The Strategic Impact of Human Resource Management Practices on Business Performance of Manufacturing Firms in Gaza Strip

Prepared by
Ashraf Akram Eleyan

Supervised by
Dr. Sami Ali Abu-Ross

A Thesis Submitted In Partial Fulfillment of the Requirements for the Degree of Master of Business Administration

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Dedication

I dedicate this study to my beloved mother whose love, care, and support, inspired me to reach thus far.

I dedicate this study to my father who has always loved and supported me, not only during this study, but also throughout all my life.

I dedicate this study to my beloved life partner, my wife, and our children (Akram and Ayham).

I dedicate this study to my beloved brothers and sisters.

I dedicate this study to those who prayed for me and encouraged me to accomplish this mission, my parents in law.
ACKNOWLEDGEMENT

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The strategic impact of Human Resource Management practices on Business performance of manufacturing firms in Gaza strip

ABSTRACT

This research aims to assess the impact of certain human resource management practices on the operational, non-financial, and financial performance of manufacturing firms in Gaza Strip. This research considers the linkage between business performance and the following human resource management practices: (1) Human resource planning (2) performance appraisal, (3) training and development (4) compensation policies.

This research surveyed top and middle management of a simple random sample of Palestinian manufacturing firms and captured their perceptions about the linkage between the above human resource management practices and business performance. 305 questionnaires were distributed within 80 manufacturing firms in Gaza Strip to collect the primary data. 242 valid responses were received and were analyzed using quantitative and qualitative statistical methods. The response rate is 79.35%.

The results of the research generally support the hypotheses that certain HRM practices are positively associated with the performance in manufacturing businesses within the Palestinian context.

The results show that human resource planning; compensation policies, performance appraisal, and training and development have a positive correlation with business performance. Multiple regression analysis indicated that compensation policies, performance appraisal and training and development have a significant effect on operational performance. The model of the regression explained 44.5% of the variance in operational performance. Multiple regression analysis indicated that compensation policies and performance appraisal have a significant effect on non-financial performance. The model explained 39.2% of the variance in non-financial performance. Multiple regression analysis indicated that compensation policies and training and development have a significant effect on the financial performance. The model explained 33.7% of the variance in financial performance. The results demonstrate that compensation policies are the strongest predictor for the business performance.

Recommendations were made for management in order to reap the benefits of the adoption of human resource management practices on business performance. Firms should appreciate the need for professional implementation of human resource management. Therefore, human resources planning should determine the needs of the workforce in the light of both the firm’s financial ability and the supply and demand in the labor market. Employee training and development are essential investments in order to enhance the knowledge and skills of the workforce. Performance appraisal should be exercised according to professional practices that would enable a proper assessment of staff performance and acknowledgement of the variations in their performance. Compensation policies should be clear and transparent in such a way that would link staff remuneration to their respective responsibilities and performance.

It is hoped that this research will introduce a new dimension within the manufacturing sector in Gaza regarding the adoption and implementation of the surveyed human resource management.
الاثر الاستراتيجي لممارسات إدارة الموارد البشرية على أداء شركات الصناعات التحويلية في قطاع غزة

ملخص

يهدف هذا البحث إلى تقييم إثر ممارسة إدارة الموارد البشرية على كل من الإدارات التشغيلي والاداء غير المالي والاداء المالي في الشركات الصناعية في قطاع غزة. لهذا يدرس هذا البحث العلاقة بين اداء الشركات اقتصادية والممارسات التالية لإدارة الموارد البشرية: (1) تخطيط الموارد البشرية، (2) تقييم الأداء، (3) التدريب والتطوير، (4) سياسات التعويض.

وقد طالع هذا البحث على الشركات الصناعية لعدد عشوائية بسيطة ممثلة شركات الصناعية الفلسطينية. لجمع البيانات الأولية، تم توزيع 305 استمارة ضمن 80 شركة من شركات الصناعية في قطاع غزة. تم استرداد 242 استمارة وتحليلها باستخدام الأساليب الإحصائية الكمية وال نوعية.

نتائج هذا البحث تدعم بشكل عام فرضيات الربط بين بعض من ممارسات إدارة الموارد البشرية والأداء في الشركات الصناعية ضمن السياق الفلسطيني.

تظهر نتائج البحث أن هناك علاقة إيجابية بين تخطيط الموارد البشرية وسياسات التعويض وتقييم الأداء والتدريب والتطوير وبين أداء الأعمال. لقد أشار تحليل الانحدار المتعدد أن سياسات التعويض وتقييم الأداء والتدريب والتطوير لديها تأثير كبير على الأداء التشغيلي. وبلغت القدرات التفسيرية لنموذج إنشار للأداء التشغيلي 44.5%. وتشير تحليل الانحدار المتعدد أن سياسات التعويض وتقييم الأداء لديها تأثير كبير على الأداء غير المالي. وبلغت القدرات التفسيرية لنموذج إنشار للأداء غير المالي 39.2%. كما أشار تحليل الانحدار المتعدد أن سياسات التعويض والتدريب والتطوير لديها تأثير كبير على الأداء المالي. وبلغت القدرات التفسيرية لنموذج إنشار للأداء المالي 33.7%. النتائج تثبت أن سياسات التعويض هي أقوى مؤشر لأداء الأعمال.

وقد قدمت توصيات للإدارة من أجل تحسين ممارسات إدارة الموارد البشرية على أداء الأعمال، حيث ينبغي أن تقتصر المؤسسات ضرورة التنفيذ المهني لإدارة الموارد البشرية. لذلك، ينبغي تخطيط الموارد البشرية تحديد الاحتياجات من القوى العاملة في ضوء قدرة الشركة على الصعود المالي وعلى صعود العرض والطلب في سوق العمل. ينبغي إلقاء الانتباه في التدريب والتطوير استغلال ضروري من أجل تعزيز معرفة ومهارات القوى العاملة. ينبغي ممارسة تقييم الأداء وفقا للممارسات المهنية التي تمكن من التقييم السليم لأداء الموظفين. كما ينبغي أن تكون سياسات التعويض واضحة وشفافة وبالطريقة التي من شأنها أن تربط مكافأة الموظفين بكل من مسؤولياتهم وأدائهم.

ومن المؤمل أن يعرض هذا البحث بعدا جديد في قطاع الصناعات التحويلية في غزة فيما يتعلق باعتماد وتقييم ممارسات إدارة الموارد البشرية التنموية شاملها للبحث.
Chapter One
The Research General Framework

1.1 Introduction

1.2 Problem Statement

1.3 Research Hypotheses

1.4 The Research Model

1.5 The Research Variables

1.6 The Research Objectives

1.7 The Research Importance
1.1 Introduction

Today's market environment is dynamic. The nature and pace of recent changes in the economic environment have motivated both managers and scholars to look for new sources of competitive advantage and profitability. Market stability today may become an uncertainty tomorrow. In the kind of market, the intensity of competition increases from time to time. Firms are striving and trying to defeat one another in order to be the last survival and are able to gain total benefits as the market leader.

The increasingly competitive, pushes firms to exploit all of their available resources as a means of achieving competitive advantage. The concept of competitive advantage is described by Porter as the essence of competitive (Business) strategy (Porter, 1985). One resource recently recognized as providing a source of competitive advantage is the human resources of the firm (Pfeffer, 1998).

The Palestinian manufacturing firms play significant role in the Palestinian economy and national development. Manufacturing topped the list of contributors to GDP among the commodity-producing sectors, making 13.4%–10.7% of GDP between 2001-2005 (PADICO, 2006, p.2). Given the increasing competition among Palestinian manufacturing firms, the success in the market is for those firms that achieve a competitive advantage in the market and maintain this feature over time, has forced a lot of firms to exploit its resource in a way to be the last survival and are able to gain total benefits as the market leader and to achieve a competitive advantage in the market.

The overall purpose of human resource management is to ensure that the organization is able to achieve success through people. Human resource management (HRM) is utilization of individuals to achieve organizational objectives (Mondy, 2008, p.4). Previous researches focused on either operational performance (Ahmad & Schroeder, 2003) or business performance in general (Abdullah (2009), Uysal and Koca (2009), Chand and Katou (2007), Katou and Budhwar (2006), and Kaya (2006)). By using the same criteria, of HRM practices to test the relationships, HRM and operational performance, HRM and non-financial performance, and HRM and financial performance, this can be expectedly considered as a part of empirical evidence of the impact of certain HRM practices on business performance in the Palestinian context.
Because firm performance stands out as one major organizational goal, the final output, it is important that a firm adopts HRM practices that make best use of its employees as a source to be exploited. The trends of understanding the relationship between HRM-performance will led to increase interest in the impact of HRM on organizational performance. So the researcher will be directed at understanding the relationship between HRM practices and manufacturing firms’ performance.

1.2 Problem Statement
People and how we manage them are becoming more important because many other sources of competitive success are less powerful than they once were. However, recognizing that the basis for competitive advantage has changed is essential to develop a different frame of reference for considering issues of management and strategy, traditional kinds of resources failed to fulfill their roles to defeat competitors presently. (Pfeffer, 1994, p.10)

After reviewing literatures which are trying to link between human resource management (HRM) practices and business performance, this research focuses on answering the following research question “What is the Impact of HRM practices on Business Performance of Manufacturing Firms in Gaza Strip ?”

1.3 Research Hypotheses:
H1: HRM practices have a significant impact on operational performance.
   H1a: Human resource planning has a significant impact on operational performance.
   H1b: Compensation has a significant impact on operational performance.
   H1c: Performance Appraisal has a significant impact on operational performance.
   H1d: Training has a significant impact on operational performance.
H2: HRM practices have a significant effect on non-financial performance.
   H2a: Human resource planning has a significant impact on non-financial performance.
   H2b: Compensation has a significant impact on non-financial performance.
   H2c: Performance Appraisal a significant impact on non-financial performance.
   H2d: Training has a significant impact on non-financial performance.
H3: HRM practices have a significant impact on financial performance.
    H3a: Human resource planning has a significant impact on financial performance.
    H3b: Compensation has a significant impact on financial performance.
    H3c: Performance Appraisal has a significant impact on financial performance.
    H3d: Training has a significant impact on financial performance.

H4: There are statistical differences in responses of the respondents related to personal and organizational variables.
    H4a: There are statistical differences in responses of the respondents related to personal variables.
    H4b: There are statistical differences in responses of the respondents related to organizational variables.

1.4 Research Model
The Dependant Variable in this research is the Business performance, which is divided, based on previous studies, into three categories of performance (operational, non-financial and financial). These dependant variables are affected by human resource management practices as an independent variable, which was divided into four HRM dimensions (HR planning, compensation, performance appraisal and training). Figure (1.1) shows this relations.

![Figure (1.1): Research Model](source: conceptual model created by researcher)
1.5 Research Variables:

1. Independent Variable: There is one independent construct, HRM practices which is constructing of four dimensions; this research tends to identify four practices of HRM practices. Measurement of HRM Practices:
   a. HR planning
   b. Compensation
   c. Performance Appraisal
   d. Training and development

2. Dependent Variable: The objective of this research is to find out the relationships between HRM practices and business performance. Based on previous studies, the researcher divides business performance into three criteria (variables) to obtain unambiguous results and to make the analyses easy:
   a. Operational performance: By following and modifying from some previous researchers’ works, operational performance items are designed. This research proposes four dimensions of operational performance to be tested:
      • Cost
      • Quality
      • Delivery
      • Flexibility

   b. Non-financial performance (organizational performance): By following and modifying from some previous researchers’ works, the questionnaire is designed to ask respondents to assess their firm performances in:
      • Absenteeism
      • Turnover
      • Ability to retain essential employees
      • Ability to attract essential employees
      • Work-related injuries and accidents
      • Customer satisfaction
c. Financial performance (marketing performance): By following and modifying from some previous researchers’ works, the questionnaire is designed to ask respondents to assess their firm performances relative to competitors in:

- Market share
- Profitability
- Sales growth rate
- Return on Assets (ROA), (Net profit/Assets)
- Return on Equity (ROE). (Net profit/Capital)
- Return on sales (ROS). (Net profit/Total sales)

1.6 The Research Objectives

The research has the following specific objectives:

1. To understand the current HRM practices of manufacturing firms in Gaza strip.
2. To investigate whether manufacturing firms use these four practices or not.
3. To explore the contents of HRM practices, which impact and lead to improve operational performance, non-financial performance and financial performance.

1.7 The Research Importance

The study of HRM-Performance seems to be important both from the theoretical and practical perspectives. This research would assist to enhance the understanding of the impact of HRM on business performance of manufacturing firms in Gaza strip. The importance of the research comes from the following aspects:

1. To offer some useful information about human resource practices for manufacturing firms in Gaza strip. The research can help contribute to build up knowledge and understanding of human resource management conditions in the manufacturing firm. Based on the proposed model and discussion, the research is expected to:
   a. Position human resource practices of manufacturing firms
   b. Help understand the current situation of management practices.
   c. Represent as reference data for some various uses.
2. To cover all types of business performance (operational, non-financial and financial) as previous research did not cover all the types of performance.

3. It is apparent from the literature review and previous researches that there is a shortage of research in the Arab world relating to the link between certain HRM practices and business performance. The above illustrates the importance of this research which aims to help in bridging the gap in this area of research.

It may be noteworthy that this research may be the first attempt to apply a framework to examining the impact of certain HRM practices on business performance of the manufacturing firms in Gaza strip.
Chapter Two:

The Research Theoretical Framework

Section One: The Concept of Human Resources Management

Section Two: HRM Dimensions of the Research

Section Three: Performance of Organization

Section Four: Manufacturing Industry in Gaza
Section One

The Concept of Human Resources Management

2.1.1 Introduction

The essence of human resources management is the human being, with all the implications of productivity value, economic value and consumer value. It consumes what is produced, it is a spiritually and humanity values. The story of human resource management has gone through several stages in history; however, the modern concept of human resources management has been materialized only after a long series of developments that have passed during exercised employment. (Zulief, 2003, p.20)

Human resource management (HRM) refers to activities and tasks useful in maximizing employees’ performance in the organization, it is a dynamic and evolving practice used by leaders and managers throughout a firm to enhance productivity, quality, and effectiveness. (Gilley et al, 2009, p.1)

Today’s organizations consist of three types of resources: physical, financial, and human. (Gilley et al, 2009, p.17)

1. Physical resources are machines, materials, facilities, equipment, and component parts of products, which are often referred to as fixed organization assets. Physical resources are important to the health of the organization because they provide it with stability and growth opportunities. Also, because they are tangible and can be seen, physical resources provide the public with assurances of quality as well as a measure of the organization’s success.

2. Financial resources are the liquid assets of an organization. These include cash, stocks, bonds, investments, and operating capital. Similar to physical resources, financial resources are vital to the organization’s ability to react to opportunities for growth and expansion, which reflect its overall financial stability and strength.

3. Human resources refer to the workers employed by an organization. Unlike the typical, straightforward, standard measures used to value fixed and liquid assets. Forward-thinking
leaders of firms recognize the value of their employees and consider them in their asset portfolios

Transformation exist in the perception of individuals in organizations as an element of cost that must be reduced to the minimum, to being an asset of the organization that can invest in and add value to the organization. This transformation in the perception of individuals has led this shift to individuals as a resource for the organization, The human resource can achieve wealth or income through the use of his skills and knowledge, not through a process of transformation and change, which occurs for physical resources in order to achieve wealth, Without this skills and knowledge, the individual will become incapacitated, that prevent him from transformation and change. For that to become a resource, the individual must have the experience, skills, capabilities and preparations needed to perform specialized functions. (Hasan, 2005, p.29).

The collective knowledge, competencies, skills, and attitudes of the members of the organization are viable for the organization. These intangibles have value and these values manifest themselves in increased quality, productivity, effectiveness, efficiency, and customer service. (Gilley et al, 2009, p.2)

The world of work as we know is rapidly changing. As Human resource management (HRM) is a part of an organization, then, it must be prepared to deal with the effects of the changing in world of work. This means understanding the implications of globalization, technology changes, labor shortages, changing skill requirements, workforce diversity, decentralized work sites, the contingent workforce, and employee involvement. (Decenzo and Robbins, 2005, p.4).

That strategic human resource management emerge from the organization's strategy, that mean, it must first formulate the organization's strategy and then the formulation or development of the other functional strategies, such as marketing, production, financial strategy, and of course human resources strategy, in order to achieve the organization's strategy. It is clear that all these strategies must be integrated with each other in order to achieve sustainable competitive advantage; figure (2.1) shows the integration between organizational strategy and strategic HRM which will lead to competitive advantages. (Durra and Sabbagh, 2008, p.115)
It should be mentioned that the well-known strategist Porter stated, in his famous book “competitive advantage”, that human resource is one of the core competencies that must be owned by organizations in order to be able to achieve competitive advantage and that this resource should play a key role in shaping the organization's strategy and its implementation. (Porter, 1985, p. 43)


The overall purpose of human resource management is to ensure that the organization is able to achieve success through people. Human resource management (HRM) is utilization of individuals to achieve organizational objectives (Mondy, 2008, p.4). Mathis and Jackson defined human resource management as the design of formal systems in an organization to ensure effective and efficient use of human talent to accomplish organizational goals (Mathis and Jackson, 2004, p.4)

Traditionally, human resource management is something which an organization has used to deal with staff activity. Traditional human resource practices have never been paid much attention as a main driving of organizational success by top management (Fulmer, 1990, p.1).

HR has been viewed as the “employee advocate” in organizations. As the voice for employee concerns, HR professionals traditionally have been seen as “company morale officers” who do not understand the business realities of the organizations and do not contribute measurably to the strategic success of the business. Some have even suggested dismantling HR departments totally.
because they contribute little to the productivity and growth of organizations. (Mathis and Jackson, 2004, p.14).

When business people, traditionally, talked about how to win in markets, they intuitively think of roles of their financial functions, power of production processes and marketing strategies. Commonly, tangible resources and capabilities are preferred to achieve the goals and objectives. Human resource department was treated as a follower rather than initiator. This was a very big mistake that they had ignored this lever of intangible resources. Ahmad and Schroeder said, "sophisticated technologies and innovative manufacturing practices alone can do very little to enhance operational performance unless the requisite human resource management (HRM) practices are in place to form a consistent socio-technical system." (Ahmad and Schroeder, 2003, p.19)

2.1.3 Evolution of HR Management

There are four base phases (stations) in the evolution experienced by the human resources management since the beginning of the twentieth century until now:

1. **The First Phase (The Industrial Revolution):** This phase includes the period before and during the industrial revolution. In the period before the Industrial Revolution, the concentration on production by using primitive methods, the personnel management was stationed to clarify the conditions for entry to the profession, wages of workers, and to implement the penalties for violating the systems, while the period of the Industrial Revolution was distinctive by the emergence of machines and Large factories, long working hours, and production-oriented, which led to the emergence of supervisors and foremen, who often abused to the personnel under their command, which led to calls to improve working conditions and then set up labor unions and federations of workers demanding for their rights. (Abdel Baki, 2000, p.2)

2. **The Second Phase (The Scientific Management Movement):** This Phase extends from the 1890 till the twenties of the last century, in which the scientific management studies conducted by Frederick W. Taylor and others, beginning in 1885, helped management identify ways to make work more efficient and less fatiguing, thus increasing worker productivity (Mathis and Jackson, 2004, p.24). The scientific management stage was
associated with "Ferdirk Taylor", who tried to regulate the relationship between management and workers, and highlighted the impact of specialization, training and stimulus material to employees. Taylor’s put four pillars for management:

a. The development of real management  
b. The scientific Selection of workers  
c. Attention for staff development and education  
d. Real cooperation between the management and human resources

Both the Frank Gilbert and Henry Janet Taylor's provide assistance especially in their own way to pay the wages of workers, as well as their own way in the preparation of work schedules. The bureaucracy school headed by Max Weber, who establishes procedures to improve the work, illustrates the importance of official communication, and establishes the organizational hierarchy of regulation which defines the responsibilities and powers. (Abdel Baki, 2000, p.24)

3. The Third Phase (Between World War I and II): With the early of thirties, human relations form was emerged, which is headed by Elton Mayo. Through the study of Hotsorn plant, who shows the attention of personnel management, and the pursuit to satisfy employees’ desires and to maintain their sense. The study showed that the spirit of teamwork and social worker are reason in motivating individuals (Hitti, 2003, p.26).

4. The Fourth Phase (Post- War World II Until Now): Human resources management is dramatically developed and it is no longer only concerned with formalities and routine work such as filing and set the attendance and absence, but rather extended to human resources training and development, and encouraging them and controlling labor relations, human resources management has benefited from the development of psychology and sociology and anthropology, which led to the behavioral entrance in management, which focuses on the working environmental aspects and working conditions, worker and their impact on behavior, all that lead to the development of stimulus policies, administrative communication systems, and leadership styles (Abdel Baki, 2000, p.2).
One of the most important shifts in the emphasis of HR management in the past years has been the recognition of HR as a strategic business contributor. Even organizations that are not-for-profit, such as governmental or social service entities, must manage their human resources as being valuable and in a “business-oriented” manner. Table (2.1) shows the different between traditional personnel management and the new approach of human resource management.

<table>
<thead>
<tr>
<th>Items</th>
<th>Personnel Management</th>
<th>Human Resource Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time And Planning Perspective</td>
<td>Short-term, reactive, ad-hoc, marginal</td>
<td>Long-term, pro-active, strategic, integrated</td>
</tr>
<tr>
<td>Psychological Contract</td>
<td>Compliance</td>
<td>Commitment</td>
</tr>
<tr>
<td>Control Systems</td>
<td>External controls</td>
<td>Self-control</td>
</tr>
<tr>
<td>Employee-Relations Perspective</td>
<td>Pluralist, collective, low-trust</td>
<td>Unitarist, individual, high-trust</td>
</tr>
<tr>
<td>Preferred Structures/Systems</td>
<td>Bureaucratic, mechanistic, centralized, formal defined roles</td>
<td>Organic, devolved, flexible roles</td>
</tr>
<tr>
<td>Roles</td>
<td>Specialist/professional</td>
<td>Largely integrated into line management</td>
</tr>
<tr>
<td>Evaluation Criteria</td>
<td>Cost-minimization</td>
<td>Maximum utilization (human asset accounting)</td>
</tr>
</tbody>
</table>


2.1.4 Aims of HRM

1. The overall purpose of human resource management is to ensure that the organization is able to achieve success through people (Armstrong, 2006, p8).

2. HRM systems can be the source of organizational capabilities that allow firms to learn and capitalize on new opportunities. (Ulrich and Lake, 1990, p.91)

3. The central focus for HR management must be on contributing to organizational success by ensuring that human resources activities support organizational efforts and by enhancing organizational performance. (Mathis and Jackson, 2004, p.10)

4. To facilitate organizational performance, productivity, and to change through organized (formal and informal) interventions, initiatives, and management actions in order to enhance a firm’s performance capacity, capability, competitive readiness, and renewal. (Gilley et al, 2009, p.3).
2.1.5 HR Management Roles

The role of resource management has been evolved from the traditional role (Administration role and operational role) to the strategic role; these roles are explained in table (2.2): (Durra and Sabbagh, 2008, p.118)

1. **Administrative Role of HR Management:** The administrative role of HR management is heavily oriented to processing and record keeping. Maintaining employee files and HR-related databases, processing employee benefits claims, sick leave policies, and compiling are all examples of the administrative nature of HR management. These activities must be performed efficiently and promptly.

2. **Operational Role of HR Management:** Operational activities are tactical in nature. Employment applications must be processed, current openings must be filled through interviews, supervisors must be trained, safety problems must be resolved, and wages and salaries must be administered. The operational role requires HR professionals; they are the major implementers of the HR portion of organizational strategic plans developed by top management, rather than being deeply involved in developing those strategic plans.

3. **Strategic Role of HR Management:** Organizational human resources have grown as a strategic emphasis because effective use of people in the organization can provide a competitive advantage. The strategic role of HR management emphasizes that the people in an organization are valuable resources representing significant organizational investments. (Grensing-Pophal. L, 1999, p.90).

<table>
<thead>
<tr>
<th>Items</th>
<th>Administrative</th>
<th>Operational</th>
<th>Strategic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus</td>
<td>Administrative processing and record keeping</td>
<td>Operational support</td>
<td>Organization-wide</td>
</tr>
<tr>
<td>Timing</td>
<td>Short term (less than 1 year)</td>
<td>Intermediate term (1–2 years)</td>
<td>Longer term (2–5 years)</td>
</tr>
<tr>
<td>Typical Activities</td>
<td>• Administering employee benefits &lt;br&gt; • Conducting new employee orientations &lt;br&gt; • Interpreting HR policies and procedures &lt;br&gt; • Preparing equal employment</td>
<td>• Managing compensation programs &lt;br&gt; • Recruiting and selecting for current openings &lt;br&gt; • Conducting safety training &lt;br&gt; • Resolving employee complaints</td>
<td>• Assessing workforce trends and issues &lt;br&gt; • Engaging in community workforce development planning &lt;br&gt; • Assisting in organizational restructuring and downsizing</td>
</tr>
</tbody>
</table>

2.1.6 Human Resource Management Functions
The realization of importance of human resource functions, policies, and practices, spreads widely among academics and practitioners. Mondy said that people who are engaged in the management of human resources develop work through an integrated HRM system.

There are five functional areas associated with effective HRM: Staffing, Human resource development, compensation, Safety and Health, and employee and labor relations (Mondy, 2008, p.4). Figure (2.2) depicts HRM functions.

**Figure (2.2)**

**Human Resource Management Functions**

![Diagram of Human Resource Management Functions]


All human resource management (HRM) functional areas are highly interrelated. Management must recognize that decisions in one area will affect other areas. The central focus for HR management must be on contributing to organizational success. The HR functions for which a brief overview follows are:

1. **Staffing:** Staffing is the process through which an organization ensures that it is always has the proper number of employees with the appropriate skills in the right jobs, at the right time. Staffing involves: (Mondy, 2008, p.5)
   a. Job analysis: is the systematic process of determining the skills, duties, and knowledge required for performing jobs in an organization. Its impacts virtually every aspect of HRM including planning, recruitment, and selection.
b. Human resource planning: is the systematic process of matching the internal and external supply of people with job openings anticipated in the organization over a specified period of time.

c. Recruitment: is the process of attracting individuals on timely basis, in sufficient numbers, and with appropriate qualifications, to apply for jobs within an organization.

d. Selection: is the process of choosing from a group of applicants the individual best suited for a particular position and the organization.

Staffing can be viewed as a human resource center of excellence that keeps the organization supplied with the human assets it needs to continuously move ahead and maintain its competitive posture in the market place. (Gilley et al, 2009, p.7)

2. Human Resource Development: Human resource development (HRD) is a major HRM function consisting not only of training and development but also of individual career planning and development activities, organization development, and performance appraisal. Human resource development (HRD) involves: (Mondy, 2008, p.5)

a. Training: is a process whereby people acquire capabilities to aid in the achievement of organizational goals. (Mathis and Jackson, 2004, p.10)

b. Career planning: is an ongoing process whereby an individual sets career goals and identifies the means to achieve them.

c. Organizational Career development: is a formal approach used by the organization to ensure that people with the proper qualifications and experiences are available when needed.

d. Organizational development (OD): is the planned process of improving an organization by developing its structures, systems, and processes to improve effectiveness and achieving desired goals.

e. Performance appraisal (PA): is a formal system of review and evaluation of individual or team task performance.

The HR unit serves as a source of expert training assistance and coordination. The unit often has a long-range view of employee careers and the development of the entire
organization than do individual operating managers. Individual careers and organizational needs are not separate and distinct; organizations should assist employees in career planning, so the needs of both can be satisfied. Performance appraisal affords employees the opportunity to capitalization on their strengths and overcome identified deficiencies, thereby helping them to become more satisfied and productive employees.

3. **Compensation:** Compensation is an important factor affecting how and why people choose to work at one organization over others. Employers must be reasonably competitive with several types of compensation in order to hire, keep, and reward performance of individuals in the organization. A compensation and reward philosophy should be based on rewarding employees for the “right” performance. In this way, organizations demonstrate their understanding that “the things that get rewarded get done.” This approach ensures that the organization will secure its desired outcomes. On the other hand, failure to reward the right behaviors leads to unsatisfactory outcomes. An effective compensation and reward philosophy takes into account each step of the organization’s performance management process, enabling organizations to:  
   (Gilley et al, 2009, p.150)
   a. identify constituents’ needs and expectations
   b. Design jobs that produce maximum results at the highest possible level of quality
   c. Encourage leaders to build synergistic relationships with employees
   d. Require leaders to conduct formal performance appraisals with employees
   e. Collaboratively create performance growth and development plans designed to enhance performance.

Mondy used the term “compensation” includes the total of all rewards provided employees in return for their services. The rewards may be one or a combination of the following:  
(Mondy, 2008, p.6)
   a. Direct financial compensation: Pay that a person receives in the form of wages, salaries, commissions, and bonuses.
   b. Indirect financial compensation (Benefits): All financial rewards that are not included in direct compensation such as paid vacations, sick leave, holidays, and medical insurance.
c. Non-financial compensation: Satisfaction that a person receives from the job itself or from the psychological and or physical environment in which the person works.

4. Safety and Health: Today employers are obligated to give their employees safe, healthy, and secure work environments. But meeting that general goal is not easy; nor can all situations affecting employee health, safety, and security always be anticipated. (Mathis and Jackson, 2004, p.530)

Safety involves protecting employees from injuries caused by work-related accidents. Health refers to the employees’ freedom from physical or emotional illness. These aspects of the job are important because employees who work in a safe environment and enjoy good health are more likely to be productive and yield long-term benefits to the organization. (Mondy, 2008, p.6)

Close and continuous attention to health and safety is important because ill-health and injuries inflicted by the system of work or working conditions cause suffering and loss to individuals and their dependants. In addition, accidents and absences through ill-health or injuries result in losses and damage for the organization. That, managing health and safety at work is a matter of: (Armstrong, 2006, p.831)

a. Developing health and safety policies;
b. Conducting risk assessments which identify hazards and assess the risks attached
c. Carrying out health and safety audits and inspections;
d. Implementing occupational health programs;
e. Managing stress;
f. Preventing accidents;
g. Measuring health and safety performance;
h. Communicating the need for good health and safety practices;

5. Employee and labor relations: The relationship between managers and their employees must be handled effectively if both the employees and the organization are to prosper together. Whether or not some of the employees are represented by a union, employee rights must be addressed. It is important to develop, communicate, and update HR policies
and rules. So that managers and employees alike know what is expected. In some organizations, union/management relations must be addressed as well.

The HR function provides guidance and training and will develop and help to introduce and maintain formal processes; but it does not do line managers’ jobs for them. However, in their role as industrial relations specialists, HR practitioners may deal directly with unions and their representatives. (Armstrong, 2006, p.771)

A union is a formal association of workers that promotes the interests of its members through collective action. The state of unions varies among countries depending on the culture and the laws that define union-management relationships. Although fewer workers choose to do so today than before, the mechanisms remain for a union resurgence if employees feel they need a formal representative to deal with management. (Mathis and Jackson, 2004, p.604)

HR practitioners are likely to have a measure of responsibility for maintaining participation and involvement processes and for managing employee communications. They can and should play a major part in developing employee relations strategies and policies that aim to: (Armstrong, 2006, p.771)

a. Achieve satisfactory employment relationships, taking particular account of the importance of psychological contracts
b. Build stable and cooperative relationships with employees which recognize that they are stakeholders in the organization and minimize conflict
c. Achieve commitment through employee involvement and communications processes
d. Develop mutuality – a common interest in achieving the organization’s goals through the development of organizational cultures based on shared values between management and employees
e. Clarify industrial relations processes with trade unions and build harmonious relationships with them on a partnership basis.

In these capacities HR practitioners can make a major contribution to the creation and maintenance of a good employee relations climate.
Section Two

HRM Dimensions of the Research

2.2.1 Introduction

Numerous studies have shown a positive relationship between effective HRM practices and organizational performance. Despite the many studies that revealed the positive effects of HRM on a firm’s performance, there is no consensus on how and what to measure regarding effective HRM practices. As it would be impossible to measure every HRM practice carried out at workplaces, the researcher identified some HRM dimensions to be studied in which he believes that the most influential in terms of boosting a firm’s bottom line.

1. HR planning.
2. Training and development.
3. Performance appraisal.

2.2.2 Planning Workforce (HR Planning) :

Mondy defined human resource planning as it is systematic process of matching the internal and external supply of people with job opening anticipated in the organization over a specified period of time. (Mondy, 2008, p104)

Human resource (HR) planning is the process of analyzing and identifying the need for and availability of human resources So that the organization can meet its objectives. (Mathis and Jackson, 2004, p.47)

Through HR planning, managers attempt to anticipate forces that will influence the future supply of and demand for employees (Mathis and Jackson, 2004, p.12). It is a process of investigating supply and demand of current and future labor situations. Firms need to predict supply of labor to match with demand condition in the future. Without HR planning, the very ability of some companies to survive is in jeopardy (Schuler & MacMillan, 1984, p.245). It ensures that human resource requirements of an organization are identified and plans are made for satisfying those
requirements, and without these preparations, firms will not be able to respond to labor fluctuation. *(Armstrong, 2006, p.363)*

1. **Aims of Human Resource Planning**

   The aims of human resource planning in any organization will depend largely on its context but in general terms, the typical aims might be to: *(Armstrong, 2006, p.386)*

   - Attract and retain the number of people required with the appropriate skills, expertise and competencies;
   - Anticipate the problems of potential surpluses or deficits of people;
   - Develop a well trained and flexible workforce, thus contributing to the organization’s ability to adapt to an uncertain and changing environment;
   - Reduces dependence on external recruitment when key skills are in short supply by formulating retention, as well as employee development strategies;
   - Improve the utilization of people by introducing more flexible systems of work.

2. **Steps of Human Resource Planning:**

   Human resource planning is said to consist of three clear steps: *(Armstrong, 2006, p.365)*

   a. **Forecasting Future People Needs (Demand Forecasting):**

      Demand forecasting is the process of estimating the future numbers of people required and the likely skills and competences they will need. The ideal basis of the forecast is an annual budget and longer term business plan, translated into activity levels for each function and department, or decisions on ‘downsizing’. In a manufacturing company the sales budget would be translated into a manufacturing plan giving the numbers and types of products to be made in each period. From this information the number of hours to be worked by each skill category to make the quota for each period would be computed.

