

THE MEDIATING ROLE OF EMPLOYEE PERFORMANCE IN THE RELATIONSHIP BETWEEN HUMAN RESOURCE MANAGEMENT PRACTICE AND ORGANIZATION PERFORMANCE AMONG SMES IN JIANGXI PROVINCE, CHINA

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Abstract

The research aims the main objective of the study is to analyses the mediating effect of employee performance in the relationship between human resource management practices and organization performance. The research design for the study is quantitative. The purposive sampling is used for the data collection, the sample are 414. The data were collected using questionnaire star and use QQ and WeChat. Data analysis was done by using SPSS 26 and AMOS 24. The result of the study is that there is a significant positive effect of employee training and employee empowerment on employee performance. But there is no significant positive effect of employee promotion on employee performance. And there is no significant positive effect of employee training and employee empowerment on organization performance. But there is a significant positive effect of employee promotion on organization performance. In addition, there is a significant positive effect of employee performance on organization performance. Also, there is mediation effect of employee performance in the relationship between employee training, employee empowerment and organization performance. But there is no mediation effect of employee promotion and organization performance.

Keywords: Human Resource Management Practices; Employee Performance
Organization Performance

Introduction

As part of its efforts to promote economic liberalization, the Chinese government began to implement and legitimate important economic and social reforms in the 1980s. As a result, China presents an opportunity for academics to look into the potential effects of environmental changes on firm-level decisions regarding the management of human resources (HRM) practices (Liang et al., 2012). There are several approaches to monitor the current developments toward a tighter fit with Western HRM systems. Significant signs of change include the application of more complex competency-based hiring and hiring practices, a higher priority placed on training and development, market-based compensation that links financial rewards to performance, awareness of career development, and a renewed focus on corporate culture (Shi, 2010).

There are many ways to find a job in China, including job fairs, career centers, staffing companies, headhunters, internet job boards, media ads, and word-of-mouth. In general, Chinese state-owned enterprises (SOEs) prefer internal hiring to external hiring, especially for senior positions. Especially when the job is a senior one, SOE frequently have a sizable pool of internal human resources, which can help maintain harmony in organizations. However, foreign corporations frequently hire workers in China using hiring agencies that are outside the purview of the labor ministry (Cooke, 2004).

China has developed systems for training and developing managers at the micro as well as the macro level. For instance, multiple 'in-house' management education courses were developed in important Chinese enterprises, whether they were once SOEs, joint ventures, or companies with 100% foreign control (Warner & Goodall, 2010). Compared to non-SOEs, Chinese businesses frequently gave less attention to training and development in SOEs. According to (Ng & Siu, 2004), SOEs usually lay more importance on technical skill training and lack management development content, whereas non-SOEs place a greater emphasis on both collaboration and skill development. There are many various types of studies on human resource management in China (Liang et al., 2012) but there aren't many on the mediation of employee performance in the relationship between HRM and organizational performance. The gaps and issues addressed in this study are filled by these studies.

Research Objectives

1.To explore the relationship between human resource management practices and employee performance.

2.To examine the relationship between human resource management practices and organizational performance.

3.To analyze the relationship between employee performance and organizational performance.

4.To identify the mediating effect of employee performance in the relationship between human resource management practices and organization performance.

Literature Reviews

In order to increase the efficacy of the company in general and employee performance in particular, the human resource manager must focus the developmental component. When developing rules, all firms aiming high growth through improved employee engagement must carefully take into account employee participation, training, selection, and remuneration (Shaukat et al., 2015). The use of effective HRM practices (training, hiring, maintenance, participation, and separation) can assist the workforce in achieving the objectives and aims of the company.

