

**The Influence of HR Effectiveness and Job Satisfaction
on Organizational Performance**

by

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ABSTRACT

As the global corporate environment intensifies and complicates, the survival of business relies on how critical the competencies and competitive advantages a company possesses. Since most companies tend to have similar infrastructures, equipment and technologies, which leaves only one factor vital to determining the success or failure of a company, human resources.

Modern HRM should be constantly monitored and measured for its impacts on the people and the organization because it can serve as a driver in increasing the value of intellectual capital and helping enterprises boost organizational performance. Peter Drucker, perhaps the top management philosopher of our time, spoke of about the issue of measurement in several of his writings and emphasized how vital it was to measure HR effectiveness as measurement is the weakest area in management today (Fitz-enz, 1995).

Job satisfaction, on the other hand, as Robbins (1998) pointed out, is important to the employees and the company because it can serve as an indicator that helps to identify problems from the aspects such as communications, working conditions and interactions, etc. And by dealing with the problems once they arise, it can improve the level of job satisfaction of the employees and therefore contribute the positive effects to the outcome of the company.

This research study investigates the influence of HR effectiveness and job satisfaction on organizational performance and the results show that (1) HR effectiveness has significantly positive influence on organizational performance; (2) job satisfaction has partially significant positive influence on organizational performance; (3) HR effectiveness has significantly positive influence on job satisfaction.

Keywords: HR effectiveness, job satisfaction, organizational performance

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CHAPTER I. INTRODUCTION

This chapter introduces the research background, problem statement, research purposes, research questions, significance of the study, limitation, delimitation and definition of terms in this study.

Background of the Study

As the competition between rivals in the global business environment heats up, and issues on how to provide tangible, measureable results for enterprises and creating new corporate values, are drawing more attention than ever as more leaders and managers have come to realize that if they want to attain competitive advantages these days, they need to work on the center of gravity, the people (鄭偉, 2008). More and more enterprises have come to recognize the importance and significance of measuring the effectiveness of HR systems or practices (Fitz-enz, 1995) for the facts that they serve as drivers in increasing the value of intellectual capital and helping enterprises boost organizational performance. As Dr. Fitz-enz suggested, the effectiveness of HR systems and HR practices are actually the same, therefore these two terms will be used interchangeably in the following text.

Many studies suggest that managers want HR to be more involved, provided them with business management and change management capabilities, and also more competent in technical, strategic, and financial areas. Modern HRM should be constantly monitored and measured for its impacts on the people and the organization. Peter Drucker, perhaps the top management philosopher of our times, spoke of about the issue of measurement in several of his writings and emphasized how vital it was to measure HR effectiveness as measurement is the weakest area in management today (Fitz-enz, 1995). In addition, there are also outstanding figures in both academic and practical fields such as Robert Kaplan, David Norton, Hugh Bucknull who are in favor of HR effectiveness measurement and show their

support through writings and discourses.

Even with this overwhelming evidence, there are still people who insist on the notion that they can survive without performance measurement. They blame their customers for not understanding that their function is somewhat different from all the other organizational entities, who depend on quantitative data analysis. To them, it's a radical change which takes much more time to get accustomed to or never. Hence, it's HR managers' mission to change the landscape; they have to show CEOs that by measuring HR effectiveness, HR function can serve as a value-adding people-management function which are critical to organizational performance.

Past literatures suggest that there is actually a positive relationship between job satisfaction and organizational performance: the higher the job satisfaction, the better the organizational performance. Besides from HR effectiveness, job satisfaction also serves a critical factor to bettering organizational performance, it is important for companies to monitor the job satisfaction of employees as it truly matters to the outcome of the company.

Today, many companies tend to underestimate the importance of HR effectiveness and focus more on improving job satisfaction, which is insensible for the long term performance of the companies. In the light of such mentality, this research study embarks on examining the influences of HR effectiveness and job satisfaction at the same time, to see whether these two variables are predictive of organizational performance. Hopefully, through this study, the employers can learn to place equal emphasis on both HR effectiveness and job satisfaction, for which serve as vital elements to the success of the companies.

Moreover, for the CEOs, any business activity which can contribute to the financial growth of the company is considered to be value-adding. And unfortunately, in the general perception, HR has had been regarded as more of a supportive function in a company in most occasions because its contribution to the financial outcome of the company is more indirect and less visible. This is why the CEOs are usually less concerned about the development of

HR departments in comparison to other departments such as sales department. In regard to this dilemma that HR professionals are facing today, the researcher intends to look at organizational performance from the financial perspective, to exam the influence of HR effectiveness and job satisfaction on the financial performance of the company, in hope to show the management level a more visible link between HR and financial organizational performance.

Purpose of the Study

Based on the statement mentioned above, the purposes of this study are as follows:

1. To investigate whether there is any significant difference in HR effectiveness and job satisfaction based on the perceptions of employees of different companies.
2. To investigate whether employees' perceptions of HR effectiveness have any influence on job satisfaction and organizational performance.
3. To investigate whether employees' perceptions of job satisfaction have any influence on organizational performance.

Statement of the Problem

The myth that one cannot measure human resources values has been refuted for so many years that it is a wonder that there is anyone who still accepts it. People seem reluctant to change and become accountable to this idea. In today's market that is simply impossible.

From the systemic point of view, human resource serves as the role of a sub-system within a system. Everything that happens within HR, to one extent or another, affects the larger system. HR department does have an effect on the output of the organization through the service it provides, but it is just not as evident as the business development department or the finance department in the general perceptions.

Positioning is critical to the development of a business unit because it is a way to show

top executives who you are and what direction you are heading. For HR professionals, they need to position HR as a value-adding partner rather than as a supporting unit. More importantly, HR professionals have to earn partnership by demonstrating to the top executives that they truly have something of value for them. Therefore, they have to build visible links between HR practices and the outcome of the company through the means of measuring HR effectiveness from a strategic perspective.

Moreover, lots of literatures suggest that job satisfaction is an important factor that contributes to the performance of an organization and there is a variety of models that consist of interesting dimensions, discussing what really composes of job satisfaction. Thus, the researcher is intrigued to examine whether job satisfaction has actual influence on organizational performance as numerous scholars point out.

Questions of the Study

In this study, the researcher attempts to answer the following questions:

1. Is there any significant difference in HR effectiveness and job satisfaction based on the perceptions of employees among different companies?
2. Does HR effectiveness affect employees' perceptions of job satisfaction and also organizational performance?
3. Does job satisfaction affect organizational performance?

Significance of the Study

As the firms face aggravating environmental turbulences worldwide, it is crucial for manager and HR professionals to acknowledge the fact that in a time like this, the importance of defining and calculating the values of human resources contributing to the outcomes of the company is becoming more vital and appreciated. This way, HR professionals are able to monitor the effectiveness of HR systems or practices and see how the systems contribute to

the level of employee job satisfaction and organizational performance.

HR professionals have to take on the responsibility to show managers that how effective the HR systems or practices can add values to the organization and give the organization a competitive advantage in an increasingly competitive corporate environment.

The focal point of this study is to establish links among HR effectiveness, job satisfaction and organizational performance by providing insight into how HR effectiveness and job satisfaction have influence on organizational performance. More importantly, the research results imply that HR effectiveness and job satisfaction can be considered as indicators, and HR professionals are able to predict or monitor organizational performance with these indicators. This way, HR professionals can help the organizations to identify and formulate more comprehensive HR strategies for the future.

Delimitations

Firstly, this research study is delimited to the investigation of the influence of HR effectiveness and job satisfaction on organizational performance.

Secondly, the sample of study is delimited to the general employees (non-managerial positions) working in manufacture, service and finance industries.

Limitations

There are some limitations identified in this research study.

Firstly, because of the independent variables and dependent variable(s) are all evaluated by the perceptions of the employees and the use of self-report scales, which might invoke the problem of Common Method Variance (CMV), implying that the source of data is single, not various (Peng et al., 2006). This could compromise the quality of research work. This is the first limitation of this study. Moreover, due to time and resource constraints, the researcher was unable to fully prevent the problem of CMV by collecting data from different specified

sources regarding the three variables: HR effectiveness, job satisfaction and organizational performance. Instead, the researcher intended to rely on employees' perceptions for the measurement of HR effectiveness and job satisfaction, meaning the source of data was single. This might not be the best solution for avoiding CMV, but to some degrees, it is still a viable solution nonetheless.

Secondly, the sample size of this study is clearly not large enough to make such generalization that the research results could be representative of the entire population across all kinds of industries. Also, the sample size may not be ideal for conducting one-way ANOVA analysis which may potentially undermine the accuracy and quality of this research study. Fortunately, the research results do show significant influences of HR effectiveness and job satisfaction on organizational performance, the researcher believes that the research results are still of some pragmatic values.

Thirdly, all variables in this study are evaluated from individual perspective, while HR effectiveness falls under the category of organizational-level variables, unlike job satisfaction as an individual-level variable. Hence, the third limitation of this research study is that, the organizational-level variable is measured by individuals, which might not be able to reflect the actuality.

In spite of the fact that this study regards HR effectiveness as an individual-level variable with the acknowledgement of HR effectiveness being an organizational-level variable, it still has its values. The reason being, even when HR practices implemented on each employee are very similar, individuals will inevitably have different perceptions of the effectiveness of HR systems or practices due to different personal attributes and experiences, which will eventually affect their attitudes and behaviors toward their work and result in different level of job satisfaction.

Definition of Terms

HR effectiveness

HR effectiveness can be defined as how much HR activities or HR systems contribute to the outcomes of an organization in terms of both individual level outcomes (job performance, job satisfaction, motivation, etc) and firm level outcomes (scrap rate, sales growth, ROA, ROI. etc). The researcher will use a 5 point Likert scale to measure HR effectiveness as an independent variable. The Strategic HRM Functional Tasks will be adopted as the instrument for measuring HR effectiveness in this research study, developed by Gomez-Mejia et al. (2001). This instrument contains nine dimensions including work flows, staffing, employee separations, performance appraisal, training development, compensation, employee relations, employee rights, and international management.

Job satisfaction

As Balzer (2000) pointed out that job satisfaction is defined as the feelings a worker has for his or her job experiences in relation to previous experiences, current expectations, or available alternatives. The researcher will use a 5 point Likert scale to measure job satisfaction as an independent variable. The JDI (Job Descriptive Index) will be adopted as the instrument for measuring employee job satisfaction which contains the following dimensions:

- (1) work on present job,
- (2) pay,
- (3) opportunities for promotion,
- (4) supervision,
- (5) people on your present job,
- (6) job in general.

For the purpose of keeping the questionnaire brief and neat instructed by the professor, the

short version of JDI will be adapted in this study which contains only two dimensions: work on present job and pay.

Organizational performance

Performance is the output of an organization's operations which is crucial to the survival of a business because manager can identify what is to be improved through the process of performance evaluation (Arthur, 1992; Delaney & Huselid, 1996; Huselid, Jackson & Schuler, 1997; Miler, 1990; Nkomo, 1987; Venkatraman & Ramnujam, 1986). The measuring of organizational performance can be done by referring to both financial and non-financial index.

The researcher will measure organizational performance by collecting, comparing and analyzing the published financial information in the Common Wealth magazine in terms of financial indicators including Sales Growth Rate (SGR), Profit Growth Rate (PGR) and Return on Equity (ROE) to see how the financial performances of the chosen companies relate to HR effectiveness and employee job satisfaction.

CHAPTER II. REVIEW OF LITERATURE

This chapter reviews the literature regarding HR effectiveness, job satisfaction and organizational performance.

Measuring HR Effectiveness

For more than two decades, many scholars have conducted countless research studies on measuring or evaluating the effectiveness of HR function from various points of view and how the results relate to the outcome of the firm. In a more general sense, HR effectiveness can be defined as how much HR activities contribute to the outcomes of an organization in terms of both individual level outcomes (job performance, job satisfaction, motivation, etc) and firm level outcomes (scrap rate, sales growth, ROA, ROI. etc).

Importance of Measuring HR Effectiveness

There is a continually increasing demand among the corporate world in how HR practices help organizations gain a competitive advantage, assessing HR effectiveness becomes more important for both non-HR managers and HR professionals. Measures of HR effectiveness justify, assess, and track the performance of personnel/HR departments, assign responsibility and accountability for deployment of human resources, and help focus attention on which HR practices are most critical for an organization (Ulrich, 1989). In other word, without addressing the significance of how to assess HR effectiveness, non-HR managers may not recognize how HR contributes to the outcome of the company and HR professionals may have difficulty becoming full business partners.

A Typology of Models for Assessing HR Effectiveness

Ulrich (1989) proposed the typology of models based various literature reviews depicting models and methods of assessing HR effectiveness developed by numerous scholars. Typologies organize diffuse literatures, make explicit what options exist between approaches to solving a problem, and lay the foundation for debates among alternatives (Ulrich & Barney, 1984). According to Ulrich, a typology of models may be developed that distinguishes alternatives and suggest conceptual, practical, and methods differences of each model.

The criteria of a typology of HR assessment models are fourfold: *concept* (definition of HR effectiveness), *assumptions* (underlying view of HR), *domain* (focus of HR activity) and *process* (how to implement the approach) and with these criteria, three models are identified:

- Stakeholder Model: A stakeholder or constituency (Tsui, 1984) approach focuses on the perceived value of the services of an HR/ personnel department by its users.
- Utility Model: A utility approach (Cascio, 1987; Cascio & Ramos, 1986; Fitz-Enz, 1980) focuses on the economic utility of HR practices by translating HR practices into financial indices.
- Relationship Model: A relationship approach (Tichy, et al., 1982; Ulrich, et al., 1984) focuses on the ways that HR practices impact a business ability to accomplish its strategic goals.

