

Original Article

Impact of Human Resource Management Practices on Employees' Commitment in SMEs in Bac Ninh Province

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Abstract - This study specifically the impact of five HRM practices: recruitment and selection, salary and welfare, job evaluation, training and development and organization performance, on employees' commitment. A sample of 300 employees in SMEs in Bac Ninh province was surveyed regarding their practices in these areas. The result provides empirical support that recruitment and selection, salary and welfare, job evaluation, training and development and organization performance have positive effects on Bac Ninh SMEs employees' commitment, with incentive compensation having the greatest impact.

Keywords - Effective human resource management, Small and medium-sized enterprises, Employees' commitment.

1. Introduction

Human resource management (HRM) is the strategic approach to supporting employees and creating a positive workplace environment. Its functions vary across different businesses and industries, typically including recruitment, compensation and benefits, training and development, and employee relations [1]. HRM practice keeps an organization from violating the growing number of employment laws enacted by federal, state and local governments [2]. This responsibility requires HR professionals to monitor and understand regulatory requirements, enforce policies, classify workers correctly, practice fair hiring practices and provide a safe work environment, among other tasks [3].

Over the years, researchers have devoted a great deal of time and attention to establishing and examining the linkage between HRM practices and organizational performance. Based on the evidence and findings, it is becoming increasingly clear that HRM is an important component that can impact organizational effectiveness leading to improved performance [4]. Though the link between HRM and organizational performance is considered a "black box", that is, lack of clarity as to "what exactly leads to what", however, the positive relationship between HRM and organizational performance cannot be over-emphasized [5]. Empirical research surrounding the HRM and performance debate over the last decade demonstrates evidence that "HRM does matter" [6-10]. Guest argues that the distinctive feature of HRM is its assumption that improved performance is achieved through the people in the organization [11]. The work produced by Huselid confirms the relationship between HR practices and corporate turnover, profitability and market value [13]. He found that the HR index was significantly related to the gross rate of return on assets (a measure of

profitability) and Tobin's Q (the ratio of the market value of a firm to its book value). This means that if appropriate HR policies, processes and strategies are introduced, a substantial impact on organizational performance can be made. It is important to realize that the effectiveness of HRM policies depends on their alignment with other business strategies. Interestingly, Hyde et al. examined the impact of HRM practices on firm profitability and found little support for a positive relationship between HRM practices and firm profitability [22].

Small and medium-sized enterprises (SMEs) in Vietnam play an important role in creating jobs and increasing incomes for workers, helping mobilize social resources for the first development, poverty reduction [14]. However, SME owners who set up and operate the business are often engineers or technicians themselves. They have a manager who has engaged directly in production, and the level of expertise in the management of enterprises is not high. In addition, most SME owners are not involved in formal management training and have insufficient knowledge of enterprise management, only management experience and subjective opinions. Most Vietnam enterprises are small, have weak financial health, and lack strategic and long-term vision, which leads to attention and investment in human resources. Employees have not been focused on business leaders [15][16].

Meanwhile, in many countries worldwide, workers are always regarded as the most important factor contributing to the company's development and position. In fact, successful businesses having a staff of high and particular qualifications have a common point: employees are very satisfied with the working environment and the position of processing



enterprises' remuneration. This makes for loyal employees and efforts to contribute to the enterprise and the country, for which Japan is one of the most obvious examples.

Bac Ninh province has nearly 10,000 enterprises, of which 97% are SMEs. SMEs in the province have actively contributed to the GRDP, the State budget, industrial output, the economic restructuring towards industrialization and modernization and international integration [17][18]. Besides, SMEs create stable jobs for thousands of employees, significantly contribute to social security and poverty reduction... However, the scale of small and micro enterprises accounts for a very large proportion; the number of MSEs accounts for only 1.6% of the total. So the operation of this area is facing many difficulties, such as low level of technology, inefficient management, limited ability to associate and cooperate in business, and weak capacity to participate in regional and global value chains [27].

The study aims to analyze the impact of human resource management practices on the performance of SMEs in Bac Ninh province to find solutions to improve performance by helping SMEs overcome the limitations in human resource management and improve the quality of human resources.

2. Materials and Methods

A survey was conducted among SMEs in Bac Ninh province to assess the perception of human resource management practices and assess employees' level of commitment and their perception of organizational performance.

