

**THE MEDIATING EFFECT OF ORGANIZATIONAL
CLIMATE ON THE RELATIONSHIP BETWEEN HRM
PRACTICES AND HR OUTCOMES IN THE LIBYAN
PUBLIC SECTOR**

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By

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**Thesis Submitted to
Othman Yeop Abdullah Graduate School of Business,
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ABSTRACT

Due to the lack of clarity between the Human Resource Management (HRM) practices and Human Resource (HR) outcomes, this study investigates the mediating role of organizational climate on the relationship between HRM practices (selection and recruitment, training and development, compensation and rewards, performance appraisal and HR planning) and HR outcomes in the public sector in Libya. A cross-sectional study using questionnaire survey was conducted, whereby the questionnaires were distributed through self-administered procedure. Questionnaire data were generated from 176 respondents comprising HRM managers in the Libyan public sector. The results from the hypothesis testing indicate, among others, that overall, there is a significant relationship between HRM practices and HR outcomes. Further findings show that organizational climate significantly and fully mediates the relationship between performance appraisal, compensation and rewards and HR planning and HR outcomes, but not the relationship between training and development and recruitment and selection and HR outcomes. Based on the findings, it can be concluded that HRM practices, such as selection and recruitment, training and development, compensation and rewards, performance appraisal and HR planning are significant and important factors that determine HR outcomes in an organization. Therefore, the study recommends that HRM practitioners and policy makers, should pay more attention to HRM practices in order to effectively improve HR outcomes in the organization. The study provides additional insight on the organizational climate from the Libyan perspective. Additionally, the study highlights the theoretical and practical implications with the limitations of the study and suggestions for future study also being included.

Keywords: HRM practices, employee relations, performance appraisal, human resource outcomes, organizational climate

ABSTRAK

Disebabkan hubungan Amalan Pengurusan Sumber Manusia dan Hasil Sumber Manusia kurang jelas, kajian ini menyemak peranan perantara iaitu iklim organisasi pada hubungan antara amalan Pengurusan Sumber Manusia (pemilihan dan pengambilan pekerja, latihan dan pembangunan, pampasan dan ganjaran, penilaian prestasi dan perancangan sumber manusia) dan Hasil Sumber Manusia dalam sektor awam di Libya. Satu kajian rentas yang menggunakan kajian soal selidik telah dijalankan, di mana soal selidik telah diedarkan melalui prosedur tadbir sendiri. Data dari soal selidik tersebut dapat dijanakan daripada 176 responden yang terdiri daripada pengurus sumber manusia di sektor awam Libya. Keputusan daripada ujian hipotesis menunjukkan, antara lain, bahawa secara keseluruhan, terdapat hubungan yang signifikan antara Amalan Pengurusan Sumber Manusia dan hasil Sumber Manusia. Penemuan selanjutnya menunjukkan bahawa iklim organisasi secara signifikan dan sepenuhnya menjadi perantara hubungan antara penilaian prestasi, pampasan dan ganjaran dan perancangan sumber manusia dan hasil sumber manusia, tetapi bukan untuk hubungan antara latihan dan pembangunan dan pengambilan dan pemilihan dan hasil sumber manusia. Berdasarkan hasil kajian, dapat disimpulkan bahawa Amalan Pengurusan Sumber Manusia, seperti pemilihan dan pengambilan pekerja, latihan dan pembangunan, pampasan dan ganjaran, penilaian prestasi dan perancangan sumber manusia adalah faktor yang signifikan dan penting yang menentukan hasil sumber manusia dalam sesebuah organisasi. Oleh itu, kajian ini mencadangkan supaya pengamal Pengurusan Sumber Manusia dan pembuat dasar, perlu memberi perhatian yang lebih kepada Amalan Pengurusan Sumber Manusia untuk meningkatkan hasil sumber manusia dalam organisasi dengan berkesan. Kajian ini juga menyediakan penerangan tambahan ke atas iklim organisasi dari perspektif Libya. Selain itu, kajian ini mengetengahkan implikasi teori dan praktikal serta limitasi kajian. Cadangan untuk kajian masa hadapan juga dimasukkan.

Kata kunci: amalan pengurusan sumber manusia, perhubungan pekerja, penilaian prestasi, hasil sumber manusia, iklim organisasi

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LIST OF ABBREVIATIONS

HRM	Human Resources Management
GDP	Gross Domestic Product
HRD	Human Resources Development
T&D	Training and Development
HRP	Human Resource Planning
WHO	World Health Organization
UNDP	United Nations Development Program
LD	Conversion Rates
CIA	The Central Intelligence Agency
MIC	Ministry of Inspection and Control Libya
NYS	New York State (Department of Civil Service Report)
P&G	Porter and Gamble
SKA	Skills, Knowledge and Abilities
KMO	Kaiser-meyer-mer-Olkin
EFA	Exploratory Factor Analysis

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Libya had a population of approximately six million inhabitants in 2012 (Bureau of Statistics & Census of Libya, 2012; CIA, 2013). Generally, Libya is a socialist-oriented economy, depending principally upon revenues accruing from the key oil sector, which drives the economy and made prosperous through its contributions to export earnings and the Gross Domestic Product (GDP) (Almhdie & Nyambegera, 2004). Human resource (HR) activities have been commonly used to observe organizational performance and the organizations come in all shapes and sizes which often exhibit more differences than similarities.

However, one common factor to all organizations is that success is highly dependent on the skills, knowledge and experience of their employees (Development & Learning Organizations, 2011). There is no doubt that the distinctive feature of the human resource management (HRM) practices such as recruitment and selection, performance appraisal, training and development (T&D), compensation and rewards and human resource planning (HRP) could be achieved through the people in the organization (Guest, 1997).

In recent years, significant inroads have been made in identifying the HRM practices-HR outcomes relationship. It should however be pointed out, that a few studies like Guest (1997), Gelade and Ivery (2003), Purcell, Kinnie, Hutchinson, Rayton and Swart (2003), Wright and Nishii (2006) and Katou (2008), have documented the link or special relationship between HR practices and organizational

performance in different contexts, such as categorizing HR outcomes. In this study, the conceptual framework is based on the Human Capital theory, which argues that HR is one of the most important resources for organizations due to its strategic nature.

Katou (2008) postulated that resource-based views proffer that HRM policies or practices have a direct influence or effect on subordinate attributes, such as human skills, attitudes and behavior, which constitute what are referred to as HR outcomes, such as employee satisfaction, employee retention and employee relations, which in turn enhance organizational performance. Pfeffer (1998) observes that HR has been essential in sustaining organizational performance. It is not surprising that in the knowledge economy, HR is now being recognized as a strategic tool vital to organizational profitability and sustainability. As noted by Myloni, Harzing, and Mirza (2004), this realization has resulted in HR practitioners assuming new roles as strategic partners in formulating and implementing organizational strategies. It is therefore understandable that organizations are implementing proactive HRM practices and activities in order to capitalize on the strength of this critical asset for sustained competitive advantage in today's knowledge economy.

Previous studies have identified key elements of HR policies and firm performance as major shortcomings in their role as possible mediators for HRM practices-HR outcomes links. It also seems to have confirmed that the latest reviews of the extant literature revolve around the fact that the connection between HRM and organizational performance resembles a 'black box' (Katou, 2008; Gerhart, 2005; Gelade & Ivery, 2003; Paauwe & Richardson, 1997; Fields, Chan & Akhtar, 2000;

Delery & Doty, 1996; Huselid, 1995; Cho, Woods, Jang & Erdem, 2006). In other words, there is a lack of transparency on what exactly leads to what (Katou, 2008 & Gerhart, 2005). In light of this development, other scholars have posited that it is crucial to examine the intervening or intermediary steps in the HRM-performance link such as the factors interceding or moderating the end point variables (Becker & Gerhart, 1996). In a nutshell, even though it is generally agreed that HRM practices are positively associated with HR outcomes, there is still the need for additional research to be undertaken to provide more evidence that supports the HRM practices-HR outcomes relationship from different contexts. For this reason, ever since the emergence of the concept of strategic HR in the mid-1970s, there has been a lot of ongoing debate as to which of the numerous HRM policies or practices that have been put forward, actually facilitate superior HR outcomes.

Additionally, the HRM practices-outcomes categorized as employee skills, employee attitudes and employee behavior are usually employed sets of mediating variables (Paauwe, 2004; Lepak, Liao, Chung & Harden, 2006; Katou, 2008). However, this study considers organizational climate as mediating variables in the HRM practices-HR outcome relationship and there is good reason to believe that an organizational climate can increase employee job satisfaction in various ways (Batt, 2002; Holman, 2002; Ruyter, Wetzels & Feinberg, 2001).

On closer inspection, previous studies have not inculcated the role of this promising mediator (organizational climate) with the respect it deserves, simultaneously indicating that organizational climate also plays a critical role in the HRM practices-HR outcomes link. Perhaps, the observations made by Bowen and Ostroff (2004)

and Collins and Smith (2006) that HRM policies indirectly affect firm performance by facilitating the creation of organizational environments that encourage superior performance, may be instructive. Thus, in spite of various studies on the HRM practices-HR outcome link, serious loopholes in understanding still remain visible in relation to the causal relationship between the HRM practices and HR outcome that will improve organizational performance (Wright, Gardner, Moyiham & Allen, 2005; Purcell *et al.*, 2003). This is not surprising, considering that previous studies have not fully investigated the mediating role of HR outcomes which affect organizational performance, regardless of which HRM practice they deploy. One such factor is the level of organizational climate that an organization encounters.

The main purpose of this study is to carry out a research on the link between HRM practices and HR outcomes in the Libyan public sector. One of the key measures of success in the public sector is its responsiveness to the dynamic needs of the people (Abubakar & Anas, 2007). There is no doubt that HRM is a long-established activity within the management framework of public agencies. Hence, through this function, including HRP, the public sector is believed to have fulfilled its obligations (Abubakar & Anas, 2007).

Generally, Libya is one of the most prosperous countries in North Africa and the Middle East as demonstrated by its growing GDP (76.3%) over the past few years (Central Bank of Libya report, 2014). Its petroleum reserves of 29.5 billion barrels are the largest in the African continent and it is the second largest crude oil producer in Africa after Nigeria (The United Nations Development Program (UNDP) National Report on Human Development 2002, Libya). Nonetheless, the overall picture that

emerges is of a country with low levels of productivity, with much of the workforce being idle (Porter & Yergin, 2006). Furthermore, Libya ranks poorly in the Foreign Direct Investment (FDI) performance due to sanctions which have affected investment flows that could have aided the economic development thrust. The situation is compounded by a weak physical infrastructure in many areas, which negatively affects the society at large and other organizations (Porter & Yergin, 2006).

Libyan organizations have a low level of sophistication by international standards across all sectors, namely the public, private and small-to-medium enterprises (Porter & Yergin, 2006). From the above discussion, it is clear that Libya's environment is not conducive to the enhancement of competitiveness, and this sheds light on the importance of enhancing both the physical infrastructure and employee skills.

In recent years, the public sector management in Libya has effectively managed to transform the culture of organizations away from a bureaucratic mentality towards a service-oriented, innovation-based culture in order to enhance their performance (World Health Organization (WHO), 2005–2009). Notably, this is a long-term goal that requires careful and cautious management of human capital. One should note that the change of mentality cannot be realized instantaneously and thus, skilful and balanced HRM policies and practices would be integral.

HRM outcomes, such as employee attitudes, skills, and behavior, will have to be nurtured not only for internal objectives, but also for the sake of enhancing

customers' services and needs. In the final analysis, this would have a knock-on effect on the overall performance of the organization. Given its importance, HRM practices have proven to be a strategic activity, but evidently not in Libya. An instructive example is that HRM practices are perceived as detached and thus, not a critical element of managerial roles. More importantly, HRM practices need to be 'vertically' consistent with the objectives and targets of organizations, as well as 'horizontally' consistent, so that the HR outcomes of the performance management system can lead to obvious rewards and sanctions (WHO, 2005–2009).

In the past few decades, the Libyans have invested a lot of money (WHO, 2005–2009) in the public services, which has led to major improvements in service delivery and in the overall performance of the public sector. However, in spite of these improvements, the Libyans are still encountering serious challenges, such as the lack of employee satisfaction, employee retention and employee relations, and on a more personal basis, the customers are not happy with the performances of some public agencies (WHO, 2005–2009). HRM issues and constraints that face organizational performance in the Libyan public sector include:

- a) The absence of a central HRM body within the Libyan public sector to carry out the planning, coordination, monitoring and evaluation of HR issues.
- b) Inept public sector employees who are tasked with the implementation of government programs and projects (General Planning Council Libya, 2004).
- c) Inefficient use of budget allocations for HRM practices and services (WHO, 2005–2009).

- d) Poor distribution of human capital directly linked to the improper allocation of funds for human resource development (HRD).
- e) The absence of a HRM research system as an integral part of the national HRD (Almhdie, 2007).
- f) The lack of an effective reward system for public servants (WHO, 2005–2009).

In view of the foregoing, this study focuses on these issues including ways needed to attain strategic directions, towards better HRD and effective HR outcomes and also the organizational climate.

Today, there is a high demand in the public and private sectors for workers in several key areas, such as information technology, health care, engineering, accounting and auditing. More importantly, a growing trend in public sector jobs in developing countries like Libya is the unwillingness of highly qualified workers to spend their entire career in State services, for instance, due to the low salary structure and weak stimulus program material within the organization (General Planning Council Libya 2004; Otman & Karlberg, 2007). Moreover, in these critical areas where there is dissatisfaction, new employees cannot be recruited easily. Thus, the supply of qualified personnel is limited and essentially, good workforce planning will require appropriate approaches, such as aggressive recruitment and innovative retention strategies. These policies and strategies can minimize unwanted turnover which in some cases prove to be too costly. The cost in reference to the employer or organization can include separation benefits, loss of productivity, recruitment costs, training expenses and diminished services as new employees need more time and training to execute their tasks.

It is therefore not surprising that in recent years, organizations have started to take notice of the importance of organizational climate in enhancing organizational performances. With this realization, organizations are looking for various strategies to ensure that they have the personnel needed to deliver mandated services efficiently and effectively.

1.2 PROBLEM STATEMENT

The lack of clarity regarding the link between HRM practice and HR outcome is a concern for the organization (Katou, 2008; Gerhart, 2005; Wright *et al.*, 2005). To address this concern, this study examines the variable of organizational climate which mediates variables of HR outcomes and HRM practices. Although the Libyan workforce is noted for its good basic education and high literacy rates, there is however, a serious problem of a shortage of more advanced skills through T&D which is needed in the job market. This scenario is in tandem with Libya having been performing poorly in terms of the overall quality of its education system (Porter & Yergin, 2006; Agnaia, 1996).

Consequently, due to the poor standard in education and training, the workforce in the country predominantly comprises under-qualified workers. To exacerbate the condition, this situation has created a significant skills gap across all sectors especially the public sector in Libya (Ahmad & Wee, 2013). As indicated by Porter and Yergin (2006), the business community often cites the disconnection between the skills set required for the job and the skills actually possessed by the Libyan workforce, whereas in the public sector services (the main driver of non-oil GDP

growth) weak performances (Porter & Yergin, 2006; World Bank, 2006) is often cited as the main issue.

In addition, there is also specific concern over the salary structure in the Libyan public sector, which has remained largely unchanged for the past few decades making employees uninterested in their jobs. The salaries of civil servants and employees of state-owned organizations are subject to a special set of conditions under law No 15 of 1981. Under this law, salaries have been substantively frozen, with very minimal salary increase or no merit increase at all since 1981, which is currently causing a lot of dissatisfaction among the public sector employees in Libya (Otman & Karlberg, 2007). More importantly, previous studies have not treated the role of job satisfaction and organizational culture intensively enough in the public sector of Libya with the respect that both deserve (Zahari & Shurbagi, 2012).

However, in terms of GDP, Libya was worth 81.81 billion US dollars (USD) in 2012. In December of 2008, it reached an all-time high of 93.2 Billion USD and in December of 2002, it showed a record low of 19.8 Billion USD. The GDP value of Libya represents 0.13 percent of the world economy and is equal to the total expenditures for all final goods and services produced within the country in any stipulated year. To make matters worse, Libya's higher-skilled and experienced workers have migrated in search of better opportunities and better HR outcomes and some have opted to join the private sector. Nonetheless, the private sector is heavily dependent on skilled expatriates or foreign workers, whose mobility level is very high. Employees perceive that other organizations provide their staff with higher salaries, employee satisfaction, employee retention and very good employee relations

within the organization. This perception is likely to cause dissatisfaction and possibly make them leave the organization (Roberts, 1997; Fey, Bjorkman & Pavlovskaya, 2000).

Real GDP Growth (%)



Figure 1.1

Average Incomes (for the period of 2004- 2013) of Individuals Based on Total Population and Gross National Income.

Source: The Libyan Economy is Reported by the World Bank (2014), Average Annual US LD Conversion Rates.

Chiu, Luk and Tang (2002) observe that in Hong Kong and China, some of the reasons for employees leaving are low salaries, lack of employee benefits and lack of job satisfaction, career progression and other opportunities. Others, like Rahimic (2013), found lower salaries and irregular payments have negative effects on employee satisfaction in Bosnia and Herzegovina. Part of the employee relations

movement that maintains good interpersonal relationships is creating positive organizational climate (Rahimic, 2013). However, one of the major challenges in the Libyan public sector is the creation and inculcation of an environment that encourages employees to remain employed by having HRM practices in place that address their diverse and competing needs. In line with this, there are many organizational problems, such as lack of employee satisfaction, employee retention and employee relations. Employee retention has affected HR performances in the public sector in Libya, such as the plurality change in the management structure, weak attention to HRD and weak stimulus programs inside the organization between employees in various critical areas. These include compensation and rewards, T&D, organizational climate, health and safety issues and engineering and technology (General Planning Council Libya, 2004; Zahari & Shurbagi, 2012). These are positions or jobs which often require higher levels of training and education. Consequently, service is naturally affected because new employees need more experience and T&D due to the cost associated with employee turnover. Additionally, Bader, Hashim and Zaharim (2013) find that the education levels in Libya is significant to the organizations. One should note that despite the emerging importance of organizational climate, only a few studies have been carried within the public sector of Libya.

Employee retention occurs due to internal and external constraints and also government policy. Thus, this study addresses the gap in the literature with regards to the role played by organizational climate on HR outcomes in the Libyan public sector. Increasingly, the awareness and the importance of employees to stay with an

organization is becoming not only evident but necessary (Moncarz, Zhao & Kay, 2009; Cho *et al.*, 2006).

Today, Libyan State agencies need to adopt effective employee retention strategies to assure that they have the right workforce needed to deliver mandated services efficiently and effectively. In this regard, organizations need to determine who they should retain and how they can retain them. There is no effective strategy or approach to ensure successful employee retention. In general, a combination of factors influence or shape an employee's decision to stay in a job. Those factors may differ with an individual, depending on his or her age, the external job market, family situation or job position (Huang, Lin, & Chuang, 2006). Given the foregoing, employee retention is identified as the variable in this study. This is further supported by empirical research showing that employees' productivity and turnover are the most used variables in studies examining the relationship between the HRM activities and organizational performance (Darwish, 2010).

It is clearly noted by Sasi (2008) that to improve organizational performance in Libya, a positive relationship is warranted between HR management practices and organization performance. However, institutions in Libya have been relatively slow in responding to HR challenges facing the country, further resulting in poor performance. Therefore, the issue of poor performance, in relation to HRM practices in Libya calls for proper examination (Almhdie, 2007; Ahmad & Wee, 2013).

Moreover, most managers of the organizations in Libya believe that they provide a supporting working environment for the general well-being of qualified,

professionals and motivate HR. Furthermore, it is not clear whether work, whilst satisfying to most employees, has any direct relationship with organizational targets or the overall mission. Staff and employees' stress is often very overwhelming at the end of each year, is common in many public organizations and needs to be carefully managed in Libya. Schneider (2000) proposes that climate is behaviorally oriented; it symbolizes the things that occur to an employee inside of the organization. In view of the fact that organizational climate is behaviorally leaning, there is no one form of behaviors that can be controlled in definite climates. An organization may encourage positive behaviors by instituting organizational climates which acknowledge the most acceptable behaviors. Modern organizational climate should promote work teams that will help employees to work with one another in order to find a suitable solution to the problem facing the organization (Hegel *et al.*, 2003). Moreover, Libyan organizations increasingly note the link between HRM practices and HR outcomes. Thus, the study's underlying assumption is the understanding that enhanced organizational climate results in a superior organizational performance.

1.3 RESEARCH QUESTIONS

Several research questions are addressed in this study:

- 1) Do organizations' HRM practices influence HR outcomes, employee satisfaction, employee relations and employee retention?
- 2) Do organizations' HRM practices influence on organizational climate?
- 3) Does organizational climate influence HR outcomes, employee satisfaction, employee relations and employee retention?

- 4) Does organizational climate mediate the relationship between the organizations' HRM practices and HR outcomes, employee satisfaction, employee relations and employee retention?

1.4 OBJECTIVES OF THE STUDY

This study works to contribute to the understanding of whether or not the effect of different HRM practices on HR outcomes may be reflective of the nature of organizational climate in the Libyan context. Thus, the issue is whether or not organizational climate mediates the impact of HRM practices on HR outcomes. More specifically, the objectives of this study are to:

- 1) To examine whether HRM practices influence HR outcomes, employee satisfaction, employee relations and employee retention.
- 2) To identify whether HRM practices influence organizational climate.
- 3) To investigate if organizational climate influences HR outcomes, employee satisfaction, employee relations and employee retention.
- 4) To determine the mediating role of the organization climate between HRM practices and HR outcomes, employee satisfaction, employee relations and employee retention.

1.5 SIGNIFICANCE OF THE STUDY

The literature on HRM practices is growing, particularly as empirical researches, continue to demonstrate the relationships between HRM practices and HR outcomes. Despite these signs of a growing literature base, research on the HRM practices-HR

outcomes link is still in its early stage. As noted by Katou (2008), it is generally accepted that HRM practices are positively related to HR outcomes, and there is a great need for additional evidence to support the HRM practices-HR outcomes relationship from different contexts. In addition, there is a need for studies that include intervening variables between HRM practices and HR outcomes. Research has already been conducted in a few similar studies in Greece by Katou's (2008) study on industrial firms; Fey's (2000) study on foreign firms operating in Russia; and Paauwe and Richardson's (1997) study on industrial firms in the United Kingdom (UK). However, studies are needed in other developing countries as well. The value of this current study can be viewed from both theoretical and practical angles.

Theoretically, this study contributes to the existing literature by examining the relationship between HRM practices and HR outcomes through two dominant research streams. Firstly, this research utilizes the direct relationship approach between general HRM practices and HR outcomes. Secondly, this study follows the indirect relationship approach that focuses on the causal link between HRM practices and HR outcomes in the public sector. The indirect relationship approach is particularly substantial to this study because it examines the role of mediating the organization climate variables especially in the HRM practices-HR outcomes link. MacDuffie (1995) emphasizes that behaviors tend to reflect both elements of a high performance HRM system. Becker and Huselid (1998) recommend that employee behavior mediates the relationship between HRM practices and HR outcomes. Collins and Smith, (2006); Bowen and Ostroff, (2004) suggest that HRM practices do not directly impact organizational performance and consider the role of possible mediating, such as organizational climate that fosters superior performance.

1.5.1 Theoretical Contribution

Kauto (2008) observes that the extant literature shows that many existing studies which investigate the link between the HRM practices and organizational performance were undertaken in the Western world, particularly in the United States (US) and the UK (Guest *et al.*, 2003). To fill these gaps and to further examine the process through which HRM practices influence HR outcomes, this study conducts an analysis in Libya, to represent a non-Western context. Certainly, this study also makes a significant contribution to the existing literature on the role of HRM in Libya's public sector. In this regard, it contributes to the accumulation of knowledge on under-researched developing countries, such as Libya, where limited data are available on the link between HRM practices and HR outcomes. In some measure, this study helps to highlight the current debates and discourses in the field of HRM practices in an emerging economy, such as Libya. Generally, the findings of this study make a significant contribution to the scholarly debate revolving around the impact of organizational climate on the relationship between HRM practices and HR outcomes, particularly from a Libyan standpoint. A clear understanding of the implications of this relationship will enable management and academicians to devise appropriate HRM practices to enhance HR outcomes. In this regard, this study probably contributes to the development of strategies that are targeted at developing HRM practices in developing countries. It should also be noted that researchers are still searching for relevant and adequate theory, necessary to improve theoretical and analytical frameworks that can fully grasp the relationship between HRM practices and HR outcomes. In this study, an attempt is made to support the link between HRM practices and HR outcomes in key areas: the nature of HRM practices, the nature of performance.

This model developed by Paauwe and Richardson (1997) and extended by Katou (2008) proposes that HRM outcomes mediate the relationship or link between HRM policies and HR outcomes. A variant of the model articulated by Katou and Budhwar (2006) recognizes that HR outcomes link HRM practices to business performance, additionally assuming that HRM practices and business strategies are interdependent. However, authors, such as Purcell and Hutchinson (2007); Gardner, Moynihan, Park and Wright (2001), argue that in the HRM practices -performance relationship causal chain, it is not HR outcomes that affect organizational performance, but the existence of a serial causation, from employee skills, to attitudes and then to behaviors that finally affect organizational performance. Thus, the theoretical basis of this study is the Human Capital theory of the firm or organization, which articulates that Human Capital theory as “productivity of human beings as an income producing agent in an economy (Hornbeck & Salamon, 1991).

A review of extant literature indicates that much has been written about the relationship between HRM practices and HR outcomes, but little attention has been paid to this relationship in the context of the mediating effect of organizational climate. In assessing HR outcomes, this variable has been suggested as an intermediate linkage through motivation, as stated by (Dimba, 2010; Gerhart, 2005). Furthermore, this study attempts to find out why employees in the Libyan public sector are facing problems of declining performance. Similarly, this study also assesses the organizations HRM practices in enhancing and developing the performance of their employees. As a result, in this study, there is an attempt to advance HRM practices research by supporting the emerging and developing idea of the intervening or mediating factors, and by identifying the role of organizational

climate and organizational contingencies in the relationship between HRM practices and HR outcomes. More importantly, the results of this study can be a guide to government decision makers and also outside consultants whose interest lies in Libya. It would be encouraging if more studies on this aspect are extended to other countries in the Middle East and North Africa, which may confirm or modify the findings of this study.

1.5.2 Managerial Contribution

The main purpose of this study is to gain further insight, knowledge and understanding concerning aspects of the HRM practices–HR outcome relationship. In a nutshell, the value of this study lies in the fact that it will be helpful to organizations in terms of highlighting the implementation of HRM practices that can help in retaining a competent workforce towards better performance.

More importantly, this study will enable organizations to appreciate the usefulness of providing appropriate employee retention plans, employee satisfaction and employee relations that assure better HRM outcome for enhanced performance. Significantly, this study focuses on the mediating role of organizational climate in the HRM practices-performance link in the Libyan context. This will enable an organizational climate that can foster employee satisfaction, retention and appropriate relations. Also, introduction of organizational climate is another contribution; HR managers can focus more on employees' satisfaction, retention and relations when there is a conducive environment for the employees. This in turn will assist not only the employers, but the employees who will increase performance.

1.6 SCOPE OF STUDY

The scope of this study is limited to the Libyan public sector (Government Ministries). This study is critical in terms of its contributions to the Libyan economy which is dominated by state-run organizations, contributing one-quarter of its GDP, and 60% of its public sector wages and salaries (CIA, 2008). The public sector is considered important for the future, and is the backbone of Libya's economy (Otman & Karlberg, 2007; Agnaia, 1996).

This current study focuses on 21 agencies within the public sector, which include health care, education, planning, finance and other sectors that require a highly qualified workforce. The justification is based on the fact that public organizations are the key players in the Libyan economy. The survey questionnaire was tended to by one person; the manager responsible for running HRM practices in each public organization in Libya (Katou, 2008).

1.7 DEFINITION OF KEY TERMS

The following are the key variables used in this research and their definitions in this study:

1.7.1 Human Resources Management (HRM) Practices

The definition of HRM Practices is based on the work of Schuler and MacMillan (1984); Ulrich (1987); Miner and Crane (1995); Gomez-Mejia, Balkin and Cardy (1998), who have developed a framework of HRM practices high lighting five main practices of recruitment & selection, performance appraisal, T&D, compensations & rewards and HRP; which definition this study also adopts.

1.7.1.1 Recruitment and Selection

The process of recruiting and selecting staff has an essential role in the workforce planning process because it is a difficult task to perform due to its major influence on organizational performance. An organization depends on the right number of workers, the proper skills required and the motivation for workers to foster positive behavior to increase the organization's performance (Größler & Zock, 2010). The concept of recruitment and selection is to ensure that the people and their skills, abilities and capabilities match the work. It has been noted that with an effective staffing process, organizations should be able to adapt to the business environmental changes more effectively (Dechawatanapaisal & Siengthai, 2006). Hence, this study defines recruitment and selection as the process of selecting suitable staff who can execute their tasks efficiently and effectively.

1.7.1.2 Performance Appraisal

Performance appraisal is defined as a measure of factors that provides feedback on the efficiency levels of employees; these measures can compare present activities against the desired levels of performance, thus enabling the management to determine the trends and inconsistencies within the organization. The main objective of the performance appraisal process is its emphasis on subordinates' or employees' job performance appraisals. Performance appraisal determines employees' strengths and weaknesses (Yean & Yahya, 2013). This study defines performance appraisal as the measurement of employees' performance level undertaken by the employer.

1.7.1.3 Compensation and Rewards

Compensation refers to attractive rewards to draw and retain skilled manpower (Yean & Yahya, 2013). The rewards and compensation are accorded based on personal efforts, performances and job value contributions (Milkovich, Newman & Gerhart, 2011). Comprehensive compensations which are complemented by an effective disbursement system are vital for attracting the best applicants. Employee competencies can improve organizational performance and by inference, enhance effectiveness. Berndardin and Russel (1993) confirm that rewards and compensation are key dimensions of HRM practices. Hence, this study defines rewards and compensation as enablers to motivate an employee to work effectively.

1.7.1.4 Training and Development (T&D)

T&D is part of an organization's investment because it is believed to bring higher returns to the organization in terms of knowledge, skills and quality (Finegold, Lavenson & Van Buren, 2005). T&D can be categorized as formal and informal. Informal training focuses on self-reflectivity, theories and concepts in action; while formal training focuses on work-based learning and workplace development; such as mentoring, coaching, job rotation, job shadowing, projects and assignments (Clarke, 2004). Hence, this study defines T&D as the acquisition of knowledge and skills of employees and as an additional capacity that is needed to improve the performance of an organization.

1.7.1.5 Human Resource Planning (HRP)

HRP is defined as the process adopted by an organization to ensure that it has the right number of people to deliver a particular level of output or service (Gomez-

Mejia & Cardy, 2009). HRP assists in analyzing an organization's HR needs under changing conditions and developing the necessary activities to satisfy those needs (Walker, 1980, cited by Paauwe & Richardson, 1997). Hence, this study defines HRP as a process that identifies current and future HR needs or competencies that are required by workers to achieve organizational goals.