Stakeholder model

In this model, the HR/personnel function is the central domain. HR effectiveness depends on the perceptions of users of the function or department. It assumes that effectiveness comes to HR departments when they are service-oriented, delivering responsive goods or services to customers throughout the organization. The role and effectiveness of a HR department comes from assessment and response to user needs. The stakeholder model usually follows a four step sequence:

1. Identify key stakeholders
2. Formulate assessment questions
3. Collect and analyze data
4. Provide feedback.

On the other hand, the stakeholder model certainly has its strengths. It involves a number of key stakeholders in the assessment of HR effectiveness, shifts responsibility for HR effectiveness from its base in the department towards reflecting responsibility with non-HR managers, and encourages a service orientation for the HR department.

Weakness wise, the assessment results are not linked to business performance because stakeholders may want a particular service, but not be aware of the cost of delivery or how the service may impact overall business performance.

Table 2.1. *Stakeholder Approach*

| <i>Dimension Domain</i> | <i>HR Department/ Function</i> |
|-------------------------|--|
| Concept | In the eye of the beholder; dependent on the views of the users of the function |
| Assumptions | <ul style="list-style-type: none"> - HR is a service function, designed to provide service to its users - Responsiveness to user needs determines effectiveness |
| Process | <ol style="list-style-type: none"> 1. Identify key stakeholders 2. Formulate assessment questions 3. Collect/analyze data 4. Provide feedback to all interested parties |
| Strengths | <ul style="list-style-type: none"> - Involves people from diverse groups - Creates joint responsibility for HR - Emphasizes services nature of the HR function |
| Weaknesses | <ul style="list-style-type: none"> - Not linked to performance outcomes - Not linked directly to HR costs - Require high commitment of time and resources - May focus on doing things right vs. doing right things |

Source: Ulrich, 1989.

Stakeholder groups

Hitt, Ireland, and Hoskisson (2005) suggested that there are three primary groups of stakeholders that are significantly prone to organizational performance. First, companies must cater the needs of capital market stakeholders – shareholders and major suppliers of capital such as bank. Second, companies must take the needs and demands of product market stakeholders – the primary customers, suppliers, and host communities with whom organizations conduct business. Third, companies must attend to the needs of organizational stakeholders – the employees and managers within the organization.

Capital market stakeholders

Capital market stakeholders have been the focus of researchers in the HRM field. Rogers and Wright (1998) reviewed 59 studies that examined the relationship between HR and various organizational outcomes and revealed that only two of the studies used employee outcomes such as turnover as the outcome of interest. On the other hand, 40 of the studies reviewed by Rogers and Wright (1998) used accounting measures and financial market measures of performance such as ROA, ROE, ROI, and Tobin's Q that directly serve the interests of the capital market stakeholders. Moreover, it's not rare to see in the strategic HRM publications the discussions on the impact of HR practices on outcomes such as sales per employee or ROA associated with a standard deviation increase or decrease in the level of HR practices used.

Product market stakeholders

One area of research that has specifically considered the impact of HR initiatives on product market stakeholder is climate for service research. In this research stream, customer satisfaction is treated as a mediating variable between HR practices and business performance and it is slightly different from more traditional strategic HRM research by its focus on the

customer as the main outcome of interest. In general, climate can be defined as the employees' perceptions of the routines and rewards that characterize a setting and can be understood as the immediate environment surrounding the individuals when they enter an organization. Climate research usually has a strategic focus of interest such as service, justice, or safety, and attempts to identify those elements of the work environment described by employees that correlate to critically important organizational outcomes such as customer satisfaction. In sum, apart from the capital market stakeholder approach, HR professionals can also measure HR effectiveness from the perspective of product market stakeholders centering the level of customer satisfaction.

Organizational stakeholders

Employees as a stakeholder group have been the focus of HRM researchers which examines the impact as of various HR practices and activities on employee outcomes. There have been countless research studies over the years examining the impact of HR practices such as selection, recruitment, training and development, compensation on employee-focused outcomes such as job satisfaction, motivation, socialization, career success and occupational safety. An emphasis on such employee-focused outcomes takes into account the importance of meeting the needs and interests of employees as major stakeholders in the organization.

Additionally, a secondary stream that has focused on employee outcomes is the industrial relations (IR) paradigm. And one of the main differences between IR research and strategic HRM research is that strategic HRM approaches the study of work and employment from the employer's perspective, IR research approaches the same topic from employee's viewpoint, explaining why individual workers may be at a power disadvantage against the corporation and advocating collective forms of dealing between employees and employers. Despite the differences, strategic HRM and IR researchers both emphasize the benefits of employees as the center of their research. Also, they share common interests in a broadly

conceived notion of HR practices suggests research opportunities of examining the potential for mutual gains initiatives that may benefit both employees as well shareholders or stockholders.

Utility model

In utility model, alternative HR practices are the domain of interest. HR effectiveness depends on the extent to which an alternative practice improves the organization's economic gain over not using the practice. This model recognizes that people and people-related costs compose about 57% of the total value of goods and services produced. Utility, therefore assumes that reducing these costs through more efficient HR practices results in HR effectiveness. The process of adopting utility model is fourfold:

1. Specify the HR practices
2. List the activities associated with the practice
3. Estimate economic value of each activity
4. Create overall HR performance measures.

The utility model has much strength. For one, it translates HR practices into economic value. This economic value is more accessible as a measure of performance. It also distinguishes more from less successful HR practices. Casio and Ramos (1986) quantified the value of assessment techniques in selection. McKeon (1981) quantified the value of off-site meetings. These empirical assessments help the firm to better allocate resources in a more efficient manner.

Weakness wise, the utility model is somehow difficult to apply. Assumptions that every HR activity has its economic value can be very subjective and unacceptable to some people in the organization. Indirect costs may be estimates rather than hard facts. Moreover, this model assumes that HR practices can be translated into economic value. Some HR practices may have long term economic value (e.g., quality improvement programs, succession planning,

career development, etc) that may be difficult to quantify. Finally, outcomes other than costs may at times be important to an organization. New organizations, concerned with rapid growth and delivery of new products, may be less concerned about economic utility of programs than about the program's ability to deliver new products.

Table 2.2. *Utility Approach*

| <i>Dimension Domain</i> | <i>HR practices</i> |
|-------------------------|---|
| Concept | Tied to business results and linked to assessing, managing, and reducing HR costs |
| Assumptions | <ul style="list-style-type: none"> - People and HR practices are and generate costs that can and should be managed - Managing HR costs leads to better organizational performance and determines HR effectiveness |
| Process | <ol style="list-style-type: none"> 1. Specify the HR practices 2. List activities associated with the practice 3. Estimate costs and/or benefits of each activity 4. Create overall HR indices |
| Strengths | <ul style="list-style-type: none"> - Translates HR practices to financial results - Likely to be accepted and understood by business executives - Focuses attention on positive or negative HR practices |
| Weaknesses | <ul style="list-style-type: none"> - Difficult to create accurate measures - Potentially measure only one aspect of HR effectiveness |

Source: Ulrich, 1989.

Jac Fitz-enz's approach

Dr. Jac Fitz-enz is a renowned pioneer in the measurement of human capital and performance management in HR field, who has been advocating the importance of translating the efforts of HR practices into actual numbers and figures, showing CEOs that HR function is becoming more of a business partner than a support function in the organization. Fitz-enz has led the fight to make HR a powerful position within the organizational structure. Fitz-enz believes that HR must measure the effectiveness of what it does and his focus is to help the HR professionals add value to the organization, plan strategically, and measure program effectiveness. Hard data, in Fitz-enz's opinion, will give HR professionals the proof of program worth or, conversely, ammunition to illustrate what programs are not working and should be dropped or changed.

The Saratoga Institute, a performance measurement and consulting company founded by Fitz-enz in the late 70's, initiated a research project under the sponsorship of SHRM (Society for Human Resource Management) for the purpose of developing the first set of formulas to measure the work of HR functions. Fitz-enz had been advocating this since 1980 without support. In the end, they were able to identify a set of approximately thirty measures. Over the years there have been minor changes and some additions. These measures are the human asset management benchmarks that form basis of the annual Human Resources Effectiveness Report, and the 1994 version of formulas is shown in Table 2.3.

Table 2.3. *Formulas to Measure HR Effectiveness Developed by Saratoga Institute*

| <i>Number</i> | <i>Formulas</i> | <i>Number</i> | <i>Formulas</i> |
|---------------|---|---------------|--|
| 1 | Revenue per employee | 14 | HR department expense as a percentage of company expense |
| 2 | Expense per employee | 15 | HR headcount ratio HR employees: company employees |
| 3 | Compensation as a percentage of revenue | 16 | HR department expense per company employee |
| 4 | Compensation as a percentage of expense | 17 | Supervisory compensation percentage |
| 5 | Benefit cost as a percentage of revenue | 18 | Worker's compensation cost as a percentage of expense |
| 6 | Benefit cost as a percentage of expense | 19 | Workers' compensation cost per employee |
| 7 | Benefit cost as a percentage of compensation | 20 | Workers' compensation cost per claim |
| 8 | Retiree benefit cost per retiree | 21 | Absence rate |
| 9 | Retiree benefit cost as percentage of expense | 22 | Involuntary separation |
| 10 | Hires as a percentage of total employees | 23 | Voluntary separation |
| 11 | Cost of hire | 24 | Voluntary separation by length of service |
| 12 | Time to fill jobs | 25 | Ratio of offers made to acceptance |
| 13 | Time to start jobs | | |

Source: Fitz-enz, 1995.

Fitz-enz (1995) says that when you use just words, you leave an ambiguity in the conversation. "By helping people develop a common and precise language that makes it easier to cooperate and communicate more accurately, we can make life better. That's the sort of chain we like to think about." The establishment of Saratoga Institute serves the purpose of providing the grammar, syntax or semantics in this chain.

Relationship model

In the relationship model, HR practices are the primary domain of interest and the HR department is the secondary domain of interest. HR effectiveness occurs when strategies match or have positive relationships with HR practices, when HR practices become useful for implementing strategies plans, or when HR practices help firms generate and sustain a competitive advantage. This approach assumes that HR practices may help organizations implement strategic plan. HR practices are not created in isolation, and should link up with business strategic plan. The relationship model generally follows a five step sequence:

1. Prepare a framework to guide the assessment of relationship studies
2. Define the organizational unit of analysis
3. Collect information about organization strategy, HR practices, and performance
4. Analyze relationship data
5. Monitor results over time.

Relationships models have been less common than stakeholder or utility analysis. The assessment results tie together strategy and HR practice, assess complex models of organizations (including strategy, HR, and performance), and justify the value of HR practices as a means of implementing strategies.

Weakness wise, relationship model consumes extensive resources to establish and monitor, necessitate cooperation in sharing information between organization units and possibly between corporations, and require that a breadth of information to be collected from diverse business units. These difficulties imply that initial efforts will probably be more exploratory than definitive.

Table 2.4. *Relationship Approach*

| <i>Dimension Domain</i> | <i>HR practices</i> |
|-------------------------|---|
| Concept | Found in the relationship between organization strategies and HR practices |
| Assumptions | <ul style="list-style-type: none"> - HR practices help organizations implement their strategies - HR effectiveness comes as HR practices match strategies - HR effectiveness is measured in more dynamic and interactive terms rather than single time or single index measures |
| Process | <ol style="list-style-type: none"> 1. Prepare framework for assessment of relationships 2. Define the organizational unit of analysis 3. Collect information about organization strategy, HR practice, and performance 4. Analyze relationships between strategy, practice, and performance 5. Monitor results over time |
| Strengths | <ul style="list-style-type: none"> - Integrates strategy, HR practices, and performance data - Shows relationships of HR practices to financial results - Examines relationships over time |
| Weaknesses | <ul style="list-style-type: none"> - Requires large amount of resources to establish and monitor - Requires collection of sensitive data - Requires a breadth of information to be collected |

Source: Ulrich, 1989.

Strategic human resource management

In the light of the aggravation of the competition in the corporate world, HR function is now in the spotlight as managers begin to regard manpower as strategic assets in line with the implementation of strategic plans in the firm. In order to engage in Strategic Human Resource Management (SHRM), managers should view the interactions between HRM, management functions (planning, organizing, leading, controlling) and organizational strategy from a macro-organizational perspective.

As Figure 2.1 shown, externally, business operation is susceptible to factors such as politics, economics, society and technology; internally, it is susceptible to factors such as

strategy, objectives and organizational structure. If managers intend to obtain competitive advantages in response to business needs through proper allocation and utilization of human resources, they need to think at a strategic level, to figure out what is the best for the company (Tichy et al., 1982).