      The demand forecasting techniques that can be used to produce quantitative estimates of future requirements are: *(Armstrong, 2006, P.374)*

      - Managerial or expert judgment: This is the most typical method of forecasting and may be linked to some form of scenario planning. It simply requires managers or specialists to sit down, think about future workloads, and decide how many people
are needed. This can be no more than guesswork unless there is reliable evidence available of forecast increases in activity levels or new demands for skills.

- **Ratio trend analysis:** This is carried out by studying past ratios between, the number of direct (production) workers and indirect (support) workers in a manufacturing plant, and forecasting future ratios, having made some allowance for changes in organization or methods. Activity level forecasts are then used to determine direct labor requirements, and the forecast ratio of indirect to direct would be used to calculate the number of indirect workers needed.

- **Work study techniques:** Work study techniques can be used when it is possible to apply work measurement to calculate how long operations should take and the number of people required. Work study techniques for direct workers can be combined with ratio trend analysis to calculate the number of indirect workers needed.

- **Forecasting skill and competence requirements:** Forecasting skill requirements is largely a matter of managerial judgment. This judgment should be exercised on the basis of a careful analysis of the impact of projected product market developments and the introduction of new technology, either information technology or computerized manufacturing.

### b. Forecasting The Future Availability Of People (Supply Forecasting):

Supply forecasting measures the number of people likely to be available from within and outside the organization, having allowed for attrition (labor wastage and retirements), absenteeism, internal movements and promotions, and changes in hours and other conditions of work. The forecast will be based on: *(Armstrong, 2006, P.376)*

- An analysis of existing human resources in terms of numbers in each occupation, skills and potential;
- Forecast losses to existing resources through attrition (the analysis of labor wastage as described in the next main section of this chapter is an important aspect of human resource planning because it provides the basis for plans to improve retention rates);
- Forecast changes to existing resources through internal promotions;
- Effect of changing conditions of work and absenteeism;
• Sources of supply from within the organization;
• Sources of supply from outside the organization in the national and local labor markets.

c. Drawing up plans to match supply to demand:
The purpose of the plan is to enable managers in the organization to match the available supply of labor with the forecasted demands in light of the strategies of the firm. If the necessary skill level does not exist in the present workforce, employees may need to be trained in the new skill, or outside recruiting may need to be undertaken. Likewise, if the plan reveals that the firm employs too many people for its needs, a human resource surplus exists (Mathis and Jackson, 2004, p63). equality is rarely exist in the demand forecasting, for display, there may be a surplus in some functions or deficits in other functions in both cases appropriate action must be taken.

Some of most important policies that rely on organizations in addressing the surplus: (Abbas, 2003, p.64)
• Stop new recruitment
• Demobilization or encourage to leave work and the organization
• To encourage early retirement
• Training and retraining
• Find alternative employment opportunities
• Retention of labor to cope with separations

Some of most important policies that rely on organizations in addressing the deficit (shortage):
• New appointments.
• Diversification of the tasks while providing an opportunity for current employees for the exercise of additional functions.
• Employment promotion to higher positions.
• Internal transfers between different functions with the preparation and the creation of appropriate training programs.
• Using workers under temporary contracts.
• Increased wages.
• Bringing technology replaces labor.
• Raise the level of individual productivity through training.
• Searching for new sources of selection.

2.2.3 Training and Development (T&D):
Training is activities designed to provide learners with the knowledge and skills needed for their present jobs, while Development is learning that goes beyond today’s job and has a more long-term focus. Training and Development is the heart of continuous effort designed to improve employee competency and organizational performance. (Mondy, 2008, p.201)

Training can influence performance in two ways: first, training improves relevant skills and abilities; second, training increases employees' satisfaction with their current jobs and workplace (Harel and Tzafrir, 1999, p.192). Pfeffer mentioned extensive training as one of seven practices of successful organizations. The aim of training is to build competencies of employees. (Pfeffer, 1998, p.113)

1. Systems Approach to Training
The success of any type of training can be gauged by the amount of learning that occurs and is transferred to the job. Too often, unplanned, uncoordinated, and haphazard training efforts significantly reduce the learning that could have occurred. Training and learning will take place, especially through informal work groups, whether an organization has a coordinated effort or not—because employees learn from other employees. But without a well designed, systematic approach to training, what is learned may not be what is best for the organization. Figure (2.3) shows the relevant components of the three major phases in a training system: (a) the assessment phase, (b) the implementation phase, and (c) the evaluation phase. (Mathis and Jackson, 2004, p.330)
a. Assessment Phase

In the assessment phase, planners determine the need for training and specify the objectives of the training effort. Training is designed to help the organization accomplish its objectives. Determining organizational training needs is the diagnostic phase of setting training objectives. Just as a patient must be examined before a physician can prescribe medication to deal with an ailment, an organization or an individual employee must be studied before a course of action can be planned to make the “patient” function better. Managers can identify training needs by conducting analyses on three levels; figure (2.4) shows those three levels: (Mondy, 2008, p.204)

- **Level One: Organizational Analysis**: From an overall organizational perceptive, the firm’s strategic mission, goals, and corporate plans are studied, along with the results of human resource planning at which the knowledge, skills, and abilities (KSAs), that will be needed by employers in the future as both jobs and the organization change, will be identified.

- **Level Tow: Task Analysis**: The second way to diagnose training needs is through analyses of the tasks performed in the organization. To do these analyses, it is necessary to know the job requirements of the organization. Job descriptions and job
specifications provide information on the performances expected and skills necessary for employees to accomplish the required work. By comparing the requirements of jobs with the knowledge, skills, and abilities of employees, training needs can be identified.

- **Level Three: Person Analysis:** The third means of diagnosing training needs focuses on individuals and how they perform their jobs. This phase shows how analyses of the job and the person mesh to identify training needs. The use of performance appraisal data in making these individual analyses is the most common approach. A good HR information system can be used to help identify individuals who require training in specific areas.

### Figure (2.4)
Levels of Training Needs Assessment

![Levels of Training Needs Assessment Diagram](image)


**b. Implementation Phase:**

Training objectives and priorities must be established, once training needs have been identified. All of the gathered data is used to compile a gap analysis, which identifies the distance between where an organization is with its employee capabilities and where it needs to be. Training objectives and priorities are set to close the gap exist
Once objectives have been determined, the actual training can begin. Regardless of whether the training is job specific or broader in nature, the appropriate training and development methods must be chosen: Classroom programs, Mentoring and coaching, Case study, Role playing, Apprenticeship training, Vestibule training, Simulations, Business games, In basket training, Distance learning and video conferencing, Computer based training, Virtual reality, E-learning (web based training), On the job training, Job rotation, and Internship. (Mondy, 2008, p.207)

c. Evaluation of Training Phase:
Evaluation of training should be done, by compares the post-training results to the objectives expected by managers, trainers, and trainees, that because training is both time-consuming and costly. Too often, training is done without any thought of measuring and evaluating it later to see how well it worked. Mathis and Jackson said that “nothing will improve until it is measured”. (Mathis and Jackson, 2004, p.340)

Mathis and Jackson mentioned two approaches for training evaluation: (Mathis and Jackson, 2004, p.340)
- Kirkpatrick’s four levels: One way to evaluate training is to conduct Kirkpatrick’s four levels—reaction, learning, behavior, and results. The four levels are all important, and they should be understood well by all professionals in the fields of education, training, and development (Kirkpatrick, 2006, p.7).

The value of the training increases as it can be shown to affect behavior and results instead of reaction and learning-level evaluations. (Mathis and Jackson, 2004, p.340)
- Benchmark: by which some organizations are using benchmark measures of training that are compared from one organization to others. To do benchmarking, HR professionals in an organization gather data on training and compare it to data on training at other organizations in the industry and of their size.

The best way is to measure the value of the output before and after training, any increase represents the benefit resulting from training (Kirkpatrick, 2006, p.50). However, careful measurement of both the costs and the benefits may be difficult in some situations (Flynn

Coaching, mentoring, and instructing are crucial parts of training tool. Schuler and Jackson mentioned about choices of training whether it is for short-term or long-term, narrow application or broad view, productivity focus or quality of work life emphasis, individual oriented or group oriented, low participation or high involvement and planned or unplanned (Schuler and Jackson, 1987, p.212). There are several kinds of training methods. Training consists of on-job training, off-job training, simulations, case study, mentoring and coaching, team-training, distance learning and video conferencing, etc. (Mondy, 2008, p.206)

2. HR Development

Development can be thought of as growing capabilities that go beyond those required by the current job; it represents efforts to improve employees’ ability to handle a variety of assignments. Development is beneficial to both the organization and the individuals. Employees and managers with appropriate experiences and abilities enhance the ability of an organization to compete and adapt to a changing competitive environment. (Mathis and Jackson, 2004, p.350)

The purpose of HRD is to bring about the changes that cause the organizational and performance improvements necessary to enhance the organization. In short, HRD’s function is used to make a difference in the way an organization and its employees operate. In other words, learning activities, career development systems, performance interventions, and change initiatives bring about improved on-the-job performance, reducing costs, improving quality, and increasing the competitiveness of the organization. Human resource development occurs when employees participate in activities (formal and informal) designed to introduce new knowledge and skills to improve performance behaviors. (Gilley et al, 2009, p.74)

2.2.4 Performance Appraisal

It is formal system of review and evaluation of individual or team task performance. (Mondy, 2008, p.245)
A performance appraisal is the process by which an organization assesses the job-related performance and development of its employees. (Gilley et al, 2009, p.132)

The appraisal system helps top level of management to be able to clarify organizational objectives and expectation to internal employees and helps understand capability of its own workforce.

Since the improved performance is common goal of appraisal system and without holding appraisal results is absurd, the application of appraising into an organization is to improve individual and organizational performance, to make the entity able to identify poor performances, skill deficits, and training and development needed for internal employees. (Sang, 2005, p.14)

Performance appraisal system can be used for administrative purposes which are related to employee's work condition, including promotion, termination, and rewards. Without corrective and meaningful feedback needed to make appropriate performance adjustment, employees will be ‘flying blind’ without any kind of assistance from their manager or the organization. Consequently, they will make decisions regarding their performance without adequate data. Absent such informative data, employees will make mistakes, which could have disastrous outcomes. (Gilley et al, 2009, p.117)

Employees are severely handicapped in their developmental efforts if denied access to the performance information (Mondy, 2008, p264). That what is actually measured in performance appraisal is the extent to which the individual conforms to the organization. (Coates, 1994, p.180)

1. Purpose of Performance Appraisals

The purpose of performance appraisals is to maximize employee performance. By assessing the strengths and weaknesses of its employees, an organization can create goals to develop the most effective, highly skilled, productive, and satisfied workforce. (Gilley et al, 2009, p.133)

2. Performance Appraisal Process

Mondy defined that there is three processes to pursue PA: (Mondy, 2008, p.247)

   a. Identify specific Performance appraisal criteria:
It is important that relevant criteria be used in PA. Generally, criteria are relevant when they focus on the most important aspects of employees’ jobs.

b. Measuring Performance appraisal, this stage starts with establishing performance-criteria (important elements of the job in which performance is measured) and communicate these performance expectation to employees, work is performed and supervisor appraises the performance.

c. Evaluating performance, at which the appraiser and the employee together review work performance and evaluate it against established criteria (standard) at the end of the appraisal period.

Stages b and c are ongoing cycle…the meeting goals are set for the next evaluation period set and the cycle repeats.

3. Performance Appraisal Benefits

There are many benefits to conducting performance appraisals for managers and individual employees, as well as their departments and the organization as a whole: (Gilley et al, 2009, p.133)

a. Improved communication between managers and employees
b. Motivated employees who perform/produce at a higher level
c. Creation of short- and long-term goals (individual, department- and company-wide) and monitoring of progress toward previously set goals
d. Identification of training needs
e. Heightened sense of accountability, empowerment, teamwork, and loyalty
f. Increased promotion and retention rates
g. Validation for rewards/pay increases
h. Documentation of ongoing performance issues for legal reasons

4. Performance Appraisal Methods

Performance can be appraised by a number of methods: (Mondy, 2008, p.252)

a. Rating scales method: performance appraisal method that rates employees according to defined factors. the factors used for evaluation are two types:
   - Job-related: include quality and quantity of work.
• Personal characteristics: include behaviors (interpersonal skills) and traits (adaptability)

b. Critical incident method: PA method that requires keeping records of highly favorable and unfavorable employee work actions.
c. Essay method: PA method in which the rater writes a brief narrative describing the employee’s performance.
d. Work standards method: PA method which compare each employee’s performance to a predetermined standards or expected level of output.
e. Ranking method: PA method in which the rater places all employees from a group in order of overall performance
f. Forced distribution method: PA method in which the rater is required to assign individual in a working group to a limited number of categories. Similar to a normal frequency distribution.
g. Behaviorally anchored rating scale (BARS) method: PA method that combines elements of the traditional rating scale and critical incident methods,
h. Result-based system: PA method in which the manager and subordinate jointly agree on objectives for the next appraisal period, in a form of management by objectives (MBO).

5. Problems In Performance Appraisal

There are many possible sources of error in the performance appraisal process. One of the major sources is mistakes made by the rater (Decenzo and Robbins, 2005, p.257). Figure (2.5) shows the common rater errors, whether such problems actually exist, or are just perceived to exist, the result is that the process will be effectively negated.

Appraisal will only succeed where there is a mutually trusting, respectful and developmental relationship between the appraiser and the appraisee. (Torrington, Hall and Taylor, 2008, p312)

Finally, it is not easy to avoid some of appraisal problems, but organizations can and should be aware of them and the problems they can create for the effectiveness of appraisal. Every effort should be made to make clear, rational assessments of people as complete individuals.
The common rater errors

<table>
<thead>
<tr>
<th>Rater Error</th>
<th>Practical impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of objectivity</td>
<td>Subjectivity exist, factors unrelated to job performance</td>
</tr>
<tr>
<td>Bias</td>
<td>Certain factors overwhelm others</td>
</tr>
<tr>
<td>Leniency, Strictness</td>
<td>Everyone is rated the same</td>
</tr>
<tr>
<td>Central tendency</td>
<td>Employees are incorrectly rated near the average or middle of a scale</td>
</tr>
<tr>
<td>Recent behavior bias</td>
<td>Timing of information affects rating</td>
</tr>
<tr>
<td>Personal bias (stereotyping)</td>
<td>Discrimination is made based on gender, race, age…etc</td>
</tr>
<tr>
<td>Manipulating the evaluation</td>
<td>Inflated or lowered ratings exist caused disgruntled and inequality.</td>
</tr>
<tr>
<td>Halo effect</td>
<td>Generalization is made from only one trait</td>
</tr>
<tr>
<td>Similar to me/Different to me</td>
<td>Rate compares employees to self</td>
</tr>
</tbody>
</table>


One thing which an organization needs to do is to ensure that feedbacks are not bias and help encourage commitment. Performance appraisal is often a negative, dislike activity and one that seems to elude mastery (Grote, 2006, p.39). Appraisal system is considered as bias process because it is related to rater error and bias, and lack job relatedness, according to the Institute of Personnel and Development, one in eight managers would actually prefer to visit the dentist than carry out a performance appraisal (Butcher, 2002, p.54). That's why appraisal system is used in the most careful way.

2.2.5 Compensation

It is total of all rewards provided employees in return of their services (Mondy, 2008, p.276). The overall purposes of providing compensation program are to attract, attain, and motivate employees through which the compensation programs are geared to maintaining equity within the organization. (Rothwell and Kazanas, 2003, p.283)

Three components of a total compensation program are described by Mondy, as “three legged stool” used to balance workforce compensation: First is direct financial compensation (wages, salary, bonuses). Second is indirect financial compensation (health insurance, vocation, medical

The purpose of compensation offering is to motivate employees to work harder and help an organization to achieve goals. Compensation can be used to explore competitive advantage (Gómer-Mejía and Wellbourne, 1988, p.186). The reason why compensation policy can ensure better organizational performance is because it can attract and retain high talented employees (Pfeffer, 1998, p.106). So, decision on how firms pays to employees is vital; it can absorb high skill people or bring down motivation of current employees.

1. **Components of Total Compensation Program** (Mondy, 2008, p.276)

   The overall purposes of providing compensation are to attract, retain, and motivate employees. The components of a total compensation program are shown in figure (2.6).

   a. Direct financial compensation - Pay received in form of wages, salaries, bonuses, and commissions

   b. Indirect financial compensation (benefits) - All financial rewards not included in direct compensation

   c. Nonfinancial compensation - Satisfaction person receives from job itself or from psychological and/or physical environment in which person works

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**Figure (2.6)**

*Components of total compensation program*

2. Wage and Salary Administration

The development, implementation, and ongoing maintenance of a base pay system usually is described as wage and salary administration. The purpose of wage and salary administration is to provide pay that is both competitive and equitable.

3. Pay Policies

Organizations must develop policies as general guidelines to provide for coordination, consistency, and fairness in compensating employees. Based on its ability to pay, the organization must decide on what it is want to be:

a. Pay leaders - Pay higher wages and salaries
b. Market rate, or going rate - Pay what most employers pay for same job
c. Pay followers - Pay below market rate because poor financial condition or believe do not require highly capable employees

4. Development of a Base Pay System

Once pay policies have been determined, the actual development of a base pay system begins:

a. Job Analysis: accurate job descriptions and job specifications are assumed available. The job descriptions then are used in two activities: job evaluation and pay surveys. These activities are designed to ensure that the pay system is both internally equitable and externally competitive. (Mathis and Jackson, 2004, p.436)

b. Determine The Compensable Factors: Compensable factors are criteria used to provide a basis for judging job value, used to measure job worth, used to identify jobs that have add value to the organization. (Durra and Sabbagh, 2008, p.351)

It is common practice to classify the factors by the universal factors:

- Skill
- Effort
- Responsibility
- Working conditions

c. Job Evaluation: Job evaluation provides a systematic basis for determining the relative worth of jobs within an organization. Job evaluation aims to assess the linkage between
wages rate earned by employees and the extent of their contribution to achieving the organization goals. *(Durra and Sabbagh, 2008, p.351)*

It is important that employees perceive their pay as appropriate in relation to pay for jobs performed by others. Because jobs may vary widely in an organization, it is particularly important to identify benchmark jobs—jobs that are found in many other organizations and are performed by several individuals who have similar duties that are relatively stable and that require similar KSAs.

Several methods are used to determine internal job worth through job evaluation: *(Mondy, 2008, p.285)*

- Point Method
- Factor Comparison
- Ranking
- Job Classification

**d. Pay Structure (Job Pricing):** This process results in placing dollar value on job’s worth. Firms often use pay grades and in pay ranges job pricing process.

Pay grades: Grouping of similar jobs to simplify pricing jobs. Most job evaluation systems assign a number of points for a job. It is then simply a matter of constructing a table to assign point ranges to grades.

Wage curve: it is a fitting of plotted points to create smooth progression between pay grades. The line drawn minimizes the distance between all dots and the line, a line best fit may be straight or curved.

Pay ranges: Minimum and maximum pay rate with enough variance between to allow for significant pay difference. They are useful because they allow a firm to compensate employees according to performance and length of service.

**5. Aims of an Effective Compensation System**

The compensation system will support the organization's long-and short-term objectives without overlap, which would have more than one pay plan driving the same objectives. The ultimate objective of this process is to ensure that the compensation system attracts and retains the desired employees and that it motivates them to do those things that support the business plan. *(McNally, 1992)*
A compensation program in an organization should have four objectives: (Mathis and Jackson, 2004, p.416)

a. Legal compliance with all appropriate laws and regulations
b. Cost effectiveness for the organization
c. Internal, external, and individual equity for employees
d. Performance enhancement for the organization
Section Three
Organizational Performance

2.3.1 Introduction
The idea of overall performance of firms is very broad. It can be any outcomes, ranging from operations, marketing, human resources, customer satisfaction, and so on. The concept of firm performance has been addressed in various ways. There are many indicators that organizational performance can be defined such as the achievement of firms' increase in productivity (employee productivity and operational productivity), employee efficiency, employee turnover, financial performance (return on investment, ROI, return on asset, ROA), and market share, economic performance, customer satisfaction level, profitability, and so forth (Sang, 2005).

It has been widely reported that there has been a revolution in performance measurement in the last 20 years. The enormous interest in measurement has manifested itself in practitioner conferences and publications as well as in academic research. (Neely, 2004, p.145)
From an operations perspective, a BPM is mainly perceived as a “set of metrics used to quantify both the efficiency and effectiveness of actions”. (Neely et al., 1996, p.424)

The popularity among researchers of firm performance is financial performance depending on some indicators from financial and accounting point of views. Some other criteria can be used to measure non-financial performance, such as employee turnover, the concept of productivity, such as rework cost, scrap rate, defective rate, sales per employee, and so on.
Past studies have investigated impacts of HRM practices on: employee turnover and productivity (Huselid, 1995), on financial performance (Delery & Doty, 1996; Huselid et al., 1997), on customer satisfaction (Koys, 2003), and on operational performance (Ahmad and Schroeder, 2003; Jayaram et al., 1999).

There is no agreement founded on a Business performance measurement (BPM) definition, which creates confusion and blurry dimension. These different approaches towards performance measurement have led to numerous definitions of a BPM, and there is little consensus regarding its main components and characteristics. (Franco-Stantos, 2007, p.2)
Based on previous researches and with some efforts, the researcher chose three categories for business performance measures that commonly agreed by researcher; figure (2.6) illustrates business performance classification. This research is sought to advance a balanced and systematic understanding of how different performance measure types (operational, non-financial, and financial) may contribute to effective management that will lead for the organization success.

**Figure (2.6)**
*Business Performance classification*

![Business Performance Classification Diagram]

Source: Classifications that mostly agreed by researchers (aggregate by researcher)

1. **Operational Performance**
Many of scholars argued a number of criteria of operational performance measures. Among those, Ahmad et al have contributed various dimensions of operational performance measures such as cost, quality, delivery and flexibility (Ahmad and Schroeder, 2003). Vickery has introduced rate of new product launching, so called "speed" as another dimension of the measures (Vickery et al., 1997, p.317). Wheelwright emphasized efficiency, dependability, quality, and flexibility. (Wheelwright, 1978, p.61)
Besides those scholars described above, there are more contributors to the operational performance measures among those (Ferdows & DeMeyer, 1990; Youndt et al., 1996 and; etc). Youndt et al., suggested four dimensions: cost, quality, delivery flexibility and scope flexibility. (Youndt et al., 1996, p842)

Delivery flexibility was a timing of the introduction of new products and on-time delivery, scope flexibility was about variety of things: adjusting product mix, handling non-standardized orders and producing product. (Jayaram et al., 1999, p.15)

Based on those previous researches, this research identified the most common four dimensions of operational performance, which are commonly agreed upon in academic field. The four dimensions are:

**a. Product Quality**

Product quality is strongly required by customers. Madu et al identified eight dimensions for product quality; these are product specifications (features), product performance (product functions), product reliability, product serviceability (reparability of service), product durability (time period of product), product conformance, product esthetics, and perceived performance. (Madu et al, 1996, p1944)

Values come from four sources (product, services, personnel, and image) and product is said to have superior value when customers perceived value (CPV) is high, that occurs when the difference between the prospective customer’s evaluation of all the benefits and all the costs of an offering and the perceived alternatives is high. (Kotler, 2006, p.139)

**b. Low Cost Production**

Cost is one of the two main generic strategies, pursued and adopted to gain competitive advantage (Porter, 1980, 1985). Porter used value chain system to explain how costs can be saved from procurement till delivery processes. With, careful management organizations can save raw material handling costs, inventory costs, input utilization cost, and overhead costs, etc. According to Hussey, cost leadership provides two advantages: first, if its closest competitors compete in the same price range or market segment, the cost leader is able to capture more benefits due to its low cost structure; second, cost leader can charge low price than competitors, as a result, gaining more market share (Hussey, 1998, p.222).
Low cost production is the ability to reduce costs through efficient operations, process technology and/or scale economies. (Vickery et al., 1997, p.321)

c. Product Delivery

According to marketing guru Theodore Levitt: “The new competition is not between what companies produce in their factories, but between what they add to their factory output in the form of packaging, services, advertising, customer advice, financing, delivery arrangements, warehousing, and other things that people value” (Kotler, 2003, p.24).

In the 1990s, value has become the marketer’s watchword. Today, customers are demanding something different than they did in the past. They want the right combination of product quality, good service, and timely delivery. These are the keys to performing well in the next century. (Jain, 1995, p.394)

Service organization can differentiate from others by designing fast delivery network (Kotler, 2006, p.139). The idea of product and service delivery is not much different. Service-buying customers demand on-time delivery or even fast, so do product-buying consumers. No matter what kind of industry organizations operate in, on-time and fast delivery is very important to keep existing customers.

d. Production Flexibility

According to Yadav et al., manufacturing flexibility is a necessity to coping with disturbances in both internal and external organizational environments (Yadav et al., 2000, p.202). Production Flexibility is about the reduction of production lead times and set-up times, the development of new processes for new products, and offering workers a variety of tasks (Meyer et al., 1989, p.140). Production flexibility is the part types that the manufacturing system can produce without adding major capital equipment.

According to Vickery et al., flexibility is divided into three parts: (a) product flexibility is the ability to handle difficult, non-standard, or special orders; (b) process flexibility is ability to change product mix quickly and easily and achieve efficient cost production; (c) volume flexibility is the ability to scale product process up and down quickly to meet market demand. (Vickery et al., 1997, p.321)
2. Non-Financial Performance

Today, under the influence of globalization, environmental crises, and widespread ethical breakdown there is pressure to identify and report new, non-traditional, and “non-financial” measures of performance to get at newly recognized dimensions of enterprise value, success, and significance. These new demands emerge from a belief that social, environmental, ethical, and geopolitical factors materially impact the ability of a company or enterprise to perform favorably. (Herciu and Ogrean, 2006, p.17)

The human resources literature indicates that non-financial measures relating to employee morale, staff turnover, lateness and absenteeism have been used in human resource management since the 1920s. A key premise of the human relations movement was that positive attitudes towards work organization would result in a variety of favorable organizational outcomes, including enhanced productivity and reduced accidents, lateness, absence, and turnover. (Abdel-Maksoud et al., 2010, p.41)

3. Financial Performance

Assessing marketing (financial) performance is an increasingly important task for managers and other corporate stakeholders: (Neely, 2004, p.22)

A. Many firms are looking to provide fresh growth in profit through increasing sales after years of downsizing and instability, especially here in Gaza.

B. Multi-disciplinary perspectives on performance measurement, such as the balanced scorecard (Kaplan and Norton, 1993, p.315) are increasing the attention given to non-financial measures of performance in general, raising the issue of which marketing measures, if any, should be included in such schemes.

C. Investors and analysts are increasingly asking for information on the marketing performance of firms.

Assessing marketing performance is also very difficult to do. Unlike purely internal operation measures of performance, such as defects per million, marketing performance depends on external, largely uncontrollable actors, such as customers and competitors.
2.3.2 Consequences of HRM Practices

Consequences of human resources practices are results from the actual practices of HRM. Consequences of HRM practices could be operational outcomes, financial gains and non-financial outcomes. Operational outcomes are quality, cost, delivery, and flexibility. Financial outcomes are ROA, ROE, profitability, sales growth and market share, etc. Non-financial results are something like employee productivity, absenteeism, turnover, etc.

1. Operational outcomes

The association between HRM practices and operational performance at which manufacturing performance is part of operational performance, the use of criteria of manufacturing performance measures by scholars in researches are almost similar to operational performance one, has not been studied by many researchers. This topic did not draw much attention in the past years. Nowadays, it's been significantly increasing in numbers in both empirical evidences and theoretical concept.

Ahmad and Schroeder (2003), found that all HRM practice dimensions proposed by Pfeffer (1998), except employee security and status differences, are significant to operational performance. By testing analysis to see the correlation between the HRM practices and operational performance, they found that HRM are significantly related to operational performance. Moreover, by following the same method, they tested the impact of operational performance measures on HRM practices, the results were, HRM practices are partially supported.

Jayaram et al. (1999) examined the effects of individual HRM items (top management commitment, communication of goals, employee training, cross function teams, other HRM practices) on individual manufacturing performance dimensions (cost, quality, flexibility, and time). They found that HRM ‘bundles’ are important predictors of manufacturing performance and the focus on four different aspects of manufacturing performance (cost, quality, flexibility and time) presents actionable guidelines for managers.

MacDuffie (1995) used the survey on automotive assembly plants to identify the effect of HRM bundles on manufacturing performance. He found that a bundle of internally
consistent practices is more effective than the sum of the effects of the individual practices due to their mutually reinforcing and synergistic impacts on performance innovative. And assembly plants using flexible production system, with bundle HRM practices integrated with manufacturing policies under the organizational logic, performed well better than the ones using traditional mass production systems in terms of quality and productivity. The importance is that commitment from top management to flexibility or quality control can affect manufacturing performance on those dimensions.

It is obvious that each author mentioned some dimensions of HRM practices to improve operational performance of firms. So, it means that each item of the practices must own specific characteristics that firms can exploit to yield outcomes. According to those researches above, we can see that operational performance can be improved by HRM practices. Some of the practices need to be integrated with business strategies or functional strategies in order to have significant impact on firms' operational performance. *(Porter, 1985, p.111)*

2. Financial gains
Financial performance is Measuring the results of a firm's policies and operations in monetary terms. These results are reflected in the firm's market share, return on investment, return on assets, return on sales, profitability, etc.

Many researches on the effect of HRM practices on financial performance, ROA or ROE, are available. One of the most famous studies on this topic is from Delery and Doty (1996) showing improvement in financial performance as result of HRM practices, such as training, participation, and on. Kaya (2006) found that HRM practices are important for enhancing performance of the Turkish firms including financial performance. Huselid et al. (1997) found better performance in terms of cash flow and market value resulting from HRM effectiveness, teamwork, employee empowerment, information sharing, workforce planning, development, and so on. Uysal and Koca (2009) used the survey on companies operating in Turkey, they found a certain HRM practices have positive and significant relationship with financial performance
3. Non-Financial outcomes

Non-financial metrics are so valuable mainly because they predict future financial performance rather than simply report what’s already happened. Kaplan (2004) had warned that where senior managers place too much emphasis on managing by the financial numbers, the organization’s long term viability becomes threatened. In other words, to provide corporate decision makers with solely financial indicators is to give them incomplete set of management tools. (Kaplan and Norton, 1993, p.315)

Based on previous researches, the researcher selected some indicators that can reflect the non-financial performance:

a. **Employee’s Productivity**: Employee productivity is the key to an organization’s success. Employees who are not using their time and resources effectively are costing the company money. Unfortunately, measuring productivity can prove to be quite difficult especially in industries. (http://www.wisegeek.com/what-is-worker-productivity.htm).

Researchers have been conducted on how HRM practices affect employee productivity. Among those, Ichniowski et al, showed that training and development, team work, and appraisal were positively related to employee productivity. (Ichniowski et al, 1997, p.311)

b. **Absenteeism**: Absenteeism is the Voluntary non attendance at work, without valid reason. Absenteeism means either habitual evasion of work, or willful absence as in a strike action. It does not include involuntary or occasional absence due to valid causes, or reasons beyond one's control, such as accidents or sickness (Mathis and Jackson, 2004, p.91).

Absenteeism is considered as a negative sign and subject to discipline and dismissal. Most of researchers have contributed solutions on how to minimize or eliminate absenteeism rate inside an organization. Hirschfeld et al. (2002) revealed that those employees who perceived low performance-reward expectancies and who considered that their jobs were higher-skill variety or task significance tend to have high absenteeism rate. Brown et al (1999) revealed that two types of compensation policies had reduced the absenteeism rate.

c. **Turnover**: Like absenteeism, turnover is related to job dissatisfaction. Turnover occurs when employees leave an organization and have to be replaced. Excessive turnover can be a very costly problem, one with a major impact on firms’ productivity (Mathis and

d. **Customer Satisfaction:** Measuring customer satisfaction provides an indication of how successful the organization is at providing products and/or services to the marketplace. Customer satisfaction is a forward-looking metric. If customer satisfaction starts slipping, then market share erosion will soon follow. (Kotler, 2003, p.41)
Section Four

The Industry in Gaza

2.4.1 Introduction

The industrial sector, at which manufacturing is part of the industrial sector, is one of the productive sectors; it plays an important role in economic development, beside to its ability to make the required growth in all areas of economic, political and social. The development of the industrial sector has become a major goal for developing countries to achieve the desired economic development. The development of the industrial sector is the realization of a high rate of economic growth, job creation, and increase economic diversity necessary to achieve social and economic transformation in general. (Meqdad and abd-Goffa, 2007, p.729)

Development of the Palestinian industrial sector significantly increased its share in the Palestinian gross domestic product (8%) during the period of the Israeli occupation from 1967-1994 to be (16%) before the outbreak of the Alqsa Intifada in September 2000 (Nofal, 2003). This share in GDP has been decreased to be (14.6%) in 2003 (PCBS, 2004). Real GDP is estimated to have declined by a cumulative 13 percent since the imposition of Israeli restrictions on movement and access in 2000 up to 2008. Figure (2.7) shows per capita GDP.

Figure (2.7)

Per Capita GDP in West Bank and Gaza, 1997-2008

Source: Palestinian Central Bureau of Statistics and World Bank staff calculations
1. Definition of Manufacturing

There are many definitions of the manufacturing industry can be summarized in the most important: (Al-Ra’ai. 2003, p.10)

a. Manufacturing is known as "the industry which is involved in its activities the transformation of raw materials into finished products or intermediate products"

b. Can also be defined as "activities that is dealing with raw materials extracted from the Nature, agricultural, plant and animal, and converted to another form is subject to benefit from it.

