



**THE INFLUENCE OF HUMAN RESOURCE PRACTICES ON JOB
SATISFACTION: A STUDY AMONG EXECUTIVE EMPLOYEES' OF A
SEMICONDUCTOR MANUFACTURING ORGANISATION**

**A project paper submitted to the College of Business in partial fulfillment of
the requirements for the degree of Master of Human Resource Management**

Universiti Utara Malaysia

BY:

MOHD FADZLY BIN MAHYUDDIN



KOLEJ PERNIAGAAN
(College of Business)
Universiti Utara Malaysia

PERAKUAN KERJA KERTAS PROJEK
(Certification of Project Paper)

Saya, mengaku bertandatangan, memperakukan bahawa
(I, the undersigned, certified that)

MOHD FADZLY BIN MAHYUDDIN (804274)

Calon untuk Ijazah Sarjana

(Candidate for the degree of) **MASTER OF HUMAN RESOURCE MANAGEMENT**

telah kertas projek yang bertajuk

(has presented his/her project paper of the following title)

**THE INFLUENCE OF HUMAN RESOURCE PRACTICES ON JOB SATISFACTION : A STUDY
AMONG EXECUTIVE EMPLOYEES' OF A SEMICONDUCTOR MANUFACTURING ORGANIZATION**

Seperti yang tercatat di muka surat tajuk dan kulit kertas projek
(as it appears on the title page and front cover of the project paper)

Bahawa kertas projek tersebut boleh diterima dari segi bentuk serta kandungan dan meliputi bidang ilmu dengan memuaskan.

(that the project paper acceptable in the form and content and that a satisfactory knowledge of the field is covered by the project paper).

Nama Penyelia : **DR. CHANDRAKANTAN A/L SUBRAMANIAM**
(Name of Supervisor)

Tandatangan :
(Signature)

Tarikh : **06 OCTOBER 2010**
(Date)

PERMISSION TO USE

In presenting this project paper in partial fulfillment of the requirements for a Post Graduate degree from the Universiti Utara Malaysia (UUM), I agree that the Library of this university may make it freely available for inspection. I further agree that permission for copying this project paper in any manner, in whole or in part, for scholarly purposes may be granted by my supervisor or in their absence, by the Assistant Vice Chancellor of the College of Business where I did my project paper. It is understood that any copying or publication or use of this project paper or parts of it for financial gain shall not be allowed without my written permission. It is also understood that due recognition shall be given to me and to the Universiti Utara Malaysia (UUM) in any scholarly use which may be made of any material in my project paper.

Request for permission to copy or to make other use of materials in this project paper in whole or in part should be addressed to:

Assistant Vice Chancellor
College of Business
Universiti Utara Malaysia (UUM)
06010 Sintok
Kedah Darul Aman

DISCLAIMER

The author is responsible for the accuracy of all opinion, technical comment, factual report, data, figures, illustrations and photographs in this dissertation. The author bears full responsibility for the checking whether material submitted is subject to copyright or ownership right. Universiti Utara Malaysia (UUM) does not accept any liability for the accuracy of such comment, report and other technical and factual information and the copyright or ownership rights claims.

The author declares that this dissertation is original and his own except those literatures, quotations, explanations and summarizations which are duly identified and recognized. The author hereby granted the copyright of this dissertation to College of Business, Universiti Utara Malaysia (UUM) for publishing if necessary.

Date:

Student Signature: _____

ACKNOWLEDGEMENTS

In the name of Allah, the Most Beneficent, the Most Merciful. May His blessing and mercy be upon our Prophet Muhammad S.A. W.

As I reach the end of the Master of Human Resource Management program at the Universiti Utara Malaysia, I would like to thank the outstanding team of professionals who contributed to my successful completion of this program. First and foremost, I want to express my sincere and heartfelt appreciation to my supervisor, Dr Chandrakantan Subramaniam who throughout this research not only provided me the support, direction and advice but also munificently communicated his thoughtful insight, suggestions and many valuable comments which helped shape this academic writing. Without his support, this study and other related works would not have been possible. His constant encouragement from the beginning time, guidance, patience and constructive critic towards the completion of the research report is deeply appreciated.

