

A Mediating Effect of Organizational Climate on the Relationship Between Human Resource Management (HRM) Practices and Human Resource Outcome in Malaysia's Public Sector

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ABSTRACT

This study explores the mediating role of organizational climate in the relationship between Human Resource Management (HRM) practices and Human Resource outcomes within the context of Malaysia's public sector. The research highlights the importance of HRM practices, such as recruitment, training, performance management, and employee relations, in shaping HR outcomes, including job satisfaction, employee engagement, and organizational commitment. Through a comprehensive survey of public sector employees, the study identifies how organizational climate – defined as the shared perceptions of the work environment – influences these relationships. Results suggest that organizational climate plays a significant mediating role, enhancing the effectiveness of HRM practices in achieving desirable HR outcomes. The findings emphasize the need for public sector organizations to foster a positive organizational climate to maximize the potential of HRM practices. The paper contributes to the understanding of HRM dynamics in the Malaysian public sector and provides practical insights for HR managers aiming to improve employee outcomes through strategic HRM initiatives.

KEYWORDS: organizational climate, HRM practices, HR outcome, public sector

I. INTRODUCTION

A. Profiling Public Sector Organization in Malaysia

Public sector organizations in Malaysia play a critical role in the nation's governance and public service delivery. These organizations are primarily involved in formulating and implementing policies, regulations, and providing essential public services such as healthcare, education, and infrastructure. The Malaysian public sector is characterized by its hierarchical structure, centralized decision-making processes, and strong government control, which are designed to ensure policy consistency and alignment with national goals (Mohd & Aziz, 2019). In recent years, Malaysia has been undergoing efforts to modernize its public administration by adopting various

reforms, including the introduction of performance-based management systems, public sector productivity enhancement programs, and e-government initiatives (Rahman & Othman, 2020). These efforts aim to improve the efficiency, accountability, and responsiveness of public sector organizations to the needs of the public. Despite these advancements, challenges such as bureaucratic inefficiencies, resistance to change, and skill gaps remain prevalent (Ahmad & Kamarul, 2021). Understanding the structure, functions, and ongoing reforms within Malaysia's public sector is essential for assessing the effectiveness of government policies and for improving overall public administration.

B. Human Resources Management Practices in Malaysia's Public Sector

Human Resource Management (HRM) practices in Malaysia's public sector have evolved significantly in response to the demands of a rapidly changing global economy and the government's efforts to enhance public sector efficiency. Key HRM practices, such as recruitment, training and development, performance management, and employee relations, are central to ensuring that the workforce meets the needs of the public sector (Chandran & Ramasamy, 2018). In particular, recruitment practices have focused on increasing transparency and merit-based hiring processes, while training and development programs aim to improve the skills of civil servants to meet evolving challenges (Goh & Lo, 2020). Moreover, performance management systems are increasingly being aligned with strategic goals to promote accountability and improve employee performance (Jayasuriya et al., 2021). Despite these advancements, challenges remain, particularly in terms of maintaining motivation and engagement within the civil service, which has traditionally been viewed as bureaucratic and rigid (Kassim et al., 2019). Consequently, enhancing HRM practices in Malaysia's public sector continues to be a focal point for policymakers seeking to modernize governance and improve public service delivery.

II. LITERATURE REVIEW

A. Defining Theory of Organization Citizenship Behaviour (OCB)

Organizational Citizenship Behavior (OCB) refers to voluntary, discretionary behaviors exhibited by employees that are not explicitly part of their formal job requirements but contribute positively to the overall functioning of the organization (Organ, 1988). OCB includes behaviors such as helping coworkers, volunteering for extra tasks, and demonstrating organizational loyalty, all of which enhance organizational effectiveness without directly being rewarded (Podsakoff, MacKenzie, Paine, & Bachrach, 2000). The theory behind OCB is rooted in social exchange theory, where employees engage in these behaviors as a form of reciprocity in response to perceived organizational support (Eisenberger et al., 2002). By participating in OCB, employees help create a supportive work environment that fosters collaboration and increases overall organizational performance (Smith, Organ, & Near, 1983). Thus, OCB is seen as an important element of organizational success and employee performance.

