

**THE IMPACT OF HUMAN RESOURCE  
MANAGEMENT PRACTICES ON FINANCIAL  
PERFORMANCE OF PASDEC CORPORATION  
IN KUANTAN**

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KUANTAN

AMIRA SHAFIKA BINTI AB MANAF

Report submitted in partial fulfilment  
of the requirements for the award  
of the degree of  
Bachelor of Project Management

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DECEMBER 2015

## **SUPERVISOR'S DECLARATION**

I hereby declare that I have checked this thesis and in my opinion thesis is sufficient in terms of scope and quality for the award of the degree of Bachelor of Project Management.

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## STUDENT'S DECLARATION

I declare that thesis entitled “THE IMPACT OF HUMAN RESOURCE MANAGEMENT PRACTICES ON FINANCIAL PERFORMANCE OF PASDEC CORPORATION IN KUANTAN” is the result of my own research except as cited in the references. The thesis has not been accepted for any degree and is not concurrently submitted in candidature of any other degree.

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## **ABSTRACT**

The purpose for this research is research to examine the impact of Human Resource Management Practices (independent variable) on Financial Performance (dependent variable) of PASDEC Corporation. Further inquiry will be show how the sub impact of Human Resource Management Practices which consists of (a) Employee Participation, (b) Training and (c) Performance Appraisal System reacts towards Financial Performance in PASDEC Corporation. The study will be non-experimental, quantitative and research using survey method. The sample of consists of 66 employees from PASDEC Corporation in Kuantan. The questionnaire had been distributed to the respondents for this research. From the findings, the most gender that becomes the respondent is female. From the results there are positive impacts to financial performance. The method was use to complete the project early from the actual schedule that given.

## **ABSTRAK**

Tujuan kajian ini adalah untuk mengkaji kesan Amalan Pengurusan Sumber Manusia ke atas Prestasi Kewangan PASDEC Corporation. Kajian terhadap tajuk ini akan menunjukkan bagaimana kesan sub Amalan Pengurusan Sumber Manusia yang terdiri daripada (a) Penyertaan Pekerja, (b) Latihan dan (c) Sistem Penilaian Prestasi bertindak balas terhadap Prestasi Kewangan PASDEC Corporation. Kajian ini bukan sahaja dikaji berdasarkan eksperimen malahan juga menggunakan kuantitatif dan kaedah tinjauan. Sampel kajian daripada 66 pekerja daripada PASDEC Corporation di Kuantan. Soal selidik telah diedarkan kepada responden untuk kajian ini. Dari hasil kajian, jantina yang paling menjadi responden adalah perempuan. Daripada keputusan terdapat kesan positif kepada prestasi kewangan. Kaedah ini adalah penggunaan untuk menyiapkan projek itu awal dari jadual sebenar yang diberikan.

## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1 Introduction**

The purpose of the research is about The Impact of Human Resource Management Practices on Financial Performance of PASDEC Corporation in Kuantan. Human resources of a company is saying to be one of the important assets is playing such an important role in the operation of an organisation. Stavrou-Costea, (2005) also argued that the effective human resource management can be the main factor for the success of a firm.

The process of managing the human capital is called human resource management (HRM). As several scholars have noted that managing people is more difficult than managing technology and capital (Barney, 1991; Lado & Wilson, 1994).Malaysian government recognise that human resource management can play an important role for the vision. The financial issues are discussed in order to show the implications on the human resource activities. For HR management from the board of PASDEC Corporation organizations it becomes a very difficult period because it was necessary to determine the directions to manage people and to maintain the work force in order to sustain activities. It is a hard and difficult work if the financial resources are limited or insufficient to motivate employees.

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can

be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

The HRM practices of the financial performance are found to have positively correlated to organisational performance and quality of work life, but negatively correlated with organisational climate. The study have show that identification of HRM practices promises to add significantly to understanding the HRM practices on financial performance.

## **1.2 Problem Background**

This study is conduct to identify the impact of human resource management practices on financial performance of PASDEC Corporation. Human Resources Management HRM practices aims to establish a more open, flexible and caring management style so that staff will be motivated, developed and managed in a way that they can give of their best to support departments missions. The construction market represents such a large share of the economy; it can therefore be fixed into an economic model. Financial performance measure of how well a firm can hire the best employee to their companies.

Several human resource management practices have been touting as key factors affecting financial performance. The research focuses on employee participation, training, performance appraisal system, job description, compensation, and selection system. There is considerable consensus in the HRM literature for identifying most of these items as 'best practices' (Freund and Epstein, 1984; Delaney, 1989; Arthur, 1994; Pfeffer, 1994; Huselid, 1995; and MacDuffie, 1995). Note that the three are closely correlated with financial performance goal, while the other HRM practices list above are less tightly correlated with financial performance objectives.

### 1.3 Problem Statement

The main issue that addressing in this research which are employee participation, training and performance appraisal system that will impact financial performance of PASDEC Corporation.

The lack of employee participation in organisational decision making, are an important consideration given the often seriously assumed link between team working and attitudinal change in favour of management and organisational goals. According to McNabb and Whitfield, (1998) found that employee involvement schemes could have a negative effect on company economic performance ‘when introduced in isolation’ from financial participation measures. They go on to add that the benefits claim for financial participation alone are, however, often ‘reflecting the effects of other participation factors’ (McNabb and Whitfield, 1998). The potential for positive or negative impact on performance seems to arise when participation measures are used in combination, either as financial and work-related participation or as representative and direct participation. Different employees have a different motivation which is some respond to financial incentives and others to more social or work-related ones. This is why a combination of financial and work-related participation appears that effect on performance.

Training have their own problem that researcher recognize that can affect financial performance in organisation. Training is conceptualised and measure in four main ways. On the whole, the measurement of training have comprise absolute measures amount of training received by employees, proportional measures percentage of trained workers, content measures type of training provided and emphasis-related measures perceived importance of training within the organisation. A number of researchers Fakhfakh & Taymaz (2001), Barrett & O’Connell (2001), Faems, (2005), Zwick (2006) have tried to estimate the impact of training on productivity, whereas other researchers have study the effect of training on sales (Bassi & Van Buren 1998, Ahmad & Schroeder 2003, Rodriguez & Ventura 2003, Garcia 2005). Bassi and Van Buren, (1998) demonstrated that training have to led to an increase in sales, quality and customer satisfaction. This problem has to estimate the effects of training not only on financial performance but also on non financial performance concurrently.