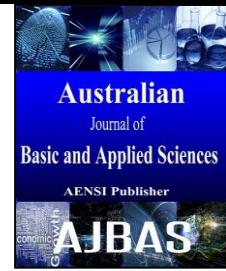




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Relationship between Human Resource Management (HRM) Practices and Organizational Performance Moderated by Organizational Commitment

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ABSTRACT

The main purpose of this study is to determine how relationship between Human resource management (HRM) practices and organizational performance, and to establish whether organization's commitment moderate the relationship between HRM practices and organizational performance. This study is considered as quantitative research. Population was employees of PT Bank Syariah Mandiri, with amount 60 employees. Data for the three variables were collected through a questionnaire. Analysis technique used was regression moderation. Research results showed that there was a close relationship between HRM practices and organizational performance, and the relationship become closer when organizational commitment included as a moderating variable. Proud and feel part of organization, making employees always strive to provide more value to organization, loyal to organization, mutual aid among others and providing support, indirectly will improve organizational performance.

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INTRODUCTION

It is well accepted that human resources were important to become success in most effective and efficient way. Only small numbers of company be able to get the hidden powers of the human resources and lead them to become market leader (Sang, C., 2005). Conventionally, HRM function was considered by managers as a tool to for dealing with staff and maintain organization noted. However, HRM function has been developed into a strategic partner, sharing ideas, perspectives, and resources with marketing department, finance, and accounting (Schuler, R.S. and I.C. MacMillan, 1984; Ulrich, D., 1987; Dulebohn, J.H., 1995; Barney, J.B. and P.M. Wright, 1998).

There were researcher's contradiction to study the relationship of HRM practices and firm performance. Business strategies with proper HRM practices will have a positive effect on firm performance (Chow, H.S., 2006). Ahmad and Schroeder (2003) tried to generalize seven HRM practices to operating practices. Seven HRM practices include job security, selection, team usage and decentralization, performance based on compensation / incentive, extensive training, status differences, and information sharing can affect on company's operations practice. Chang and Chen (2002) conducted a comprehensive study to evaluate

the relationship between human resource management practices and firm performance. Research results showed that HRM practices such as training and development, teamwork, benefits, human resource planning and performance assessment have a significant effect on employee's productivity, and having negative relation to employee turnover. Huselid *et al.* (1997) examine the effect of HRM on firm performance. HRM can be divided into two categories, namely HRM strategies and HRM technique. HRM strategies include compensation, recruitment and training, employee relations / industrial relations, selection tests, assessment and employee attitudes. Central issue in HRM strategic literature was whether HRM practices within company can provide resources and sustainable competitive advantage (Huselid, M.A. and B.E. Becker, 1996). On one hand, human resources can become a source of competitive advantage and become key to competitive advantage within organization.

Companies should increase employee commitment. Employee commitment can increase or decrease the relationship between business strategy and HR practices (Feng-Hui, 2010). Organizational commitment was willingness to exert extra effort for benefit of organization and a strong desire to maintain membership in organization (Zeinabadi and Salehi, 2011). Competence was often used reflect

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person's ability at specific field or skill, such as verbal communication, presentation skills, technical knowledge, stress control, planning ability and decision-making ability (Dreher, 2001). Professional and competent employees can make Islamic banking to be able to compete and have a competitive advantage.

Methods:

Based on research objectives, this was an explanatory research. Explanatory research was to test the hypothesis relation between variables (Faisal, Sanapiah, 1992). Population was all permanent employees were not included in leadership element of PT Bank Syariah Mandiri Malang with number of 155 employees. Sampling technique used was proportional random sampling, in order to obtain a sample of 60 employees. HRM practices questionnaire consists of 10 items refer to opinion of. Organizational commitment questionnaire developed by (Meyer, J.P. and M.J. Allen, 1991). Organizational performance refers to (Feng-Hui, 2010). Data analysis use regression moderation techniques. This analytical approach use least square

method in parameter estimation process (Ferdinand, Augsty, 2013).

Results:

Regression test result can be seen in recapitulation Table 1. R value of 0,752 indicates that model can explain simultaneous relation of existing variables by 0,752. It shows that variance of HRM practices and organizational performance was explained by model by 75,2%; and the rest 24,8% can be explained by other variables. IT means that the model was good enough to explain study phenomenon. Adjusted R squared of 0,557 means that variance of HRM practices and organizational performance can be explained by model by 55,7%; and the rest 44.3% can be explained by other variables. Probability value of 0,000 <0,05 means there was no significant relationship between HRM practices and organizational performance. Relationship magnitude between variables was indicated by regression coefficient of 0,710. Moderation test result can be seen in recapitulation Table 2.

