Linking Human Resources Management Practices and Organizational Performance: Evidence from Private Food Industrial Companies in Jeddah, KSA

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ABSTRACT

The aim of this article is to explore the intricate relationship between Human Resources Management Practices (HRMP) and Organizational Performance (OP), highlighting the significant impact of various HRMPs on the performance of organizations. Employing a quantitative research methodology, this study engaged a diverse group of 263 participants across different job positions, including Senior Management, Middle Management, Supervisors, and Subordinates. These individuals were randomly selected from a range of private food industrial companies located in Jeddah, Saudi Arabia. To analyze the data collected through questionnaires, the researcher utilized statistical tools such as SPSS and AMOS, aiming to elucidate the influence of human resources management practices on organizational performance. The investigation revealed a clear correlation between certain Human Resource Management (HRM) practices and the performance of organizations. Specifically, practices such as selective hiring, training and development, and employee involvement in decision-making were found to positively impact organizational performance. In contrast, the compensation system and performance evaluation practices were observed to negatively affect organizational performance, while job security appeared to have no significant effect. These findings suggest that the effectiveness of HRM practices is crucial for enhancing organizational performance, particularly within private food industrial companies in Jeddah, KSA. The study further discusses the implications of these findings and offers recommendations for policymakers and HR professionals. It emphasizes the importance of implementing effective HRM practices, like selective hiring, training and development, and encouraging employee participation in decision-making to improve organizational performance. The research also points out that the impact of job security, compensation systems, and performance evaluations on employee satisfaction and loyalty should not be overlooked, as these factors play a pivotal role in optimizing business performance, reducing turnover, decreasing absenteeism, and increasing productivity, thereby fostering enhanced organizational performance across various industries. By shedding light on the dynamic connections between HRM practices and organizational performance, this study contributes valuable insights, especially pertinent to the private food industrial sector in Jeddah, KSA. It uncovers previously unexplored factors that influence performance and provides a practical framework for improvement. This research not only serves as a foundation for future studies but also offers a guide for developing effective strategies to boost organizational performance, adding significant value and insight into the field of human resources management.

Keywords: Decision Making (DM), Organizational Performance (OP), Selective Hiring (SH), Training and Development (TD).
1. Introduction

The importance of Human Resource Management (HRM) in enhancing organizational performance through strategic improvements in the working environment for employees has been highlighted by Al Habshi et al. (2021). Al-Kahtani (2021) presents the argument that contemporary HRM encompasses multifaceted processes, including workforce planning, training, and compensation policies. Al-Kahtani (2021) also notes that numerous studies have investigated HRM, emphasizing human resources as a strategic asset and a primary driver of institutional resources and performance. The Human Resources Department manages invaluable human capital, and well-defined HRM policies align and integrate various facets to create an effective human resource management strategy. This paper contributes significantly by examining the direct impact of HRM practices on organizational performance, focusing on the underlying mechanisms. This investigation is particularly important in the context of Saudi Vision 2030. As Saudi Arabia strives to diversify its economy and foster sustainable growth, effective human resource management becomes critical in achieving these ambitious goals. This paper explores the effects of HRM practices, such as job security, selective hiring, compensation systems, training and development, participation in decision-making, and performance evaluation, on organizational performance. It delves into the relationship between these HRM practices and organizational performance.

1.1. Problem Statement

The private sector of Saudi Arabia’s food industry, as indicated by Alalmai and Arun (2020), Alshamrani et al. (2023), is facing challenges in organizational performance. Abdelhalim (2022) has also observed poor performance in this sector. Alshamrani et al. (2023) stress the importance of employee retention in the Saudi Arabian market for enhancing organizational effectiveness and reducing costs related to staff turnover. They propose that prioritizing long-term staff retention is an effective strategy to improve organizational performance and minimize the negative effects of employee attrition.

In some food industry organizations in Jeddah, KSA, a phenomenon of poor organizational performance was observed. This prompted an investigation into the causes and influences contributing to organizational weakness. Discussions with employees at various levels, including senior management, middle management, supervisory, and subordinate positions, revealed that the inadequate and ineffective application of human resources management practices led to a lack of job satisfaction among workers, ultimately leading to weak loyalty and diminished concern for organizational efficiency.

Previous studies corroborate the significance of human resource management practices in organizational performance. Ouafky and Alzoubi (2019) found that inconsistency in managing human resources poses challenges for institutions.

The study will involve approximately 600 respondents from various positions representing the population to administer a survey. The researcher believes that HRM practices can significantly benefit organizational performance.