My appreciation also extended to all respondents for giving me much of valuable knowledge and information.

I would also like to express gratefulness to my family for their unconditional support. To my beloved wife Noor Hashidah Ali Musa, and our children, Nur Azwa Izzati, Muhammad Izzat Zafri, Nur Aziatul Ifa and Muhammad Farid Zaim for their patience, love and encouragement enable me to complete this dissertation.

ABSTRACT

The purpose of this paper is to investigate the relationship between human resource management (HRM) practices with the perception of the executive employees' with their job satisfaction. First of all, the paper aims to test the three-component model of human resource practices. There are performance management system, training and development and compensation and benefits in the semiconductor manufacturing organization. Among the above variables, the aims are to identify performance management system, training and development or compensation and benefits were positively correlated with employee's job satisfaction.

The participants of the study were involved 133 executives employees working in various departments in one of the largest MNC semiconductor company located in Klang Valley.

The results of the investigation revealed that the three-component measure of human resource practices is valid. Contrary to expectations, it was found that there was a significant relationship between human resource practices and employees' job satisfaction.

The design of the study does not allow making causal statements. In addition, the sample is quite small and may not be representative, so one should be careful to make generalizations to other populations. Third, since all measures used are self-reports, common method variance is a problem, as well as social desirability effects.

Job satisfaction is an important research topic of human resource management, having both practical and theoretical implications. Managers or the organization would benefit and through retention of talents in their organization.

TABLE OF CONTENTS

	Page
PERMISSION TO USE	i
DISCLAIMER	ii
ABSTRACT	iii
ACKNOWLEDGMENT	iv
TABLE OF CONTENTS	v
LIST OF TABLES	vi
LIST OF FIGURE	vii
 CHAPTER ONE: INTRODUCTION	
1.1 Background of the Study	1
1.2 Problem Statement	5
1.3 Research Objectives	8
1.4 Significance of the Study	8
 CHAPTER TWO: LITERATURE REVIEW	
2.1 Introduction	12
2.2 Job Satisfaction	12
2.3 Human Resource Management Practices	18
2.4 The Importance of Human Resource Practices in the Organization	20
2.5 Human Resource Practices and Job Satisfaction	24
2.6 Summary	27

CHAPTER THREE: RESEARCH METHODOLOGY

3.1	Introduction	32
3.2	Research Framework and Hypothesis Development	32
	3.2.1 Hypothesis Development	33
3.3	Research Design	39
3.4	Measurement and Instrument	40
3.5	Data Collection	40
3.6	Variables and Measures	41
	3.6.1 Questionnaire Design	41
3.7	Pilot Test	44
3.8	Data Collection	46
3.9	Data Analysis	46
	3.9.1 Descriptive Statistics	47
3.10	Summary	48

CHAPTER FOUR: RESULTS AND FINDINGS

4.1	Introduction	49
4.2	Sample Characteristics	49
	4.2.1 Demographic Characteristics	50
4.3	Goodness of Measure	54
	4.3.1 Reliability Test	54
4.4	Descriptive Analysis	55
4.5	Correlation Matrix	60
4.6	Hypothesis Testing	61
4.7	Summary of Findings	64

CHAPTER 5: DISCUSSION AND CONCLUSION

5.1	Introduction	65
5.2	Recapitulation of Findings	65
5.3	Discussion	66
	5.3.1 Performance Management System	66
	5.3.2 Training and Development	67
	5.3.3 Compensation and Benefits	67
5.4	Limitation of Research	68
5.5	Managerial Implications	69
5.6	Recommendation for Future Research	73
5.7	Conclusion	75
	References	76
	Appendix A: Letter and Survey Questionnaires	79