2. Most Important Classification of the Industrial Sector

Industrial structure in the countries have been compiling and analyzing into several categories: (Al-asraj, 1997, P.45)

a. Classification on the basis of Quarrying industries and manufacturing industries

b. Classification on the size basis of the project, and is divided the industries to small and perhaps Medium.

c. Classification on the basis of project ownership, and divided the industry to private and public and mixed and possibly cooperative.

d. Classification on the basis of United Nation system for classifying industries. International Standard Industrial Classification (Isic) which is the most common used, the industry has been categorized under this classification and divided to three major groups as follows:

- Mining and quarrying
- Manufacturing
- Electricity and Water

Under these categories, manufacturing industries has been divided and classified into several sectors:

- Manufacture of food and beverages
- Manufacture of textiles
- Manufacture of wood and its products
- Manufacture of paper and its products
• Manufacture of chemicals and its products
• Manufacture of metallic and non-metallic products
• Manufacture of leather
• Other manufacturing

It is worth mentioning that the existing classification structure of the industrial sectors in Palestine use the International standard industrial classification (Isic). (PCBS, 1996)

3. Basic Features of the Palestinian Industrial Sector
Industry sector was not able to raise its contribution to GDP since 1994 to 2006, while the percentage contribution of industry to GDP ratio in 1994, was 11.5%, this ratio has to be about 12.6% in 2006, even though gross domestic product in 2006 was approximately $41070 million. It is noted that the rise of the industrial sector in GDP in 2006 compared with previous years is not due to substantial improvement in the share of industry in GDP, but rather that the main reason for the decline in GDP for that year, where the value added of the industry during the years of the Intifada did not exceed, at best, $ 476 million compared to $698 million during the year 2000. And notes is that these indicators are all violated the expectations made by end of year 2000 in that the contribution of the industrial sector in GDP will reach about 21% in the year 2006.

The reason for this decline is due to several external and internal factors, including the ongoing restrictions and complexities of the Paris Protocol in the face of the Israeli Palestinian industry, in particular, as well as the tendency of the Palestinian capital to achieve quick profits through service projects in trade, construction, tourism and real estate.... Etc.

The industrial sector's contribution to the operating rate is 12.5% in 2006, which shows the decline in the contribution of industry in operation compared to previous years which amounted to 14.3%, 13.9%, 12.9%, 12.5%, 12.7%, 13%, for the years 2000 - 2005. These percentages have been calculated based on the total actual employment in the Palestinian economic sectors, and parallel decline in employment, has fallen as well as the number of establishments in the industrial sector to approximately 12211 establishments in West bank and Gaza strip in 2006 compared to about 14509 establishments in 2000, it is worth
mentioning that decline in employment rates in the industrial sector has increased with the rise in unemployment in the Palestinian territories. (Alsourani, 2006, p.43)

4. Basic Features of the Palestinian Economy
   a. The Economical Situation in the Occupied Palestinian Territories (OPT)
      - Before the Dec. /Jan 2009 Military Operation on Gaza Strip
        The economic situation in Gaza has steadily deteriorated since the onset of the second intifada in September 2000. Tightened restrictions on movement of goods and people have led to private sector collapse, eroded the productive base and left hundreds of thousands of people unemployed. It is significant to note that the industrial sector situation prior the Dec./Jan 2009 operation was not ideal and was heavily affected by the constraints of the 18 previous months (June 2007 – December 2008). (PSCC, 2009, p.1)

Blockade imposed on Gaza causes restrictions on the amounts and types of good allowed through the borders, and total banning of export operations which lead to the closure of most of the industrial establishments and the complete halt of construction work.

The economic situation had been deteriorating since the year 2000 in the Gaza Strip, where private sector establishments were struggling to survive through continuous closure, stagnation and military incursions. The direct damages to the private sector during previous Israeli incursions and air-strikes for the period from September 2000 to March 2007 were estimated to be about US$400 million (i.e. US$332 million at agricultural sector, US$37 million at industrial sector, US$24 million at trade sector, and US$5 million at tourism sector). (PSCC, 2009, p.5)

The closure policy on Gaza since the Hamas takeover of Strip on June 14th, 2007 continues to erode the Strip’s industrial backbone. Over 54% of employment in Gaza was private sector-driven prior to the closure. Manufacturers imported 95% of their inputs. About 76% of their furniture products, 90% of their garments and 20% of their food products used to be exported to Israel, and some to the West Bank. The Palestinian Federation of Industries (PFI) estimates that 98% of Gaza’s industrial operations are
now inactive. According to PFI, of Gaza’s 3,900 industries, 23 are operating. *(World Bank, 2008, Okasha, 2008, p.1)*

- **One Year after the Dec. /Jan 2009 Military Operation on Gaza Strip**
  The Dec. /Jan. 2009 military operation on Gaza Strip resulted in overwhelming casualties and destruction of homes, livelihoods, and infrastructure. The Gaza private sector was devastated, and most industrial establishments, agricultural lands and support infrastructure were either totally or partially destroyed and were unable to operate as needed.

  After the military operation, assessments of the damage of the private sector (not including Agriculture) indicated that around 1165 private sector establishments were damaged (partially and fully) during the last military operation on Gaza, the preliminary claimed value for direct physical damages was estimated to be around US$140 million (not including agricultural damages). *(PFI, 2010, p.2)*

  Realizing that around a third of those damaged were within the industrial sector (around 324 establishments with highest value of losses), and with the continued closure of borders and the lack of access to construction materials, raw materials for production, machinery and spare parts, there was a need to highlight the progress of these damaged establishments. *(PSCC, 2009, p.2)*

  Table (2.3) shows some data of employment, firm numbers, and exports for the furniture, garment, and processed food sectors before the Closure, during the Closure, and since the War on Gaza.
Table (2.3)
Summary of the key sectors situation during three different periods

<table>
<thead>
<tr>
<th>Manufacturing Industry</th>
<th>Normal Situation 2005</th>
<th>During the closure 2008</th>
<th>After Gaza War April 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture</td>
<td>6500</td>
<td>600</td>
<td>168</td>
</tr>
<tr>
<td>Garment</td>
<td>25000</td>
<td>660</td>
<td>172</td>
</tr>
<tr>
<td>Processed food</td>
<td>2500</td>
<td>100</td>
<td>140</td>
</tr>
</tbody>
</table>

Source: Palestinian Federation of Industries “PFI”

b. Construction of Gaza’s Economy: Gaza’s economy mainly consists of four sectors: (Okasha, 2008, p.5)
- Industry sector (6-12%)
- Service sector (45-60%)
- Agriculture sector (20-35%)
- Construction sector (18%)

Almost all Gaza businesses depend on imported raw materials and other supplies that must pass through the Strip’s heavily secured border crossings with Israel, a procedure that has debilitated the economy over the years. With the sustained closure currently imposed on the crossings, the economy is on the brink of an irreversible collapse, possibly leading to long-term dependence on humanitarian assistance.

According to World Bank and PCBS estimation for 2008, manufacturing output was approximately 23 percent lower than its peak in 2005 and nearly 20 percent lower than in 1999. The fact, that the Palestinian economy is affected by the siege imposed by Israel, which has a great impact on its development and upgrading. (PalTrade, 2008)

The fact, political, economic and social conditions continued to deteriorate in the occupied Palestinian territory (OPt), table (2.4) shows the industrial declining in Gaza.
Productivity in all industries has fallen in Gaza Strip, and the industrial sector suffered much damage because of the continued siege and closure.

Table (2.4)
Industrial decline in Gaza

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Working Establishments</td>
<td>3,900</td>
<td>780</td>
<td>250</td>
<td>195</td>
<td>130</td>
<td>90</td>
<td>200</td>
</tr>
<tr>
<td>Industrial Employees</td>
<td>35,000</td>
<td>4,200</td>
<td>2,000</td>
<td>1,750</td>
<td>1,300</td>
<td>860</td>
<td>1,900</td>
</tr>
<tr>
<td>Exports from Gaza (truckloads)</td>
<td>748</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Palestine Trade Center (PalTrade) interviews with local business associations
* These figures were gathered prior to the beginning of the Israeli military operation on December 27, 2008.

2.4.2 The Importance of Manufacturing Industries in the Palestinian Authority Territory

Manufacturing industries are important for an economy as they employ a huge share of the labor force and produce materials required by sectors of strategic importance such as national infrastructure. The manufacturing industry is a vital part of the Palestinian industrial sector in general, the number of manufacturing institutions in West bank and Gaza strip is 15,340 institutions in 2007. Table (2.5) shows that manufacturing firms represent 95% of the Palestinian industry sector and number of persons engaged (employees) are 62,832 employees that represent 92.7% of the total employees in the Palestinian industrial sector.

Many economists argue that the economic health of manufacturing has important implications for other industries. The data of Palestinian Central Bureau of Statistics (PCBS) indicate that the manufacturing sector contributes approximately 88% of the total value added of the industrial sector for the year 2006, which illustrates the relative weight of the importance of this branch for the industrial sector. Studying the situation of the Palestinian industrial sector in general and the manufacturing sector in particular, require us to pay deep attention. due to the importance of the manufacturing sector in Palestinian community development, we can identify the nature of the existing industries and its relative weights to find out the possibility of developing a vision and an industrial policy that help some branches to develop its competitiveness.
In Gaza strip, the number of manufacturing institutions is 3040 institution in 2007 that represent 92% of the total industry sector in Gaza strip and the number of employees was 15105 that represent 87% of the total employees of the total industry sector in Gaza strip, Table (2.5) illustrates those percents. (PCBS, 2008)

Table (2.5)
Number of institutions in the Palestinian industry sector

<table>
<thead>
<tr>
<th>Economic Activity</th>
<th>West bank &amp; Gaza strip</th>
<th>West bank</th>
<th>Gaza strip</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of institutions</td>
<td>No. of employees</td>
<td>No. of institutions</td>
</tr>
<tr>
<td>Mining &amp; quarrying</td>
<td>299</td>
<td>1,851</td>
<td>298</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>15,340</td>
<td>62,832</td>
<td>12,300</td>
</tr>
<tr>
<td>Electricity and water supply</td>
<td>477</td>
<td>3,064</td>
<td>212</td>
</tr>
<tr>
<td>Total industry sector</td>
<td>16,116</td>
<td>67,747</td>
<td>12,810</td>
</tr>
<tr>
<td>Ratio of manufacturing to the</td>
<td>95%</td>
<td>92.7%</td>
<td>96%</td>
</tr>
<tr>
<td>total industry sector</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: PCBS, 2008.
N.B: ratios in the table are calculated by researcher
Chapter Three
Previous Studies

3.1 Introduction
3.2 Palestinian (Local) Studies
3.3 Arabic Studies
3.4 Foreign Studies
3.5 General Commentary on Reviewed Studies
3.1 Introduction
A number of published researches/papers in certified journals are viewed for the purpose of this research, focusing on HRM-Performance relationship in other areas of the world. Due the fact that Palestinian and Arabic papers on the topic per se are rare, at which those were focused on one function of HRM, only few are being cited that examined one of HRM dimensions, to highlight the importance of these dimensions.

The research depends on the foreign researches that match research objectives, as the main source of quotation and comparison.

3.2 Palestinian (Local) Studies


This research focuses on the in the banking sector operating in Palestine, 375 questionnaires was distributed to the specialists which is about 10% of the research population that contains (3674) employees in the banking sector operating in Palestine.

Research Purpose:

This research aims to evaluate the status of human recourse development in the banking sector operating in Palestine and means of development, the research also aims to identify all deferent aspects of this development and identify the strengthens and weakness points in human recourse planning and management in the banks.

Research Conclusions:

- The research concluded that banks in Palestine have a clear policies and plans in order to develop human recourses. These policies and plans are effectively implemented
- There is a progress in the followed and used policies in developing the human recourse and there is an updating with what is new in the science of human resource
- There is a sufficient crew of employees working in the human recourse department
- There is a financial provision in order to develop the human recourse in the operated banks' budget in Palestine.
Research Recommendations:

- Increasing the senior management conviction of the importance of human resource management and development in the banks
- Enforcement and development of the relationship between senior management of banks and the Department of Human Resources
- Increasing the degree of the authority delegated to the human resources management to be commensurate with the role and size of their responsibility
- The Banks operating in Palestine must continue in developing plans and policies for the effectiveness of human resources management.
- Increasing staff awareness of the objectives of bank’s human resource management
- Continue in designing and updating the existing training programs which is serving the banks objectives.


This research focuses on the Palestinian Police operating in Gaza strip, with a sample of 175 police officers. The research examines five HRM practices (special regulations for human resource development functions, Level of qualification of human resources development regulations, regulations and procedures for working on HRM application, the development of these systems and procedures, and Level of qualification of staff based on these systems) and their impact on human resources management and development requirements.

Research Purpose:
This research aimed at introducing the management and human resource development at the Palestinian Police in Gaza Strip from the view point of Police officers.

Research Conclusions:
The research concluded the following:

- The function of Management and Human Resources Development is nearly unavailable at the police system and the level of satisfaction of this function is very low, in addition to nonexistence of executive laws and procedure that help in designing and implementing this function.
• The top management is not concerned about developing those systems and the laws that facilitate the police work. The nonexistence of systems and laws that control employing police officers led to a large number of disqualified personnel.

**Research Recommendations:**

• A specialized administration for managing and developing human resources should be established at the police system. This administration will focus on all activities related to police officers from their employment until retirement, and it should focus on occupational rehabilitation for all police personnel. Also, this administration should prepare a plan for the man power which includes the developing programs, performance appraisal and incentives.

• Establishing a research center for the police administration which coordinates with the department of management and human resource development in preparing a plan for developing and rehabilitating the human resources at the police system, in addition to studying the cases of officers and individuals and determining the shortcomings in the administrative system and human resource management.

• Creating a special law for Palestinian Police like other countries in the world.

3. Awad (2005): “Examining and Analyzing the Performance Appraisal System that Applied in the Palestinian National Authority's (PNA) Institutions, and Exploring the Nature of This System”

This research focuses on the Palestinian National Authority's (PNA) institutions, with a sample of 520 employees from different PNA’s institutions which are consist of 23 institutions. The research examines one element of HRM functions (Performance appraisal systems) and their impact on Palestinian National Authority's (PNA) institutions.

**Research purpose:**

• Clarify the concept of staff performance assessment process, and indicate the importance of that process for employees and the organization together

• Research criteria and elements of performance measurement used by the Palestinian National Authority to judge the performance of staff
• Research ways and means of measurement (descriptive or numerical) used by the Palestinian National Authority to measure their employees performance
• Indicate what are the problems and gaps and weaknesses in standards and means of measurement used by the Palestinian National Authority
• Propose solutions and recommendations to address the problems and obstacles to the effectiveness of the evaluation process

Research Conclusions:
• The research shows a general weakness in the system and lack of commitment and seriousness form the higher administrative levels in the PNA to apply an effective system and then analyzes its results to aid in reforming and developing the management systems.
• The employees had negative impression about the system, due to the lack of career planning as well as job descriptions to most of the jobs.
• Errors founded in setting the standards at which an employee being appraised, especially when the setting of such standards are all in the supervisors’s hands which leads to improvisation and lack of objectivity.
• There is clear shortage in analyzing and passing feedback in the system which reduces the benefits from it.
• There is a shortage in settings the rewards suitable for the efforts and lack of training for the supervisors and the employees
• The system is so complicated and consists of too many steps and depends only on one form to appraise all the employees, regardless of their technical or educational background.

Research Recommendations:
The research proposed some recommendations to overcome the weaknesses, most important of which is:
• Through taking the process of appraisal more serious by all levels of the PNA
• Activate the standards setting approach to be more accurate and equitable
• Involving more than one superior in the appraising system's activities like either in appraising or in standards settings


This research aimed to analyze the current practices of human resources management in non-governmental institutions in the Gaza Strip and the ways of development, and the problem statement of the research is to know the reasons for the weakness and the slow process of development, management and development of human resources in these institutions.

Research Conclusions:

• In the absence of some clear and written laws and regulations, in the lack of regulations and laws in many of the important items necessary for the development and human resources management, and in the absence of some overall strategies, the non-governmental institutions do not experience planning within a clear methodology.

• There are no labor market studies in institutions, and the methods of recruitment confined to newspaper ads, and selection is done by hasty personal interviews and not structured well.

Research Recommendations:

• The formulation of clear written strategies for the management and development and human resource.

• Develop the administrative leadership systems and methods, and reviewing and changing the organizational structure periodically and in a systematic way.

5. Mohaisin (2004): “Satisfaction of UNRWA’s Staff in Gaza Strip on Compensation and Incentives Systems”

This research focuses on UNRWA-Gaza, with a sample of 254 employees from different departments.
Research Purpose:
This research aimed to explore the satisfaction level of UNRWA’s employees on the compensation and incentives systems, that done by analyzing the correlation ship between compensation, incentives, and personnel data.

Research Conclusions:
- There is low level of job satisfaction for the employees which was 58, 82%
- There is low level of grad satisfaction for the employees which was 55, 36%

This research focuses on the Small and Micro-Enterprises (MSEs) in Palestine, with a sample of 127 respondent managers who attended the management training courses between 1995 to 2000, from five different areas (Gaza, North, Middle, Khanyones and Rafah). The host managerial skills offered in the development programs will be divided into main categories namely: Self, People and task-related skill categories.

Research Purpose:
This research aim to explore the contribution of management training programs (MTPs) to the development of managers and their businesses in Palestine.

Research Conclusions:
The existence of a management skills for managers of SMEs have been developed jointly in the training programs that led to the development of SMEs itself in several areas, including: increasing the number of markets to sell their products, the degree of success of the enterprise, and increased investment which led to profitability to be increased.

Research Recommendation:
Future researches in management training programs (MTPs) to enhance the strategic planning and performance of SMEs.

This research focuses on Birzeit University, with 63 questionnaires were distributed to employees from different colleges in Birzeit University.

Research Purpose:

- Explore the effectiveness of employees’ performance appraisal process.
- Explore the contribution degree of the performance appraisal on employee’s development
- Explore the fairness degree of performance appraisal.

Research Conclusions:

- The performance appraisal process was routinely and traditionally performed, and the appraisee didn’t receive any type of feedback about their performance.
- About 66.6% of respondents confirm that they didn’t receive any incentive or promotion for their superior performance.

3.3 Arabic Studies


This research focuses on the economical institution in Algeria; descriptive analysis was used to describe the importance of training and its impact on the organizational performance

Research Purpose:

- Explore one of the main HRM components which is training by which the organizational-level performance will be boosted.
- The relationship between training and organizational performance

Research Conclusions:

- Training programs significantly improve organization’s products quality.
- Training programs significantly improve organization’s products quantity.
- Training programs significantly improve organization’s employee ability.
• Training programs significantly improve organizational performance.

Research Recommendations:
• The need to apply modern training course to pursue rapid technology improvement.
• The training must be design based on training needs assessment procedure.
• The training programs should be in-job-training and off-job-training.

This research focuses on Saudi publicly held corporations, with a survey of 86 respondent managers of human resource departments who are operated in Saudi publicly held corporations. Research population and sample were all human resource departments at publicly held corporations that are listed in the Saudi stock market by the end of year 2006

Research Purpose:
Because that Saudi publicly held corporations play a significant role on the Saudi economy, the research is directed to research the ability of human resource departments of Saudi publicly held corporations in facing challenges, developments and global competition.

Research Conclusions:
• Most managers of HR departments of Saudi publicly held corporations show low levels of self development and little participation in training courses.
• Most managers of HR departments of Saudi publicly held corporations are highly qualified and hold executive positions
• There is a clear impact of activity type, number of branches and total number of company employees on the number of employees who work at HR departments

Research Recommendations:
• The need to apply modern concepts of human resource management at Saudi publicly held corporations
• Raising the awareness of HR managers of the importance of vocational education available through participation in professional magazines, journals, and conferences.

This research entails one of the most important subjects, which is the job Performance Appraisal System. In the practical aspect the research used a questionnaire form to gather information by the random method from a sample containing (346) individuals from senior and junior employees in some ministries and administrations, in the public sector in Jeddah governorate.

Research Purpose:

- To illustrate the importance of The Performance Appraisal System and the importance of linking it to the actual performance of the employee without concentrating largely on other aspects away from performance, like personal traits.
- To illustrate show the aspects of weakness and impairments in the Performance Appraisal System currently applied in government organizations. And an attempt to know the attitudes of senior and junior employees about many points in the research and to fulfill the goals of the research,

Research Conclusions:

- Generally the Performance Appraisal system has a role in impairing the general employees’ performance
- Both types of employees are convinced of the importance of the application of the Performance Appraisal interview
- Both types of employees agree on the importance of change of the methods currently applied in Appraisal
- Lack of continuous feedback leads to impaired performance and of non acceptance of the Appraisal results
- Both types of employees agree on the importance of providing of continuous feedback
- Both types of employees agree on that the timing of annual performance of Appraisal is a cause in the impaired performance
Research Recommendations:

- There must be training courses for the senior employees about the job Performance Appraisal System.
- The employee must receive a copy from his Appraisal result, then to discuss it with him (actually applying the performance Appraisal interview).
- The employees must receive continuous feedback about their performance all over the year.
- The Appraisal results must be linked directly with the different job decisions concerned with the employee like promotions and annual increments.


This research focuses on the profit organizations, whether public or private and excluded non-profit organizations. Analytical method has been to build on the competitive advantage, maximize entries in the organization and to identify the dimensions of human resource development in the organization.

Research Purpose:

This research aimed to illustrate how organizations can achieve competitive advantage through investment in human resources development.

Research Conclusions:

- The expenditure on training and development (T&D) is not a cost but a return on investment expenditure, like any other investment in machinery or marketing programs, and thus must be regarded as an investment item in the budget planning or investment in the modern organization.
- Organizations must measure the activities related to human resources, and evaluate human resources based on its values and based to the quantitative economic standards, in order to measure the return on human capital and raise its value.
- Organizations should be looking for intellectual skills and creative ideas and innovative potential of their human resources which are untapped so that they can invest to extract a higher value through the development and turn them into profit.

This research focuses on the Jordanian journalistic (press) institutions, comprehensive survey has been used based on criteria has been made by the researcher which based on press institution that employed 50 people and above from 21 journalistic (press) institutions that operate in Jordan.

Research Purpose:

This research aimed to identify the efficiency and effectiveness of human resources management strategies in the journalistic (press) institutions in Jordan and their relations to the organizational performance.

Human resource management functions which included in this research are: human resources planning, selection and recruitment, employee performance evaluation, and training

Research Conclusions:

- There is a positive relationship between the efficiency and effectiveness of strategies for human resources planning valuable journalistic (press) of Jordan and institutional performance
- There is a positive relationship between efficiency and effectiveness of strategies for selection and appointment in the Jordanian journalistic (press) institutions and institutional performance
- There is a positive relationship between the efficiency and effectiveness of strategies to assess the performance of workers in the Jordanian journalistic (press) institutions and institutional performance
- There is a positive relationship between efficiency and effectiveness of training strategies and institutional performance

This research focuses on the Head Quarter (H.Q) of the University of Qadisiya, comprehensive survey has been used with 90 questionnaires distributed to cover the target group which is represented by all the employees who is working at Qadisiya’s H.Q.

Research Purpose:

- Analyze of the human resource management practices at the head of the University of Qadisiyah, in the areas of the strategic and operational roles of human resources practice at the head of the University of Qadisiyah and how is the implementation of human resource management activities at the head of the University in order to achieve the executives and employees satisfaction for the performance of Human Resource Management.
- Illustrate the contributions of human resources management in the development of the organization and achieve its goals, and achieve its employee’s objectives
- Explore the availability of feedback from employees and executives, and degree of satisfaction with the functions of the Department of Human Resources

Research Conclusions:

- University's structure is free of an independent unit for the Human Resources Department, it was assigned to the Administrative Department, and this naturally leads to fragmentation of functions and dispersion of efforts and the difficulty of development.
- There is a weakness in the incentive system in place at the university which will reflect negatively on the standard of living for employees, as well as poor motivation in completing the tasks assigned to them
- Effectiveness of the operational role practices of the management of human resources is higher than the effective of the strategic role practices, that leads to unbalance situation, that reflect what the senior management are believe in that the operational role is a cornerstone in the achievement of organizational objectives
- There is good satisfaction for employees of some variables related to the satisfaction of human resource functions.
Research Recommendations:

- The awareness of the importance of the role of human resources management in educational institutions is needed, developing and enhancing the human resource strategies is needed through the developmental abilities and potential of the employees, by providing training programs and courses.
- Executives and employees involvement with professionals in the preparation and design of the human resources management system, incentives and performance appraisal is needed.


This research focuses on performance level of the receptionists in the military hospital military hospital in Ryadh and Alkharj, with a sample of 22 of top management and 184 of employees.

Research Purpose:

The aim of this research is to the performance level of the receptionists and their influential factors. This is of great benefit in designing and adopting training programs to promote performance of those employees.

Research Conclusions:

- There is no adequate training to meet the needs of the receptionists.
- There is a shortage of planning in the reception desks where they work.
- There is no incentive or promotion system for superior works.
- The incentive means to promote the high performance level for the receptionists in the military hospital are not based on work-based.


This research focuses on the Jordanians Commercial banks in Amman Governorate, random sample of 200 employees distributed on 13 commercial banks were used.
Research Purpose:

- Describe of the HRM functions and objectives in the Jordanian banks
- Know employees’ views in the human resource management and determine the extent of similarities or differences between their views
- Research the effect of some personal and functional factors and functional on the awareness of commercial banks’ employees in HRM functions and objectives.

Research Conclusions:

- Respondents are aware of HRM dimensions and its objectives.
- The most important functions in the Respondents’ views lie in the design of incentive systems.
- Respondents are aware of HRM Objectives, in helping the bank to achieve its objectives.
- Occupants of supervisory positions feel the importance of wages design and salaries, the orientation for new employee, and the development of cooperative relations between management and labor Unions.
- High educated employees are not fully aware of the objectives of human resources management
- Participation in training courses did not make respondents, who involved in these courses, aware of the importance of HRM functions, in their view “the Administration was established to help the bank in achieving its objectives; it is not interested in achieving the employees’ objectives, upgrade their skills, improve the quality of their lives, and achieve their job satisfaction.

Research Recommendations:

- Aware the commercial banks’ staff of Human Resources Management functions
- Support of Top management in the bank for Human Resources Management
- Aware the commercial banks’ staff of Human Resources Management objectives.
3.4 Foreign Studies


This research focused on the Malaysian private company with a sample of 153 private companies. The research examined six HRM practices (Training and development, team work, compensation/incentive, human resource planning, performance appraisal and employee security) and their impact on the overall organization performance which is also composed of Six items were rated using a multi-item method in the questionnaire (employee productivity, product quality, product mix, change capacity, yield rate of products, and production time)

**Research Purpose:**

- To review the literature findings available from other researches
- To examine the relationship between HRM practices and performance of the organizations in the medium scale enterprises in Malaysia
- To identify commonly HRM practices effect on Malaysian private companies’ performance. This research is expected to become, in an important part, a meaningful guideline for human resource management practitioners also it could support the Malaysian governmental vision to be one of the developed nations by 2020.

**Research Conclusions:**

It was concluded that this research has achieve its main objective, which is to, research about the effect of HRM practices towards business performance in the context of private firms in Malaysia

The research reveals that:

- Four indicators of HRM practices (Training and development, Team work, Human resource planning and performance appraisal) significantly correlated and affecting business performance in the business with the exception for compensation/incentives and employees security.
- Compensation/incentives and employees security are not significantly influence the overall business performance in the Malaysian business organization.
In conclusion we can say all six HRM practices help improve firms’ business performance including employee’s productivity, product quality and firm’s flexibility.

**Research Recommendations:**

- Further analysis is needed on the pre-existing differences between the groups with respect to medium scale and small scale business organizations particularly HRM practices rate, which could impact future usages of HRM into all organizations.
- Further analysis is also needed to determine the potential moderating effects of ideology of its owner, size and technology usage of the firm.


This research focused on the food companies operating in Greece (Greek food industry) with a sample of 372 companies. The research examines six HRM practices (Compensation Policy, Training and Development, Selective Hiring, Information Sharing, Job Security, and Decentralization) and their impact on the firm’s growth. Growth was measured as compared to the industry’s average, six measures of firm growth: sales growth (actual, perceived)

- Four perceived areas: perceived sales growth, perceived market share growth, perceived overall improvement, and perceived firm growth.
- Two actual areas: sales growth, actual firm growth based on the last 3 years firm performance.

**Research Purpose:**

This research aims to assess the extent, if any, to which, specific HR practices may contribute to firm growth in food companies operating in Greece. Firm growth is often seen as an indication of market acceptance and firm success and it is considered as a top strategic priority for most firms.

**Research Conclusions:**

It was concluded that this research has achieve its main objective, in which the effect of HRM practices towards firm’s growth was investigated, and it was concluded that:

- Compensation policy was related to all perceived firm growth measures, being the strongest predictor of sales growth and the weakest of firm growth. Linking sales
with compensation benefits can be an explanation of the high correlation between compensation policy and sales growth.

- Training and development was related to all firm growth measures but it showed higher correlation to overall firm performance improvement.
- Decentralization and team working was significant factor of firm growth.
- Information sharing was significantly correlated to sales growth, firm growth, and overall firm performance improvement.
- Selective hiring was strongly correlated to perceived market share growth.
- Job security, was significantly correlated to firm growth, was not an important HR practice.

All five HR practices contributed to perceived sales growth, overall firm performance improvement, and firm growth.

**Research Recommendations:**

- Future research could clarify the causal relationship between HR practices and firm performance.
- Future research could focus in the market-based competitive advantage approach; the market-based approach can provide another theoretical basis than resource-based view of competitive advantage, in order to examine the effect of HR practices on firm performance.


This research focused on companies operating in Marmara region in Turkey, the Sample of this research is 188 employees. HRM items were factored into recruitment, training, performance-base compensation and promotion. The firm performance divided into two parts (organizational performance (non-financial) and marketing performance(financial)).

**Research Purpose:**

- To discuss matters with HR and firm performance in the Turkish companies.
• To increase hierarchical effect of HR practices on performance of both employees and firm
• To understand the need for professional implementation of HRM.

Research Conclusions:
• HR variables have positive and significant relationship with organizational performance. Therefore ‘HR has positive and significant relationship with organizational performance’ is accepted
• Attract ability-employees for organizational needs (recruitment).
• Increased knowledge and doings develop efficiency in operations to reach operational purposes (training).
• Increases employee performance respectively by performance-based compensation model used that enhances the organization performance more than marketing performance.
• Develop promotion system enhancing the organizational performance with little tendency for the marketing performance.

Research Recommendations:
• Including demographic qualifications of companies, because the results of this research cannot be generalized to other companies in Turkey, because the demographic qualifications of companies in didn’t realize in the sample.
• Including dimensions between asset and liability can show transformation effect in company operations. To clear out effectiveness of companies in transformation of resources to the products, observe value-change in company products

This research focuses on Taiwanese steel industry, total 292 questionnaires were distributed HRM items were factored into training and development, team work, compensation, HR planning, performance appraisal and employment security.
Research Purpose:
This research aims to investigate the effects of HRM practices on the business performance. HRM practices construct of training, team work, compensation, HR planning, Performance appraisal and employee security.

Research Conclusions:
- All six HRM practices help improve firms’ business performance,
- By combining all six HRM practices into a system, HRM practices do not substantially influence business performance.

The research focused on hotel industry in India, with a sample of 439 hotels, ranging from three-star to five-star deluxe.

Research Purpose:
- To investigate whether some specific characteristics of hotels affect organizational performance in the hotel industry in India such as category, age of organization, size of organization (in capital and in number of employees terms), and type (chain or individual).
- To investigate whether some HRM systems such as recruitment and selection, manpower planning, job design, training and development, quality circles, and pay system affect organizational performance in the hotel industry in India.

Research Conclusions:
- Hotel performance is positively associated with category and type.
- Hotel performance is positively related with HRM systems:
  The resultant correlation coefficients show that all correlations between the six HRM practices and performance are positive, highly significant and in most cases their values are rather high.
Research Recommendations:

- For category: it would be advisable for the hotel to increase its category, because it would be more convenient to position a higher category hotel in the hotel industry, thus attracting prospective guests.
- For type: it would be advisable for the hotel to belong to a chain, since performance levels in that situation are always above those achieved by independent establishments.
- It would be advisable for the hotel management to focus on the “best” HRM practices for the hotel industry in India. Improvement of these HRM practices may develop competitive advantages for the hotels that adopt these practices.


This research focused on public and private firms in the manufacturing sector in Eritrea. The data were gathered from a sample of 82 randomly selected firms. Dependent variables are average annual employee turnover, absenteeism, grievances and productivity from company records. Independent variables are HRM practices which have been divided into five practices: recruitment, selection, training, employee development and compensation.

Research Purpose:

This research investigates the relationship between human resource management (HRM) practices and organizational performance in Eritrea as one of the developing countries.

Research Conclusions:

- There is no relationship was found between selectivity in staffing and organizational performance.
- The results suggest that employee turnover decreases as firm’s compensation package increases.
- The results also suggest that employees tend to remain in organizations where there are more opportunities for promotion and development
- These HRM practices are not associated directly with reduced absenteeism
• Compensation activities were the only HRM practice that had significant impact on reducing employee grievances
• The results suggest that productivity increased in firms that care about the advancement of their employees (employee development).
• Training didn’t appear to contribute significantly directly to increased productivity

Research Recommendations:
• Managers should realize that not all HRM practices are equally important. They need to invest in HRM practices where they can promote firm performance by implementing HRM practices that match employee’s ability, skill and knowledge.
• Managers must also strive to integrate HRM practices with one another if they are eventually to have an effect on firm performance

This research focused on 23 industries in the Greek manufacturing Sector. A sample of 600 organizations was used. The HRM items were factored into two factors. The first factor contents of recruitment, selection, separation, flexible work arrangements, training, monitoring training, career development, work design, performance appraisal, job evaluation and promotion arrangements. The second factor contents of Compensation packages, incentive schemes, benefit package, employee participation, employee involvement, communication, and health and safety.

Research Purpose:
The purpose of the research is to determine the extent to which individual HR practices and/or HRM systems directly enhance business performance in the Greek manufacturing sector. The

Research Conclusions:
The research supports the impact of HRM system on the organizational performance and also explains the mechanisms through which HRM systems improve organizational performance.
• HRM systems positively affect HRM outcome
• HRM outcomes positively affect organizational performance
• Both HRM systems and HRM outcomes positively affect organizational performance. Those all results supporting the research hypotheses and the previous researches.

Research Recommendations:
• Managers should give more attention for HRM as strategic role in the organization to achieve their organizational objectives.
• Managers should recognize that changes in employee skills, attitudes and behaviors that are caused by HRM policies precede changes in organizational performance.

