

# Human Resources Management Practices and Affective Commitment among Financial Industry Employees in Malaysia

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**Abstract:** Market competition increased difficulty for organizations to hold premium quality workers. This research explores on the human resources management (HRM) practices and affective commitment (AC) among a sample of 384 financial industry employees in Klang, Selangor, Malaysia. The hypotheses were developed by considering the correlation between four key HRM practices (training, career advancement, performance evaluation and rewards) and AC. The findings indicate that the independent variables of career development, training and performance appraisal have a positive and significant relationship with AC, whereas rewards has no correlation with AC. The findings imply that in the Malaysian financial industry needs greater training programmes and effective performance evaluations to increase employees' performance and commitment.

**Keywords:** Human resources management, affective commitment, Malaysian financial industry

## I. INTRODUCTION

Competition add difficulty for firms to retain premium quality employees. Organizations generally prioritized effective human resources management (HRM) practices to become sought-after. Managers becoming greater involved in scrutinizing internal and external environments in recruitment strategies and evaluation processes. This research investigate the relationship between HRM practices and affective commitment (AC) among financial industry. Four independent variables: training, career development, performance evaluation and compensation selected for the purpose. Previous studies confirmed engaged employees loyally contribute to organizations. However, in 1990es, staff turnover saw an increased in Malaysia in lieu of job opportunity [52]. Financial services sector seen the highest turnover rates in history (18.3%), signals the difficulty of retaining and satisfying the employees [81]. Currently, there are 27 commercial banks in Malaysia, with a total of 225,000

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employees. Findings shows demanding task with unreasonable due dates become reasons for the high turnover rate. In 2013, approximately 150 HSBC Sarawak Bank Employees' Union members quietly opposed in front of Bank Negara Malaysia as reported by [35]. This protest held because banks decrease the retrenchment benefit twice, in the name of voluntary separation scheme, and recruited of new staffs reported by [35]. The present study aims to add value by offering greater insights. Previous research has indicated that various factors, such as employee rewards, conducive work environments, equal employment opportunities, fair performance evaluation and training opportunities influence employees' commitment towards their respective organizations. Therefore, such factors will be the points of reference, in addition to the aforementioned independent variables.

## II. LITERATURE REVIEW

### A. Affective Commitment

AC defined as a multi-dimensional framework that promotes loyalty and motivates to remain in a particular organization [76] define AC as readiness of an organization to maintain correlation among staff members, which, in turn, fosters work commitment. Meanwhile, organizational justice (distributive and procedural) has proven to be significant factor for employees' obligation to an organization [88]. In addition, [62] found that controllability and affective organizational commitment are in accordance with productive work hours, perceived performance and work satisfaction. The first component of organizational commitment is AC. Dedicated workers support organization growth as they plan to progress in direction with organization [66 & 14]. Workers attachment towards organization is necessary. Previous studies shown that committed employee's increase firm competitiveness. [98]. AC, and organizational citizenship demonstrates work commitment [85]. Moreover, [75] found that identification and internalization are positively linked to AC, while [6] indicated that career motivation and AC have a positive relationship. The second component is the readiness of an employee to stay put in an organization based on social costs and expected benefit [68 & 15]. Though past studies saw relationship between job satisfaction and continuance commitment, but lack of correlation between continuance commitment and organizational cynicism. Hence, it is a benefit to revisit area of continuance