The questionnaire was designed to include two parts to evaluate employees' perception of HRM, the level of commitment and competence, the organizational performance and the relationship between these factors.

A draft questionnaire has tested the validity and reliability of the pilot test with 30 participants. Feedback from the pre-test was used to adjust both the questionnaire items and the enumerators' way of asking to ensure the correct understanding of the questionnaire, fit the local context and language, control time consumption, and improve the interview skills.

The sample size was decided based on the number of items used in the questionnaire and based on the formulas

$$n = \frac{z^2(pq)}{e^2}$$

Where n is the sample size, e is the accepted error (5%), and z is the distribution value with chosen reliability level. If the reliability level is equal to 95%, the z value will be 1.96, p is the estimated percent of the sample in population q=1-p

It is usually estimated with 50%/50%, the biggest sample probability in the population. The sample size was 385.

In this study, respondents were employees in SMEs in Bac Ninh province.

The data was analyzed using logit regression. The answers of respondent i can be expressed under the linear or logistic form as

$$\text{Log}(Y_i) = \beta_{0i} + \beta_{1i}RS_i + \beta_{2i}SW_i + \beta_{3i}JE_i + \beta_{4i}TD_i + \beta_{5i}OP_i + u_i$$

where β_0 is the intercept, $\beta_{1i}, \beta_{2i}, \dots, \beta_{5i}$ represents the regression coefficients of motivation variables defined in Table 1 and u_i is a disturbance term.

Table 1. Definition of the variables

Variable	Definition	Hypothesized direction of influence
RS	Recruitment and selection	+
SW	Salary and welfare	+
JE	Job evaluation	+
TD	Training and developing	+
OP	Organizational performance	+

The following hypothesis will be proposed.

2.1. Hypothesis 1

Recruitment and selection are positively related to employees' commitment to SMEs in Bac Ninh province. The higher quality of recruitment and selection, the higher commitment of employees is. If the employees are satisfied with their salary, they tend to work for the company for the long term and delivery more contributions to their companies.

2.2. Hypothesis 2

Salary and welfare are positively related to the employees' commitment to SMEs in Bac Ninh province. The higher quality of salary and welfare policy, the higher commitment of employees. Suppose the company properly evaluates employees' performance and pays a salary suitable to the contribution of employees. In that case, they may feel satisfied and engage more in commitment to work for the company.

2.3. Hypothesis 3

Joe's Evaluation positively relates to human resource commitment in SMEs in Bac Ninh province. The higher the quality of job evaluation, the higher the commitment of human resources.

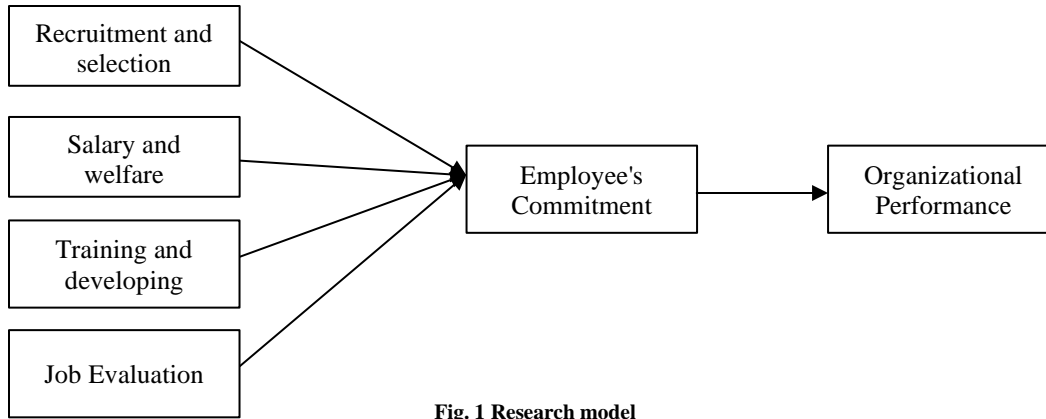


Fig. 1 Research model

2.4. Hypothesis 4

Training and development are positively related to the commitment of human resources in SMEs in Bac Ninh province. The higher the quality of training and developing policy, the higher the human resource commitment.