A comprehensive framework for measuring non-financial organizational performance is proposed. It focuses on key aspects such as the organization’s learning and growth, customer satisfaction, and internal processes, providing a holistic assessment of an organization’s performance. This enables decision-makers and managers to make informed strategic decisions to improve organizational performance.

This research aims to change the negative perception regarding the importance of human resource management practices, addressing the gap in awareness about the importance of these practices in private food industrial companies in Jeddah, KSA.

2. Literature Review and Hypotheses Development

2.1. Organizational Performance

Al-Tarawneh (2020) posited that organizational performance represents an organization’s capacity to achieve its objectives, particularly long-term ones such as growth and survival. Performance signifies the degree to which an organization attains high productivity, coupled with employee and customer satisfaction, as well as a substantial market share that yields an adequate financial return. Additionally, organizational performance reflects the extent to which a company adheres to ethical and social responsibilities towards society and the environment in which it operates.

To measure organizational performance, Kaplan and Norton (2004) implemented the Balanced Scorecard (BSC) model for performance measurement. The components of this model are identified across four dimensions related to financial and non-financial performance. However, the non-financial performance dimensions include the internal process dimension (representing the performance of operational activities), the customer dimension (representing customer needs and desires), and the learning and growth dimension (representing the organization’s ability to enhance employees’ intellectual capabilities and skills and foster organizational innovation through the development of organizational structure and culture). Abdelraheem and Hussien (2022) utilized three dimensions, referred to as metrics, to evaluate non-financial performance, encompassing the organization’s learning and growth, customer satisfaction, and internal processes.

2.2. Human Resources Management Practices

Cascio (2015) defined human resource practices as a set of activities aimed at achieving organizational objectives. Critical practices in employee selection and recruitment must follow procedures that facilitate the admission of qualified personnel into the organization. Training and development are emphasized as essential...
HRM practices to enhance employees’ skills. Jouda et al. (2016) suggested that a proper compensation plan as an HRM practice would increase employee retention, with attractive compensation plans promoting productivity and high employee retention rates. Additionally, organizations should establish methods for managing employee performance, such as appraisal programs that improve worker and organizational performance.

Ogalo (2020) stated that from a strategic HRM perspective, new HRM practices are vital in employee training and development, skill enhancement, competency behavior, and creativity to achieve organizational innovation. Researchers believe that new HRM practices involve the introduction of new reward and compensation methods, training and development, e-recruitment and selection, and performance innovation, fostering personnel innovation in organizations. This innovation in the organizational environment requires the continuous development of an innovative working environment, employee training and development, skills enhancement, and the practical implementation of technological advancements. Effective HRM practices enable organizations to become more empowered, innovative, motivated, accomplished, collaborative, and autonomous in decision-making.

Organizational growth is linked to new HRM practices, such as e-recruitment and selection, compensation and benefits, employee health investment, training and development, reward systems, and employment relationships.

Ahmed and Top (2021) underscored those empirical findings revealed a noteworthy impact of human resource management on employee commitment. Accordingly, there exists a significant demand for the development and introduction of practices encompassing rewards, training, and employee participation in decision-making. Utilizing these strategies, the internal organizational environment can formulate efficacious plans adept at adapting to external alterations, including economic and political fluctuations. A critical element contributing to elevated productivity and the realization of organizational objectives is employee commitment, which is cultivated by offering an appropriate work setting that caters to their fundamental needs.

2.3. Hypotheses

The hypotheses examining the relationships between various Human Resources Management Practices (HRMP) and organizational performance (OP) can be articulated as follows:

H1: There is a statistically significant relationship between Job Security (JSE) and Organizational Performance (OP).

H2: There is a statistically significant relationship between Selective Hiring (SH) and Organizational Performance (OP).

H3: There is a statistically significant relationship between Compensation System (CS) and Organizational Performance (OP).

H4: There is a statistically significant relationship between Training and Development (TD) and Organizational Performance (OP).

H5: There is a statistically significant relationship between Decision Making (DM) and Organizational Performance (OP).

H6: There is a statistically significant relationship between Performance Evaluation (PE) and Organizational Performance (OP).

3. Research Methodology

3.1. Research Design

This study adopts a quantitative research design to evaluate hypotheses concerning the relationship between Human Resources Management Practices (HRMP) and Organizational Performance. To empirically ascertain this relationship, statistical methods, such as the Analysis of Moment Structures (AMOS), were utilized. These methods assessed the connection between the independent variables, including Job Security, Selective Hiring, Compensation Systems, Training and Development, Participation in Decision-Making, and Performance Evaluation, and the dependent variable, Organizational Performance.

The research employed a quantitative data collection approach, utilizing surveys to gather data from employees across various positions (Senior Management, Middle Management, Supervisory, and Subordinate) within private food industrial companies located in Jeddah, Kingdom of Saudi Arabia.