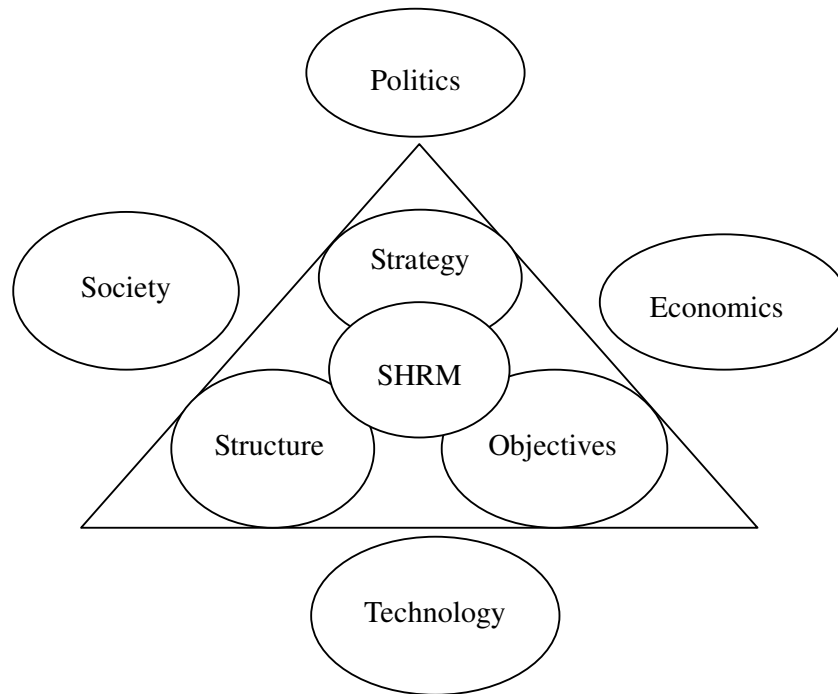


Figure 2.1. Strategic Human Resource Management

Source: Tichy et al., 1982.

Measuring by the Level of Outcome Proximity

Dyer and Reeves (1995) suggested that the assessment of HR effectiveness may be viewed from a different perspective, the level of outcome proximity to the HR practices. The first and the most proximal category centers on employee outcomes such as turnover, absenteeism, job satisfaction, commitment, and motivation which HR practices have the most immediate impact on, are in a closer line of sight to HR practices. They also have the strongest effect on such employee outcomes, to some extent, they are the initial goal for designing HR practices. The secondary category focuses on a more macro level performance associated with aggregates of individual efforts such as productivity, quality of products and customer service. These aggregate level outcomes can further be differentiated by department level, plant level, business unit level, and firm level performance measures (Rogers & Wright, 1998). The third category accounts for financial and accounting outcomes in terms of ROA, ROI and profitability. This category has been the focal point of many strategic HR studies and is quite illuminating for researchers and convincing managers to acknowledge the significance of HR practices in terms of financial or market performance. Finally, the fourth and the least proximal category is the capital market outcome in terms of stock price, growth and return.

Although corporate or firm performance metrics i.e. the third and fourth categories are important, it cannot be drawn that certain outcomes are definitely better than others. Corporate performance metrics may be viewed as quite distal from HR practices and likely to be influenced by more proximal level of outcomes related to HR initiatives. Rogers and Wright pointed out that more proximal outcomes serve as a means for achieving those higher-level outcomes. For instance, employee motivation may serve to enhance employees' efforts and performance and subsequently their aggregated performance.

Saratoga Approach

Saratoga Institute, a HR performance measurement research and consulting company founded by Dr. Jac Fitz-Enz, a pioneer in human capital management, and headquartered in Saratoga, California, with offices throughout Asia, the Pacific, the Americas, and the Europe. Saratoga released its first Best Practices Report in 1992 and it became an annual publication ever since. The Best Practice Report is a study of companies that fall within the top 25th percentile in Saratoga's Human Resource Effectiveness Report. Over more than a decade, Saratoga has summarized particular commonalities from numerous companies that have been commended for best HR practices. The following are the commonalities which can serve as indicators or criteria when evaluating HR effectiveness:

- Communication: How much the company care about the financial state and physical health of employees? What action has been taken?
- Strategy and planning: What program or scheme has been developed to help the company from the aspects of profitability, minimizing litigation, cost control, operational and technological skills shortage, and total customer satisfaction? How does staff respond to such program in terms of cost, sales, quality of service/product, etc?
- Interdependence: Do HR goals link to the company's strategic business plan? Does HR department conduct any workshop or seminar with the company's executives committee to discuss how much HR function contributes to the outcomes of the company and how much resource the company offers to the HR department in terms of cost, time, technology, etc?
- Risk taking: Does HR professionals quantify the data (such as training data) with computer technology so they can calculate the training cost and hours per employee and determine whether a training program should continue or be terminated?
- Relationships: Do HR professionals spend time on cultivating their relationships with people both within and outside HR department? If they do, how do relationships

influence their work in terms of cost, time, etc?

Fitz-enz (1995) believes that HR must approach the design of its programs and services with its internal customers uppermost in mind. This means that if a program isn't working, HR must first have the data to show what and why, then the ability to communicate with supervisors and managers about working towards the solution, and finally the courage to change it, either by eliminating it or somehow making it serve the purpose it was intended for.

To give HR professionals more tools to do this, the Saratoga Institute has formed a national benchmarking network and the objective is to advance the state of benchmarking and do it in real time with real cases, not simply with numbers. Companies who join the network will identify what they want to benchmark, and projects will be selected from their suggestions. Only members in the network will have access to the results, which probably will be separated by company size. Out of the database created through the network, Saratoga hopes to continue establishing norms for which it will be able to push numbers.

Human Resource Scorecard

In 2001, a book entitled “ *The HR Scorecard: Linking People, Strategy and Performance*” was published under the collaboration of three authors, Becker, Huselid and Ulrich, which was considered an innovation by representing performance evaluation in HR area in a more systemic and physical manner. Grounding on the notion of BSC, the HRSC consists of similar dimensions including financial, customer, internal business process and learning and growth.

The content of each dimension is developed exclusively from the HR perspective.

1. Financial perspective

This dimension is to evaluate the financial values created by all HR activities with in a certain period of time in terms of ROI and the cost generated by the service provided overtime.

2. Customer perspective

This dimension is to evaluate the satisfaction level of target customer groups, to see how they feel about the service quality delivered by employees and use it to determine whether the competitiveness and productivity of the employees meet the requirements or not. This dimension views competitiveness and productivity of employees as indicators.

3. Internal business process perspective

This dimension is to evaluate the outcome of operation process regarding HR practices in terms of the technology involved and the administrative affairs to be attended to. The ultimate purpose of this dimension is to establish a value chain that fulfills the requirements for the entire operation process to go smoothly.

4. Learning and growth perspective

This dimension is to evaluate how well the outcome of HR activities aligns with the organization's strategy in terms of talent, leadership, customer service and support, organizational integration and HR capability. More importantly, this dimension is thought to be the most crucial part among others. It helps facilitate the process within an organization to attain long term goals by monitoring and controlling the direction of HR policies and practices, making sure they are in line with the organization's strategy.

Criteria in Measuring HRM Performance

There are two significant criteria to a successful HRM performance identified by numerous researchers: productivity and efficiency in measuring the HR effectiveness on HRM functional tasks including work flows, staffing, employee separations, performance appraisal, training and development, compensation, employee relations, employee rights and international management. The literature on the two criteria will be discussed followed by the literature detailing the nine HRM functional tasks in the following section.

Productivity

Drucker (2001) observed a link between HRM, productivity, and the success of the firms by stating that business enterprises or any other institutions can only succeed by making human resources productive. Therefore, to make work productive is the essential task for the HRM practitioners (Drunker, 2001).

Mathis and Jackson (1997) reported a national survey on the top concerns of HRM executives regarding HR work; the most important concerns identified were productivity, quality and service. Further, to HRM executives, “to improve productivity” has also become more critical and urgent when global competition has intensified along with the technology breakthroughs.

Mathis and Jackson further defines productivity as “the amount if output per employee”, while Gomez-Mejia, Balkin and Cardy (2001) define productivity as “a measure of how much value individual employees add to the goods or services that the organization produces”, and label it as “the greatest organizational challenge for HRM managers”; the greater the output per individual, the higher the organizational productivity is. Especially in the “knowledge-based economy” we are living in, productivity is the primary key to organizational success because it is “a key indicator of an organization’s economic health” (Cascio & Award, 1981).

Efficiency

According to Kelly and Booth (2004), efficiency is the achievement of goals in an economic way which involves seeking a good balance between the economical use of resources such as time, money, space, and materials and the achievement of an organization’s aims and objectives. This is especially critical for today’s HRM practitioners since resources are what firms are competing for.

Drucker (2001) also pointed out that efficiency is doing the right things, while the effectiveness is doing the things right, implying efficiency moves the HRM activities towards the right direction. For Cardy and Miller (2005), efficiency demonstrated by HR professionals have to be economical, flexible, innovative, balancing and very effective in utilizing their organizational resources strategically.

Strategic HRM functional tasks

Renckly (1997) stated that the focus or areas of responsibility of the HRM in business organizations remains the same despite of the differences in size and organizational structure. Mainly, these areas of responsibility include recruiting, employment, compensation, training, employee relations, and benefits.

Furthermore, in response to the increasingly intensified competition in the corporate world, firms must realize that the re-engineering and re-design HRM strategies in these areas of responsibility to utilize its human resources in order to gain a competitive edge (Druker, 2001). To address this concern, Gomez-Mejia, Balkin and Cardy (2000) suggested that nine strategic HRM's areas of responsibility based on the strategic HRM's choices available to the firms. And these strategic choices are HRM options "flexible enough to accommodate change "in the long run.

The nine strategic HRM functional tasks and their strategic options are defined by Gomez-Mejia, Balkin and Cardy and listed as follows:

Table 2.5. *Strategic HRM Functional Tasks*

| | <i>HRM Functional Tasks</i> | <i>Range of Strategic HRM Choices</i> | |
|---|--|---|--|
| 1 | Work Flows (The ways tasks are organized to meet production or service goals.) | (1) Efficiency (2) Contract (3) Explicit job descriptions (4) Detailed work planning | (1) Innovations (2) Flexibility (3) Broad job classes (4) Loose work planning |
| 2 | Staffing (HR activities designed to secure the right employee at the right place at the right time.) | (1) Internal recruitment (2) Supervisor makes hiring decisions (3) Emphasis on fit of applicant with firm culture (4) Informal hiring of new employees | (1) External recruitment (2) HR department makes hiring decision (3) Emphasis on applicants' technical qualifications and skills (4) Formal hiring of new employees |
| 3 | Employee Separations (Occurring when employees leave the firm, either voluntarily or involuntarily.) | (1) Voluntary inducements to retire (2) Hiring freeze (3) Continuing support for terminated employee (4) Preferential rehiring policy | (1) Layoffs (2) Recruit as needed (3) Letting laid-off workers fend for themselves (4) No preferential treatment |
| 4 | Performance Appraisal (Managers assess how well employees are carrying out assigned duties by conducting performance separations) | (1) Customized appraisals (2) Developmental appraisals (3) Multipurpose appraisals (4) Multiple inputs for appraisals (supervisors, peers, subordinates) | (1) Uniform appraisal (2) Control-oriented appraisals (3) Narrow-forces appraisals (4) Supervisory input only |
| 5 | Training and Development (Designed to help organizations meet their skills requirements and to help their employees realize their maximum potential.) | (1) Individual training (2) On-the-job training (3) Job-specific training (4) Buy skills by hiring experienced workers at a higher wage | (1) Team-based training (2) External training (3) Generic training (4) Make skills providing training to less experienced workers hired at a lower wage |

(table continues)

Table 2.5. (Continued)

| | <i>HRM Functional Tasks</i> | <i>Range of Strategic HRM Choices</i> | |
|---|--|--|--|
| 6 | Compensation (The payment that employees receive in exchange for their labor.) | (1) Fixed pay (2) Job-based pay (3) Seniority-based pay (4) Centralized pay decisions | (1) Variable pay (2) Individual-based pay (3) Performance-based pay (4) Decentralized pay decisions |
| 7 | Employee Relations (Refer to the interaction between workers-either as individuals or as represented by an union-and management) | (1) Top-down communication (2) Union suppression (3) Adversarial approach | (1) Bottom-up communication and feedback (2) Union acceptance (3) Enlightened management |
| 8 | Employee Rights (Concern the relationship between the organization and individual employees.) | (1) Emphasis on disciplines to reduce mistakes (2) Emphasis on employer protection (3) Informal ethical standards | (1) Emphasis on prevention action to reduce mistakes (2) Emphasis on employee protection (3) Explicit ethical codes and enforcement procedures |
| 9 | International Management (A set of strategic HRM options regarding how to manage human resources as a global basis.) | (1) Create global company culture (2) Rely on expatriates (3) Repatriation agreement (4) Universal company policies | (1) Adapt to local culture (2) Rely on country nationals (3) No formal repatriation agreement (4) Country-specific company policies |

Source: Gomez-Mejia et al., (2001).

To be more specific, work flow includes virtual teams and problem-solving teams, and contingent workers. Staffing includes recruiting, selecting, maintaining and managing a diverse global workforce in a web-based fashion. It also covers senior and special-need employees. Employee separations not only include voluntary separation and re-hiring, but

also include downsizing management, and recent trends such as options for outplacement. Performance appraisal is expanded to include team appraisal, global appraisal, and role-based performance.

Training and Development is expanded to include training trends like on-line, virtual, cross-functional, basic skill, goal-based training, self development, counseling, mentoring and competency-based career development.

Compensation is updated to include flexibility, work/life balance, cutting-edge pay incentive, trends like directors and shareholders as equity partners, and new CEO compensation. Moreover, it includes revolutionary designing and administering customized pension benefits.