1.7.2 Organizational Climate

Organizational climate is defined as an enabler between the employees and the employers. It is also an avenue where employees share the same perception of organizational goals, policies, practices and processes. Organizational climate is observed as a reflex on perception and descriptive beliefs about the organizational environment (Rahimic, 2013). Hence, in this study, organizational climate is the creation of a conducive work environment or atmosphere for the employees to carry out their regular jobs and their attitudes toward the organization.

1.7.3 Employees' Satisfaction

Employee satisfaction is defined as the level of ultimate fulfillment in which employees love their jobs (Rogelberg, Allen, Shanock, Scott & Shuffer, 2010; Antoncic & Antoncic, 2011). When employees derive satisfaction from their jobs, it will motivate them to boost production and render the desired services; which will increase organizational growth. In return, employees who are rewarded, both in cash and in kind; for instance through rewards, incentives and promotions, will have a positive impact within the organization, leading to better performance (Miskell & Miskell, 1994; Pierce & Newstrom, 1980). Based on various definitions by several

authors, this study defines employees' satisfaction as the level of fulfillment resulting in employees who work efficiently and effectively within the organization.

1.7.4 Employee Relations

Employee relations provide a competitive advantage (Fulmer, Gerhart & Scott 2003) and consist of a well-organized and compatible relationship between employers and employees (Antoncic & Antoncic, 2011). The relationship between employers and employees needs to be cordial for effective communication and efficient performance. Therefore, in this study, employee relation is defined as a situation where there is a cordial relationship between the employers and the employees.

1.7.5 Employees' Retention

Employee retention refers to the voluntary effort by an organization to provide an environment which can retain long-term employees; who are effective and efficient in their capacities (Chiboiwa, Samue & Chipunza, 2010; Herman, 2005). Similarly, Kyndt, Dochy, Michielsens and Moeyaert (2009) define employee retention as the practice or method, which an organization implements to acquire and retain their skilled employees. This means that all measures are taken by the organization to prevent employees from leaving for another organization. The New York State (NYS) report (2002), defines employee retention as policies, programs and practices which create and foster an environment that encourages employees to remain. Based on the evidence above, this study operationalizes employee retention as any policy, program, method or practice implemented by the organization to prevent its staff from leaving the organization.

1.8 PUBLIC SECTOR

The public sector is defined as including all organizations and functions that are predominantly funded by the public (Jones & Morris 2010). The public sector is also defined as all market or non-market activity which at each institutional level, is controlled and financed mainly by the public authority. It is composed of a general government sector and a public organization sector (Hammouya 1999). This study defines ‘public sector’ as encompassing all government ministries in Libya as part of the economy concerned with providing basic government services or various entities that make up the government sector in a given period.

1.9 ORGANIZATION OF THE STUDY

This thesis is divided into five chapters. The first chapter serves as the introductory chapter, where it discusses briefly and mentions the relationship between HRM practices, the problem statement, the objectives of the research, objectives of the study, the significance of the study, the scope of the study, the definition of related terms and the structure of the thesis. The second chapter provides a detailed discussion which includes the various HRM practices, related challenges facing employees and organizations in meeting their goals. The third chapter critically reviews the literature and theories related to the main issue of the thesis, research hypotheses, i.e., the mediating effects of organizational climate on the relationship between HRM practices and HR outcomes. In this chapter, the Hybrid theoretical model which is based on the Contingency theory, Affective Events theory (AET) and Human Capital theory is thoroughly examined. The fourth chapter discusses the methods and techniques used in the study to collect data. Analysis of data and findings of the research are also undertaken. The fifth chapter presents the

recapitulation of the overall discussion of the finding, so that the key findings can be highlighted, and the implication of the study, and suggestions further provided. It also makes specific recommendations, and finally offers the conclusion of the study.

CHAPTER TWO

A REVIEW OF LITERATURE

2.1 INTRODUCTION

This chapter discusses the various measurements of HRM practices, HR outcomes and reviews the literature on the relationship between them and organizational climate. It also presents the various features of the causal pathway that influences of HRM practices on HR outcomes. The literature on the various independent variables in this study is explored through the Human Capital theory regarding HR outcomes with organizational climate as a mediating variable. Thus, a research model of the framework is designed with the supporting theories, such as Human Capital theory, Contingency theory and Affective Events theory to develop the theoretical framework.

2.2 HUMAN RESOURCES MANAGEMENT (HRM) PRACTICES

A great deal of the previous research has discussed the influence of HRM practices on the organizational climate, providing much evidence and a range of different perspectives but the evidence presented on how HRM practices translate into successful performance is very limited. Because of this lack of knowledge about mediating variables and their influence on HRM practice-HR outcomes in the application of HRM practices, a theory is required to establish what is meant by the association between HRM practices and HR outcomes and their effects on the performance of organizations (Paauwe & Richardson, 1997). An effective response to the theories about HRM practice-HR outcomes link requires an answer to the questions on how and why the link exists.

As Katou (2008) notes, categorized as HR outcomes and include the skills of employees (employee competence, cooperation), attitudes of employees (motivation, commitment, satisfaction), and behavior of employees (retention, presence). The variables in this study, that is effectiveness, satisfaction, efficiency, quality and employee performance constitute the performance of an organization. Research has established the existence of a positive relationship between HRM practices and the performance of organizations through HR outcomes (Rizov & Croucher, 2008; Khan, 2010). Many of these studies were conducted in the US, Europe and Asia.

However, in relation to the link, the existing gap that explains this link is referred to as the 'black box' (Boselie, Dietz, Boon, 2005). The attempt to uncover the 'black box' is in the study by Wright and Gardner (2003), Paauwe and Boselie (2005) question the number of boxes to be considered when studying the link of HRM practices-performance. Wall and Wood (2005) posit that HRM is a way of "representing that part of an organization's activities concerned with the recruitment, development and management of its employees". The literature on HRM has established that it is a more desirable approach than personnel management.

However, Paauwe and Boselie (2005) note that there seems to be no clear consensus among scholars regarding the nature of HRM practices. There is, however, some general agreement that the term 'human resource management' refers to processes that have been variously labelled as 'strategic human resource management' (Paauwe & Richardson, 1997), 'high involvement management' (Guthrie, 2001), 'high commitment management' (Park *et al.*, 2003) or 'high performance work systems' (Ramsay *et al.*, 2000).

According to Edgar and Geare (2005), towards the end of the 1980s and the beginning of the 1990s, studies on HRM practices focused on a range of specific issues. On the one hand, there was the issue of 'hard' and 'soft' HRM practices (Tsui *et al.*, 1997). On the other hand, there was the issue of whether HRM constituted best practice or best fit (Boxall & Purcell, 2003). Nevertheless, the focus of research in the 1990s was on exploring the influences of HRM practices on performance. A motivating factor in this study might be the fact that HRM practices has increasingly been criticised for failing to provide an answer to the question of how organizational performance is influenced by HR decisions. As pointed out by Becker *et al* (1996); and Harney and Jordan (2008), scholars were at that time still exploring how HRM practices may impact performance.

The efficiency and effectiveness of HRM policies and practices across organization vary considerably. Therefore, all organizations or firms are encouraged to apply the best practices in their workplace. The literature shows that previous studies that have examined HR practices have focused only on few strong variables known as HRM practices. These include T&D, recruitment and selection; compensation and rewards; performance appraisal and staff participation (Khan, 2010). Hence, the construct of HRM practices utilized in this study is to evaluate the impact on HR outcomes in Libyan Government Ministries. According to Delery (1998), HRM practice holds the key to HR outcomes; hence, HRM practices in Libya call for proper examination (Almhdie, 2007).

Although, many researchers have carried out studies on impact of HRM practices on HR outcomes, the practices differ from study to study. As pointed out by Georgios

and Prodrornos (2008), all organizations should identify and execute the appropriate HRM practices as they strive to improve their overall performance. Thus, the basic inspiration behind HRM practices is the assumption that a particular set of HRM practices have the potential to improve organizational performance (Marchinton & Wilkinson, 2003).

Boxall and Purcel (2003) state that best practice models of HRM generally stress three factors: first, these models usually highlight enhancement of staff capability, knowledge and skills by successful job offer and training procedures; second, the models emphasize motivation through strong incentives to produce the desired behavior; and thirdly, best practice models support and enhance better training and employee motivation. In most cases, these workers contribute their skills and knowledge through job rescheduling and other forms of indirect subordinate participation.

Some scholars, like Harel and Tzafrir (1999), emphasize strategic HRM practices, including a procedure for settling disputes, participation, compensation, recruiting, internal promotion, selection and training. Osterman (1994) utilizes creative work practices including Total Quality Management (TQM) and quality circles. Pfeffer (1994) considers job security and employee participation to be the most effective HRM practices, while other researchers ignore them. The universal perspective (i.e., using a series of select HR at different times) which is associated with the works of Tzafrir (2006) has been advanced as an important approach of HRM literature. It is often stated that it plays a key function in interpreting various levels of organizational performance. According to Elasfer and Karami (2008), the most

important HRM practice is its integration into the performance and realization of organizational objectives.

Interestingly, Becker and Gerhart (1996) observe that despite there being a general agreement that a wide range of HRM practices impact positively on organizational performance, there is no consensus among the various studies on what exactly these practices are. On a related issue, Delaney and Huselid (1996) identify several HRM practices: selection, participation, training, rewards and internal labour market that are often used to initially create an impact on organizational performances in a range of situations. However, this list is not complete but includes many appropriate HRM practices outlined in earlier empirical studies. Similarly, other scholars like Collins and Clark (2003) have studied the impact of HRM practices in fostering organizational competitive advantage.

Collins and Clark (2003) suggest that HRM practices are designed to encourage the development of managerial social networks, such as mentoring. They further state that these top management team networks also mediate the links between HRM practices and organizational performances. The authors also state that HRM practices are designed to boost social networks and can substantially affect an organization's sustainable competitive advantage by nurturing support for the creation and continuation of strategic social networks that are important to the organization.

In a related study, Georgios and Prodromos (2008) focus on the relationships among HRM practices, organization learning, knowledge management and organizational capabilities and their effect on firm performance. A framework has also been

proposed to provide an understanding of the mediating factors on the relationship between best HRM practice and a firm's performance. It was found that the best HRM practice can shape the performance of an organization. It is further stated that knowledge management and organizational learning play their own distinctive role in building organizational capabilities, which result in superior organizational performance.

Furthermore, Khan (2010) tested a framework for HRM practices (staff intake and selection for T&D compensation and rewards and performance appraisal). It was found that HRM practices statistically and positively influence organizational performances in Pakistan. Lam and White (1998) examined the manufacturing sector and their findings suggest that extensive T&D programmes, attractive compensations and benefits and effective recruitment practices positively influence the performance of a firm.

Similarly, Huselid (1995) finds that some HRM practices referred to as high-performance workplace practices (training, compensation, selectivity) can be related to greater productivity and financial performance. HRM shows evidence of a growing trend and shift towards decentralization and a greater involvement in responsibility for line management (Storey, 1995). As outlined by Wickramasinghe (2007), the process of decentralization results in a significant sharing of decision-making, HR responsibilities and activities with line management. Arguing along similar lines, Zhu and Dowling (2002) suggest that allowing or permitting line managers to select job candidates for positions in respective departmental units could assist the process of finding a better fit between the job and the potential candidate.

Similar evidence from Hsu and Leat (2000) shows that line management also plays a significantly greater role in the final selection decisions than is usually acknowledged in the staffing process as a whole.

On a related matter, James (2005) indicates that HRM practitioners should engage with business unit managers in a partnership to attain long-term employee efficiency and productivity that realize organizational objectives. As a result, in order to create cost-effective decisions that boost organizational outcomes, both managers and HRM practitioners should cooperate and complement each other in executing their roles, responsibilities and duties (James, 2005). However, as pointed out by Rynes, Brown, and Colbert (2002), managers and even HR professionals are often deficient in knowledge with regards to current HRM research.

In recent times, the dynamic and highly competitive environment facing organizations in the globalization era has resulted in a flexible organizational response to the management of human capital or resources. Most organizations are now aware that most workers or employees seek the decisive goals of stability, life-enhancing service, job satisfaction and career development. As indicated earlier, this study examines five HRM practices: HRP, selection & recruitment, compensation & rewards, T&D and performance appraisal. This is according to Schuler and MacMillan (1984); Miner and Crane (1995); Gomez-Mejia, Balkin and Cardy (1998) who developed a framework highlighting five main HRM practices. These HRM practices constitute best practice or best fit (Boxall & Purcell, 2003) and there are specific HRM practices that could further enhance HR outcomes (Miller & Cardy, 2000). Moreover, the current study also investigates the influence of these HRM

practices on HR outcomes, mediated by organizational climate. In addition, HR outcomes are measured by employer satisfaction, employee relations and employee retention. HRM practices which are pursued proactively by organizations in their quest to enhance their performance are discussed below:

2.2.1 Human Resource Planning (HRP)

Organizations that have HRP as their practice are more likely to identify specific characteristics and thereby have the ability to enhance hiring policies (Craft, 1980; cited in Paauwe & Richardson, 1997). This practice results in consciously and proactively determining the composition of the workforce required to achieve organizational strategic objectives, as well as accomplishing objectives with more precision compared to a firm that fails to do so (Walker, 1980, cited in Paauwe & Richardson, 1997). HRP is a tool for determining HR needs in an organization in order to achieve strategic goals (Bulla & Scott, 1994). This process ensures that an organization has the right employees with the right skills and knowledge and accordingly, the right attitude in the right places at the right times (Mello, 2006).

According to Noe, Hollenbeck, Gerhart and Wright, (1994), HRP, when applied correctly, can avoid the likely problems that may affect the company's competitive position; the authors also consider HRP as a way to gain competitive advantage. In addition, studying the attributes of the work force and staffing requirements provide an opportunity for organizations to establish which policies and programs are useful or otherwise (Heneman *et al.*, 1989). Furthermore, the best organizations use HRP to get abroad idea of the type of workforce that is required (Paauwe& Richardson, 1997).

In addition, one of the challenges in HRP is predicting a person's real ability to contribute to the competitive position of an organization before they join an organization (Stigler, 1961). As a result, staff can rely upon recruitment and selection practices for information concerning the potential of future performances of the job applicants (Rees, 1966). Koch and McGrath's study (1996) on improving labour productivity in HRM suggests that investment in HRP and investments practices are positively related to higher labour productivity.

A study by Elasfer and Karami (2008) suggests that HRP is the most important aspect of HRM practices in its impact on organizational performance. Huang (2000), in his study in Taiwan, also cited HRP as being a positive influence.

2.2.2 Recruitment and Selection

The goal of recruiting and selection is to obtain a maximum number of highly talented candidates and to choose the best to enhance organizational advantages. Recruitment is the process of attracting applicants to the required positions in the organization and is highly interdependent on other variables. For example, a radical change in a compensation or incentives package can have a profound effect on recruitment.

The recruitment and selection process is important for the performance of the organization to achieve goals and contribute to decision-making. Empirical research has shown a positive relationship between effective recruitment and selection practices and top-class performances (Harel & Tzafrir, 1999; Delany & Huselid, 1996; Bartel, 1994; Fey *et al.*, 2000). In most organizations, recruitment is fully

integrated with other HRM activities, particularly selection. Essentially, selection entails the process of bringing together and obtaining information about job candidates in order to help decision making.

The process of recruitment and selection involves determining actions by management to make sure that it brings enduring success in the implementation of organizational strategy. In this regard, Cascio (2006) argues that, in the absence of effective induction, the implementation of organizational strategies may be unsuccessful. Thus, a good selection system relies on modern and need-based tests to facilitate effective selection. Moreover, substantial resources are required to make certain that these selection tests are successful. Some others emphasize that the process for effective recruitment and selection has a positive relationship with organizational performance between the use of recruitment and selection procedure and profits (Terpstra & Rozell, 1993); and employee productivity (Koch & McGrath, 1996; Huselid, 1995). For example, recruitment and selection can assist an organization by attracting a maximum number of highly talented applicants (Khan, 2010).

It is surprising that Pfeffer (1998) observes that maximum resources should be allocated to efforts that seek to develop and design an efficient selection system which identifies candidates who are compatible with an organization's value system. In much the same way, Jyothi and Venkatesh (2006) find that an employee who is suitable for a particular job contributes significantly towards achieving an organization's mission, just as transparent inductions based on merit systems enhance organizational reputation and loyalty to the organization. Furthermore, these

induction systems symbolize the potential for effective performance and convey the subordinate-oriented value of the organization.

In view of the above, some researchers, like Delany and Huselid (1996), conclude that practicing a structured recruitment and selection process can impact positively on organizational performance. Similarly, some of the literature shows a positive and significant relationship between recruitment, selection procedures and corporate profits (Terpstra & Rozell, 1993). In order to cope with the changes in terms of work performance, increased competitive advantages and other challenges related to HR outcomes, staffing activities are required. There is no doubt that staffing activities play essential roles in HR outcomes by hiring employee's who are able to meet the needs of today's workplace. Employees need to have knowledge, the ability to handle the challenges and enthusiasm to the task given. Selection practice for example, is one type of staffing activity. Selection practice, such as 'the criteria match', the qualifications of applicants, the applicants' skills, the applicants' behavior (during interviews), the similarity of applicants' views with those of interviewers and assessments can help organizations find suitable employees to achieve an organizations' goals (Graves & Karren, 1998).

The selection process plays an essential role in the workforce planning process. However, the selectivity process is one of the more difficult tasks to perform, since it has a major influence on organizational performance. Organizational performance depends on there being the right number of workers with the required skills and motivated workers with positive behavior in order to improve the organization's performance (Größler & Zock, 2010).

According to Wilk and Cappeli (2003), not all staffing selectivity processes are suitable because some of the selection methods are costly and some are suitable only for certain organizations, such as those that focus on a person's previous work experience. Proper choices or selection methods in the staffing selection process are very important in order to collect accurate information about candidates for correct positions within organizations. According to Hagan *et al.* (2006), staff selectivity depends on the understanding of the job, ensuring sufficient performance and outcomes and the existence of motivated individuals. In addition, the selection of candidates should be based on the compatibility between workgroups in terms of values, goals, personality, behavior and skills (Levesque, 2005). For example, the managers' selections should be based on the candidates' experiences, ability and credibility, so that they can serve the organization's goals (Koulikoff-Souvion & Harrison, 2010).

Snell *et al.* (1998) posit "polycentric selection process" is a selection process whereby members are chosen from each unit based on functional complexity and cultural heterogeneity. For example, the Porter and Gamble (P&G) company uses a specific management selection system to create a standardized set of recruiting policies and practices. In a case of selection of Chief Executive Officer (CEO) and other senior managers, it is based on the candidates' performance towards decision making and this depends on the organizations' strategies. The CEO and other top managers also are mainly selected based on how their experience profile suits the organization's goals (Guthrie & Datta, 1998).

In Hong Kong, Chow (2005) notes that written tests have been introduced in staffing selectivity. The use of written tests in the selection process is aimed at achieving a high performance workforce. In much the same way, in Germany and the UK, Tungli and Peiperl (2009) observe that structured interviews adopting references and self nominations are mainly used to select the suitable candidates to work in the firms. The behavioral assessment approach is also very useful to evaluate the candidates' suitability and adaptability in Western Europe. Some organizations prefer to use cognitive tests, a record of accomplishments and information from the candidates (Wilk & Cappeli, 2003).

According to Delaney and Huselid (1996), the employee selection process has a generally positive impact on organizational performance. Also, Rowden (2002) establishes that effective staffing is one of various HRM practices that underpin successful small manufacturing firms. Exploring the same issue, Hunter and Schmidt (1982), observe that an effective employment balance can be realized through selection practices premised on capability. Allison (2009) perceives staff selection as involving interviewing, and hiring new personnel or redeploying existing staff within an organization.

Stone (2002) also focuses on the importance of integrating the recruitment and selection practices into broad organizational strategies and HR processes as part of an effective response to changes in an organization's environment. The recruitment and selection process are therefore crucial to the organization in bringing about change in the environmental context. However, Stone (2002) points out that as these changes take place, errors can be made by decision makers in selecting the right

people for the right jobs. According to James (2005), most firms have unclear strategies towards recruiting the right people to ensure business success.

The main role in the recruitment and selection process is to make sure that the firm or organization is satisfactorily and effectively staffed at all times (Compton, Morrissey & Nankervis, 2002). In most scenarios, HRM will have to assess the most effective internal and external recruitment techniques, or else HR professionals may fail in their quest to acquire the most suitable pool of candidates (Compton *et al.*, 2002). In a way, according to Irwin (2003), the most challenging decision facing HR and line management is whether the most ideal or appropriate candidates can be sourced using internal or external recruitment approaches.

James (2005) recommends that recruitment and selection practices should be comprehensive in order to enhance the likelihood of finding the right candidates to implement program practices effectively. Wichramasinghe (2007) points out that the selection techniques available to firms vary from more conventional techniques consisting of interviewing, completing application forms and providing references to more complex methods that involve assessment centers, previous work or experiences, aptitude tests and psychology-based testing. The extent to which a selection method is seen as effective and perhaps intricate is determined by its reliability and validity (Salgado, Viswesvaran & Ones, 2001). Irwin (2003) observes that when decision makers fail to select the right candidate, this may have been caused by poor selection techniques. Doyle (2002) finds that key selection decisions in firms are largely influenced by subjective and arbitrary actions which often result

in incorrect or misguided decisions. This often leads to the selection process being open to abuse and manipulation.

2.2.3 Training and Development (T&D)

In the current competitive environment, which is anchored by the knowledge economy, the attributes and competencies of the employees are important elements in organizations' competitiveness. Certainly, highly trained and highly skilled subordinates or employees can improve productivity and the quality of goods and services. This can lead to positive changes in processes and the delivering of quality service to clients, thereby enhancing the organization's competitiveness and performance. Thus, T&D produces tangible outcomes, such as enhancing productivity, superior products and services, and resource maximization as well as optimization. Training also produces intangible results such as high self-esteem, high morale and the satisfaction of subordinates as a result of additional SKAs. According to Andersson (2012), T&D constitutes a local management discourse that may affect different levels of work identity, such as personal development, self-knowledge and personal growth.

Kundu (2000) argues that firms should invest in training their employees to achieve effective customer-oriented strategies and increase their performances. Additionally, Blair and Sisakhti (2007) suggest that firms that invest in employee T&D, will significantly enhance their performance. Scholars like Bitner and Zeithmal (2004) conclude that expenditure on training leads to the competitive advantage of an organization. One should note that dynamic environments and changing customer needs require unique solutions and modern employee skills to provide superior

services and products. It is therefore not surprising that in modern times, the emphasis on training and the acquisition of new skills are increasingly becoming the key for organizations to attain enduring outcomes.

In view of the above discussion, it is evident that much research has been conducted into examining the impact of T&D on organizational performance. In this regard, other studies have established a positive and substantial relationship between T&D activities and the performance of organizations (Kalleberg & Moody, 1994). While empirical research shows that organizations with successful training programs do experience lower turnover (Fey *et al.*, 2000), conversely, some studies have suggested that comprehensive T&D programs can influence staff retention, productivity and organizational effectiveness positively (Oregon-Sanchez, Barba-Arago & Sanz-Valle, 2003). Some studies have also arrived at similar conclusions regarding the presumed positive relationship between T&D and the performance of organizations (Delaney & Huselid, 1996).

Formal or informal training increases learning outcomes significantly and changes an organization's performance (Clarke, 2004). Training is part of an organization's investment because there are higher returns to the organizations in terms of knowledge, skills (Finegold *et al.*, 2005) and the quality of people working (Größler & Zock, 2010). Formal training is anchored on self-reflectivity, theories and concepts in action. Informal training on the other hand, is focused on work-based learning and workplace development by contrast, such as mentoring, coaching, job rotation, job shadowing, projects and assignments (Clarke, 2004). The aim of training is to generate explicit and tacit knowledge to be transmitted within the

organization (Clarke, 2004). According to Vaidya (2009), the knowledge approach serves as a key factor that determines performance. According to Narteh (2008), knowledge is mostly protected and sheltered through intellectual property rights and as such, it is not easily copied by competitors. In a way, firms and organizations that possess intangible resources, such as an employee's knowledge, can achieve enduring competitive advantages.

Employee training is actually an investment for an organization with the aim of reducing employee turnover. The training significantly increases competitive advantage and ultimately encourages social networks between members (Wimbush, 2005). Castrogiovanni and Kidwell (2010) state that with T&D organizations can enhance workforce capabilities and improve their current skills in the long-term. According to Katou and Budhwar (2006), the importance of training cannot be underestimated since it enhances organizational performance by producing highly committed employees who stay longer with the organization. Expanding skill base and running programs on strategy and temporary assignments are examples of training assessments to promote continuous learning, negotiation skills and interpersonal skills. The fundamental purpose of training is to emphasize a "company's strategy, structures and process" (Snell *et al.*, 1998) which impacts on the overall performance of organizations.

Al-Husan and James, (2007) indicate that the aim of training is to provide the best level of workers in terms of job performance, work culture and improving job skills. In addition, the training is also a part of the strategy to reduce staff turnover. Training, such as technical skills, seminars, conferences, developmental activities

and overseas training are examples of ways to improve senior managers, middle management and employees' capabilities, skills and competencies. For instance, in Jordan, the integration process is utilized as a method of training among multinational companies. In this regard, subordinates in Jordanian organizations are expected to learn about the parent company in detail in order to enhance organizational performance and cultural exchange (Al-Husan & James, 2007).

Cross-training implementation creates a higher level of firm performance that contributes towards a well-educated, highly skilled, motivated and loyal workforce. Extensive cross-training can develop multiple skills and lead to improvements in performance (Chow, 2005). Castrogiovanni and Kidwell (2010) point out that with sufficient training, the standardization of operating procedures can be successfully achieved. The importance of cross-cultural training is that it impacts on employees' performance, especially when the organizations need to adjust to a foreign environment. The combination of a cultural and language training approach for employees leads the organizations to a higher competitive advantage (Tungli & Peiperl, 2009). Other training methods, such as an educational training programs, allow candidates to interpret and act quickly on any changes, especially when the challenges are related to the decision making process. For example, IBM's corporate HR used a 'global staffing team' to create effective staffing roles for HR across cultures (Wiechmann, Ryan & Hemingway, 2003).

According to McKinnon (2010), mentoring in staffing strategies is about "having the right people in the right place, at the right time, with the right skills and competencies to achieve the objectives of the enterprise at the right price". It is

mainly focused on a junior or a new staff member to provide support, supply new knowledge and expose them to necessary learning experiences. The mentoring is usually done by senior staff members with the toolkits they require in order to ensure that junior or new staff members acquire valued know-how and competencies. Training in staffing strategies is also very important. The aim of training is to ensure appropriate benefits for staff in terms of skills, knowledge and competence by using appropriate resources, tools and time.

According to Finegold *et al.* (2005), the mistakes of many organizations are more likely to occur when training courses are offered to educated and experienced workers instead of lower-skilled workers. The factors that influence firms to offer less training to lower-trained workers are unknown. Finegold *et al.* (2005) opine that it could either be the lack of desire in low-skilled workers to participate in training or the organizations themselves are less likely to offer the training programs to them. If firms are not willing to invest in general skills training, this will affect their workers and some may change firms frequently due to their lack of ability to cope with any changes with regards to the workforce skill-sets.

Lingham *et al.* (2006) observe that firms which encounter fast changes are always being challenged to develop and build essential training plans and programs for their employees as a strategy to enhance their performance and competitiveness; or as a way to compete in a volatile and dynamic global environment. Pfeffer (1998), cited in Lingham, Richley and Rezanian (2006), contend that effective training is also a source of competitive advantage for many organizations. Hence, training which refers to a systematic development of concepts, norms, values, knowledge or

character, usually yields superior performance. It is therefore not surprising that Lingham *et al.* (2006) consider training and education to be the main processes that shape organizational progress.

Velada, Caetano, Michel, Lyons and Kavanagh (2007) view the transfer of training as a major plan of action that induces improvements in organizational performance. Similarly, Dougherty (2004) also emphasizes effective training and regards training as a strategy for attaining competitive advantage for an organization.

Similarly, Tennant, Boonkron and Roberts (2002) point out that training has a positive impact on job performance. They also state that training requires a strategic approach, which links it to the organization's overall objectives. Researchers (Terpstra & Rozell, 1993; Chiu *et al.*, 2002) confirm that positive T&D helps an organization's performance. Delaney & Huselid (1996) find that positive training impacts the performance of organizations.

In much the same way, Jorge, Leonardo, Sandra, Maria and Martins (2010) argue that evaluation is a tool for demonstrating a reliable alignment or fit between training effectiveness and strategic organizational goals. Tackling a similar issue, Darby (2007) views training evaluations as emanating from the corporate world, where training is treated as an issue of great strategic value. Not surprisingly, Jorge *et al.* (2010) emphasize on the need for training evaluation to monitor the impact of training programs. Lingham *et al.* (2006) argue that training programs should be conducted to enhance the ability of the trainees to apply the skills and knowledge acquired during the training process.

As highlighted by Way and Johnson (2005), there is a link or relationship between strategic HRM activities, such as learning and training and organizational strategies like a learning culture which enhances organizational effectiveness (i.e., the links between organizational effectiveness and organizational strategies and Strategic HRM (SHRM)). Furthermore, effective training and ultimately transfer, is an integral part of the learning process in an organization. As a result, organizations that successfully nurture a learning culture may yield improved organizational learning theories, better knowledge management and organizational performance.

Kolb and Kolb (2005) examined the concept of competence development which usually takes place when new skills and knowledge are applied in the working environment. Generally, spaced training offers more avenues to try out new skills and knowledge than massed training (Simone & Nale, 2010). Findings of Simone and Nale (2010) also show that spaced rather than massed training practice yields higher self-reporting of competence, greater transfer quality and improved performance. According to Zane (2008), the impact of training in helping to enhance performance is especially affected when training is ineffective because the knowledge and skills gained in training are not compatible and relevant to the job at hand. Arguing along similar lines, Stolovitch (2007) points out that training expenditure can be misappropriated because of poor trainee selection, little on-the-job support, unclear expectations from supervisors, scarce resources to implement new skills, no post-training monitoring, no incentives to apply new knowledge and skills and trainee uneasiness with change. Generally, empirical studies, such as those of Delany and Huselid (1996), and Koch and McGrath (1996) have identified a positive relationship between employee training and organizational performance.

Additionally, performance enhancement requires the utilization of an array of interventions that may support or replace the training process.

2.2.4 Performance Appraisal

The performance appraisal process is an activity that ensures mutual understanding between the subordinate and the supervisor through the process of directly evaluating the subordinate's job-specific performance priorities and expectations, communication, and assigned responsibilities. Appraising performance is also a process of providing episodic and scheduled feedback that seeks to enhance teamwork and promote greater efficiency and abilities.

Generally, performance appraisal activity is utilized by management to help develop and nurture subordinates within their organizations. In away, appraisals can enhance job performance by focusing and emphasizing on organizational communication and its shared values and objectives. This process also systematically spells out job duties and responsibilities as they evolve over time. Appraisals are generally regarded as useful because they add value to the organization. Previous studies found significant and positive relationships between performance appraisal and organizational performance (Chang & Chen, 2002; Ahmed & Schroeders, 2003; Kuo, 2004). This suggests that the more performance appraisals are up to standard, the more they would positively affect performance. Bernardin and Russel (1993) argue that communicating performance appraisal policies within organizations are critical in making employees understand their specific roles more and how they can contribute to organizational performance. Performance appraisal is more effective in influencing organizational performance and provides an opportunity to the

employees to recognize the skills that they need. It ensures that the employees remain in an organization focused on effective performance and can be used as a measure to reward the employees (Hanley, 2005; Bernardin & Russell, 1998; Cleveland, Murphy & Williams, 1989; Ahmed & Akhtar, 2012).