commitment, job satisfaction and organizational cynicism [53]. Normative commitment has been defined as an employee's insistence on remaining in an organization, based on personal obligations or moral beliefs [17] such as religion, family, marriage, etc. In a study undertaken by [106], when senior officers show lower level engagement when top management engagement is low. Meanwhile, in organization, where top management engagement is higher, senior officers to saw greater engagement towards employer. Rewards refers to salaries, and incentives as well as indirect compensation including legally obligated life/health insurance and social security benefits to childcare and pensions [58 & 89]. Overall, there are two types of compensation. First, there is basic compensation, covers contractual payments such as wages and salaries. The other is additional benefits including commission payment for exceeding individual and group output targets. Monetary reward creates establish legal contract between employers and employees [104]. Previous studies saw attractive remuneration system motivates employees and increase job performance [84], and motivating employees to fulfil employers' expectation [73]. [72] Explained rewards as job-based pay, skill-based pay and performance-based pay. Job-based pay measures the obligation in overall function, while skill-based pay measures knowledge and ability required to accomplish the job. Moreover, performance-based pay determine by the employee's productivity. [57] found reward based on skills and performance are generally appreciated by employees. Thus, a compensation system that offers reward based on external competitiveness and performance are other attractive measures. External competitiveness refers to rewarding workers with salary and fringe benefits for employees directly measurable physical productivity level [54], while reward based on performance refers to benefits based on quality of work towards overall completion of job [31]. Past literatures concluded that there are interrelation between salaries, bonuses, merit pay and organizational commitment. Moreover, previous studies also shown that greater remuneration motivates greater production, and vice versa [5, 10 & 50]. Therefore, it is important to establish effective reward strategies in order to improve employees' productivity as a whole.

## B. Training

Past researches established that employees work quality is foundation for corporate competitiveness. Therefore HR policies aimed at attract, retain and train skilled workers. Training has been defined as a planned activity that efficiently develop employees' knowledge and skills for organizational success [94, 95, 99 & 100] and improving customer service quality [99]. Training and development found to reduce employees' intentions to leave employers [61]. Research conducted by [2] saw conformity between training and job satisfaction, productivity and service quality, while [88] found training increase individual competency and increase firm performance [80]. According to [25], managerial commitment and worker training are dynamic strategies of new-age HR., which refers to management based on reliable decision-making information. Subsequently, [18] disclosed that training ultimately add value to organization based

innovation strategies. While [4] found that transformational training programs strengthen employee loyalty. Moreover, motivation, access and benefits in regard to training have a significant effect on workers engagement [4]. In general, training considered a content-based activity that a trainer targeting to transform the attitudes of workers in order to fulfil management goals [23]. Training, including orientation training, physical training, on-the-job training, off-the-job training, remedial training, refresher training, in-house training, external training etc. [4]. Training expected to transform workers be competent, training too fulfils the firm's vision, mission, goals and objectives [87 & 82]. Older employees also required to retrain and up train in order to remain competitive in the presentence of younger counterparts. Organization's priority should provide necessary skills training to increase efficiency, to uphold organizational goals and aims over the long term [28]. In other hand, there are researches discover that training is less benefit in supplementing talents required by company [43]. Thus, numerous studies have focused on ways to improve quality of training in order to develop knowledge and skills in the workplace [11, 39, 41, 45 & 92].

## C. Career Advancement

Career advancement, which is a technique utilize by organizations to foster workers career paths, has been conceptualized into four areas: professional capacity improvement, occupation goal growth, compensation development and promotion [93 & 105]. Career advancement builds a strong bonding between employees and organizations. Previous studies found less satisfied employees chooses to resign and join competing organizations. Likewise, career satisfaction increase loyalty towards organization [65]. Hence, career advancement significantly support organizational growth.

Career advancement strategies include activities that fulfills employees' interests as well as for immediate, short, medium- and long-term goals of the organization [75]. Such initiatives certainly support convergence between career-related programs, job satisfaction and commitment [46]. According to [24] career advancement expands employees' skills and empowers them to integrate their knowledge into the tasks at hand, while [27] found that an effective career advancement program potentially leads to higher productivity and better work performance. In addition, it reduces staff turnover rates as workers happy with their jobs and duties. Despite such positive aspects, career advancement has received limited devotion by many employers. Thus, more organizations, regardless of their reputation of minimizing work-related stress, need to be aware of the importance of career advancement among their employees [12 & 44]. Career advancement is also related to employees' positions and the needs of their respective organizations. In this regard, the Career Growth Scale can be a valid instrument for measuring career growth, since it incorporates an employee's cultural background into corporate advancement. Meanwhile, the whole-life viewpoint on career advancement recognizes that workers ultimately aim to develop their careers, while

maintaining a healthy work-life balance [51]. However, although the career-related literature has emphasized inter-organizational movement as a means to realizing the aim, whole-life career advancement possible to accomplish within an organization, provided management address workers work-family needs [59]. Finally, [102] found that involved, high-performing employees tend to have positive attitudes towards work as they aware of the dynamics of workplace. Moreover, they tend to serve as models for their subordinates. Thus, there is a significant relationship between characteristics of high-performing employees and subordinates [60].