This research focused on the Turkish industries, Data were collected from a survey of 124 firms in different Turkish industries. HRM practices has been expressed by Behaviors and attitudes, Extensive training, written policy, Interaction facilitates, Training in multiple functions, Incentives to meet objectives, Communication of strategy, Feedback on performance, Team activities, and Training on job skill. Corporate entrepreneurship has been expressed by Risk taking, Innovativeness, and proactiveness. Firm performance has been reflected by Sales growth, Market share growth, Return on sales, Return on assets, Overall profitability, Product/service quality, new product/service development capability, Job satisfaction of employees, and Customer satisfaction.

Research Purpose:
This research aim to illustrate the important role of human resource management practices with a link between corporate entrepreneurship (CE) and firm performance through investigation of how HRM practices is related to firm performance, how corporate entrepreneurship related to formal human resource management practices, and how HRM practices are a mediator between CE and firm performance.

Research Conclusions:
• HRM practices play a mediation role between CE and firm performance.
• HRM practices items are important for enhancing firm performance.
Corporate entrepreneurship has both direct and indirect effects on firm performance.
Entrepreneurial behaviors within a firm may be enhanced by HRM practices by supporting participative decision making, risk taking and implementation of innovations.

Research Recommendations:
- Turkish firms should develop effective and proactive HRM strategies, systems and practices. The HRM system and strategies should be in harmony with the firm’s overall business strategies
- Future longitudinal research could examine the process of implementing HRM practices.

This research focused on the hotel industry sector in USA, Data were collected from a survey of 106 hotels in different hotel industries. The independent variable was HRM practices covering six HRM domains (staffing, training and development, performance appraisal, performance rewards, employee relations, and internal communication systems). The dependent variable in this research was organizational performance (annual turnover rates, labor productivity, and sales growth rate)

Research Purpose:
- Investigate the effect of HRM practices on the hotel industry sector in USA at two different levels: managerial and non-managerial levels.
- Measuring HRM practices at different levels within an organization and between organizations - Investigating firm’s performance indicators that are influenced by HRM.

Research Conclusions:
- Each HRM domain significantly correlated to the organizational performance.
This research examined the interrelationships among the dependent variables and found that managers’ turnover rates reduced by HRM practices indeed increased labor productivity. Labor productivity increased sales growth rates.

The effects of HRM implemented for the managerial employee group were very different from the effects of HRM implemented for non-managerial employees in terms of influencing a firm’s bottom line in the USA Hotel industry sector.

Research Recommendation:

- Practitioners should adopt a specific HRM practice to boost their company’s bottom line.


This research focused on manufacturing plants operating in four countries (Germany, Italy, Japan, and the USA). Three industries (automobile, electronics, and machinery) are used for the empirical analyses. The independent variable was HRM Practices which were expressed by seven HRM practices: Employment insecurity, Selective hiring, Use of teams and decentralization, Compensation/incentive, Extensive training, Status differences, and sharing information. The dependent variable was organizational performance which was divided to two measures: operational performance (cost, quality, delivery, flexibility, and Speed of new product introduction) and intangible performance measures (organizational commitment).

Research Purpose:

- Investigate the impact of HR practices on organizational performance
- Generalize the efficacy of seven HRM practices focusing primarily on the effects of these practices on organization operations
- Enhance operational performance; the effectively managing of HRM system is important of organizations.

Research Conclusions:

- The present research show that differences in HRM practices exist in plants operating in different countries.
Organizational performance is positively related to each of the seven HRM practices

Plants operating in different industries and/or countries use and emphasize HRM practices

Compensation was found to be significant for the operational performance measure while compensation it was found to be insignificant for intangible performance measure

Research Recommendations:
To gain superior performance, managers should recognize the potential of HRM practices and assist them in designing HRM systems at the plant level.

This research focused on Multi-national Company (MNC) subsidiary operating in Russia, with a list of 101 foreign firms operating in Russia, among the respondents were 38 respondents who were HRM managers and 63 who were general managers.
Independent variables were HRM practices related to employee development, pay/organization, and feedback systems. Dependent variables were organizational performance regarding market share, sales growth, profitability, and quality of products/services.

Research Purpose:
This research aims to investigate the relationship between human resource management and the performance of foreign-owned subsidiaries in Russia.

Research Conclusions:
The results of this research provide relatively strong support for the existence of a positive relationship between HRM practices and the performance of Russian subsidiaries of Western corporations. The research's results provide support for the assertion that investments in HRM practices can substantially help a firm perform better.
Research Recommendations:

• Firms should focus on different bundles of HRM practices for managerial and non-managerial employees.
• Investments in employee training are important for Western firms in order to achieve competitive advantage in the Russian market.
• Firms need to focus more on individual responsibility taking and rewards based on individual performance for manager.
• Investing in using HRM practices results in firms’ performance better.
• It is optimal for firms to have different HRM practices for managerial and non-managerial employees.
• Not all HRM practices are equally important to focus on.


The research focused on first tier automotive supplier industry to the “Big Three” in North America. The sample for the research consisted of 57 firms.

Research Purpose:

• Identify key dimensions of human resource management practices from the literature and propose a conceptual model for analyzing the deployment of HRM practices within firms
• Examine the effects of individual HRM items on individual manufacturing performance dimensions (cost, quality, flexibility, and time).
• Test the conceptual model and examine linkages between HRM dimensions or ‘bundles’ (groups of inter-related HRM items) and manufacturing performance

Research Conclusions:

• There are positive linkages between individual HRM practices and manufacturing performance.
• The article mentions that HRM practices can be grouped into various categories related to manufacturing strategy, like HRM-quality (means that HRM practices are
directed to support quality strategy), HRM-cost, HRM-flexibility, and HRM-time. Each of these four special HRM practices was positively associated with any dimensions of manufacturing performance measures.

- The results suggest that HRM ‘bundles’ are important predictors of manufacturing performance and the focus on four different aspects of manufacturing performance (cost, quality, flexibility and time) presents actionable guidelines for managers
- The research suggested that deploying strategy-specific bundles of human resource management practices has a significant influence on manufacturing performance

Research Recommendations:

- Coordinate HRM strategies and linking these strategies to competitive goals of manufacturing.
- Commitment from Top management to flexibility, communication of flexibility goals, employee training for flexibility, and the use of cross-functional teams for flexibility could have a higher impact on flexibility performance.


This research focuses on the International automotive assembly Plants, surveys of 62 automotive assembly plants from different countries were used. The HRM bundles divided into two categories (Work Systems and HRM Policies). The operational performance measures are quality and cost

Research Purpose:

This research aim to identify the impact of HRM bundles on manufacturing performance.

Research Conclusions:

- A bundle of internally consistent practices is more effective than the sum of the effects of the individual practices due to their mutually reinforcing and synergistic impacts on performance
• Assembly plants using flexible production system, with bundle HRM practices integrated with manufacturing policies under the organizational logic, performed well better than the ones using traditional mass production systems in terms of quality and productivity. The importance is that commitment from top management to flexibility or quality control can affect manufacturing performance on those dimensions.

**Research Recommendations:**

• HR strategy should be fitted with business strategy.

• For auto assembly plants, flexible production approach should be adopted in order to gain better performance that mass production approach.

### 3.5 General Commentary on Reviewed Studies

The attention to applying human resource management into practices has become more popular among practitioners and scholars. Many firms have implemented HRM practices with different methods on the purpose of achieving their objectives and benefits.

Based on previous researches, this research constructs its hypotheses, and some of notes can be highlighted:

1. Many evidences from past researches on the paramount effects of HRM practices on firm performance, the realization of importance of human resource functions and practices, spreads widely among academics and practitioners. Application of HRM into business practices by managers has been seen significant; topic on how HRM practices help improve firm performance is amazingly cumulative. These empirical and theoretical researches recommended that HRM be playing a proactive role in an organization rather than reactive.

2. Previous researches have confirmed the importance of human resources planning

3. Previous researches addressed the importance of performance appraisal system for employees and determine its effectiveness in achieving its objectives, according to the principles and the scientific basis for performance appraisal system for employees

4. Previous researches have shown the importance of training and its role in human resource training and keep abreast of technological changes.
5. Previous researches have shown the importance of compensation/incentives, and their great impact on the performance of the employee and the extent of their contribution to the achievement of job satisfaction.

6. The majority of Palestinian and Arabic researches were limited to one dimension of the human resources management practices individually, such as human resource planning, compensation, performance appraisal and others.

7. There can be no uniform definition or standard measure of performance.


9. There is no consensus on how and what to measure regarding effective HRM practices. HRM researchers should agree on the representative HRM items that are the most influential in terms of boosting a firm’s bottom line. This unsolved issue of measurement items of HRM creates difficulties when applying the findings of such academic studies to the workplace and when comparing results across the studies.

This research attempted to reconcile the limitations that existed in some previous researches by measuring HRM practices and its impact on the all business performance at three different levels (in one model): Operational performance, non-financial, and financial outcome.

It may be noteworthy that this research may be the first attempt to apply a framework to examining the impact of HRM practices on the manufacturing firms in Gaza strip The results may be explained as a tool of maximizing the impact of a firm’s HRM practices to accomplish firm objectives.
Chapter Four

Research Design and Methodology

Section one: Methodology and Procedures

Section Two: Testing of Research Tool
Section one
Methodology and Procedures

4.1.1 Introduction
This chapter describes the methodology that is used in this research. The adopted methodology to accomplish this research uses the combination techniques of descriptive approach and information about the research design, research conceptual model, population sample size, research setting, questionnaire design, statistical data analysis, content validity, pilot study and ethical aspects of the research.

4.1.2 Research Methodology
This Research uses the quantitative and qualitative analysis. The research relies on secondary data such as books and specialized studies and journals. Due to the novelty of the topic in Palestine, the research relies on the primary data collected by questionnaire distributed for relevant target group. The research follows the descriptive methodology approach to describe the basic features of the data in a research. Descriptive methodology is the best methodology to be used because it is non-experimental in that it deals with the relationships existed between non-manipulated variables in a natural, rather than artificial setting. Since the events or conditions of our research interest have already existed and practiced, the researcher focuses and selects the relevant variables for an analysis the relationships in the hypotheses.

4.1.3 Research Population
The research population includes all manufacturing firms working in Gaza Strip, there are (392) firms, based on information delivered by Palestinian Federation of Industries (PFI) for the year 2010.

4.1.4 Inclusion and Exclusion Criteria
Based on the deep discussion with the supervisors, this research stated some criteria to be followed during our survey these criteria represent the guideline to be followed in order to ensure logic and the best measure of research variables which are all depend on the firm experiences in HRM field.
1. Inclusion Criteria
   a. Must be from manufacturing firms; other industries are considered as invalid and abandoned.
   b. Respondents who manage or own firm that belonging directly to any type of manufacturing industries.
   c. Presidents, vice presidents, managers, and supervisors of companies are targeted.
   d. Firms with more than five years of experience are included in the research analysis.
   e. Firms with more than five of employees are included in the analysis of this research.

2. Exclusion Criteria
   a. Respondents who are not from the middle and top management level.
   b. Firms with less than five years of experience are not included in the research analysis.
   c. Firms with less than five of employees are not included in the analysis of this research.
   d. Incomplete questionnaire responses are not included in the research.

4.1.5 Research Sample
A simple random sample was conducted. A simple random sample is a technique by which a sampling procedure that assures that each element in the population has an equal chance of being selected in the sample in order to increase the efficiency. Researcher chose to take sample of 20% of research population to be surveyed. The samples were 80 manufacturing firms to be surveyed.

For each surveyed firm, questionnaires from 3 to 4 were distributed based on the existence of the research target respondents (target group), the target respondents were middle managers, frontline managers (supervisors), and general managers of firms. Most of them are considered as management of companies, and opinions from them sound reliable because they believably tend to more understand and know companies situation in terms of human resource management and policies, operational condition of production processes of firms, financial situation, and the business performance in general than other employees. A total of 305 questionnaires have been distributed by proportional allocation in different manufacturing industries according to sampling plan as table (4.1) shows.

A total of 242 answered questionnaires were received for an answered response rate of 79.35%.
4.1.6 Data Collection

The respondents were asked to fill the questionnaire forms which were distributed to them in their working place and during their working hours. There was no duplication because distribution was performed according to list of names for the firms in the year 2010 which was delivered to the researcher from PFI.

The data was completely collected by the researcher, and some parts were collected by the help of the supervisor and some of friends. There were two types of data:

1. Secondary Data

Secondary data was obtained from journals on HRM practices, operational performance, non-financial performance, financial performance and HRM management. They were retrieved through databases such as Emerald, Science Direct, Wiley InterScience, Business Source Premier, JSTOR, and Springer Link. Also, many thesis and dissertations were accessed through universities electronic theses and dissertations (ETD). Some textbooks were available. Also, some publications related to Palestinian economy, industrial and manufacturing sector.
2. Primary Data
This data was collected from the field by questionnaire. Questionnaire was designed and distributed to get responses from target group of the research. Respondents were asked to provide opinions on the variables of this research, such as HRM practices, operational performance, Organizational performance (non-financial), and Marketing performance (financial) of the manufacturing firms.

4.1.7 Questionnaire Design
A survey Questionnaire was designed to collect the research’s primary data. The questionnaire was included close-ended questions to facilitate the data collection process. The questionnaire composed of six sections to accomplish the aim of the research, as follows:

1. Section one: was concerned with personal data about the respondents (age, sex, experience, educational level, position and seniority).

2. Section two: was concerned with Company Information (Number of employees, Years of operation and Industry type).

3. Section three: was focused on the four dimensions of HRM practices (human resource planning, compensation, performance appraisal, and training and development), the section was divided into four parts to cover all these HRM practices dimensions.

4. Section four: was focused on the operational performance, this section divided into four parts as agreed by most of researchers (Ahmad and Schroeder (2003), Jayaram et al., (1999), Youndt et al., (1996)) to cover all of the operational performance variables.

5. Section five: was focused on the non-financial performance.

6. Section six: was focused on the financial performance. The researcher is forced to use the comparison in his part of the questionnaire, which is due to unavailability of financial data for the manufacturing firms, difficulty to ask for this kind of data and unavailability for industry indices to compare the firm’s financial performance.
The Questionnaire was drawn in Arabic version to be understood by the entire sample when was surveyed in Gaza strip. The questions were arranged in logical order, proper sequencing starting with personal data to break the ice and ending with suggestions.
Section Two
Testing of Research Tool

4.2.1 Introduction
In order to be able to select the appropriate method of analysis, the level of measurement must be understood. For each type of measurement, there is/are an appropriate method/s that can be applied and not others. In this research, ordinal scales were used. Based on Likert scale, scales (1-5) were used. The rating scale consists of 5 degrees, where number 5 represents extreme strongly agree, while 1 shows your completely disagreement with the item.

<table>
<thead>
<tr>
<th>Item</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scale</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

4.2.2 Data Analysis
The Data analyses were made utilizing (SPSS 17). The researcher utilized the following statistical tools:

1. Spearman Rank correlation coefficients for measuring validity.
2. Cronbach's Alpha for reliability statistics.
3. Descriptive statistic analysis is used to illustrate frequencies, means, and standard deviation of every research construct.
4. Sign test is used just to investigate the current situation of HRM practices in the manufacturing firms and the trends among sample respondents (target group).
5. Kolmogorov-Smirnov test of normality
6. Person correlation is used to investigate the relationship between research constructs based on research model and its values.
7. Regression analysis is used to analyze the relationships between a single independent variable and several dependent variables to investigate the impact of HRM practices on business performance.
8. Kruskal-wallis test is used to examine if there is statistical significant difference between several means among the respondents toward research constructs due the personal and company information
4.2.3 Validity of Questionnaire

Validity refers to the degree to which an instrument measures what it is supposed to be measuring. (Pilot and Hungher, 1985). Validity has a number of different aspects and assessment approaches. Statistical validity is used to evaluate instrument validity, which include internal validity and structure validity.

4.2.4 External (Pre-Pilot) validity of the Questionnaire:

It is essential to pre-pilot the questionnaire to identify any ambiguities in the questions and to identify the potential problems for each question. The pre-pilot is a procedure by which potential problems can be identified. Since the researcher had to develop a new questionnaire for the purposes of this research, revision for the tool is needed to ensure its relevance and stability. In order to assure high level of reliability for the developed tool, the researcher had taken the approval of the supervisor to review the tool on Academic and Professional levels. Review of questionnaire with academic and business people who have had long-time experiences in business practice environment, were conducted in order to ensure logic:

- On the Academic level, seven of academic staff from local Universities reviewed the tool. (Appendix (c))
- On the Professionals level, four of professionals in the manufacturing field reviewed the tool; see (Appendix (c)). The reason for including professional was to assure that the statement truly addressed the critical areas from the professional perspective thus attaining cultural sensitivity of the tool.

4.2.5 Statistical Validity of the Questionnaire

Statistical validity is used to evaluate instrument validity, which includes criterion-related validity and construct validity. To insure the validity of the questionnaire two statistical tests were applied. The first test is internal validity test (Spearman test), which measure the correlation coefficient between each paragraph in one field and the whole field. The second test is structure validity test (Spearman test) that used to test the validity of the questionnaire structure by testing the validity of each field and the validity of the whole questionnaire. It measures the correlation coefficient between one filed and all the fields of the questionnaire that have the same level of similar scale.
1. Internal validity of the Questionnaire

Internal validity of the questionnaire is measure by a scouting sample (pilot test), which was measured by a random explorative sample, which consisted of 30 questionnaires through measuring the correlation coefficients between each paragraph in one field and the whole filed. The researcher assessed the fields’ internal validity by calculating the correlation coefficients between each paragraph in one field.

Table (4.2)
Correlation coefficient of each paragraph of “Human Resource Planning (HRP)” and the total of this field

<table>
<thead>
<tr>
<th>No.</th>
<th>Paragraph</th>
<th>Spearman correlation coefficient</th>
<th>P-Value (Sig.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.</td>
<td>Your firm conducts job analysis to determine the needs of the workforce.</td>
<td>0.564</td>
<td>0.001*</td>
</tr>
<tr>
<td>10.</td>
<td>Your firm collects qualitative and quantitative data regarding its workforce.</td>
<td>0.671</td>
<td>0.000*</td>
</tr>
<tr>
<td>11.</td>
<td>Your firm has skill’s Data base for its workforce.(skills inventory)</td>
<td>0.572</td>
<td>0.001*</td>
</tr>
<tr>
<td>12.</td>
<td>Your firm forecasts personnel supply of the workforce at the internal level.</td>
<td>0.570</td>
<td>0.000*</td>
</tr>
<tr>
<td>13.</td>
<td>Your firm forecasts personnel supply of the workforce at the external level.</td>
<td>0.605</td>
<td>0.000*</td>
</tr>
<tr>
<td>14.</td>
<td>Your firm compare between its demand for workforce and supply of workforce.</td>
<td>0.629</td>
<td>0.000*</td>
</tr>
<tr>
<td>15.</td>
<td>Your firm is working on defining the size of the deficit or surplus in the labor force</td>
<td>0.460</td>
<td>0.012*</td>
</tr>
<tr>
<td>16.</td>
<td>Your firm makes the workforce program based on the compared results in the light of the firm’s financial ability.</td>
<td>0.635</td>
<td>0.000*</td>
</tr>
<tr>
<td>17.</td>
<td>Your firm assesses the policies needed in the light of the results of the comparison between supply and demand of the workforce.</td>
<td>0.629</td>
<td>0.000*</td>
</tr>
<tr>
<td>18.</td>
<td>Your firm seeks to implement workforce plans to meet its proposed plans.</td>
<td>0.754</td>
<td>0.000*</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level

Table (4.2) clarifies the correlation coefficient for each paragraph of this filed and the total of the field. The p-values (Sig.) are less than 0.05, So the correlation coefficients of this field are significant at $\alpha = 0.05$, So it can be said that the paragraphs of this field are consistent and valid to measure what it was set for.
Table (4.3)
Correlation coefficient of each paragraph of “Compensation” and the total of this field

<table>
<thead>
<tr>
<th>No.</th>
<th>Paragraph</th>
<th>Spearman correlation coefficient</th>
<th>P-Value (Sig.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>19</td>
<td>Your firm has a clear wage policy.</td>
<td>0.483</td>
<td>0.007*</td>
</tr>
<tr>
<td>20</td>
<td>Your firm has favorable compensation to encourage employee to pursue the</td>
<td>0.519</td>
<td>0.003*</td>
</tr>
<tr>
<td></td>
<td>company objectives and goals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Your firm has very adequate compensation practices, aim to reward the</td>
<td>0.365</td>
<td>0.047*</td>
</tr>
<tr>
<td></td>
<td>employees who accomplish the company goals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>The compensation package offered by your firm commensurate with the</td>
<td>0.742</td>
<td>0.000*</td>
</tr>
<tr>
<td></td>
<td>relative importance of the work you do</td>
<td></td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>The compensation package offered by your firm is appropriate compared to</td>
<td>0.664</td>
<td>0.000*</td>
</tr>
<tr>
<td></td>
<td>the work done in the same field in the firm</td>
<td></td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>The compensation package offered by your firm is appropriate compared to</td>
<td>0.684</td>
<td>0.000*</td>
</tr>
<tr>
<td></td>
<td>other workers in the same field at other firms</td>
<td></td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Annual salary increments are reasonable.</td>
<td>0.632</td>
<td>0.000*</td>
</tr>
<tr>
<td>26</td>
<td>Promotions are linked to work efficiency.</td>
<td>0.837</td>
<td>0.000*</td>
</tr>
<tr>
<td>27</td>
<td>The way that promotions are given out is subject to clear and specific</td>
<td>0.775</td>
<td>0.000*</td>
</tr>
<tr>
<td></td>
<td>criteria.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>Your firm has favorable compensation practices to encourage employees to</td>
<td>0.723</td>
<td>0.000*</td>
</tr>
<tr>
<td></td>
<td>achieve the organization goals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>End of service compensation helps you to progress and advancement in the</td>
<td>0.415</td>
<td>0.000*</td>
</tr>
<tr>
<td></td>
<td>agency.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>Your firm has compensation practices which recognize employees who</td>
<td>0.750</td>
<td>0.023*</td>
</tr>
<tr>
<td></td>
<td>contribute the most to organization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>The health insurance system of in your firm is reasonable.</td>
<td>0.683</td>
<td>0.000*</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level

Table (4.3) clarifies the correlation coefficient for each paragraph of this field and the total of the field. The p-values (Sig.) are less than 0.05, So the correlation coefficients of this field are significant at $\alpha = 0.05$, So it can be said that the paragraphs of this field are consistent and valid to measure what it was set for.
Table (4.4)
Correlation coefficient of each paragraph of “Performance Appraisal” and the total of this field

<table>
<thead>
<tr>
<th>No.</th>
<th>Paragraph</th>
<th>Spearman correlation coefficient</th>
<th>P-Value (Sig.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>32</td>
<td>Your firm has a professional performance appraisal system.</td>
<td>0.816</td>
<td>0.000*</td>
</tr>
<tr>
<td>33</td>
<td>Your firm uses clear criteria in performance appraisal.</td>
<td>0.802</td>
<td>0.000*</td>
</tr>
<tr>
<td>34</td>
<td>Your firm informs the employees of performance criteria required from them</td>
<td>0.571</td>
<td>0.001*</td>
</tr>
<tr>
<td>35</td>
<td>Standards or criteria used are measurable.</td>
<td>0.680</td>
<td>0.000*</td>
</tr>
<tr>
<td>36</td>
<td>Your firm utilizes more than one method in performance appraisal.</td>
<td>0.481</td>
<td>0.007*</td>
</tr>
<tr>
<td>37</td>
<td>Employees are evaluated on an annual basis</td>
<td>0.575</td>
<td>0.001*</td>
</tr>
<tr>
<td>38</td>
<td>Your firm informs its employees about the results of performance appraisal.</td>
<td>0.781</td>
<td>0.000*</td>
</tr>
<tr>
<td>39</td>
<td>There is no feedback after the performance appraisal</td>
<td>0.601</td>
<td>0.000*</td>
</tr>
<tr>
<td>40</td>
<td>The used feedback contributes to staff motivation.</td>
<td>0.563</td>
<td>0.001*</td>
</tr>
<tr>
<td>41</td>
<td>Performance appraisal process depends on the employees’ actual performance.</td>
<td>0.744</td>
<td>0.000*</td>
</tr>
<tr>
<td>42</td>
<td>The performance appraisal process is used for promotions and compensations purposes.</td>
<td>0.710</td>
<td>0.000*</td>
</tr>
<tr>
<td>43</td>
<td>The used performance appraisal process is a fair process</td>
<td>0.833</td>
<td>0.000*</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level

Table (4.4) clarifies the correlation coefficient for each paragraph of this filed and the total of the field. The p-values (Sig.) are less than 0.05, so the correlation coefficients of this field are significant at $\alpha = 0.05$, so it can be said that the paragraphs of this field are consistent and valid to measure what it was set for.
Table (4.5)
Correlation coefficient of each paragraph of “Training & Development” and the total of this field

<table>
<thead>
<tr>
<th>No.</th>
<th>Paragraph</th>
<th>Spearman correlation coefficient</th>
<th>P-Value (Sig.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>44</td>
<td>Your firm experiences training plans,</td>
<td>0.634</td>
<td>0.000*</td>
</tr>
<tr>
<td>45</td>
<td>Your firm believes that training and upgrading of employees' skills is important.</td>
<td>0.608</td>
<td>0.000*</td>
</tr>
<tr>
<td>46</td>
<td>Your firm diagnosis individual training needs in advance.</td>
<td>0.612</td>
<td>0.000*</td>
</tr>
<tr>
<td>47</td>
<td>Individual training needs are identified on the basis of staff appraisal.</td>
<td>0.323</td>
<td>0.000*</td>
</tr>
<tr>
<td>48</td>
<td>Managers in the firm are consulted about staff training needs.</td>
<td>0.539</td>
<td>0.000*</td>
</tr>
<tr>
<td>49</td>
<td>Training objectives are identified in the firm in light of training needs assessment.</td>
<td>0.497</td>
<td>0.000*</td>
</tr>
<tr>
<td>50</td>
<td>Training plan is developed in the light of the present and expected problems in the firm.</td>
<td>0.672</td>
<td>0.000*</td>
</tr>
<tr>
<td>51</td>
<td>Training plan is developed in light of the expansion plans of the firm in the future</td>
<td>0.126</td>
<td>0.000*</td>
</tr>
<tr>
<td>52</td>
<td>Training plan is developed in the firm in light of the financial resources.</td>
<td>0.708</td>
<td>0.025*</td>
</tr>
<tr>
<td>53</td>
<td>Training programs are designed to be adhered to a fixed timetable</td>
<td>0.732</td>
<td>0.000*</td>
</tr>
<tr>
<td>54</td>
<td>Your firm provides Need-based Training program</td>
<td>0.648</td>
<td>0.000*</td>
</tr>
<tr>
<td>55</td>
<td>Qualified instructors are hired based on the quality of the training program.</td>
<td>0.656</td>
<td>0.000*</td>
</tr>
<tr>
<td>56</td>
<td>Development of training content is consistent with the objectives of the training program</td>
<td>0.266</td>
<td>0.000*</td>
</tr>
<tr>
<td>57</td>
<td>Your firm evaluates the training program upon completion.</td>
<td>0.316</td>
<td>0.000*</td>
</tr>
<tr>
<td>58</td>
<td>Your firm uses certain criteria to measure the improved performance of its employees after the training program has been conducted.</td>
<td>0.117</td>
<td>0.000*</td>
</tr>
<tr>
<td>59</td>
<td>The application of our staff about what they have learned from training leads to reduce mistakes</td>
<td>0.267</td>
<td>0.039*</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level

Table (4.5) clarifies the correlation coefficient for each paragraph of this filed and the total of the field. The p-values (Sig.) are less than 0.05, so the correlation coefficients of this field are significant at $\alpha = 0.05$, so it can be said that the paragraphs of this field are consistent and valid to measure what it was set for.
### Table (4.6)
Correlation coefficient of each paragraph of “Operational performance” and the total of this field

<table>
<thead>
<tr>
<th>No.</th>
<th>Paragraph</th>
<th>Spearman Correlation Coefficient</th>
<th>P-Value (Sig.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>60.</td>
<td>Rate the level of your firm's product conformance to the Palestinian specifications.</td>
<td>0.548</td>
<td>0.000*</td>
</tr>
<tr>
<td>61.</td>
<td>Rate the level of non-defective rate of your firm's products.</td>
<td>0.618</td>
<td>0.000*</td>
</tr>
<tr>
<td>62.</td>
<td>Rate the level of ability of your firm's products for improvement and development (Ability).</td>
<td>0.729</td>
<td>0.000*</td>
</tr>
<tr>
<td>63.</td>
<td>Rate the level of your firm's product durability.</td>
<td>0.741</td>
<td>0.000*</td>
</tr>
<tr>
<td>64.</td>
<td>Rate the level of your firm's products performance.</td>
<td>0.791</td>
<td>0.000*</td>
</tr>
<tr>
<td>65.</td>
<td>Rate the level of consistency of product quality</td>
<td>0.901</td>
<td>0.000*</td>
</tr>
<tr>
<td>66.</td>
<td>Rate the ability to reduce overhead costs</td>
<td>0.601</td>
<td>0.000*</td>
</tr>
<tr>
<td>67.</td>
<td>Rate the ability to keep cost of products low</td>
<td>0.714</td>
<td>0.000*</td>
</tr>
<tr>
<td>68.</td>
<td>Rate the ability to reduce inventory cost involvement</td>
<td>0.696</td>
<td>0.000*</td>
</tr>
<tr>
<td>69.</td>
<td>Rate the ability to reduce costs of product inspection</td>
<td>0.549</td>
<td>0.000*</td>
</tr>
<tr>
<td>70.</td>
<td>Rate the level of product's on-time delivery to your customers</td>
<td>0.712</td>
<td>0.000*</td>
</tr>
<tr>
<td>71.</td>
<td>Rate the level of dependable delivery of products to your customers</td>
<td>0.771</td>
<td>0.000*</td>
</tr>
<tr>
<td>72.</td>
<td>Rate the level of short lead time from order to delivery of your firm</td>
<td>0.758</td>
<td>0.000*</td>
</tr>
<tr>
<td>73.</td>
<td>Rate the level of cycle time from start of production to completion of product.</td>
<td>0.730</td>
<td>0.000*</td>
</tr>
<tr>
<td>74.</td>
<td>Rate the level of serving specific geographic market of your firm</td>
<td>0.643</td>
<td>0.000*</td>
</tr>
<tr>
<td>75.</td>
<td>Rate the level of ability to adapt to changes in product mix of your firm</td>
<td>0.803</td>
<td>0.000*</td>
</tr>
<tr>
<td>76.</td>
<td>Rate the level of ability to handle difficult/non-standard orders by your firm</td>
<td>0.569</td>
<td>0.000*</td>
</tr>
<tr>
<td>77.</td>
<td>Rate the level of ability to make products to orders by your firm</td>
<td>0.768</td>
<td>0.000*</td>
</tr>
<tr>
<td>78.</td>
<td>Rate the level of ability to adjust capacity quickly of your firm</td>
<td>0.828</td>
<td>0.000*</td>
</tr>
<tr>
<td>79.</td>
<td>Rate the level of ability to scale production up and down quickly</td>
<td>0.587</td>
<td>0.000*</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level
Table (4.6) clarifies the correlation coefficient for each paragraph of this field and the total of the field. The p-values (Sig.) are less than 0.05, so the correlation coefficients of this field are significant at $\alpha = 0.05$, so it can be said that the paragraphs of this field are consistent and valid to measure what it was set for.

Table (4.7)
Correlation coefficient of each paragraph of “Non-Financial Performance” and the total of this field

<table>
<thead>
<tr>
<th>No.</th>
<th>Paragraph</th>
<th>Spearman correlation coefficient</th>
<th>P-Value (Sig.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>80.</td>
<td>Compared to past year, rate the level of increase in employee productivity</td>
<td>0.347</td>
<td>0.061</td>
</tr>
<tr>
<td>81.</td>
<td>Compared to past year, rate the level of reduction in employee absenteeism</td>
<td>0.480</td>
<td>0.000*</td>
</tr>
<tr>
<td>82.</td>
<td>Compared to past year, rate the level of reduction in employee turnover</td>
<td>0.482</td>
<td>0.000*</td>
</tr>
<tr>
<td>83.</td>
<td>Compared to past year, rate the level of the firm’s ability to retain essential employees</td>
<td>0.842</td>
<td>0.000*</td>
</tr>
<tr>
<td>84.</td>
<td>Compared to past year, rate the level of the firm’s ability to attract essential employees</td>
<td>0.847</td>
<td>0.000*</td>
</tr>
<tr>
<td>85.</td>
<td>Compared to past year, rate the level of the firm’s ability to achieve Customer satisfaction.</td>
<td>0.830</td>
<td>0.000*</td>
</tr>
<tr>
<td>86.</td>
<td>Compared to past year, rate the level of reduction in work-related injuries and accidents</td>
<td>0.576</td>
<td>0.000*</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level

Table (4.7) clarifies the correlation coefficient for each paragraph of this field and the total of the field. The p-values (Sig.) are less than 0.05, so the correlation coefficients of this field are significant at $\alpha = 0.05$, so it can be said that the paragraphs of this field are consistent and valid to measure what it was set for. It is good to be mentioned here that although Item 80 is positive, but its significance is more than 0.05, which means this item has no content related validity. So, this research gets rid of employee productivity from the questionnaire. Finally, for non-financial there are only six items for the real questionnaire survey.
Table (4.8)  
Correlation coefficient of each paragraph of “Financial Performance” and the total of field

<table>
<thead>
<tr>
<th>No.</th>
<th>Paragraph</th>
<th>Spearman correlation coefficient</th>
<th>P-Value (Sig.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>87.</td>
<td>Compared to your competitors, what is your firm’s sale growth rate</td>
<td>0.539</td>
<td>0.000*</td>
</tr>
<tr>
<td>88.</td>
<td>Compared to your competitors, what is your firm’s market share percentage</td>
<td>0.635</td>
<td>0.000*</td>
</tr>
<tr>
<td>89.</td>
<td>Compared to your competitors, what is your firm’s profitability rate</td>
<td>0.707</td>
<td>0.000*</td>
</tr>
<tr>
<td>90.</td>
<td>Compared to your competitors, what is your firm’s return on assets (ROA).</td>
<td>0.798</td>
<td>0.000*</td>
</tr>
<tr>
<td></td>
<td>(Net profit/Total assets)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>91.</td>
<td>Compared to your competitors, what is your firm’s return on Equity (ROE).</td>
<td>0.782</td>
<td>0.000*</td>
</tr>
<tr>
<td></td>
<td>(Net profit/Capital)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>92.</td>
<td>Compared to your competitors, what is your firm’s return on sales (ROS).</td>
<td>0.692</td>
<td>0.000*</td>
</tr>
<tr>
<td></td>
<td>(Net profit/Total sales)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level

Table (4.8) clarifies the correlation coefficient for each paragraph of this filed and the total of the field. The p-values (Sig.) are less than 0.05, so the correlation coefficients of this field are significant at $\alpha = 0.05$, so it can be said that the paragraphs of this field are consistent and valid to measure what it was set for.

