceive to have a satisfactory performance when in fact they do not (Chow et al., 1999). Furthermore, information sharing fosters organizational transparency which reduces turnover (Ahmad and Schroeder, 2003) and forges synergistic working relationship among employees (Nonaka, 1994). Furthermore, information sharing always involves the danger of leaking important information to competitors (Ronde, 2001). In a study of Japanese consultation committees, Morishima (1991) found a positive association of information sharing with productivity and profitability, and a negative one with labour cost.

2.7. Self-Management

Employees are required to work in teams, make joint decisions, and undertake common initiatives in order to meet the objectives of their team and organization. Self-managed teams can affect firm growth in two ways: Firstly, a surplus of junior managers in a firm may create and support dynamics of firm growth. The growth stage is perhaps the most dynamic stage of a firm's life cycle. As the business expands, new levels of management are added. Decision-making becomes more decentralized, middle managers gain authority and self-managed teams proliferate as the firm adds more and more projects and customers (Flamholtz and Randle, 2000; Miller and Friesen, 1984). Teamwork and decentralization of decision making promotes employee participation and create a sense of attachment, thus indirectly affecting firm performance (Tata and Prasad, 2004). Several studies identified self-managed teams and decentralization as important high-performance HRM practices (Pfeffer, 1998; Wagner, 1994; Yeatts and Hyten, 1998; Singer and Duvall, 2000).

2.8. Employee Reward

Employee reward is measured as total income and additional benefits in the form of wages and salaries. In HRM, employee reward is crucial to provide comprehensive and consistent measures for employees. An efficient employee reward system enables employees to improve their knowledge, skills, and abilities thereby increasing their motivation and enhancing quality of employees leading to greater employee retention. Additionally, performance based system can be important tool to motivate employees so that they know only their performance level will decide their employee reward and bonuses they expect to receive (Ivancevich and Matteson, 1996). According to Den Hartog, Boselie and Paauwe (2004), organization need to do implementation and realization of their strategies so that they can ensure employees to perform well and eventually maximize the project performance. This performance can lead to quality outcomes as well as achieving the goals of the organization (Ali, 2000). Thus, HRM practices are usually seen as a result of an integration of Western and local or native human resource management practices (Chew, 2005).

Currently, organizations have been faced with a great deal of competition which continues to increase day by day. HR managers must therefore be on the constant lookout for ways to maximize the utilization of human resources for improving project performance. The proposed model investigating the relationship between HRM practices and project performance is provided in Figure. 1:

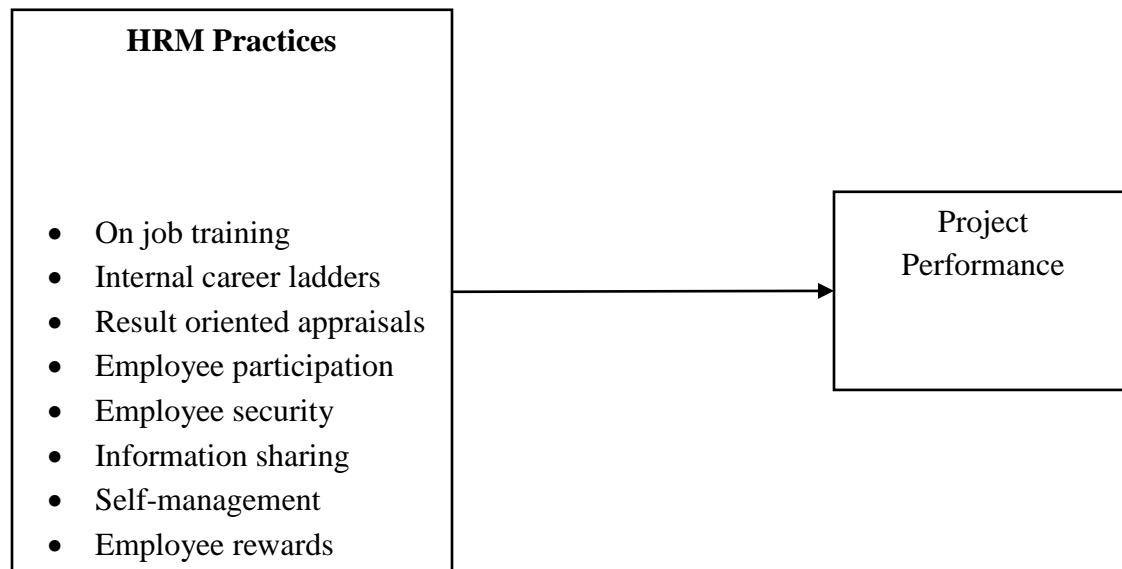


Figure.1: Conceptual Framework

3. Conclusions

The extensive literature having established the HRM-performance relationship, what is lacking is empirical research examining the mechanisms through which the relationship works. HR-performance relationship is a black box problem and many theories and research have been highlighted in this matter. The deployment of training predicts the productivity levels and speed of service across branches, which suggests that the skills gained through training may be used by employees to work more efficiently. Given that specific links were found between particular practices and performance outcomes rather than an overall general effect, this suggests that neither HRM nor performance should be considered as homogeneous constructs. The primary effect on performance would be expected to be through improved knowledge and skills rather than motivational effects or efficiencies generated by the design of work structure. It is also important to reiterate that the project performance measures by utilising a cross-sectional dataset consisting of HRM and project performance. This approach is in line with the relevant literature which suggested that the utilisation of measures obtained by the organisation empirically are more reliable and valid for improving project performance.

After reviewing the extant literature on HRM and performance, different conceptualisations have emerged. Perhaps the most important with regards to HRM practices is the concept of implementation reflecting to see the organisation succeed in its goals and feelings to being part of the organisation. To be more precise, it is notable that in a number of

areas it was not the overall measure of HRM which predicted employee behaviour but specific practices like internal career ladders, training, appraisals and employee reward.

Traditional HRM practices and policies focused on improving functions like training, selection, health, safety and performance appraisals and the like focus on improving communicational skills, internal ladders, motivation, procedural justices and so on have also been developed within the organisation (Schuler et al., 2001, Ulrich, 1998). However, it had been argued that such a practice may affect the climate of commitment reinforcing the validity of the psychological contract in the organisation. Thus it is obvious to investigate the role of HRM towards building and developing performance.

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