It is predicted that employees will perform poorly if they have a poor opinion of HRM practices, but the contrary is also true. The context and circumstances have a big impact on how employees view HRM procedures. Because of this, putting in place appropriate HRM practices like salary, training, and job assessments will encourage innovation and boost worker productivity in the company (Silva et al., 2020). The study's findings demonstrate how training and development initiatives raise worker productivity. To increase the effectiveness of development and training initiatives in the administration office, the program must, however, improve the methodical identification of the requirement for training and skill deficiencies of staff members, monitor and assess with objective tools or standards (Asfaw et al, 2015). Increased staff productivity is anticipated to result from increased training and education. An increase in personal wealth and improved organizational performance are the results of this productivity (Marginson, 2019). Training and development may

lead to an increase in job expectations for employees while also enhancing their abilities, attitudes, and behaviors. The enhancement of employee skills is one advantage of career development. In order to advance the organization, the firm will be able to hire more experienced and highly competent workers thanks to education and training that will increase employees' intellectual powers and competences. The effects of compensation, organizational commitment, and training are all favorable and significant for employee performance. The direct and indirect advantages of salary and training are also positively and significantly impacted by organizational commitment (Anugrah, 2020). When it comes to selection, promotion, training, career development opportunities, shifting, income rewarding, and performance appraisal, ineffective and unfair human resource practices and events are likely to hinder employee happiness, organizational commitment, and performance.

Businesses use a range of human resource management (HRM) techniques, policies, and procedures to manage and expand their workforces. Organizational performance is the efficiency and effectiveness with which a company as a whole achieves its objectives. By creating effective hiring and selection procedures, organizations may guarantee that the individuals they acquire have the abilities, skills, and talents required to contribute to the company's success. When employees are in accordance with their tasks, they are more likely to perform at a high level and boost organizational performance (Combs et al., 2006). Employees receive the knowledge and skills they need through training and development programs to do their jobs effectively. In addition to enhancing individual performance, this enhances organizational performance as a whole. Effective performance management programs are also essential HRM tools that link team and individual performance to business goals. HRM practices have an impact on employee engagement and dedication as well. When workers are respected, feel supported, and have a say in decisions, they are more dedicated to their work and the organization. According to (Garengo et al., 2002), this high level of engagement leads to better production, originality, and innovation, all of which enhance organizational performance. By creating and sustaining a culture that prioritizes teamwork, collaboration, and constant learning, organizations may create an environment that fosters innovation and high performance. An important factor in determining the overall success and growth of a firm is the relationship between organizational performance and employee performance.

Employees are the cornerstone of any successful company since their contribution has a direct impact on achieving an organization's goals and objectives. When employees perform at their highest levels, the productivity, financial performance, and reputation of the brand of the business all benefit. One of the most crucial aspects of employee success is personal productivity (Hajiali et al., 2022). High-caliber, engaged, and motivated employees improve productivity, customer satisfaction, teamwork, and organizational performance. By investing in employee development, recognition, and the creation of a positive work environment, organizations may improve employee performance and, as a result, their own performance. The impact of HRM practices on employee performance contributes to the mediating role of employee performance and aids in explaining some of how these practices have an impact on organizational performance. In other words, HRM practices affect employee performance, which in turn affects total company performance (Masood, 2010). For instance, a study that examined the mediating function of employee performance found that HRM strategies including training and development had a favorable effect on employee performance, which in turn improved organizational performance (Tarmidi & Arsajah, 2019).

Conceptual Framework

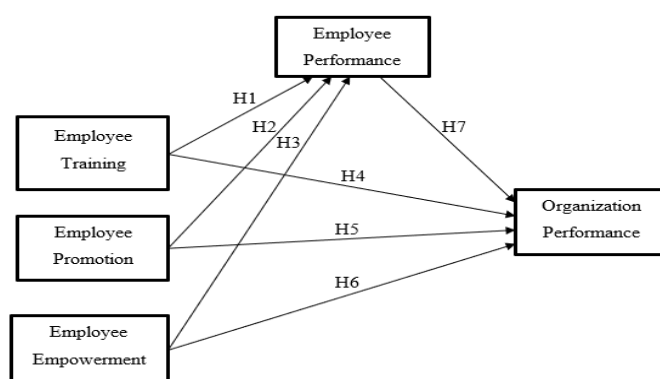


Figure 1: Conceptual Framework

Research Methodology

The research design used for the study is quantitative. Employee training, employee promotion, employee empowerment, employee performance, and organizational performance were considered when creating the questionnaire. A 5-point Likert scale was used, with 1 denoting "strongly