As mentioned earlier, performance appraisal is an approach utilized to measure factors that provide feedback on the efficiency levels of employees. In this regard, these measures can compare present activities against the desired levels of performance, and thus enable management to determine trends and inconsistencies in the organization. More importantly, it generates processes and activities which support management incentives and development. The main objective of the performance appraisal process is its emphasis on subordinate or employee job performance. Through appraisals, decision makers can also set goals and continuously support employees in improving their work output. It is therefore not surprising that the critical functions of performance appraisal include deciding who should be promoted, given a pay raise or other incentives (Murphy *et al.*, 1995).

Similarly, compensation and salary decisions may depend primarily on performance appraisals. One should note that salary satisfaction is one of the key factors that shapes job performance. Fey *et al.* (2000) find that the salary grades of both managers and non-managers are significantly related to firm performance. This may also show the weaknesses of the existing performance management system. It should be highlighted that superior results or performance can be attained and sustained by individuals or groups within organizations. Thus, inter-team and inter-organizational

competition can be harnessed to stimulate contributions to staff improvement schemes.

Performance appraisal is premised on recognized attainment of certain objectives belonging to a specific job within a specific period of time. Moreover, this activity is important in shaping the impression of subordinates and their contribution towards the realization of organizational goals. Bernardin and Russel (1993) state that communicating policies broadly based on performance appraisal within organizations is critical in making subordinates understand their individual roles in the organization. Similarly, Haunstein (1998) contends that performance appraisal should be premised on quantifiable and objective criteria. This process should be underpinned by objectivity, fairness, inclusiveness, standardization, ethical and broader communication (Webb, 2004). There is no doubt that constant checking of employee performance and obtaining feedback is crucial in achieving organizational performance. Research findings have found that employees' participation in setting performance goals, the flexibility of the process in responding to the changing needs, clearness about performance criteria and the right of employees to appeal against performance reports, are key attributes of an effective performance appraisal system that results in high levels of performance by employees (Islam & Rasad, 2006; Wu, 2005; Webb, 2004).

There is concrete proof in the existing literature of the positive impact of performance appraisal. Ahmed and Akhtar (2012) agree that performance appraisal is an integral part of an organization's performance management process and employees must be involved in the process which will lead to an increase in trust for

top management. Similarly, Lee and Lee (2007) posit that successful performance appraisal systems enhance quality and productivity. In much the same way, Rahman (2006) opines that a detailed performance appraisal system increases subordinates' commitment. Likewise, Brown and Heywood (2005) contend that the process of performance appraisal system enhances the productivity of firms. For Cook and Crossman (2004), the relationships formed between employees and supervisors during the process of performance appraisal strengthen the relationships of the employees' participation in developing an appraisal system. As is evident, performance appraisal is an important instrument on which to base career development, recognition and promotion of employees (Larsson *et al.*, 2007). It is therefore not surprising that Hanley (2005) argues that performance appraisal is a productive process that influences organizational performance. A stream of researchers, such as Ahmed and Schroeder (2003) and Chang & Chen (2002), agree that a positive and strong link exists between organizational performance and the process of performance appraisal. Benefits include identifying the employee skills needed and developing employee satisfaction, employee relations and favorable working environments.

2.2.5 Compensation and Rewards

Compensations are given in the form of rewards. Such rewards consist of both monetary and non-monetary incentives. Monetary compensation is further divided into direct and indirect compensation, such as benefits. Although, employees' preferences differ in the manner of how benefits are valued, it still provides an opportunity or flexibility in benefit choices, as well as invariably gives these employees good value for their expenditure (Chiu, Luk & Tang, 2002).

Furthermore, there are various components when considering compensations. The efficiency wage theory indicates that wage above market pay increases efficiency and thereby reduces labor cost because high pay influences employee's decision in employment acceptance and intention to leave the organization (Chiu *et al.*, 2002; Armstrong & Murlis, 1994; Cambell, 1993; Cappelli & Chauvin, 1991). Campion (1991) argues that higher wages and career opportunities increase turnover. The main weapon of employers to retain employees is nothing but benefits. Just as benefits assist employers to retain their employees, likewise, when high rewards are in place in the organization, employees will maintain a high level of satisfaction, commitment and loyalty toward their employers (Chiu *et al.*, 2002).

Merit payment is also an effective component in motivating an employee. A survey was carried out in Hong Kong, where employees were offered annual leave according to the Hong Kong Employment Ordinance but the employees preferred to be compensated with cash instead. Profit sharing is another type of motivation by employers which enables employees to perform better in their respective duties. The research carried out by Chiu *et al.* (2000) found out that Hong Kong employees are motivated by a "Cash Mentality" just like their counterparts in the USA. Hong Kong employees are more interested in cash as compensation rather than benefits. The reason behind cash mentality is due to the fact that it assists them in their crucial financial crisis, serves as an impediment to migration during political instability and more importantly, assists them to be financially independent, self-reliant or to preserve one's dignity during difficult times (Chiu *et al.*, 2002; Chiu & Kansinski, 1994).

Milkovich and Newman (1999) posit that compensation encompasses all forms of gains and other services provided to subordinates or employees. It is generally argued that the total compensation complemented by an effective financing system plays an important role in attracting the best applicants. The foregoing HRM practice shapes employees' behavior and performance output, and encourages the retention of talented personnel. Rewards encompass all benefits including financial and non-financial, that an employee obtains through employment with an organization (Malhotra *et al.*, 2007).

Berndardin and Russel (1993) note that reward planning and compensation are key dimensions of dynamic HRM practices. Correspondingly, Mathis and Jackson (2004) posit that an unbiased and competitive rewards and compensation practice impacts the retention of talents. Similarly, Dreher and Dougherty (2005) conclude that a reward-based approach functions as the driver of teams and individual performance in organizations. Delery and Doty (1996) and Huselid (1995) find that performance-based compensation is the strongest indicator of organizational performance.

Significant evidence subsists in the existing literature on positive relationships between compensation and rewards systems and organizational performance. Compensation and rewards is the single and strongest predictor of organizational performance (Fey *et al.*, 2000). In this regard Chiu *et al.* (2002) state that rewards and compensation considerably affect HR outcomes. Equally, Jyothi and Venkatesh (2006) state that rewards and pay which are competency-based enhance the quality of goods and services improve subordinates' behavior and decrease accident rates in organizations, ultimately improving organizational performance.

Not surprisingly, studies have investigated the link between compensation and rewards and HR outcomes. As mentioned earlier, empirical studies have shown that practicing effective compensation and rewards highly impacts productivity, sales and overall organizational performance (Delaney & Huselid, 1996; Chiu *et al.*, 2002; Dreher & Dougherty, 2005). According to Khan (2010), empirical studies have established the effects of HRM practices on organizational performance. In other words, there is a positive relationship between compensation and rewards and their relationship with organizational performance. Compensation and rewards have benefits that arise from the content of the job itself and have consequences for the psychological development of the employee (Williamson *et al.*, 2009).

2.3 HUMAN RESOURCE OUTCOMES

HR outcomes are normally shown as being outcomes with respect to skills that yield employee competence (Park *et al.*, 2003; Guest, 2001) and those that foster cooperation (Richardson & Thompson, 1999). Some of these HR outcomes encompass attitudes, such as employee satisfaction, employee retention and employee relations (Park *et al.*, 2003), and behavior which affects absenteeism and turnover (Guest, 2001; Richardson & Thompson, 1999). Cooperation is also imperative among employees because it helps to build and nurture synergy between competent employees, thereby helping the organization to do well (Paul & Anantharaman, 2003). In order to bring enduring organizational outcomes, employees or subordinates must be committed, satisfied and motivated, as mentioned earlier (Katou & Budhwar, 2006; Paul and Anantharaman, 2003; Guest, 2001; Fey *et al.*, 2000).

In view of the above discussion, this study conceptualizes HR outcomes from multiple dimensions, such as employee satisfaction, employee retention and employee relations. As noted by Tseng and Lee (2009), applying multiple dimensions can enhance organizational strategies in adapting to the environment. Thus, this study proposes the above various dimensions of employee satisfaction, employee retention and employee relations to measure HR outcomes. One should note that effectiveness is obtained when organizational objectives are fulfilled (Katou & Budhwar, 2007). Meanwhile, efficiency occurs if the organization utilizes few resources for achieving its objectives (Katou & Budhwar, 2007). Satisfaction is achieved when all participants are satisfied, i.e., stakeholders, employees and customers (Katou & Budhwar, 2007; Delaney & Huselid, 1996).

2.3.1 Employees' Satisfaction

Satisfaction is a benefit which is derived from participation in an occurrence. Hence, employees' satisfaction could be defined as the level at which employees come to enjoy their jobs (Antoncic & Antoncic, 2011). Therefore, the overall reflection of employees' satisfaction will produce job satisfaction; whenever employees are satisfied with their jobs, there will automatically be organizational growth and in return, the employees will be rewarded both in cash and in kind.

There are three elements involved in achieving satisfaction as defined above: working conditions, time and a firm's goodwill (Miskell & Miskell, 1994; Pierce & Newstrom, 1980; Christensen & Staines, 1990). Other studies have focused on the employees' salary, remuneration such as fringe benefits and appreciation, promotions, education and training programs, job retention, organizational culture

and a conducive working environment (Rosenbloom & Hallman, 1991; Tsui *et al.*1997; Neo, 2008; Maslow, 1997; Hisrich & Peters, 1995). When all these remunerations, both in kind and in cash, are provided by the employers, then the employee is likely to be loyal (Meyer & Allen, 1997; Tsui *et al.*, 1997).

According to Antoncic and Antoncic (2011), employees' relationships are part of work satisfaction as the employees will consider a personal relationship with their employers. Employees who are not well taken care of may leave the organization if they feel they are not an important factor for the sustainable growth of the organization. Also, they are a means to the attainment of internal excellence in all organizational activities. Hence, employee welfare should be given utmost priority by the top management of the organization (Babatunde & Selamat, 2012; Winter, 2011) because employee satisfaction influences the performance of an organization as a whole.

However, there are opportunities available for organizations to develop their employees in order to provide employee satisfaction. Such motivation can be generated through rewards and compensation, T&D programs, meeting their needs in the workplace in terms of a conducive working environment and even in their private lives (personal growth). Invariably, this will increase productivity and thus improve organizational performance (Babatunde & Selamat, 2012; Winter, 2011). The implications of employees' satisfaction is that it is the bedrock of the firm's growth which will increase the good image of the company and which will give it a competitive edge over other companies because when employees are satisfied, the reflection will be manifested in the service they render to the customers.

In addition, satisfaction and attitude influence individual behavior and organization effectiveness is hugely affected because employee behavior depends on interaction in the workplace. Hence, organizational effectiveness can reflect combinations and interactions of organizational behavior that promote organizational performance. It has been suggested that an employee's wellbeing is considered to be a measure of organizational performance (Ostroff, 1992). Pickle and Friedlander (1967) argue that employee satisfaction is the measure of organizational success due to the positive relationship, while others see employee satisfaction and attitude as the precursor of organizational success. For organizational success to be achieved, both employees' satisfaction in terms of favourable working conditions, personal growth, rewards and compensations should be embarked upon within an organization.

The relationship or link between a subordinate's motivation and job satisfaction is another important HR outcome in the quest for attaining organizational performance. A number of studies have suggested that motivation and job satisfaction be examined independently so that influential variables can be more easily identified, thus providing a better understanding of the activities (Pool, 1997; Igalens & Roussel, 1999). In much the same way, Herzberg's (2003) motivation-hygiene theory is important in identifying critical motivators (e.g., recognition, achievement and the work itself) and hygiene factors which represent extrinsic factors (e.g., supervision and staff salary). Basically, Herzberg's perspective implies that these factors result in job satisfaction since they fulfil an individual's need for self-actualization (Tietjen & Myers, 1998). Similarly, Igalens and Roussel (1999) argue that expectancy theory shows that a reward-for-performance approach also affects job satisfaction.

In line with this argument, Pool (1997) investigated the link between motivation and job satisfaction and established a potentially strong and positive relationship which shows that as work motivation increases, so does job satisfaction. Likewise, research findings showing a positive relationship between motivation and job satisfaction were also established by Wright & Soonhee (2004) and Moynihan & Pandey (2007). As is evident from the foregoing discussion, the common understanding is that there is a positive relationship between extrinsic motivation and job satisfaction. However, intrinsic motivation can also be boosted by work enrichment programs that enhance staff morale (Frey, 1997). In this regard, when subordinates enjoy their job more, intrinsic rewards can affect extrinsic motivation (Frey, 1997). Not surprisingly, those advocating self-determination theory, such as Deci and Ryan (2008); Gagne and Deci (2005) posit that rewarding performance may have a positive impact on intrinsic motivation by encouraging subordinate independence and self-esteem. Nonetheless, self-determination theory does not explain whether the extrinsic motivation decreases if intrinsic motivation increases.

2.3.2 Employees Relations

Employee relations are influenced by programs set up by staff and direct communication about the implementation of organizational rules, culture, and resolving problems in the workplace. The most important practices carried out by HR managers within the field of employee relations include fair hiring practices and equal employment opportunities and good credentials and accounts of employer measures that are required by the law.

However, it is the duty of employers to regulate workplace settings and accommodate organizational practices. Thus, employee relations can basically be divided into three: workplace behavior, codes of conduct and employee conduct (SHRM). Workplace behavior addresses issues related to employee while employee conduct examines disciplinary problems.

In addition, the need for employee relations must be consistent with systematic and rationalized employment systems, such as job evaluation and training, job testing of the applicants and performance-related pay (Benson, 1995; Osterman, 1994). Soeters and Schwan (1990) and Budhwar (2003) argue that such normal processes are rarely followed properly in India. Nevertheless, formal job selection processes need to be used to achieve reasonable results. Thus, to effectively manage employee relations, managers must have excellent communication skills, whereby open and regular discussions are allowed in order to build an atmosphere centered on trust and mutual respect for one another, while the organizational policies should support HR Managers' intervention in resolving the matter on the ground. Fulmer *et al.* (2003) find that employee relations can provide substantial sustained competitive advantage. Tseng and Lee (2009) find that HRM practices are significantly related to employee relations.

Employee relation is one of the ultimate goals of HR. Employee relations and attitudes can be achieved via multiple paths using alternative combinations of HR practices. Previous studies focused on employee relations and attitudes that effectively incorporate employees. Judge, Thoresen, Bono and Patton (2001) agree that the interest is documenting a positive relationship between attitudes and

performance (Judge *et al.*, 2001). More specifically, employee relations seem to fit well with the Human Capital theory that success is generated by HRM practices. In addition, Fulmer *et al.* (2003) find that employee relations can provide competitive advantage to an organization.

In addition, the organization must improve and increase the quality of work done, thus improving organizational performance. This could be possible when there is a rapport between employers and employees. Also, the desire of the employer must be to transform the 'old employer/employee model' so that the free stream of information, trust and cooperation between employees and the executives or the management could be improved (Savolainen, 2000).

Organizational change entails cooperation between management and employee. One major change is a productive ground for observing the improvement of employee relations progress (Savolainen, 2000). The employer-employees improvement entails organizational culture that will bring change. Often, employees do not welcome such an idea due to additional stress, pressure and more responsibilities. The concern of both HRM and leadership is the management-employees relationship.

Schein, (1985) refers to the management behavior as a face-to-face interaction with the employees (e.g., management to employees or employees to management) because management is an agent of change that influences changes in the organization. Thus, managers must operate based on fundamental standards, such as norms, values and principles that will guide the operational activities within the organization because there is a need to improve quality, and to foster cooperation via management-employee relationship (Savolainen, 2000).

To do this, Savolainen (2000) developed three strategies for employer-employee relationship which is referred to as strategies development: firstly, the “trust building, participative strategy” secondly, the “entrepreneurial, cooperative strategy” and thirdly, the negotiation and fluctuating strategy motivated by internal quality professionals, through experimenting time and negotiations. It was found that both the first and the second were more effective and successful.

2.3.3 Employees’ Retention

Since the mid-1990s, empirical studies have focused not only on determining the factors causing employees or workers to leave but have also examined those factors which positively influence employees to stay, as well as the benefits associated with retaining workers (Moncarz, Zhao & Kay, 2009). According to Bairi, Manohar and Kundu (2011), employee retention has been the focus of many studies in recent years, particularly as part of talent management programs.

Much has been discovered about HR practitioners who attempt to integrate it into a talent program. They may be shocked by the extensive volume of research on it including studies undertaken by Law (2003); Buenger (2006); Gallagher *et al.* (2006), to mention a few. However, Huang, Lin, and Chuang (2006), observe that despite its emerging importance, only a few studies have examined the aspect or topic of retention. MacDuffie (1995) observed behavior reflecting elements of a high performance HRM system and recommended that employee behavior mediates the relationship between HRM practices and organizational performance (Becker & Huselid, 1998).

As indicated earlier, it is certain that attracting and retaining key employees should be a top priority for any organization. However, in many organizations, this issue is not generally regarded as vital. Whether this is down to naivety or obduracy, or any other reason for that matter, failing to implement effective employee retention strategies can negatively affect even the most proficient firm or organization. According to Development and Learning in Organizations (DLO) (2011), getting the right people is a daunting task and requires considerable investment of time and money. Thus, when a staff quits an organization, this means that the whole process of hiring and training a suitable replacement has to begin all over again. More importantly, losing talented employees can also have consequences for organizational performance. If the talented employee subsequently falls into the lap of a rival or competitor, the organization will experience a double negative impact. Surprisingly, many senior managers fail to appreciate the relationship between staff turnover and how their organization performs. However, the more experienced managers will be fully aware that excess workforce is likely to have negative consequences on their organizations. Thus, senior managers within such organizations understand that employees are most productive when they are satisfied with their organizations. Therefore, maintaining employees' satisfaction will enable any organization to provide quality service to clients and achieve its goals. For instance, studies by Cho *et al.* (2006) and Hinkin and Tracey (2000) indicate that hospitality managers who understand the value of human capital and adopt organizational policies and management practices in pursuit of employee retention will perform better than their competitors.

One should note that in order to enhance employee retention and thus retain talented staff, organizations must develop retention strategies, such as rewards (DLO, 2011). However, organizations integrate their human resource capabilities or assets in order to address employee retention challenges (Bairi, Manohar & Kundu 2011). According to Sigler (1999), incentive compensation is one method of addressing the challenges surrounding the retention of workers or employees. Basically, incentive pay may also give the employee the incentive to remain in the organization or firm, when he or she receives a competitive and fair wage. Such measures encourage the worker to comply with organizational practices and goals. Evidently, maintaining talented, productive workers and preventing poor performance is crucial to the long successful run of any organization. Notably, there are difficulties encountered in these processes such as adverse selection, moral hazards and agency costs associated with attaining this goal. Nonetheless, it is without doubt that incentive compensation and other programs that enhance employee job satisfaction may be useful in addressing the problems surrounding employee retention (Sigler, 1999). Also, absenteeism and turnover may negatively impact organizational effectiveness (Arthur, 1994; Boselie *et al.*, 2001). In the same way, if the organization cannot retain its employees, it will not be able to take advantage of the unique human capital developed and nurtured (Fey *et al.*, 2000). Usually, cultivated subordinates are more likely to work for the advantage or for the benefit of the organization, thereby enhancing organizational performance (Katou & Budhwar, 2006; Park *et al.*, 2003).

2.4 Organizational Climate

Organizational climate could be defined as an enabler of interaction between the employees and the employers. Organizational climate is defined as an organizational,

social, situational and psychological environment, influenced by behavior (Forehand & Gilmer, 1964; Guetzkow, Forehand & James, 1962; Argyris, 1958). Schneider, Gunnarson, and Niles-Jolly (1994) define organizational climate as ‘the feeling in the air’ that someone gets from walking around in the organization. Creating a conducive environment enables employees to work effectively, be committed to organizational goals and formulate strategies for the organization (Avery, 2004). Organizational climate affects employee behavior, attitude, beliefs, values, services and the ability to adhere to organizational culture that will adequately propel the attainment of organizational goals (Babatunde & Selamat, 2012; Rogg *et al.*, 2001). Employee environmental constraint is an avenue for low performance, where employee motivation is restricted and organizational culture is not in practice within the organization. The nonchalant attitude of the employee is due to a non-conductive environment; hence, the importance of organizational climate for employee efficiency and commitment (Babatunde & Selamat, 2012). Studies have highlighted the importance of organizational climate a shaving the “right type” of climate or creating a climate that allows employee participation and control in the organization (McGregor, 1967; Argyris, 1958). Perryer and Jordan (2005) argue that there is a need to create a climate within the work environment where employers are able to assist employees not only to set objectives but to achieve their individual, team and invariably, organizational objectives.

In addition, Koene, Vogelaar and Soeters (2002); Perry and Jordan (2005); Avery (2004) posit that an accommodating climate will positively affect employee satisfaction. Griffith (2006) concludes that a warm and supportive climate increases employee satisfaction at the organizational level. Jing, Avery and Bergsteiner (2011)

suggest that the way employees view organizational climate serves as an avenue for employees to remain with their employers. Organizational climate is allied with a diversity of HR outcomes, such as employee satisfaction and employee intention at the organizational, team and individual stages (Jing *et al.*, 2011; Patterson, 2005; Brown & Leigh, 1996; Rentsch, 1990). However, Neal, Griffin and Hart, (2000) and Brown and Leigh (1996) opine that organizational climate implies a strong impact on motivation of employee in achieving a better performance within the organization. Also, Gelade and Ivery (2003) posit that organizational climate propels and influences employees' conditions, and as such, affects productivity and performance in the organization. HRM practices foster efficient job performance through a well-balanced condition, employee motivation and rewards. Organizational climate has been found to be a mediating variable between HRM practices and performance (Gelade & Ivery, 2003; Ostroff & Bowen, 2004).

Chen and Huang (2007) and Janz, Wehterbe, Colquitt and Noe (1997) have earlier argued that organizational climate is the culture that the organization believes in. Organizational climate can be elucidated as a set of prospects and characteristics that help to illustrate the generality of the blueprint of the organizational activities (Jaw & Liu, 2003). Organizational climate is fundamental to how employees distinguish their working conditions (James & Sells, 1981). This idea is one of the main differences that disconnect the theory of organizational climate from that of organizational culture. They mutually provide a clarification as to how employees experience being within their organization.

Schneider (2000) proposes that climate is behaviorally oriented; it symbolizes the things that occur to an employee inside of the organization. In view of the fact that organizational climate is behaviorally leaning, there is no one form of behavior that can be controlled in definite climates. An organization may encourage positive behaviors by instituting organizational climates which acknowledge the most acceptable behaviors. In order to create a modern environment, organizational climate should support employees to feel free, communicate openly, and discover options that will help them solve problems (Edmondson, 1999). Modern organizational climate should promote work teams that will help an employee to work together with one another in order to find suitable solutions to problems in a project (Hoegl *et al.*, 2003).

In addition, an organizational climate that encourages collaboration adds to the value of its members' preference to work in a team in order to contribute and build up tacit understandable knowledge, as well as encourage one another to learn (Janz & Prasarnphanich, 2003). Hurley and Halt (1998) suggest that cultures which stress on learning and development will have a high level of innovation. Morgan and Strong (1997) support the view that learning orientation is an important part in an organizations' level of innovation. Similarly, Gayman and Bradley (2012) concur that organizational climate and work stress significantly predict emotional tiredness and that these factors are indirectly associated with discouraging signs.

In addition, Ferris *et al.* (1998) argue that lack of how HR systems affect organizational effectiveness, cultural values influence the types of HR systems that are developed or adopted by an organization and these systems, in turn, determine

the organization's climate, and employee attitudes, behavior and organizational effectiveness (Rogg, Schmidt, Shull & Schmitt, 2001). However, Ferris *et al.* (1998) envision climate as a set of shared perceptions among employees' attitudes, values, and beliefs on how an organization operates. Relative to organizational culture, are these shared perceptions that are temporary and changeable. While some argue that organizational climate relates only to a specific referent, such as safety (Zohar, 1980), Bowen and Schneider (1988) argue that an organization must strategically guide employee behavior for a better quality service through a service climate, such as recruitment and selection, compensation and reward. Thus, when an organization introduces other factors, such as job or employee satisfaction and T&D of employees, it will produce a greater service excellence, stronger organizational service climate and enhance employees' experience, leading to better quality of service (Rogg *et al.*, 2001; Schmit & Allschild, 1995).

However, it is important to note that organizational climate is an area in which staff perceives the same organizational mission, policies, practices as well as processes. It is imperative to take the organizational climate effect into consideration when aiming to achieve performance because it extends not only to an individual but to the entire organization. Thus, organizational climate depends on several factors that could be regarded as (1) the distinctiveness of an organization, such as (i) structure and size; (ii) area of activity; (iii) age of members and traditions; and (2) factors related to staff that include: (i) level of education; (ii) age; (iii) cultural level; and (iv) managerial style (Popa, 2011). Thus, organizational effectiveness is achieved through creating a positive organizational climate (Kepes & Delery, 2006). They posit that

organizational climate results in a strong situation that shapes the behavior of employees (Kepes & Delery, 2006).

Purcell *et al.* (2006) argue that successful organizations could combine in unique ways, values, routines and practice of policy which affect both individuals and the collective endeavour. Thus, a widely shared value system can be observed when members of an organization believe that they share a belief in and are ready to achieve the organization's mission. However, the work of Rogg *et al.* (2001) suggests that there is a clear relationship between supportive organizational climate and desired organizational outcomes, such as customer satisfaction; while the study of Rogg *et al.* (2001) is based on organizational level rather than individual level. Their findings provide an initial foundation for measuring the impact of a supportive organizational climate on other desirable outcomes, like performance, job satisfaction and commitment.

Rogg *et al.* (2001) argue that most of the time, an organizational climate can be a reflection of an employee's evaluation which is based on the customer's view of the products or services rendered in the organization. Arguably, organizational climate is a projection of job satisfaction and takes into account the satisfaction derived from both employees and customers (Rogg *et al.*, 2001; Schmit & Allschieff, 1995; Johnson, 1996). The support employees receive from their organizations when they are in a sympathetic climate is crucial to any organization; although scholars are of the opinion that organizational climate has taken different trails. It involves an individual performance equation consisting of a combination of ability, support and effort (Schermerhorn, Gardner, & Martin, 1990). In essence, employees'

performance is the reflection of their effort, being in a sympathetic working environment with high level of motivation.

2.4.1 Gaps in the literature

In recent times, researchers and scholars have found that although HRM impacts performance, “there is little understanding of the mechanisms through which HRM practices influence effectiveness” (Delery, 1998). Interestingly, this fails to recognize the aspect of the HRM practices-performance link that has been described as the ‘black box’ by Boselie *et al.* (2005). Studies can use a ‘black box’, in which the concepts and models are developed to understand the puzzle that underpins the HRM practices-performance relationship, including intermediary factors (Katou, 2008; Paauwe & Richardson, 1997). The intermediary stage of this relationship usually comprises the HR outcomes of motivation, satisfaction, social climate, retention, involvement, loyalty and trust, as suggested by Paauwe & Richardson (1997). In view of the foregoing, it is not surprising that Boselie *et al.* (2005) are critical of the lack of attention placed on exploring the linking mechanisms or mediating effects of the crucial factors in the HRM practices-performance relationship.

Given the above discussion, Katou and Bundwar (2010) suggest that the performance of an organization depends largely on the degree of its human capital or resources, technology and processes. However, one should note that for employees to be effective in technology and processes there should be a required number with enough capability and requisite skills, knowledge and abilities (Park *et al.*, 2003). Furthermore, effective HR should be highly motivated (Pfeffer, 1994; Huselid, 1995; Park *et al.*, 2003; Fey *et al.*, 2000).

Similarly, employees must be satisfied (see Guest, 2001; Boselie *et al.*, 2001); committed (see Katou, 2008), and in much the same way, the HR in an organization must be cooperative (Park *et al.*, 2003; Guest, 1997), retained within the organization (Fey *et al.*, 2000; Boselie *et al.*, 2001) and present, as opposed to being absent (Boselie *et al.*, 2001). Evidently, a further attempt to examine what exactly happens in the ‘black box’ is desirable and may be the key to unlocking the HRM practices-performance positive relationship. As indicated previously, this study strives to contribute to this research field by exploring the contribution of various HR outcomes, such as employee satisfaction, employee relations and employees’ retention and presence as mediating factors of organizational climate or ‘black box’ items in the HRM practices-performance link.

Notably, Wright and Haggerty (2005) contend that while significant relations have been found between HRM practices and organizational performance, the models used neither explain the causal conclusions nor investigate a reverse causal effect. Nevertheless, even when one focuses on the one directional relationship between HRM policies and organizational performance, well-grounded theoretical development that clarifies how such HRM practices operate is missing (Katou & Bundwar, 2010). While attempting to tackle such theoretical developments in the research field, researchers have suggested the examination of intermediate links or factors between HRM practices and organizational performance (Katou & Budhwar, 2006; Katou, 2008). Therefore, the general understanding among scholars is that HRM practices and HRM systems do not lead directly to organizational performance (see Boselie *et al.*, 2005), but instead influence organizational resources, including HR, which in turn affect performance (Delery, 1998). The main

thrust of this position suggests that there are intervening factors that mediate the relationship between HRM policies and business performance (Guest, 2001; Boselie *et al.*, 2001; Katou & Budhwar, 2006; Katou, 2008). Nonetheless, additional proof is required to explain the intervening factors that underpin this causal model (Gerhart, 2005).

As is evident from the above discussion, it is vital that future studies examine the mediating factors that influence the impact of HRM practices on organizational climate (Delery, 1998). It is not surprising that Bowen and Ostroff (2004) insist that the issue regarding the underlying process through which HRM practices affect organizational climate will be left unaddressed. Similarly, Delery and Doty (1996) contend that HRM practices affect organizational performance by developing a workforce that is motivated, skilled and empowered. In a related study, Fey *et al.* (2000) add support to the role played by certain HR outcomes, such as employee satisfaction, employee relations and employee retention, motivation and development as intervening factors between HRM practices and performance.

Correspondingly, Guest (2001) utilizes employee or subordinate commitment and satisfaction, as well as employee flexibility and quality, as intervening variables in the HRM practices-performance link. Researchers, like Boselie *et al.* (2001), also highlight employee motivation, satisfaction, presence, retention, social climate, participation and involvement as being mediating outcomes between HRM practice-organizational performance relationships. Similarly, Bowen and Ostroff (2004) claim that organizational culture or climate constitutes a key intervening variable in the HRM practices-organizational performance link. Katou and Budhwar (2006) also

provide proof that the link between HRM practices of resource-development and reward-relations and organizational performance is enabled by HR outcomes, such as employee skills and attitudes. In another study, Katou and Budhwar (2010) reiterate their position that HR outcomes mediate the relationship between HRM practices and organizational performance. More distinctively, the findings of the foregoing study by Katou and Budhwar (2010) indicate that HR outcomes comprising subordinate skills, attitudes and behavior positively influence organizational performance. This key result proves that the relationship between HRM practices, business strategies and organizational performance may be mediated by the HR outcomes of employee attitudes, skills and behavior. This major finding lends support to Delery and Doty (1996) who argue that HRM practices influence organizational performance by developing employees who are skilled and have the right behavior and attitude.