Employee relations has increased emphasis on developing relationship between HR professionals and employees, coaching and feedback skills, and working with labor union, outsourcing, labor relations in other countries. Employee rights not only includes equal opportunities and legal environment, but also the rights of employees/employers regarding trade secrets, soliciting, recruiting co-workers from a previous jobs, e-main privacy, and on-line web use. In addition, it is also expanded to cover managing the onsite health and safety centers, decrease workplace violence, organizational culture and safety. International management has been thoroughly updates lately to focus on technology and its effects on global HRM practices, from recruiting and motivating to retaining, developing, and monitoring international employees. It also includes topics such as self-directed international management team, compensation in multinational organizations, and the globalization of HRM practices such as lower job security, flatter organizations, pay-for-performance, and promotion based on merit.

Job Satisfaction

Back in 1912, F. W. Taylor introduced the notion of scientific management, emphasizing the importance of mechanical production system was the solution to increasing productivity and production efficiency. He then found out that there is a positive correlation between compensation and productivity. Initially, the feelings and attitudes of workers caught employers' attention, but people were still treated as a tool, not an asset at this point. Later in the 1930s, the famous Hawthorne Experiments showed that the emotions of workers have direct effects on their work behaviors suggesting social and psychological factors of workers are the determinants of job satisfaction and group productivity. The people issues were heating up as many scholars pointed out that leadership, performance and efficiency are critically linked with job satisfaction. In other word, employers should focus on seeking to identify and fulfill employers' needs in order to increase their satisfaction, so organization outcome could relatively be improved.

Hoppock conducted the first research project on job satisfaction, which involved the discussions on the correlations between achieving organization's goals, production efficiency and job satisfaction. Later studies focused on how personal attributes dedicate to the level of job satisfaction in which determined whether employees were provided with the opportunities to learn, to grow, to be creative and to receive feedbacks in the work environment.

Understanding a worker's level of satisfaction will provide insights into both the worker and into the job. Similarly, summing across an organization's staff provides a perspective of the work force and into the organization itself. A number of factors enter into a worker's feeling of satisfaction with his/her job. Robbins (1998) identified some factors that enter into the equation. First is challenging work. Rather than routine, understanding jobs, workers would prefer to be stimulated and challenged through their work. Fair pay is a second criterion of job satisfaction for workers. Here the key is "fair" as much "high". A sense of justice in how pay is allocated is crucial for satisfied workers. Working conditions also enter

the worker's calculus of job satisfaction. The fit between the worker's personality and the job itself is also critical for satisfaction. A square peg in a round hole will never be satisfied regardless of the other factors. Finally, Robbins notes that approximately 30 percent of a worker's satisfaction is genetically determined. Some workers are predisposed to be happy, some are not. The former are more likely to be satisfied than are the latter.

The effects of job satisfaction/dissatisfaction are important to the worker and to the firm. Dissatisfied workers carry within themselves a negative attitude that colors their perspective and can have an impact on other aspects of their lives. In particular, Robbins notes that satisfaction and dissatisfaction will be reflected in a worker's productivity. The assumption made is that more satisfied workers will be more productive. Nonetheless it is difficult to imagine that a worker's output will remain completely unaffected by his or her level of satisfaction with the job performed. Absenteeism is the second effect that Robbins notes as related to satisfaction. Again, the assumption is that more dissatisfied workers will participate in more absences from the worksite, an assumption that is worthy of assessment.

Job satisfaction can serve as an indicator. If the level of employees' job satisfaction can be continually monitored, then problems like miscommunications between superiors and subordinates, inappropriate working conditions, inclining staff turnover rate, etc can be identified and dealt in time before it gets serious.

Job descriptive index and job in general scale

The Job Descriptive Index, an instrument developed by the staff at Bowling Green University (1997), is widely regarded as being one of the best available measures of job satisfaction (Balzer et al., 2000). The JDI is easy to administer and score, easy to read, simple in format, and nationally normed. After more than 40 years of research and application it remains one of the most widely used measures of job satisfaction. The five facets of the JDI are Work on Present Job, Present Pay, Opportunities for Promotion, Supervision, and

Coworkers. These serve to diagnose important aspects of the job. The Job in General Scale was later developed to evaluate overall, global satisfaction with the job.

The full-length JDI subscales contain 90 items intended to measure employee satisfaction in the following: work on present job (18 items), present pay (9 items), opportunities for promotion (9 items), supervision (18 items), coworkers (18 items), and the job in general (18 items). Each item is very short—a descriptive word or phrase. The sample JDI items were shown as follows:

Think of the work you do at present. How well does each of the following words or phrases describe your job? In the blank beside each word or phrase below, write:

- Y for Yes if it describes your work
- N for No if it does NOT describe it
- ? for ? if you cannot decide

WORK ON PRESENT JOB

- ___ Fascinating
- ___ Boring
- ___ Can see results

The JDI has been translated into many different languages and dialects. A considerable body of research on the instrument since its publication has provided support for its reliability and validity. These are reported in the revised manual together with new national norms for JDI.

Smith, Kendall, and Hulin's publication of the Measurement of Satisfaction in Work and Retirement (1969) described the painstakingly careful development of the JDI. Patricia Cain Smith's relocation from Cornell to Bowling Green State University in the mid-1960's brought with her the JDI and its growing community of users. In an effort to manage the administrative aspects of the JDI for organizational and academic users, and to continue her

research in the areas of job attitudes, Smith founded the JDI Research Group, an evolving community of industrial-organizational faculty and graduate students.

The JDI research group continues to the present day and is active in efforts to research refine develop and norm the instrument as well as a family of other organizationally relevant measures (e.g., work stress). Over a period of more than 25 years of continuous research and data collection using the JDI, the JDI research group has archived a variety of JDI datasets that use different research design, types of organizations, types of employees, and comparison variables.

Furthermore, the JDI research group encourages and supports new research proposals for future uses of the JDI. By utilizing these data, researchers with an interest in work attitudes can explore research questions pertaining to job satisfaction, work stress, control perceptions, trust, and a myriad of other related constructs.

Minnesota satisfaction questionnaire

The Minnesota Satisfaction Questionnaire (MSQ) was constructed by Weiss et al. (1967) while researching job satisfaction and work adjustment to sample both intrinsic and extrinsic reinforcement dimensions and overall job satisfaction. Phelps and Waskel (1994) explained the theory of work adjustment broadened the concept of job satisfaction, clarifying the relationship between individual needs and the work environment. Thus, the MSQ served to measure one of the primary indicators of work adjustment and constructed to sample both extrinsic and intrinsic increment dimensions. The MSQ was created in response to the first instrument in the Work Adjustment Project (Hoppock Job Satisfaction Blank, the Employee Attitude Scale, and 22 experimental items), which resulted in adjusted reliability but cumbersome scoring.

The MSQ allows computation of more facet-specific levels of job satisfaction than the other reputable instrument and offers a general job satisfaction category, which provides

researchers the ability to interpret global measures as indices of general affect phenomena and to employ facet-specific measure when knowledge of underlying components of job satisfaction is sought (Weaver, 1980). The industry is concerned with determining facet-specific information on inmate job satisfaction to enable the company to improve inmate job satisfaction by modifying policies and procedures where possible.

The MSQ is available in three formats: two long forms (1967 and 1977) and one short form. The long forms differ primarily in the Likert scales responses. The 1977 form consists of 100 items covering the following scales: (1) intrinsic satisfaction, (2) extrinsic satisfaction, and (3) general overall satisfaction, and utilizes a 20-dimension, 5 point Likert type scale format: Very Satisfied, Satisfied, Neutral, Dissatisfied, and Very Dissatisfied. The short form requires just five minutes to complete, consists of 20 items covering the same scales as the 1977 long form and uses the same Likert responses as the 1977 long form. These 20 dimensions represent work reinforcers and are under three types of scales: the intrinsic scale is composed of 12 items, the extrinsic scale is composed of 6 items and the remaining two reflect general satisfaction and relate to neither intrinsic nor extrinsic satisfaction. Weiss et al. (1967) strongly recommended use of the long form because it provides significantly more information for the few additional minutes required to complete it.

Regardless of the version, the MSQ is a gender-neutral, paper-and-pencil instrument appropriate for participants with reading levels as low as the fifth grade and can be administered to groups or individuals.

Organizational Performance

A variety of terms, concepts and definitions have been employed with regard to organizational performance. However, there is little consensus on basic definitions and technical issues. Kanter (1981) stated that the problem is “not how to measure effectiveness or productivity, but what to measure; how definitions and techniques are chosen.” Studies about the impact of HRM on firm performance have adopted measures or indicators of firm performance without prior conceptual questioning of what to measure, how measure are defined, and why they are chosen.

Georgopoulos and Tannebaum (1957) were among the first to study organizational performance using specific, quantitative measures. They described the common approaches of the day as generally referring to goal-attainment, with a focus on productivity, net profit, the extent to which the organization accomplishes its various missions, and the success of the organization in maintaining or expanding itself. According to them, organizational performance could better be defined as “the extent to which an organization as a social system, given certain resources and means, fulfills its objectives without incapacitating its means and resources”.

Venkatraman and Ramnujam (1986) proposed that organizational performance can be viewed from two perspectives: narrow sense and broad sense. In the narrow sense, financial performance indicators such as sales growth rate and ROI are the primary indicators; in the broad sense, apart from financial dimension, there are other two types of indicators which can be utilized for evaluation: business performance indicators (market share, product quality, etc) and organizational effectiveness indicators (workplace climate, morale, etc) (Rogers & Wright, 1998). In addition, Choi and Mueler (1992) claimed that organizations should place equal emphasis on financial and non-financial indicators, meaning both quantitative and qualitative approaches should be considered when conducting evaluation.

Organizational performance criteria

Many other researchers continue to debate on what are the most appropriate performance criteria to measure organizational performance. The term “effectiveness” has been used interchangeably with the term performance in a lot of literature, therefore the terms will be considered equivalent in this context. Cameron and Whetten (1983) contended that there cannot be one universal model of organizational performance effectiveness. Each organization may choose different criteria of performance to measure based on the goals they set.

MBNQA framework

The Malcolm Baldrige National Quality Award (MBNQA) model is a framework developed by Prybutok and Sponk (1999) and has been extensively used by corporations to further improvements in organizational performance. This purpose of this award is to recognize and promote exemplary quality management practice, is now considered as comprehensive framework for identifying world-class performance. The importance of this approach for broadening the basis of business performance measurement has been recognized by various researchers in MIS field. The business results construct in the MBNQA framework is comprised of a set of variables that constitute key areas of organizational performance:

- Customer-focused results
- Product and services results, financial and market results
- Human resources results
- Organizational effectiveness results including key internal operational performance measures
- Governance and social responsibility results.

The use of this instrument to assess organizational performance implies the following

decisions (Johannessen et al., 1999); a multidimensional approach, financial and non-financial measures, subjective measures of performance, and primary data. The initial instrument consists of fourteen items designed to measure employee's perception of business results on a 7-point Likert scale with 1 = Strongly Disagree to 7 = Strongly Agree with an option of Not Applicable (N/A).

Hoque (2003) claimed that quality program such as MBNQA is such an important strategic variable for organizations which is vital to satisfying customers' needs, improving quality, maintaining the value of the organization, remaining in business and satisfying the needs of all stakeholders. Moreover, MBQNA promotes a broader focus that considers cross-functional integration, customer supplier partnerships, global scale, continuous improvement, and team rather than individual accountability.

In summary, with the support of scholarly literature reviews, the strengths of MBNQA model have been identified to be threefold. First, it's the dynamic nature of MBNQA model which evolves in parallel with high-performance management practices. Second, the business results category of MBNQA is a comprehensive construct that offers an organizational-wide perspective for understanding and evaluating organizational quality and productivity including an extensive set of variables traditionally associated with organizational performance. Third, the MBQNA model is capable of providing better measures to organizations in different areas because through years of empirical research, it is now regarded as a highly validated and dynamic framework by both scholars and practitioners.

Organizational performance questionnaire (OPQ)

The OPQ scale was developed by Homburg et al. (2002) and focuses on measuring organizational performance from a non-financial perspective. Homburg et al. (2002) sustained that non-financial organizational performance is related to the effectiveness of an organization's marketing activities and includes variables such as customer satisfaction,

customer loyalty, customer benefits, and market share. It has been supported that satisfactory non-financial performance measures lead to improved financial performance (Rust, Zahorik, and Keiningham, 1996). In addition, previous research studies adopting such measures suggest that subjective and objective measures of performance are highly correlated.

The OPQ scale consists of a total of the following seven dimensions:

- Achieving customer satisfaction
- Providing customer benefits
- Attaining desired market share
- Attaining desired growth
- Keeping existing customers
- Attracting new customers
- Building a positive business image.

It asks questions such as, “Relative to your competitors, how has your organization performed over the last three business years with regards to attaining desired growth?”

The possible values of each question are from 1 = Much Worse to 5 = Much Better.

Balanced Scorecard

Balanced scorecard (BSC) originated in the 90s and was invented by Harvard University professor, Robert Kaplan and the CEO of Norlan Norton Institute, David Norton. They were working on the new method for measuring organizational performance because they believed the traditional way of measuring such as the financial perspective could not be in line with the pace of this changing business world. They published their first article on Harvard Business Review entitled “The Balanced Scorecard--Measures that Drive Performance” which became popular among enterprises. Followed by their second article entitled “Putting The Balanced Scorecard to Work” in 1993, emphasizing the tight connection between balanced scorecard and organization strategy and contending that in order for the balanced scorecard to be

effective, the selection of measurement always based on the direction of strategy.