disagree" and 5 denoting "strongly agree." Before beginning the data gathering process, a test was conducted with five experts to determine the validity of the questionnaire's item objective congruence (IOC). A sample of 25 people from the pilot research are used to examine the items' validity. 414 workers of a commercial bank in China were used as the purposive sampling technique's sample AMOS and SPSS were the two programs employed for data analysis. Confirmatory Factor Analysis and Cronbach's Alpha for the validity and reliability. The acceptable value of Cronbach's Alpha is 0.7 (Taber, 2018) and the result of Cronbach; Alpha is 0.756 which is accepted.

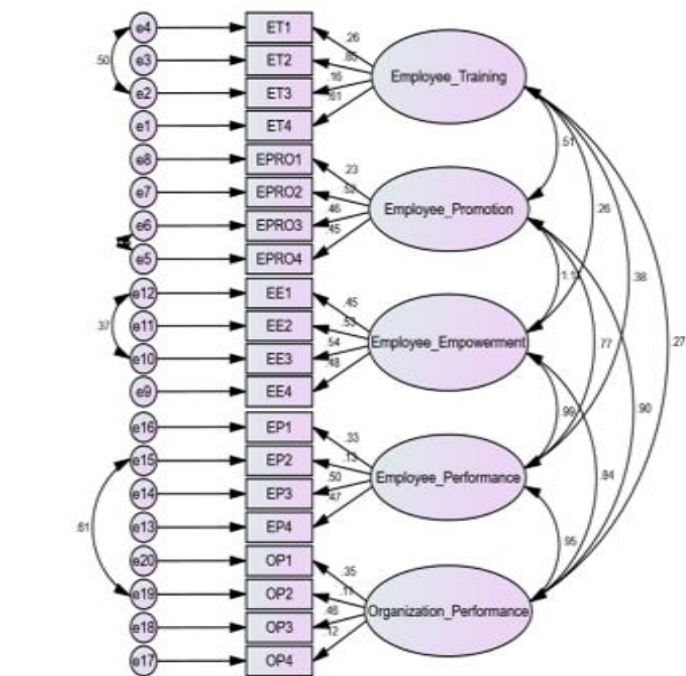


Figure 2: Confirmatory factor analysis. **Source:** Data and information from the research

Table 1: Model fit of Confirmatory factor analysis

Name of Category	Index	Accepted value	Value
Absolute fit	RMSEA	0.05 to 0.1 or less	0.040
	GFI	Greater than 0.9	0.940
Incremental fit	CFI	Greater than 0.9	0.923
	IFI	Greater than 0.9	0.925
Parsimonious	Chisq/df	Less than <5.0	1.668

fit

Source: Data and information from the research

Data Analysis: The total employee is 414 where 228 are male and 186 are female which shows that male is more than female. The employee below 25 years are 54. In the same way, the age between 26-35 years is 176. Likewise, the employee from 36-45 years is 139 and finally, the age from 46 years and above are 45. the education of the employee working in SMEs. The data shows that, employee education of higher school is 58. Likewise, employee education of undergraduate is 179. Similarly, education of graduate is 154 and lastly doctoral are 23. The employee who are working 1-5 years are 46. The employee who are working between 6-10 years are 165. The employee who are working between 11-15 years are 131. Lastly, the employee working 16 years and above are 72.