2. Structure Validity

The researcher assessed fields’ structure validity by calculating the correlation coefficients of each field of the questionnaire and the whole of questionnaire.

Table (4.9)  
Correlation coefficients of each field and the whole of questionnaire

<table>
<thead>
<tr>
<th>Field</th>
<th>Correlation Coefficient</th>
<th>P-Value (Sig.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Resource Management Practices (HRM Practices)</td>
<td>0.810</td>
<td>0.000*</td>
</tr>
<tr>
<td>Operational performance</td>
<td>0.740</td>
<td>0.000*</td>
</tr>
<tr>
<td>Non-financial performance</td>
<td>0.638</td>
<td>0.000*</td>
</tr>
<tr>
<td>Marketing performance (financial)</td>
<td>0.432</td>
<td>0.017*</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level

Table (4.9) clarifies the correlation coefficient for each field and the whole of the fields. The p-values (Sig.) are less than 0.05, so the correlation coefficients of all the fields are significant at $\alpha = 0.05$, so it can be said that each field is valid to measure what it was set for to achieve the main aim of the research.
4.2.6  Reliability of the Questionnaire

The reliability of an instrument is the degree of consistency which measures the attribute; it is supposed to be measuring. Reliability can be equated with the stability, consistency, or dependability of a measuring tool. The less variation an instrument produces in repeated measurements of an attribute, the higher its reliability. Reliability can be equated with the stability, consistency, or dependability of a measuring tool. The test is repeated to the same sample of people on two occasions and then compares the scores obtained by computing a reliability coefficient (Polit & Hunger, 1985).

Cronbach’s coefficient alpha is used to measure the reliability of the questionnaire between each field and the mean of the whole fields of the questionnaire. The normal range of Cronbach’s coefficient alpha value between 0.0 and + 1.0, and the higher values reflects a higher degree of internal consistency. The Cronbach’s coefficient alpha was calculated for each field of the questionnaire.

The Cronbach’s coefficient alpha was calculated for each field of the questionnaire.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Cronbach's Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Resource Management Practices (HRM Practices)</td>
<td>0.941</td>
</tr>
<tr>
<td>Operational performance</td>
<td>0.873</td>
</tr>
<tr>
<td>Non-financial performance</td>
<td>0.721</td>
</tr>
<tr>
<td>Marketing performance (financial)</td>
<td>0.803</td>
</tr>
<tr>
<td>All Paragraphs</td>
<td><strong>0.943</strong></td>
</tr>
</tbody>
</table>

Table (4.10) shows the values of Cronbach's Alpha for each filed and the entire questionnaire. For each field, Cronbach's Alpha ranges between 0.721 and 0.941. This range is considered high; the result ensures the reliability of each field of the questionnaire. Cronbach's Alpha equals 0.943 for the entire questionnaire which indicates an excellent reliability of the entire questionnaire.

Thereby, it can be said that the researcher proved that the questionnaire was valid, reliable, and ready for distribution.
Chapter Five

Data Analysis and Hypothesis Testing

5.1 Introduction

5.2 Descriptive Analysis of the Sample Statistics

5.3 Data Analysis

5.4 Hypotheses Test
Data Analysis and Hypothesis Testing

5.1 Introduction
This research was designed to explore the questions, and to test hypotheses stated in chapter one. In this chapter, the findings that respond to these questions and objectives will be discussed and compared to previous findings in other studies.

5.2 Descriptive Analysis of the Sample Statistics

1. The Characteristics of the Respondents

   Gender (sex):
   The results show that the all of the respondents in our sample are male (100%), that give us an indication about the trend in the manufacturing firms to be managed by the male. The reason comes from the complexity nature of the manufacturing industry at which women can hardly work in that portion of the industrial sector, but it does not prevent the emergence of women's role in being the owner or manager of the establishment. And this result consistent with Nofal (2006) who examined the factors affected in productivity in the Palestinian industries, his research revealed that 100% of the owners and workers are male. In the other side women represent significant percentage in educational field (55.97%) of total worker engaged in the education field and (34.2%) in health and social works in Gaza Stripe in 2007. (PCBS, 2008)

   Age:

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percentage%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 30 years</td>
<td>13</td>
<td>5.37</td>
</tr>
<tr>
<td>31 years to 40 years</td>
<td>25</td>
<td>10.33</td>
</tr>
<tr>
<td>41 years to 50 years</td>
<td>123</td>
<td>50.83</td>
</tr>
<tr>
<td>More than 50 years</td>
<td>81</td>
<td>33.47</td>
</tr>
<tr>
<td>Total</td>
<td>242</td>
<td>100.00</td>
</tr>
</tbody>
</table>

(PCBS, 2008)
Table (5.1) shows that the percentage of age less than 30 years is (5.37%) followed by the age group from 31 to 40 years which is equal to (10.33%). The age group from 41 to 50 years is (50.83%). The age group who are more than 50 years is (33.47%). It is noted that the age groups from 41 and above represents the majority (84.3%). Age implies extensive experience when it is associated to experience in table (5-4). The results indicates that respondents are experienced enough to perform their duties and responsibilities at the top level management, by which they tend to look at a wider picture and take a broader perspective on the situation for problem. (Rothaug, 2003)

**Education level:**

<table>
<thead>
<tr>
<th>Education level</th>
<th>Frequency</th>
<th>Percentage%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diploma or less</td>
<td>179</td>
<td>73.96</td>
</tr>
<tr>
<td>Bachelor degree</td>
<td>57</td>
<td>23.36</td>
</tr>
<tr>
<td>Master</td>
<td>6</td>
<td>2.48</td>
</tr>
<tr>
<td>PhD</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>242</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Table (5.2) shows that the highest percentage of the respondents possess Diploma or less (73.96%), (23.36%) have a Bachelor's degree, (2.48%) have a master degree while none of the respondents hold a PhD. This result reflects the fact that most of those who owned or manage the manufacturing firms possess their skills and knowledge based on the experimental and practical field. Even that it is not a must to possess higher education for business success. Education could help small entrepreneurs overcome initial development difficulties (Papulová and Mokroš, 2007). Because with higher levels of education, people especially managers are more successful because university education provides them with knowledge and modern managerial skills, making them more conscious of the reality of the business world and thus in a position to use their learning capability to manage business.
Position:

Table (5.3)
Position distribution of respondents

<table>
<thead>
<tr>
<th>Position</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>35</td>
<td>14.48</td>
</tr>
<tr>
<td>Manager</td>
<td>74</td>
<td>30.57</td>
</tr>
<tr>
<td>Supervisor</td>
<td>133</td>
<td>54.95</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>242</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

Table (5.3) shows that (14.48%) of the respondents are President, (30.57%) were Manager, and (54.95%) were at the highest Supervisors. The researcher thinks that supervisors should be considered as one of the higher levels. In short, this data tends to focus on HRM practices perceived by top (45.05%) and middle management (54.95%).

Seniority (tenure):

Table (5.4)
Seniority distribution of respondents

<table>
<thead>
<tr>
<th>Seniority</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5 years</td>
<td>3</td>
<td>1.24</td>
</tr>
<tr>
<td>5 years to 10 years</td>
<td>13</td>
<td>5.38</td>
</tr>
<tr>
<td>11 years to 15 years</td>
<td>134</td>
<td>55.37</td>
</tr>
<tr>
<td>More than 15 years</td>
<td>92</td>
<td>38.01</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>242</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

Table (5.4) shows that (1.24%) of the respondents their Seniority were Less than 5 years, (5.38%) were from 5 years to 10 years, (55.37%) were from 11 years to 15 years, while (38.01%) were more than 15 years. It is noted that the Seniority group from 11 and above represents the majority with (93.4%) which indicates that respondents are possess the experience required to perform their duties and responsibilities at the top level management and that would be reflected in the research results.
2. Company Information

Number of employees:

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>Frequency</th>
<th>Percentage%</th>
</tr>
</thead>
<tbody>
<tr>
<td>From 5-9</td>
<td>66</td>
<td>27.27</td>
</tr>
<tr>
<td>From 10-15</td>
<td>128</td>
<td>52.89</td>
</tr>
<tr>
<td>From 16-20</td>
<td>42</td>
<td>17.35</td>
</tr>
<tr>
<td>more than 20</td>
<td>6</td>
<td>2.48</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>242</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

Table (5.5) shows that (27.27%) of the respondents were working within firms size from 5-9, (52.89%) of the respondents were working within firms size from 10-15, (17.35%) of the respondents were working within firms size from 16 – 20, (2.48%) of the respondents were working within firms size more than 20. This result shows the majority of the firms are within the size from 10 to 15, which indicates that the manufacturing sector is made up primarily of small firms with the flexibility and capacity to accommodate various order sizes according to customer specifications and needs. Arab Industrial development and mining organization defined the manufacturing firms based on their size into: Micro industry which operates less than five workers, small industry which operates 6-15 workers, and medium industry which operates 15-50 workers. Based on this classification, the manufacturing firms in Gaza would be under the small industry. This result is consistent with Nofal (2000) who indicates that manufacturing firms are dominated by small firms.

Years of operation:

<table>
<thead>
<tr>
<th>Years of Operation</th>
<th>Frequency</th>
<th>Percentage%</th>
</tr>
</thead>
<tbody>
<tr>
<td>From 5 - 10</td>
<td>9</td>
<td>3.72</td>
</tr>
<tr>
<td>From 11 - 15</td>
<td>152</td>
<td>62.81</td>
</tr>
<tr>
<td>From 16 - 20</td>
<td>81</td>
<td>33.47</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>242</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>
Table (5.6) shows that (3.72%) of the respondents were working within firms operated from 5-10 years of operation, (62.81%) of the respondents were working within firms operated from 11-15 years of operation, (33.47%) of the respondents were working within firms operated from 16-20 years of operation. This result reflects the fact that after Oslo accords, the investment was injected in Palestine, also it indicates that most of the firms surveyed have more than 11 years of operation with (96.23%), this result reflects the ability of firms to pursue their business in spite of the hard situation created from the blockade.

**Industry type:**

<table>
<thead>
<tr>
<th>Industry Type</th>
<th>Frequency</th>
<th>Percentage%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture</td>
<td>41</td>
<td>16.94</td>
</tr>
<tr>
<td>Garment</td>
<td>149</td>
<td>61.57</td>
</tr>
<tr>
<td>Metallic</td>
<td>15</td>
<td>6.198</td>
</tr>
<tr>
<td>Food</td>
<td>8</td>
<td>3.31</td>
</tr>
<tr>
<td>Paper</td>
<td>7</td>
<td>2.89</td>
</tr>
<tr>
<td>Chemical</td>
<td>10</td>
<td>4.13</td>
</tr>
<tr>
<td>Plastic</td>
<td>8</td>
<td>3.31</td>
</tr>
<tr>
<td>Leathers</td>
<td>4</td>
<td>1.65</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>242</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

Table (5.7) shows that (16.94%) of the respondents were belonging to Furniture & wood industry, (61.56%) of the respondents were belonging to Garment industry which were the highest, (6.2%) of the respondents were belonging to Metallic industry, (3.30%) of the respondents were belonging to Food industry, (2.89%) of the respondents were belonging to Papers industry, (4.13%) of the respondents were belonging to Chemical industry, (3.31%) of the respondents were belonging to Plastic industry, (1.65%) of the respondents were belonging to Leathers industry which were the lowest. This result is consistent with research distributed sample calculated in chapter four. This result shows that the majority of the respondents are from the garment sector. This result created from the relative weight of the garment industry in Gaza strip which reflects the fact that the garment sector includes 41
% of industrial workers in the Gaza strip & 20% of industrial workers in the West Bank (PalTrade, 2006).

5.3 Data Analysis

The following analysis was used just to attain deeper understanding for HRM practices and the business performance (operational, non-financial and financial) in the manufacturing firms in Gaza. In this part of analysis the trend among respondents would be illustrated, that would reflect some facts about the current situation of HRM practices in the manufacturing firms.

Sign test was conducted, to examine the direction of respondents’ response on the questions of the questionnaire.

To test the hypothesis using the sign test, for example \ to know what if the average (median) degree of the response is equal to a certain value in the case. In this case, the following statistical hypothesis tests:

The null hypothesis: test result that the average degree equal to 3 (H0: $\mu = 3$)

The alternative hypothesis: test result that the average degree is not equal to 3 (Hi: $\mu \neq 3$)

If Sig. (P-value) is greater than the significance level, $\alpha = 0.05$, we don't reject the null hypothesis and in this case the average views of respondents about the phenomenon under study does not differ significantly from the degree of neutrality 3. If the Sig. (P-value) less than the significance level $\alpha = 0.05$ we rejected the null hypothesis and accept the alternative hypothesis that means the average views of the sample is significantly different from the degree of neutrality, in this case we can determine if the average views of respondents increase or decrease significantly on the degree of neutrality. Through the value of the test If the average views of respondents is positive it means that the arithmetic average of the response over the degree of neutrality and vice versa.
5.3.1 The First Construct: Human Resource Management Practices (HRM Practices)

1. Human Resource Planning (HRP)

<table>
<thead>
<tr>
<th>No.</th>
<th>Paragraph</th>
<th>Average</th>
<th>Weight %</th>
<th>Rank</th>
<th>P-value (Sig.)</th>
<th>Agree %</th>
<th>Disagree %</th>
<th>Sign</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Your firm conducts job analysis to determine the needs of the workforce.</td>
<td>3.39</td>
<td>67.9</td>
<td>8</td>
<td>0.000*</td>
<td>61.1</td>
<td>21.5</td>
<td>+</td>
</tr>
<tr>
<td>10</td>
<td>Your firm collects qualitative and quantitative data regarding its workforce.</td>
<td>3.51</td>
<td>70.3</td>
<td>4</td>
<td>0.000*</td>
<td>64.1</td>
<td>12.2</td>
<td>+</td>
</tr>
<tr>
<td>11</td>
<td>Your firm has skill’s Data base for its workforce.(skills inventory)</td>
<td>2.61</td>
<td>52.2</td>
<td>10</td>
<td>0.000*</td>
<td>22.9</td>
<td>61.9</td>
<td>-</td>
</tr>
<tr>
<td>12</td>
<td>Your firm forecasts personnel supply of the workforce at the internal level.</td>
<td>3.52</td>
<td>70.5</td>
<td>3</td>
<td>0.000*</td>
<td>74.1</td>
<td>21.5</td>
<td>+</td>
</tr>
<tr>
<td>13</td>
<td>Your firm forecasts personnel supply of the workforce at the external level.</td>
<td>3.43</td>
<td>68.7</td>
<td>6</td>
<td>0.000*</td>
<td>67.2</td>
<td>23.5</td>
<td>+</td>
</tr>
<tr>
<td>14</td>
<td>Your firm compare between its demand for workforce and supply of workforce.</td>
<td>3.43</td>
<td>68.0</td>
<td>7</td>
<td>0.000*</td>
<td>59.6</td>
<td>16.6</td>
<td>+</td>
</tr>
<tr>
<td>15</td>
<td>Your firm is working on defining the size of the deficit or surplus in the labor force</td>
<td>3.38</td>
<td>67.6</td>
<td>9</td>
<td>0.000*</td>
<td>64.4</td>
<td>26.1</td>
<td>+</td>
</tr>
<tr>
<td>16</td>
<td>Your firm makes the workforce program based on the compared results in the light of the firm’s financial ability.</td>
<td>3.61</td>
<td>72.3</td>
<td>1</td>
<td>0.000*</td>
<td>80.2</td>
<td>18.3</td>
<td>+</td>
</tr>
<tr>
<td>17</td>
<td>Your firm assesses the policies needed in the light of the results of the comparison between supply and demand of the workforce.</td>
<td>3.57</td>
<td>71.4</td>
<td>2</td>
<td>0.000*</td>
<td>68.6</td>
<td>11.3</td>
<td>+</td>
</tr>
<tr>
<td>18</td>
<td>Your firm seeks to implement workforce plans to meet its proposed plans.</td>
<td>3.50</td>
<td>70.0</td>
<td>5</td>
<td>0.000*</td>
<td>67.9</td>
<td>17.6</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>Human Resource Planning (HRP)</td>
<td>3.39</td>
<td>67.9</td>
<td>-</td>
<td>0.000*</td>
<td>63.1</td>
<td>23.05</td>
<td>+</td>
</tr>
</tbody>
</table>

* Average is significant at the 0.05 level

Table (5.8) shows that the average of the paragraph which had the lowest result "Your firm has skill’s Data base for its workforce. (Skills inventory)" 2.61 (Total score of 5) , means that the proportional mean equal 52.2 %, and P- value (Sig.) is equal to 0.000 which is smaller than the level of significance α= 0.05, the sign test illustrates that 61.9% of respondents disagree with this paragraph will only 22.9% of respondents agree on it.

This result shows that the majority of manufacturing firms utilize primitive administrative tools that result from (a) the lack of information regarding skill’s measurement; (b) the absence of
knowledge about the importance of this data base; (c) the culture dominated in Gaza in which information is gathered based on the personal relationships.

The average of the paragraph which got the highest result "*Your firm makes the workforce program based on the compared results in the light of the firm’s financial ability*" equal 3.61 (Total score of 5), means that the proportional mean equal 72.2 %, and P-value (Sig.) is equal to 0.000 which is smaller than the level of significance $\alpha = 0.05$, the sign test illustrates that 80.2% of respondents agree with this paragraph will only 18.3% of respondents disagree on it.

This result shows the extent to which manufacturing firms dimension depend on the financial ability in their decisions, especially in Gaza where the blockade was imposed.

The average of the overall Human Resource Planning (HRP) equals 3.39 (67.88%) and P-value $=0.000$ which is smaller than the level of significance $\alpha = 0.05$, the sign test illustrates that 63.1% of respondents agree on practicing of the HR planning performed in their firms, while only 23.05% of respondents disagree on it.

Despite of the significance of P-value, the results reveal that the manufacturing firms in Gaza experience and practice a moderate use of Human Resource Planning (HRP) in their firms. This primary result would be reflected on the hypotheses test, at which the impact of HRM on the business performance would be investigated.
## 2. Compensation

### Table (5.9)

Percentages of each item alternatives, Average, Weight, Sign Test and significance of each item of “Compensation” field

<table>
<thead>
<tr>
<th>No.</th>
<th>Paragraph</th>
<th>Average</th>
<th>Weight %</th>
<th>Rank</th>
<th>P-value (Sig.)</th>
<th>Agree %</th>
<th>Disagree %</th>
<th>Sign</th>
</tr>
</thead>
<tbody>
<tr>
<td>19</td>
<td>Your firm has a clear wage policy.</td>
<td>3.52</td>
<td>70.4</td>
<td>8</td>
<td>0.000*</td>
<td>75.1</td>
<td>22.8</td>
<td>+</td>
</tr>
<tr>
<td>20</td>
<td>Your firm has favorable compensation to encourage employee to pursue the company objectives and goals</td>
<td>3.48</td>
<td>69.6</td>
<td>10</td>
<td>0.000*</td>
<td>71.9</td>
<td>23.6</td>
<td>+</td>
</tr>
<tr>
<td>21</td>
<td>Your firm has very adequate compensation practices, aim to reward the employees who accomplish the company goals</td>
<td>3.33</td>
<td>66.6</td>
<td>12</td>
<td>0.000*</td>
<td>61.3</td>
<td>28.2</td>
<td>+</td>
</tr>
<tr>
<td>22</td>
<td>The compensation package offered by your firm commensurate with the relative importance of the work you do.</td>
<td>3.66</td>
<td>73.3</td>
<td>3</td>
<td>0.000*</td>
<td>83.1</td>
<td>16.4</td>
<td>+</td>
</tr>
<tr>
<td>23</td>
<td>The compensation package offered by your firm is appropriate compared to the work done in the same field in the firm.</td>
<td>3.49</td>
<td>69.8</td>
<td>9</td>
<td>0.000*</td>
<td>66.8</td>
<td>17.4</td>
<td>+</td>
</tr>
<tr>
<td>24</td>
<td>The compensation package offered by your firm is appropriate compared to other workers in the same field at other firms.</td>
<td>3.62</td>
<td>72.4</td>
<td>4</td>
<td>0.000*</td>
<td>74.5</td>
<td>12.3</td>
<td>+</td>
</tr>
<tr>
<td>25</td>
<td>Annual salary increments are reasonable.</td>
<td>2.81</td>
<td>56.3</td>
<td>13</td>
<td>0.000*</td>
<td>37.5</td>
<td>55.6</td>
<td>-</td>
</tr>
<tr>
<td>26</td>
<td>Promotions are linked to work efficiency.</td>
<td>3.53</td>
<td>70.6</td>
<td>7</td>
<td>0.000*</td>
<td>74.9</td>
<td>21.6</td>
<td>+</td>
</tr>
<tr>
<td>27</td>
<td>The way that promotions are given out is subject to clear and specific criteria.</td>
<td>3.57</td>
<td>71.5</td>
<td>6</td>
<td>0.000*</td>
<td>77.3</td>
<td>19.8</td>
<td>+</td>
</tr>
<tr>
<td>28</td>
<td>Your firm has favorable compensation practices to encourage employees to achieve the organization goals</td>
<td>3.59</td>
<td>71.9</td>
<td>5</td>
<td>0.000*</td>
<td>77.4</td>
<td>17.9</td>
<td>+</td>
</tr>
<tr>
<td>29</td>
<td>End of service compensation helps you to progress and advancement in the agency.</td>
<td>3.75</td>
<td>75.0</td>
<td>1</td>
<td>0.000*</td>
<td>85.4</td>
<td>10.4</td>
<td>+</td>
</tr>
<tr>
<td>30</td>
<td>Your firm has compensation practices which recognize employees who contribute the most to organization</td>
<td>3.70</td>
<td>74.1</td>
<td>2</td>
<td>0.000*</td>
<td>82.4</td>
<td>11.6</td>
<td>+</td>
</tr>
<tr>
<td>31</td>
<td>The health insurance system of in your firm is reasonable.</td>
<td>3.42</td>
<td>68.4</td>
<td>11</td>
<td>0.000*</td>
<td>70.5</td>
<td>28.5</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>Compensation</td>
<td>3.52</td>
<td>70.3</td>
<td>-</td>
<td>0.000*</td>
<td>72.2</td>
<td>22.0</td>
<td>+</td>
</tr>
</tbody>
</table>

* Average is significant at the 0.05 level

Table (5.9) shows that the average of the paragraph which had the lowest result "Annual salary increments are reasonable" 2.81 (Total score of 5), means that the proportional mean equal 56.3 %, and P-value (Sig.) is equal to 0.000 which is smaller than the level of significance α= 0.05, the sign test illustrates that 55.6% of respondents disagree with this paragraph while only 37.5% of respondents agree on it.
This result shows that there is no annual salary increment for employees. This is mainly due to (a) the absence of a legislative rule for annual salary increment; (b) the difficult economic conditions prevailing in Gaza; and (c) the blockade imposed on Gaza which in turn had led capital investment to flee, thus reducing competition on attracting and retaining staff.

The average of the paragraph which got the highest result "End of service compensation helps you to progress and advancement in the agency" equal 3.75 (Total score of 5), means that the proportional mean equal 75 %, and P-value (Sig.) is equal to 0.000 which is smaller than the level of significance $\alpha = 0.05$, the sign test illustrates that 85.4% of respondents agree with this paragraph will only 10.4% of respondents disagree on it. This seems to be a normal result because (a) it is mostly a psychological matter for the human; (b) end of service compensation provides employees with some of security and future; and (c) end of service compensation is mandated (Legally required) by the Palestinian labor law (Act no.45 of the year 1997).

The average of the compensation domain equals 3.52 (70.3%) and P-value =0.000 which is smaller than the level of significance $\alpha = 0.05$, Despite of the significance of P-value, the sign test illustrates that 72.2% of respondents agree on practicing of the compensation system performed in their firms, while only 22.0% of respondents disagree on it.

The results reveal that the manufacturing firms in Gaza experience and practice moderate compensation policies. For example, there are no policies for wages and there does not any law existence regarding a minimum wage.
3. Performance Appraisal

Table (5.10) Percentages of each item alternatives, Average, Weight, Sign Test and significance of each item of “Performance Appraisal” field

<table>
<thead>
<tr>
<th>No.</th>
<th>Paragraph</th>
<th>Average</th>
<th>Weight %</th>
<th>Rank</th>
<th>P-value (Sig.)</th>
<th>Agree %</th>
<th>Disagree %</th>
<th>Sign</th>
</tr>
</thead>
<tbody>
<tr>
<td>32</td>
<td>Your firm has a professional performance appraisal system.</td>
<td>3.62</td>
<td>72.5</td>
<td>4</td>
<td>0.001*</td>
<td>77.9</td>
<td>15.1</td>
<td>+</td>
</tr>
<tr>
<td>33</td>
<td>Your firm uses clear criteria in performance appraisal.</td>
<td>3.60</td>
<td>72.1</td>
<td>6</td>
<td>0.000*</td>
<td>73.8</td>
<td>13.4</td>
<td>+</td>
</tr>
<tr>
<td>34</td>
<td>Your firm informs the employees of performance criteria required.</td>
<td>3.82</td>
<td>76.5</td>
<td>1</td>
<td>0.000*</td>
<td>87.3</td>
<td>4.7</td>
<td>+</td>
</tr>
<tr>
<td>35</td>
<td>Standards or criteria used are measurable.</td>
<td>3.56</td>
<td>71.2</td>
<td>8</td>
<td>0.000*</td>
<td>72.3</td>
<td>16.3</td>
<td>+</td>
</tr>
<tr>
<td>36</td>
<td>Your firm utilizes more than one method in performance appraisal.</td>
<td>2.60</td>
<td>52.2</td>
<td>12</td>
<td>0.000*</td>
<td>25.7</td>
<td>64.8</td>
<td>-</td>
</tr>
<tr>
<td>37</td>
<td>Employees are evaluated on an annual basis</td>
<td>3.60</td>
<td>72.2</td>
<td>5</td>
<td>0.012*</td>
<td>78.4</td>
<td>17.5</td>
<td>+</td>
</tr>
<tr>
<td>38</td>
<td>Your firm informs its employees about the results of performance appraisal.</td>
<td>2.89</td>
<td>59.8</td>
<td>11</td>
<td>0.000*</td>
<td>38.4</td>
<td>39.2</td>
<td>-</td>
</tr>
<tr>
<td>39</td>
<td>There is no feedback after the performance appraisal.</td>
<td>3.23</td>
<td>64.6</td>
<td>10</td>
<td>0.591</td>
<td>35.6</td>
<td>12.4</td>
<td>0</td>
</tr>
<tr>
<td>40</td>
<td>The used feedback contributes to staff motivation.</td>
<td>3.64</td>
<td>72.9</td>
<td>3</td>
<td>0.000*</td>
<td>75.8</td>
<td>11.3</td>
<td>+</td>
</tr>
<tr>
<td>41</td>
<td>Performance appraisal process depends on the employees’ actual performance.</td>
<td>3.59</td>
<td>71.9</td>
<td>7</td>
<td>0.000*</td>
<td>78.5</td>
<td>18.9</td>
<td>+</td>
</tr>
<tr>
<td>42</td>
<td>The performance appraisal process is used for promotions and compensations purposes.</td>
<td>3.79</td>
<td>75.8</td>
<td>2</td>
<td>0.000*</td>
<td>88.8</td>
<td>9.7</td>
<td>+</td>
</tr>
<tr>
<td>43</td>
<td>The used performance appraisal process is a fair process</td>
<td>3.55</td>
<td>71.1</td>
<td>9</td>
<td>0.008*</td>
<td>71.2</td>
<td>15.6</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>Performance Appraisal</td>
<td>3.43</td>
<td>64.1</td>
<td>-</td>
<td>0.000*</td>
<td>66.9</td>
<td>19.9</td>
<td>+</td>
</tr>
</tbody>
</table>

* Average is significant at the 0.05 level

Table (5.10) shows that the average of the paragraph which had the lowest result "Your firm utilizes more than one method in performance appraisal" 2.60 (Total score of 5), means that the proportional mean equal 52.2 %, and P- value (Sig.) is equal to 0.000 which is smaller than the level of significance $\alpha = 0.05$, the sign test illustrates that 64.8% of respondents disagree with this paragraph while only 25.7% of respondents agree on it.
This result reveals that the manufacturing firms utilize one method in performance appraisal, i.e. work standards\(^1\)

The average of the paragraph which got the highest result "Your firm informs the employees of performance criteria required" equal 3.82 (Total score of 5), means that the proportional mean equal 76.5\%, and P-value (Sig.) is equal to 0.000 which is smaller than the level of significance \(\alpha = 0.05\), the sign test illustrates that 87.3\% of respondents agree with this paragraph while only 4.7\% of respondents disagree on it.

This result revealed that manufacturing firms inform their employees of performance criteria required.

The average of the performance appraisal domain equals 3.43 (64.1\%) and P-value =0.000 which is smaller than the level of significance \(\alpha = 0.05\). Despite of the significance of P-value, the sign test illustrates that 66.9\% of respondents agree on practicing of the performance appraisal performed in their firms, while only 19.9\% of respondents disagree on it.

The results reveal that the full benefits of performance appraisal process are not achieved. This is basically due to (a) there is no feedback to employees as they are not informed about the results of performance appraisal (see paragraphs 38 and 39); (b) lack of knowledge and importance of the performance appraisal; and (c) there are no legislations to support validation requirements for performance appraisals.

The results reveal that the manufacturing firms in Gaza partially practice performance appraisal application and there is an apparent lack of a professional application of performance application.

\(^1\) This result was investigated by researcher during survey.
4. Training and Development

Table (5.11)
Percentages of each item alternatives, Average, Weight, Sign Test and significance of each item of “Training and Development” field

<table>
<thead>
<tr>
<th>No.</th>
<th>Paragraph</th>
<th>Average</th>
<th>Weight %</th>
<th>Rank</th>
<th>P-value (Sig.)</th>
<th>Agree %</th>
<th>Disagree %</th>
<th>Sign</th>
</tr>
</thead>
<tbody>
<tr>
<td>44</td>
<td>Your firm experiences training plans,</td>
<td>3.45</td>
<td>69.1</td>
<td>12</td>
<td>0.000*</td>
<td>58.4</td>
<td>12.6</td>
<td>+</td>
</tr>
<tr>
<td>45</td>
<td>Your firm believes that training and upgrading of employees’ skills is important.</td>
<td>3.60</td>
<td>72.0</td>
<td>5</td>
<td>0.000*</td>
<td>75.3</td>
<td>14.9</td>
<td>+</td>
</tr>
<tr>
<td>46</td>
<td>Your firm diagnosis individual training needs in advance.</td>
<td>3.60</td>
<td>72.1</td>
<td>4</td>
<td>0.000*</td>
<td>75.4</td>
<td>14.7</td>
<td>+</td>
</tr>
<tr>
<td>47</td>
<td>Individual training needs are identified on the basis of staff appraisal.</td>
<td>2.82</td>
<td>56.5</td>
<td>16</td>
<td>0.000*</td>
<td>22.6</td>
<td>39.9</td>
<td>-</td>
</tr>
<tr>
<td>48</td>
<td>Managers in the firm are consulted about staff training needs.</td>
<td>3.48</td>
<td>69.6</td>
<td>11</td>
<td>0.000*</td>
<td>69.8</td>
<td>21.6</td>
<td>+</td>
</tr>
<tr>
<td>49</td>
<td>Training objectives are identified in the firm in light of training needs assessment.</td>
<td>3.39</td>
<td>67.9</td>
<td>13</td>
<td>0.000*</td>
<td>62</td>
<td>22.3</td>
<td>+</td>
</tr>
<tr>
<td>50</td>
<td>Training plan is developed in the light of the present and expected problems in the firm.</td>
<td>3.54</td>
<td>70.9</td>
<td>8</td>
<td>0.000*</td>
<td>66.7</td>
<td>12</td>
<td>+</td>
</tr>
<tr>
<td>51</td>
<td>Training plan is developed in light of the expansion plans of the firm in the future</td>
<td>3.62</td>
<td>72.5</td>
<td>2</td>
<td>0.000*</td>
<td>77.4</td>
<td>14.7</td>
<td>+</td>
</tr>
<tr>
<td>52</td>
<td>Training plan is developed in the firm in light of the financial resources.</td>
<td>3.56</td>
<td>71.3</td>
<td>6</td>
<td>0.000*</td>
<td>75.1</td>
<td>18.3</td>
<td>+</td>
</tr>
<tr>
<td>53</td>
<td>Training programs are designed to be adhered to a fixed timetable</td>
<td>3.61</td>
<td>72.3</td>
<td>3</td>
<td>0.000*</td>
<td>74.7</td>
<td>12.9</td>
<td>+</td>
</tr>
<tr>
<td>54</td>
<td>Your firm provides Need-based Training program</td>
<td>3.68</td>
<td>73.6</td>
<td>1</td>
<td>0.000*</td>
<td>74.9</td>
<td>6.6</td>
<td>+</td>
</tr>
<tr>
<td>55</td>
<td>Qualified instructors are hired based on the quality of the training program.</td>
<td>3.50</td>
<td>70.1</td>
<td>9</td>
<td>0.000*</td>
<td>65.7</td>
<td>15.2</td>
<td>+</td>
</tr>
<tr>
<td>56</td>
<td>Development of training content is consistent with the objectives of the training program</td>
<td>3.50</td>
<td>70.0</td>
<td>10</td>
<td>0.000*</td>
<td>71.3</td>
<td>21.1</td>
<td>+</td>
</tr>
<tr>
<td>57</td>
<td>Your firm evaluates the training program upon completion.</td>
<td>3.03</td>
<td>60.6</td>
<td>14</td>
<td>0.216</td>
<td>34.2</td>
<td>13.7</td>
<td>0</td>
</tr>
<tr>
<td>58</td>
<td>Your firm uses certain criteria to measure the improved performance of its employees after the training program has been conducted.</td>
<td>3.01</td>
<td>60.2</td>
<td>15</td>
<td>0.318</td>
<td>32.6</td>
<td>14.5</td>
<td>0</td>
</tr>
<tr>
<td>59</td>
<td>The application of our staff about what they have learned from training leads to reduce mistakes</td>
<td>3.56</td>
<td>71.3</td>
<td>7</td>
<td>0.000*</td>
<td>73.8</td>
<td>17.2</td>
<td>+</td>
</tr>
</tbody>
</table>

* Average is significant at the 0.05 level
Table (5.11) shows that the average of the paragraph which had the lowest result "Individual training needs are identified on the basis of staff appraisal" 2.82 (Total score of 5), means that the proportional mean equal 56.5%, and P-value (Sig.) is equal to 0.000 which is smaller than the level of significance $\alpha = 0.05$, the sign test illustrates that 39.9% of respondents disagree with this paragraph while only 22.6% of respondents agree on it.