TABLES LIST

		Page
Table 3.1	Five Point Scale	43
Table 3.2	Alpha Coefficient for Each Section	45
Table 3.3	Interpretation of Strength of Correlation Coefficient	48
Table 4.0	Response Rate	40
Table 4.1	Frequency Distribution – Designation	50
Table 4.2	Frequency Distribution – Gender	51
Table 4.3	Frequency Distribution – Age	51
Table 4.4	Frequency Distribution – Race	52
Table 4.5	Frequency Distribution – Marital Status	52
Table 4.6	Frequency Distribution – Education Level	53
Table 4.7	Frequency Distribution – Length of Service	53
Table 4.8	Frequency Distribution – Department	54
Table 4.9	Instrument Reliabilities	55
Table 4.10	Descriptive Analysis for Major Variables	56
Table 4.11	Descriptive Results of satisfaction with Performance Management Appraisal	57
Table 4.12	Descriptive Results of satisfaction with Training and Development	59
Table 4.13	Descriptive Results of satisfaction with Compensation and Benefits	59
Table 4.14	Inter-correlations of the Major Variables	61
Table 4.15	Results of regression analysis	62
Table 5.1	Regression results	66

FIGURE LIST

	Page
Figure 3.1 Research Model	33

CHAPTER 1

INTRODUCTION

1.1 Background of the Study

At present, Malaysia is among the world's largest exporters and the world's leading location for semiconductor assembly and test operations. Semiconductor devices make up the largest share of the electronic components sub-sector. Semiconductor devices accounted for RM90 billion in terms of exports in 2005 or 37.7 per cent of the total electronic exports. (*Source from Ministry of International Trade and Industry Malaysia-MITI*). Total employees engaged in the Manufacturing sector in March 2010 were 962,833, an increase of 10,644 persons or 1.1% compared with the preceding month. Year- on- year, the number of workers employed also increased 8,407 persons or 0.9%, as compared to 954,426 persons in March 2009 (*Source from Malaysia Statistic Department*). The electrical and electronics (E&E) industry is today, a key component of the manufacturing sector in Malaysia. Investments 1980- in the E&E industry between August 2006 : RM116.9 billion and number of employees are 343,000.

For Malaysian firms to survive in a global economy in the new millennium, they need to exploit all the available resources as a means of achieving competitive advantage. One resource recently recognized as providing a source of competitive advantage is the human resources of the firm and it is widely accepted that people in organizations are an important source of competitive advantage for firms (Pfeffer, 1994). Many scholars have reiterated that the increasing interest in human resources is due to the assumptions that employees and the

The contents of
the thesis is for
internal user
only

REFERENCES

- Alina, I.P., Simmons R, (2008). “*Human resource management practices and workers’ job satisfaction*”, The Management School, Lancaster University, Lancaster, UK International Journal of Manpower Vol. 29 No. 7, 2008 pp. 651-667.
- Addison, J.T., Siebert, S.W., Wagner, J. and Wei, X. (2000), “*Worker participation and firm performance: evidence from Germany and Britain*”, British Journal of Industrial Relations, Vol. 38 No. 1, pp. 7-48.
- Appelbaum, E., Bailey, T., Berg, P. and Kalleberg, A.L. (2000), *Manufacturing Advantage: Why High Performance Work Systems Pay off*, Cornell University Press, Ithaca, NY.
- Becker, B. and Gerhart, B. (1996), “*The impact of human resource management on organisational performance: progress and prospects*”, Academy of Management Journal, Vol. 39, pp. 779-801.
- Becker, B. and Huselid, M.A. (1998), “*High performance work systems and firm performance: a synthesis of research and managerial implications*”, Research in Personnel and Human Resource Management, Vol. 16, pp. 53-101.
- Borjas, G. (1979), “Job satisfaction, wages and unions”, Journal of Human Resources, Vol. 14 No. 1, pp. 21-40.
- Boselie, P. and Van der Wiele, T. (2002), “Employee perceptions of HRM and TQM, and the effects on satisfaction and intention to leave”, Managing Service Quality, Vol. 12 No. 3, pp. 165-72.
- Burmeister, W. (2004). Living in Dilbert's World: A cubicle eye's view of job dissatisfaction. *The Journal of American Academy of Business*, 5, 613-617.
- Chen, C. C., & Chiu, S. F. (2009). The mediating role of job involvement in the relationship between job characteristics and organizational citizenship behavior. *The Journal of Social Psychology*, 149 (4), 474-494.
- Chen, T.Y., Chang, P.L. and Yeh, C.W. (2004), “An investigation of career development programmes, job satisfaction, professional development and productivity: the case of Taiwan”, Human Resource Development International, Vol. 7 No. 4, pp. 441-63.
- Chew, Y.T. (2005b), “*The changing HRM practices of Japanese firms and the impacts on compensation practices of Japanese affiliates in Malaysia*”, *Forum of International Development*, Vol. 28 No. 1, pp. 55-80.
- Goldberg, L. R. (1990). An alternative ‘description of personality’: the Big-Five factor structure. *Journal of Personality and Social Psychology*, 59, 1216– 1229.
- Heller, D. J. (2002). The confounding role of personality and trait affectivity in the relationship between job and life satisfaction. *Journal of Organizational Behavior*, 815- 835.