Table 1: Regression Analysis Recapitulation the effect of HRM Practices (X) on Organizations Performance (Y).

Variable	Regression Coefficient (bi)	t count	Probability	Partial Determination Coefficient Partial	H ₀ Decision
Constant					
X1	0,710	8,677	0,000	0,752	Rejected
Adjusted R ² = 0, 557 Multiple (R) = 0,752 N = 60			Probability = 0,000 α = 0,05		

Table 2: Analysis Result the Effect of HRM Practices (X) on Performance Organizations (Y) that Moderated by Organizational commitment (X2).

Variable	Regression Coefficient (bi)	t count	Probability	Partial Determination Coefficient Partial	H ₀ Decision
Constant					
X1	0,096	10,862	0,000	0,819	Rejected
R ² disesuaikan = 0, 665 Multiple (R) = 0,819 N = 60			Probability = 0,000 α = 0,05		

R value of 0,819 indicates that the model can explain simultaneous relation of existing variables by 0,819. It shows the variance of HRM practices, organizational commitment and organizational performance can be explained by model by 81.9%; and the rest 18.1% can be explained by other variables. IT means the model was very good to explain the studied phenomenon. Adjusted R squared of 0.665 indicates that variance of HRM practices, organizational commitment and organizational performance can be explained by model at 66.5%; and rest 33,5% can be explained by other variables. Probability value 0,000 <0,05 shows that there is no significant relationship between HRM practices and organizational commitment on organizational performance. Relationship magnitude of regression coefficient between variables was 0,096. Comparison between regression results and moderation result show that there was an increase in R value from

0,752 becomes 0,819. Similarly, adjusted R square also increase from 0,557 becomes 0,665. Relationship improvement indicates that organizational commitment moderates the effect of HRM practices on organizational performance.

Discussion:

This section explains issues the formulated issues. Furthermore, we will discuss the accepted research hypothesis that supported by facts or rejection of study hypothesis by regression moderation. Calculation was done with SPSS software program to show test results and path coefficients with significance level.

Effect of HRM Practices on Organizational Performance:

Explanation the effect of HRM practices on organizational performance was to answer the

problem formulation and research hypothesis the effect of HRM practices on organizational performance. Regression analysis the effect of HRM practices on organizational performance obtained adjusted R square value of 0,557 and p-value 0,000 less than 0,05. It shows direct effect of HRM practices on organizational performance. Positive beta coefficient (0,710) indicates that the effect was unidirectional. It means that better HRM practices will lead to higher organizational performance. This research result supports the research of (Huselid, M.A., 1997; Chow, H.S., 2006) that proper HRM practices will have a positive effect on firm performance. Similarly, Ahmad, and Schroeder (2003) stated that seven HRM practices (job security, selection, team usage and decentralization, compensation/ incentive based on performance, extensive training, status differences, and information sharing) affect on company's operations practice.

Effect of HRM Practices on Organizational Performance Moderated by Organizational Commitment:

Explanation the effect of HRM practices on organizational performance that moderated by organizational commitment was to answer the problem formulation and research hypothesis which states that HRM practices will increase effect of organization performance if supported by employees commitment. Analysis result show adjusted R square value of 0,665 with p-value 0,000 less than 0,05. Probability value of 0,000 <0,05 shows there is no significant relationship between HRM practices and organizational commitment on organizational performance. Comparison between regression results and moderation result show that there was an increase in R value from 0,752 becomes 0,819. Similarly, adjusted R square also increase from 0,557 becomes 0,665. Relationship improvement indicates that organizational commitment moderates the effect of HRM practices on organizational performance. This research findings support researches of (Zeinabadi and Salehi, 2011) that organizational commitment become predictors for performance. Likewise, research results of Chiang and Tsung (2012) stated that organizational commitment was a determining factor of employee's performance.

Conclusion:

This study conclusion can be stated as follows: (1) HRM practice affect on organizational performance. Employee who has been involved in training will try to improve performance. (2) Commitment mediates the effect of HRM practices on performance. Employee's welfare improvement and "humanize the human" can makes employee strive to provide more value to organization to improve performance. It indirectly affect on organization performance. Employee satisfaction

must be considered by leadership. Therefore, organization should pay more attention to employee job satisfaction, because satisfaction was an individual's general attitude toward his work. Motivating factor was needed to improve job satisfaction in order to make better performance.

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