2.5. Hypothesis 5

Employees' commitment is positively related to higher organizational performance in SMEs in Bac Ninh province. When employees engage more in commitment, they seem to work for the company for a long time. They also want to contribute their ability to the development of the company. Therefore, the performance of the company will be increased. A high level of commitment leads to higher organizational outcomes. The desire of human resource practitioners to show the value of what they do for the whole organization is long-standing: even Drucker emphasized that personnel management is worried "about their inability to prove that they are contributing to the enterprise" [20]. Presenting HRM as a new approach to personnel management [21] has provided an opportunity to contradict repeated criticisms that human resources do not add value to the organization. Emphasizing strategic contribution, closer alignment to the business, the involvement of line management and focusing on employee involvement provided assumptions and expectations that HRM contributes to a range of positive organizational outcomes. Therefore, the researchers have become active in empirical research to provide evidence that HRM results in higher organizational performance [22].

3. Results and Discussion

The parameter estimates of logit models are presented in Table 2. The estimated maximum likelihood coefficients indicate the effects of explanatory variables on the employees' commitment. The regression results show that four variables are significant at the 5% level, and one variable is significant at the 1% level. All the explanatory variables are positively relative to employees' commitment.

The results from structural equation modeling show that variable RS has a positive effect on employees' commitment with coefficient $\beta = .24$ (p-value < .01). Therefore, hypothesis H1 is supported. Variable SW has a positive effect on employees' commitment with coefficient $\beta = .30$ (p-value < .05). JV variable has a positive effect on employees' commitment with $\beta = .36$ (p-value < .05). Variable TD has a positive effect on employees' commitment with $\beta = .15$ (p-value < .05). Employees' commitment has a positive effect on organizational performance with $\beta = .38$ (p-value < .05).

Table 2. Parameter estimated

Variables	Coefficient	S.E.	Sig.
INTERCEPT	2.083	2.766	.368
RS	.239	.012	.001
SW	.301	.135	.029
JE	.361	.233	.049
TD	.145	.149	.024
OP	.38	.131	.023
χ^2		25.846***	
Log-likelihood function		-51.223	
Restricted Log likelihood		-62.605	
McFadden's Pseudo R^2		.496	
Adjusted McFadden's Pseudo \tilde{R}^2		.395	
N		385	

The McFadden's Pseudo R^2 implies how well the independent variable can explain the variance of explanatory variables. The McFadden's Pseudo R^2 for the model is estimated to be .496. The findings are adequately acceptable for cross-sectional data. The likelihood ratio χ^2 the test is an alternative test of goodness-of-fit. As the likelihood ratio χ^2 of three models is significant at the p_value ≤ 0.01 . This offers evidence that there is a significant relationship between the employees' commitment and the explanatory variables, i.e. the models adequately fit the data.

The study results showed a positive relationship between the explanatory variables and the employees' commitment. It can be explained as follow:

First, recruitment objectives are goals set by businesses or recruiters to ensure they select the right candidates for available positions. The primary recruitment objective of any company is to hire the most qualified candidates, but most have other goals to meet in their hiring processes. In recent years, recruitment has shifted to consider candidates' needs and preferences more heavily, and objectives have changed to reflect this [22].

The recruitment process is an important step to help human resource managers make the best recruitment decisions. Selection decisions are important for business strategy and organizations because a good selection process will help organizations get the right people with the right skills for the development of the organization in the future [23]. A good selection will also help the organization reduce the costs of re-recruiting and retraining and avoid the risk of damage during the implementation of the work. When companies select the best candidates for the positions they want to fill, they make business processes more efficient and encourage professional advancement. Recruitment objectives help companies hire qualified candidates and build productive teams. By establishing effective recruitment objectives, the manager can foster growth for his team, his company and his career.

Second, while salary is not everything, it does factor heavily into an employee's perception of their own worth within an organization. Employees also place a lot of emphasis on enjoying a comprehensive benefits package.

A number of enterprises enter into an enterprise's determination of how to establish salaries and what to pay for certain positions. Two common pay structures are scheduled pay and market-based pay. Many public organizations and an increasing number of private companies use scheduled pay, which outlines specific pay for jobs based on employee education and experience. Most SMEs in Bac Ninh province choose market pay based on the individual employee's talents and how much the company is willing to pay to acquire them. Generally, more competitive pay attracts better talent.