This result supports the outcome obtained from the performance appraisal construct. The deficiency found in the performance appraisal process made the matter of determining training need based-performance appraisal so difficult to pursue. Also, it might refer to external factors, such as the culture prevailing in the Palestinian community.

The average of the paragraph which got the highest result "Your firm provides Need-based Training program" equal 3.68 (Total score of 5), means that the proportional mean equal 73.6%, and P-value (Sig.) is equal to 0.000 which is smaller than the level of significance $\alpha = 0.05$, the sign test illustrates that 74.9% of respondents agree with this paragraph while only 6.6% of respondents disagree on it. This result revealed that training was determined based on the needs required to perform a job.

This result supports the outcome obtained from HRP construct (Table (5.8), paragraph 16) in that the decisions are taken in the light of firm’s financial situation.

The average of the training and development domain equals 3.46 (69.2%) and P-value =0.000 which is smaller than the level of significance $\alpha = 0.05$, the sign test illustrates that 63.1% of respondents agree on practicing of the training and development performed in their firms, while only 17.0% of respondents disagree on it.

The results reveal that the manufacturing firms in Gaza provide moderate training only, which does not stem from a needs assessment and which does not follow adequate professional standards.

This construct has been analyzed by paragraphs (9 - 59) of the paragraphs of the field “HRM Practices”. Sign test has been used to see whether the average degree of response had reached a degree of neutrality, namely 3 or not.
Table (5.12)
Average, Weight, Sign Test and significance of each construct of “HRM Practice"

<table>
<thead>
<tr>
<th>No.</th>
<th>Paragraph</th>
<th>Average</th>
<th>Weight %</th>
<th>P-value (Sig.)</th>
<th>Agree %</th>
<th>Disagree %</th>
<th>Sign</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Human Resource Planning (HRP)</td>
<td>3.39</td>
<td>67.88</td>
<td>0.000*</td>
<td>63.1</td>
<td>23.0</td>
<td>+</td>
</tr>
<tr>
<td>2.</td>
<td>Compensation</td>
<td>3.52</td>
<td>70.3</td>
<td>0.000*</td>
<td>72.2</td>
<td>22.6</td>
<td>+</td>
</tr>
<tr>
<td>3.</td>
<td>Performance Appraisal</td>
<td>3.43</td>
<td>64.1</td>
<td>0.000*</td>
<td>66.9</td>
<td>19.9</td>
<td>+</td>
</tr>
<tr>
<td>4.</td>
<td>Training and Development (T&amp;D)</td>
<td>3.46</td>
<td>69.2</td>
<td>0.000*</td>
<td>63.1</td>
<td>17.0</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td><strong>HRM practices</strong></td>
<td>3.45</td>
<td>69.0</td>
<td>0.000*</td>
<td>66.32</td>
<td>20.62</td>
<td>+</td>
</tr>
</tbody>
</table>

* Average is significant at the 0.05 level

From table (5.12), In general we can say that the proportional mean to all the paragraphs of the HRM practices field equal 69.0 %, 66.32% of respondents agree on their firms HRM practices and 20.62% disagree on their firms HRM practices, and P-value (Sig.) is equal to 0.000 for that is the field of "Human Resource Management Practices" is statistically significant at the level of significance, which indicates that the average degree of response to this field differs significantly from the degree of neutrality 3 and this means that there is agreement by the respondents to HRM field.

The above results mean that the manufacturing firms in Gaza practice Human Resource Management in pursuing their business. But, in general they are not professional in their implementation as explained above. Most of the practitioners in the manufacturing firms practice HRM acquired through work experience rather than technical training as demonstrated by the fact that 93.4% of respondents possess more than 11 years of experiences, confirming the fact that HRM is practiced based on their technical field background.

5.3.2 The Second Construct: Operational Performance
This construct has been analyzed by paragraphs (60 - 79) of the paragraphs of the field Operational performance. We used the sign test to see whether the average degree of response had reached a degree of neutrality, namely 3 or not.
1. Product Quality

Table (5.13) 
Percentages of each item alternatives, Average, Weight, Sign Test and significance of each item of “Product Quality” field

<table>
<thead>
<tr>
<th>No.</th>
<th>Paragraph</th>
<th>Average</th>
<th>Weight %</th>
<th>Rank</th>
<th>P-value (Sig.)</th>
<th>Agree %</th>
<th>Disagree &amp;</th>
<th>Sign</th>
</tr>
</thead>
<tbody>
<tr>
<td>60.</td>
<td>Rate the level of your firm's product conformance to the Palestinian specifications.</td>
<td>4.00</td>
<td>80.0</td>
<td>5</td>
<td>0.000∗</td>
<td>76.3</td>
<td>11.4</td>
<td>+</td>
</tr>
<tr>
<td>61.</td>
<td>Rate the level of non-defective rate of your firm's products.</td>
<td>4.02</td>
<td>80.4</td>
<td>4</td>
<td>0.000∗</td>
<td>76.7</td>
<td>8.1</td>
<td>+</td>
</tr>
<tr>
<td>62.</td>
<td>Rate the level of ability of your firm's products for improvement and development (Ability).</td>
<td>3.88</td>
<td>77.6</td>
<td>6</td>
<td>0.000∗</td>
<td>75.5</td>
<td>8.4</td>
<td>+</td>
</tr>
<tr>
<td>63.</td>
<td>Rate the level of your firm's product durability.</td>
<td>4.21</td>
<td>84.2</td>
<td>3</td>
<td>0.000∗</td>
<td>78.5</td>
<td>9.3</td>
<td>+</td>
</tr>
<tr>
<td>64.</td>
<td>Rate the level of your firm's products performance.</td>
<td>4.27</td>
<td>85.5</td>
<td>1</td>
<td>0.000∗</td>
<td>83.9</td>
<td>4.9</td>
<td>+</td>
</tr>
<tr>
<td>65.</td>
<td>Rate the level of consistency of product quality</td>
<td>4.24</td>
<td>84.8</td>
<td>2</td>
<td>0.000∗</td>
<td>83.2</td>
<td>3.1</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td><strong>Product Quality</strong></td>
<td>4.10</td>
<td>82.1</td>
<td>-</td>
<td>0.000∗</td>
<td>79</td>
<td>7.5</td>
<td>+</td>
</tr>
</tbody>
</table>

Table (5.13) shows that the average of the paragraph which had the lowest result "Rate the level of ability of your firm's products for improvement and development (Ability)" 3.88 (Total score of 5), means that the proportional mean equal 77.61%, and P-value (Sig.) is equal to 0.000 which is smaller than the level of significance \( \alpha = 0.05 \), the sign test illustrates that 75.5% of respondents agree with this paragraph while only 8.4% of respondents disagree on it.

Moreover the average of the paragraph which got the highest result "Rate the level of your firm's products performance" equal 4.27 (Total score of 5), means that the proportional mean equal 85.5%, and P-value (Sig.) is equal to 0.000 which is smaller than the level of significance \( \alpha = 0.05 \), the sign test illustrates that 83.9% of respondents agree with this paragraph while only 4.9% of respondents disagree on it.

The average of the overall product quality equals 4.10 (82.1%) and P-value =0.000 which is smaller than the level of significance \( \alpha = 0.05 \), the sign test illustrates that 79% of respondents agree with this paragraph while only 7.5% of respondents disagree on it.
The above means that the majority of respondents believe in their firms’ ability to produce high quality product.

2. Product Cost

Table (5.14) Percentages of each item alternatives, Average, Weight, Sign Test and significance of each item of “Product Cost” field

<table>
<thead>
<tr>
<th>No.</th>
<th>Paragraph</th>
<th>Average</th>
<th>Weight %</th>
<th>Rank</th>
<th>P-value (Sig.)</th>
<th>Agree %</th>
<th>Disagree %</th>
<th>Sign</th>
</tr>
</thead>
<tbody>
<tr>
<td>66</td>
<td>Rate the ability to reduce overhead costs</td>
<td>3.07</td>
<td>61.57</td>
<td>3</td>
<td>0.009*</td>
<td>59.3</td>
<td>2.1</td>
<td>+</td>
</tr>
<tr>
<td>67</td>
<td>Rate the ability to keep cost of products low</td>
<td>3.06</td>
<td>61.32</td>
<td>4</td>
<td>0.029*</td>
<td>59.2</td>
<td>2.7</td>
<td>+</td>
</tr>
<tr>
<td>68</td>
<td>Rate the ability to reduce inventory cost involvement</td>
<td>3.17</td>
<td>63.45</td>
<td>2</td>
<td>0.000*</td>
<td>60.4</td>
<td>1.4</td>
<td>+</td>
</tr>
<tr>
<td>69</td>
<td>Rate the ability to reduce costs of product inspection</td>
<td>3.96</td>
<td>79.24</td>
<td>1</td>
<td>0.000*</td>
<td>73.7</td>
<td>3.3</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td><strong>Product Cost</strong></td>
<td>3.32</td>
<td>66.3</td>
<td>-</td>
<td>0.000*</td>
<td>63.2</td>
<td>2.4</td>
<td>+</td>
</tr>
</tbody>
</table>

* Average is significant at the 0.05 level

Table (5.14) shows that the average of the paragraph which had the lowest result "Rate the ability to keep cost of products low" 3.06 (Total score of 5), means that the proportional mean equal 61.32%, and P-value (Sig.) is equal to 0.000 which is smaller than the level of significance $\alpha = 0.05$ the sign test illustrates that 59.3% of respondents agree with this paragraph while only 2.7% of respondents disagree on it. Moreover the average of the paragraph which got the highest result "Rate the ability to reduce costs of product inspection" equal 3.96 (Total score of 5), means that the proportional mean equal 79.24 %, and P-value (Sig.) is equal to 0.000 which is smaller than the level of significance $\alpha = 0.05$, the sign test illustrates that 73.7% of respondents agree with this paragraph while only 3.3% of respondents disagree on it.

The average of the cost reduction equals 3.32 (66.3%) and P-value =0.000 which is smaller than the level of significance $\alpha = 0.05$, the sign test illustrates that 63.9% of respondents agree with this paragraph while only 2.4% of respondents disagree on it.
The above shows that the respondents have a moderate believe in their firms’ ability to reduce cost during production.

3. Delivery

Table (5.15) Percentages of each item alternatives, Average, Weight, Sign Test and significance of each item of “Product Delivery” field

<table>
<thead>
<tr>
<th>No.</th>
<th>Paragraph</th>
<th>Average</th>
<th>Weight %</th>
<th>Rank</th>
<th>P-value (Sig.)</th>
<th>Agree %</th>
<th>Disagree %</th>
<th>Sign</th>
</tr>
</thead>
<tbody>
<tr>
<td>70.</td>
<td>Rate the level of product’s on-time delivery to your customers</td>
<td>4.34</td>
<td>86.85</td>
<td>2</td>
<td>0.000*</td>
<td>85.6</td>
<td>1.7</td>
<td>+</td>
</tr>
<tr>
<td>71.</td>
<td>Rate the level of dependable delivery of products to your customers</td>
<td>4.49</td>
<td>89.93</td>
<td>1</td>
<td>0.000*</td>
<td>87.3</td>
<td>1.9</td>
<td>+</td>
</tr>
<tr>
<td>72.</td>
<td>Rate the level of short lead time from order to delivery of your firm</td>
<td>3.78</td>
<td>75.27</td>
<td>4</td>
<td>0.000*</td>
<td>72.5</td>
<td>3.8</td>
<td>+</td>
</tr>
<tr>
<td>73.</td>
<td>Rate the level of cycle time from start of production to completion of product.</td>
<td>3.48</td>
<td>69.53</td>
<td>5</td>
<td>0.000*</td>
<td>64.2</td>
<td>4.9</td>
<td>+</td>
</tr>
<tr>
<td>74.</td>
<td>Rate the level of serving specific geographic market of your firm</td>
<td>4.31</td>
<td>86.21</td>
<td>3</td>
<td>0.000*</td>
<td>84.6</td>
<td>2.2</td>
<td>+</td>
</tr>
</tbody>
</table>

Delivery 4.08 81.6 - 0.000* 78.8 2.9 +

* Average is significant at the 0.05 level

Table (5.15) shows that the average of the paragraph which had the lowest result “Rate the level of cycle time from start of production to completion of product." 3.48 (Total score of 5), means that the proportional mean equal 69.53%, and P-value (Sig.) is equal to 0.000 which is smaller than the level of significance $\alpha = 0.05$, the sign test illustrates that 64.2% of respondents agree with this paragraph while only 4.9% of respondents disagree on it. Moreover the average of the paragraph which got the highest result "Rate the level of dependable delivery of products to your customers." equal 4.49 (Total score of 5), means that the proportional mean equal 89.93 %, and P-value (Sig.) is equal to 0.000 which is smaller than the level of significance $\alpha = 0.05$, the sign test illustrates that 87.3% of respondents agree with this paragraph while only 1.9% of respondents disagree on it.
The average of the delivery equals 4.08 (81.60%) and P-value =0.000 which is smaller than the level of significance $\alpha = 0.05$, the sign test illustrates that 78.8% of respondents agree with this paragraph while only 2.9% of respondents disagree on it.

The above means that the manufacturing firms in Gaza practice delivery service in their performance. Also, it is clear that the majority of respondents’ perceptions believe in the ability of their delivery system.

4. Flexibility

Table (5.16) Percentages of each item alternatives, Average, Weight, Sign Test and significance of each item of “Flexibility” field

<table>
<thead>
<tr>
<th>No.</th>
<th>Paragraph</th>
<th>Average</th>
<th>Weight %</th>
<th>Rank</th>
<th>P-value (Sig.)</th>
<th>Agree %</th>
<th>Disagree %</th>
<th>Sign</th>
</tr>
</thead>
<tbody>
<tr>
<td>75.</td>
<td>Rate the level of ability to adapt to changes in product mix of your firm</td>
<td>3.72</td>
<td>74.40</td>
<td>4</td>
<td>0.000*</td>
<td>72.7</td>
<td>3.8</td>
<td>+</td>
</tr>
<tr>
<td>76.</td>
<td>Rate the level of ability to handle difficult/non-standard orders by your firm</td>
<td>4.01</td>
<td>80.37</td>
<td>3</td>
<td>0.000*</td>
<td>76.4</td>
<td>2.3</td>
<td>+</td>
</tr>
<tr>
<td>77.</td>
<td>Rate the level of ability to make products to orders by your firm</td>
<td>4.10</td>
<td>82.13</td>
<td>1</td>
<td>0.000*</td>
<td>77.8</td>
<td>2.6</td>
<td>+</td>
</tr>
<tr>
<td>78.</td>
<td>Rate the level of ability to adjust capacity quickly of your firm</td>
<td>4.09</td>
<td>81.82</td>
<td>2</td>
<td>0.000*</td>
<td>78.1</td>
<td>1.6</td>
<td>+</td>
</tr>
<tr>
<td>79.</td>
<td>Rate the level of ability to scale production up and down quickly</td>
<td>3.53</td>
<td>70.69</td>
<td>5</td>
<td>0.000*</td>
<td>65.8</td>
<td>4.1</td>
<td>+</td>
</tr>
</tbody>
</table>

**Flexibility**

* Average is significant at the 0.05 level

Table (5.16) shows that the average of the paragraph which had the lowest result "Rate the level of ability to scale production up and down quickly" 3.53 (Total score of 5), means that the proportional mean equal 70.69%, and P-value (Sig.) is equal to 0.000 which is smaller than the level of significance $\alpha = 0.05$, the sign test illustrates that 65.8% of respondents agree with this paragraph while only 4.1% of respondents disagree on it. Moreover the average of the paragraph which got the highest result "Rate the level of ability to make products to orders by your firm" equal 4.10 (Total score of 5), means that the proportional mean equal 82.13 %, and P-value (Sig.) is equal to 0.000 which is smaller than the level of significance $\alpha = 0.05$, the sign
test illustrates that 77.8% of respondents agree with this paragraph while only 2.6% of respondents disagree on it.

The average of the flexibility equals 3.89 (77.80%) and P-value =0.000 which is smaller than the level of significance $\alpha = 0.05$, the sign test illustrates that 74.2% of respondents agree with this paragraph while only 2.9% of respondents disagree on it.

The above means that the majority of respondents’ perceptions believe in their firms’ ability to produce different products in different scale.

5. Overall Operational Performance

<table>
<thead>
<tr>
<th>No.</th>
<th>Paragraph</th>
<th>Average</th>
<th>Weight %</th>
<th>P-value (Sig.)</th>
<th>Agree %</th>
<th>Disagree %</th>
<th>Sign</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Product quality</td>
<td>4.10</td>
<td>82.1</td>
<td>0.000*</td>
<td>79</td>
<td>7.5</td>
<td>+</td>
</tr>
<tr>
<td>2.</td>
<td>Product Cost</td>
<td>3.32</td>
<td>66.3</td>
<td>0.000*</td>
<td>63.2</td>
<td>2.4</td>
<td>+</td>
</tr>
<tr>
<td>3.</td>
<td>Delivery</td>
<td>4.08</td>
<td>81.6</td>
<td>0.000*</td>
<td>78.8</td>
<td>2.9</td>
<td>+</td>
</tr>
<tr>
<td>4.</td>
<td>Flexibility</td>
<td>3.89</td>
<td>77.8</td>
<td>0.000*</td>
<td>74.2</td>
<td>2.9</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>Overall of the Operational performance</td>
<td>3.85</td>
<td>77.0</td>
<td>0.000*</td>
<td>74.6</td>
<td>4.2</td>
<td>+</td>
</tr>
</tbody>
</table>

* Average is significant at the 0.05 level

From table (5.17), In general we can say that the proportional mean to all the paragraphs of the field equal 77%, 74.6% of respondents agree on their firm’s ability in operational performance, and 4.2% disagree on their firms HRM practices, And P-value (Sig.) is equal to 0.000 for that is the field of “Operational performance" is statistically significant at the level of significance, which indicates that the average degree of response to this field differs significantly from the degree of neutrality 3 and this mean that there is agreement by the respondents in this field.
The results reveal that the majority of respondents believe in their firms’ ability in the operational performance and in their firms’ ability to adopt the suitable operations in pursuing their business.

5.3.3 The Third Construct: Non-Financial Performance

This construct has been analyzed by paragraphs (80-85) of the paragraphs of the field Non-Financial performance. We used the sign test to see whether the average degree of response had reached a degree of neutrality, namely 3 or not. Results are shown in the table (5.18).

<table>
<thead>
<tr>
<th>No.</th>
<th>Paragraph</th>
<th>Average</th>
<th>Weight %</th>
<th>Rank</th>
<th>P-value (Sig.)</th>
<th>Agree %</th>
<th>Disagree %</th>
<th>Sign</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non-financial performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>80.</td>
<td>Compared to past year, rate the level of reduction in employee absenteeism</td>
<td>3.94</td>
<td>78.81</td>
<td>4</td>
<td>0.000*</td>
<td>77.4</td>
<td>2.1</td>
<td>+</td>
</tr>
<tr>
<td>81.</td>
<td>Compared to past year, rate the level of reduction in employee turnover</td>
<td>4.35</td>
<td>87.04</td>
<td>2</td>
<td>0.000*</td>
<td>84.1</td>
<td>1.8</td>
<td>+</td>
</tr>
<tr>
<td>82.</td>
<td>Compared to past year, rate the level of the firm’s ability to retain essential employees</td>
<td>4.14</td>
<td>82.82</td>
<td>3</td>
<td>0.000*</td>
<td>80.9</td>
<td>3.1</td>
<td>+</td>
</tr>
<tr>
<td>83.</td>
<td>Compared to past year, rate the level of the firm’s ability to attract essential employees</td>
<td>3.66</td>
<td>73.20</td>
<td>6</td>
<td>0.000*</td>
<td>71.6</td>
<td>2.9</td>
<td>+</td>
</tr>
<tr>
<td>84.</td>
<td>Compared to past year, rate the level of the firm’s ability to achieve Customer satisfaction.</td>
<td>4.38</td>
<td>87.61</td>
<td>1</td>
<td>0.000*</td>
<td>85.5</td>
<td>1.1</td>
<td>+</td>
</tr>
<tr>
<td>85.</td>
<td>Compared to past year, rate the level of reduction in work-related injuries and accidents</td>
<td>3.68</td>
<td>73.33</td>
<td>5</td>
<td>0.000*</td>
<td>70.7</td>
<td>3.9</td>
<td>+</td>
</tr>
<tr>
<td>All paragraphs of the non-financial field</td>
<td>4.02</td>
<td>80.4</td>
<td>-</td>
<td>0.000*</td>
<td>78.4</td>
<td>2.5</td>
<td>+</td>
<td></td>
</tr>
</tbody>
</table>

* Average is significant at the 0.05 level

Table (5.18) shows that the average of the paragraph which had the lowest result "Compared to past year, rate the level of the firm’s ability to attract essential employees" 3.66 (Total score of 5), means that the proportional mean equal 73.20%, and P-value (Sig.) is equal to 0.000 which is smaller than the level of significance $\alpha = 0.05$, the sign test illustrates that 71.6% of respondents agree with this paragraph while only 2.9% of respondents disagree on it.

Moreover the average of the paragraph which got the highest result "Compared to past year, rate the level of the firm’s ability to achieve Customer satisfaction." equal 4.38 (Total score of
5), means that the proportional mean equal 87.61%, and P-value (Sig.) is equal to 0.000 which is smaller than the level of significance \( \alpha = 0.05 \), the sign test illustrates that 85.5% of respondents agree with this paragraph while only 1.1% of respondents disagree on it.

The average of the Non-financial performance equals 4.02 (80.40%) and P-value =0.000 which is smaller than the level of significance \( \alpha = 0.05 \), the sign test illustrates that 78.4% of respondents agree with this paragraph while only 2.5% of respondents disagree on it. That indicates that the average degree of response to this field has increased over the degree of neutrality, namely 3, that means there is agreement by the respondents to this field.

In general we can say that the proportional mean to all the paragraphs of the field equal 80.4%, and P-value (Sig.) is equal to 0.000, So we conclude that the field of "Non-Financial Performance" is Statistically significant at the level of significance, which indicates that the average degree of response to this field differs significantly from the degree of neutrality 3 and this mean that there is agreement by the respondents to this field.

The result means that the majority of respondents believe in the importance of the non-financial performance. Something to be noticed, the survey was conducted under the blockade imposed on Gaza, which may qualify the result as being done under abnormal circumstances.

### 5.3.4 The Fourth Construct: Financial Performance

This construct has been analyzed by paragraphs (86-91) of the paragraphs of the field Operational performance. We used the sign test to see whether the average degree of response had reached a degree of neutrality, namely 3 or not.
Table (5.19)
Percentages of each item alternatives, Average, Weight, Sign Test and significance of each item of “Financial Performance” field

<table>
<thead>
<tr>
<th>No.</th>
<th>Paragraph</th>
<th>Average</th>
<th>Weight %</th>
<th>Rank</th>
<th>P-value (Sig.)</th>
<th>Agree %</th>
<th>Disagree %</th>
<th>Sign</th>
</tr>
</thead>
<tbody>
<tr>
<td>86.</td>
<td>Compared to your competitors, what is your firm’s sale growth rate</td>
<td>3.54</td>
<td>70.88</td>
<td>2</td>
<td>0.000*</td>
<td>66.8</td>
<td>18.9</td>
<td>+</td>
</tr>
<tr>
<td>87.</td>
<td>Compared to your competitors, what is your firm’s market share percentage</td>
<td>3.44</td>
<td>68.86</td>
<td>3</td>
<td>0.000*</td>
<td>63.8</td>
<td>14.3</td>
<td>+</td>
</tr>
<tr>
<td>88.</td>
<td>Compared to your competitors, what is your firm’s profitability rate</td>
<td>3.22</td>
<td>64.52</td>
<td>4</td>
<td>0.000*</td>
<td>59.8</td>
<td>17.7</td>
<td>+</td>
</tr>
<tr>
<td>89.</td>
<td>Compared to your competitors, what is your firm’s return on assets (ROA). (Net profit/Total assets)</td>
<td>2.85</td>
<td>57.16</td>
<td>5</td>
<td>0.000*</td>
<td>34.6</td>
<td>44.2</td>
<td>-</td>
</tr>
<tr>
<td>90.</td>
<td>Compared to your competitors, what is your firm’s return on Equity (ROE). (Net profit/Capital)</td>
<td>2.82</td>
<td>56.47</td>
<td>6</td>
<td>0.000*</td>
<td>40.6</td>
<td>47.5</td>
<td>-</td>
</tr>
<tr>
<td>91.</td>
<td>Compared to your competitors, what is your firm’s return on sales (ROS). (Net profit/Total sales)</td>
<td>3.77</td>
<td>75.53</td>
<td>1</td>
<td>0.000*</td>
<td>71.6</td>
<td>9.7</td>
<td>+</td>
</tr>
<tr>
<td>All paragraphs of the financial performance field</td>
<td>3.27</td>
<td>65.4</td>
<td>-</td>
<td>0.000*</td>
<td>56.2</td>
<td>25.4</td>
<td>+</td>
<td></td>
</tr>
</tbody>
</table>

* Average is significant at the 0.05 level

Table (5.19) shows that the average of the paragraph which had the lowest result "Compared to your competitors, what is your firm's return on Equity (ROE). (Net profit/Capital)" 2.82 (Total score of 5), means that the proportional mean equal 56.47%, and P-value (Sig.) is equal to 0.000 which is smaller than the level of significance $\alpha = 0.05$, the sign test illustrates that 47.5% of respondents disagree with this paragraph while only 40.6% of respondents agree on it. This result was evaluated by researcher, when respondents were asked to provide opinions on the variables to fill these paragraphs; they evaluated the ROI and ROA based on the current situation, that mean the evaluation would be negative by defaults because their assets are valuable than before 10 years, it is a special case here in Gaza resulted from the siege imposed (no depreciation, price escalation, inflation).

The average of the paragraph which got the highest result “Compared to your competitors, what is your firm's return on sales (ROS). (Net profit/Total sales)” equal 3.77 (Total score of 5), means that the proportional mean equal 75.53%, and P-value (Sig.) is equal to 0.000 which is smaller than the level of significance $\alpha = 0.05$, the sign test illustrates that 71.6% of respondents agree with this paragraph while only 9.7% of respondents disagree on it.
This result reveals that sales were boosted, because of the fact that goods are scarce due to the blockade and due to the absence of external competition.

The average of the financial performance equals 3.27 (65.4%) and P-value =0.000 which is smaller than the level of significance $\alpha = 0.05$, the sign test illustrates that 56.2% of respondents agree with this paragraph while only 25.4% of respondents disagree on it. It indicates that the average degree of response to this field has increased the degree of neutrality, namely 3, that means there is agreement by the respondents to this field.

In general we can say that the proportional mean to all the paragraphs of the field equal 65.4%, and P-value (Sig.) is equal to 0.000, So we conclude that the field of "Financial performance" is statistically significant at the level of significance, which indicates that the average degree of response to this field differs significantly from the degree of neutrality 3 and this mean that there is agreement by the respondents to this field.

Something to be noticed, the survey was conducted under the blockade imposed on Gaza. That matter may provides some scales for firms couldn’t be found in the normal condition as it shows in paragraph 84; in which respondents calculate the ratios based on the inflation conditions prevailing in Gaza strip in which assets take unreality values (escalated values), moreover paragraph 90 shows the suffering of the manufacturing firms, this situation caused by the blockade imposed on Gaza, this abnormal condition forced the manufacturing firms to pursue the survival strategy. In paragraph 91, these abnormal conditions, caused by the siege, facilitate the circumstances for manufacturing firms to prevail the market in which no external competition exist and the customers are favor to buy their products.

The result reveals that some of Respondents’ responses agree on some paragraphs, and some disagree on others, which reflect in general the difficult situation experienced by manufacturing firms. The table also shows that the proportion of respondents who agree on the financial part was 56.2%, and the proportion of those who disagree amounted to 25.4%, and the rest had no opinion (neutral).
5.4 Hypotheses Test

According to the research model, and to make the analyses easy and avoid confusing state, this research conducts three appropriate statistical tests for analyzing the data:

First, correlation analysis is a statistical technique. Correlation is primarily concerned with finding out whether a relationship exists and with determining its magnitude and direction (Ho, 2006). It is used to find out the magnitude and the direction of the relation between HRM practices and business performance (operational, non-financial and financial).

Second, regression analysis is used to see the impact of HRM practices on business performance (operational, non-financial and financial); regression analysis is a statistical technique that is widely used for research. Regression analysis is used to determine how much variation in the dependent variables is explained by the independent variables. In other words, it is used to explain the strength of the relationship (behavior) of the dependent variables, based on the set of independent variables. (Ho, 2006)

All factors were included into one regression analysis (multiple regression) to see the overall effect of HRM Practices on business performance.

Third, Kruskal–Wallis Test is used to investigate if there are statistical differences in the response of the research population related to personal traits and company information.

Checking Normality of a distribution

Normality of the distribution of a variable is very important because regression tests require the normality as a prerequisite. Because the research sample size is greater than 50, Kolmogorov-Smirnov test (Non-parametric Goodness of fit test) has been used to check the normality of the distribution. The results show that Sig-value greater than 0.05 for all research constructs. We can conclude that the all research constructs is normally distributed, therefore, Parametric Tests could be used for hypotheses test See (Appendix (D)).

The Central Limit Theorem states that for sample sizes sufficiently large (greater than 30), the shape of the distribution of the sample means obtained from any population (distribution) will approach a normal distribution (Bajpai, 1971, p.271). So, if we are making inferences on arithmetic means, we can use parametric statistics to do the computations.
5.4.1 HRM Practices and Operational Performance

H1: HRM practices have significant effect on operational performance.

H1a: HR planning has significant impact on operational performance.
H1b: Compensation has significant impact on operational performance.
H1c: Performance Appraisal has significant impact on operational performance.
H1d: Training has significant impact on operational performance.

1. Correlation between HRM Practices and Operational Performance

Correlation analysis is used for data analysis in the research to observe respondents’ perceptions and points out for relationship between HRM practices and firms operational performance.

Table (5.20)

<table>
<thead>
<tr>
<th>Field</th>
<th>Pearson Correlation Coefficient</th>
<th>RANK</th>
<th>P-value (Sig.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Human Resource Planning</td>
<td>0.462</td>
<td>4</td>
<td>0.002*</td>
</tr>
<tr>
<td>2. Compensation</td>
<td>0.583</td>
<td>1</td>
<td>0.000*</td>
</tr>
<tr>
<td>3. Performance Appraisal</td>
<td>0.521</td>
<td>3</td>
<td>0.000*</td>
</tr>
<tr>
<td>4. Training</td>
<td>0.542</td>
<td>2</td>
<td>0.000*</td>
</tr>
</tbody>
</table>

*Correlation is significant at the 0.05 level

Table (5.20) shows the following results:

The correlation coefficient between Human Resource Planning and the Operational Performance equals 0.462 and the P-value (Sig.) equals 0.002. The P-value (Sig.) is less than 0.05, so the correlation coefficient is statistically significant at α = 0.05. So it can be said that there exists a significant relationship between Human Resource Planning and the Operational Performance.

The correlation coefficient between Compensation and the Operational Performance equals 0.583 and the P-value (Sig.) equals 0.000. The P-value (Sig.) is less than 0.05, so the
correlation coefficient is statistically significant at $\alpha = 0.05$. So it can be said that there exists a significant relationship between Compensation and the Operational Performance.

The correlation coefficient between Performance Appraisal and the Operational Performance equals 0.521 and the P-value (Sig.) equals 0.000. The P-value (Sig.) is less than 0.05, so the correlation coefficient is statistically significant at $\alpha = 0.05$. So it can be said that there exists a significant relationship between Performance Appraisal and the Operational Performance.

The correlation coefficient between Training and the Operational Performance equals 0.542 and the P-value (Sig.) equals 0.000. The P-value (Sig.) is less than 0.05, so the correlation coefficient is statistically significant at $\alpha = 0.05$. So it can be said that there exists a significant relationship between Training and the Operational Performance.

The finding shows that all four dimensions of HRM practices have positive and significant relationship with operational performance. Therefore, hypotheses H1a through H1d were accepted. In general, the P-values (Sig.) of the correlation coefficients between HRM Practices and Operational Performance are less than 0.05, so the correlation coefficient is statistically significant at $\alpha = 0.05$. So it can be said that there exists a significant relationship between HRM Practices and Operational Performance.

This finding is consistent with theory and research. HRM practices are expected to yield higher performance regardless of the country and industry in which the plant operates. (Ahmad and Schroeder, 2003, p.36). Based on the results created from Pearson correlation coefficients, there are managerial implications for firms that HRM practices help firms to improve operational performance. The results strongly suggest that the four HRM practices (HR planning, Compensation, PA, and Training) are highly positively correlated to operational performance with high correlation coefficient (0.462, 0.583, 0.521 and 0.542) respectively.

We can conclude that HRM practices significantly correlated to operational performance. These results agree with research done by Ahmad and Schroeder (2003) in that operational performance is positively related to HRM practices.
This finding is supported by MacDuffie (1995) research which found that a bundle of internally consistent HRM practices is more effective than the sum of the effects of the individual practices due to their mutually reinforcing and synergistic impacts on performance.

Moreover, the results are consistent with the research conducted by Jayaram et al. (1999) who revealed that there are positive linkages between individual HRM practices and manufacturing performance.