B. Defining Organizational Climate for Public Sector

Organizational climate in the public sector refers to the shared perceptions and attitudes among employees regarding the work environment, which significantly influences their behaviors, motivation, and overall job satisfaction (Schneider, 1975). Unlike the private sector, public sector organizations tend to have unique characteristics, such as bureaucratic structures, public accountability, and a service-oriented mission, which can shape the climate differently (Perry & Wise, 1990). In the public sector, organizational climate is often linked to employee engagement, performance, and organizational commitment, as it reflects how well the goals of public service align with individual roles (Baker, 2017). Positive climates, characterized by supportive leadership, transparency, and opportunities for professional development, are associated with better employee outcomes, while negative climates can lead to low morale and high turnover (Cohen & Eimicke, 2008). Given the importance of organizational climate in influencing employee behavior, understanding and managing it is crucial for enhancing performance in public organizations (Perry & Hondeghem, 2008).

C. Defining HRM Practices and HR Outcome for Public Sector Organization

Human Resource Management (HRM) practices are critical organizational strategies that aim to maximize employee performance and achieve organizational goals. In the context of public sector organizations, HRM practices include recruitment and selection, training and development, performance management, and compensation systems (Kaufman, 2001). These practices are designed to align with the public sector's unique needs, such as ensuring efficiency, accountability, and fairness in the delivery of public services. HR outcomes, on the other hand, refer to the measurable results of HRM practices on employees, including job satisfaction, organizational commitment, and overall performance (Guest, 2017). In public sector organizations, these outcomes are particularly important as they directly influence the quality-of-service delivery to the public and the efficiency of government operations (Lepak & Shaw, 2008). Research has shown that well-implemented HRM practices lead to enhanced employee engagement and positive organizational behaviors, which in turn contribute to better organizational performance (Paauwe, 2009).

III. CONCEPTUAL DEVELOPMENT

A. Hypothetical Development of HRM Practices on the HR Outcome within Public Sector Organization

The relationship between Human Resource Management (HRM) practices and Human Resource (HR) outcomes in public sector organizations is influenced by a range of contextual factors that shape the effectiveness of HR initiatives. It is hypothesized that HRM practices, such as recruitment, training and development, performance management, and employee motivation, directly impact HR outcomes such as job satisfaction, organizational commitment, and overall employee performance. For instance, strategic recruitment practices that align with the organizational mission can enhance employee fit and satisfaction (Liao et al., 2010). Furthermore,

training and development initiatives that focus on skill enhancement and career growth are believed to improve job satisfaction and commitment, leading to higher levels of employee performance (Birdi et al., 2008). Performance management systems that provide clear expectations and regular feedback contribute to a sense of fairness and competence among employees, thus fostering stronger organizational commitment and motivation (Kuvaas, 2006). In the public sector, these practices may have a heightened significance due to the unique bureaucratic and regulatory constraints, which can either facilitate or hinder the application of HRM practices in achieving desired HR outcomes (Saks, 2006). Consequently, the development of HRM practices in public sector organizations is crucial to improving HR outcomes, fostering a more motivated, committed, and efficient workforce.

B. Hypothetical Development on the Mediating Effect of Organizational Climate on the Relationship between HRM Practices and HR Outcome

The relationship between Human Resource Management (HRM) practices and HR outcomes is widely recognized in the literature, with studies suggesting that effective HRM practices lead to improved employee performance, job satisfaction, and organizational commitment (Guest, 2011). However, the role of organizational climate as a mediating factor in this relationship has gained increasing attention. Organizational climate, which refers to employees' collective perceptions of the work environment, has been shown to influence how HRM practices are perceived and implemented, thereby affecting their outcomes (Ehrhart, 2004). For instance, a positive organizational climate, characterized by open communication, trust, and support, can enhance the impact of HRM practices by fostering a work environment where employees feel motivated and valued (Zhao, 2015). This mediating effect suggests that the mere implementation of HRM practices may not be sufficient to achieve desired outcomes unless the organizational climate is conducive to their success (Joo & Park, 2010). In the Malaysian public sector context, where bureaucracy and hierarchical structures often prevail, organizational climate could play a critical role in shaping employees' responses to HRM practices. Thus, future research should explore how different dimensions of organizational climate – such as leadership style, work-life balance, and job autonomy – interact with HRM practices to influence HR outcomes in public sector organizations (Patterson et al., 2005). Understanding this mediating effect can provide valuable insights for policymakers and HR managers aiming to enhance employee engagement, performance, and overall organizational effectiveness in the public sector.