3.2. Pilot Test

A pilot study was conducted to identify weaknesses in the design and survey instrument, as well as to acquire preliminary data for selection purposes. This pilot test focused on evaluating the psychometric properties of the measures. An online survey was distributed to a sample from industrial companies in Jeddah, Kingdom of Saudi Arabia (KSA). The questionnaires were disseminated across various organizational levels, including senior management, middle management, supervisory staff, and subordinates. Participants were provided with explanations about the survey’s purpose and were given contact information for any follow-up inquiries.

Subsequently, the researcher engaged in multiple phone calls and sent follow-up emails to monitor the progress of the survey. Basic statistical analyses were then performed using the Statistical Package for the Social Sciences (SPSS). The following section presents a descriptive analysis of the data collected from the pilot survey, conducted using SPSS, to inform the larger study.

Table 1 presents the valid variables ascertained from the outcomes of the pilot study. This involved distributing 30 questionnaires to a carefully selected sample. The results indicate that the survey items employed are appropriate for use and easily comprehensible by the participants.

3.3. Population

In this study, the concept of sampling, as defined by Morgan and Harmon (1999), is explored. They describe it as a systematic process for selecting a representative subset from a larger group for population inferences.
(2009) further elaborates on this notion. Structural sampling, as outlined by Cooper and Schindler (2011) and Creswell (2009), was utilized to select a random sample of 263 individuals from the identified sample frame. The target population of this research includes employees from various private food industrial companies in Jeddah, Kingdom of Saudi Arabia (KSA). At the time of this study, there were 620 employees in roles ranging from Senior Management to Middle Management, Supervisory roles, and Subordinate positions. The study’s aim was to gather their perspectives on aspects of Human Resources Management Practices (HRMP) such as Job Security (JSE), Selective Hiring (SH), Compensation System (CS), Training and Development (TD), Decision Making (DM), and Performance Evaluation (PE), following the approach advised by MacKinnon and Fairchild (2009). The purpose of these tests is to assess the impact of the independent variables on the dependent variable, aligned with the study's research questions and objectives. The research findings are presented as either accepted or rejected. The variables, including OP, JSE, SH, CS, TD, DM, and PE, were measured using the same items previously mentioned, with no additional item elimination necessary. Table II provides an overview of the standard model fit values, which were within the accepted regression and correlation value ranges. Fit indices assessed include the Root Mean Square Error of Approximation (RMSEA), the ratio of Chi-Square to Degrees of Freedom (CMIN/DF), the Comparative Fit Index (CFI), and the Tucker-Lewis Index (TLI). The RMSEA score was 0.050, the CMIN/DF was 1.654, the CFI value was 0.958, and the TLI score was 0.952. The P-Value was 0.000, and the Chi-Square value was 253.079. All items and variables had loading scores above 0.60, indicating robust relationships and effects between the study’s variables.

The structural model depicted above Fig. 1 provides a detailed regression analysis of the influence exerted by each independent variable on the dependent variable. The exact values, as previously discussed, are systematically presented in Table III below.

4. Data Analysis and Findings

4.1. Structural Model

The structural model is a significant component of this study, focusing on hypothesis testing. This process involves examining the relationships between factors such as Organizational Performance (OP), Job Security (JSE), Selective Hiring (SH), Compensation System (CS), Training and Development (TD), Decision Making (DM), and Performance Evaluation (PE), following the approach advised by MacKinnon and Fairchild (2009). The purpose of these tests is to assess the impact of the independent variables on the dependent variable, aligned with the study’s research questions and objectives. The research findings are presented as either accepted or rejected. The variables, including OP, JSE, SH, CS, TD, DM, and PE, were measured using the same items previously mentioned, with no additional item elimination necessary. Table II provides an overview of the standard model fit values, which were within the accepted regression and correlation value ranges. Fit indices assessed include the Root Mean Square Error of Approximation (RMSEA), the ratio of Chi-Square to Degrees of Freedom (CMIN/DF), the Comparative Fit Index (CFI), and the Tucker-Lewis Index (TLI). The RMSEA score was 0.050, the CMIN/DF was 1.654, the CFI value was 0.958, and the TLI score was 0.952. The P-Value was 0.000, and the Chi-Square value was 253.079. All items and variables had loading scores above 0.60, indicating robust relationships and effects between the study’s variables.

The structural model depicted above Fig. 1 provides a detailed regression analysis of the influence exerted by each independent variable on the dependent variable. The exact values, as previously discussed, are systematically presented in Table III below.