We can conclude that HRM practices significantly correlated to Operational Performance individually. This research provides support to sub hypotheses (H1a, H1b, H1c, and H1d).

### 2. Regression Analysis between HRM Practices and Operational Performance

In order to explore the relationship between dependent variable and independent variables, multiple regression analysis was conducted to see the impacts. One of the objective of this research is to find out the relationships and the impact between HRM practices and Business Performance, so regression analysis is the best suitable tool for the purpose.

This research combined all four HRM practices into one regression to see the overall impact on operational performance. Stepwise Multiple Regression with operational performance as the dependent variable indicates that only three independent variables, compensation, performance appraisal, and training, contributed significantly toward operational performance at the 0.05 level of significance. The prediction model indicated that $44.5\%$ of the variation in "Operational Performance" is explained by compensation, performance appraisal and training. Table (5.21) shows the model summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>0.673(c)</td>
<td>0.452</td>
<td>0.445</td>
<td>0.6743</td>
<td>2.374</td>
</tr>
</tbody>
</table>

cPredictors: (constant), comp, P.A, training

Analysis of Variance for the regression model assesses the overall significance of the model. As $p<0.05$, the model is significant. Table (5.22) shows the ANOVA for the regression model. Sig. = 0.000, so there is a significant relationship between the dependent variable
Operational Performance and the independent variables: compensation, performance appraisal and training.

Table (5.22)  
ANOVA

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>89.352</td>
<td>3</td>
<td>29.784</td>
<td>65.478</td>
<td>0.000</td>
</tr>
<tr>
<td>Residual</td>
<td>108.258</td>
<td>238</td>
<td>0.4548</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>197.61</td>
<td>241</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Unstandardized Beta Coefficients give a measure of the contribution of each variable to the model. A large value indicates that a unit change in this predictor variable has a large impact on the dependent (criterion variable). The t and Sig (p) values give a rough indication of the impact of each predictor variable – a big absolute t value and small p value suggests that a predictor variable is having a large impact on the criterion variable. (Hair et al, 2010) Table (5.23) shows the final regression model coefficients and their P-values (Sig.).

The data analyses presented in Table (5.23) revealed that only three of predictors have P-value for their coefficient (beta, β) are significant: compensation (β= 0.321, p ≤ 0.05), performance appraisal (β = 0.246, p ≤ 0.05) and training (β = 0.286, p ≤ 0.05). Only compensation, performance appraisal and training significantly contributed to the model. The human resource planning failed to fulfill the requirements (it was deleted at any step of stepwise regression, where it no longer contributes significantly to the regression model). Based on T-test, the most significant variables are compensation, followed by the training, and performance appraisal respectively.
Table (5.23)
The Regression Coefficients

<table>
<thead>
<tr>
<th>Model 3</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>95.0% Confidence Interval for B</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td>Lower Bound</td>
<td>Upper Bound</td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.87</td>
<td>0.539</td>
<td>3.469</td>
<td>0.000</td>
<td>0.808</td>
<td>2.931</td>
</tr>
<tr>
<td>Compensation</td>
<td>0.321</td>
<td>0.037</td>
<td>0.346</td>
<td>8.675</td>
<td>0.000</td>
<td>0.248</td>
</tr>
<tr>
<td>P.A</td>
<td>0.246</td>
<td>0.046</td>
<td>0.284</td>
<td>5.347</td>
<td>0.016</td>
<td>0.155</td>
</tr>
<tr>
<td>Training</td>
<td>0.286</td>
<td>0.053</td>
<td>0.315</td>
<td>5.396</td>
<td>0.007</td>
<td>0.181</td>
</tr>
</tbody>
</table>

The result shows that out of the four HRM practices, only three items of these practices impact the operational performance.

When combined HRM practices into system, only compensation, performance appraisal and training still keep status quo. These results are aligned with many of researches in which the same multiple regression were used as a main testing tool. It is aligned with the finding of Ahmad and Schroeder (2003) who revealed the significant impact of HRM practices on the operational performance of the manufacturing plants operating in four countries (Germany, Italy, Japan, and the USA) with R square=0.49. These results also consistent with the results of the research conducted by Lee and Lee (2007) whose result shows that a certain HRM practices affect business performance when they are combined into a system with R square=0.525. Moreover, this result agrees with Sang (2005) who revealed that certain HRM practices influence operational performance when they are combined into a system with R square = 0.589. Therefore; main Hypothesis H1 is partially supported.

Based on the above results, a model can be derived to be:

Overall Model: (adjusted R square= 0.445, F= 65.478, P-value= 0.000, D-W= 2.374)

**Operational performance =** 1.87 + 0.321(compensation) + 0.246(performance appraisal) + 0.286(training)
5.4.2 HRM Practices and Non-Financial Performance

H2: HRM practices have significant impact on non-financial performance.

H2a: HR planning has significant impact on non-financial performance.
H2b: Compensation has significant impact on non-financial performance.
H2c: Performance Appraisal significant impact on non-financial performance.
H2d: Training has significant impact on non-financial performance.

1. Correlation between HRM Practices and Non-Financial Performance

Correlation analysis is used for data analysis in the research to observe respondents’ intentions and outpoints for relationship between HRM practices and firms non-financial performance.

### Table (5.24)

**Correlations between HRM practices and non-financial performance**

<table>
<thead>
<tr>
<th>No.</th>
<th>Field</th>
<th>Pearson Correlation Coefficient</th>
<th>RANK</th>
<th>P-value (Sig.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Human resource planning</td>
<td>0.365</td>
<td>4</td>
<td>0.000∗</td>
</tr>
<tr>
<td>2</td>
<td>Compensation</td>
<td>0.594</td>
<td>1</td>
<td>0.000∗</td>
</tr>
<tr>
<td>3</td>
<td>Performance appraisal</td>
<td>0.471</td>
<td>2</td>
<td>0.000∗</td>
</tr>
<tr>
<td>4</td>
<td>Training</td>
<td>0.416</td>
<td>3</td>
<td>0.000∗</td>
</tr>
</tbody>
</table>

*Correlation is significant at the 0.05 level

Table (5.24) shows the following results:

The correlation coefficient between Human Resource Planning and the Non-Financial Performance equals 0.365 and the P-value (Sig.) equals 0.000. The P-value (Sig.) is less than 0.05, so the correlation coefficient is statistically significant at $\alpha = 0.05$. So it can be said that there exists a significant relationship between Human Resource Planning and the Non-Financial Performance.

The correlation coefficient between Compensation and the Non-Financial Performance equals 0.594 and the P-value (Sig.) equals 0.000. The P-value (Sig.) is less than 0.05, so the correlation coefficient is statistically significant at $\alpha = 0.05$. So it can be said that there exists a significant relationship between Compensation and the Non-Financial Performance.
The correlation coefficient between Performance Appraisal and the Non-Financial Performance equals 0.471 and the P-value (Sig.) equals 0.000. The P-value (Sig.) is less than 0.05, so the correlation coefficient is statistically significant at $\alpha = 0.05$. So it can be said that there exists a significant relationship between Performance Appraisal and the Non-Financial Performance.

The correlation coefficient between Training and the Non-Financial Performance equals 0.416 and the P-value (Sig.) equals 0.000. The P-value (Sig.) is less than 0.05, so the correlation coefficient is statistically significant at $\alpha = 0.05$. So it can be said that there exists a significant relationship between Training and the Non-Financial Performance.

The finding shows that all four dimensions of HRM practices have positive and significant relationship with non-financial performance. Therefore, hypotheses H2a through H2d were accepted. In general, the P-values (Sig.) of the correlation coefficients between HRM Practices and Non-Financial Performance are less than 0.05, so the correlation coefficient is statistically significant at $\alpha = 0.05$. So it can be said that there exists a significant relationship between HRM Practices and Non-Financial Performance.

This finding is consistent with studies and researches. Based on the results created from Pearson correlation coefficients, there are managerial implications for firms that HRM practices help firms to improve Non-Financial Performance. The results strongly suggest that the four HRM practices (HRP, Compensation, PA, and Training) are highly positively affect Non-Financial performance with high correlation coefficient (0.365, 0.594, 0.471, and 0.416) respectively.

These results agree with research done by Cho et al. (2005) in that HRM practices reduce employees’ turnover rates and indeed increased labor productivity that mean labor productivity increased sales growth rates.

This finding is supported by Hayasat (2006) who found that human resources planning, employee performance evaluation, and training have positive relationship on Jordanian organization performance.
Moreover, the results are consistent with the research conducted by Uysal and Koca (2009) who revealed that HRM have positive and significant relationship with organizational performance. Sounds HRM attract ability-employees for organizational needs.

This finding is consistent with Kaya (2006) who found that a positive relationship between HRM practices and the non-financial performance of Turkish industries.

This result also agree with research done by Ghebregiorgis and Karsten (2007) who reveal that investment in HRM results in better non-financial performance for the manufacturing sectors in Eriteria.

This finding is consistent with Katou and Budhwar (2006) who found that a positive relationship between HRM practices (compensation, performance appraisal and training and development) and organizational performance (non-financial).

Also, This result also agree with the results of the research conducted by Abdullah (2009) who reveals that four indicators of HRM practices (Training and development, Human resource planning and performance appraisal) significantly correlated and affecting business performance. This research disagree with his results in that compensation is not significantly affect the overall business performance in the Malaysian business organization, from the researcher point of view. This can probably be said that firms providing much compensation to employees may lead to poor performance because of idleness.

We can conclude that HRM practices significantly correlated to Non-Financial Performance individually. This research provides support to sub hypotheses (H2a, H2b, H2c, and H2d).

2. Regression Analysis between HRM Practices and Non-Financial Performance

This research combined all four HRM practices into one regression to see the overall impact on non-financial performance. Stepwise Multiple Regression with non-financial performance as the dependent variable indicates that only two independent variables, compensation, and performance appraisal contributed significantly toward non-financial performance at the 0.05 level of significance. The prediction model indicated that 39.2% of the variation in "Non-Financial Performance" is explained by compensation and performance appraisal. Table (5.25) shows the model summary
Table (5.25)
Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>0.631(b)</td>
<td>0.398</td>
<td>0.392</td>
<td>0.7048</td>
<td>2.094</td>
</tr>
</tbody>
</table>

*Predictors: (constant), comp, P.A

Analysis of Variance for the regression model assesses the overall significance of the model. As p<0.05, the model is significant. Table (5.26) shows the ANOVA for the regression model. Sig. = 0.000, so there is a significant relationship between the dependent variable non-financial performance and the independent variables: compensation and performance appraisal.

Table (5.26)
ANOVA

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>78.651</td>
<td>2</td>
<td>39.325</td>
<td>79.008</td>
<td>0.000</td>
</tr>
<tr>
<td>Residual</td>
<td>118.959</td>
<td>239</td>
<td>0.497</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>197.61</td>
<td>241</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Unstandardized Beta Coefficients give a measure of the contribution of each variable to the model. A large value indicates that a unit change in this predictor variable has a large impact on the dependent (criterion variable). The t and Sig (p) values give a rough indication of the impact of each predictor variable – a big absolute t value and small p value suggests that a predictor variable is having a large impact on the criterion variable. (Hair et al, 2010)

Table (5.27) shows the final regression model coefficients and their P-values (Sig.).

The data analysis presented in Table (5.27) revealed that only two of predictors have P-value for their coefficient (beta, β) are significant: compensation (β= 0.374, p ≤ 0.05) and performance appraisal (β = 0.324, p ≤ 0.05). Only compensation, performance appraisal and training significantly contributed to the model. The human resource planning and training failed to fulfill the requirements (they were deleted at any step of stepwise regression, where it no longer contributes significantly to the regression model). Based on T-test, the most significant variables are compensation, followed by the performance appraisal.
The result of the regression analysis shows that out of the four HRM practices, only two items of these practices affect non-financial performance.

When combined HRM practices into system, only compensation and performance appraisal still keep status quo. These results are aligned with many of researches in which the same multiple regression were used as a main testing tool. These results also consistent with the results of the research conducted by Lee and Lee (2007) whose result shows that certain HRM practices affect business performance when they are combined into a system with $R^2 = 0.525$. Moreover, this result agrees with Sang (2005) who revealed that certain HRM practices influence non-financial performance when they are combined into a system with $R^2 = 0.508$.

Therefore; main Hypothesis H2 is partially supported.

Based on the above results, a model can be derived to be:

Overall Model: (adjusted $R^2 = 0.392$, $F= 79.008$, $p= 0.000$, D-W= 2.094)

$$\text{Non-financial performance} = 1.279 + 0.374 \text{ (compensation)} + 0.324 \text{ (performance appraisal)}$$
5.4.3 HRM Practices and Financial Performance

H3: HRM practices have significant impact on financial performance.

H3a: HR planning has significant impact on financial performance.
H3b: Compensation has significant impact on financial performance.
H3c: Performance Appraisal has significant impact on financial performance.
H3d: Training has significant impact on financial performance.

1. Correlation between HRM Practices and Financial Performance

Correlation analysis is used for data analysis in the research to observe respondents’ intentions and outpoints for relationship between HRM practices and firms financial performance.

<table>
<thead>
<tr>
<th>Field</th>
<th>Pearson Correlation Coefficient</th>
<th>RANK</th>
<th>P-value (Sig.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human resource planning</td>
<td>0.366</td>
<td>4</td>
<td>0.000*</td>
</tr>
<tr>
<td>Compensation</td>
<td>0.548</td>
<td>2</td>
<td>0.000*</td>
</tr>
<tr>
<td>Performance appraisal</td>
<td>0.437</td>
<td>3</td>
<td>0.000*</td>
</tr>
<tr>
<td>Training</td>
<td>0.576</td>
<td>1</td>
<td>0.000*</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level

Table (5.28) shows the following results:

The correlation coefficient between Human Resource Planning and the Financial Performance equals 0.366 and the P-value (Sig.) equals 0.000. The P-value (Sig.) is less than 0.05, so the correlation coefficient is statistically significant at $\alpha = 0.05$. So it can be said that there exists a significant relationship between Human Resource Planning and the Financial Performance.

The correlation coefficient between Compensation and the Financial Performance equals 0.548 and the P-value (Sig.) equals 0.000. The P-value (Sig.) is less than 0.05, so the correlation coefficient is statistically significant at $\alpha = 0.05$. So it can be said that there exists a significant relationship between Compensation and the Financial Performance.
The correlation coefficient between Performance Appraisal and the Financial Performance equals 0.437 and the P-value (Sig.) equals 0.000. The P-value (Sig.) is less than 0.05, so the correlation coefficient is statistically significant at $\alpha = 0.05$. So it can be said that there exists a significant relationship between Performance Appraisal and the Financial Performance.

The correlation coefficient between Training and the Financial Performance equals 0.576 and the P-value (Sig.) equals 0.000. The P-value (Sig.) is less than 0.05, so the correlation coefficient is statistically significant at $\alpha = 0.05$. So it can be said that there exists a significant relationship between Training and the Financial Performance.

The finding shows that all four dimensions of HRM practices have positive and significant relationship with financial performance. Therefore, hypotheses H3a through H3d were accepted. In general, the P-values (Sig.) of the correlation coefficients between HRM Practices and Financial Performance are less than 0.05, so the correlation coefficient is statistically significant at $\alpha = 0.05$. So it can be said that there exists a significant relationship between HRM Practices and Financial Performance.

This finding is consistent with studies and researches. Based on the results created from Pearson correlation coefficients, there are managerial implications for firms that HRM practices help firms to improve Financial Performance. The results strongly suggest that the four HRM practices (HRP, Compensation, PA, and Training) are highly positively affect Financial Performance with high correlation coefficient (0.366, 0.548, 0.437, and 0.576) respectively.

These results agree with research done by Vlachos (2009) in that human resources planning, performance evaluation, and training have positive relationship on Grecian firm’s sales growth performance.

This finding is supported by Chand and Katou (2007) who found that Indian hotel financial performance is positively related with HRM practices.

This finding is aligned with Fey (2000), who revealed that HRM practices improve financial performance.
The finding is supported by Uysal and Kaco (2009) who found that HRM practices are significantly correlated to the financial performance (market performance) which was expressed by compensation and training and development.

The finding is consistent and agree with Kaya (2006) who revealed the positive correlations between HRM practices and the industrial Turkish performances (financial) which has been reflected by Sales growth, Market share growth, Return on sales, Return on assets, Overall profitability.

Moreover, the finding is consistent and agrees with the results of the research conducted by Cho et al. (2005) who revealed that HRM practices are significantly correlated to the financial performance of the American Hotel industry which was expressed by annual sales growth rate.

We can conclude that HRM practices significantly correlated to Financial Performance individually. This research provides support to sub hypotheses (H3a, H3b, H3c, and H3d).

2. Regression Analyses between HRM Practices and Financial Performance

This research combined all four HRM practices into one regression to see the overall impact on non-financial performance. Stepwise Multiple Regression with financial performance as the dependent variable indicates that only two independent variables, compensation, and training contributed significantly toward financial performance at the 0.05 level of significance. The prediction model indicated that 33.7% of the variation in "Financial Performance" is explained by compensation and training. Table (5.29) shows the model summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>0.585(b)</td>
<td>0.343</td>
<td>0.337</td>
<td>0.737</td>
<td>2.092</td>
</tr>
</tbody>
</table>

Analysis of Variance for the regression model assesses the overall significance of the model. As p<0.05, the model is significant. Table (5.30) shows the ANOVA for the regression
model. Sig. = 0.000, so there is a significant relationship between the dependent variable Financial Performance and the independent variables.

### Table (5.30)

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>67.783</td>
<td>2</td>
<td>33.891</td>
<td>62.391</td>
<td>0.000</td>
</tr>
<tr>
<td>Residual</td>
<td>129.827</td>
<td>239</td>
<td>0.5432</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>197.61</td>
<td>241</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Unstandardized Beta Coefficients give a measure of the contribution of each variable to the model. A large value indicates that a unit change in this predictor variable has a large impact on the dependent (criterion variable). The t and Sig (p) values give a rough indication of the impact of each predictor variable – a big absolute t value and small p value suggests that a predictor variable is having a large impact on the criterion variable. *(Hair et al, 2010)*

Table (5.31) shows the final regression model coefficients and their P-values (Sig.).

The data analyses presented in Table (5.31) revealed that only two of predictors have P-value for their coefficient (beta, β) are significant: compensation (β = 0.302, p ≤ 0.05), and training (β = 0.410, p ≤ 0.05). Only compensation and training significantly contributed to the model. The human resource planning and performance appraisal failed to fulfill the requirements (they were deleted at any step of stepwise regression, where it no longer contributes significantly to the regression model). Based on T-test, the most significant variables is training, followed by the compensation.

### Table (5.31)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
<th>95.0% Confidence Interval for B</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td>Lower Bound</td>
<td>Upper Bound</td>
</tr>
<tr>
<td>(Constant)</td>
<td>0.994</td>
<td>0.501</td>
<td>-</td>
<td>1.984</td>
<td>0.000</td>
<td>0.007</td>
</tr>
<tr>
<td>Compensation</td>
<td>0.302</td>
<td>0.057</td>
<td>0.264</td>
<td>5.298</td>
<td>0.000</td>
<td>0.189</td>
</tr>
<tr>
<td>Training</td>
<td>0.410</td>
<td>0.055</td>
<td>0.422</td>
<td>7.454</td>
<td>0.000</td>
<td>0.301</td>
</tr>
</tbody>
</table>
This result shows that certain HRM practices substantially affect non-financial performance when they are combined into a system. When combined HRM practices into system, only compensation and training still keep status quo.

These results are aligned with many of researches in which the same multiple regression were used as a main testing tool. Also, these results consistent with Lee and Lee (2007) whose result shows that certain HRM practices affect business performance when they are combined into a system. Also these results are consistent with the research conducted by Uysal and Koca (2009) who revealed that HRM practices partly supports market performance. Moreover, this result agrees with Sang (2005) who revealed that certain HRM practices influence financial performance when they are combined into a system with $R^2 = 0.457$. Hypothesis H3 is partially supported

Based on the above results, a model can be derived to be:

Overall Model: (adjusted $R^2$ = 0.337, $F$ = 62.391, $p$ = 0.000, D-W = 2.092)

| Financial performance | = 0.994 + 0.302 (compensation) + 0.410 (training) |

**5.4.4 Differences Hypothesis**

The Kruskal-Wallis test is a nonparametric test, which is used to compare three or more groups of sample data (ordinal level). It is used to investigate the main of fourth hypothesis, if there are statistical differences in the response of the research population related to two control variables; personal traits and company information.

**H4:** There are statistical differences in respondents’ answers related to personal and company information.

This hypothesis can be divided into the following sub-hypotheses:

**H4a:** There are statistical differences in respondents’ answers related to personal traits

**H4a1:** There is a significant difference in respondents’ answers about the Human Resource Management Practices in the manufacturing firms related to personal traits at 0.05 level of significant
Kruskal-Wallis Test was used to measure the interaction between the Human resources management practices in the manufacturing firms and (age, education level, position and seniority) at 0.05 level of significant. Table (5.32) shows that Test value, with the degree of freedom, Value is more than 0.05, which means that no correlation between HRM practices in the manufacturing firms and (education level, position and seniority) at 0.05 level of significant. But there is a positive correlation between HRM practices in the manufacturing firms and the Age at 0.05 level of significant, where its sign is 0.043 less than 0.05 and test value is 8.127.

We notice from table (5.32) that age, as a personal trait, has an impact on the HRM practices, to that HRM requires working in different work environments, in different size scale firms, in different positions etc. So people of different age will have different experiences coming across HRM.

Table (5.33) shows the mean rank for “HRM practices”, the most differences in HRM practices can noticed clearly on Age group 41 years to 50 years with Max mean Rank=131.45. This means that the most differences in respondents toward HRM practices are within age 41
years to 50 years. This supports the point made earlier that this group is more experienced and had a chance of working in various environments and thus their age affect their assessment for HRM practices.

**H4a2:** There is a significant difference in respondents’ answers about the Operational Performance in the manufacturing firms related to personal traits at 0.05 level of significant

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Test Value</th>
<th>df</th>
<th>Sig. (P-value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>4.210</td>
<td>3</td>
<td>0.240</td>
</tr>
<tr>
<td>Education Level</td>
<td>1.676</td>
<td>2</td>
<td>0.433</td>
</tr>
<tr>
<td>Position</td>
<td>3.238</td>
<td>2</td>
<td>0.356</td>
</tr>
<tr>
<td>Seniority</td>
<td>2.890</td>
<td>3</td>
<td>0.406</td>
</tr>
</tbody>
</table>

*The mean difference is significant at the 0.05 level

Kruskal-Wallis Test was used to measure the interaction between the operational performance of the manufacturing firms and (age, education level, position and seniority) at 0.05 level of significant. Table (5.34) shows that Test value, with the degree of freedom, while the sig (P-value) is more than 0.05.

From table (5.34), There is no statistical differences in means of the operational performance of the manufacturing firms related to personal traits at the level of significance α=0.05.

We can conclude that there are no differences between the respondent’s answers about operational performance related to personal traits.

**H4a3:** There is a significant difference in respondents’ answers about the Non-Financial performance in the manufacturing firms related to personal traits at 0.05 level of significant
Kruskal-Wallis Test was used to measure the interaction between the non-financial performance of the manufacturing firms and (age, education level, position and seniority) at 0.05 level of significant. Table (5.35) shows that Test value, with the degree of freedom, while the sig (P-value) is more than 0.05.

From table (5.35), There is no statistical differences in means of the non-financial performance of the manufacturing firms related to personal traits at the level of significance $\alpha=0.05$.

We can conclude that there are no differences between the respondent’s answers about non-financial performance related to personal traits.

**Ha4:** There is a significant difference in respondents’ answers about the Financial performance in the manufacturing firms related to personal traits at 0.05 level of significant

*The mean difference is significant at the 0.05 level*
Kruskal-Wallis Test was used to measure the interaction between the financial performance of the manufacturing firms and (age, education level, position and seniority) at 0.05 level of significant. Table (5.36) shows that Test value, with the degree of freedom, while the sig (P-value) is more than 0.05.

From table (5.36), There is no statistical differences in means of the financial performance of the manufacturing firms related to personal traits at the level of significance $\alpha=0.05$.

We can conclude that there are no differences between the respondent’s answers about financial performance related to personal traits.

**H4b: There are statistical differences in respondents’ answers related to company information.**

**H4b1: There is a significant difference in respondents’ answers about the Human Resource Management Practices in the manufacturing firms related to company information at 0.05 level of significant**

**Table (5.37)**

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Test Value</th>
<th>df</th>
<th>Sig. (P-value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees (size)</td>
<td>0.649</td>
<td>3</td>
<td>0.885</td>
</tr>
<tr>
<td>Years of operation</td>
<td>1.729</td>
<td>2</td>
<td>0.421</td>
</tr>
<tr>
<td>Industry type</td>
<td>6.871</td>
<td>7</td>
<td>0.422</td>
</tr>
</tbody>
</table>

* The mean difference is significant at the 0.05 level

Kruskal-Wallis Test was used to measure the interaction between the Human resources management practices in the manufacturing firms and (number of employees, years of operation and industry type) at 0.05 level of significant. Table (5.37) shows that Test value, with the degree of freedom, while the sig (P-value) is more than 0.05.

From table (5.37), There is no statistical differences in means of the HRM practices on Palestinian Manufacturing Firms related to company information at the level of significance $\alpha=0.05$.

We can conclude that there are no differences between the respondent’s answers about HRM practices related to company information.
H4b2: There is a significant difference in respondents’ answers about the Operational Performance in the manufacturing firms related to company information at 0.05 level of significant

Table (5.38)
Kruskal-Wallis test and their P-values for company information

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Test Value</th>
<th>df</th>
<th>Sig. (P-value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees (size)</td>
<td>2.976</td>
<td>3</td>
<td>0.395</td>
</tr>
<tr>
<td>Years of operation</td>
<td>1.032</td>
<td>2</td>
<td>0.597</td>
</tr>
<tr>
<td>Industry type</td>
<td>4.753</td>
<td>7</td>
<td>0.690</td>
</tr>
</tbody>
</table>

* The mean difference is significant at the 0.05 level

Kruskal-Wallis Test was used to measure the interaction between the operational performance of the manufacturing firms and (number of employees, years of operation and industry type) at 0.05 level of significant. Table (5.38) shows that Test value, with the degree of freedom, while the sig (P-value) is more than 0.05.

From table (5.38), There is no statistical differences in means of the operational performance of the manufacturing firms related to company information at the level of significance $\alpha=0.05$. We can conclude that there are no differences between the respondent’s answers about operational performance related to company information.

H4a3: There is a significant difference in respondents’ answers about the Non-Financial performance in the manufacturing firms related to company information at 0.05 level of significant

Table (5.39)
Kruskal-Wallis test and their P-values for company information

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Test Value</th>
<th>df</th>
<th>Sig. (P-value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees (size)</td>
<td>0.045</td>
<td>3</td>
<td>0.997</td>
</tr>
<tr>
<td>Years of operation</td>
<td>1.338</td>
<td>2</td>
<td>0.516</td>
</tr>
<tr>
<td>Industry type</td>
<td>1.257</td>
<td>7</td>
<td>0.990</td>
</tr>
</tbody>
</table>

* The mean difference is significant at the 0.05 level
Kruskal-Wallis Test was used to measure the interaction between the non-financial performance of the manufacturing firms and (number of employees, years of operation and industry type) at 0.05 level of significant. Table (5.39) shows that Test value, with the degree of freedom, while the sig (P-value) is more than 0.05.

From table (5.39), There is no statistical differences in means of the non-financial performance of the manufacturing firms related to company information at the level of significance $\alpha=0.05$. We can conclude that there are no differences between the respondent’s answers about non-financial performance related to company information.

**Hb4: There is a significant difference in respondents’ answers about the Financial Performance in the manufacturing firms related to company information at 0.05 level of significant**

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Test Value</th>
<th>df</th>
<th>Sig. (P-value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees (size)</td>
<td>7.726</td>
<td>3</td>
<td>0.052</td>
</tr>
<tr>
<td>Years of operation</td>
<td>3.270</td>
<td>2</td>
<td>0.195</td>
</tr>
<tr>
<td>Industry type</td>
<td>6.423</td>
<td>7</td>
<td>0.491</td>
</tr>
</tbody>
</table>

*The mean difference is significant at the 0.05 level*

Kruskal-Wallis Test was used to measure the interaction between the financial performance of the manufacturing firms and (number of employees, years of operation and industry type) at 0.05 level of significant. Table (5.40) shows that Test value, with the degree of freedom, while the sig (P-value) is more than 0.05.

From table (5.40), There is no statistical differences in means of the financial performance of the manufacturing firms related to company information at the level of significance $\alpha=0.05$.

We can conclude that there are no differences between the respondent’s answers about financial performance related to company information.
Chapter Six

Conclusion and Recommendations

6.1 Introduction

6.2 Conclusion

6.3 Recommendations

6.4 Future researches
6.1 Introduction

In this chapter, the conclusions and the recommendations of this research will be discussed.

6.2 Conclusions

The objective of this research is to identify the impact of HRM practices on operational, non-financial, and financial performance of the manufacturing businesses in Gaza Strip. This research provides support for the strategic impact of HRM on business performance. It is hoped that this research will provide a reference to senior managers in the manufacturing business to develop effective HRM practices in order to enhance business performance.

As a result of this research, the role of HRM in understanding business performance was emphasized. Empirical evidence was provided to support the conceptual models that simultaneously link the human resource practices in the areas of planning, compensation, performance appraisal, and training with operational, non-financial and financial performance. The conceptual models arrived at in this research, were supported to a great extent by the research findings.

The conclusions of this research are as follows:

1st. The Current Situation of HRM Practices in the Manufacturing Firms in Gaza Strip

(Results of this Research’s Data Analysis)

a. The manufacturing firms in Gaza experience and practice a moderate use of Human Resource Planning (HRP) in their firms, in which manufacturing firms utilize primitive administrative tools that result from (a) the lack of information regarding skill’s measurement; (b) the absence of knowledge about the importance of this data base; (c) the culture dominated in Gaza in which information is gathered based on the personal relationships. Moreover, it is clear that the manufacturing firms are heavily depend on the financial ability in their decisions

b. The manufacturing firms in Gaza experience and practice moderate compensation policies, at which there is no annual salary increment for employees. This is mainly due to (a) the absence of a legislative rule for annual salary increment; (b) the difficult economic
conditions prevailing in Gaza; and (c) the blockade imposed on Gaza which in turn had led capital investment to flee, thus reducing competition on attracting and retaining staff.

c. The manufacturing firms in Gaza partially practice performance appraisal application and there is an apparent lack of a professional application of performance application. The results reveal that the full benefit of performance appraisal process would not be achieved. This is basically due to (a) there is no feedback to employees as they are not informed about the results of performance appraisal; (b) lack of knowledge and importance of the performance appraisal; and (c) there are no legislations to support validation requirements for performance appraisals.

d. The manufacturing firms in Gaza provide moderate training only, which does not stem from a needs assessment and which does not follow adequate professional standards.

In conclusion, the manufacturing firms in Gaza practice Human Resource Management in pursuing their business. But, in general they are not professional in their implementation as explained above.

2nd. The linkage between HRM and Business performance:

1. HRM-Operational Performance
   a. The result shows the positive linkage between HRM practices and operational performance, the correlation findings show that improving in many HRM practices, such as compensation, training, performance appraisal and human resource planning, will lead to improve operational performance; firms need to put emphasis on these HRM practices. Specifically, these four practices of HRM practices should be paid much attention when firms pursue quality strategy, delivery, flexibility, and cost reduction and control. If those firms want to adopt quality, delivery, or flexibility strategy, the four HRM items should be considered as priorities. The conclusion is that all four HRM practices, including HR planning, compensation, performance appraisal, and training and development help improve firms’ business performance
b. The result of the regression analysis shows that out of the four HRM practices, only three items of these practices affect operational performance. These are the compensation policies, performance appraisal, and training and development respectively. Therefore, combining these practices together will have significant impact on business performance. The result indicates that compensation policies, performance appraisal, and training positively affect the operational performance. The research model explains that 44.5% of variance in operational performance is related to such practices. Manipulating these practices may increase the operational performance.

2. HRM Non-Financial Performance
   a. Non-financial metrics are so valuable because they predict future financial performance rather than simply report what has already happened. The result shows the positive relationship between HRM practices and non-financial performance, the correlation findings show that in order to improve non-financial performance; firms need to put emphasis on many HRM dimensions such as compensation, training, performance appraisal and human resource planning. In order to improve non-financial performance, firms can focus on those HRM practices to achieve this goal.

   b. The result of the regression analysis shows that out of the four HRM practices, only two items of these practices affect non-financial performance. These are the compensation policies and performance appraisal respectively. Therefore, combining these practices together will have significant impact on non-financial performance. The result indicates that compensation policies and performance appraisal positively affect the non-financial performance. The research model explains that 39.2% of variance in the non-financial performance is related to such practices. Manipulating these practices may increase the non-financial performance.

3. HRM Financial Performance
   a. Financial gain is the basic objective of the manufacturing firms. A large market share, future sales growth, and high profitability are demanded by the owners of the firms. Therefore, managers as well as employees are required to maximize owners’ wealth. The
result shows the positive relationship between HRM practices and financial performance, the correlation findings show that in order to improve financial performance; firms need to put emphasis on many HRM dimensions such as compensation, training, performance appraisal and human resource planning. In order to improve financial performance, firms can focus on those HRM practices to achieve this goal.

b. The result of the regression analysis shows that out of the four HRM practices, only two items of these practices affect financial performance. These are the compensation policies and training and development respectively. Therefore, combining these practices together will have significant impact on financial performance. The result indicates that compensation policies and training and development positively affect the financial performance. The research model explains that 33.7% of variance in the financial performance is related to such practices. Manipulating these practices may increase the financial performance.

4. There exists a significant difference between the respondents’ answers toward the HRM practices across the age variable. Responses within the age group of 41 to 50 years show a large difference in the implementation of the HRM practices. This supports the point that this group is more experienced, apparently because they had the chance of working in various environments, which in turn explains the differences in their assessment of HRM practices.