Generally, it is agreed that research that focuses only on the number and extent of HRM practices could have limitations in terms of fully understanding the complex nature of HRM practices-organizational performance relationships (Purcell & Hutchinson, 2007). Nevertheless, the examination of which HRM practices comprise a proposed HRM policy conceptualized differently is of much value and significance (Lepak *et al.*, 2006). Despite the lack of knowledge on the ‘black box’ that lies between HRM practices as input and performance as an output of the HRM practices-performance link (Wright & Gardner, 2003), this research considers the ‘black box’ as an intervening phase in the HRM practices-performance link that is moderated by organizational contingencies, such as organizational culture, and other control variables such as organizational size and structure.

2.5 THEORIES ON HUMAN RESOURCE MANAGEMENT PRACTICES

As noted by Katou (2008), there is an increasing and emerging body of theories and empirical studies explaining the links between HRM practices, HR outcomes and organizational outcomes. Various studies have approached HRM practices from different theoretical lenses and frameworks of analysis. In order to achieve the objectives of this research, Human Capital theory, Affective Events theory (AET) and Contingency theory are proposed to underpin the conceptual framework developed. These three theories have been identified as suitable for the current research. Human Capital is appropriate for the Independent variable (HRM Practice). Based on Lepak and Snell (1999), Human Capital theory focuses on employee productivity, education, training, appraisal and reward practice. Hence, organizations will need to protect themselves from the transfer of their human capital investments to other organizations. This is because investments in firm-specific training are usually incurred by the employer. In addition, the dimensions of HRM practice examined in the current research (recruitment and selection, performance appraisal, T&D, compensation and reward, and HRP) are within the scope of the Human Capital theory; hence it is deemed suitable as the underpinning theory of this research.

The mediating and dependent variables of this research are outcome-based. The dependent variable comprises both evaluative judgment which an employee makes about his or her job, as well as affective that culminates from certain events. According to Weiss and Cropanzano (1996), employees' attitudes consist of both an affective element and a cognitive judgment element. In other words, attitudes are influenced by emotion and previous experiences. Both the attitudes and the affect

shape the behavioral responses of employees. The AET is identified as the second underpinning theory because this theory basically explains how certain types of events within an organization give rise to affect, thereby influencing employees' attitudes and behaviors. In addition, the theory recognizes the importance of psychological experience and the multi-dimensional nature of the affect itself (Weiss & Cropanzano, 1996).

Based on the aforementioned, Human Capital theory and AET are found to be suitable for achieving all the four objectives of this research. Human Capital theory underpins the construct of HRM practice, while AET and Contingency theory underpins organizational climate and HR outcome. Although the Human Capital theory is considered a theoretical approach to job training provided by the employer; the theory fails to recognize the influence of training on employee attitude and its outcome. Hence, the AET and Contingency theory have been chosen as the underpinning theory for this research.

2.5.1 Human Capital Theory

As mentioned earlier, the first theory used in this study is the Human Capital theory. The fundamental principle underlining this theory is the belief that people's learning capacities are of comparable value to other resources involved in the production of goods and service (Nafukho, Hairston & Brooks, 2004; Lucas, 1990). Moreover, when resources are effectively and efficiently utilized, the outcomes are profitable to individual organizations and the society at large. The Human Capital theory was introduced in 1960 by Theodore Schultz as an application of the standard capital theory to explain an economic phenomenon. The concept of human capital research

program is based on the idea that people spend money on themselves in various ways simply because of future ‘pecuniary and non-pecuniary’ returns, such as education, T&D and health (Blaug, 2001; Schultz, 1960). Therefore, the theory explains that the benefit from education and training is a form of investment in HR (Nafukho *et al.*, 2004; Engelbrecht, 2003).

However, the main proposition is that people are considered a form of human capital. The motive behind human capital investment is to improve productivity and profitability within the organization. The Human Capital theory posits that productivity will emerge if there is an investment in people (Holton & Naquin, 2002). Despite all objections on the Human Capital theory, Marshall’s principles of economics include a methodology for calculating the private returns on investment in education that would later become the core of the theory (Baptiste, 2001; Marginson, 1993).

Additionally, Baptiste (2001) explains further that the Human Capital theory comprises knowledge, skills development and attitude to improve productivity. Subsequently, Hornbeck and Salamon (1991) define Human Capital theory as “productivity of human beings as an income producing agent in an economy”; while Blaug (1976) opines that Human Capital theory is the present value of past investments in the skills of people. This study defines Human Capital theory as conditional investment on people’s skills, knowledge and capability with the aim of recouping favorable returns in the near future. Based on the above discussion, this study employs the use of the Human Capital theory to explain HRM practices, such as T&D, recruitment and selection, performance appraisal, motivation and rewards to

achieve HR outcomes (employee satisfaction, employee retention and employee relations) with organizational climate as a mediating variable in the research model.

2.5.2 Affective Events Theory (AET)

The second major theory is the AET which is imperative in relation to emotions in the workplace (Pirola-Merlo, Hartel, Mann & Hirst, 2002; Weiss & Cropanzano, 1996). The AET gives rise to affectivity, which in turn influences individuals' attitudes and behaviors. Additionally, the application of the AET enables individuals to have endogenous patterns of affect, such as 'personality-based predispositions' towards certain emotions. Hence, neuroticism is associated with negative affectivity or the tendency to experience a negative affect (Pirola-Merlo *et al.*, 2002; Larsen & Ketelaar, 1991). However, life is punctuated by events that interfere with these endogenous patterns and act as exogenous influences on affect. These "affective events" are appraised by a cognitive process involving assessment of: (a) the relevance of the event to personal well-being; and (b) its importance. An initial appraisal is followed by a more specific appraisal that focuses on dimensions, such as the potential for coping; and consequences of the event. These appraisals produce the experience of discrete emotions-either anger or happiness. Such attitudes are affective and cognitive judgment elements by nature (Weiss & Cropanzan, 1996). In turn, attitudes are influenced by the experience of emotion and also by information derived from both attitudes and the affective drive behavioral responses (Pirola-Merlo *et al.*, 2002). This study defines the AET as an occasion during which peoples' attitudes are affected which in turn, is demonstrated in their behavior.

2.5.3 Contingency Theory

The Contingency theory, also known as the strategic theory, considers the relationship between HRM practices and organizational performance to be dissimilar for different levels of the critical contingency factors or situations. In other words, to attain superior performance, it is imperative for organizations to achieve a fit between business strategy and HRM strategy (Hoque, 1999; Katou, 2008).

According to Ferris *et al.* (1999), contextual or environmental variables may actually render certain HRM practices largely irrelevant in organizational performance. For instance, if the structure of a firm or organization is extremely hierarchical with a deep-seated bureaucratic culture, it is not likely that HRM policies, such as employee participation will be effective (Ferris *et al.*, 1999). Some scholars have established that investigating organizational performance in different organizational cultural settings provides more helpful information to management than merely examining performance in various cultures (Goodman, Zammuto & Gifford 2001). Others, like Wang and Shyu (2003), find that the different organizational cultures have unique effects on organizational or firm performance. Despite these studies, our understanding still remains visible in relation to the causal relationship between HRM practices and organizational performance (Wright, Gardner, Moyiham & Allen, 2005; Purcell, Kinnie, Hutchinson, Rayton & Swart, 2003).

As mentioned earlier, the Contingency theory of HRM practices is basically centered on the link between the set of possible external contingencies and HRM practices or systems (Guest, 1997). Several organizational contingencies could affect business or organizational strategies adoption, HRM practices, and HR outcomes, and

organizational performance, such as 'sector' (e.g., manufacturing, services and trade); 'type' (e.g., public and private); as well as 'size' and individual contingencies, such as 'sex', 'age', 'years in organization' and 'position' (Paauwe & Richardson, 1997). While organizations and firms do not exist in a vacuum, contingencies may influence the adoption of certain HRM practices, ultimately shaping organizational performance (Guest & Conway, 2004). The intent to link organizational contingencies to HRM practices is critical because these factors direct the most preferred HRM policies and practices. There are two main types of organizational contingencies: internal and external environmental factors. External environmental factors include the political system of a country (which covers legal rules and institutions within which organizations operate), the cultural system (which includes factors, such as beliefs, religion, values, norms, expatriate workforce and people educated abroad).

On the other hand, the internal environmental factors include the characteristics and ethical beliefs of employees and demographic variables, such as the employees' position, their educational level, their work experience, their gender, age, nationality, marital status, title of their job, and industry or sector. Some recent research indicates that there is an additional factor warranting inclusion in the set of contingency factors. In this regard, Purcell *et al.* (2006) argue that a strong organizational culture is a key element associated with high performing organizations. This culture is derived from an organization's mission and thus is deeply entrenched within the organization and all its partners and stakeholders. More importantly, organizational culture constitutes a set of organizational values that are communally shared by all employees. Likewise, a lack of widely shared values is

often cited as a characteristic shared by low performing organizations, as noted by Ulrich (1984). One likely reason why shared values affect HRM outcomes (such as employee satisfaction, employee retention and employee relations) is that organizations contain sectoral groups, such as separate departmental units or geographic locations, and these individuals and groups require unification so that dysfunctional effects stemming from unequal treatment are circumvented (Kepes & Delery, 2006). On the other hand, a widely-shared value system is generally viewed as the adhesive that glues together or unites diverse groups within the working environment (Schneider, 1988).

In elaborating the above perspective, Kepes and Delery (2006) argue that if every employee shares the same perceptions of the firm's goals and the appropriateness of the HRM policies, practices and processes to achieve them, a positive organizational climate is reinforced and organizational effectiveness enhanced. They add that this situation "creates a strong situation or 'cultism', which guides employee behavior". Additionally, a professed yearning for the values of the organization conveyed through use of mutually supportive HRM policies may contribute to the distinctiveness of the HRM system itself. In this vein, Purcell *et al.* (2006), argue that "successful firms thus combine, in unique ways, values, routines and policy-practice which affect both individuals and the collective endeavor". In a way, a widely shared value system exists when members of an organization believe in sharing, and willingly work towards the attainment of the organization's goals. This is closely related to organizational identification which is described as a state where the objectives of the organization or firm and those of the individual become increasingly integrated.

2.6 Existing Studies on the Link between HRM Practices and HR Outcomes

The focus of research into HRM has shifted emphasis from the impact of individual HRM practices on HR outcomes. In this regard, researchers like Bjorkman and Budwar (2007) contend that the comprehensive investigation of individual HRM practices can yield significant predictors of HR outcomes.

By the 1990s, most of the extant literature appeared to support the view that HRM practices played a major role in enhancing HR outcomes (Huselid, 1995; Appelbaum *et al.*, 2000; Guthrie, 2001). The usual argument was that the ‘best’ HRM policies or practices enhance employees’ abilities, knowledge and skills. Consequently, it was pointed out that greater employee satisfaction yielded higher productivity, lower worker turnover and better decision-making, which in turn boosted HR outcomes (Combs & Ketchen, 2006). However, other researchers remained unconvinced by suggestions that HRM practices essentially lead to commitment, job satisfaction and positive HR outcomes. For instance, in a direct challenge to Combs *et al.* (2006) depiction of lower turnover, Fernie and Metcalf (1995) established the reverse, with organizations utilizing performance appraisal systems having a high turnover rate. In these situations, job security and performance appraisals, both of which are best HRM practices, do not seem to be regarded as vital elements in the HRM practices-HR outcomes relationship. As a result, the nature of the HRM practices-performance through HRM outcomes has been challenged by several researchers including Gerhart *et al.* (2000). These researchers posit that before strategic HRM scholars can credibly argue for the strong positive impact on HR outcomes, they must first try to gauge the effect of measurement error, both systematic and random in their results (Gerhart *et al.*, 2000).

It can be noted from the above discussion that a key area of concern in the HRM practices-HR outcomes relationship is causality. Some researchers, like Paauwe and Boselie (2005) and Wright and Haggerty (2005) indicate the possibility of reverse causality and when there is a relationship between HRM practices and HR outcomes, it could be that “rather than HRM practices causing economic success, success causes HRM practices” (Wright & Haggerty, 2005). For this reason, some scholars argue that there is no significant relationship between HRM practices and HR outcomes, or if there is, it is fairly ambiguous. In this regard, Guest *et al.* (2003) established that in strict investigations, there is “little or no association between HRM practices and HR outcomes”. In much the same way, Wall and Wood (2005), find that “it is premature to assume that HRM practices will inevitably result in performance gains”. Nonetheless, both Wall and Wood (2005) and Guest *et al.* (2003) recognize that the existing literature expresses a strong message that HRM practices boost HR outcomes. Whether or not the argument that HRM practices will enhance HR outcomes can be taken as factual, there are evidently other factors which need to be taken into account. One factor which particularly stands out is the so-called ‘black box’ through which HRM policies or practices are thought to convert to HR outcomes.

As indicated earlier, many studies have empirically examined the impact of HRM practices on HR outcomes (Guest, 1997; Katou, 2008; Tseng & Lee, 2009). That being the case, one should note that these studies have reached different conclusions about this relationship, as noted above. Some researchers contend that HRM practices and HR outcomes have common elements and traits as well as contradictions (Katou & Budhwar, 2006; Boselie *et al.*, 2005). For example, in their

study based in Greece, Katou and Budhwar (2006) observe that even though the motivation to perform HRM practices results in HR outcomes, through subordinate attitudes, it may be argued that HR outcomes positively influence the effectiveness of HRM practices, therefore raising the question of reverse causality. Research also indicates that HRM policies of incentives, training, promotion, staffing, employee involvement and the safety and health of employees have a significantly positive relationship with HR outcomes. To this end, the research findings of a comparative study of Japan and the US carried out by Ichniowski & Shaw in 1999 indicate that Japanese organizations or companies are more productive than US companies, which focus on implementing HRM policies and practices. Similarly, Ngo *et al.* (1998), in their research focusing on Hong Kong firms, established that HRM practices of compensation and training enhance HR outcomes. In much the same way, Chang and Chen (2002) also find that HRM practices of T&D, workforce planning, benefits, performance appraisal and teamwork significantly influence productivity and HR outcomes. Crucially, the same study also established a negative relationship between HRP and subordinates' turnover.

In their study Paul and Ananatharaman (2003) find indirect effects of HRM practices -linked practices on HR outcomes in India. More importantly, their study does not establish a causal link with single HRM practices of firms, implying that there are other underlying factors that shape the link between HRM practices and HR outcomes. Various studies in the west have also examined the relationship between HRM policies and HR outcomes. For example, in a study of Israeli public and private organizations, Harel and Tzafrir (1999) show that HRM practices have a positive and significant relationship with HR outcomes. In much the same way,

Rizov and Croucher (2008), in a study which focused on European firms, find that HRM practices reflected a positive and statistically significant relationship with HR outcomes. Furthermore, previous studies have established the connection between HRM practices and enhanced HR outcomes in Europe and the US (Hoque, 1999; Boselie *et al.*, 2001).

Although the bulk of studies show that HRM practices result in superior HR outcomes, one such directional causal relationship is very unconvincing. As mentioned earlier, the main weakness of such an approach is that it is the HR outcomes that can spend money on HRM policies (Boselie *et al.*, 2005). Nonetheless, even by using one directional causation to explain the HRM practices-HR outcomes link, it is very clear that theoretical approaches that clarify how such HRM practices or policies operate are somewhat non-existent. In an attempt to address such theoretical gaps, researchers have taken into account intermediate links (underlying influences) that influence the HRM practices-HR outcomes relationship (Katou & Budhwar, 2006; Katou, 2008). As a result, the developing consensus among scholars is that HRM practices and HRM systems do not lead directly to HR outcomes (Boselie *et al.*, 2005). To a certain extent, as stated by Delery (1998), HRM practices affect organizational resources. This approach presumes factors that mediate a link between HRM practices and HR outcomes as demonstrated by many researchers (Guest, 2001; Boselie *et al.*, 2001; Katou & Budhwar, 2006, Katou, 2008).

Tessema and Soeters (2006) find that HRM practices are significantly related to HR outcomes. Fey *et al.* (2000) note that HRM practices can positively affect HR outcomes, such as motivation, retention and capability development. Many of the

studies find that HRM practices are also positively correlated with HR outcomes (Ichniowski *et al.*, 1999; Guest, 2001; Becker & Huselid, 1998; Ahmad & Schroeder, 2003). Another researcher, Herman (2005), notes that effective training and opportunities to learn and develop enhance employee retention.

It is clearly noted by Katou (2011) and Wright and Gardner (2003) that the most burning question over the last decade in SHRM has been on the so-called 'black box' that supposedly operates as an intermediary phase between HRM practices and HR outcomes. Although the 'black box' is defined as the mechanism through which HRM policies influence HR outcomes, there is no clarity on what exactly leads to what is in the 'black box' (Gerhart, 2005). Most researchers regard the 'black box' as a linear causal process containing one or more 'sub-black boxes'. For instance, Becker and Huselid (1998) argue that employee behavior mediates the relationship between HRM practices and HR outcomes. Along the same line of reasoning, Wright and Snell (1998) find that HRM practices affect employee skills, which of course affect employee behavior and finally affect organizational performance. Purcell and Hutchison (2007) argue that HRM practices affect employees' skills that in turn affect their attitudes, and employee behavior, which finally influences organizational performance.

Aarons and Sawitzky (2006) argue that organizational climate partially mediates the effect of culture on work attitudes and staff turnover. Thus, with regards to the general properties used to explain the 'black box', HRM policies initially influence HR outcomes, which in turn affects organizational performance (Guest, 1997; Becker *et al.*, 1997; Boselie *et al.*, 2005). From the discussion so far, it is clear that

there is no consensus among researchers in analyzing the so-called ‘black box’ in the HRM practices-HR outcomes relationship, because:

1. It seems unlikely that one set of HRM policies will work well whatever the context (Gerhart, 2005).
2. The causal evidence needs to be drawn from various sources of evidence rather than a single study (Harter *et al.*, 2002).
3. There is no existing agreement regarding the mechanism by which HRM policies might affect HR outcomes (Wright & Gardner, 2003).

To further investigate the process through which HRM practices influence HR outcomes in a non-Western context, this study investigates how organizational climate in one mediating ‘black box’ affects the HR outcomes of Libyan public sector organizations. Thus, it would be appealing to extend the debate on the role of HRM practices in enhancing HR outcomes in developing countries, such as Libya which are peripheral. Specifically, this study presents and tests an operational model based on the Human Capital theory, where the variables described above have a major influence on HR outcomes.

2.7 Research Framework

Based on the discussion above in sections 2.2-2.6, Figure 2.1 depicts an operational framework linking HRM practices to HR outcomes via the mediating role of organizational climate. This model is adopted from various studies, such as those of Gelade and Ivery (2003); Patterson and West (1998); Rogg *et al.* (2001); Ostroff and Bowen (2004), and implies that organizational climate mediates the relationship

between HRM practices and HR outcomes. More importantly, this research model has three distinctive parts: (1) HRM practices; (2) organizational climate and (3) HR outcomes as shown in Figure 2.1 below.

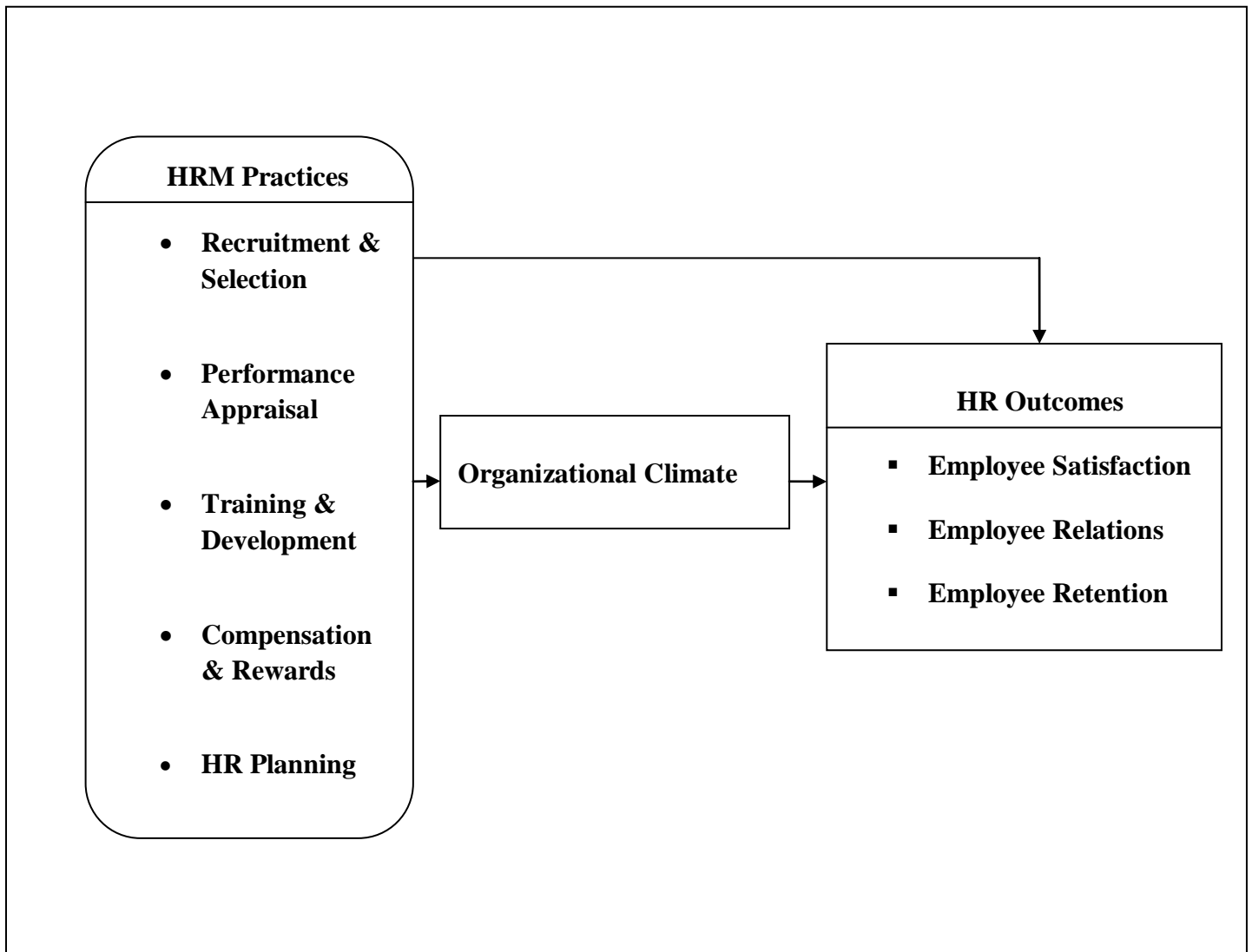


Figure 2.1
The conceptual framework on the link between HRM practices and HR Outcomes

Table 2.1

Summary of Previous Approaches to indirect HRM practices-Performance link

Author	Theory	Mediating	Conclusions
Katou (2008)	AMO Theory, RBV Theory, Contingency Theory.	Outcomes (Employee Skills, Employee attitudes, Employee behavior)	There is a significant relationship between HR practices and organizational performance.
Paauwe and Richardson, 1997).	Theory, transactional economics and resource-based	Outcomes	Suggest that HR outcomes simultaneously affect organizational performance.
Rogg <i>et al.</i> (2001)	ASA Theory Attraction–Selection–Attrition	Organizational Climate	Provides evidence that the HR practices influence organizational climate which in turn influences customer satisfaction indices.
Fey <i>et al.</i> (2000)	Expectancy theory	Motivation, retention and Development	Showed strong evidence successful between organizations performance and human resource practices foreign organizational operating in Russia.
Ferris <i>et al.</i> (1998)	Contingency Theory	Outcomes (Employee attitudes ,employee behavior) and Organizational Climate	Scholars have proposed to consider intermediate linkages between SHRM practices and organizational performance.

Table 2.1 (continued)

Author	Theory	Mediating	Conclusions
Purcell and Hutchinson (2007)	Social Exchange Theory	Outcomes (Employee attitudes ,employee behavior)	Argue that in the HRM practices -performance causal chain it is not HR outcomes that affect organizational performance but a serial causation may exist from employee skills to attitudes and then to behaviors that finally affect organizational performance.
Dimba (2010)	Theory Resource-Based, Contingency Theory	Outcomes (Motivation)	Found that the relationship between SHRM practices and firm performance is indirect through motivation.
Boselie, Paauwe and Jansen (2001)	Theory Resource-Based. Contingency Theory	HR outcomes Employee satisfaction Employee motivation Employee retention Social climate Employee involvement/trust/loyalty/commitment	HRM activities give increasingly to HR outcomes, which influence the performance of the organization.
Tessema and Soeters (2006)	Mainly Theory Expectancy, Resource-Based Theory, Human Capital Theory	HR outcomes Competence Motivation Role Clarity Retention	Found that these practices enhanced performance at individual and organization level.

Table 2.1 (continued)

Author	Theory	Mediating	Conclusions
Zheng <i>et al.</i> (2006)	HRM Theory Resource-Based	HR Outcomes Staff turnover Staff commitment Staff congruence Staff competency	Found that HRM practices improve HR outcomes which in turn leads to improved organization performance.
Gelade and Ivery (2003)	Multilevel Theory	General Climate	HRM practices on business performance are partially mediated by work climate.
Darwish (2010)	HRM Practices- Performance Theory Resource - Based	HR outcomes Employee satisfaction • Employee motivation • Employee turnover • Employee absenteeism • Social climate • Employee involvement • Trust • Loyalty/commit-ment	Examine the impact of SHRM on organization performance. performance and control variables.

Table 2.2

Summary of Previous Approaches to HRM practices-Performance link

Author	Conclusions
Delaney and Huselid (1996).	Found positive associations between HRM, such as staffing selectivity and organizational performance.
Khan (2010)	Indicated a positive and significant association of these practices with organizational performance.
Chiuet <i>et al.</i> (2002)	Established that HRM practices of extensive recruitment and selection, T&D, and compensation systems have positive association with firms' performance.
Terpstra and Rozell (1993)	Staffing practices to possible positive impact of organizational level outcomes.
Tseng and Lee (2009)	Found that HRM practices (Motivation, Participation, Training, Hiring, Compensation) is significantly related to employee relations with (organizational category) development culture, common culture, stratum culture, rational culture.
Chang and Chen (2002)	Found that HRM practices such as T&D, teamwork, benefits, HRP and performance appraisal have significant effect on employee productivity.
Ahmed and Shroedrs (2003)	Investigated the impact of HRM practices significantly on organizational performance.
Hanley (2005)	Findings – Document analysis reveals performance appraisal and performance-related pay.

Table 2.2 (continued)

Author	Conclusions
Subramaniam and Shmsuuddin (2011)	Found that T&D is significantly related to organizational performance.
Kim <i>et al.</i> (2005)	Found that organizational direction had significant impact on employee job satisfaction and overall commitment.
Koch and McGrath (1996)	The finding supports that HRP is positively related to labor Productivity.
Huang (2000)	Found that firms that HRM Practices five functional (HR planning, Compensation, appraisal performance , staffing ,T&D effective positive organization performance.
Gerhart (2005)	Considered causal is a link between HRM practices and organizational performance, i.e., there is no clarity regarding the link between HRM practice and organizational performance.
Wright <i>et al.</i> (2005)	Found a relationship between HR practices and Performance. The results could also support a reverse causation.
Moncarz, Zhao and Kay (2009)	The findings provide empirical evidence employee-retention requirements for any organization to be successful and suggested that more research in employee-retention practices generalize ability of research findings.
Cho <i>et al.</i> (2006)	His study investigated the relationship between HRM practices and organizational performance and turnover rates. The results showed that some HRM practices had significant effects on turnover.

Table 2.2 (continued)

Author	Conclusions
Antoncic and Antoncic (2011)	Employee satisfaction, employee relationships intrapreneurship and organizational growth was positively related to organizational performance.
Tseng and Lee (2009)	Found that HRM practices is significantly related to employee relations.
Fong <i>et al.</i> (2011)	The results indicate that performance appraisal, recruitment and selection, T&D, a positive relationship with knowledge sharing is perceived well by the managers in service and manufacturing organizations in Malaysia.
Sasi (2008)	Found a positive relationship between HRM practices and organizations.
Delery and Doty (1996)	The results presented that relationships between the HRM practices and organizational performance is a more complex means that must be consistent with an organization's strategy.
Kyndt (2009)	Supports that employee retention is very important for an organization's competitiveness.
Delaney and Huselid (1996)	Found that the implementation of an effective recruitment and selection process yields a positive relationship with organizational performance.

2.8 SUMMARY

This chapter reviews related literature on the key issues which are integral to this study. There are various types of HRM practices. However, this study focuses on the specific HRM practices that can enhance HR outcomes as possible domains of organizational planning, selection and recruitment, compensation and rewards, T&D, performance appraisal and HR outcomes (employee satisfaction, employee relations and employee retention) with regards to organizational performance. Organizational climate is treated in this study as the mediating variable because it has a strong role in the HRM practices-HR outcomes. The next chapter presents the study's research methodology, including the theoretical framework.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This study uses a quantitative research methodology to test the hypotheses and description of the instruments selected for the data gathering from HR managers in public organizations in Libya. Furthermore, the aim of this section is to clarify the interactions and relationships between the main concepts of the study.

3.2 DESIGN OF THE STUDY

Researchers utilize a certain design and follow a particular guideline when undertaking their research work. In most instances, data is collected and tested before generating a law or theory. Alternatively, they generate hypotheses from existing theories and knowledge. They then collect empirical or scientific data and test the hypotheses with the collected empirical data. One should note that both approaches are different from one another in their *modus operandi*.

This study employs the use of deductive approach; the plan of action starts with researchers focusing on the theory, which then generates hypotheses and which are tested by the aid of collected empirical data that result in several conclusions being drawn. However, conclusions depend on the unpacking of data during research (Bryman, 2004). As a result, conclusions are more reliable when more information and data are available. Clearly, in the deductive method, the researcher builds his or her hypothesis on the basis of his or her own knowledge and theories available, and

then examines the hypothesis with empirical data. As indicated by Bryman (2004), the deductive approach is usually associated with quantitative study or research.

The alternative method is the inductive approach which is triggered by taking into consideration the empirical observation first-hand, and then this is followed by the enhancement of extant theories (Bryman, 2004). In the inductive approach, human observations play an important role in the pursuit of research. It is imperative that when there is an abundance of existing literature on a research topic, perhaps the deductive approach is more appropriate as evidenced in this study.

On the other hand, if there is limited extant literature on a specific research topic and there is intense debate on any topic, the most appropriate method is likely to be the inductive method. In this approach researchers are primarily concerned with collecting empirical data as much as possible, so that they can obtain the requisite knowledge from which to generate a new theory or contribute to existing ones. It should also be noted that in the deductive approach, the deliberation on theory comes before the hypothesis and empirical results, whereas in the inductive approach, empirical findings and research come before the theory and hypothesis. For this study, the deductive approach is adopted because of the abundant literature on HRM, the flexible design of the approach and the quantitative nature of the study.

The research design of this study is quantitative and a questionnaire with five main parts were used to collect the data required. Quantitative research focuses on the systematic empirical investigation of the phenomena and relationships between variables (Muijs, 2004). According to Kelley, Clark, Brown and Sitzia (2003) and

Leedy and Ormrod (2001), quantitative approach are more suitable for to investigate the relationship among variables and dependent on types of objectives. Specifically, quantitative research used a large number of people.