4.2. Results and Discussions

The results of the analysis pertaining to the hypothesized effects are systematically presented in Table IV, accompanied by the standardized regression weights.

The criticality of hypothesis testing for assessing the model’s fit, as highlighted by Hair et al. (2010), cannot be overstated. Fairchild and McQuillin (2010) also emphasize the significance of deciphering the nature of the relationships among the variables in the study. Now, let us delve into the results of each hypothesis in the order they were introduced:

<table>
<thead>
<tr>
<th>TABLE I: VARIABLE RELIABILITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variables</td>
</tr>
<tr>
<td>Job security (JSE)</td>
</tr>
<tr>
<td>Selective hiring (SH)</td>
</tr>
<tr>
<td>Compensation system (CS)</td>
</tr>
<tr>
<td>Training and development (TD)</td>
</tr>
<tr>
<td>Decision making (DM)</td>
</tr>
<tr>
<td>Performance evaluation (PE)</td>
</tr>
<tr>
<td>Organizational performance (OP)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TABLE II: NUMBER OF STAFF IN THE CONCERNED COMPANIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position</td>
</tr>
<tr>
<td>Senior management</td>
</tr>
<tr>
<td>Middle management</td>
</tr>
<tr>
<td>Supervisory</td>
</tr>
<tr>
<td>Subordinates</td>
</tr>
<tr>
<td>Total staff</td>
</tr>
</tbody>
</table>

In this study, data were collected using online questionnaire surveys through Google Docs, a method also utilized by Kuen et al. (2009). This approach is advantageous for its flexibility, speed, and cost-effectiveness.
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Fig. 1. The structural model.

<table>
<thead>
<tr>
<th>Route</th>
<th>Unstandardized Estimation</th>
<th>Standardized Estimation</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P value</th>
<th>H#</th>
<th>Hypothesis outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Standard Error)</td>
<td>(Critical Ratio)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JSE</td>
<td>OP 0.055</td>
<td>0.065</td>
<td>0.055</td>
<td>0.984</td>
<td>0.325</td>
<td>H1</td>
<td>Rejected</td>
</tr>
<tr>
<td>SH</td>
<td>OP 0.202</td>
<td>0.260**</td>
<td>0.057</td>
<td>3.564</td>
<td>0.000</td>
<td>H2</td>
<td>Supported</td>
</tr>
<tr>
<td>CS</td>
<td>OP −0.177</td>
<td>−0.186*</td>
<td>0.073</td>
<td>−2.434</td>
<td>0.015</td>
<td>H3</td>
<td>Supported</td>
</tr>
<tr>
<td>TD</td>
<td>OP 0.387</td>
<td>0.564***</td>
<td>0.053</td>
<td>7.244</td>
<td>0.000</td>
<td>H4</td>
<td>Supported</td>
</tr>
<tr>
<td>DM</td>
<td>OP 0.380</td>
<td>0.373***</td>
<td>0.095</td>
<td>4.016</td>
<td>0.000</td>
<td>H5</td>
<td>Supported</td>
</tr>
<tr>
<td>PE</td>
<td>OP −0.161</td>
<td>−0.124*</td>
<td>0.082</td>
<td>−1.961</td>
<td>0.050</td>
<td>H6</td>
<td>Supported</td>
</tr>
</tbody>
</table>

Note: Significant codes: *p < 0.05, **p < 0.01, ***p < 0.001.

- **H1: Impact of Job Security on Organizational Performance:**
  
The first hypothesis investigates the effect of Job Security (JSE) on Organizational Performance (OP). The analysis reveals a non-significant relationship, with a coefficient estimate of 0.065, a standard error of 0.055, and a critical ratio of 0.984. The P-value stands at 0.325, surpassing the 0.05 threshold. Therefore, Hypothesis H1 is rejected, confirming the non-significant impact of JSE on OP.

- **H2: Impact of Selective Hiring on Organizational Performance:**
  
  Hypothesis H2 postulates a significant impact of Selective Hiring (SH) on OP. The findings indicate a robust and significant relationship, with a coefficient of 0.260, a standard error of 0.057, and a critical ratio of 3.564. The P-value 0.000 which is less than 0.05, leading to the acceptance of H2 and affirming a significant effect of SH on OP.

- **H3: Impact of Compensation System on Organizational Performance:**
  
  This hypothesis examines the Compensation System’s (CS) role in OP. The results show a significant negative relationship, with a coefficient of −0.186, a standard error of 0.073, and a critical ratio of −2.434. The P-value is 0.015, below the threshold, leading to the acceptance of H3 and highlighting the significant negative influence of CS on OP.