5. There is an insignificant difference between the respondents’ answers about the HRM practices relating to the company information. The fact that company information (years of operation, industry type and company size) have no impact on the HRM practices is due to the fact that the companies are nearly in the same environment as they are working under the same economical conditions. The majority of the research sample consists of small to medium firms that were established after the Oslo Accords between Palestinian Authority and Israel in 1993.
6. There is an insignificant difference between the respondents’ answers toward the operational performance attributed to personal traits and company information. The personal traits have no impact on the operational performance. This might be due to the fact that most of the respondents belong to top and middle management levels (targeted) and they are working in the same environment with the same economical conditions in same market (control volume). It was largely noticed that because the respondents, more or less, possess similar educational qualifications, their responses were very similar regarding the operational performance. On the other hand, there was an implicit agreement that company information has no impact on the operational performance. This might be due to the fact that most of the respondents appear to have similar backgrounds, in that they are officials working in firms that belong to the manufacturing sector of small to medium size and that their firms were founded in the same period of time (after Oslo Accords).

7. There is an insignificant difference between the respondents’ answers toward the non-financial performance attributed to personal traits and company information. The personal traits and company information have no impact on the non-financial performance. This might be due to the same reasons explained in No. 6 above. In addition, it seems that the specific market conditions prevailing in Gaza such as the blockade and the scarcity of goods and jobs has a great impact on the marketing conditions in that it helped in reducing staff turnover and absenteeism.

8. There is an insignificant difference between the respondents’ answers toward the financial performance attributed to personal traits and company information. It has been found that the personal traits and company information have no impact on the financial performance. This is basically due to the same reasons explained in No. 6 and 7 above.

9. The results obtained from the multiple regression lead to the important implication of this research. To a large extent, one can state that business performance could be greatly enhanced if and when correct decisions relating to human resources are made, as this will, in turn, improve the of competitive advantage to the firm. In this regard, the research findings seem to agree with HRM practitioners who think that the priority is not to develop new HRM
policies in order to create a sustained competitive advantage for the firms, but to efficiently adopt the existing HRM practices. (Kato and Budhwar, 2007, p.29)

10. The findings as a whole suggest that a positive relationship exists between the extent to which companies implement HRM practices and performance achievements. This overall result supports previous empirical researches on the links between HRM practices and business performance. HRM is conceptualised in terms of carefully designed combinations of such practices geared towards improving organisational effectiveness, and hence better performance outcomes. (Boselie et al, 2005, p.2)

11. It has been found that the availability of compensation policies constituted the strongest predictor of business performance.

6.3 Recommendations

It is clear that in order to enhance business performance, firms should understand the need for the adoption and implementation of suitable HRM practices.

In this regard, I would like to list the following recommendations:

1. Emphasize the need that human resource planning should be exercised in order to determine the needs of the workforce in the light of the firm’s financial ability to ensure smooth running of the business operations.

2. Special attention should be devoted for training and development activities in order to enhance the knowledge and skills of the employees.

3. Performance appraisal should be implemented in a professional fashion that would measure staff performance and enable corrective action.

4. Compensation policies should be in place to motivate staff and achieve equity amongst them.
5. In order to improve operational performance, manufacturing businesses in Gaza should focus more on HRM aspects relating to compensation policies, training and development activities, and performance appraisal respectively. In this regard, compensation policies will motivate staff and achieve equity amongst them. Training and Development will enhance employee knowledge and skills. Performance appraisal will measure performance to enable corrective action and recognition of good performance. The combination of the above will certainly lead to improved operational performance.

6. In order to improve non-financial performance, manufacturing firms in Gaza should pay attention to compensation policies and performance appraisal. The impact of these two HRM practices is explained in recommendation no. 5 above. It's needed for legislation that regulate the compensation package for employees to be exist, that will provide the basis by which the relationship between employers and employees will be regulated to be obligated by the law.

7. To improve financial performance, managers of manufacturing firms should give priority to the adoption and implementation of suitable compensation policies and training and development plans. In the long term, expenditure relating to training and development should be strategically evaluated and considered as an investment toward human capital rather than merely a cost of doing business. Adopting this approach will enable firms to achieve growth, improve competitive advantage and ensure financial stability.

8. The Palestinian Authority and its agencies should create better awareness of the benefits of adopting and implementing HRM practices as this will achieve labor stability through the reduction of staff turnover which in turn will improve the rate of employee retention in the business organizations. The above will certainly contribute to reducing the unemployment rate (economic indicator).

9. Seminars and induction sessions should be held to enable companies to evaluate and compare their business performance. Adequate incentives should be rewarded in order to encourage this practice.
6.4 Future researches:

1. Some dimensions were used to measure certain HRM practices in this research; future research should extend the HRM practices dimensions to be investigated.

2. All data of this study derive from the same questionnaire (management level). Future research can collect data from employees’ points of view concerning the use of HRM practices.

3. A longitudinal study is suggested for measuring the effectiveness of HRM practices over time. This kind of study could focus on the dynamic nature of the HRM practices and uncover the challenges of the implementation process at the plant level.
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English books:


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APPENDIX (A)

QUESTIONNARE:

Islamic University
College of Commerce
Business Administration
MBA

Dear Respondent:

This academic survey questionnaire is to investigate “The strategic impact of Human Resource Management practices on Business performance of manufacturing firms in Gaza strip”. This survey questionnaire contain HRM practices, operational performance, Company performance and marketing performance, and control variables, which are designed to explore critical aspects of business practices and business results.

Therefore, I would appreciate your giving me part of your valuable time to answer the questionnaire and return it at your earliest convenience, please be assured that your answers will be kept in strict confidence and the information will be for scientific research purposes only. Your help is crucial to this research. Your cooperation will be highly appreciated.

Best regards,

Researcher
Ashraf Akram Eleyan
MBA Student,
College of Commerce,
Islamic University
### Section 1: Personal Information

1. **Sex:**
   - [ ] Male
   - [ ] Female

2. **Age:**
   - [ ] Less than 30 yrs
   - [ ] 30yrs to 40 yrs
   - [ ] 41yrs to 50 yrs
   - [ ] More than 50 yrs

3. **Education level:**
   - [ ] Diploma or less
   - [ ] Bachelor
   - [ ] Master
   - [ ] Ph.D.

4. **Position:**
   - [ ] President
   - [ ] Manager
   - [ ] Supervisor
   - [ ] Employee

5. **Seniority:**
   - [ ] Less than 5 yrs
   - [ ] 5 yrs to 10 yrs
   - [ ] 11 yrs to 15 yrs
   - [ ] More than 15 yrs

### Section 2: Company Information

1. **Number of employees:**
   - [ ] From 5-9
   - [ ] From 10 - 15
   - [ ] From 16 - 20
   - [ ] more than 20

2. **Years of operation:**
   - [ ] From 5 - 10
   - [ ] From 11 - 15
   - [ ] From 16 - 20
   - [ ] more than 20

3. **Industry type:**
   - [ ] Metallic
   - [ ] Garment
   - [ ] Furniture & wood
   - [ ] Plastic
   - [ ] Chemical
   - [ ] Papers
   - [ ] Food
   - [ ] Leathers
   - [ ] Others, please specify________________________

Please CIRCLE the levels of agreement on each of the items below with regards to four criteria of Human Resource Management Practices of your firm.

<table>
<thead>
<tr>
<th>A. Human Resource Planning (HRP)</th>
<th>Level of agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>9 Your firm conducts job analysis to determine the needs of the workforce.</td>
<td>Strongly Disagree Disagree Neutral Agree Strongly Agree</td>
</tr>
<tr>
<td>10 Your firm collects qualitative and quantitative data regarding its workforce.</td>
<td></td>
</tr>
<tr>
<td>11 Your firm has skill’s Data base for its workforce. (skills inventory)</td>
<td></td>
</tr>
<tr>
<td>12 Your firm forecasts personnel supply of the workforce at the internal level.</td>
<td></td>
</tr>
<tr>
<td>13 Your firm forecasts personnel supply of the workforce at the external level.</td>
<td></td>
</tr>
<tr>
<td>14 Your firm compare between its demand for workforce and supply of workforce.</td>
<td></td>
</tr>
<tr>
<td>15 Your firm is working on defining the size of the deficit or surplus in the labor force</td>
<td></td>
</tr>
<tr>
<td>16 Your firm makes the workforce program based on the compared results in the light of the firm’s financial ability.</td>
<td></td>
</tr>
<tr>
<td>17 Your firm assesses the policies needed in the light of the results of the comparison between supply and demand of the workforce.</td>
<td></td>
</tr>
<tr>
<td>18 Your firm seeks to implement workforce plans to meet its proposed plans.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B. Compensation</th>
<th>Level of agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>19 Your firm has a clear wage policy.</td>
<td></td>
</tr>
<tr>
<td>20 Your firm has favorable compensation to encourage employee to pursue the company objectives and goals</td>
<td></td>
</tr>
<tr>
<td>21 Your firm has very adequate compensation practices, aim to reward the employees who accomplish the company goals</td>
<td></td>
</tr>
<tr>
<td>22 The compensation package offered by your firm commensurate with the relative importance of the work you do.</td>
<td></td>
</tr>
<tr>
<td>23 The compensation package offered by your firm is appropriate compared to the work done in the same field in the firm.</td>
<td></td>
</tr>
<tr>
<td>24 The compensation package offered by your firm is appropriate compared to other workers in the same field at other firms.</td>
<td></td>
</tr>
<tr>
<td>25 Annual salary increments are reasonable.</td>
<td></td>
</tr>
<tr>
<td>26 Promotions are linked to work efficiency.</td>
<td></td>
</tr>
<tr>
<td>27 The way that promotions are given out is subject to clear and specific criteria.</td>
<td></td>
</tr>
<tr>
<td>28 Your firm has favorable incentive practices to encourage employees to achieve the organization goals</td>
<td></td>
</tr>
</tbody>
</table>
End of service compensation helps you to progress and advancement in the agency.

Your firm has compensation practices which recognize employees who contribute the most to organization.

The health insurance system of in your firm is reasonable.

C. Performance appraisal

Your firm has a professional performance appraisal system.

Your firm uses clear criteria in performance appraisal.

Your firm informs the employees of performance criteria required from them.

Standards or criteria used are measurable.

Your firm utilizes more than one method in performance appraisal.

Employees are evaluated on an annual basis.

Your firm informs its employees about the results of performance appraisal.

There is no feedback after the performance appraisal.

The used feedback contributes to staff motivation.

Performance appraisal process depends on the employees’ actual performance.

The performance appraisal process is used for promotions and incentives purposes.

The used performance appraisal process is a fair process.

D. Training and development (T&D)

Your firm experiences training plans,

Your firm believes that training and upgrading of employees' skills is important.

Your firm diagnosis individual training needs in advance.

Individual training needs are identified on the basis of staff appraisal.

Managers in the firm are consulted about staff training needs.

Training objectives are identified in the firm in light of training needs assessment.

Training plan is developed in the light of the present and expected problems in the firm.

Training plan is developed in light of the expansion plans of the firm in the future.

Training plan is developed in the firm in light of the financial resources.

Training programs are designed to be adhered to a fixed timetable.

Your firm provides Need-based Training program.
Qualified instructors are hired based on the quality of the training program.
Development of training content is consistent with the objectives of the training program.
Your firm evaluates the training program upon completion.
Your firm uses certain criteria to measure the improved performance of its employees after the training program has been conducted.
The application of our staff about what they have learned from training leads to reduce mistakes.

Section 4: Operational performance

Please CIRCLE the level of achievement on each of the items below with regards to four dimensions of your firm's Operational Performance.

<table>
<thead>
<tr>
<th></th>
<th>Level of Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Very low</td>
</tr>
</tbody>
</table>

**1. Product quality**

- 60 Rate the level of your firm's product conformance to the Palestinian specifications.
- 61 Rate the level of non-defective rate of your firm's products.
- 62 Rate the level of ability of your firm's products for improvement and development (Ability).
- 63 Rate the level of your firm's product durability.
- 64 Rate the level of your firm's products performance.
- 65 Rate the level of consistency of product quality

**2. Product cost**

- 66 Rate the ability to reduce overhead costs
- 67 Rate the ability to keep cost of products low
- 68 Rate the ability to reduce inventory cost involvement
- 69 Rate the ability to reduce costs of product inspection

**3. Delivery**

- 70 Rate the level of product's on-time delivery to your customers
- 71 Rate the level of dependable delivery of products to your customers
- 72 Rate the level of short lead time from order to delivery of your firm
- 73 Rate the level of cycle time from start of production to completion of product.
- 74 Rate the level of serving specific geographic market of your firm

**4. Flexibility**

- 75 Rate the level of ability to adapt to changes in product mix of your firm
- 76 Rate the level of ability to handle difficult/non-standard orders by your firm
<table>
<thead>
<tr>
<th></th>
<th>Rate the level of ability to make products to orders by your firm</th>
<th>Rate the level of ability to adjust capacity quickly of your firm</th>
<th>Rate the level of ability to scale production up and down quickly</th>
</tr>
</thead>
<tbody>
<tr>
<td>77</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>78</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>79</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Section 5: company performance (non-financial):**

<table>
<thead>
<tr>
<th></th>
<th>Please CIRCLE the level of achievement each of the items below with regards to your organizational performance</th>
<th>Level of Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-financial performance</strong></td>
<td></td>
<td>Very low</td>
</tr>
<tr>
<td>80</td>
<td>Compared to past year, rate the level of reduction in employee absenteeism</td>
<td></td>
</tr>
<tr>
<td>81</td>
<td>Compared to past year, rate the level of reduction in employee turnover</td>
<td></td>
</tr>
<tr>
<td>82</td>
<td>Compared to past year, rate the level of the firm’s ability to retain essential employees</td>
<td></td>
</tr>
<tr>
<td>83</td>
<td>Compared to past year, rate the level of the firm’s ability to attract essential employees</td>
<td></td>
</tr>
<tr>
<td>84</td>
<td>Compared to past year, rate the level of the firm’s ability to achieve Customer satisfaction.</td>
<td></td>
</tr>
<tr>
<td>85</td>
<td>Compared to past year, rate the level of reduction in work-related injuries and accidents</td>
<td></td>
</tr>
</tbody>
</table>

**Section 6: Marketing performance (financial):**

<table>
<thead>
<tr>
<th></th>
<th>Please CIRCLE the level of achievement each of the items below with regards to your organizational Marketing performance</th>
<th>Level of Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>financial performance</strong></td>
<td></td>
<td>Very low</td>
</tr>
<tr>
<td>86</td>
<td>Compared to your competitors, what is your firm’s sale growth rate</td>
<td></td>
</tr>
<tr>
<td>87</td>
<td>Compared to your competitors, what is your firm’s market share percentage</td>
<td></td>
</tr>
<tr>
<td>88</td>
<td>Compared to your competitors, what is your firm's profitability rate</td>
<td></td>
</tr>
<tr>
<td>89</td>
<td>Compared to your competitors, what is your firm's return on assets (ROA). (Net profit\Total assets)</td>
<td></td>
</tr>
<tr>
<td>90</td>
<td>Compared to your competitors, what is your firm's return on Equity (ROI). (Net profit\Capital)</td>
<td></td>
</tr>
<tr>
<td>91</td>
<td>Compared to your competitors, what is your firm's return on sales (ROS). (Net profit\Total sales)</td>
<td></td>
</tr>
</tbody>
</table>

**Thanks for your cooperation**
APPENDIX (B)

استبيان

الجامعة الإسلامية – غزة
عمادة الدراسات العليا
كلية التجارة
قسم إدارة الأعمال

الأخ الفاضل......، الأخنات الفاضلة........،

السلام عليكم ورحمة الله وبركاته،،

هذا الاستبيان أكاديمي ويهدف لتحقيق في "الآثار الاستراتيجي لممارسات إدارة الموارد البشرية على أداء المؤسسات الصناعية في قطاع غزة"، هذا الاستبيان يحتوي على ممارسات إدارة الموارد البشرية، الأداء التشغيلي، أداء الشركة والأداء التنسيقي، بالإضافة إلى متغيرات الضبط، التي تهدف إلى اكتشاف الجوانب الهامة لممارسات ونتائج الأعمال.

لذلك، ارجو التفضل بإعطائي جزءا من وقتكم الثمين للإجابة على أسئلة الاستبيان وإعادته في أقرب وقت ممكن، علمنا بأن المعلومات المواردة في هذا الاستبيان سيراعى فيها السرية التامة وسنكون لاغراض البحث العلمي فقط، إن تعاونكم سيكون سببا في نجاح هذه الدراسة.

شكرًا لكم حسن تعاونكم وفضلوا بقبول فائق التحية والتقدير

الباحث

أشرف أكرم عليان

172
يرجى تعاونكم في وضع إشارة أمام الإجابة المناسبة:

القسم الأول: البيانات الشخصية

1. الجنس: □ ذكر □ أنثى
   □ أقل من 30 سنة □ أقل من 40 سنة
   □ 40 - أقل من 50 سنة □ 50 سنة فأكثر

2. العمر: □ أقل من 10 □ أقل من 15
   □ 10 - أقل من 15 □ 15 فأكثر

3. المستوى التعليمي: □ دبلوم أو أقل □ بكالوريوس
   □ ماجستير □ دكتوراة

4. الوظيفة: □ مشرف □ مدير □ رئيس الشركة
   □ موظف

5. عدد سنوات الخدمة: □ أقل من 5 □ أقل من 10
   □ 10 - أقل من 15 □ 15 فأكثر

القسم الثاني: بيانات الشركة

6. عدد الموظفين: □ أكثر من 20 □ 20 - 15
   □ 15 - 10 □ من 5 - 10

7. عدد سنوات عمل الشركة: □ أكثر من 20 □ 20 - 15
   □ 15 - 10 □ من 5 - 10

8. مجال الصناعة: □ البلاستيكية □ الخشبية
   □ الخياطة □ المعدنية
   □ الورقية □ الكيميائية
   □ الغذائية □ أخرى

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القسم الثالث: ممارسات إدارة الموارد البشرية:

<table>
<thead>
<tr>
<th>درجة الموافقة</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
</table>

يرجى تحديد مستوى اتفاقك حول كل بنود البنود الأربعة الخاصة بمعايير ممارسات إدارة الموارد البشرية لنشرك.

أ. تخطيط الموارد البشرية (هي عملية مستمرة تهدف إلى التكهن بأعداد العاملين المطلوبين لتنفيذ الخطط والبرامج التي

عتمدتها الشركة للفترة القادمة)

شركة تقوم بتحليل العمل لتحديد الاحتياجات من القوى العاملة.
شركتكم تقوم بجمع البيانات الكمية والنوعية فيما يتعلق بموجودات الشركة من القوى العاملة.
شركتكم تمتلك قاعدة بيانات لمخزون المهارات للقوى العاملة لديها (هذا المخزون عبارة عن سجلات تحتوي على معلومات عن الأفراد تشمل مستوياتهم التعليمية، خبراتهم الوظيفية، وطموحاتهم، ونتائج تقييم الأداء).
عملاً الشركة على التنبي بالعرض من القوى العاملة على المستوى الداخلي للشركة.
عملاً الشركة على التنبي بالعرض من القوى العاملة على المستوى الخارجي للشركة.
مقارنة الشركة بين المطلوب نموذج العرض من القوى العاملة.
عملاً الشركة على تحديد حجم العجز أو الفائض في القوى العاملة.

ب. التعويضات [هي إجمالي المكافآت (الإيجابية وغير الإيجابية) التي يتلقاها الموظفين في مقابل الحصول على خدماتهم]

شركتكم لديها سياسة أجور واضحة.
شركتكم لديها نظام تعويضات جيد لتشجيع الموظفين على تحقيق أهداف وغايات الشركة.
التنمية التدريبية والتطويرية (الأنشطة الرامية إلى تزويد المعلمين بالمعرفة والمهارات اللازمة لعملهم الحالي والمستقبل)

| 21 | نظام التعويضات لدى شركتك مناسب، يهدف إلى مكافأة الموظفين الذين يحققون أهداف الشركة. |
| 22 | مجموعة التعويضات التي تقدمها شركتك تناسب مع الأهمية النسبية للعمل لدى تقوم به. |
| 23 | مجموعة التعويضات المقدمة من شركتك مناسبة بالمقارنة بالعمل المنزلي في نفس المجال في شركة أخرى. |
| 24 | يوجد لدى شركتك نظام علاوات دورية سنوي. |
| 25 | ترتبط التعويضات في العمل بالكفاءة. |
| 26 | الطريقة التي يتم بها منح التعويضات تخضع لمعايير واضحة ومحددة. |
| 27 | شركتك لديها ممارستين للمعالجة المكاملة لتشجيع الموظفين لتحقيق أهداف الشركة. |
| 28 | مكافأة نهاية الخدمة تتوافق مع الاستقرار في العمل. |
| 29 | التعويضات الممارسة في شركتك تتميز بتوافر الموظفين الذين يساهمون بشكل كبير في الشركة. |
| 30 | نظام الأمان الصحي في الشركة ملائم. |

تُقييم الأداء للموظفين (هي عملية رسمية لاستعراض وتقييم الأداء الفردي أو أداء فريق العمل لدى الشركة)

| 31 | شركتك لديها نظام تقييم أداء مهني. |
| 32 | شركتك تستخدم معايير واضحة في تقييم الأداء. |
| 33 | يتم إعلام الموظفين بالشركة بمعايير الأداء المطلوبة منهم بصورة واضحة. |
| 34 | المعايير المستخدمة في تقييم الأداء قابلة للقياس. |
| 35 | تستخدم الشركة أكثر من طريقة تقييم الأداء. |
| 36 | يتم تقييم أداء الموظفين بشكل دوري. |
| 37 | يوجد هناك تغذية إعكسية بعد تقييم الأداء. |
| 38 | يتم إعلام الموظفين في الشركة على نتائج تقييم الأداء. |
| 39 | تساهم التدريب والتطوير في تنفيذ الأداء في تحقيق الموظفين في الشركة. |
| 40 | تعتمد عملية تقييم الأداء معتمدة في الشركة على الأداء الفعلي للموظفين. |
| 41 | تستخدم عملية تقييم الأداء في أعراض الترتيبات والمكافآت. |
| 42 | عملية تقييم الأداء المستخدمة عادة. |
| 43 | يوجد خطط للتدريب في شركتك. |
gement شركتك وأن التدريب ورفع مستوى مهارات الموظفين هو أمر مهم.

1. يتم تحديد متطلبات الأفراد التدريبي في المؤسسة بشكل مسبق.
2. يتم تحديد الاحتياجات التدريبية للموظفين في الشركة بناءً على تقييمه السنوي.
3. يتم تحديد الاحتياجات التدريبية بسماح المدراة في الشركة.
4. يتم تحديد أهداف التدريب في الشركة في ضوء الاحتياجات التشغيلية.
5. توضع خطة التدريب في ضوء المشكلات الحاضرة والمتبولة في الشركة.
6. توضع خطة التدريب في ضوء الخطط التوسعية للمؤسسة في المستقبل.
7. توضع خطة التدريب في الشركة في ضوء الإمكانيات المادية المتاحة.
8. يتم تصميم البرامج التدريبية وفق جداول زمنية محددة.
9. يتم تنفيذ برامج التدريب في شركتك.
10. يتم الاستعانة بتدريب موهوبين بناءً على نوعية البرنامج التدريبي.
11. يتم وضع المحتوى التدريبي بما يتفق مع أهداف البرنامج التدريبي.
12. يتم تقييم البرنامج التدريبي بمجرد انتهاءه من قبل الشركة.

القسم الرابع: الأداء التشغيلي

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<thead>
<tr>
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<td>9</td>
<td>9</td>
</tr>
<tr>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

يرجى تحديد مستوى الإنجاز في كل بلد من الينود المتعلقة بأبعاد الأداء التشغيلية الأربعة للشركة.

أ. جودة المنتج

1. قيم مستوى مطابقة منتجات شركتك للمواصفات الفلسطينية.
2. قيم مستوى معدل المنتجات غير المعيبة لشركتك.
3. قيم مستوى قابلية منتجات شركتك للتطوير وتحسين (القابلية).
4. قيم مستوى متناة منتج شركتك.
5. قيم مستوى الأداء لمنتج شركتك.
6. قيم مستوى الإنتاج في جودة المنتج.

ب. تكلفة المنتج

1. قيم القدرة على التقليل من التكاليف الثابتة.
2. قيم القدرة على الحفاظ على تكلفة إنتاج منخفض.

176
<table>
<thead>
<tr>
<th>رقم</th>
<th>القيمة المرتبطة بالأداء</th>
</tr>
</thead>
<tbody>
<tr>
<td>68</td>
<td>قيم القدرة على خفض كلفة التخزين.</td>
</tr>
<tr>
<td>69</td>
<td>قيم القدرة على خفض كلفات فحص المنتج.</td>
</tr>
<tr>
<td>70</td>
<td>قيم المستوى القدرة على تسليم المنتج في الوقت المحدد للعملاء.</td>
</tr>
<tr>
<td>71</td>
<td>قيم مستوى نجاح خدمة توصيل المنتجات للعملاء.</td>
</tr>
<tr>
<td>72</td>
<td>قيم مستوى الفترة الزمنية بين الطلب والتسليم للمنتج.</td>
</tr>
<tr>
<td>73</td>
<td>قيم مستوى الدورة الزمنية من بداية الإنتاج وحتى الانتهاء من الإنتاج.</td>
</tr>
<tr>
<td>74</td>
<td>قيم مستوى التغطية الجغرافية للسوق المحلية لشركتك.</td>
</tr>
<tr>
<td>75</td>
<td>قيم القدرة على التكيف للتغييرات في تنويع المنتجات لشركتك.</td>
</tr>
<tr>
<td>76</td>
<td>قيم القدرة على انتاج منتجات خاصة للعملاء (منتج بمواصفات خاصة).</td>
</tr>
<tr>
<td>77</td>
<td>قيم القدرة على الإنتاج حسب الطلب.</td>
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<tr>
<td>78</td>
<td>قيم القدرة على سرعة التكيف للمنسوخات الإنتاجية (مواصفات خاصة منتج جديد، حجم المطلب،...).</td>
</tr>
<tr>
<td>79</td>
<td>قيم القدرة على سرعة زيادة وخفض الإنتاج.</td>
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| ال折射 الخامس: أداء الشركة (غير المالي) |

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<th>درجة الإنجاز</th>
<th>قيمة</th>
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<td>متوسط</td>
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<td>جيد</td>
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<tr>
<td>جيد مطلق</td>
<td>4</td>
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</table>

يرجى تحديد مستوى الإنجاز لكل بنود المتصلة بالأداء غير المالي للشركة.

<table>
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<tr>
<th>رقم</th>
<th>مقارنة مع العام الماضي، قيم مستوى الإنتاج في غياب الموظفين.</th>
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<tbody>
<tr>
<td>80</td>
<td>مقارنة مع العام الماضي، قيم مستوى الإنتاج في معدل تغيير الموظفين.</td>
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<tr>
<td>81</td>
<td>مقارنة مع العام الماضي، قيم مستوى الانتقاص على الاحتفاظ بالموظفين المهمين.</td>
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<td>82</td>
<td>مقارنة مع العام الماضي، قيم مستوى الانتقاص على اختراع الموظفين المهمين.</td>
</tr>
<tr>
<td>83</td>
<td>مقارنة مع العام الماضي، قيم مستوى الانتقاص تلبية احتياجات الزيوب.</td>
</tr>
<tr>
<td>84</td>
<td>مقارنة مع العام الماضي، قيم مستوى الإنتاج في معدل إصابات العمل والحوادث.</td>
</tr>
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<td>85</td>
<td>مقارنة مع العام الماضي، قيم مستوى الإنتاج في معدل تغريئة الموظفين المهمين.</td>
</tr>
</tbody>
</table>

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القسم السادس: أداء الشركة السوقي (المالي)

يرجى تحديد مستوى الإنجاز لكل بند من البنود المتعلقة بالأداء المالي للشركة.

<table>
<thead>
<tr>
<th>درجة الإنجاز</th>
<th>86</th>
<th>87</th>
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<th>89</th>
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<tbody>
<tr>
<td>مقارنة مع منافسيك، قيمة معدل النمو في المبيعات.</td>
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<td>مقارنة مع منافسيك، قيمة نصيب الشركة في السوق.</td>
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<tr>
<td>مقارنة مع منافسيك، قيمة معدل الربحية للشركة.</td>
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<tr>
<td>مقارنة مع منافسيك، قيمة معدل العائد على الأصول (صافي الأرباح / إجمالي الأصول).</td>
<td></td>
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<tr>
<td>مقارنة مع منافسيك، قيمة معدل العائد على حقوق الملكية (صافي الأرباح / رأس المال).</td>
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<tr>
<td>مقارنة مع منافسيك، قيمة معدل العائد من المبيعات (صافي الأرباح / إجمالي المبيعات).</td>
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شكركم على حسن تعاونكم.
APPENDIX (C)

QUESTIONNAIRE REVISION

List of Academic and Professional Referees’ Name

<table>
<thead>
<tr>
<th>Referee</th>
<th>Place of Work</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Yousif Bahar</td>
<td>Islamic University</td>
</tr>
<tr>
<td>Dr. Yousif Ashour</td>
<td>Islamic University</td>
</tr>
<tr>
<td>Dr. Saif Oda</td>
<td>Islamic University</td>
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<tr>
<td>Dr. Samir Safi</td>
<td>Islamic University</td>
</tr>
<tr>
<td>Dr. Ramadan Alomari</td>
<td>Islamic University</td>
</tr>
<tr>
<td>Dr. Nehaia Telbani</td>
<td>Al-Azhar University</td>
</tr>
<tr>
<td>Dr. Wael Thabiet</td>
<td>Al-Azhar University</td>
</tr>
<tr>
<td>Mr. Arafat Elaf</td>
<td>Islamic University</td>
</tr>
<tr>
<td>Mr. Halem Halabi</td>
<td>Industrial development Consultant</td>
</tr>
<tr>
<td>Mr. Hani Matar</td>
<td>Ministry of National Economy</td>
</tr>
</tbody>
</table>
APPENDIX D
ORDINARY LEAST SQUARE ASSUMPTION
(MULTIPLE REGRESSION ANALYSIS)

To pursue regression technique some assumption must be considered in using OLS:

<table>
<thead>
<tr>
<th>No.</th>
<th>Regression Assumptions</th>
<th>Diagnostic Tests for the Regression Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Linear relationship</td>
<td>Based on the previous theories and empirical researches (previous researches)</td>
</tr>
<tr>
<td>2.</td>
<td>There is normal distribution.</td>
<td>Kolmogorov-Smirnov Test</td>
</tr>
<tr>
<td>3.</td>
<td>There is no multicollinearity between the independent variables or no exact correlation between the independent variable.</td>
<td>Tolerance test and Variance inflation factor (VIF)</td>
</tr>
<tr>
<td>4.</td>
<td>There is no autocorrelation.</td>
<td>Durbin-Watson</td>
</tr>
<tr>
<td>5.</td>
<td>Residuals have constant variance</td>
<td>Scatterplot</td>
</tr>
</tbody>
</table>

1. Checking Normality of a distribution
Normality of the distribution of a variable is very important because regression tests require the normality as a prerequisite. Because the research sample size is greater than 50, Kolmogorov-Smirnov test (Non-parametric Goodness of fit test) has been used to check the normality of the distribution. Kolmogorov-Smirnov Test and Normal Probability plot have been used to check the assumption that the disturbances are normally distributed. The results from table (A) show that Sig-value is greater than 0.05 for all research constructs. We can conclude that the all research constructs is normally distributed.

<table>
<thead>
<tr>
<th>No.</th>
<th>Field</th>
<th>Number of paragraphs</th>
<th>Z-value</th>
<th>Sig-value</th>
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<tbody>
<tr>
<td>1</td>
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<td>10</td>
<td>0.945</td>
<td>0.294</td>
</tr>
<tr>
<td>2</td>
<td>Compensation</td>
<td>13</td>
<td>0.999</td>
<td>0.106</td>
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<tr>
<td>3</td>
<td>Performance Appraisal</td>
<td>12</td>
<td>1.089</td>
<td>0.099</td>
</tr>
<tr>
<td>4</td>
<td>Training</td>
<td>16</td>
<td>0.967</td>
<td>0.078</td>
</tr>
<tr>
<td>5</td>
<td>Operational Performance</td>
<td>20</td>
<td>1.012</td>
<td>0.195</td>
</tr>
<tr>
<td>6</td>
<td>Non-financial performance</td>
<td>6</td>
<td>0.729</td>
<td>0.166</td>
</tr>
<tr>
<td>7</td>
<td>Financial performance</td>
<td>6</td>
<td>0.728</td>
<td>0.208</td>
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</table>
2. Checking for Autocorrelation
Durbin-Watson test was used to check if the disturbances are independent, the test statistic (DW) is scaled so that it is around 2 if no autocorrelation is present and near 0 if it is very strong Autocorrelation.
Table (B) shows Durbin-Watson test for each HRM-Performance relation

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>2.374</td>
<td></td>
<td>2.094</td>
<td>2.092</td>
</tr>
</tbody>
</table>

By using Durbin-Watson table, \( d_L = 1.73, d_U = 1.81 \), since DW is greater than \( d_U \), we conclude there is no autocorrelation.

3. Multicollinearity
The term multicollinearity describes the situation when a high correlation is detected between two or more predictor variables. Such high correlations cause problems when trying to draw inferences about the relative contribution of each predictor variable to the success of the model (Brace, Kemp, & Snelgar, 2000). We use Variance Inflation factor (VIF) to check the Multicollinearity among the independent variables. Multicollinearity exists if VIF is greater than 10 which indicate a strong relationship between predictor variables. Table (C) shows that the value of VIF for each independent variable is smaller than 10, so the problem of Multicollinearity does not exist.

<table>
<thead>
<tr>
<th>VIF results</th>
<th>Constant</th>
<th>HR planning</th>
<th>Compensation</th>
<th>P.A</th>
<th>Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRM &amp; Operational performance</td>
<td>-</td>
<td>-</td>
<td>3.29</td>
<td>2.94</td>
<td>1.73</td>
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<tr>
<td>HRM &amp; Non-Financial performance</td>
<td>-</td>
<td>-</td>
<td>2.75</td>
<td>1.83</td>
<td>-</td>
</tr>
<tr>
<td>HRM &amp; Financial performance</td>
<td>-</td>
<td>-</td>
<td>2.67</td>
<td>-</td>
<td>2.14</td>
</tr>
</tbody>
</table>
4. The Residuals have constant variance
The figures plot the standardized residuals versus fitted values. The plot shows that there is no systematic pattern (values are consistently spread out), and then we conclude that the disturbances have constant variance.