3.3 DEVELOPMENT OF HYPOTHESES

The conceptual model used in this study depicts Human Capital theory model connecting HRM practices to HR outcomes. Human Capital theory views the involvement of employee development as an investment in capital rather than as a cost (Becker, 1994). This theory divides job proficiencies, such as knowledge, skills, add abilities. In much the same way, Olaniyan and Okemakinde (2008), observes that human capital enables organizations to attain the optimization of resources, effectiveness, and continuous improvement in a consistent manner.

Hypothesis H1: *HRM practices have a positive influence on HR outcomes (employee satisfaction, employee relations and employee retention)*

3.3.1. Human Resource Planning (HRP)

Several studies have established that the integration of HRP can positively influence organizational performance (Fey, Bjorkman, Pavlovskaya, 2000). HRP is defined by Walker (1980) as the analysis of various organizational HR needs under changing conditions and developing the activities necessary to satisfy these needs. Boudreau and PeteRamstad (2007) argue further that HRP seeks to increase the success of organizational performance. Vosburgh and Richard (2007) note that HRP enables the development of organizational capability. In addition, Paauwe and Richardson (1997) suggest that HRP positively affects employee satisfaction. HRP is significantly related to high success rates and to the fact that it can lead to a more effective organization (Lawler, Edward, Mohrman, Susan, 2000). Empirical studies

have discovered the positive and significant effects on labor productivity for organizations (Koch & McGrath, 1996). Hence, HRP does contribute and is correlated to the growth of the performance in organizations. There is a significant relationship between HRP and employee relations. The finding is in agreement with Tseng and Lee (2009) who find that HRM practices are significantly related to employee relations. Huang (2000) discovered that firms that have a properly laid-out HRP plan do leave a significant impact on organizational performance. A similar study by Koch and McGrath (1996) points to the positive relationship between HRP and labor productivity. Fey *et al.* (2000), Purcell and Hutchinson (2007) establish that there is a significant relationship between HRM practices and employee retention. HRP has been a strong influence on employee retention) Al-Damoe, Yazam & Hamid, 2011). Thus, it is hypothesized that:

Hypothesis H1a: *HRP has a positive influence on HR outcomes (employee satisfaction, employee relations and employee retention)*

3.3.2 Recruitment and Selection

As indicated earlier, the process of recruiting and selecting staff play an essential role in the workforce's planning process because it is one of the most difficult tasks to perform to ensure good HR outcomes. An organization depends on the right number of workers, the required skills and motivated workers instilled with positive behavior to increase organizational performance (Größler& Zock, 2010). Thus, not all staffing selection processes are suitable because some of the selection tools are costly and some are suitable only for certain organizations. Proper selection is very important in order to collect accurate information about potential candidates assigned for some positions within the organizations (Wilk & Cappeli, 2003). According to Hagan *et al.* (2006), recruiting and selecting depends on the understanding of the job, sufficient

performance and outcomes and motivated individuals. Selecting candidates should also be based on the compatibility between workgroups in terms of values, goals, personality and behavior as well as skills. The managers' selections should be based on the candidates' experiences, ability and credibility due to the fact that they will serve as leaders and not coordinators (Koulikoff-Souviron & Harrison, 2010; Levesque, 2005). Recruiting and selecting significantly influence employee satisfaction, employee relations and employee retention (Katou 2008; Al-Damoe Yazam & Hamid 2012, 2013; Paauwe & Richardson 1997). The hypothesis is as follows:

Hypothesis H1b: *Recruitment and selection have a positive influence on HR outcomes (employee satisfaction, employee relations and employee retention)*

3.3.3 Compensation and Rewards

As previously mentioned, Milkovich and Newman (1999) argue that compensation encompasses all forms of monetary returns and related services provided to subordinates or employees. A comprehensive compensation scheme accomplished by an effective disbursement system plays a valuable role in attracting the best applicants. It is therefore, not very surprising that Berndardin and Russel (1993) note that rewards and compensation are the key dimensions of HRM practices. Also, Mathis and Jackson (2004) posit that a balanced, transparent and competitive reward and compensation system influences retention. Similarly, Dreher and Dougherty (2005) conclude that a reward-based approach functions as the driver of team and individual performance in organizations. It is also suggested that compensation and rewards (Tseng and Lee, 2009; Al-Damoe *et al.* 2012; Paauwe and Richardson, 1997) is positively related to satisfaction, employee relations and employee retention. Fey *et al.* (2000) established that there is a significant relationship between

compensation and employee retention. The following hypothesis is therefore formulated:

Hypothesis H1c: *Compensation and rewards have a positive relationship with HR outcomes (employee satisfaction, employee relations and employee retention)*

3.3.4 Training and Development (T&D)

As referred to above, T&D is part of the organizations' investment because it would bring higher returns to the organizations in terms of knowledge, skills (Finegold *et al.*, 2005) and the quality of people working (Größler & Zock, 2010). T&D yields tangible outcomes, such as enhanced productivity, superior quality of products and services, and resource maximization or optimization which in turn, generate intangible results, such as high self-esteem, enhanced morale, and satisfaction of subordinates due to the gaining of additional SKAs. T&D predicts employee retention and also indicates effective employee relations and employee satisfaction (Tseng & Lee 2009; katou 2008; Al-Damoe *et al.* 2013; Boselie, Paauwe & Jansen 2001). Training could be categorized as formal and informal. Informal training is basically self-reflective, leaning on theories and concepts in action. Meanwhile, informal training is focused on work-based learning and workplace development, such as mentoring, coaching, job rotation, job shadowing, projects and assignments (Clarke, 2004). The following hypothesis is therefore formulated:

Hypothesis H1d: *T&D has a positive influence on HR outcomes (employee satisfaction, employee relations and employee retention)*

3.3.5 Performance Appraisal

Performance appraisal is one of the most important HRM practice, and the main objective of performance appraisal process is its emphasis on subordinates' or employees' job performance. Appraisal-related decision makers can also set goals

and continuously support employees to improve their work output. As noted by Cawley and Keeping (1998), performance appraisal has long been identified as a key variable in the performance appraisal literature and has some significant effects on workers' satisfaction and acceptance (Erdogan, 2002; Cook & Crossman, 2004). As established in an empirical study on European firms, Rizov and Croucher (2008) have found that the relationship between HRM practices and organizational performance is positive and statistically significant. It is also suggested that performance appraisal is positively related to satisfaction through the increased competitiveness of employees (Chen, Wu & Leung, 2011). Performance appraisal also significantly influences performance (Chang & Chen 2002; Zheng *et al.*, 2006; Khan 2010; Ahmed & Shroedrs 2003). Accordingly, the studies by Al-Damoe *et al.* (2013); Katou (2008) established a positive and strong link between employee satisfaction, employee relations, employee retention and performance appraisals. The following hypothesis is therefore formulated:

Hypothesis H1e: *Performance appraisal will significantly influence HR outcomes (employee satisfaction, employee relations and employee retention)*

Gelade and Ivery (2003) find that HRM practices (T&D and staffing) are significantly related to organizational climate. Similarly, Rogg *et al.* (2001) note that HRM practices (training) can positively affect organizational climate. According to Patterson and West (1998), organizational climate improves the influence of HRM practices. Another study shows that HRM practices are positively correlated with organizational climate, such as recruitment and selection, T&D, compensation and rewards, performance appraisal and HRP (Al-Damoe *et al.*, 2012, 2013). Ostroff and Bowen (2004) note that organizational climate strongly enhances the link between HRM practices and employee satisfaction. The following hypothesis is therefore formulated:

Hypothesis H2: *HRM practices have a positive influence on organizational climate.*

Organizational climate plays an essential role in shaping employee behaviors and influencing their perception of knowledge management (Chen, 2004; Long, 2000; Sveiby & Simons, 2002). Organizational climate has the potential to capture the social environment as a discrete social context variable (Johns, 2006). Accordingly, when organizations possess a higher level of innovative climate, this will increase the social interaction among organizational members (Chen & Huang, 2007; Edmondson, 1999; Norrgren & Schaller, 1999). Organizational climate would provide a vital atmosphere for strengthening social interaction among organizational members and has been a strong influence on individual and group behavior of employees within an organization (Wei & Morgan, 2004). Previous research confirms that organizational climate is positively related to employee retention (Gelade & Ivery, 2003). Other scholars find that the importance of organizational climate is a determinant of organizational outcomes, such as job satisfaction, and perceptions of customers who purchase the organization's services or products (Rogg *et al.*, 2001; Schmit & Allschied, 1995). Organizational climate can positively influence and increase employee satisfaction, motivation and commitment (Rahimic, 2013). Organizational climate impacts employee satisfaction and ultimately organizational performance (Patterson, Dawson, Shackelton, West, Maitlis, Lawthorn, Wallace & Robinson, 2005; Davidson, 2002, 2003; Manning, *et al.*, 2012). Thus, the following hypothesis is proposed.

Hypothesis H3: *Organizational climate has a positive influence on HR outcomes (employee satisfaction, employee relations and employee retention)*

Rogg *et al.* (2001) affirm that organizational climate plays a significant mediating role between HRM practices and employee satisfaction. Organizational climate is said to affect performance, which suggests that the more organizational climate is up to standard, the more it would positively affect performance (e.g., Ferris, Arthur, Berkson, Kaplan, Cook & Frink, 1996). Accordingly, Collins and Smith (2006) find that the link between HRM practices and organizational performances is determined by organizational climate in the organization. Previous studies, such as, Ivery (2003); Patterson and West (1998); Ostroff and Bowen (2004); indicate that organizational climate improves the influence of HRM practices on HR outcomes. The following hypothesis is therefore formulated:

Hypothesis H4: *Organizational climate positively mediates the relationship between HRM and HR outcomes (employee satisfaction, employee relations and employee retention)*

3.4 POPULATION AND SAMPLE

The population for this study total is 483, drawn from 214 samples. Data was collected from Libyan Ministries (public sector organizations). Therefore, we relied on the local Government's public sector directory, namely: the Ministry of Inspection and Control (MIC, 2007). A total of 21 Ministries and 483 HR managers were selected from the directory and from this figure, 214 samples were specifically drawn for the purpose of this study (Sekaran *et al.*, 2000). These 214 samples are responsible for running HRM practices which is the target of this study. This study referred to the classification of Hair *et al.* (2007).

3.4.1 Sample Procedures

Due to the heterogeneous nature of the community of the study. First, the used a cluster sampling method (Sekaran, 2000; Hair, 2007). In Libya, the organizations (Ministries) are divided into 21 general public Ministries. Second, the Libya has (22) states (popularities) each state has (21) subsidiary ministries the total is 462. Third, general public ministry 21 and subsidiary 462 the total is 483.

Fourth, we randomly selected 10 organizations that was elected using excel program software, and these organizational government (Ministries) had been selected randomly from each sector.

Table (3.1) illustrates the sampling selection method below:

N= community N=483

n = sampling study n= 214

21 Ministries

Percentage of each sector = $n / N = 214 / 483 = 0.45$

$$0.45 \times 21 = 9.45$$

Table 3.1
Sampling Method Selection

Sectors	Number of Ministries	The representative sample
- Main Public Ministry (general)	21	10
1- Public Ministry	21	10
2- Ministry of Culture and Media	21	10
3- Ministry of Health	21	10
4- Ministry of Sports	21	10
5- Ministry of General Education	21	10
6- Ministry of Higher Education	21	10
7- Ministry External communication and international cooperation	21	10
8- Ministry of Social Affairs	21	10
9- Ministry of Transportation and Communications	21	10
10- Ministry of Planning	21	10
11- Ministry of Industry and Minerals	21	10
12- Ministry Manpower, Training and Employment	21	10
13- Ministry Economy, Trade an Investment	21	10
14- Ministry of agriculture and sea resources	21	10
15- Ministry of Finance	21	10
16- Ministry of Justice	21	10

Table 3.1(Continued)

Sectors	Number of Ministries	The representative sample
17- Ministry of General Security	21	10
18- Ministry of Electricity	21	10
19- Ministry of Inspection and control	21	10
20- Ministry of financial audit	21	10
21- Ministry of Awqaf and Zakat	21	10
Total	483	220

Notes: This table Main Public Ministry (21 Ministry subsidiary x 22 States = 462 +21 general public ministry = 483)

3.5 MEASUREMENT OF VARIABLES

This study aims to test the research model based on the data collected through a survey instrument from the population of 214 Libya Government Ministries. As indicated earlier, the study findings are presented in a quantitative form. The main purpose of the study is to answer the critical question: Does organizational climate mediate the relationship between the organizations' HRM practices and HR outcomes. The items used in the study are adopted from different sources. The instrument measures five HRM practices. The recruitment and selection practices contain five items developed by Fong, Ooi, Tan, Lee, Chong (2011); T&D, seven items developed by Delery and Doty (1996); Fong, Ooi, Tan, Lee, Chong (2011); and Sasi (2008); performance appraisal of three items developed by Fong, Ooi, Tan, Lee and Chong (2011); compensation and rewards of four items developed by Fong, Ooi, Tan, Lee and Chong (2011); HRP of eight items developed by Chang & Chen (2002) and Sasi (2008); HR outcomes, such as employee satisfaction (12 items) developed by Antoncic & Antoncic (2011); employee retention (11 items) developed

by Kyndt, Dochy, Michielsen & Moeyaert (2009); employee relations (four items) developed by Antoncic & Antoncic (2011); and organizational climate has 22 items developed by Rogg *et al.* (2001). All measures used a five-point Likert scale for measuring each item. The Likert scale is designed to examine how strongly the respondents agree or disagree with a certain statement, which represents an item from a measurement scale (Sekaran, 2003). Using an interval scale in business research means that the researcher is attempting to measure concepts such as attitudes, feelings, perceptions, opinions and values of the respondents (Hair *et al.*, 2007). This study depends on the perceptions of the respondents, the interval scale is appropriate for this study. Moreover, this type of scale has been previously used in related studies (e.g., Fong *et al.*, 2011; Delery & Doty, 1996; Sasi, 2008; Rogg *et al.*, 2001; Kyndt *et al.*, 2009; Antoncic & Antoncic, 2011; Chang & Chen, 2002). In addition, the five point scale measures have been used by previous studies (Katou, 2008) to ensure the reliability and the validity of the indices minimize random fluctuations and anomalies in the data received from respondents and recognize the potential problems with self-report measures. Several items were identified to represent the dependent and independent variables as shown in Table 3.2 below.

Table 3.2
Constructs of the Study and Adopted Resources

Constructs	No.of items	Sources	Definitions
HR Planning	8 items	Chang & Chen (2002) and Sasi, (2008)	Adoption of the right number of people to deliver a level of future service.
Recruitment & Selection	5 items	Fong, Ooi, Tan, Lee & Chong, (2011)	It assist in work planning of suitable employee within the organization.
Training & Development	7 items	Delery and Doty (1996), Fong, Ooi, Tan, Lee & Chong, (2011) and Sasi, (2008)	It brings higher return through skills, knowledge and quality and thus yield tangible outcomes such as improved productivity and resource optimization. .
Compensation & Rewards	4 items	Fong, Ooi, Tan, Lee & Chong, (2011)	Attractive rewards that drawn and retain skill manpower.
Performance Appraisal	3 items	Fong, Ooi, Tan, Lee & Chong, (2011)	The measurement of factors that provides / feedback on the efficiency levels of employees.
Organizational Climate	22 items	Rogg, Schmidt, Shull & Schmitt, (2001)	An enabler between an employee and employer to create a strong situation to guide employees Behavior.

Table 3.2 (Continued)

Constructs	No.of items	Sources	Definitions
Employee Retention	11 items	Kyndt, Dochy, Michielsen, & Moeyaert, (2009)	An effort by organization to provide an environment conducive for the employees for the purpose of retaining employees.
Employee Satisfaction	12 items	Antoncic & Antoncic (2011)	The level of Enjoyment derived by the employees on their job.
Employee Relation	4 items	Antoncic & Antoncic (2011)	It is a cordial relationship between employees and their employers.

3.6 METHOD OF DATA COLLECTION

As described by Brewerton and Millward (2001), a research work implies that one or more techniques for data collection could be used. However, it is imperative to note that in choosing any method, there is a need to understand the pros and cons of each data collection method and think which method is valuable for the study so that maximum and correct data can be collected. Since most research relies on empirical data, the selection of data collection techniques is vital. These methods are generally classified into two categories, namely: qualitative and quantitative.

Not surprisingly, quantitative methods are utilized chiefly in the quantitative research design. In this form of research, the study is objective and it emphasizes on the variable or object by which data is collected.

As mentioned earlier, this study uses quantitative methods to test for the hypotheses (deductive). There are pros and cons of both methods but it is difficult to conclude which one is more ideal or suitable. Actually, the selection of data collection methods largely depends on the nature of the research topic and the availability of the necessary data.

In this study, the questionnaires were distributed through self-administered procedures. This survey seems more suitable than any other survey types with regards to this study. Moreover, due to the large sample size, it is difficult to conduct other types of data collection, such as observation or interviews with a large number of geographically dispersed Ministries. Additionally, it is an appropriate tool to collect data from a large number of respondents in a limited time. Generally, the necessary response rate of the analysis of data collected by self-administered survey is 39 percent.

3.7 QUESTIONNAIRE DEVELOPMENT

As mentioned earlier, the survey instrument or questionnaire used for data collection in this study comprises five parts, and it is exclusively designed to be answered by HR managers from the Libyan government ministries. The adopted questionnaires were then translated into Arabic Language using a qualified translation office. Part one focuses on the HR /personnel department structure. Part two raises questions on HRM, HRM practices such as recruitment and selection, compensation and rewards, T&D, HRP and performance appraisal. Part three includes the organizational climate and Part four focuses on HR outcomes, such as employee satisfaction, employee

retention and employee relations. This part deals with the degree of assessment in using HRM practices in public organizations in Libya. The items on the questionnaire were adopted from different sources and the study itself used a five-point Likert scale (1= Strongly Disagree and 5= Strongly Agree). A five-point Likert scale was also used for measuring the degree of impact of HRM practices and HR outcomes. The fifth part includes notes from the responses gathered.

3.7.1 Human Resources (HR)/Personnel Department Structure

Part one of the survey instrument asked respondents to report on a range of questions on HR and or the personnel department structure. Other sections of the questionnaire focused on the HRM practices, organizational climate and HR outcomes with special emphasis on employee satisfaction, employee relations and employee retention.

3.7.2 Human Resource Management (HRM) Practices

Part two of the survey instrument measured the perceptions on HRM practices. The questionnaire operationalized the following five HRM practices, namely: HRP, recruitment and selection, compensation and rewards, T&D and performance appraisal. The respondents were asked about the nature and the effectiveness of HRM practices which were measured again on a five-point scale where 1 = strongly disagree to 5 = strongly agree.

3.7.3 Organizational Climate

Part three measured organizational climate which is treated in this study as the mediating variable that has a strong presence in the HRM practices-HR outcomes

relationship, and organizational climate that was operationalized by using several items based on 22 items developed by Rogg *et al.* (2001). This variable is conceptualized as creating conducive environment for the employees to carry out their regular job and their attitude about the organization, in order to ascertain the perceived role of organizational climate in Libyan public organizations. These items were measured on a Likert scale ranging from 1 = strongly disagree to 5 = strongly agree.

3.7.4 HR Outcomes

Part four measured selected HR outcome variables, which are employee satisfaction, employee relations and employee retention. These variables are based on various studies, such as Chenhall and Langfield-Smith (2007); and Tseng and Lee (2009) and were measured through a five-point Likert scale. In order to ensure the reliability and the validity of the indices and to minimize random fluctuations and anomalies in the data collected, the respondents were asked to report the HR outcomes over the past three years as outlined in studies, such as Youndt *et al.* (1996). Nonetheless, any improvement in measuring the variables of the research will reduce the challenge of estimating the inconsistency (Greene, 1997). This study is conceptualized as employee satisfaction (12 items), employee relations (4 items) and employee retention (11 items) and were measured using the 5-point Likert scale, with the total of 27 items adopted from the works of Antoncic and Antoncic (2011); and Kyndt *et al.* (2009). The last section of the survey instrument captured the organizational details of the respondents.

3.8 THE PILOT TEST

The importance of a pilot study has been greatly stressed by many past studies. It is therefore crucial to conduct a pilot study so as to assist the researcher in building a good foundation for the major study. The essence of a pilot study is to help the researcher discover problems that will arise from the questionnaire and provide the researcher the opportunities to make corrections and adjustments, in order to suit the intended objectives of this proposed study.

It holds true that a pilot study provides many opportunities for the researcher to acquire the experiences before the major study is conducted. For instance, the experience gained by the researcher will assist her/him to be confident in the research area, for example, on how to input data into the system and how to run the data on statistical package for social science (SPSS), as well as becoming familiar with running data analysis. These are essentially the experiences a researcher gains from a pilot study.

In line with the above, this study was preceded by a pilot study in order to test the questionnaire instruments/items that are used in this study and to see whether or not the anticipated participants will fully understand the questionnaire and also to check if the questionnaire is within the linguistic capacity of the respondents. The pilot study was conducted on 30 respondents. This number can be considered as a very good level of acceptance or reliability of HR managers of government ministries in Libya within the locality in order to determine the content validity, the direction of the questionnaire and the reliability of the study. The researcher ensured that the participants of the pilot study are clear representation of the main respondents in the

study before the instrument could be administered to them. The selection of the 30 respondents for the pilot study is based on a simple random sampling which allowed each respondent an equal participation opportunity. Data gathered from the pilot study was then analyzed and the researcher made the necessary corrections and adjustments by re-wording and re-phrasing any question/item discovered to be unfit for the main research study. The results of the pilot study showed in table 3.3 that it is appropriate and adequate to be used in the Libyan context.

3.9 RELIABILITY TEST

To look at one of the data screening processes, it is necessary to conduct a reliability test for each variable used in this study. However, Julie (2007) asserts that the reliability of scale differs greatly and it also depends on the sample of the research or study. The researcher needs to conduct a reliability test in order to see whether or not each variable is reliable with the sample of the research work. Within the context of this proposed study, the internal consistency type of reliability was used. In this regard, Cronbach's Alpha coefficient of 0.60 was used as a benchmark or a predictor to indicate the acceptable Cronbach Alpha minimum (0.60). This is a common predictor of the internal consistency of the reliability scale. Cronbach's Alpha coefficient of 0.60 has been suggested by Sekaran (2003) and in his study, the results of actual pilot test for the instrument ranged from 0.65 to 0.90.

Table 3.3
Reliability Scores All Variable Results Pilot Test

Variables	Number of items	Cronbach Alpha
HR Planning	8	0.866
Recruitment & Selection	5	0.654
Training & Development	7	0.894
Compensation & Rewards	4	0.885
Performance Appraisal	3	0.856
Organizational Climate	22	0.901
Employee Satisfaction	12	0.892
Employee Relation	4	0.801
Employee Retention	11	0.715

3.10 VALIDITY TEST

According to Neil (2009), the validity of data simply means the ability of a test or an instrument used in a research to measure what the researcher seeks to measure. Therefore, it is clear that validity always tends to represent the result of the test and not the test itself, as some may think. Sekaran *et al.* (2000) assert that validity is all about the authenticity of the instrument in measuring what the research tends to measure. There are several types of validity or ways of validating an instrument namely: construct and content validity. Both construct and content validity were used in this present study. The research instrument in this study was used to validate construct and content validity, and the researcher ensured that the items have an acceptable Kaiser-Meyer-Olkin (KMO) of 0.8 (Sekaran *et al.*, 2000). The KMO is

also used to measure the sampling adequacy in a research work. The content validity applied in this study was done through the submission of the research instrument to the panel of experts and researchers within the field of HRM, so as to see whether or not the instrument for the study is within the linguistic capability of the respondents, and to see that the measurement measures what it is intended to measure (Sekaran & Bougie, 2009). This gives room for corrections and adjustments and therefore, research instruments were subsequently improved.

A copy of the questionnaire was given to eight HR managers in Government ministries to obtain their suggestion and feedback on the content validity and their recommendations. They recommended some items should be more explain put an example in questionnaire, and translate the questionnaire to Arabic and then back to English. In addition, two managers were interviewed to gain additional feedback and recommendation on questionnaire design.

3.11 TECHNIQUES OF DATA ANALYSIS

This study used descriptive statistical methods, such as frequency measurement for evaluating the questions raised in the survey instrument. It also t-test of data analysis. Multiple linear regressions were used to test the hypotheses, and the research data was effectively analyzed using SPSS version 19.0 software; these are explained in the following sections.

3.11.1 Factor Analysis and Reliability Analysis

In this study used an exploratory factor analysis (EFA) approach. Factor analysis was conducted using principle component analysis and Varimax rotation with KMO

criterion and the eigenvalues greater than 1. This analysis works in reducing the data to an appropriate size. Sekaran *et al.* (2000) note that factor analysis is primarily used to investigate the way each respondent filled in the questionnaire items; factor analysis was also carried out to establish the interrelationships of the variables. These factors were therefore expected to have the required loading factor to be considered for the study. Therefore, the researcher ensured that all items used in this study have an acceptable loading factor (Sekaran *et al.*, 2000). Subsequently, the reliability analysis of each factor was computed.

3.11.2 Descriptive Statistics

Descriptive statistics display the means and standard deviation for all variables. The purpose of this analysis is to acquire a good feel of the data gathered and to know some major factors in determining the HR outcome variables in countries, especially in Libya.

3.11.3 Correlations

To determine either the weakness or strength and direction of the relationship among independent variables (HRP, recruitment and selection, compensation and rewards, T&D, performance appraisal), the mediating variable (organizational climate) and the dependent variable (HR outcomes, employee satisfaction, employee relations and employee retention), a Pearson correlation analysis was conducted.

3.11.4 Multiple Regression Analysis

Multiple regression analysis was used to investigate the relationship between the independent variables and dependent variables as the first step and to examine the

relationship between the independent variables and the mediating variables in the second step. In the third step, the analysis investigated the relationship between the mediating variables and dependent variables, and the last examined the mediating effect of organizational climate on the relationship between the independent variables and dependent variables (Baron & Kenny, 1986).

3.12 RESEARCH DESIGN

The questionnaire survey was tested through interviews and expert opinion. The researcher further conducted a pilot test using validity and reliability tests. The purpose of the pilot test is to check for ambiguity of words. The study carried out the pilot test before the final survey was conducted. Figure 3.1 gives the details:

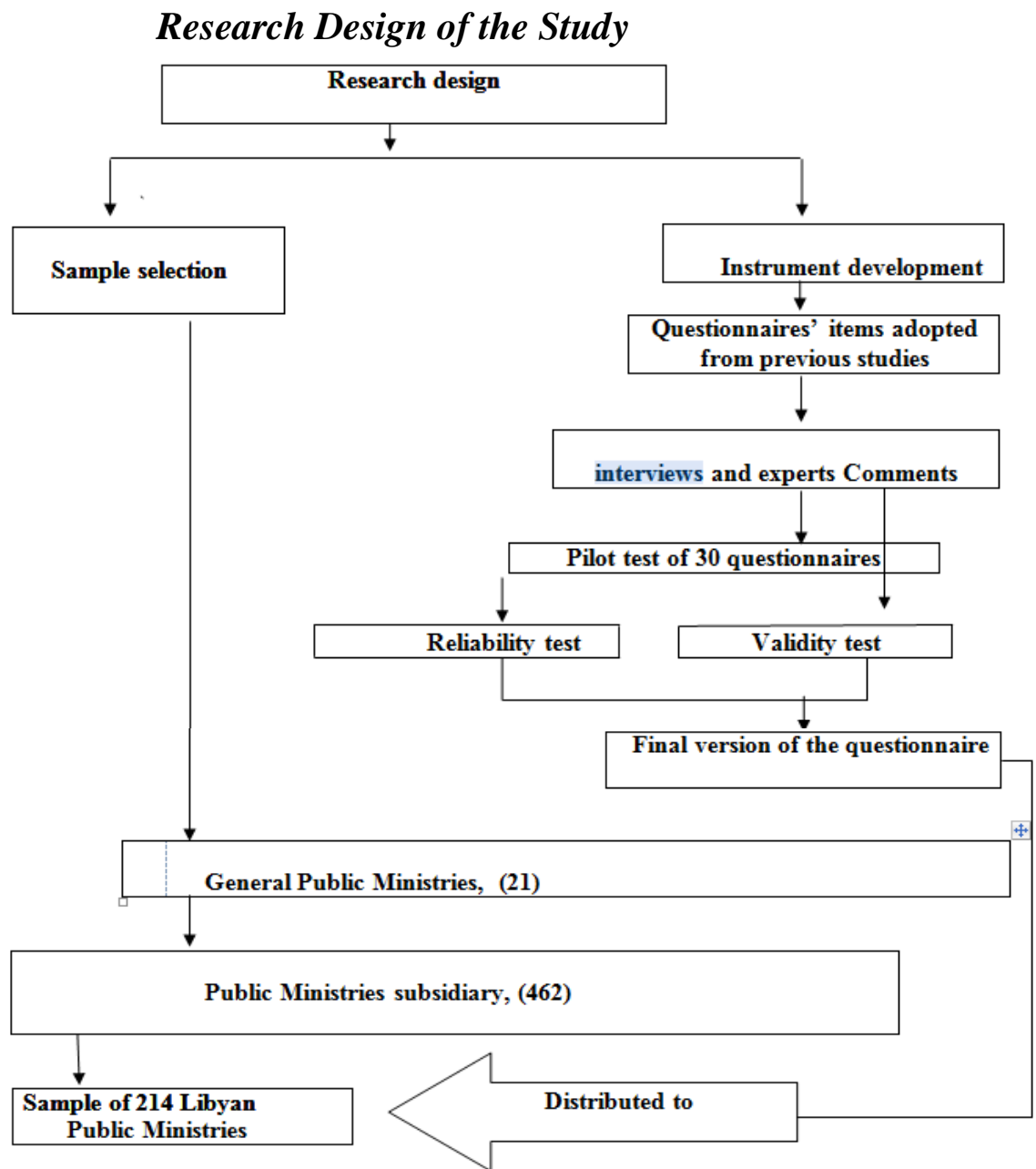


Figure 3.1
Research Design of the Study

3.13 SUMMARY

This chapter outlines details regarding the research approach. Essentially, the study is quantitative-based, and tests the hypotheses. The techniques for analyzing the data are elaborated upon, including the operational model or the research framework.

CHAPTER FOUR

RESEARCH FINDINGS

4.1 INTRODUCTION

This chapter involves the presentation of results from the data collected for the study. The data collected were first analyzed using SPSS version 19. The data presentation starts with the evaluation of the goodness of the data. This was achieved by looking at the response rate and the existence of non-response bias proceeded by a discussion of the respondents' profile. The study measurement variables were tested for their construct validity and internal consistency using the results of the factor analysis and reliability analysis as the basis for the test. The descriptive statistics, mainly the mean, standard deviation and inter-correlation among the variables are also reported. The chapter also includes all hypotheses testing which consist of the correlation and regression analyses, where each result of the analysis is either supported or rejected.