- Judge, T. A., Locke, E. A., & Durham, C. C. (1997). The dispositional causes of job satisfaction: a core evaluations approach. *Research in Organizational Behavior*, 19, 151–188.
- Herzberg, F., Mausner, B., & Snyderman, B. B. (1959). *The motivation to work*. New York: John Wiley & Sons.
- Herzberg, F., Mausner, B. and Snyderman, B. (1959), *The Motivation to Work*, 2nd ed., Wiley, New York, NY.
- Hooi Lai Wan (2007) “*Human capital development policies: enhancing employees’ satisfaction*” Osaka School of International Public Policy, Osaka University, Osaka, Japan Vol. 31 No. 4, pp. 297-322
- Huselid, Mark A. (1995). The impact of human resource management practices on turnover, productivity, and corporate financial performance. *Academy of Management Journal*, 38: 635-672.
- Locke, E.A. (1976), “*The nature and causes of job satisfaction*”, in Dunnette, M. (Ed.), *Handbook of Industrial and Organisational Psychology*, Rand McNally, Chicago, IL, pp. 1297-349.
- Normala Daud(2006) “*Human Resource Management Practices and Firm Performance. The Moderating Roles of Strategies and Environmental Uncertainties*”, 20-58.
- Oshagbemi, T. (1995). Job satisfaction of workers in higher education. *Reflections on Higher Education*, 7 (8), 65-89.
- Oshagbemi, T. (1996). Job satisfaction of UK academics. *Educational Management and Administration*, 24 (4,) 389-400.
- Pearson, L., & Chong, J. (1997). Contributions of job content and social information on organizational commitment and job satisfaction: An exploration in a Malaysian nursing context. *Journal of Occupational and Organizational Psychology*, 70, 357-374.
- Pfeffer, J. and Langton, N. (1993), “*The effect of wage dispersion on satisfaction, productivity, and working collaboratively*”, *Administrative Science Quarterly*, Vol. 38 No. 3, pp. 382-408.
- Poon J.M.L (2003), *Effects of performance appraisal politics on job satisfaction and turnover intention*”, Faculty of Business Management, Universiti Kebangsaan Malaysia, Bangi, Malaysia, 323-331
- Poon, J.M.L. (2003), “*Situational antecedents and outcomes of organizational politics perceptions*”, *Journal of Managerial Psychology*, Vol. 18, pp. 138-55.
- Schmidt, S.W. (2007), “*The relationship between satisfaction with workplace training and overall job satisfaction*”, *Human Resource Development Quarterly*, Vol. 18 No. 4, pp. 481-98.

- Smith, P., Kendall, L. and Hullin, C. (1969), "*The Measurement of Satisfaction in Work and Retirement*", Rand-McNally, Chicago, IL.
- Snell, Scott A., Mark A. Youndt, and Patrick M. Wright. (1996). Establishing a framework for research in strategic human resource management: Merging resource theory and organizational learning. *Research in Personnel and Human Resource Management*, 14: 61- 90.
- Snell, S and Dean, J (1992). Integrated manufacturing and human resource management. A human resource perspective. *Academy of Management Journal*, 35, 467--504.
- Winter-Ebmer, R. and Zweimu" ller, J. (1999), "Intra-firm wage dispersion and firm performance", *Kyklos*, Vol. 52 No. 4, pp. 555-72.
- Wood, S. (1999), "Human resource management and performance", *International Journal of Management Reviews*, Vol. 1 No. 4, pp. 367-414.
- Wright, P.M. and Boswell, W.R. (2002), "*Desegregating HRM: a review and synthesis of micro and macro human resource management research*", *Journal of Management*, Vol. 28, pp. 247-76.