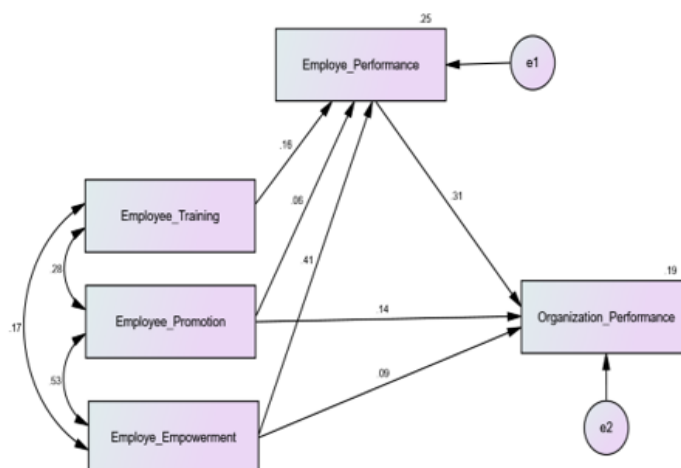


Figure 3: Path Analysis. **Source:** Data and information from this research

For the path analysis, the direct effect and indirect effect are shown which is summarized in the table 2 and 3 below.

Table 2: Direct Effect

Direct Path	Standardized path coefficient	S. E	C.R	P
Employee Training ---> Employee Performance	0.16	0.034	3.544	***
Employee Promotion ---> Employee Performance	0.06	0.035	1.221	0.222
Employee Empowerment ---> Employee Performance	0.41	0.036	8.173	***

Employee Performance ---> Organization Performance	0.31	0.050	6.037	***
Employee Promotion ---> Organization Performance	0.14	0.035	2.606	**
Employee Empowerment ---> Organization Performance	0.09	0.040	1.570	0.116

Source: Data and information from this research

Note: *** $p < 0.001$, ** $p < 0.010$

Table 3: Indirect effect

Indirect Path	Estimate	Lower	Upper	P
Employee Training ---> Employee Performance ---> Organization Performance	0.048	0.015	0.061	**
Employee Promotion ---> Employee Performance ---> Organization Performance	0.019	-0.006	0.032	0.288
Employee Empowerment ---> Employee Performance ---> Organization Performance	0.126	0.061	0.123	***

Source: Data and information from the research

Note: *** $p < 0.001$, ** $p < 0.010$

Results

The relationship between Human Resource Management (HRM) practices and employee performance is both significant and multifaceted. This study has demonstrated that strategic HRM practices can profoundly influence employee performance, leading to enhanced productivity, higher job satisfaction, and overall organizational success.

Key HRM practices such as recruitment and selection, training and development, performance appraisal, compensation management, and employee relations play crucial roles in shaping employee behavior and attitudes. Effective recruitment and selection ensure that the right individuals are placed in the right roles, aligning their skills and competencies with organizational needs. Continuous training and development opportunities not only enhance employees' skills but also contribute to their personal growth and job satisfaction, fostering a culture of continuous improvement.

Performance appraisal systems, when implemented fairly and transparently, provide valuable feedback to employees, helping them understand their strengths and areas for improvement. This feedback loop is essential for personal and professional development, driving higher performance levels.

Additionally, well-structured compensation management systems that reward high performance and align with market standards motivate employees to strive for excellence.

Moreover, strong employee relations practices that promote open communication, trust, and collaboration create a positive work environment. Such an environment enhances employee engagement and loyalty, reducing turnover rates and fostering long-term commitment to the organization.

However, it is crucial to note that the effectiveness of HRM practices is contingent upon their alignment with the organization's overall strategy and culture. HRM practices should not be implemented in isolation but as an integrated system that supports the organization's strategic objectives. Moreover, the dynamic nature of the business environment necessitates continuous evaluation and adaptation of HRM practices to ensure they remain relevant and effective.

In conclusion, HRM practices are indispensable in driving employee performance and, by extension, organizational success. Organizations that invest in robust HRM practices are likely to experience not only improved employee performance but also a competitive advantage in the market. Future research could explore the impact of emerging HRM trends, such as remote working and digital HRM tools, on employee performance, providing deeper insights into the evolving landscape of HRM.

The relationship between Human Resource Management (HRM) practices and organizational performance is a critical area of study that underscores the importance of strategic HRM in achieving organizational success. This investigation has elucidated that well-designed HRM practices significantly contribute to enhanced organizational performance across various dimensions, including financial outcomes, operational efficiency, employee productivity, and overall competitive advantage.