4.2 RESPONSE RATE

The population for this study was 483 HR managers in HRM for each ministry sector in Libya. Sekaran, Robert and Brain (2000) accept a sample of between 200 and 250 for a population of 480. Therefore, based on this, the study was very cautious so as to prevent poor return rate that may fall below the minimum acceptable response. Hence, a total of 450 questionnaires were distributed in the first week of May 2012. The potential respondents were given until the 1 of September 2012 to complete and return the questionnaire to the researcher. Out of the total 450 questionnaires distributed, only 188 were returned, representing 41 percent of the sample size from this response rate. For instance, the report by the World Development Bank (1997) recommended a response rate of 30 percent in any survey research particularly in

African countries. However, out of the 188 returned questionnaires, only 176 were usable; a total of 12 questionnaires were discarded, because nine were outliers, while three had missing data. Therefore, a total of 176 questionnaires representing 39 percent were finally used in this study.

Table 4.1
Summary of the Questionnaires and the Response Rate

	Response Rate
Number of distributed questionnaires	450
Returned questionnaires	188
Unusable questionnaires	12
Returned and usable questionnaires	176
Usable response rate	39%

4.3 DATA SCREENING

Data screening was conducted in order to check for any error that might arise during the process of keying in data into the SPSS, such as misspelling. As noted by Julie (2007), it is important to check for these errors as failing to check for them could affect the data analysis. For instance, during the process of keying the data into the SPSS, an error could distort the data during the analysis stage such as, impact of data entry errors on data quality. Just by checking, avoidable errors such as out of range data could be detected, and once detected, there is a need for correction and adjustments before the data can be used for analysis. In view of this, Julie (2007)

suggests that authors should ensure that data collected pass through the processes of screening and cleansing, as it would inevitably affect the results of the analyses such as descriptive and correlation analysis.

In this study, data screening and data cleansing were thoroughly conducted using the descriptive analysis as suggested by Julie (2007), and upon inspecting the minimum and maximum column, it was discovered that some of the data had indicated out of range data such as position and were subsequently. After this, the data was re-checked using the same process and were found to be free of out of range problems.

Table 4.2 below shows some of the corrected data.

Table 4.2
Statistical Demographic Profile of Respondents

	Position	Gender	Age	Marital State	Qualification	Experience	Size	HR Head Position
N Valid	176	176	176	176	176	176	176	176
Missing	0	0	0	0	0	0	0	0
Minimum	1	1	2	1	2	1	2	1
Maximum	2	2	3	3	5	3	4	1

4.3.1 Basic Assumptions for Statistical Analysis

Generally, there are some basic assumptions or conditions that need to be fulfilled before researchers can proceed with certain analyses, such as regression analysis and hierarchical regression. These conditions include normality, multicollinearity and linearity (Julie, 2007). Normality refers to a symmetrical, bell-shaped curve which

tends to have a greater frequency of scores in the middle and also with smaller frequencies at the end. However, Julie (2007) suggests that data from 150 cases and above is deemed to be normal distribution. Owing to this assumption, it is perceived that the data of this study is normal since it is above 150 cases and as such, it can safely be assumed that the data for the study meets the assumption needed to use the regression analysis. To further ascertain the normality of the data, Byrne (2010), suggests that the data can be considered normal when the skewness of each question is between -2 and +2 and kurtosis is between -7 and +7. This study was located in the middle.

4.3.2 Treatment of Outliers

There are different ways and methods used in checking for and detecting outliers in a data (Julie, 2007). These include the use of histograms, Mahalanobis and Plot Box. As noted by Julie (2007), outliers are very responsive if regressions scores are low or high. For this singular reason, the study opted to check the outliers to avoid any problem that might arise due to its presence. The case of outliers can be treated using two major methods. First, outliers, if found, are deleted and second, the variable that is found with outliers is given another score as suggested (Julie, 2007). However, this study opted for the first option; complete deletion of the outliers for the main data.

Upon checking, this study clearly indicated that there were indeed outliers in the data. For example, both the histograms and the Mahalanobis showed outliers upon inspection. Therefore, using the first option recommended by Julie (2007) in the preceding paragraph, all cases with outliers were deleted (Greater than values 106.40 inspected with statistical Chi-square score table from the main data). For the purpose

of this study, outliers were detected through the use of histogram and Mahalanobis. For the Mahalanobis, the statistical Chi-square score table was inspected and in all 106.40 cases, outliers were found in 188 of the data that were collected and were all deleted. The total usable data come to 176 representing 39 percent. The data was then triple checked to ensure there were no other outliers. According to Osborne and Overbay (2004) and Julie (2007), outliers that are not extreme should be ignored since the data itself is significant to the study. Based on this, the study did not delete any further cases of outliers as it will affect the data size and secondly, the remaining case of outliers were not extreme and considered in significant as shown in figure 4.1 below (Osborne & Overbay, 2004& Julie, 2007).

4.3.3 The goodness of data

There are several aspects for discussing content validity, construct validity, criterion validity and reliability test. Its importance in research work has made it very necessary for researchers to check that all items are able to cover the variables which are being measured (Hair *et al.*, 2010; Sekaran, 2000) in order to address each of the points mentioned below:

4.3.3.1 Content validity

The data is considered to be contently validated if experts agree that the instruments of the study include items that are able to cover all variables that are being measured (Hair *et al.*, 2010; Sekaran, 2000). Hair *et al.* (2007) note that validation involves consulting a small sample of typical respondents and/or experts to pass judgments on the suitability of the items chosen to represent the construct. The instrument of this study was checked by experts in the area of HR in the Libyan ministries to ensure

that the instrument is comprehensive and relevant. In addition, the researcher conducted two interviews with HR managers, who are responsible in the Libyan ministries. Nevertheless, content validity alone is not enough to determine the whole validity of the data; therefore, other types of validity had to be checked.

4.3.3.2 Construct validity

To check for the construct validity of the items used in this study and to ascertain whether each item is able to measure what it intends to measure, exploratory factor analysis (EFA) was conducted. According to the rule of thumb of Hair *et al.* (2010), for practical significance, the factor loading should have values greater than 0.50. However, for this study, it is recommended that the sample size to determine the accepted value of factor loading to the relationship between sample size and factor loading values is 176. All items have a factor loading of more than 0.40. This is because of the sample size of this study (176). Therefore, items exhibiting low factor loadings (< 0.40), high cross loadings (> 0.40), or low commonalities (< 0.30) were candidates for elimination (Hair *et al.*, 1998).

4.3.3.3 Criterion validity

There are different methods that can be used to assess the criterion validity to determine the degree of multicollinearity between the independent variables. The Variance Inflationary Factor (VIF) scores are less than 10, for Tolerance Value should be more than 0.10 (Lahiri & Kedia, 2009). In addition, when the correlation between two independent variables is higher than 0.8, it can be an indicator of the existence of multicollinearity (Hair *et al.*, 2007).

4.3.4 Test of Normality

This is one of the conditions for regression analysis. Researchers need to check whether the data collected is normal or not, i.e., whether the data is skewed (Julie, 2007; Sekaran *et al.*, 2000; Jarrett & Kraft, 1989). On the other hand, the data is not normal if it is skewed to one end (Julie, 2007). Authors, such as Sekaran *et al.* (2000) and Julie (2007) note that data of more than 30 and up to 150 is assumed to be normal. It is argued that the larger the data size, the more it becomes normal (Sekaran *et al.*, 2000; Jarrett & Kraft, 1989).

Also, Jarrett and Kraft (1989) affirm that "sample data becomes normal as the sample of the study becomes larger and larger". This implies that as the sample becomes larger, the normality is considered to improve. However, this study went further to conduct a normality test in order to see if the data is normal or otherwise. Therefore, using the histogram technique, the normality test was conducted and the histogram figures (4.1), the normal P-P plots figures (4.2), and Normal Probability plot were plotted and inspected, and they all showed that the data is normally distributed. The diagram in figure (4.3) below demonstrates that the data for this study is normally distributed. The regression standardized residual was plotted and data was proven to be normally distributed as the histogram was found to have the greatest frequency of scores in the middle with smaller frequencies towards the extremes. Within this context, normal probability plot was applied by Coakes & Steed, 2003; Alam, (2009) in their studies. The plot showed the cumulative probability of the HR outcome residuals which clearly demonstrated that the observed residuals are clustered and closely around the normal straight line. Appendix B-1 shows the rest of the figures for other variables.

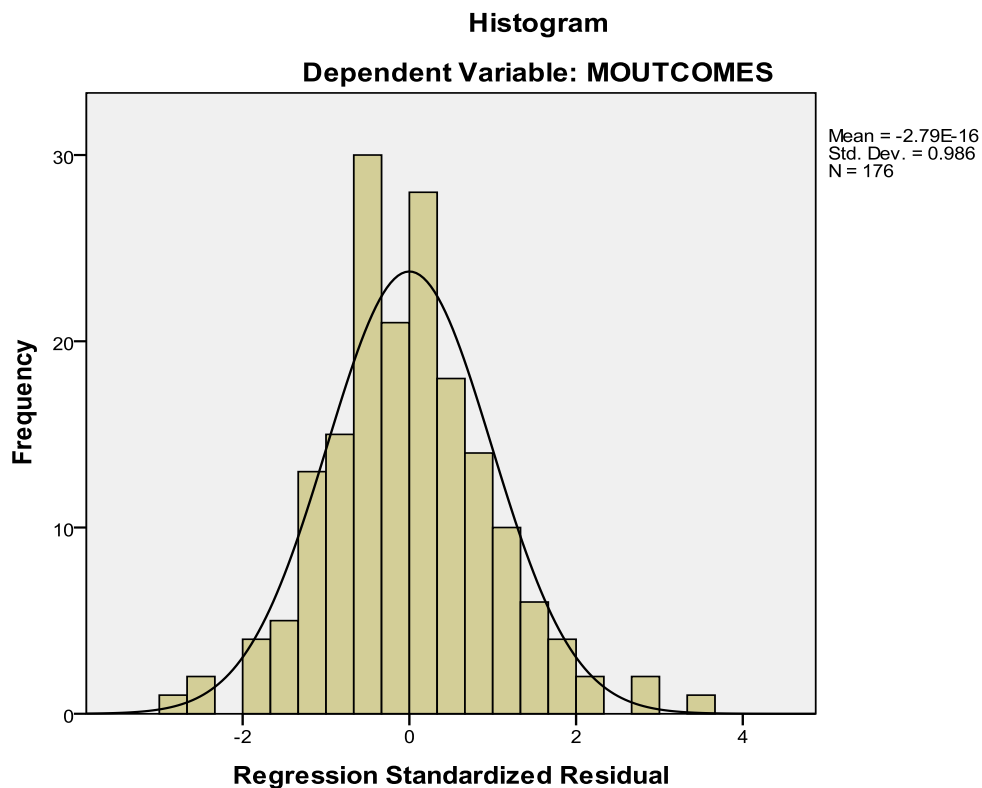


Figure 4.1
The Histogram plot

4.3.5 Test of Multicollinearity

The multicollinearity result shows the correlation between all the variables in the model. It is assumed that all the independent variables in the model should show some sort of relationship with the dependent variable. However, their correlation or relationship should not be too high as that would bring about the problem of multicollinearity. Thus, multicollinearity is defined as too high a score or correlation and the relationship between the two or more independent variables. Collinearity is a condition indicating that two independent variables are perceived to be visibly correlated (Alam, 2009). As suggested by Alam (2009) and Julie (2007), researchers

should try as much as possible to avoid the problem of multicollinearity as it could affect the analysis and consequently lead to misleading and useless interpretation of the result.

Within the context of this study, multicollinearity was tested using the regression analysis, and the results indicated that the data is free from the problem of multicollinearity. As indicated in the result, the VIF for each of the independent variables is used to examine whether there are any cases of multicollinearity among them (Lahiri & Kedia, 2009). According to Lahiri and Kedia (2009), the VIF of above a 10 cut-off is considered a multicollinearity situation. However, the results of the multicollinearity test conducted in this study showed that the VIF scores are less than a 10. For Tolerance Value, it should be more than 0.10 and as such it is assumed that there are no cases of multicollinearity. Table 4.3 indicates that all the independent variables (recruitment & selection, performance appraisal, T&D, compensation and rewards and HRP) in the model have a VIF of less than a 10.

Table 4.3
Result of Multicollinearity Test

Variables	Label	VIF	Tolerance
Recruitment & Selection	SQ	1.19	0.838
Performance Appraisal	AQ	1.44	0.694
Training & Development	TQ	1.90	0.526
Compensation and Rewards	CQ	1.65	0.604
HR Planning	PLQ	1.73	0.577
Dependent Variable: HR outcomes			

4.3.6 Testing of Linearity

According to Julie (2007), the assumption of linearity deals with the relationship between the residuals against the predicted values. One of the methods to check for the linearity is by inspecting and once inspected, it is found that there is no clear relationship between the residuals and the predicted values. Linearity could also be examined by looking at how the residuals have a straight-line relationship with predicted dependent variable scores (Julie, 2007). To check for the linearity in this study, a scatterplots was plotted and it indicated that the scattered plot of the standardized predicted value had a straight-line relationship with the predicted dependent variable (HR Outcomes) scores as depicted in Figure 4.2. Also, Figure 4.3 further demonstrates the general strength of the relationship between the independent and dependent variables. The Figure shows that the relationship between the HRM practices and HR outcome is not too strong but normal, as the point formed seems to be scattered. The points did not form a "vague cigar shape" with a definite clumping of scores around an imaginary straight line as suggested by Julie (2007). Based on this, it is assumed that there are no significant data problems with respect to the multiple regression assumptions. For other scatterplots, see Appendix B-1.

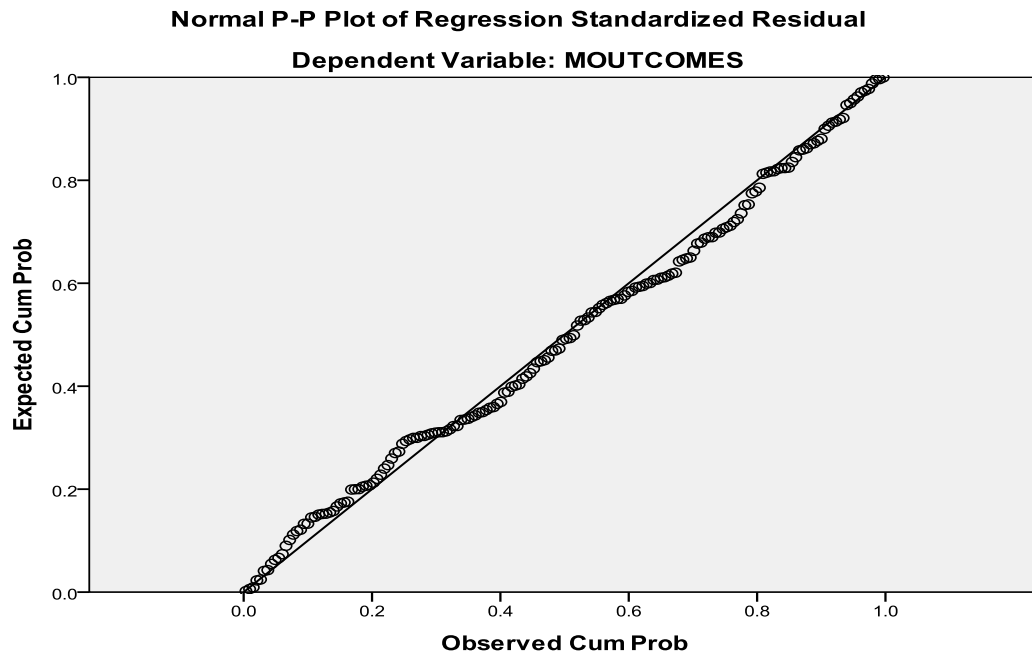


Figure 4.2
Test of linearity

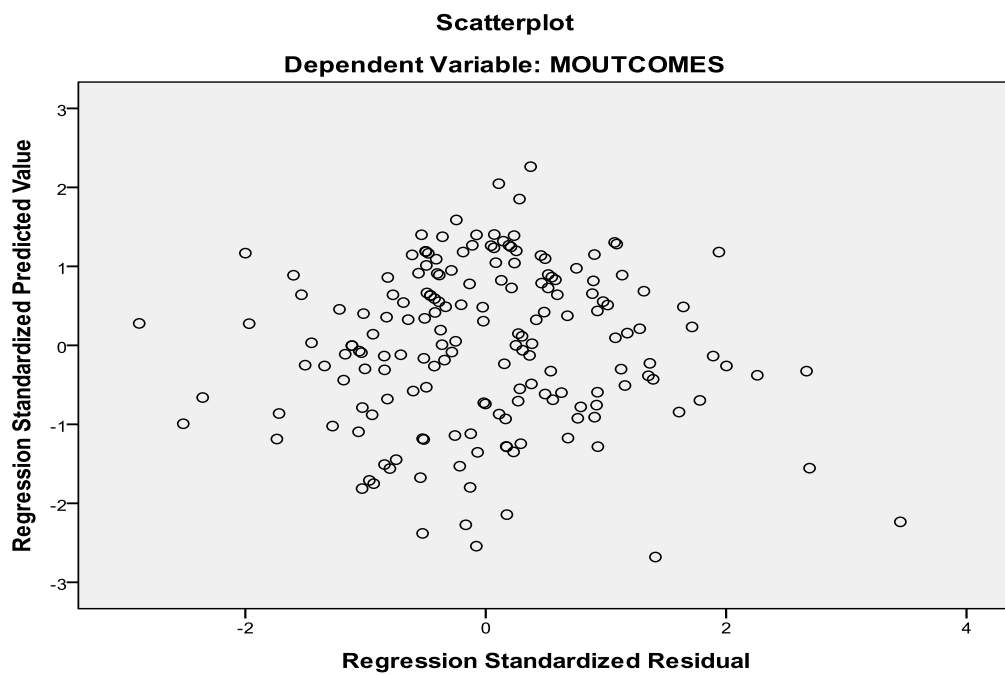


Figure 4.3
The Scatterplot Between Standardized Predicted Value of the Independent Variable and the Standardized Residuals of Overall HR Outcomes

4.3.7 Treatment of Homoscedasticity (Levene Test)

Authors, such as Fowler, Gallagher, Stringfellow, Zaslavsky, Thompson and Cleary (2002) observed and acknowledged the problem of non-response bias error in any research work. This problem may arise as a result of many reasons such as some respondents not having enough time to fill the questionnaire. Again, it could also be because of the fear of their superiors and the sensitivity of the questions to be responded to (Bryman *et al.*, 2007; Fowler *et al.*, 2002). Other reasons could also be that respondents do not cooperate or the inability to reach the selected respondents or that respondents fail to supply the required information. To avoid the problem of non-bias response errors, the researcher is expected to ensure that the selection of the potential respondents is properly done. In addition, questionnaires are as much as possible structured very well and clearly right from the beginning of the questionnaire design (Bryman *et al.*, 2007). Furthermore, questionnaires that are not properly filled by the respondents should be discarded or rejected. Hence, the researcher should not include them among the ones that would be used for the study. By so doing, it is perceived that non-response bias errors would be minimized to a greater extent. Therefore, by towing the line of these suggestions, this study ensured that all questionnaires that were not properly filled by the respondents were discarded. To reiterate, prior to the administration of the questionnaire, proper care was taken in the designing of the questionnaires to ensure that they are very clear, concise, precise and easy to understand.

Accordingly, a non-response bias test called Levene or Homoscedasticity Test was conducted to check for the bias error. In this test, authors such as Bryman *et al.* (2007) and Julie (2007) have set up a benchmark of non-significant value of above

0.05 with the variance of the residuals of the predicted dependent variable score being the same for all predicted scores as cases without non-response bias errors. In this study, the significant values were all above 0.05 ranging from 0.463 for selection & recruitment; 0.254 for performance appraisal; 0.837 for T&D; 0.663 for compensation & rewards; 0.853 for HRP; 0.135 for organizational climate; and 0.968 for HR outcomes. Table 4.5 shows standard deviation and standard error means for the early and late responses from the two groups (early and late respondents). Comparing the first and second wave of respondents resulted in there being no significant differences between the early and late respondents. Hence, it is assumed that this data is free from non-respondent bias errors.

Table 4.4
Result of the Test of Non-Respondent Bias

Variables	Sig.
Recruitment & Selection	0.463
Performance Appraisal	0.254
Training & Development	0.837
Compensation & Rewards	0.663
HR Planning	0.853
Organizational Climate	0.135
HR Outcomes	0.968

Table 4.5
Descriptive Statistics of Respondents

Responses		N	Mean	Std. Deviation	Std. Error Mean
MSQ	Early Response	120	2.6000	0.89431	.08164
	Late Response	56	2.5938	0.83471	0.11154
MAQ	Early Response	120	3.1778	0.96622	0.08820
	Late Response	56	3.3810	0.82494	0.11024
MTQ	Early Response	120	2.7452	0.90183	0.08233
	Late Response	56	2.6403	0.87131	0.11643
MCQ	Early Response	120	2.6917	0.91278	0.08333
	Late Response	56	2.5893	0.96188	0.12854
MPLQ	Early Response	120	2.7317	0.77719	0.07095
	Late Response	56	3.0857	0.83021	0.11094
MPCQ	Early Response	120	3.1544	0.75042	0.06850
	Late Response	56	3.3515	0.62308	0.08326
HR Outcomes	Early Response	120	3.0939	0.56914	0.05196
	Late Response	56	3.2905	0.58994	0.07883
Total		176			

MSQ: Selection & Recruitment, MAQ: Performance Appraisal, MTQ: Training & Development, MCQ: Compensation & Rewards, MPLQ:HRPlanning, MPCQ: Organizational Climate, HR Outcomes.

4.4 RESPONDENTS PROFILE

Table 4.6 below shows the demographic distribution of respondents in this study. The analysis of the SPSS output showed that a majority (162) of the respondents belong to the category of HR manager representing 92.0 percent; representing 8.0 percent are from the HR managers' department. In terms of gender, majority of the respondents are male accounting for 69.3 percent of the 176 respondents leaving the females with 30.7 percent. A further analysis based on marital status indicates that the majority of the respondents (92.6 percent) are married as opposed to 3.4 percent who are single. One point percent (4.0%) belongs to the category of others. In terms of respondents' age categories in this study, the majority (43) is between the ages of

31-43 representing 24.4 percent followed by zero respondents who are 30 years and below. However, a small but significant number (133) representing, 75.6 percent belong to the age category of between 44-65 years of age. The mean age of the respondents is $M=2.76$ with a standard deviation of 0.431. A vast majority of the respondents or HR managers (100%) are heading a position in the organizational structure and with higher educational qualifications. The breakdown of the data shows that 74 respondents representing 42.0 percent possess a postgraduate degree followed closely by 65 respondents representing 36.9 percent who are holders of a bachelor's degree. The rest are either diploma or secondary school certificate holders. The mean of the respondents' qualification is $M=4.14$ with a standard deviation of 0.905. The data shows that the majority of the respondents (34) representing 19.3 percent have between 1-10 years of work experience as opposed to 127 respondents representing 72.2 percent who have had 11-24 years of work experience. However, 15 respondents representing 8.5 percent have 25 years and above of work experience. The mean of respondents' years of experience is $M=1.89$ with a standard deviation of 0.518. With regards to the size of the organization, zero respondents fall into the less than 1-10 category (small, medium, big). Using the number of employees, 18 respondents representing 10.2% fall into the 10-25 category (small, medium, big) of organization size, 112 respondents representing about 63.6 percent belong to the 26-100 category (small, medium, big), while 46 respondents representing 26.1 percent fall into the category of more than 100 respondents. The mean and standard deviation for the size of the organization are 0.583 and 3.16 respectively. The descriptive result also shows that 176 respondents representing 100% said "YES" with regards to HRM head position in the organizational structure, while zero respondents said "NO".

Table: 4.6

Descriptive Analyses of the Demographic

N	Frequency	Percentage	Mean	Standard deviation
Position:			1.92	0.271
HR-Department	14	8.0		
HR Managers	162	92.0		
Others	0	0		
Total	176	100.0		
Gender:			1.31	0.462
Male	122	69.3		
Female	54	30.7		
Total	176	100.0		
Age:			2.76	0.431
Less than 30	0	0		
31-43	43	24.4		
44-65	133	75.6		
Total	176	100.0		
Marital Status:			2.01	0.272
Single	6	3.4		
Married	163	92.6		
Other	7	4.0		
Total	176	100.0		
Qualification:			4.14	0.905
Secondary education	12	6.8		
Diploma	25	14.2		
University	65	36.9		
Postgraduate	74	42.0		
Total	176	100.0		
Experience:			1.89	0.518
1-10	34	19.3		
11-24	127	72.2		
25 and above	15	8.5		
Total	176	100.0		
Size:			3.16	0.583
Less than 10	0	0		
10-25	18	10.2		
26-100	112	63.6		
More than 100	46	26.1		
Total	176	100.0		
HR Head Position in structure.				
Yes	176	100.0	1.00	0.00
No	0	0		
Total	176	100.0		

4.4.1 Descriptive Statistics for all Variables

With reference to Table 4.7 below, which displays the mean and standard deviation (SD) for all variables, it demonstrates that items, dependent variables (employee satisfaction, $SD=0.79540$, employee relations, $SD=.086204$), and variables (HRP, $SD=0.92613$, organizational climate, $SD=0.71653$), have a mean that is more than 3.00. The other variables in the constructs in HRM practices including performance appraisal, T&D, recruitment and selection, compensation& rewards and employees retention and employee attractiveness all have a mean of less than 3.00, that indicate that the respondents' involvement in Libyan public sector has received moderate attention. However, the descriptive statistics imply that independent variables, dependent variables and mediating variable (organizational climate) are highly perceived by the respondents. That means respondents in this study perceived that performance in the organization is evaluated based on their HR outcomes and are very important factors in determining the HR outcomes especially in Libya.

Table: 4.7
Descriptive Statistics for all Variables

Variables	N	Mean	Std. Deviation
Training & Development	176	2.5980	0.87341
HR Planning	176	3.2424	0.92613
Performance Appraisal	176	2.7119	0.89109
Recruitment & Selection	176	2.6591	0.92716
Compensation & Rewards	176	2.8443	0.80914
Organizational Climate	176	3.2171	0.71653
HR Outcomes	176	3.0818	0.79463
Employee Satisfaction	176	3.4527	0.79540
Employee Relation	176	3.3537	0.86204
Employees Retention	176	2.7216	0.87586

4.5 COMMON METHOD BIAS

Common method bias is one of the main sources of measurement error. The common method bias refers to a bias in data due to something external to the measure or can occur because of the way the questions are constructed, the manner in which they are asked, partaking respondents or the relationships between self-reported variables (Conway & Lance, 2010). The common method bias impacts empirical results. In this study, Harman's single-factor test was used as an exploratory factor analysis (all items) with eigenvalues above 1.0. One of the most widely used technique to address the issue of common method variance, and suggestions made by Podsakoff *et al.*

(2003), are assumed to contain the best approximation of common method variance. This study's total variance explains 72 percent whereas the first factor in total variance is explained at 32 percent. The results of this analysis show that the lack of fit of the single-factor does not preclude the possibility of common method variance. This means that respondents are able to differentiate among the scales and that the data is not inflated with common method errors and the bias is not a serious problem. For other results, see Appendix B-1.

4.6 FACTOR ANALYSIS

Factor analysis is the most commonly used test to determine the construct validity of data (Julie, 2007; Bhattacharjee, 2012), which is established by indicating reduction or summarization to make the data more visible, straight forward, and manageable; and to ascertain which of the items are most suitable for each dimension (Lattin, Carroll, & Green, 2003). Moreover, Julie (2007) points out two issues that have to be considered when conducting factor analysis: the sample size and the inter-correlations among the items. The sample size must be greater than 150 which is adequate for conducting a factor analysis. With regards to the inter-correlations between the items, Bartlett's test of Sphericity and KMO measure of sampling adequacy can both be used (Julie, 2007). As suggested by Hair *et al.* (2006), the KMO value in the range 0.90 is marvelous; 0.80 is meritorious; 0.70 is middling; 0.60 is mediocre; 0.50 is acceptable, but miserable; and below 0.50 is unacceptable. Bartlett's Test of Sphericity has to be significant ($p < 0.05$) for factor analysis to be considered suitable (Julie, 2007). In this study, factor analysis was conducted using principle component analysis and Varimax rotation with Kaiser's criterion and eigenvalues greater than one.

Table: 4.8

The Relationship Between Sample Size and Factor Loading Values

Factor loading	Sample size needed for significance
0.30	350
0.35	250
<u>0.40</u>	<u>200</u>
0.45	150
0.50	120
0.55	100
0.60	85
0.65	70
0.70	60
0.75	50

Source: Hair, *et al.* (2010: p.116)

4.6.1 Factor Analysis Result of HRM Practices

All items representing HRM practices were submitted to SPSS for factor analysis with principal component analysis with a varimax rotation in order to determine how many factors actually measured the variable. Although, 27 items were initially submitted for factor analysis, based on an eigenvalue of above 1.0, only 22 items were retained and selected for further analysis. The five items, specifically; items PLQ6, PLQ2, CQ3, SQ3 and PLQ3 were excluded as a result of cross loading. In addition to that, all components had a reliability of above 0.60. The items selected for the factor analysis account for 66.1 percent of the variance and are much higher than 50 percent indicating acceptable survey instrument construct validity (Hair,

Anderson, Tatham, & Black, 1995), with each item associated with Eigenvalue greater than 1.0. The result also shows KMO value of .881 with chi square value of 1977.078. The summary statistics for this analysis are presented in Table 4.9 below.

Table: 4.9

Factor Analysis Result for HRM Practices

Variables	Factor Loading	1	2	3	4	5
Training and development (T&D)						
• TQ5		<u>0.876</u>				
• TQ1		<u>0.784</u>				
• TQ6		<u>0.753</u>				
• TQ7		<u>0.687</u>				
• TQ4		<u>0.652</u>				
• TQ3		<u>0.578</u>				
• TQ2		<u>0.565</u>				
HR Planning (HRP)						
• PLQ8		<u>0.848</u>				
• PLQ5		<u>0.805</u>				
• PLQ4		<u>0.699</u>				
• PLQ7		<u>0.629</u>				
• PLQ1		<u>0.440</u>				

Recruitment and Selection

- SQ1 0.828
- SQ5 0.806
- SQ4 0.777
- SQ2 0.599

Compensation and rewards

- CQ1 0.807
- CQ2 0.709
- CQ4 0.675

Performance appraisal

- AQ2 0.875
- AQ3 0.811
- AQ1 0.599

Eigenvalue.....	7.93
Percentage of variance explained (%).....	66.1
Kasier-Meyer-Olkin.....	0.881
Bartlett's test of sphericity approx. chi square.....	1977.078
df.....	231
Sig.....	0.00

4.6.2 Factor analysis result for Organizational Climate

Similarly, a factor analysis was also conducted for organizational climate in order to determine how many factors actually measure the variable. As a result of this, a principal component factor analysis was conducted by subjecting 22 items. The number of factors extracted was constrained since this is a one dimension construct (Allen & Meyer, 1990). However, the result of factor analysis of the 19 items was rotated in one factor based on factor extract of 1.0. During further analysis of organizational climate, three items had low item communalities (PCQ8, PCQ10, and PCQ12). Those items were deleted because of either low factor loading, or low communalities, according to Hair (1998). The percentage of variance explained was much higher than 50.0 percent indicating acceptable survey instrument construct validity (Hair, Anderson, Tatham, & Black, 1995); while the KMO value was 0.934, and the Bartlett's test of sphericity approx. chi square is 2162.67 and percentage of variance explained was 51.089. The summary statistics for this analysis is presented in Table 4.10 below.