In 1996, their third article entitled “Using the Balanced Scorecard as a Strategic Management System” was published, illustrating the importance of utilizing balanced scorecard as the framework for operation processes including setting goals for individuals and teams, allocating resources, budgeting and establishing payroll system, etc. Kaplan & Norton’s efforts paid off as more and more enterprises became interested and were eager to know how the balanced scorecard helps to make the operation go more smoothly and effectively. Later in 1996, their first book entitled “The Balanced Scorecard—Translating Strategy into Action” was published in response to the demands and all the questions regarding the BSC. As a counterpart of Kaplan & Norton’s work, a book entitled “Balanced Scorecard Step-by-Step” was published by Niven in 2002, stating in detail on how BSC was designed, developed and utilized, giving entrepreneurs better understanding of the key points when introducing BSC into the company.

Significance of BSC

The balanced scorecard has evolved from its early use as a simple performance measurement framework to a full strategic planning and management system. The new balanced scorecard transforms an organization’s strategic plan from an attractive but passive document into the "marching orders" for the organization on a daily basis. It provides a framework that not only provides performance measurements, but helps planners identify what should be done and measured. It enables executives to truly execute their strategies.

This new approach to strategic management was first detailed in a series of articles and books by Kaplan and Norton. Recognizing some of the weaknesses and vagueness of previous management approaches, the balanced scorecard approach provides a clear prescription as to what companies should measure in order to 'balance' the financial perspective. The balanced scorecard is a management system (not only a measurement system)

that enables organizations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. When fully deployed, the balanced scorecard transforms strategic planning from an academic exercise into the nerve center of an enterprise.

Kaplan and Norton (1996) described the innovation of the balanced scorecard as follows: "The balanced scorecard retains traditional financial measures. But financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long-term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and innovation."

Malina & Selto (2001) contended that BSC is a comprehensive tool for strategy management and it can be regarded as a loop feedback system consisting of Develop Scorecard, Quantify Metrics, Develop Model and Model Evaluation. Leabuy & Wentzel (2002) proposed that BSC is not just a comprehensive performance evaluation system, but it also creates and adds corporate values.

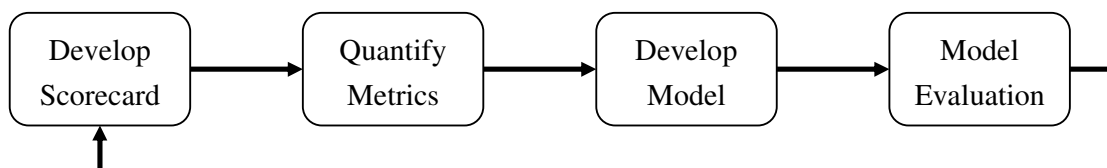


Figure 2.2. Loop feedback system
Source: Malina & Seito, 2001.

In sum, BSC is a strategic performance evaluation system that measures short term and long term organizational performances from both financial and non-financial perspectives including financial perspective, customer perspective, internal business process perspective and learning & growth perspective, at the same time creating and adding corporate values for enterprises.

Dimensions of BSC

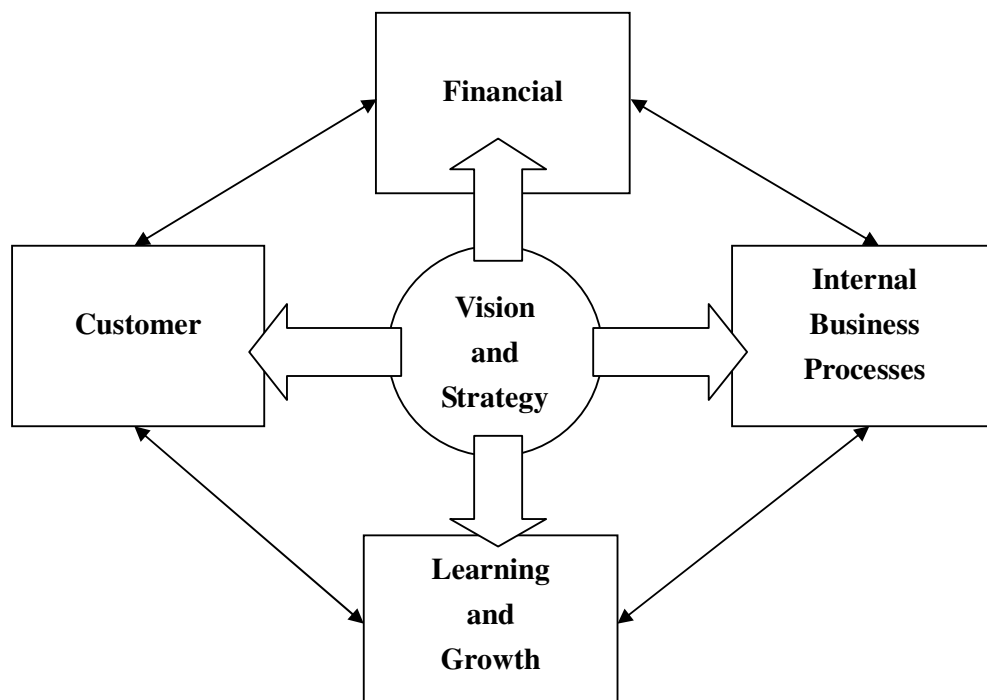


Figure 2.3. The balanced scorecard dimensions

Source: Kaplan & Norton, 1996.

As Figure 2.3 shown, the balanced scorecard suggests that we view the organization from four perspectives, and to develop metrics, collect data and analyze it relative to each of these perspectives:

1. Financial perspective

Kaplan and Norton do not disregard the traditional need for financial data. Timely and

accurate funding data will always be a priority, and managers will do whatever necessary to provide it. In fact, often there is more than enough handling and processing of financial data. With the implementation of a corporate database, it is hoped that more of the processing can be centralized and automated. But the point is that the current emphasis on financials leads to the "unbalanced" situation with regard to other perspectives.

2. Customer perspective

Recent management philosophy has shown an increasing realization of the importance of customer focus and customer satisfaction in any business. These are leading indicators: if customers are not satisfied, they will eventually find other suppliers that will meet their needs. Poor performance from this perspective is thus a leading indicator of future decline, even though the current financial picture may look good.

3. Business process perspective

This perspective refers to internal business processes. Metrics based on this perspective allow the managers to know how well their business is running, and whether its products and services conform to customer requirements (the mission). These metrics have to be carefully designed by those who know these processes most intimately; with our unique missions these are not something that can be developed by outside consultants.

In addition to the strategic management process, two kinds of business processes may be identified: a) mission-oriented processes, and b) support processes. Mission-oriented processes are the special functions of government offices, and many unique problems are encountered in these processes. The support processes are more repetitive in nature, and hence easier to measure and benchmark using generic metrics.

4. Learning and growth perspective

This perspective includes employee training and corporate cultural attitudes related to both individual and corporate self-improvement. In a knowledge-worker organization, people -- the only repository of knowledge -- are the main resource. In the current climate

of rapid technological change, it is becoming necessary for knowledge workers to be in a continuous learning mode. Government agencies often find themselves unable to hire new technical workers, and at the same time there is a decline in training of existing employees. This is a leading indicator of 'brain drain' that must be reversed. Metrics can be put into place to guide managers in focusing training funds where they can help the most. In any case, learning and growth constitute the essential foundation for success of any knowledge-worker organization.

Kaplan and Norton emphasize that 'learning' is more than 'training'; it also includes things like mentors and tutors within the organization, as well as that ease of communication among workers that allows them to readily get help on a problem when it is needed. It also includes technological tools; what the Baldrige criteria call "high performance work systems."

In developing metrics for satisfaction, customers should be analyzed in terms of kinds of customers and the kinds of processes for which the companies provide a product or service to those customer groups. There is perhaps a need to include additional financial-related data, such as risk assessment and cost-benefit data, in this category.

Job Satisfaction and Organizational Performance

The link between job satisfaction and organizational performance is of great interest to researchers and managers. It has been established that there is a positive correlation between employee satisfaction and organizational performance. What has yet to be definitely established is the direction of that relationship. Correlation has been established; causation is uncertain. Does a more satisfied work force lead to higher organizational performance or does high organizational performance result in satisfied employees? Are satisfied workers more productive or are employees more satisfied when they work for a winner? Whatever the direction of that relationship, it is likely that one can learn much about the health of a firm by studying the satisfaction of its employees.

Researchers have examined the extent to which worker satisfaction affects firm performance. Intuitively one would assume that firms where employees are more satisfied would perform better than firms where employees are less satisfied. Chan et al., (2000), examined that assumption. Their study took the top 100 firms as identified in the *Fortune* magazine and Great Places to Work Institute report and examined the performance of those firms for which data were available. Each good firm was paired with a comparable firm that did not appear on the list. The authors' finding was: "Happier employee companies have statistically significant better performance than a group of comparable companies in their industries." The study applied three statistical tests (the F test for Equal Variances, the T test for Equal Means, and the Non-Parametric Wilcoxon Rank Sum Z test) to five different measures of performance, and the measures proved statistically significant at the 0.05 significance level or better in 14 of the 15 cases (the 15th case was significant at the 0.10 significance level).

Ostroff (1992) confirmed Chan's conclusion. Ostroff's study examined the relationship between satisfaction and organizational performance by assessing teacher satisfaction from a sample of 14,721 teachers in 362 schools in the United States and Canada. The results were conclusive: "Organizations with more satisfied employees tended to be more effective than organizations with less satisfied employees." The result of the Chan and Ostroff studied led to a deepened interest in the assessment of employee satisfaction data. While the present study did not attempt to quantitatively measure the impact on organizational output or performance of employee satisfaction, the topic is nonetheless of significant interest to managers and the study provided insights that will prove useful.

Moreover, Bassett (1994) cautioned against using employee satisfaction as the central measure for business action in an article in *Business Horizons*. Bassett took the standard indicators of worker satisfaction/dissatisfaction one at a time and documents how they might not be reflective of anything related to the firm. Absenteeism, turnover, worker health,

grievances, number of managers' criticisms, job design, and relatively high wages were all shown to be at least potentially related to factors that were external to the firm and that were beyond its control. To the extent that these were the case, Bassett asserted that satisfaction was not something on which the firm or management should focus its energies.

Summary

This chapter sums up all the relevant literatures regarding HR effectiveness, job satisfaction and organizational performance, which gives much more comprehensive overviews and insights on the three variables.

For measuring HR effectiveness, the researcher will adopt the strategic HRM functional tasks approach developed by Gomez-Mejia et al. (2002) and was later developed into an actual instrument by Lee (2008) known as HRM's Functional Performances. The reason for adopting this instrument is because of its applicability and practicality. Lee developed this instrument and used it on her research subjects here in Taiwan. In addition, the validity and reliability of this instrument has been confirmed by the experts in the U.S, therefore the researcher figures that it would be more appropriate to go with this instrument rather than others.

For measuring job satisfaction, the researcher will adopt the Job Descriptive Index because this instrument has been widely utilized and highly accredited by numerous researchers throughout the world. Undoubtedly, its validity and reliability has already been confirmed and is considered to be appropriate for this study.

For measuring organizational performance, since the subjects of this research study are general employees, whose perceptions of organizational performance may not fully represent the actual financial situation of the companies due to subjectivity and their positions that do not allow them to have a more clear overview of the companies. Hence, for the sake of fairness, the researcher will adopt the financial data and the three financial indicators (PGR,

SGR, ROE) from Taiwan's widely recognized magazine in management field, Common Wealth, to measure organizational performance.

CHAPTER III. METHODOLOGY

This chapter includes research framework, research hypotheses, research methods, operational definitions of the variables, research procedures, research subjects, instrumentation, data collection, data analysis, reliability and validity of the scales used in this research study.

Research Framework

This study has identified three vital variables including HR effectiveness, job satisfaction and organizational performance. The researcher intends to examine whether there is any significant difference in HR effectiveness and job satisfaction among different companies. HR effectiveness has influence on job satisfaction and organizational performance respectively and whether job satisfaction has influence on organizational performance as Figure 3.1 illustrates.

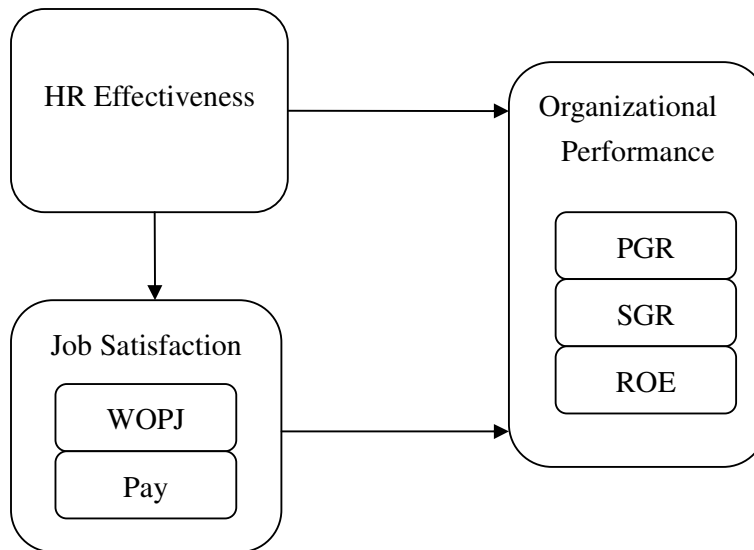


Figure 3.1. Research framework

Research Hypotheses

Based on the framework, the following are developed for this research study:

H1: There is a significant difference in HR effectiveness among different companies.

H2: There is a significant difference in job satisfaction among different companies.

H2-1: There is a significant difference in employees' perceptions of the content of their jobs among different companies.

H2-2: There is a significant difference in employees' perceptions of their salaries among different companies.

H3: The higher the HR effectiveness, the higher the job satisfaction will become.