Key HRM practices such as recruitment and selection, training and development, performance management, compensation and benefits, and employee relations are pivotal in shaping an organization's performance. Effective recruitment and selection ensure that the organization attracts and retains top talent, aligning human resources with strategic goals. Comprehensive training and development programs equip employees with the necessary skills and knowledge, fostering a culture of continuous improvement and innovation.

Performance management systems that are fair and transparent play a crucial role in setting clear expectations, providing regular feedback, and aligning individual performance with organizational objectives. Such systems

not only enhance individual productivity but also contribute to achieving broader organizational goals. Additionally, competitive compensation and benefits packages are essential for motivating employees, reducing turnover, and attracting high-caliber candidates, all of which are vital for sustained organizational performance.

Moreover, robust employee relations practices that promote a positive work environment, open communication, and strong organizational culture are fundamental in driving employee engagement and commitment. High levels of employee engagement led to increased job satisfaction, lower absenteeism, and higher productivity, all of which are critical for superior organizational performance.

It is also evident that the integration of HRM practices with the overall strategic framework of the organization amplifies their impact on performance. HRM practices should be aligned with the organization's vision, mission, and strategic objectives to ensure coherence and synergy. The dynamic nature of the business environment further necessitates that organizations continually assess and adapt their HRM practices to remain competitive and responsive to emerging trends and challenges.

In conclusion, HRM practices are integral to organizational performance. Organizations that strategically implement and continually refine their HRM practices are better positioned to achieve superior performance outcomes. Future research could explore the impact of technological advancements, such as artificial intelligence and automation in HRM, on organizational performance, providing valuable insights into the future of HRM and its role in driving organizational success.

The relationship between employee performance and organizational performance is a vital and intricate one, highlighting the crucial role that individual contributions play in the broader success of an organization. This study has shown that high levels of employee performance directly correlate with improved organizational performance, encompassing enhanced productivity, innovation, and overall competitive advantage.

Employee performance, which encompasses factors such as productivity, efficiency, quality of work, and creativity, is a cornerstone of organizational success. When employees perform at their best, they drive key organizational outcomes such as higher profitability, customer satisfaction, and market share. High-performing employees contribute to the development and execution of innovative strategies, efficient processes, and high-quality products and services, all of which are essential for maintaining a competitive edge in today's dynamic

business environment.

Several factors influence employee performance, including effective leadership, robust HRM practices, a positive organizational culture, and opportunities for professional growth. Leadership that provides clear direction, support, and recognition fosters an environment where employees are motivated to excel. Similarly, HRM practices such as comprehensive training and development, fair performance appraisals, and competitive compensation structures are fundamental in enhancing employee performance.

A positive organizational culture that promotes collaboration, trust, and open communication also plays a significant role in elevating employee performance. Such a culture not only boosts employee morale and job satisfaction but also encourages a sense of ownership and accountability, leading to higher levels of performance. Additionally, providing opportunities for career advancement and skill development keeps employees engaged and committed to the organization, further driving performance.

The synergistic relationship between employee performance and organizational performance underscores the importance of viewing employees as strategic assets. Organizations that invest in their employees through effective management practices, supportive work environments, and continuous development opportunities are more likely to achieve superior performance outcomes.

In conclusion, the performance of employees is integral to the overall performance of an organization. By fostering an environment that supports and enhances employee performance, organizations can achieve sustainable growth and success. Future research could delve into the impact of emerging trends such as remote work and digital transformation on the relationship between employee and organizational performance, providing deeper insights into the evolving dynamics of this critical relationship.

This study has explored the mediating effect of employee performance in the relationship between Human Resource Management (HRM) practices and organizational performance, revealing critical insights into how strategic HRM can enhance overall organizational success. The findings underscore that while HRM practices directly influence organizational performance, their impact is significantly amplified through the mediating role of employee performance.

HRM practices, such as effective recruitment and selection, comprehensive training and development, fair performance appraisals, competitive compensation, and positive employee relations, are foundational to

building a high-performing workforce. These practices not only ensure that the right talent is brought into the organization but also foster an environment where employees can develop their skills, remain motivated, and perform at their best.