Table 4.10
Factor Analysis Result for Organizational Climate

Organizational Climate Items	Factor Loading 1
• PCQ3	<u>0.771</u>
• PCQ2	<u>0.767</u>
• PCQ13	<u>0.761</u>
• PCQ4	<u>0.759</u>
• PCQ9	<u>0.750</u>
• PCQ18	<u>0.740</u>
• PCQ6	<u>0.732</u>
• PCQ1	<u>0.727</u>
• PCQ5	<u>0.725</u>
• PCQ16	<u>0.711</u>
• PCQ17	<u>0.708</u>
• PCQ15	<u>0.705</u>

• PCQ21	<u>0.694</u>
• PCQ14	<u>0.682</u>
• PCQ22	<u>0.676</u>
• PCQ19	<u>0.674</u>
• PCQ7	<u>0.674</u>
• PCQ20	<u>0.657</u>
• PCQ11	<u>0.650</u>
<hr/>	
Eigenvalue.....	9.707
Percentage of variance explained (%).....	51.089
Kasier-Meyer-Olkin.....	0.934
Bartlett's test of sphericity approx. chi square.....	2162.67
df.....	171
Sig.....	0.00

4.6.3 Factor analysis result of HR outcomes

Concerning HR outcomes, 27 were originally submitted for factor analysis using principal component factor analysis with a varimax rotation. Based on eigenvalue of above 1.0, out of the 27 items submitted for factor analysis, only 15 items were loaded into the component, while 12 items (PRQ3, ERQ5, ERQ3, ERQ1, PSQ5, ERQ6, PSQ12, PSQ10, PSQ3, PSQ11, PSQ4, and PSQ1) of high cross-loading into the component, or low commonalities, were deleted. During further analysis, employee retention became another new dimension named “Employee Attractiveness”. In addition, all rotated component matrix, i.e., the dimensions of HR outcomes, employee satisfaction, employee relations, employee retention and employee attractiveness had reliabilities above 0.60.

The result showed KMO value of 0.823 percent, and this explains that 66.5 percent of the variance is much higher than 50 percent indicating acceptable survey instrument construct validity (Hair, Anderson, Tatham, & Black, 1995) and chi square was 1176.04. Table 4.11 provides more details.

Table 4.11
Factor Analysis Result of HR Outcomes

Items	Factor 1	Factor 2	Factor 3	Factor 4
HR Outcomes				
PSQ7	0.877			
PSQ6	0.852			
PSQ8	0.803			
PSQ2	0.562			
PSQ9	0.505			
ERQ10		0.802		
ERQ9		0.756		
ERQ4		0.665		
ERQ2		0.657		
PRQ2			0.858	
PRQ4			0.815	
PRQ1			0.753	
ERQ8				0.748
ERQ7				0.742
ERQ11				0.632

Eigenvalue	5.369
Percentage of variance explained (%)	66.53
Kasier-Meyer-Olkin	0.823
Bartlett's test of sphericity approx. chi square	1176.041
DF	105
Sig	000

4.7 RELIABILITY

There are several aspects of a reliability test. However, the most commonly used estimate is Cronbach's Coefficient Alpha which refers to precision for scales (Dunn, Seaker, & Waller, 1994). Julian (2007) asserts that the reliability of scale differs greatly and it depends on the sample of the research or study. Its importance in research work has made it very necessary for researchers to check that each of the scales is reliable for research work samples. In line with this, there is a need to check the internal consistency of the scales used in the study. Also, this study employed significant level of using $p < 0.01$, $p < 0.05$. In this study, Cronbach's Alpha which is the common predictor of internal consistency was adopted. Sekaran (2003), suggests a Cronbach's Coefficient Alpha of more than 0.60 to be the accepted level and Alarm (2009) and Yean (2010) use a Cronbach's Alpha Coefficient of more than 0.60. Hence, the Cronbach's Alpha for the variables in HRM practice in this study were T&D 0.90, HR planning 0.81, performance appraisal 0.77, recruitment & selection 0.78, and compensation and rewards 0.77. Variables for organizational climate was 0.94 whilst HR outcomes were: employee satisfaction 0.85, employee retention 0.78, employee attractiveness 0.60 and employee relations 0.81. The HR outcome had a Cronbach's Alpha of 0.83. They were all above the required limit as suggested above.

Tale 4.12

Construct Reliability Score all Variables

Variables and dimensions	No Items	Cronbach's Alpha Scores
Training & Development	7	0.90
HR Planning	5	0.81
Performance Appraisal	3	0.77
Recruitment & Selection	4	0.78
Compensation & Rewards	3	0.77
Organizational Climate	19	0.94
HR Outcomes	15	0.83
Employee Satisfaction	5	0.85
Employee Relation	3	0.81
Employees Retention	4	0.78
Employee Attractiveness	3	0.60

4.7.1 Restatement of the Hypotheses

Based on the results of the factor analysis, it is suggested that some changes need to be made to the theoretical framework; particularly, variables which should be included as HR outcomes as follows:

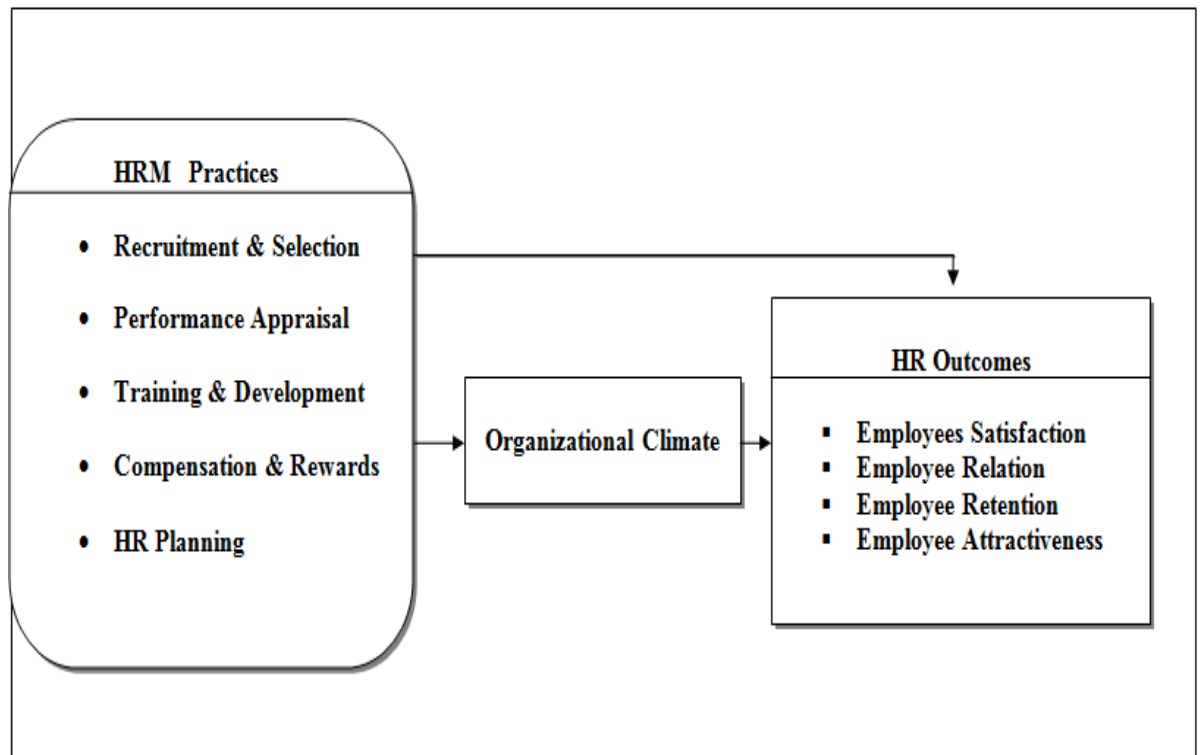


Figure 4.4
The Conceptual Framework of the Study

The revised hypotheses of the study are as follows:

H1: There is a significant relationship between HRM practices and HR outcomes (i.e., employee satisfaction, employee relations, employee retention, employee attractiveness).

H1a1: There is a significant relationship between recruitment and selection and employee satisfaction.

H1b1: There is a significant relationship between performance appraisal and employee satisfaction.

H1c1: There is a significant relationship between T&D and employee satisfaction.

H1d1: There is a significant relationship between compensation and rewards and employee satisfaction.

H1e1: There is a significant relationship between HRP and employee satisfaction.

H1a2: There is a significant relationship between recruitment and selection and employee relations.

H1b2: There is a significant relationship between performance appraisal and employee relations.

H1c2: There is a significant relationship between T&D and employee relations.

H1d2: There is a significant relationship between compensation and rewards and employee relations.

H1e2: There is a significant relationship between HRP and employee relations.

H1a3: There is a significant relationship between recruitment and selection and employee retention.

H1b3: There is a significant relationship between performance appraisal and employee retention.

H1c3: There is a significant relationship between T&D and employee retention.

H1d3: There is a significant relationship between compensation and rewards and employee retention.

H1e3: There is a significant relationship between HRP and employee retention.

H1a4: There is a significant relationship between recruitment and selection and employee attractiveness.

H1b4: There is a significant relationship between performance appraisal and employee attractiveness.

H1c4: There is a significant relationship between T&D and employee attractiveness.

H1d4: There is a significant relationship between compensation and rewards and employee attractiveness.

H1e4: There is a significant relationship between HRP and employee attractiveness.

H2: There is a significant relationship between HRM practices and organizational climate.

H2a: There is a significant relationship between performance appraisal and organizational climate.

H2b: There is a significant relationship between compensation and rewards and organizational climate.

H2c: There is a significant relationship between HRP and organizational climate.

H2d: There is a significant relationship between recruitment and selection and organizational climate.

H2e: There is a significant relationship between T&D and organizational climate.

H3: Organizational climate has a positive influence on HR outcomes (i.e., employee satisfaction, employee relations, employee retention and employee attractiveness).

H3a: Organizational climate has a positive influence on employee satisfaction.

H3b: Organizational climate has a positive influence on employee relations.

H3c: Organizational climate has a positive influence on employee retention.

H3d: Organizational climate has a positive influence on employee attractiveness.

H4: Organizational climate mediates between HRM practices and HR outcomes (i.e., employee satisfaction, employee relations, employee retention, employee attractiveness).

H4a1: Organizational climate mediates between performance appraisal and employee satisfaction.

H4b1: Organizational climate mediates between compensation and rewards and employee satisfaction.

H4c1: Organizational climate mediates between HRP and employee satisfaction.

H4d1: Organizational climate mediates between recruitment and selection and employee satisfaction.

H4e1: Organizational climate mediates between T&D and employee satisfaction.

H4a2: Organizational climate mediates between performance appraisal and employee relations.

H4b2: Organizational climate mediates between compensation and rewards and employee relations.

H4c2: Organizational climate mediate between HRP and employee relations.

H4d2: Organizational climate mediates between recruitment and selection and employee relations.

H4e2: Organizational climate mediates between T&D and employee relations.

H4a3: Organizational climate mediates between performance appraisal and employee retention.

H4b3: Organizational climate mediates between compensation and rewards and employee retention.

H4c3: Organizational climate mediates between HRP and employee retention.

H4d3: Organizational climate mediates between recruitment and selection and employee retention.

H4e3: Organizational climate mediates between T&D and employee retention.

H4a4: Organizational climate mediates between performance appraisal and employee attractiveness.

H4b4: Organizational climate mediates between compensation and rewards and employee attractiveness.

H4c4: Organizational climate mediates between HRP and employee attractiveness.

H4d4: Organizational climate mediates between recruitment and selection and employee attractiveness.

H4e4: Organizational climate mediates between T&D and employee attractiveness.

4.8 CORRELATION ANALYSIS RESULT

According to Hair *et al.* (2010), to determine the strength and direction of the relationship among the variables utilized in this study, a Pearson correlation analysis was conducted. The result indicated that recruitment and selection correlates with employee satisfaction at $r = 0.222^{**}$, $p < 0.01$; with employee relations at $r = 0.109$; with employees' retention at $r = 0.179^{*}$; with employee attractiveness $r = 0.034$; performance appraisal correlates with employee satisfaction at $r = 0.491^{**}$, $p < 0.01$; with employee relations at $r = 0.367^{**}$, $p < 0.01$; with employees' retention $r = 0.402^{**}$, $p < 0.01$; with employee attractiveness $r = -0.127$; T&D correlates with employee satisfaction at $r = 0.446^{**}$, $p < 0.01$; with employee relations at $r = 0.265^{**}$, $p < 0.01$; with employees' retention $r = 0.537^{**}$, $p < 0.01$; with employee attractiveness $r = -0.100$; compensation and rewards is also found to correlate with employee satisfaction at $r = 0.441^{**}$, $p < 0.01$; with employee relations at $r = 0.367^{**}$, $p < 0.01$; with employees retention $r = 0.406^{**}$, $p < 0.01$; with employee attractiveness $r = 0.053$; HRP equally correlates with employee satisfaction at $r = 0.602^{**}$, $p < 0.01$ with employee relations at $r = 0.422^{**}$, $p < 0.01$; with employees' retention $r = 0.589^{**}$, $p < 0.01$; with employee attractiveness $r = -0.057$; while organizational climate correlates with employee satisfaction at $r = 0.704^{**}$, $p < 0.01$; with employee relations at $r = 0.621^{**}$, $p < 0.01$; with employee relations $r = 0.657^{**}$, $p < 0.01$; with employee attractiveness $r = 0.131$. Furthermore, the correlation among the predictor variables did not exceed 0.8, hence the problem of multicollinearity is not a concern as suggested by Hair, *et al.* (2007). Table 4.13 provides more detail.

Table 4.13
Correlation Analysis Result

	Variables	MSQ	MAQ	MTQ	MCQ	MPLQ	MPCQ	MPSQ	MPRQ	MP EQ1	M P E Q 2
Independent variables	Recruitment & Selection	1									
	Performance Appraisal	0.154*	1								
	Training & Development	0.305**	0.434**	1							
	Compensation & Rewards	0.333**	0.427**	0.575**	1						
	HR Planning	0.328**	0.483**	.576**	0.420**	1					
Mediating	Organization Climate	0.255**	0.462**	0.499**	0.538**	0.591**	1				
Dependent variable	Employees Satisfaction	0.222**	0.491**	0.446**	0.441**	0.602**	0.704**	1			
	Employees Relation	0.109	.0376**	0.265**	0.367**	0.422**	0.621**	0.454**	1		
	Employees Retention	0.179*	0.402**	0.537**	0.406**	0.589**	0.657**	0.597**	0.408*	1	
	Employee attractiveness	0.034	-0.127	-.0100	0.053	-0.057	0.131	0.134	-0.107	0.14	1
											6

**Correlation is significant at the 0.01 level (2-tailed); * Correlation is significant at the 0.05 level (2-tailed).

MSQ: Selection & Recruitment, MAQ: Performance Appraisal, MTQ: Training & Development, MCQ: Compensation & Rewards, MPLQ: HR Planning, MPCQ: Organizational Climate, MPSQ: Employees Satisfaction, MPRQ: Employees Relation, MPEQ1: Employees Retention, MPEQ2: Employee attractiveness.

To determine the strengths of the correlations between two variables, Cohen (1988) provides a guideline that can be used for the purpose of interpreting the relationships between the different variables. Table 4.14 shows this guideline.

Table 4.14
Cohen's Guideline of Correlation Strength

R values	Strength of Relationship
R =+ 0.10 to 0.29 or r = - 0.10 to - 0.29	Small
R + 0.30 to 0.49 or r = - 0.30 to - 0.49	Medium
R = + 0.50 to 1.0 or r = -0.50 to - 0.1.0	Large

In this study, the strengths of correlations between two variables-independent and dependent variables were determined. From Table 4.15 below, it is observed that MSQ is positively significant but with small correlations with employee satisfaction, employee retention; employee relations has insignificant but small correlations; employee attractiveness seems to be negligible. MAQ has positive significant medium correlations with all dependent variables but small insignificant correlations with employee attractiveness; MTQ has positive and significant correlations with employee satisfaction, employee retention, employee relations, medium, small and large respectively, but had small correlations insignificant with employee attractive. With regard to MCQ had medium positively correlations insignificant with each employee satisfaction, employee

retention, employee relation, but seem to be negligible, with employee attractiveness. Finally, MPLQ had two large correlations insignificant with employee satisfaction, employee retention, and medium correlations insignificant with employee relation, and correlation insignificant seem to be negligible, with employee attractiveness.

Table 4.15

Summary Correlations Between Independent and Dependent Variables

Type of the relationship	Correlations	Strength
Recruitment & Selection and Employees Satisfaction	0.22**	Small
Recruitment & Selection and Employees Relation	0.10	Small
Recruitment & Selection and Employees Retention	0.17*	Small
Recruitment & Selection and Employee Attractiveness	0.03	Negligible
Performance Appraisal and Employees Satisfaction	0.49**	Medium
Performance Appraisal and Employees Relation	0.37**	Medium
Performance Appraisal and Employees Retention	0.40**	Medium
Performance Appraisal and Employee Attractiveness	-0.12	Small
Training & Development and Employees Satisfaction	0.44**	Medium
Training & Development and Employees Relation	0.26**	Small

Table 4.15 (continued)

Type of the relationship	Correlations	Strength
Training & Development and Employees Retention	0.53**	Large
Training & Development and Employee Attractiveness	-0.10	Small
Compensation& Rewards and Employees Satisfaction	0.44**	Medium
Compensation& Rewards and Employees Relation	0.36**	Medium
Compensation& Rewards and Employees Retention	0.40**	Medium
Compensation& Rewards and Employee Attractiveness	0.053	Negligible
HRP and Employees Satisfaction	0.60**	Large
HRP and Employees Relation	0.42**	Medium
HRP and Employees Retention	0.58**	Large
HRP and Employee Attractiveness	-0.057	Negligible

***.* Correlation is significant at the 0.01 level (2-tailed); ***. Correlation is significant at the 0.05 level (2-tailed).

4.9 TESTING FOR THE HYPOTHESIS

To test for the hypotheses proposed in this study, both regression and multiple regression analysis were conducted at the group and dimensional levels of the dependent variable. It was used to assess the ability of all the independent variables (Julie, 2007; Hair *et al.*, 2007; Bluman, 2011). Therefore, preliminary analyses were conducted in order to ensure that there was no violation of the all assumptions including the normality, linearity, multicollinearity and homoscedasticity. To test the mediating effect of organizational climate on the relationship between HRM practices and HR outcomes, as suggested by Baron & Kenny, (1986), the four criteria that were met are:

- (1) Examining the relationship between independent variables and dependent variables.
 - (2) Examining the relationship between independent variables and mediating variable.
 - (3) Investigating the relationship between mediating variable and dependent variable.
- Finally, examining the mediating effect and to ascertain conditions whether full or partial mediating effects are present.

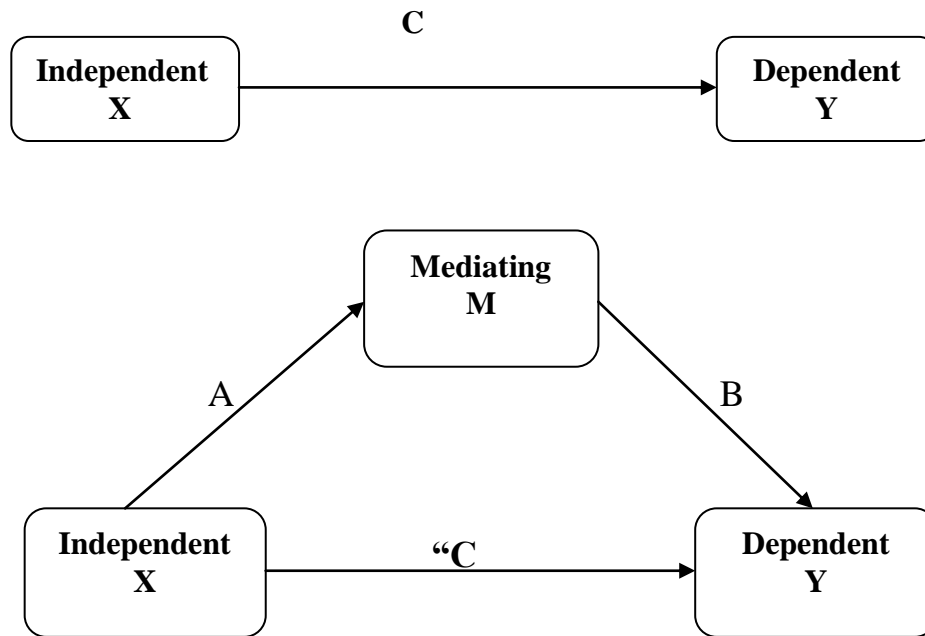


Figure 4.5
Mediation model
Source: Hayes, Baron & Kenny (1986)

4.10 MULTIPLE REGRESSION ANALYSIS RESULT

A multiple regression analysis was conducted whereby all the independent variables were entered into the regression model simultaneously in order to determine their relationship between the mediating and dependent variables. First, the relationship between independent variables, HRM practices and HR outcomes (employee satisfaction, employee relations, employee retention, employee attractiveness) was examined; second, the relationship between HRM practices variables and mediating variable (organizational climate) was examined and third, the mediating effect of organizational climate on the relationship between HRM practices and HR outcomes. Hair *et al.* (2007) note that evaluating multiple regression models require the following:

first, checking the F value to determine the statically significant model - when its value does not exceed 0.05, the R² should be checked to determine if it is large enough; second, examining the regression coefficients T statistics and beta to determine the independent variables are statistically significant; and finally, conducting the regression with the independent variables that result from identifying the influence of each independent variable.

4.10.1 HRM Practices and Employee Satisfaction

Interpretation of the result

Based on Table 4.16; in step one, the independent variables (recruitment & selection, performance appraisal, T&D, compensation & rewards, and HRP) against the dependent variable, employee satisfaction, at $\beta = -0.10$; $\beta = 0.208$, $p < 0.01$; $\beta = 0.020$; $\beta = 0.166$, $p < 0.05$; $\beta = 0.423$, $p < 0.05$ respectively. Recruitment and selection ($\beta = -0.10$) and T&D ($\beta = -0.020$) are insignificant and by looking at the R², this model also fits. This means that the independent variables explain approximately 0.437 of the variation in the variable, employee satisfaction (MPSQ).

In the second step, from Table 4.16, it is clearly indicated that independent variables (performance appraisal, compensation & rewards, and HRP) are statistically significant and related to the mediating factor (organizational climate), at $\beta = 0.132$, $p < 0.05$; $\beta = 0.291$, $p < 0.05$; $\beta = 0.370$, $p < 0.05$, respectively. While recruitment and selection ($\beta = -0.003$) and T&D ($\beta = -0.062$) are insignificant, by looking at the R², this model also fits. This means that the independent variables explain approximately 0.467 of the variation in the variable organizational climate (MPCQ) next step, as such they form further analysis based on the suggestions by Hayes, Baron & Kenny, (1986).

Table 4.16

Regression Results of the Relationship Between: HRM Practices and Employee Satisfaction

Dependent variables	Independent variables	Std. B Step 1	Std. B Step 2	Std. B Step 3	Result
		X-----Y	X-----M	X--M---Y	
Employee Satisfaction (MPSQ)	Recruitment & Selection	-0.010	-0.003	--	No mediation
	Performance Appraisal	0.208***	0.132**	0.143**	Partial mediation
	T&D	0.020	0.062	--	No mediation
	Compensation & Rewards	0.166**	0.291**	0.018	Full mediation
	HR Planning	0.423**	0.370**	0.236**	Partial mediation
	R2	0.437	0.467	0.565	
	Adjusted R	0.420	0.451	0.554	
	R2 change	0.437	0.467	0.565	
	F- change	26.337**	0.29.733**	55.432**	

Note: **P<0.05, ***P<0.01, ****P<0.001

Finally, in step three indicates whether mediation has taken place or not and equally shows which type of mediation. Table 4.16 indicates that mediation has occurred; the independent variable, i.e., performance appraisal, and HRP ($\beta = 0.143$, $p < 0.05$; $\beta = 0.236$, $p < 0.05$) is still significant. However, there is a decrease in the value of the beta for the independent variable; it is partial mediation and compensation and rewards, $\beta =$

0.018 is insignificant meaning full mediation. Hair *et al.* (2007) suggest using a t-test to determine which independent variable has statistically significant coefficients, $t = 2.35$; $t = 0.283$; $t = 3.58$; by looking at the R^2 , it is 0.565. In view of this, it is concluded that mediation has taken place (Hayes, Baron & Kenny, 1986).

4.10.2 HRM Practices and Employee Relation

Interpretation of the result

Based on Table 4.17 step one, three both independent variables are together against the dependent variable (employee relations). The result shows that performance appraisal, compensation and rewards, and HRP, are statistically significant at $\beta = 0.176$, $p < 0.05$; $\beta = 0.247$, $p < 0.05$; $\beta = 0.325$, $p < 0.05$, while recruitment & selection shows $\beta = -0.071$ and T&D $\beta = -0.119$ are insignificant and R^2 0.255 can be considered enough to demonstrate the fit or the goodness.

In the second step, in Table 4.17, it is clearly indicated that independent variables (performance appraisal, compensation & rewards, and HRP) are statistically significant and related to the mediating variable (organizational climate), performance appraisal at $\beta = 0.132$, $p < 0.05$; compensation & rewards at $\beta = 0.291$, $p < 0.05$; HRP at $\beta = 0.370$, $p < 0.05$. Recruitment & selection shows, $\beta = -0.003$ and T&D $\beta = 0.062$ are insignificant. As such, from further analysis based on the suggestion of Hair *et al.* (2007), R^2 0.467 can be considered enough to demonstrate the fit or the goodness.

Table 4.17

Regression Results of the Relationship Between: HRM Practices and Employee Relation

Dependent variables	Independent variables	Std. B Step 1	Std. B Step 2	Std. B Step 3	Result
		X-----Y	X-----M	X--M---Y	
Employee Relation (MPRQ)	Recruitment & Selection	-0.071	-0.003	--	No mediation
	Performance Appraisal	0.176**	0.132**	0.096	Full mediation
	T&D	-0.119	0.062	--	No mediation
	Compensation & Rewards	0.247**	0.291**	0.015	Full mediation
	HRP	0.325**	0.370**	0.051	Full mediation
	R2	0.255	0.467	0.389	
	Adjusted R	0.233	0.451	0.384	
	R2 change	0.255	0.467	0.398	
	F- change	11.625**	29.733**	28.271**	

Note: **P<0.05, ***P<0.01, ****P<0.001

Finally, step three indicates whether mediation has taken place or not and equally shows which type of mediation. From the Table 4.17, it is indicated that mediation has occurred; the independent variable, i.e., performance appraisal, compensation and rewards and HRP ($\beta = 0.096$; $\beta = 0.015$; $\beta = 0.051$) is insignificant. However, there is a decrease in the value of the beta for the independent variable. In view of this, it is concluded that full mediation has taken place (Hayes, Baron & Kenny, 1986). By

looking at the R², this model also fits, which means that the independent variables explain approximately 0.398 of the variation in the variable, employee relations (MPRQ).

4.10.3 HRM Practices and Employee Retention

Interpretation of the result

First, is step one which tests for the independent variable against the dependent variable, employee retention and the results show that the compensation and rewards, and HRP, are statistically significant at $\beta = 0.212$, $p < 0.05$; $\beta = 0.519$, $p < 0.05$; while recruitment & selection, $\beta = -0.049$; T&D, $\beta = -0.097$ and performance appraisal, $\beta = 0.110$ are insignificant. R² 0.393 can be considered enough to demonstrate the fit or the goodness. From Table 4.18, it is clearly indicated that; performance appraisal, compensation and rewards, and HRP are significantly related to the mediating variable (organizational climate), at $\beta = 0.132$, $p < 0.05$; $\beta = 291$, $p < 0.05$; $\beta = 370$, $p < 0.05$, respectively. Recruitment and selection ($\beta = -0.003$) and T&D ($\beta = -0.062$) are insignificant, indicating that step two of the analyses.

Table 4.18

Regression Results of the Relationship Between: HRM Practices and Employee Retention

Dependent variables	Independent variables	Std. B Step 1	Std. B Step 2	Std. B Step 3	Result
		X-----Y	X-----M	X--M---Y	
Employee Retention (MPEQ1)	Recruitment & Selection	-0.049	-0.003	--	No mediation
	Performance Appraisal	0.110	0.132	--	No mediation
	T&D	-0.097	0.062**	--	No mediation
	Compensation & Rewards	0.212**	0.291**	0.030	Full mediation
	HRP	0.519**	0.370**	0.304**	Partial mediation
	R2	0.393	0.467	0.494	
	Adjusted R	0.375	0.451	0.485	
	R2 change	0.393	0.467	0.494	
	F- change	21.998**	29.733**	56.040**	

Note: **P<0.05, ***P<0.01, ****P<0.001

Finally, step three indicates whether mediation has taken place or not. It equally shows which type of mediation. Table 4.18 indicates that mediation has occurred and the independent variable, HRP $\beta = 0.304$ $p < 0.05$ is still significant. However, there is a decrease in the value of the beta for the independent variable. It is concluded that partial mediation, and compensation and rewards, $\beta = 0.30$ is insignificant. In addition, there is

a decrease in the value of the beta and it is concluded that full mediation has taken place (Hayes, Baron & Kenny, 1986). By looking at the R², this model also fits which means that the independent variables explain approximately 0.494 of the variation in the variable, employee retention (MPEQ1).

4.10.4 HRM Practices and Employee Attractiveness

Interpretation of the result

First, step three which tests for both independent variables' effect on the dependent variable (employee attractiveness), while independent variable (performance appraisal and compensation & rewards) against the dependent variable, employee attractiveness, at $\beta = -0.152$, $p < 0.01$; $\beta = 0.194$, $p < 0.05$ are significant respectively. However, recruitment and selection ($\beta = 0.038$); T&D ($\beta = -0.169$) and HRP ($\beta = 0.020$) are insignificant.

From Table 4.19, it is clearly indicated that performance appraisal, compensation and rewards, and HRP are significantly related to the mediating variable (organizational climate); $\beta = 0.132$, $p < 0.05$, $\beta = 0.291$, $p < 0.05$, $\beta = 0.370$, $p < 0.05$, respectively. Recruitment and selection ($\beta = -0.003$) and T&D ($\beta = -0.062$) are insignificant, by looking at the R² 0.467, it indicates that step two of the analyses is fulfilled.

Table 4.19

Regression Results of the Relationship Between: HRM Practices and Employee Attractiveness.

Dependent variables	Independent variables	Std. B Step 1	Std. B Step 2	Std. B Step 3	Result
		X-----Y	X-----M	X--M---Y	
Employee attractiveness (MPEQ2)	Recruitment & Selection	0.038	-0.003	--	No mediation
	Performance Appraisal	-0.152***	0.132**	-0.247**	Partial mediation
	T&D	-0.169	0.062	--	No mediation
	Compensation & Rewards	0.194**	0.291**	0.037	Full mediation
	HRP	0.020	0.370**	---	No mediation
	R2	0.047	0.467	0.063	
	Adjusted R	0.019	0.451	0.047	
	R2 change	0.047	0.467	0.063	
	F- change	1.661	29.733**	3.846**	

Note: **P<0.05, ***P<0.01, ****P<0.001

Finally, step three indicates whether mediation has taken place or not and equally shows which type of mediation. Table 4.19 indicates that mediation has occurred and the independent variable, performance appraisal, $\beta = -0.247$, $p < 0.05$ is still significant. However, there is a decrease in the value of the beta for the independent variable. In view of this, it is concluded that partial mediation has taken place and compensation and

rewards, $\beta = 0.037$ are insignificant and decrease in the value of the beta shows that there is full mediation, $R^2 0.063$ (Hayes, Baron & Kenny, 1986).