IV. DISCUSSIONS

A. Direct Effect of HRM Practices on the HR Outcome within Public Sector Organization

Human Resource Management (HRM) practices have been widely recognized as critical drivers of various human resource outcomes in organizations, including job satisfaction, organizational commitment, and employee performance. In public sector organizations, HRM practices such as recruitment, training, performance appraisal, and employee development play a crucial role in shaping these outcomes. For example, effective recruitment

practices ensure the selection of qualified employees, which directly influences job satisfaction and organizational commitment (Ahmad & Shah, 2020). Similarly, comprehensive training programs can enhance employee skills, leading to higher performance levels and greater job satisfaction (Ng & Kaur, 2019). Furthermore, performance appraisal systems that provide clear feedback and developmental opportunities foster motivation and engagement, which directly impact employee retention and organizational loyalty (Abdullah & Liew, 2021). The direct effect of HRM practices on HR outcomes in the public sector has been supported by numerous studies, suggesting that well-implemented HRM practices are essential for improving employee performance and organizational effectiveness (Yusoff et al., 2018). This underscores the importance of aligning HRM practices with the specific needs and objectives of public sector organizations to achieve optimal HR outcomes.

B. Indirect effect of Mediating Influence of Organizational Climate on the Relationship between HRM Practices and HR Outcome

The indirect effect of organizational climate as a mediating variable in the relationship between Human Resource Management (HRM) practices and HR outcomes has garnered significant attention in recent literature. Organizational climate, which refers to employees' collective perceptions of the work environment, has been shown to influence how HRM practices are perceived and subsequently affect various HR outcomes, such as job satisfaction, organizational commitment, and employee performance (Eisenberger et al., 2019). HRM practices, including recruitment, training, and performance management, are vital in shaping employees' attitudes and behaviors; however, their effectiveness is often contingent upon the organizational climate (Kuenzi & Schminke, 2009). For instance, a supportive climate may amplify the positive effects of HRM practices by fostering an environment of trust, motivation, and engagement (Masood & Anwar, 2013). The mediating role of organizational climate suggests that HRM practices alone may not directly lead to improved HR outcomes without the underlying context of a favorable organizational climate (Harrison & Rainer, 2017). This implies that organizations should focus not only on the implementation of HRM practices but also on cultivating an organizational climate that reinforces these practices to achieve optimal HR outcomes.

V. CONCLUSSIONS AND RECOMMENDATION

A. An Empirical Impact of HRM Practices on the HR Outcome within Public Sector Organization in Malaysia

The impact of Human Resource Management (HRM) practices on human resource outcomes within public sector organizations in Malaysia has been an area of increasing interest in recent years. Empirical studies suggest that effective HRM practices, such as recruitment, training, performance management, and employee development, positively influence HR outcomes, including job satisfaction, organizational commitment, and overall employee performance. For instance, a study by Idris et al. (2018) found that HRM practices in Malaysia's public sector significantly improve job satisfaction and employee engagement. Additionally, HRM practices that

focus on skill development and continuous learning have been linked to enhanced organizational commitment (Mohamed & Yusoff, 2020). These studies emphasize the importance of aligning HRM strategies with organizational goals to achieve optimal HR outcomes. Furthermore, the public sector's unique organizational structure and goals necessitate the adaptation of HRM practices that foster employee motivation and commitment (Nor & Ismail, 2019). As such, public sector organizations in Malaysia should continue to refine their HRM strategies to better support human resource outcomes and organizational effectiveness.

B. An Influence of Organizational Climate on the Relationship between HRM Practices and HR Outcome within Public Sector in Malaysia

Organizational climate plays a critical role in shaping the effectiveness of Human Resource Management (HRM) practices and their subsequent impact on HR outcomes. In the context of Malaysia's public sector, a positive organizational climate can enhance the benefits of HRM practices such as recruitment, training, performance management, and employee relations, by aligning employee perceptions with organizational goals (Borman & Motowidlo, 1997). Organizational climate, defined as the shared perceptions of the work environment, influences employees' motivation, satisfaction, and commitment, which are essential HR outcomes (Schneider, 2000). In Malaysia, where the public sector is a key pillar of governance and development, fostering a conducive organizational climate can improve employee engagement and organizational effectiveness (Abdullah et al., 2017). Studies have shown that a positive climate mediates the relationship between HRM practices and HR outcomes by promoting a supportive work environment that encourages employee performance and reduces turnover (Eisenberger et al., 2014). Thus, public sector organizations must focus on creating an organizational climate that complements HRM practices to achieve desired HR outcomes such as increased job satisfaction and enhanced organizational commitment (Ismail et al., 2014).

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