H3-1: The higher the HR effectiveness, the more satisfied the employees will feel toward the content of their jobs.

H3-2: The higher the HR effectiveness, the more satisfied the employees will feel toward their salaries.

H4: The higher the HR effectiveness, the better the organizational performance will become.

H4-1: The higher the HR effectiveness, the higher the PGR will become.

H4-2: The higher the HR effectiveness, the higher the SGR will become.

H4-3: The higher the HR effectiveness, the higher the ROE will become.

H5: The higher the job satisfaction, the better the organizational performance will become.

H5-1: The higher the job satisfaction, the higher the PGR will become.

H5-2: The higher the job satisfaction, the higher the SGR will become.

H5-3: The higher the job satisfaction, the higher the ROE will become.

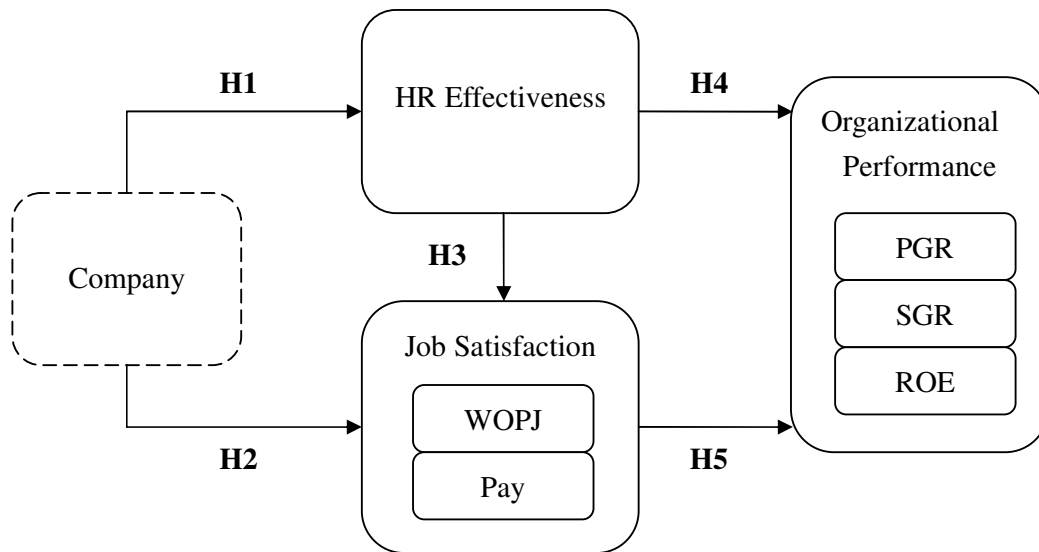


Figure 3.2. Research hypotheses

Operational Definitions of the Variables

Three types of variables were included in the study and were part of the data collection instrument:

1. HR effectiveness

The researcher defines HR effectiveness as “how much HR activities or systems contribute to the outcome of the company.” The first type of variable is the nine variables of Strategic HRM Functional Tasks that measure HR effectiveness:

- Work Flows
- Staffing
- Employee Separations
- Performance Appraisal
- Training and Development

- Compensation
- Employee Relations
- Employee Rights
- International Management

2. Job satisfaction

The researcher defines job satisfaction as “how satisfied the employees feel toward their jobs regarding the tangible and intangible feedbacks they are getting from their jobs.”

The second type of variable is the two variables of the short version of JDI that measure employee job satisfaction:

- Work on Present Job
- Pay

And for the purpose of simplicity, the variable, Work on Present Job, will be abbreviated as WOPJ throughout the text.

3. Organizational performance

The researcher defines organizational performance as “the outcome of a company’s operations, generated from managing resources such as manpower, capital and equipment, etc.” In the study, the researcher will look at it from a financial perspective. The third type of variable is the three common financial indicators used to measure organizational performance:

- PGR (Profit Growth Rate)
- SGR (Sales Growth Rate)
- ROE (Return on Equity)

Research Methods

A quantitative approach was adopted for conducting this research study to investigate the relationships among HR effectiveness, job satisfaction and organizational performance. Questionnaire was employed for data collection. The instrument for HR effectiveness was adopted from Strategic HRM Functional Tasks developed by Gomez et al. (2001). The instrument for employee job satisfaction was adopted from Job Descriptive Index developed by Bowling Green State University (1997). For organizational performance, three financial indicators (PGR, SGR, ROE) were adopted from Taiwan's highly recognized and notable magazine in the field of management, Common Wealth Magazine.

Research Procedure

The procedure of this study is shown in Figure 3.3.

Phase 1: The researcher establishes the research background and purpose and then puts together all relevant literature to form the research framework and the hypotheses of this study.

Phase 2: The researcher adapts instruments developed by renowned researchers to design the questionnaire based on the research framework and hypotheses.

Phase 3: The researcher begins engaging in the process of collecting data and then proceeds to analyze the collected data and test the hypotheses with statistical software SPSS.

Phase 4: The researcher prudently interprets the findings of this study and its implications and provides suggestions for future research.

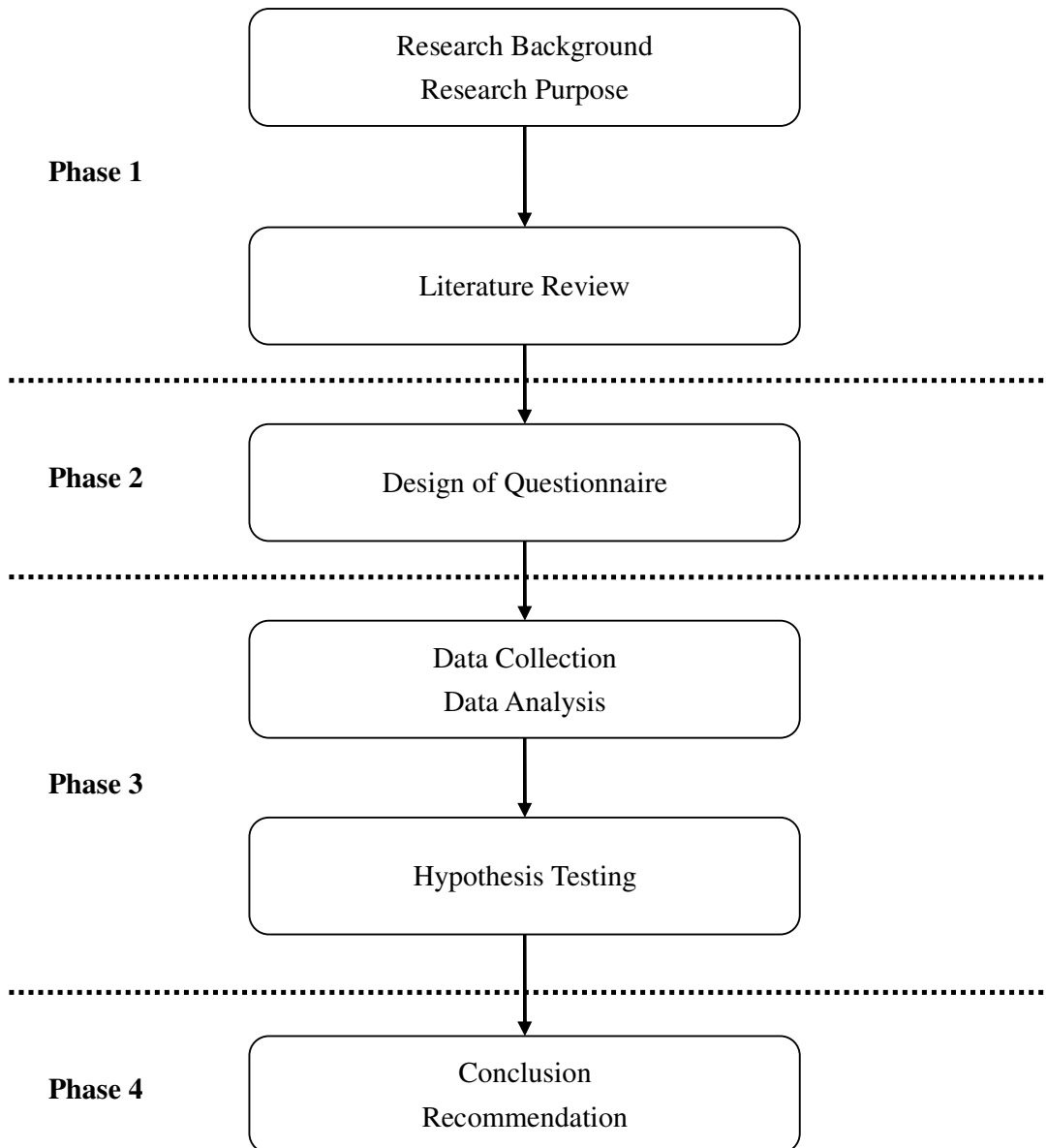


Figure 3.3. Research Procedure

Research Subjects

The researcher adopted the method of convenience sampling. With the help of known associates, the questionnaire was distributed to the general employees of totally five companies, two in financial industry, two in manufacture industry and one in service industry. To be more specific, “general employees” in this context actually refer to people who work in non-managerial positions, which cross over a variety of areas, be it administrative or technical areas.

Instrumentation

The questionnaire of this study consists of two parts: HR effectiveness and job satisfaction.

HR effectiveness scale

The instrument for measuring HR effectiveness was adapted from Gomez-Mejia et al. (2001). Nine items were measured including work flows, staffing, employee separation, performance appraisal, training and development, compensation and benefits, employee relations, employee rights and international management. This instrument underwent the process of rigorous expert consultation, so the validity had been proven to be solid. The respondents were asked to evaluate the performances of their HRM departments in their companies on each of the nine HRM functional tasks (Cronbach's $\alpha = 0.947$).

The researcher confirmed the properness of the Chinese version of this scale by using the mutual translation method. First, the researcher translated the items from English to Chinese and then had a Chinese person who had high level of literacy in both English and Chinese translated those items from Chinese to English. The researcher and that person worked together to compare the difference and make adjustments until both parties came to an agreement. The category and definition of the nine items are listed respectively in Table

3.1.

Table 3. 1. *HR effectiveness scale*

| <i>Category</i> | <i>Definition</i> |
|-----------------------------|---|
| 1. Work flows | The ways tasks are organized to meet production or service goals. |
| 2. Staffing | HR activities designed to secure the right employees at the right place at the right time. |
| 3. Employee Separation | Occurring when employees leave the firm, either voluntarily or involuntarily. |
| 4. Performance appraisal | Managers assess how well employees are carrying out assigned duties by conducting performance appraisals. |
| 5. Training and Development | Designed to help organizations meet their skill requirements and to help their employees realize their maximum potential. |
| 6. Compensation | The payment that employees receive in exchange for their labor. |
| 7. Employee Relations | Refer to the interaction between workers-either as individuals or as represented by an union and management. |
| 8. Employee rights | Concern the relationship between the organization and individual employees. |
| 9. International management | A set of strategic HRM options regarding how to manage human resources on a global basis. |

Source: Gomez-Mejia et al., 2001.

Job satisfaction scale

The instrument for job satisfaction was adapted from Bowling Green State University (1997). In this study, this instrument was used to measure the dependent variable of employee satisfaction. The JDI contains 90 items intended to measure employee satisfaction in the

following categories: work on present job (18 items), present pay (9 items), opportunities for promotions (9 items), supervision (18 items), coworkers (18 items), and the job in general (18 items). The validity of JDI has been tested and confirmed to be a valid instrument by many researchers such as Smith et al., Vecchio and Kerr over the past four decades. For the reliability of JDI, Smith et al. (1975) pointed out that the internal consistency scores for each scale were as follows: work (Cronbach's $\alpha = 0.84$), pay (Cronbach's $\alpha = 0.80$), promotion (Cronbach's $\alpha = 0.86$), supervision (Cronbach's $\alpha = 0.87$), and co-workers (Cronbach's $\alpha = 0.88$). Six items are listed in Table 3.2 respectively: However, in this study, the researcher was advised by the professor to include only two of the six items (Work on Present Job and Pay) in the questionnaire for the purpose of keeping it short and simple in order to keep the respondents focused and therefore yield higher return rate.

Table 3. 2. *Job satisfaction scale*

| Dimension |
|--------------------------------|
| 1. Work on Present Job |
| 2. Pay |
| 3. Opportunities for Promotion |
| 4. Supervision |
| 5. People on Your Present Job |
| 6. Job in General |

Source: Bowling Green State University, 1997.

Financial indicators for organizational performance

The instrument for measuring organizational performance is the three financial indicators, including PGR, SGR and ROE. These indicators, along with the financial data of the five companies are all adopted from the Common Wealth Magazine. The reason for

choosing Common Wealth Magazine as the primary source of data for organizational performance is because of its everlasting popularity and well-established credibility in Taiwan's hard journalism. Common Wealth Magazine has had been awarded for numerous times since 1981, and remarkably, it has already received 18 awards from SOPA (the Society of Publishers in Asia) such as Excellence in Special Issue, Excellence in Business Reporting, Excellence in Reporting on the Environment, Excellence in Public Service Journalism, etc, which is considered as the highest honor in Asian journalism, making it the best and finest source of information in the areas of management and economics in Taiwan. The numbers shown in Table 3.3 are the output of the comparison of financial results between 2007 and 2008.