Links between salary and motivation are often debated. Most experts agree that a reasonable salary for a given job is needed to attract and retain employees [24]. The debate centers on whether salary serves only as a retention tool or if it is useful in motivating top performance. Some companies use pay plays like salary-plus-commission, or straight commission, as motivational tools of a traditional straight-salary format.

Third, job evaluation is the systematic process of determining the relative value of different jobs in an organization [25]. The goal of job evaluation is to compare jobs with each other in order to create a pay structure that is fair, equitable, and consistent for everyone.

Common job evaluation in SMEs in Bac Ninh includes single-position evaluations for newly created jobs, reevaluations of jobs to make salaries more competitive or equitable, and company-wide job evaluations to restructure the entire compensation program.

Although the process can be difficult, job evaluations bring a lot of benefits to the table, including helping adjust to company growth, keeping the salaries competitive, ensuring payment equity, and executing retention and career development strategies. One of the primary reasons employees leave a job is to accept a promotional position. Job evaluations can help companies prevent this by finding opportunities to develop employees. For example, job evaluations can help companies create promotion paths or retitle positions to reflect an employee's increased responsibilities.

SMEs in Bac Ninh province use a classically qualitative method, which involves writing or analyzing job descriptions and placing them into separate grade classifications. Grade classifications reflect different job characteristics, such as seniority, job responsibilities, and skill level. Grade classifications might include vice president, director, assistant director, senior manager, manager and coordinator. Grades should be created for each job, family or department. Once they are classified, their relative impact on the company's success will determine compensation. This method is relatively easy to complete. However, it is also largely subjective.

Fourth, while training refers to the process that companies use to teach employees skills they need for their current job and focuses on specific areas of knowledge that employees need to fulfill day-to-day tasks, development focuses on the career progression of every employee. Development activities are based on each individual's career goals and areas of improvement that help them take the next step in their career. Training and development are not exactly the same, and they go hand-in-hand because they help employees develop the skills they need for their jobs today as well as tomorrow.

The objective of the training is to deliver essential knowledge, equip and improve skills, meet compliance standards, navigate digital transformation and keep teams up-to-speed with changes and updates. These activities can further improve employee satisfaction, resulting in higher productivity.

Moreover, a good employee development plan also shows employees are willing to invest in your people, in building up the company culture, and add a point system for the employees, which is something people will appreciate and reciprocate with increased loyalty.

A good development plan can bring unlimited benefits to the companies, such as increasing employee engagement, improving employee performance, handling unexpected situations, saving money because of employee retention, training future leaders and attracting great talent.

Last but not least, organizational performance, including strategic planners, operations managers, finance directors, legal advisors, and entrepreneurs (owners of the organization), also positively affect the employees' commitment.

The organization itself does not perform any work, but its managers perform their assigned work, and in a combination of these performed works is called organization performance.

In recent years, many organizations have attempted to manage organizational performance using the balanced scorecard methodology where performance is tracked and measured in multiple dimensions such as financial performance (e.g., shareholder return), customer service, social responsibility (e.g., corporate citizenship, community outreach), and employee stewardship.

Some factors are to be performed by the organization, such as human and cultural factors, technology, natural resources, economic factors, regulatory measures, markets, management philosophy, organizational culture (goals, values, beliefs & norms), organizational climate, motivated behavior and teamwork, structure,

technological and physical resources, financial resources, leadership style.

The organization gets effectiveness, efficiency, development, and participant satisfaction outcomes with these resources. After using all support and efforts when the organization produces a product or service, that is called organizational performance.

4. Conclusion

Many SMEs in Bac Ninh province face difficulty with the ineffectiveness of human resource management. It is very hard to create incentives for employees to attract and retain talented people who can help the organization compete and win in the dynamic and constantly changing market economy. So, understanding the effect of HRM practices on organizational performance may help many small and medium enterprises in Bac Ninh province increase their organizational performance.

This study contributed to the theoretical knowledge about HRM practices as an important factor affecting organizational performance. The study also offers some useful managerial implications for SMEs to improve human resource quality. The results from data analysis show that four factors, including welfare and salary, training and development, recruitment and selection, and job evaluation, affect employees' commitment. In turn, employees' commitment affects organizational performance.

From the research results, this study proposed several managerial recommendations for managerial boards in SMEs in Bac Ninh province. These recommendations may help managers in SMEs to promote employees' satisfaction and engagement in commitment to working for the company. From a high level of commitment, the organizational performance will be improved.

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