The study highlights that employee performance acts as a crucial mediator in this relationship. When HRM practices are effectively implemented, they enhance employee performance by improving skills, motivation, job satisfaction, and engagement. High levels of employee performance, in turn, lead to improved organizational outcomes such as increased productivity, higher quality of work, greater innovation, and stronger financial performance.

This mediating effect demonstrates that the benefits of HRM practices are fully realized only when they translate into enhanced employee performance. Therefore, organizations seeking to improve their overall performance must prioritize the development and implementation of HRM practices that directly support and enhance employee performance.

Moreover, the study suggests that the alignment of HRM practices with the organization's strategic goals is essential. HRM practices should be designed and executed in a manner that not only meets immediate workforce needs but also aligns with long-term organizational objectives, ensuring sustained performance improvements.

In conclusion, the relationship between HRM practices and organizational performance is significantly mediated by employee performance. Organizations that strategically invest in effective HRM practices will see a marked improvement in employee performance, which, in turn, drives superior organizational performance. Future research could further explore this mediating effect by examining the influence of emerging HRM trends and technologies on employee and organizational performance, providing deeper insights into the evolving landscape of HRM.

Discussions

From the path analysis, it concluded that, H1 is accepted, H2 is rejected and H3 is accepted. Employee performance is predicted to be low if they have a poor opinion of HRM practices, but the contrary is also true. Employee opinions of HRM methods are highly influenced by context and events (Robbins and Judge, 2013). H4 is rejected and H5 is accepted again, H6 is rejected. And numerous researches have been conducted to understand and examine the link between HRM practices and organizational performance (Som, 2008; Smith & Blum, 2000), and it has been discovered that the two are substantially and

favorably related. Similarly, H7 is accepted, H8 is accepted, H9 is rejected and H10 is accepted. The summary of hypothesis is shown in table 4 below.

Table 4: Summary of Hypothesis

Hypothesis	Results
There is a significant positive effect of employee training on employee performance.	Accepted
There is a significant positive effect of employee promotion on employee performance.	Rejected
There is a significant positive effect of employee empowerment on employee performance.	Accepted
There is a significant positive effect of employee training on organization performance.	Rejected
There is a significant positive effect of employee promotion on organization performance.	Accepted
There is a significant positive effect of employee empowerment on organization performance.	Rejected
There is a significant positive effect of employee performance on organization performance.	Accepted
Employee performance mediates the relationship between employee training and organization performance.	Accepted
Employee performance mediates the relationship between employee promotion and organization performance.	Rejected
Employee performance mediates the relationship between employee empowerment and organization performance.	Accepted

Source: Data and information from the research

New Knowledges

HRM practices are indispensable in driving employee performance and, by extension, organizational success. Organizations that invest in robust HRM practices are likely to experience not only improved employee performance but also a competitive advantage in the market.

HRM practices are integral to organizational performance. Organizations that strategically implement and continually refine their HRM practices are better positioned to achieve superior performance outcomes.

The relationship between HRM practices and organizational performance is significantly mediated by employee performance. Organizations that strategically invest in effective HRM practices will see a marked improvement

in employee performance, which, in turn, drives superior organizational performance.

Conclusions

The study shows that there is relationship between employee training and employee empowerment with the employee performance. But employee promotions do not have relationship with employee performance. However, the results show that effective HRM strategies have a favorable impact on employee performance. workforce dynamics.

There is positive and significant relationship with employee promotion and organizational performance. But the employee training and employee empowerment does not have the relationship with organizational performance. However, organizations can improve their performance, growth, and long-term success by utilizing efficient HRM strategies.

There is positive and significant relationship between employee performance and organizational performance. The relation between individual employee performance and the organizational outcome emphasizes the crucial part that every employee plays in realizing the objectives and success of the organization.

There is mediating effect of employee performance between employee training and employee engagement with organization performance. But there is no mediating effect of employee performance between employee promotion and organization performance. However, the critical role played by employees in converting HRM practices into observable outcomes for the business is highlighted by the recognition of employee performance as a mediator in the link among HRM practices and organizational performance.

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