Table 3. 3. *Financial performances of the companies in terms of the three indicators*

| <i>Company</i> | <i>SGR</i> | <i>PGR</i> | <i>ROE</i> |
|----------------|------------|------------|------------|
| 1 | 7.77% | 9.66% | 5.55% |
| 2 | 24.16% | 25.54% | 63.95% |
| 3 | 45.88% | 0.20% | 28.01% |
| 4 | 58.52% | 11.96% | 16.21% |
| 5 | -32.06% | 8.13% | 31.68% |

Source: Common Wealth Magazine, 2009.

Data Collection

Through the contact of known associates, 200 copies of questionnaire were distributed and 140 copies were retrieved, 14 were invalid due to too many unanswered items, leaving 126 valid ones and therefore yielding approximately 63% of return rate.

Data Analysis

SPSS was used in this study to analyze the data gathered. For hypothesis 1 and 2, one-way ANOVA analysis is conducted in this research study to test the significance of

difference in HR effectiveness and job satisfaction among different companies. For hypothesis 3, stepwise regression analysis is conducted to test whether HR effectiveness is predictive of job satisfaction. For hypothesis 4, stepwise regression analysis is conducted to test whether HR effectiveness is predictive of organizational performance. For hypothesis 5, stepwise regression analysis is conducted to test whether job satisfaction is predictive of organizational performance.

Reliability and Validity

Reliability of scales

Academically, reliability refers to the consistency or stability of the scale and the α coefficient created by L. J. Cronbach is the most common way to test the reliability (吴明隆, 2007). DeVellis (1991) defined different ranges of Cronbach's α as: (1) between the range of 0.60 and 0.65, unacceptable; (2) between 0.65 and 0.70, acceptable; (3) between 0.70 and 0.80, good; (4) between the range of 0.80 and 0.90, very good; (5) between 0.90 and 1.0, superb. The result of reliability test was shown in Table 3.3. The Cronbach's α of SHRMFT Scale, Work on Present Job Scale and Pay Scale were 0.883, 0.926 and 0.846, which meet the requirement for research purposes. For SHRMFT scale, item S3 was removed for better Cronbach's α ; for Work on Present Job Scale, item PJ2, PJ4, PJ8, PJ11, PJ12, PJ14, PJ15, PJ16 and PJ17 were removed for better Cronbach's α ; for Pay Scale, item P1, P2, P3, P5, P6 and P8 were removed for better Cronbach's α . All these items would be removed from the original data and the revised data would be used for conducting regression and one-way ANOVA analysis later.

Table 3. 4. *Reliability of scales*

| | <i>Scale</i> | <i>Cronbach's</i> <i>α</i> | <i>Standardized</i> <i>Items</i> | <i>Number</i> <i>of Items</i> |
|---------------------------|---|-------------------------------|-------------------------------------|----------------------------------|
| SHRMFT | Component 1 (S1,S2,S4,S5,S6,S7,S8,S9) | 0.883 | 0.884 | 8 |
| Work on Present Job | Component 1 (PJ1,PJ3,PJ5,PJ6,PJ7,PJ9,PJ10,PJ13,PJ18) | 0.926 | 0.928 | 9 |
| Pay | Component 1 (P4,P7,P9) | 0.846 | 0.845 | 3 |

Validity of scales

Academically, construct validity refers to the extent which a scale can accurately measure the concept or characteristics of the theory. Factor analysis was utilized to test the construct validity through principle method analysis and varimax rotation method.

For SHRMFT Scale, the result shown in Table 3.4 that 55.454% of variance was explained by this scale.

For Work on Present Job Scale, the result shown in Table 3.5 that 63.546% of variance was explained by this scale.

For Pay Scale, the result shown in Table 3.6 that 76.469% of variance was explained by this scale.

Table 3. 5. *Summary of factor analysis on SHRMFT scale*

| | <i>Items</i> | <i>Component 1</i> | <i>Communalities</i> |
|----|----------------------------------|--------------------|--|
| S8 | Employee Rights | 803 | |
| S2 | Staffing | 793 | |
| S6 | Compensation | 792 | |
| S4 | Performance Appraisal | 778 | |
| S1 | Work Flows | 734 | |
| S5 | Training and Development | 712 | |
| S9 | International Management | 706 | |
| S7 | Employee Relations | 623 | |
| | Total Extraction Sums Squared | 4.436 | |
| | Loadings | | |
| | % of Variance | 55.454 | |
| | Cumulative % | 55.454 | |
| | KMO Measure of Sampling Adequacy | | 0.876 |
| | Barlett's Test of Sphericity | | $X^2 = 454.444$ df = 28 p = .000 |

Table 3. 6. *Summary of factor analysis on work on present job scale*

| | <i>Items</i> | <i>Component 1</i> | <i>Communalities</i> |
|----------------------------------|-------------------------------|--------------------|----------------------|
| PJ 1 | Fascinating | 0.863 | 0.745 |
| PJ 9 | Pleasant | 0.813 | 0.587 |
| PJ 18 | Uses my abilities | 0.805 | 0.605 |
| PJ 7 | Respected | 0.805 | 0.643 |
| PJ 6 | Gives sense of accomplishment | 0.802 | 0.647 |
| PJ 10 | Useful | 0.793 | 0.660 |
| PJ 3 | Satisfying | 0.778 | 0.628 |
| PJ 5 | Good | 0.766 | 0.555 |
| PJ 13 | Repetitive | 0.745 | 0.648 |
| Total Extraction Sums Squared | | | |
| | Loadings | 5.719 | |
| | % of Variance | 63.546 | |
| | Cumulative % | 63.546 | |
| KMO Measure of Sampling Adequacy | | | 0.915 |
| | | | $X^2 = 773.448$ |
| Barlett's Test of Sphericity | | | df = 36 |
| | | | p = .000 |

Table 3. 7. *Summary of factor analysis on pay scale*

| | <i>Items</i> | <i>Component 1</i> | <i>Communalities</i> |
|----------------------------------|---------------|--------------------|----------------------|
| P 4 | Bad | 0.924 | 0.704 |
| P 7 | Well paid | 0.858 | 0.736 |
| P 9 | Under paid | 0.839 | 0.854 |
| Total Extraction Sums Squared | | | |
| | Loadings | 2.294 | |
| | % of Variance | 76.469 | |
| | Cumulative % | 76.469 | |
| KMO Measure of Sampling Adequacy | | | 0.673 |
| | | | $X^2 = 170.095$ |
| Barlett's Test of Sphericity | | | df = 3 |
| | | | p = .000 |

CHAPTER IV. FINDINGS AND DISCUSSIONS

This chapter presents the findings in regard to the research hypotheses of this research study. The first part includes the descriptive statistical analysis and the second part includes the general characteristics of the three scales. The third part includes the results of one-way ANOVA analysis, to see if there is any significant difference in HR effectiveness and job satisfaction respectively among different companies. The fourth, fifth and sixth parts include the results of multiple regression analysis, to see whether organizational performance and job satisfaction will be influenced by HR effectiveness, and organizational performance will be influenced by job satisfaction.

Demographic Characteristics of the Sample

Descriptive statistics of the sample

The respondents come from five different companies, two in financial industry, two in service industry and one in manufacture industry. Five demographic items are shown in Table 4.1. For age, 45.4% of the respondents are aged between 21 to 30 and 53.8% are aged between 31 to 40. For gender, 42.1% of the respondents are males and 57.9% are females. For marital status, 61.1% of the respondents are single and 38.9% are married. For education, 35.7% of the respondents have master's degree and 34.9% have bachelor degree. For tenure, 40.5% of the respondents work in the present company for 0-2 years and 39.7% work for 3-5 years.

Table 4. 1. *Descriptive statistics of the sample*

| <i>Item</i> | <i>Description</i> | <i>Frequency</i> | <i>Percent</i> |
|-----------------|--------------------|------------------|----------------|
| Age | ≤25 | 14 | 11.1 |
| | 26-30 | 44 | 34.3 |
| | 31-35 | 47 | 37.9 |
| | 36-40 | 20 | 15.9 |
| | 41-45 | 1 | 0.8 |
| Gender | Male | 53 | 42.1 |
| | Female | 73 | 57.9 |
| Marital status | Single | 77 | 61.1 |
| | Married | 49 | 38.9 |
| Education level | Senior high school | 13 | 10.3 |
| | Academy | 24 | 19.0 |
| | Bachelor | 44 | 34.9 |
| | Master | 45 | 35.7 |
| Tenure | 0-2 | 51 | 40.5 |
| | 3-5 | 50 | 39.7 |
| | 6-10 | 19 | 15.1 |
| | 11-15 | 6 | 4.8 |

General Characteristics of All Scales

Strategic HRM functional tasks scale

According to Table 4.2, the mean of item S8 (M=3.31) is the highest and the mean of item S7 (M=2.58) is the lowest. The range of difference of mean and standard deviation among these items are narrow, which indicate that the respondents demonstrate a sense of consistency while answering to these items. The result also shows that companies need to review and improve their policies on employee relations in order to better their HR effectiveness.

Table 4. 2. *Descriptive statistics of strategic HRM functional tasks scale*

| | <i>Items</i> | <i>N</i> | <i>Mean</i> | <i>Std. Deviation</i> |
|----|--------------------------|----------|-------------|-----------------------|
| S8 | Employee Rights | 126 | 3.31 | 1.054 |
| S2 | Staffing | 126 | 3.06 | .978 |
| S6 | Compensation | 126 | 2.94 | 1.064 |
| S4 | Performance Appraisal | 126 | 2.93 | .989 |
| S1 | Work Flows | 126 | 2.84 | .916 |
| S5 | Training and Development | 126 | 2.77 | 1.082 |
| S9 | International Management | 126 | 2.69 | 1.016 |
| S7 | Employee Relations | 126 | 2.58 | .991 |

Work on present job scale

According to Table 4.3, the mean of item PJ1 (M=3.53) is the highest and item PJ13 (M=2.97) is the lowest. This result indicates that respondents consider their jobs to be fascinating but they also desire their job content to be more challenging.

Table 4. 3. *Descriptive statistics of work on present job scale*

| | <i>Items</i> | <i>N</i> | <i>Mean</i> | <i>Std. Deviation</i> |
|-------|-------------------|----------|-------------|-----------------------|
| PJ 1 | Fascinating | 126 | 3.53 | .855 |
| PJ 9 | Pleasant | 126 | 3.37 | 1.170 |
| PJ 18 | Uses my abilities | 126 | 3.25 | .829 |
| PJ 7 | Respected | 126 | 3.17 | 1.010 |
| PJ 6 | Creative | 126 | 3.10 | 1.003 |
| PJ 10 | Useful | 126 | 3.06 | 1.026 |
| PJ 3 | Satisfying | 126 | 3.03 | 1.003 |
| PJ 5 | Good | 126 | 2.98 | 1.047 |
| PJ 13 | Challenging | 126 | 2.97 | 1.058 |

Pay scale

According to Table 4.4, the mean of item P4 (M=3.22) is the highest and item P9 (M=3.00) is the lowest. The result shows strong consistency that the respondents are clearly not satisfied with their salaries compared to the amount of efforts they put into their work. It is normal that the general perception of salary among employees is inclined to be negative because it is never enough when it comes to money. Nevertheless, the companies can still approach this issue by shifting the focus from economic rewards to mental rewards through

the process of delegation, empowerment, or job redesigning to highlight the importance of responsibility and achievement. In other word, the organization can help the employees to pursue higher level of needs by providing motivator factors.

Table 4. 4. *Descriptive statistics of pay scale*

| | <i>Items</i> | <i>N</i> | <i>Mean</i> | <i>Std. Deviation</i> |
|-----|---------------------|----------|-------------|-----------------------|
| P 4 | Bad | 126 | 3.22 | 1.065 |
| P 7 | Less than I deserve | 126 | 3.21 | .977 |
| P 9 | Under paid | 126 | 3.00 | 1.028 |

One-Way ANOVA Analysis

As Table 4.5 shown, for HR effectiveness, the F-value is 16.505 and very significant (sig.=000). The Scheffe comparison shows the mean difference between Company 2 (5) and Company 5 (2) is 10.483 (-10.483), which is the largest compared to others and is significant at 0.1 level (sig.=000). This suggests that there is a significant difference between company 2 and company 5. Hence, **hypothesis 1** is supported.

From the integrated perspective, WOPJ and pay can be merged into one variable tagged as job satisfaction. For job satisfaction, the F-value is 9.954 and very significant (sig.=000). The Scheffe Comparison shows the mean difference between Company 2 (5) and Company 5 (2) is 8.693 (-8.693), which is the largest compared to others and is significant at 0.01 level (sig.=000). This suggests that there is a significant difference between Company 2 and Company 5.

For WOPJ, the F-value is 17.239 and very significant (sig.=000). The Scheffé comparison shows that the mean difference between Company 2 (5) and Company 5 (2) is 11.534 (-11.534), which is the largest compared to others. This suggests that there is a

significant difference between Company 2 and Company 5. Hence, **hypothesis 2-1** is supported.

For pay, the F-value is 10.280 and very significant (sig.=000). The Scheffé comparison shows the mean difference between Company 3 (5) and Company 5 (3) is -3.924 (3.924), which is the largest compared to others. This suggests that there is a significant difference between Company 3 and Company 5. Hence, **hypothesis 2-2** is supported.