#### D. Performance Evaluation

As per [77, 16, 56 & 71], performance evaluation is a measure of workers expected performance against actual performance in a financial year. During the process, feedback is provided for improvements and required training is proposed [71]

[71] Defines performance evaluation has three types: administrative, informative and motivational. The administrative focuses on an employee's promotions and salary rises, whereas the informative provides evidence and statistics worker's performance, which is especially helpful for those in management [56]. Moreover, the motivational approach focuses on an employee's personal development and motivation through learning experiences. Performance evaluation serve as a tool for employees to demonstrate their value and work towards achieving organizations expectation. It is worth noting that such appraisals are provided to all employees, regardless of their work attitudes, the outcomes can differ. An aggressive worker usually become less motivated when their work performance falls below certain key levels, whereas mediocre worker adopt aggressive approaches in order to impress their employers [38]. Employers apply two types of workers performance evaluation: official (systematic) and unofficial (non-systematic). [90] Explained unofficial appraisals include the supervision and evaluation of employees by their employers. In regard to formal appraisals, [32] stated that in official methods, employers evaluate employees' expected performance and against actual performance. Performance evaluation also linked to financial rewards, which greatly motivate employees. The consequences can be detrimental for open-minded and self-determined employees the appraisal outcome falls below expected financial rewards [49]. Conversely, employees' work satisfaction and motivation can be increased if organizations clearly state whether monetary awards will be provided, based on periodic performance evaluation. Finally, the perception of fairness in such appraisals is still debatable [34]. Performance evaluation s negative influence on employees' work performance when employees believe unfairly appraised. [101]. [22] argues such perceptions are based on beliefs beyond unreasonable expectation [22]. As the performance evaluations are subjective, employers should practice transparent and effective communication to exercise fairness in leader-member exchange and leader-member exchange to

boost motivation and performance improvement [97].

### III. METHODOLOGY

#### A. Sample and data collection

The respondents for this study sourced from 27 major financial companies in Klang, Selangor, Malaysia. According to [37] proposed that a sample size of 300 is sufficient for structural equation modelling (SEM). A total of 800 self-reported surveys were distributed and 384 completed responses were received and applied in the SEM analysis. The data used in the study obtained from questionnaires adapted from past literature.

#### B. Measures

The self-reported surveys consisted of 45 items based on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The data initially analyzed through SPSS statistical software (version 22) to deportment a descriptive analysis and to term the validity and reliability of the data. Next, Smart PLS 3.0 software was used to perform the SEM analysis and to test the hypotheses. The findings of the convergent and discriminant validity assessments are presented in Tables 1 and 2, respectively. As for the reliability of the data, all of the Cronbach's alpha coefficients stood above 0.7, denotes a high level of internal consistency [83]. In the present study, the Cronbach's alpha coefficients stood 0.959 for compensation, 0.933 for training, 0.844 for career advancement and 0.882 for organizational commitment

### IV. RESULTS AND DISCUSSION

The hypotheses were established by using SEM estimation. [91], Smart PLS 3.0 software was applied to analyse the data and conclude the significance levels for the factor loadings, weights and path coefficients.

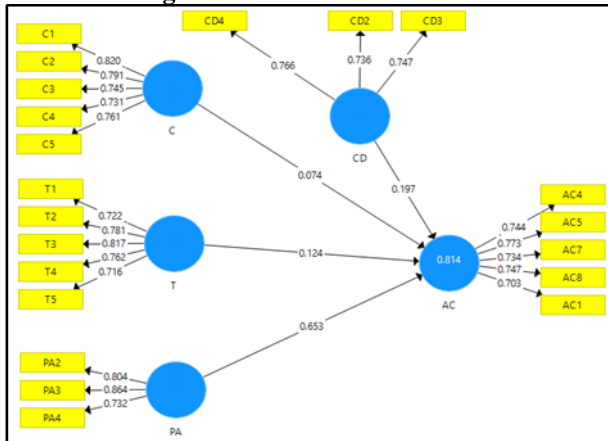
In addition, based on the two-stage analytical procedures by [3], the validity and goodness of the measurement model was tested, followed by an examination of the relationships outlined in the structural model.