Table 4.20

Summary of group Hypothesis Testing

Hypotheses	Results
H1: There is a significant relationship between HRM practices and HR Outcomes (i.e., Employee Satisfaction, Employee Relation, Employee Retention, Employee Attractiveness).	
H1a1: There is a significant relationship between recruitment and selection and employee satisfaction.	Not supported
H1b1: There is a significant relationship between performance appraisal and employee satisfaction.	Supported
H1c1: There is a significant relationship between T&D and employee satisfaction.	Not supported
H1d1: There is a significant relationship between compensation and rewards and employee satisfaction.	Supported
H1e1: There is a significant relationship between HRP and employee satisfaction.	Supported
H1a2: There is a significant relationship between recruitment and selection and employee relation.	Not supported
H1b2: There is a significant relationship between performance appraisal and employee relation.	Supported
H1c2: There is a significant relationship between T&D and employee relation.	Not supported
H1d2: There is a significant relationship between compensation and rewards and employee relation.	Supported
H1e2: There is a significant relationship between HRP and employee relation.	Supported
H1a3: There is a significant relationship between recruitment and selection and employee retention.	Not supported
H1b3: There is a significant relationship between performance appraisal and employee retention.	Not Supported
H1c3: There is a significant relationship between T&D and employee retention.	Not supported

H1d3: There is a significant relationship between compensation and rewards and employee retention.	supported
H1e3: There is a significant relationship between HRP and employees retention.	Supported
H1a4: There is a significant relationship between recruitment and selection and employee attractiveness.	Not supported
H1b4: There is a significant relationship between performance appraisal and employee attractiveness.	Supported
H1c4: There is a significant relationship between T&D and employee attractiveness.	Not supported
H1d4: There is a significant relationship between compensation and rewards and employee attractiveness.	Supported
H1e4: There is a significant relationship between HRP and employee attractiveness.	Not Supported
H2: There is a significant relationship between HRM practices and Organizational climate.	Results
H2a: There is a significant relationship between performance appraisal and organizational climate.	Supported
H2b: There is a significant relationship between compensation and rewards and organizational climate.	Supported
H2c: There is a significant relationship between HRP and organizational climate.	Supported
H2d: There is a significant relationship between recruitment and selection and organizational climate.	Not supported
H2e: There is a significant relationship between T&D and organizational climate.	Not supported

H3: Organizational climate has a positive influence on HR Outcomes (i.e., Employee Satisfaction, Employee Relations, Employee Retention, Employee Attractiveness).

H3a: Organizational climate has a positive influence on employee satisfaction.	Supported
H3b: Organizational climate has a positive influence on employee relations.	Supported
H3c: Organizational climate has a positive influence on employee retention	Supported
H3d: Organizational climate has a positive influence on employee attractiveness.	Supported

H4: Organizational climate mediates between HRM practices and HR Outcomes (i.e., Employee Satisfaction, Employee Relations, Employee Retention, Employee Attractiveness).

H4a1: Organizational climate mediates between performance appraisal and employee satisfaction	partially Supported
H4b1: Organizational climate mediates between compensation and reward sand employee satisfaction.	full supported
H4c1: Organizational climate mediates between HRP and employee satisfaction.	partially Supported
H4d1: Organizational climate mediates between recruitment and selection and employee satisfaction.	Not supported
H4e1: Organizational climate mediates between T&D and employee satisfaction	Not supported
H4a2: Organizational climate mediates between performance appraisal and employee relations.	fully supported
H4b2: Organizational climate mediates between compensation and rewards and employee relations.	fully Supported
H4c2: Organizational climate mediates between HRP and employee Relations	fully Supported
H4d2: Organizational climate mediates between recruitment and selection and employee relations.	Not Supported

H4e2: Organizational climate mediates between T&D and employee relations.	Not supported
H4a3: Organizational climate mediates between performance appraisal and Employee retention.	Not supported
H4b3: Organizational climate mediates between compensation and rewards and Employee retention.	fully Supported
H4c3: Organizational climate mediates between HRP and employee retention.	partially Supported
H4d3: Organizational climate mediates between recruitment and selection and employee retention.	Not supported
H4e3: Organizational climate mediates between T&D and employee retention.	Not Supported
H4a4: Organizational climate mediates between performance appraisal and employee attractiveness.	partially Supported
H4b4: Organizational climate mediates between compensation and rewards and employee attractiveness.	fully Supported
H4c4: Organizational climate mediates between HRP and employee attractiveness.	Not Supported
H4d4: Organizational climate mediates between recruitment and selection and employee attractiveness.	Not supported
H4e4: Organizational climate mediates between T&D and employee attractiveness.	Not supported

4.11 SUMMARY

In this section, the collected data was analyzed. First, the data was screened in order to check for errors. Secondly, all items were validated using both reliability and validity analyses. After this, the assumptions for regression were checked in order to ensure that the data met all the required assumptions, such as outliers, normality, etc. Having met all these assumptions, the proposed hypotheses were therefore tested using correlation and regression analyses. Based on the various analyses conducted in this study, the results are presented using tabular form. The results reveal that most of the hypothesis is fully supported; discussions from hypotheses and finding are presented in chapter five.

CHAPTER FIVE

DISCUSSIONS AND CONCLUSIONS

5.1 INTRODUCTION

This chapter discusses findings and conclusions, following the previous chapter that presented results and research. This final chapter also covers the discussions on the results from the hypotheses testing. The discussions are organized and based on the two major objectives of this study, i.e. to investigate the relationship between HRM practices and HR outcome; and to investigate the mediating role of organizational climate on the relationship between HRM practices and HR outcomes in the public sector in Libya. Accordingly, the implication of the study is also discussed while the research limitations with suggestions for future study are equally highlighted. Finally, this chapter further discusses the conclusion based on the findings obtained from the study.

5.1.1 DISCUSSION OF THE HYPOTHESES RESULTS AND FINDINGS

5.2 Direct Relationships

5.2.1 HRM Practices and HR Outcomes

The major purpose of this hypothesis is to examine the relationship of specific dimensions of HRM practices on the HR outcomes among the organizations in Libya. The empirical evidence indicates that not all of the HRM practice variables influence HR outcomes. For example, T&D, recruitment and selection are not significantly related. This is despite there being strong theoretical support for their inclusion. This

finding is in line with Westhead and Storey (1996); and Zheng, Mark and O'Neill (2006) that there is an insignificant correlation between T&D and performance in the UK. However, these results show that HRM practices, namely compensation and rewards, HRP and performance appraisal are significantly related to HR outcomes. Generally speaking, the findings corroborate the previous findings by Subramaniam, Shamsudin and Ibrahim (2011) and Khan (2010) that HRM practices are significant predictors of organizational performance. This result implies that organizations that have good HRM practices in place are likely to record better HR outcomes. This further shows that HRM practices are very crucial factors for the survival of organizations in Libya (Al-Damoe *et al.*, 2013). It also demonstrates that organizations in Libya have effective HRM practices in place. Hence, organization can use these HRM practices as a means for achieving better HR outcomes.

5.2.1.1 HRM Practices and Employees Satisfaction

For this hypothesis, the result shows that performance appraisal, compensation and rewards and HRP are significant elements of HRM practices that affect an employee's satisfaction. It indicates that performance appraisal, compensation and rewards and HRP influence employee satisfaction in the organization. Hence, these elements (performance appraisal, compensation and rewards and HRP) are essential for employee satisfaction and in turn, organization performance. The result indicates that performance appraisal, compensation and rewards and HRP, explain 43.7 percent of the variance in employees' satisfaction with HRP showing the highest beta value (0.423). This result supports the previous finding by Subramaniam, Shamsudin and Ibrahim (2011) who found that HRM

practices dimensions, such as performance appraisal, compensation and rewards and HRP all play significant roles in organizational performance. For example, compensation and reward play a crucial function in helping the employees maintain their jobs and improve their work commitment to the organization. Also, a good performance appraisal is an effective way of encouraging the employees to put in their best for the organization (Al-Damoe *et al.*, 2013). That is the reason that employees tend to work more if they are satisfied with the way their performance would be evaluated at the end of the day.

Contrary to this result, recruitment and selection, and T&D are not related to and neither are they significant predictors of employee satisfaction. One key explanation to these results could be that organizations in Libya do not believe in effective recruitment and selection because most times, people are not formally employed but get jobs through their personal or family connections or lists from employment offices (Almhdie, 2007). Also, organizations in Libya are yet to realize the importance of employees' T&D for better organizational outcomes. It implies that employees are still satisfied with the organization even though they are not trained or developed further. Agnaia (1996) point that to the assessment of management training need, Libyan public organizations have difficulty in identifying the required of training programs their employees, therefore this one of the reasons might have influenced the findings. Hence, our finding fails to support the previous finding by Khan (2010) who found that T&D is significantly related to organizational performance.

5.2.1.2 HRM Practices and Employee Relation

Concerning this hypothesis, the results reveal that performance for only three dimensions of HRM practices namely performance appraisal, compensation and rewards and HRP are significantly related to employee relations. The result also implies that these dimensions can influence employee relations in the organization. The results further demonstrate that the three dimensions explain 25.6 percent of the variance in employee relations with HRP showing the highest beta value (0.325). It reveals that the current practice in these dimensions by organizations in Libya has significant impact on employee relations. Therefore, performance appraisal, compensation and rewards and HRP play a key role for an effective employee relations which in turn reflects on the organizational outcomes. This result is consistent with the previous study by Tseng and Lee (2009); and Subramaniam, Shamsudin and Ibrahim (2011) who highlighted them as significant predictors of employee relations. The result suggests that employee relations in the organizations are largely determined by the three key elements of HRM practices: performance appraisal, compensation and rewards and HRP.

Further result on this particular hypothesis equally reveals that both recruitment and selection and T&D do not statistically and significantly relate to employee relations. It demonstrates that these components are not largely practiced by most organizations in Libya. The finding contradicts the previous study by Khan (2010) that demonstrates that these components are effective determinants of organizational performance. It suggests that even though organizations integrate both these aspects into the HRM practices, employee relations are not affected. Thus, they do not influence employee relations in

the organizations. However, this result should be interpreted with caution as Libya is a very unique country with a unique leadership that has affected virtually all the organizations on the way things are done. Agnaia (1996) argues that there is no indication of any communication with employees on training activities in Libya. The finding is in line with Zheng *et al.*, (2006) in China, which shows that T&D is not significant with organizational performance and may be due to differences in organization size and the nature of the study.

5.2.1.3 HRM Practices and Employee Retention

This hypothesis was used to test for the HRM practices dimensions (recruitment and selection, performance appraisal, compensation and rewards T&D, HRP) and employee retention. The result reveals that only compensation and rewards and HRP influence employee retention in the organization and are significant predictors of employee retention. From the analysis, it shows that these dimensions explain 39.3 percent of the variance in employee retention with HRP showing the highest beta value (0.519). This implies that employee compensation and rewards and HRP must match retention. It further indicates that the effectiveness of retention policy in the organization depends on how much the organization is willing to pay as a reward and also how effective their HR plan is in taking care of the employees. Thus, organizations that want a successful retention policy must give urgent attention to compensation and rewards and HRP. The result for the hypothesis testing is affirmed by a previous study done by Al-Damoe *et al.* (2012).

However, the finding for this particular hypothesis also reveals that three dimensions of HRM practices namely recruitment and selection, performance appraisal and T&D do not affect employee retention in the organization. This result fails to affirm the previous result by Subramaniam, Shamsudin and Ibrahim (2011) that T&D is very important for organizational performance. However, similar results in terms of technical training have been found by Ng and Siu (2004) from a data analysis derived from 485 manufacturing organizations in Shanghai, that it is not significant with performance. It shows that in Libya, organizations do not bother with recruitment and selection, performance appraisal and T&D. The result once again demonstrates the uniqueness of Libya and its environment, suggesting that environmental factors, such as leadership structures in the organization might have contributed to this result. Another reason is the possibility that many highly-skilled and experienced Libyan workers have emigrated in search of better opportunities (Otman & Karlberg, 2007). As such, it is not in the interest of the workers to stay in the organization for long and therefore, retention is not a major factor to be considered by both parties.

5.2.1.4 HRM Practices and Employee Attractiveness

For this particular hypothesis, the result demonstrates a significant support for the influence of performance appraisal and compensation and rewards on employee attractiveness. The result reveals that these influences can significantly affect employee attractiveness. Our result suggests that the roles of both performance appraisal and compensation and rewards in predicting employee attractiveness and subsequent HR outcomes are practically acknowledged among the organizations in Libya. The result

implies that there is a significant relationship between these influences and employee attractiveness. It further suggests that effective employee attractiveness in most organizations in Libya is determined by the two major elements of HRM practices mentioned, which are performance appraisal and compensation and rewards. Thus, employee attractiveness in the organization depends on both these elements. Our finding is similar to the previous study by Al-Damoe *et al.* (2012) that affirmed that both performance appraisal and compensation and rewards are significant elements of HRM practices that affect HR outcomes. The result reveals that these influences explain 4.7 percent of the variance in employee attractiveness with compensation and rewards indicating the highest beta value (0.194).

Further testing on this hypothesis; show an inverse result that recruitment and selection, T&D, and HRP are not statically significant or extremely related to employee attractiveness. However, recruitment and selection involves the process of attracting and selecting people to serve in an organization (Ahmed & Akhtar, 2012). This result fails to find support on the previous results by Kauto (2008) that affirmed that recruitment and selection, T&D, and HRP are significant elements of HRM practices that predict employee attractiveness as a reflection of HR outcomes. Our result suggests that both employees and organizations may not need to give serious attention to these elements for effective employee attractiveness in HR outcomes. Hence, recruitment and selection, T&D, and HRP do not predict employee retention and attractiveness in the organization. One plausible explanation for this result could be attributed to Libya's volatile environment which seems not to encourage these influences, such that they could lead to employee attractiveness. And also training programs have little difference from

university lectures in Libyan public organizations (Aгнаia, 1996). In addition, T&D, recruitment and selection, may not necessarily help organizational performance. Rather, T&D practice in conjunction with other HRM practices may have a greater effect on organizational performance (Lawson and Hepps, 2001; Becker and Huselid, 1999).

5.3 HRM Practices and Organizational Climate

Hypothesis 2 with its sub-hypotheses, predicts that performance appraisal and compensation and rewards, HRP, recruitment and selection, and T&D would be significantly related to organizational climate. It reveals that only performance appraisal and compensation and rewards and HRP, but not recruitment and selection and T&D are significantly related and able to affect organizational climate. Thus, a better organizational climate requires three key elements of HRM practice namely performance appraisal and compensation and rewards and HRP. The result implies that would only depend on performance appraisal and compensation and rewards, HRP to achieve a better organizational climate that would translate into an effective organizational performance. This result also corroborates past findings of Ostroff and Bowen (2004) and Collins and Smith (2006) that HRM practices are vital elements that influence organizational climate. The result further indicates that performance appraisal, compensation and rewards, and HRP explain 46.7 percent of the variance in organizational climate with HRP showing the highest beta value (0.37).

For recruitment and selection and T&D, our findings find no support and may be due to the organizations' constraints and attitudes of senior management. This implies that

these elements do not influence organizational climate, especially in Libya. The results further demonstrate that there are no significant relations between recruitment and selection, and T&D and organizational climate in Libya. Despite this, the result should be interpreted with caution as the unique nature of the Libyan organizational environment may have played a major role in the non-significant influence of these elements on the organizational climate. Accordingly, our result is not in line with the past study by Gelade and Ivery (2003) who found that recruitment and selection, and T&D are significant predictors of organizational climate.

5.4 Organizational Climate and HR Outcomes

From the hypothesis testing, the study finds a positive support for the influence of organizational climate on the HR outcomes (e.g., employee satisfaction, employee relations, employee retention and employee attractiveness). Jing, Gayle, Avery and Bergsteiner (2011); Schneider (1990) have investigated the relationship between organizational climate and organizational outcomes and demonstrated that organizational climate predicts and is significantly related to these HR outcomes. It further shows that organizational climate explains 49.6 percent variance for employee satisfaction; 38.6 percent variance for employee relations; 43.2 percent variance for employee retention and 17 percent variance for employee attractiveness, respectively. The result implies that organizational climate is a crucial factor for these HR outcomes in the organizations in Libya. In line with these results, Rahimic (2013) affirms that organizational climate significantly influences satisfaction particularly in Libya. Also, Gelade and Ivery (2003) affirm that organizational climate predicts organizational

performance (e.g., employee satisfaction, employee relations, employee retention and employee attractiveness). Luthans, Norman, Avolio and Avey (2008) affirmed a positive association between organizational climate and employee satisfaction. It shows that there is a strong association between organizational climate and employee satisfaction, employee relations, employee retention and employee attractiveness. The result further implies that employees who perceive organizational climate in their organization to be more conducive and supportive may experience employee satisfaction and would also exhibit high levels of employee relations; this may cause the organization to retain (employee attractiveness) these employees in the organization. The results demonstrate that organizational climate highly impacts HR outcomes in organizations in Libya. Thus, with a supportive and conducive organizational climate, organizations in Libya would achieve a high level of HR outcomes.

5.5 INDIRECT RELATIONSHIP: THE MEDIATING RELATIONSHIP

This section presents the discussions on the results of the mediating role of organizational climate.

5.5.1 HRM Practices and Employee Satisfaction: Mediating Role of Organizational Climate

Based on the findings in Hypothesis 4a1, organizational climate mediates the influence of performance appraisal and compensation and rewards and HRP on the employee satisfaction. Thus, the mediating effect observed here corroborates the previous studies by Gelade and Ivery (2003) and Patterson and West (1998) that suggest that these HRM practices influence organizational performance by improving their organizational

climate. Also affirmed by this study are the results by Rogg *et al.* (2001) which affirmed that organizational climate plays a significant mediating role between HRM practices and employee satisfaction. Our findings imply that organizations require a very good organizational climate (e.g., organizational responsibilities, commitments, cooperation, strong traditions, etc.) to be able to achieve an effective employee satisfaction through HRM practices. The result further shows that HRM practices are not enough to predict employee satisfaction and would also require the organization to create a conducive organizational atmosphere that leads to employee satisfaction. Accordingly, the results reveal that performance appraisal, compensation and rewards and HRP explain 56.5 percent of the variance in employees' satisfaction with a beta value of 0.236 percent.

On the contrary, the results fail to find a significant mediating influence of organizational climate on the relationship between recruitment and selection, and T&D and employee satisfaction. The result demonstrates that regardless of organizational climate, employees are still satisfied because of the few elements of HRM practices, such as performance appraisal and compensation and rewards and HRP which they consider more important than any other element. One explanation for this is employee motivation as it seems that the employees are already satisfied with their present situation and are not interested in organizational climate. The results are not consistent with Gelade and Ivery (2003) and Ostroff and Bowen (2004) who found that improving organizational climate strongly enhances the link between HRM practices and employee satisfaction, as well as the organizational performance.

5.5.2 HRM Practice and Employee Relation: Mediating role of Organizational Climate

In Hypothesis 4a2, results reveal that organizational climate can only mediate the relationship between performance appraisal, compensation and rewards, HRP and employee relations. The result demonstrates that organizational climate is a significant mediator of the influence of performance appraisal, compensation and rewards and HRP on employee relations. The result shows that the relationship between performance appraisal, compensation and rewards and HRP and employee relations is mediated by organizational climate. This finding affirms the study by Ostroff and Bowen (2004); and Collins and Smith (2006) which found that the link between HRM practices and organizational performance (e.g, employee relations) is determined by organizational climate in the organization. It implies that performance appraisals and compensation and rewards would effectively predict employee relations based on the organizational climate. For example, organizations with a committed and competent workforce combined with performance appraisals and compensations and rewards elements are assumed to achieve good employee relations. It further indicates that performance appraisal, compensation and rewards and HRP explain 39.8 percent of the variance in employee relations with performance appraisal showing the highest beta value (0.96).

Conversely, the results also reveal that organizational climate is not a significant mediator between recruitment and selection, and T&D and employee relations. The result fails to find support for the mediating effect of organizational climate on the influence of recruitment and selection, and T&D on employee relations. In this case, the result fails to support the previous study by Collins and Smith (2006) that claimed that

organizational climate mediates the relationship between recruitment and selection, and T&D, and organizational performance (employee relations). These results should be interpreted with caution due to the nature of the organizational environment in Libyan organizations. The results further suggest that organizational climate might be necessary for the employee relations' effectiveness in organizations in Libya.

5.5.3 HRM Practice and Employee Retention: Mediating Role of Organizational Climate

For Hypothesis 4a3, our result demonstrates a significant support for the mediating effect of organizational climate on the influence of compensation and rewards and HRP on employee retention. The results reveal that organizational climate is indirectly related to employee retention. It shows that organizational climate would significantly intervene in the relationship between compensation and rewards and HRP, and employee retention. Thus, the relationship between compensation and rewards and HRP, and employee retention is dependent on the mediating influence of organizational climate. Our result reveals that compensation and rewards, and HRP are able to explain 49.4 percent variance in employee retention with HRP showing highest beta value (0.304). The result suggests that employee retention can be visible if organizations can create good HRM practices through an effective organizational climate. It further suggests that it is not just enough for the organization to depend on the compensation and rewards and HRP to achieve employee retention; rather, they should combine the HRM practices (compensation rewards and HRP) with the organizational climate. This result is consistent with Gelade and Ivery (2003) and Patterson and West (1998) who

observed that organizational climates improve the influence of HRM practices in employee retention.

However, the result also demonstrates that organizational climate does not mediate or support the influence of HRM practices (performance appraisal, recruitment and selection and T&D) on employee retention. According to Kerr and McDougall (1999), the organizations may not take performance evaluation and T&D seriously, resulting in organizational climate not being required in the relationship. The result implies that organizations in Libya can focus on the performance appraisal, recruitment and selection, T&D to achieve employee retention with other HRM practices and may have greater effects on organizational performance. Hence, there is no need to give consideration to organizational climate. The finding provides additional support for earlier studies (e.g., Gelade and Ivery, 2003; Patterson and West, 1998) on the influence of performance appraisal, recruitment and selection, T&D on the employee retention.

5.5.4 HRM Practice and Employee Attractiveness: Mediating Role of Organizational Climate

Hypothesis 4a4 was also tested and the results show a significant effect on organizational climate and the relationship between performance appraisal, compensation and rewards and employee attractiveness. The result also reveals that an adequate explanation of employee attractiveness by performance appraisal and compensation and rewards depend on the intervening effects of organizational climate. This therefore implies that the link between performance appraisals, compensation and rewards and employee attractiveness will require the organization to create an enabling,

friendly and conducive environment (which would be in the form of organizational cooperation and tradition) for effective employee attractiveness. The result demonstrates that performance appraisal, and compensation and rewards explain 6.3 percent variance in employee attractiveness with compensation and rewards indicating the highest beta value (0.37). The result suggests that if an organization focuses on employees' needs with the full support of performance appraisal and compensation and rewards, such an organization can attract better and talented employees into the organization. Thus, the mediating effect of organizational climate would make the organization look very attractive to potential employees while existing employees consider staying in the organization longer. This result is similar to findings by Gelade and Ivery (2003) and Patterson and West (1998). They concur that the link between HRM practices and HR outcomes is dependent on the mediating effect of organizational climate. They find that although HRM practices directly affect HR outcomes, the relationship is made possible if the organizational climate is enhanced.

On the contrary, the result shows that the influence of other HRM practices, such as HRP, recruitment and selection, T&D and employee attractiveness are not mediated by organizational climate. It also demonstrates that the explanation of employee attractiveness by performance appraisal and compensation and rewards does not depend on the intervening effect of organizational climate. This means that the link between these elements would not require organizational climate for effective employee attractiveness. The result further suggests that organizations can still attract better and talented employees into the organization without much consideration to the climate of

the organization. Whether the climate in the organization is good or bad, the HRM practices would be enough to influence employee attractiveness. One major explanation to this result is the Libyan environment which seems unorganized and uncoordinated for the organizations to effectively operate. Accordingly, the result is in the opposite direction of past studies done by Gelade and Ivery (2003) and Patterson and West (1998), where they affirm the link between HRM practices (such as HRP, recruitment and selection, and T&D) and HR outcomes are dependent on the mediating effect of organizational climate.

5.6 IMPLICATIONS OF THE STUDY

There is no doubt that the findings obtained in this study would be of benefit to many and as such, several implications are anticipated. The implications of this study are discussed from two perspectives: the theoretical and the practical implications.

5.6.1 Theoretical Implication

One of the major issues or gaps addressed in this study is the lack of empirical literature on the mediating role of organizational climate in the relationship between HRM practices and HR outcomes in developing countries, such as Libya. Therefore, conducting this study in a developing country like Libya has contributed to the already existing knowledge and consequently contributed to the existing literature in this domain.

In addition, the development of a conceptual model for looking into the mediating effect of organizational climate in the relationship between HRM practices and HR outcomes

in developing countries, such as Libya; should be considered a contribution to a new knowledge in this domain. It is expected that the research framework would guide future studies and inspire new inquiries that would lead to further research in this area.

In general, the Human Capital theory relies on the assumption that organizational performances vary due to resources heterogeneity across organizations. Therefore, the ability to improve the performance of the organization often depends on the organization's resources and capabilities. The theory suggests that human capital is one source of improvement in organizational performance. Hornbeck & Salamon (1991) defined Human Capital theory as 'productivity of human being as income producing agent in an economy.

Additionally, this study supports the Human Capital theory, Blaug (1976) opined that Human Capital theory is the present value of past investment in the skills of people. The HR practices have been identified as critical factors for sustained competitive advantage (Pfeffer, 1994). This study tested the Human Capital theory within Libyan government agencies and results corroborate Olaniyan and Okemakinde (2008), study which says that Human capital emphasizes how training and education increases the productivity and efficiency of employees by increasing their cognitive ability. Therefore, the present study provides additional insight on the Human Capital theory in line with HRM practices in the Libyan public sector.

Theory building has lagged on the intermediate links responsible for the relationship between HRM practices and HR outcomes. This study introduces the construct strength

of the HRM practices and describes the meta features of HRM practices that result in a strong organizational climate, affecting HR outcomes.

In other words, the implementation of HR practices can help the organization in developing new capabilities (i.e., strong organizational climate) that would positively affect HR outcomes. Organizational climate has been identified as one aspect that is capable of improving HR outcomes as well as the performance of the organization (Ostroff & Bowen, 2004).

5.6.2 Practical Implications

In the HRM practices domain, there are four key dominant actors: the policy makers in the government, the practitioners, the organizations and the employees. Therefore, the practical implications of this study are directed towards these four key players.

To the policy makers, the findings obtained in this study are of great benefit to them as it would assist them to improve employees' working conditions in the country as a whole. It would also guide them in developing and formulating better employee policies that would produce better HR outcomes including performance in many organizations in Libya. Hence, it is expected that the findings would help policy makers strategize on employees' working conditions in Libya by formulating better policies and programs that could force organizations in Libya to provide better organizational climate for its employees.

For the HRM practitioners, the results could also leave a great impact, by providing them with adequate and relevant information about HRM practices and recommending the best way to utilize HRM practices, such as appraisal, compensation and rewards and HRP to achieve better HR outcomes. The insights provided by the study would also guide the practitioners in the area to offer better advice to their clients.

To the organizations, the findings from the study would first provide the relevant information (e.g., systems and types of organizational structures) that would enable them to design a more suitable organizational climate (e.g., organizational structures and traditions) that subsequently can promote a conducive organizational climate and employee relations in the organization, by taking into consideration the key HRM practices such as appraisal, compensation and rewards and HRP.

Second, the findings would provide them with some rich information on how the organization in Libya can utilize HRM practice to improve and achieve better organizational performance. Third, the finding of this study supports this justification and adds to the existing success records with the inclusion of a new variable - employee attractiveness in Libyan public sector.

Finally, employees are not cast aside. They would also benefit from the findings obtained in this study, as it will provide them with the adequate knowledge of HRM practices and how these HRM practices would assist them to contribute significantly to the HR outcomes. In addition, it will also expose them to how HRM practices coupled with the organizational climate, would lead to better organizational climate, especially to

those who want to stay longer in the organization. Thus, their knowledge of the HRM practices would help them achieve this main objective.

5.7 LIMITATION AND RECOMMENDATION FOR FUTURE STUDY

Based on the objectives of this study, both the research approach and analysis technique are only limited to the quantitative survey and regression analysis respectively, in order to understand the relationship between HRM practices and HR outcomes in Libya. Other research approaches, such as the qualitative and mixed methods can be applied in this type of study for an in-depth understanding of the mediating role of organizational climate. This will help to better explain the variation in the relationship between HRM practices and HR outcomes in Libya. Again, the use of the Structural Equation Modeling (SEM) or statistical analysis software Partial Least Squares (PLS) to test for the mediating role of organizational climate in the relationship between HRM practices and HR outcomes may produce different insights. Hence, future studies in this domain should attempt to look into this seriously.

Second, this study was conducted in developing countries; specifically the government agencies in Libya, unlike previous studies that were mostly conducted in the Western context. Therefore, this study recommends that future studies examine the relationship between HRM practices and HR outcomes using other sectors in Libya or be replicated in different countries or other research settings so that findings are more generalized.

Third, another limitation in this study is the sample subjects which consist only of HR managers in the Libyan public sector. This may not accurately reflect the attitudes of the organization towards management practices; therefore, this study recommends that future studies should examine HR managers from multiple sources, such as line managers.

Fourth, organizational climate has been used as a mediator in this study; yet in reality, there are many other factors, such as job security, organizational structure, organizational size, etc., which can also be used to mediate the relationship between HRM practices and HR outcomes. It is believed that these factors can significantly affect HR outcomes and in turn affect organizational performance. Hence, future studies should consider these factors as mediators in the relationship between HRM practices and HR outcomes.

Finally, to make HRM practices critical role more than variables other and should be managers and HR professionals explain accurately theory and explain conceptually how and why HR practices lead to their outcomes.

5.8 CONCLUSION

The study investigates the mediating role of organizational climate on the relationship between HRM practices and HR outcomes in the public sector in Libya. Hypotheses were tested using regression techniques of analysis. Therefore, based on the findings obtained from the various analyses, the following conclusions are reached:

- That overall, there is a significant relationship between HRM practices and HR outcomes.
- That better and effective HR outcomes can be achieved through good organizational climate in Libya. Thus, organizations should place more emphasis on organizational climate, as doing so would help organizations achieve their HR outcomes, including performance objectives.
- That better and effective HR outcomes can be achieved if HRM practices, such as performance appraisal, compensation and rewards and HRP are integrated with organizational climate in the organization.
- That recruitment and selection, and T&D may not produce better HR outcomes when combined with organizational climate. Hence, selection and recruitment, and T&D should be given less consideration.
- That both policy makers and organizations should design and formulate better HRM practices that would promote organizational climate, recognition and appreciation towards better and more effective HR outcomes.

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