- **H4: Impact of Training and Development on Organizational Performance:**
  
  Hypothesis H4 explores the impact of Training and Development (TD) on OP. A significant relationship is confirmed, evidenced by a coefficient estimate of 0.564, a standard error of 0.053, and a critical ratio of 7.244. With a P-value of 0.000, H4
is accepted, underscoring the considerable effect of TD on OP.

- **H5: Impact of Decision Making on Organizational Performance:**
  Hypothesis H5 investigates the effect of Decision Making (DM) on OP. The results affirm a significant relationship, with a coefficient of 0.373, a standard error of 0.095, and a critical ratio of 4.016. Given the P-value of 0.000, H5 is accepted, indicating a significant influence of DM on OP.

- **H6: Impact of Performance Evaluation on Organizational Performance:**
  The sixth hypothesis looks at the influence of Performance Evaluation (PE) on OP. The analysis reveals a significant negative relationship, with a coefficient of -0.124, a standard error of 0.082, and a critical ratio of -1.961. With a P-value of 0.050, H6 is accepted, confirming a significant, albeit negative, effect of PE on OP.

These results will be synthesized and discussed in depth in the following section. Fig. 2 offers a visual representation of the outcomes of the hypothesis testing, facilitating a clearer understanding of these intricate relationships within the scope of Organizational Performance and Human Resources Management Practices.

The study employed a model encompassing six practices that were hypothesized to exert influence on organizational performance. This study scrutinized these hypotheses within a cohort of private food industrial companies located in Jeddah, KSA.

The findings of this investigation unveil significant relationships and correlations between certain human resources management practices and their impact on organizational performance within the studied organizations. It has become evident that selective hiring, training and development, and decision-making practices exhibit a substantial relationship with organizational performance. The effective implementation of these practices has led to favorable outcomes for the organizations. However, no significant correlation was observed between job security and organizational performance.

Conversely, the compensation system and performance evaluation practices have been shown to negatively affect organizational performance.

Past research within the realm of human resources management practices and their impact on organizational performance has yielded conflicting results. While some studies indicate a distinct and significant association between HRM practices and organizational performance, others suggest the absence of such a correlation.

Hence, further investigations are imperative to gain a more comprehensive understanding of these relationships and their implications. The existing gaps and disparities in the literature underscore the necessity for additional empirical inquiries that can elucidate the intricate dynamics between HRM practices and organizational performance.

Through these additional studies, researchers can address the inconsistencies, provide valuable insights, and furnish evidence-based recommendations for organizations striving to optimize their HRM practices and enhance overall performance. This continual inquiry will ultimately contribute to the advancement of knowledge in the field of human resources management and bolster evidence driven decision-making processes within organizations.

5. Conclusions

The objective of this study is to evaluate the impact of various human resource management (HRM) practices, such as job security, selective hiring, compensation system, participation in decision-making, training and
development, and performance evaluation, on organizational performance.

The findings of the study conducted by Amin et al. (2014) indicate that certain human resource management practices significantly impact organizational performance. In this investigation, hypotheses related to selective hiring, training and development, and employee participation in decision-making received support and accepted. However, the hypotheses concerning the compensation system and performance evaluation revealed a negative impact, while the job security hypothesis showed no significant effect and was thus rejected.

The study suggests that organizations lacking proper compensation systems, performance evaluation, and job security practices may experience a decline in employee motivation, negatively impacting organizational performance.

Given the substantial impact of these HRM practices, it is crucial for managers to implement them in a coordinated and coherent manner (Chen, 2009). Adhering to best practices in human resource management is essential for enhancing and optimizing organizational performance.

However, the study has limitations, including its focus on private food industry companies in Jeddah, Kingdom of Saudi Arabia, and the use of an online survey with a specific sample. It examines seven variables (six independent and one dependent) using a quantitative approach. Despite these limitations, the study offers valid results and valuable insights.

The study recommends that organizations support and enhance HRM practices to promote positive staff behavior and improve organizational performance. Regular assessment and updating of HRM strategies in response to evolving employee needs and industry trends are advised. Fostering open communication, recognizing and rewarding employee contributions, and investing in ongoing employee development can contribute to organizational success. Clear metrics and performance indicators should be established by HR managers for successful implementation, with ongoing training and development to enhance their ability to manage these HRM practices effectively.

Future research could explore the integration of qualitative methods to provide deeper insights into the nuances of HRMPs and their effects on organizational performance. Further examination encompassing a broader array of sectors and geographical locales, alongside an augmentation of the sample size, could significantly enrich the understanding of these dynamics within varied contexts, thereby yielding more accurate results.

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CONFLICT OF INTEREST

The author declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

REFERENCES