#### A. Measurement model and structural model estimation

First test was conducted for reliability, convergent validity and discriminant validity. Figure 1 presents the scores for the measurement model. As shown in Table 1, all of the factor loadings are higher than 0.70 [37], and the average variance extracted (AVE) of all of the constructs exceeds 0.5 [13]. Moreover, the composite reliability (CR) scores were higher than 0.6 [37]. Based on these results, it is possible to determine that convergent validity was achieved. Table 2 displays the results of the discriminant validity check. [29 & 30] and, proposed that the AVE of each construct should be higher than the correlation between the other constructs in the model. All the constructs in the study met this criterion and holds discriminant validity. Table 3 displays heterotrait-monotrait (HTMT) values are not greater than the .85 value of [54] or the .90 value of Gold and [60]. In addition, as shown in Table 4. It is possible to conclude that discriminant validity was

achieved as the cross loadings of all constructs under review satisfied. Finally, Table 5 and Figure 2 shows results of the hypotheses tests and the final structural model, respectively.

Figure 1 Measurement model



Items	Loadings	Cronbach's Alpha	$\rho_A$	CR	AVE	VIF
AC1	0.703	0.799	0.813	0.86	0.55	1.59
AC4	0.744					1.441
AC5	0.773					1.487
AC7	0.734					1.79
AC8	0.747					1.8
C1	0.82	0.828	0.831	0.88	0.59	1.972
C2	0.791					1.8
C3	0.745					1.63
C4	0.731					1.486
C5	0.761					1.662
CD2	0.736	0.622	0.626	0.79	0.56	1.348
CD3	0.747					1.387
CD4	0.766					1.123
PA2	0.804	0.726	0.75	0.84	0.64	1.363
PA3	0.864					1.644
PA4	0.732					1.427
T1	0.722	0.817	0.821	0.87	0.58	1.474
T2	0.781					1.661
T3	0.817					1.931
T4	0.762					1.593
T5	0.716					1.517

Table 1 Convergent validity

	AC	C	CD	PA	T
<b>AC</b>	<b>0.74</b>	0.65	0.61	0.86	0.65
<b>C</b>	0.63	<b>0.77</b>	0.45	0.7	0.73
<b>CD</b>	0.55	0.49	<b>0.75</b>	0.52	0.58
<b>PA</b>	0.42	0.46	0.46	<b>0.80</b>	0.55
<b>T</b>	0.44	0.60	0.45	0.46	<b>0.76</b>

Table 2 Discriminant validity

Table 3 HTMT

	AC	C	CD	PA	T	Saturated Model
AC						SRMR 0.068
C	0.79					d_ULS 0.629
CD	0.63	0.49				d_G1 0.271
PA	0.55		0.30			d_G2 0.256
T	0.78	0.82	0.71	0.3		Chi-square 554.263

Table 4 Cross loadings

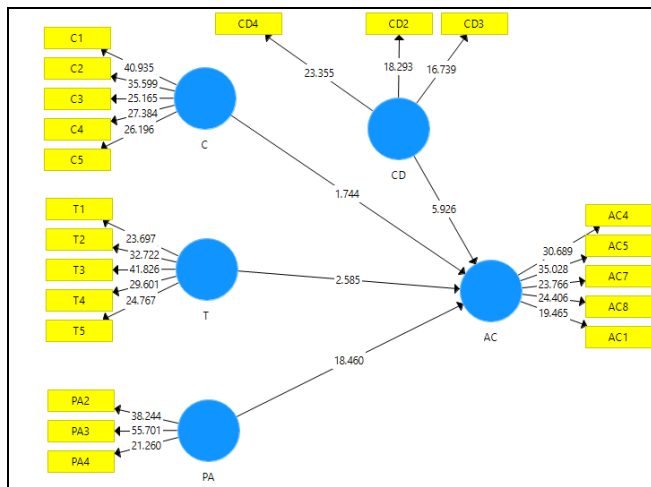
Items	AC	C	CD	PA	T
AC1	<b>0.70</b>	0.44	0.53	0.42	0.44
AC4	<b>0.74</b>	0.51		0.80	0.46
AC5	<b>0.77</b>	0.48	0.46	0.86	0.49
AC7	<b>0.73</b>	0.48	0.46	0.45	0.51
AC8	<b>0.74</b>	0.48	0.48		0.53
AC8	<b>0.53</b>	0.3	0.6	0.46	0.5
C1	0.51	<b>0.82</b>	0.36	0.49	0.58
C1	0.51	<b>0.79</b>	0.35	0.50	0.60
C2	0.45	<b>0.74</b>		0.46	0.52
C3	0.52	<b>0.73</b>	0.36	0.44	0.53
C4	0.47	<b>0.76</b>		0.43	0.59
C5	0.41	0.34	<b>0.73</b>	0.40	0.41
CD2	0.38	0.29	<b>0.74</b>	0.28	0.49
CD3	0.55	0.36	<b>0.76</b>	0.38	0.41
CD4	0.74	0.51		<b>0.80</b>	0.46
PA2	0.77	0.48	0.46	<b>0.86</b>	0.49
PA3	0.51	0.47		<b>0.73</b>	0.36
PA4	0.47	0.59	0.42	0.40	<b>0.72</b>
T1	0.53	0.61		0.43	<b>0.78</b>
T2	0.51	0.55	0.45		<b>0.81</b>
T3	0.51	0.55	0.48	0.41	<b>0.76</b>
T4	0.45	0.48	0.42	0.39	<b>0.71</b>
T5	0.3	0.1	0.1	0.5	<b>0.6</b>

**Table 5 Hypotheses results**

No.	Hypothesis	Beta value	Std. Error	T value	P Values	LL	UL	Q <sup>2</sup> (=1-SSE/SSO)	Decision
H1	C → AC	0.074	0.043	1.744	0.082	-0.006	0.154	0.398	Rejected
H2	T → AC	0.124	0.048	2.585	0.01	0.039	0.225		Supported
H3	CD → AC	0.197	0.033	5.926	0	0.128	0.255		Supported
H4	PA → AC	0.653	0.035	18.46	0	0.58	0.718		Supported

C: Reward, T: Training, CD: Career Advancement, PA: Performance Evaluation, AC: Affective Commitment

In order to estimate the structural model, a bootstrapping procedure with 5,000 resamples was conducted to generate the t- values, based on the method of [85]. As shown in Figure 2 and Table 5, all the hypotheses were supported (H2 ( $\beta = 0.124$ ,  $p < 0.05$ ); H3 ( $\beta = 0.197$ ,  $p < 0.05$ ) and H4 ( $\beta = 0.653$ ,  $p < 0.05$ )), except for H1 ( $\beta = 0.074$ ,  $p > 0.05$ ).



**Figure 2 Final structural model**

**V. CONCLUSION**

This explores the relationship between HRM practices and AC among a sample of financial industry employees in Malaysia. The hypotheses were developed by considering the relationship between four key HRM practices (reward, training, performance evaluation and career advancement) and AC. The findings, derived from SEM with partial least squares estimation and Pearson’s correlation analysis, indicated the independent construct of career advancement and performance, training, and performance evaluation had a positive and significant relationship with AC, whereas reward had no correlation with AC. The findings imply that the HR departments in the Malaysian financial industry must implement training program and offer opportunities for career advancement, which, in turn, can increase employees’ work-related performance and commitment in such a way to benefit their employers and respective organizations. Finally, there is a need to revisit the performance evaluation system, since issues of fairness are still apparent. More specifically, they should ensure that such appraisals are transparent and any financial rewards are provided in an open and fair manner in order to maintain and increase employees’ work motivation.

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