Based on the results of ANOVA and post hoc tests on job satisfaction, WOPJ, pay from both integrated and respective perspectives, they all show that there is a significant difference in job satisfaction among different companies, therefore **hypothesis 2** is supported

Table 4. 5. ANOVA and post hoc tests of HR effectiveness, job satisfaction, WOPJ, pay among different companies

| | | <i>Sum of Squares</i> | <i>df</i> | <i>Mean Square</i> | <i>F</i> | <i>Sig.</i> | <i>Summary of Scheffé comparisons</i> |
|------|----------------|-----------------------|-----------|--------------------|----------|-------------|---|
| HRE | Between Groups | 1591.095 | 4 | 397.774 | 16.505 | .000 | |
| | Within Groups | 2916.119 | 121 | 24.100 | | | 2 > 4 2 > 5 (mean difference=±10.483**) |
| | Total | 4507.214 | 125 | | | | |
| JOB | Between Groups | 1218.019 | 4 | 304.505 | 9.954 | .000 | |
| | Within Groups | 3701.640 | 121 | 30.592 | | | 2 > 4 2 > 5 (mean difference=±8.693**) |
| | Total | 4919.659 | 125 | | | | |
| WOPJ | Between Groups | 2332.456 | 4 | 583.114 | 17.239 | .000 | |
| | Within Groups | 4092.845 | 121 | 33.825 | | | 2 > 4 2 > 5 (mean difference=±11.534**) |
| | Total | | | | | | |

(table continues)

Table 4.5. (Continued)

| | | <i>Sum of Squares</i> | <i>df</i> | <i>Mean Square</i> | <i>F</i> | <i>Sig.</i> | <i>Summary of Scheffé comparisons</i> |
|-----|----------------|-----------------------|-----------|--------------------|----------|-------------|---|
| | Total | 6425.302 | 125 | | | | |
| | Between Groups | 2332.456 | 4 | 583.114 | 10.208 | .000 | 3 > 4 |
| PAY | Within Groups | 4092.845 | 121 | 33.825 | | | 3 > 5 (mean difference= $\pm 3.924^{**}$) |
| | Total | 6425.302 | 125 | | | | |

** $p < 0.01$

From the results of Table 4.6 below, it shows that company 2 has the highest mean for HR effectiveness, WOPJ and job satisfaction except for pay, which reveals a positive tendency: if a company has higher HR effectiveness, the job satisfaction of the employees tends to be higher. This tendency reinforces the supporting of **hypothesis 3** shown later in the fourth part of this chapter.

Table 4. 6. *Summary of means of different companies on HR effectiveness, WOPJ, pay and job satisfaction*

| <i>Company</i> | <i>HRE (Mean)</i> | <i>WOPJ (Mean)</i> | <i>PAY (Mean)</i> | <i>JOB (Mean)</i> |
|----------------|-----------------------|------------------------|-----------------------|-----------------------|
| 1 | 23.71 | 30.57 | 8.63 | 39.20 |
| 2 | 28.55 | 33.41 | 8.91 | 42.32 |
| 3 | 25.35 | 31.52 | 7.83 | 39.35 |
| 4 | 19.43 | 23.53 | 10.77 | 34.30 |
| 5 | 18.06 | 21.88 | 11.75 | 33.62 |

Regression Analysis of HR Effectiveness on Job Satisfaction

Influence of HR effectiveness on WOPJ

Stepwise regression was used to test the influence of HR effectiveness on WOPJ (Work on Present Job). The results of Table 4.7 show that three items (S2, S6 and S5) of HR effectiveness scale could explain 48.9% of variance ($F=38.918$, $p < 0.01$) and they have the significantly positive beta value of .363, .312 and .171 respectively, meaning the influence of S2 (staffing), S6 (compensation) and S5 (training and development) are positive to WOPJ and S2 has bigger influence than S6 and S5. This indicates that the better the employees' perceptions of staffing, compensation and training and development in the organization, the more satisfied the employees will feel toward the content of their jobs. For collinearity, tolerance, VIF and CI in the model are .663(>.01), 1.520(<10) and 8.639(<30), which present no problem with collinearity. Hence, **hypothesis 3-1** is supported by the results.

Table 4. 7. Summary of regression analysis of HR effectiveness on WOPJ

| <i>Independent variables</i> | | <i>Model</i> |
|------------------------------|--------------------------|---------------------|
| | | <i>β value/Sig.</i> |
| S2 | Staffing | .363/.000** |
| S6 | Compensation | .312/.000** |
| S5 | Training and Development | .171/0.026* |
| R ² | | .489 |
| F | | 38.198** |
| Tolerance/VIF | | .663/1.520 |
| CI | | 8.639 |

* $p < 0.05$, ** $p < 0.01$

Influence of HR effectiveness on pay

Stepwise regression was used to test the influence of HR effectiveness on pay. The results of Table 4.8 show that two items (S6 and S8) of HR effectiveness scale could explain 28% of variance ($F=23.861$, $p < 0.01$) and they have the significantly negative beta value of -.368 and -.214 respectively, meaning the influence of S6 (compensation) and S8 (employee rights) are positive to pay and S6 has bigger influence than S8. This indicates that the better the employees' perceptions of compensation and employee rights in the organization, the more satisfied the employees will feel toward their salaries. For collinearity, tolerance, VIF and CI in the model are .608(>.01), 1.645(<10) and 7.785(<30), which present no problem with collinearity. Hence, **hypothesis 3-2** is supported by the results.

Table 4. 8. Summary of regression analysis of HR effectiveness on pay

| <i>Independent variables</i> | | <i>Model</i> |
|------------------------------|-----------------|---------------------|
| | | <i>β value/Sig.</i> |
| S6 | Compensation | -.368/.000** |
| S8 | Employee Rights | -.214/0.031* |
| R ² | | .28 |
| F | | 23.861** |
| Tolerance/VIF | | .608/1.645 |
| CI | | 7.785 |

* $p < 0.05$, ** $p < 0.01$

Summary of regression analysis results of HR effectiveness on job satisfaction

For testing the influence of HR effectiveness on WOPI, item S2 (staffing), S6 (compensation) and S5 (training and development) are found to be predictive of how the employees feel toward the content of their jobs, **hypothesis 3-1** is therefore supported by this result.

For testing the influence of HR effectiveness on pay, item S6 (compensation) and S8 (employee rights) are found to be predictive of how the employees feel toward their salaries, **hypothesis 3-2** is therefore supported by this result.

In sum, the overall results suggest that **hypothesis 3** is supported.

Regression Analysis of HR Effectiveness on Organizational Performance

Influence of HR effectiveness on PGR

Stepwise regression was used to test the influence of HR effectiveness on PGR. The results of Table 4.5 show that two items (S9 and S1) of HR effectiveness scale could explain 18.3% of variance ($F=13.756$, $p < 0.01$) and they have the significantly positive and negative beta value of .469 and -.193 respectively, meaning the influence of S9 (international management) and S1 (work flows) are positive to PGR and S9 has bigger influence than S. This indicates that the better the employees' perceptions of international management and work flows in the organization, the higher the PGR will become. For collinearity, tolerance, VIF and CI in the model are .832(>.01), 1.202(<10) and 7.067(<30), which present no problem with collinearity. Hence, **hypothesis 4-1** is supported by the results.

Table 4. 9. Summary of regression analysis of HR effectiveness on PGR

| <i>Independent variables</i> | | <i>Model</i> |
|------------------------------|--------------------------|---------------------|
| | | <i>β value/Sig.</i> |
| S9 | International Management | .469/.000** |
| S1 | Work Flows | -.193/.033* |
| R ² | | .183 |
| F | | 13.756** |
| Tolerance/VIF | | .832/1.202 |
| CI | | 7.067 |

* $p < 0.05$, ** $p < 0.01$

Influence of HR effectiveness on SGR

Stepwise regression was used to test the influence of HR effectiveness on SGR. The eight items of HR effectiveness scale could only explain 8.9% of variance ($F=1.436$, $p>0.05$) and the beta value of the 8 items range from $-.183$ to $.212$, all of them are insignificant ($p>0.05$).

Due to these results, the influence of HR effectiveness on SGR can be summarized as *insignificant*. Hence, **hypothesis 4-2** is rejected.

Influence of HR effectiveness on ROE

Stepwise regression was used to test the influence of HR effectiveness on ROE. The results shown in Table 4.6 show that two items (S5 and S7) of HR effectiveness and job satisfaction could explain 15.7% of variance ($F=11.444$, $p < 0.01$) and they have the significantly positive beta value of $.275$ and $.203$ respectively, meaning the influence of S5 (training and development) and S7 (employee relations) are positive to ROE and S5 is bigger than S7. This indicates that the better the employees' perceptions of training and development, employee relations in the organization, the higher the ROE will become. For collinearity, tolerance, VIF and CI in the model are $.870(>.01)$, $1.149(<10)$ and $6.465(<30)$, which present no problem with collinearity. Hence, **hypothesis 4-3** is supported by the results.

Table 4. 10. *Summary of regression analysis of HR effectiveness on ROE*

| <i>Independent variables</i> | | <i>Model</i> |
|------------------------------|--------------------------|---------------------|
| | | <i>β value/Sig.</i> |
| S5 | Training and Development | .275/.002** |
| S7 | Employee Relations | .203/.024* |
| R ² | | .157 |
| F | | 11.444** |
| Tolerance/VIF | | .870/1.149 |
| CI | | 6.465 |

* $p < 0.05$, ** $p < 0.01$

Summary of regression analysis results of HR effectiveness on organizational performance

For testing the influence of HR effectiveness on PGR, item S9 (international management) and S1 (work flows) are found to be predictive of PGR, **hypothesis 4-1** is therefore supported by this result.

For testing the influence of HR effectiveness on SGR, none of the items is positive to SGR, **hypothesis 4-2** is therefore rejected by this result.

For testing the influence of HR effectiveness on ROE, item S5 (training and development) and S7 (employee relations) are found to be predictive of ROE, **hypothesis 4-3** is therefore supported by this result.

In sum, the overall results suggest that **hypothesis 4** is partly supported.

Regression Analysis of Job Satisfaction on Organizational Performance

Influence of WOPJ and pay on PGR

Stepwise regression was used to test the influence of WOPJ and pay on PGR. The results of Table 4.9 show that two items (PJ3 and P7) of WOPJ and pay scales could explain 8.4% of variance ($F=5.666$, $p < 0.05$) and they have the significantly positive beta value of .257 and .240 respectively, meaning the influence of PJ3 (satisfying) and P7 (less than I deserve) are positive to PGR and PJ3 has bigger influence than P7. This indicates that the more satisfied the employees feel toward the content of their jobs and the less they feel underpaid, the higher the PGR will become. For collinearity, tolerance, VIF and CI in the model are .900(>.01), 1.112(<10) and 11.636(<30), which present no problem with collinearity. Hence, **hypothesis 5-1** is supported by the results.

Table 4. 11. *Summary of regression analysis of WOPJ and pay on PGR*

| <i>Independent variables</i> | | <i>Model</i> |
|------------------------------|---------------------|---------------------|
| | | <i>β value/Sig.</i> |
| PJ3 | Satisfying | .257/.006* |
| P7 | Less than I deserve | .240/.010* |
| R ² | | .084 |
| F | | 5.666* |
| Tolerance/VIF | | .900/1.112 |
| CI | | 11.636 |

* $p < 0.05$

Influence of WOPJ and pay on SGR

Stepwise regression was used to test the influence of WOPJ and pay on SGR. The results of Table 4.10 show that two items (PJ9 and PJ10) of WOPJ and pay scales could explain 11% of variance ($F=7.563$, $p < 0.05$) and they have the significantly positive beta value of .378 and -.316 respectively, meaning the influence of PJ9 (pleasant) and PJ10 (useful) are positive to SGR and PJ9 has bigger influence than PJ10. This indicates that the more pleasant and useful the employees feel toward the content of their jobs, the higher the SGR will become. For collinearity, tolerance, VIF and CI in the model are .688(>.01), 1.453(<10) and 7.565(<30), which present no problem with collinearity. Hence, **hypothesis 5-2** is supported by the results.

Table 4. 12. *Summary of regression analysis of WOPJ and pay on SGR*

| <i>Independent variables</i> | | <i>Model</i> |
|------------------------------|----------|---------------------|
| | | <i>β value/Sig.</i> |
| PJ9 | Pleasant | .378/.000** |
| PJ10 | Useful | -.316/.003* |
| R ² | | .11 |
| F | | 7.563* |
| Tolerance/VIF | | .688/1.453 |
| CI | | 7.565 |

* $p < 0.05$, ** $p < 0.01$

Influence of WOPJ and pay on ROE

Stepwise regression was used to test the influence of WOPJ and pay on ROE. The results of Table 4.11 show that one item (PJ3) of WOPJ and pay scales could explain 5.7% of variance ($F=7.476$, $p < 0.05$) and they have the significantly positive beta value of .238, meaning the influence of PJ3 (satisfying) is positive to ROE, indicating that the more satisfied the employees are about the content of their jobs, the higher the ROE will become. For collinearity, tolerance, VIF and CI in the model are 1.000(>.01), 1.000(<10) and 6.372(<30), which present no problem with collinearity. Hence, **hypothesis 5-3** is supported by the results.

Table 4. 13. *Summary of regression analysis of WOPJ and pay on ROE*

| <i>Independent variables</i> | | <i>Model</i> |
|------------------------------|------------|---------------------|
| | | <i>β value/Sig.</i> |
| PJ3 | Satisfying | .238/.007** |
| R ² | | .057 |
| F | | 7.476* |
| Tolerance/VIF | | 1.000/1.000 |
| CI | | 6.372 |

** $p < 0.05$, ** $p < 0.01$

Summary of regression analysis results of job satisfaction on organizational performance

For testing the influence of WOPJ and pay on PGR, item PJ3 (satisfying) and P7 (less than I deserve) are found to be predictive of PGR, **hypothesis 5-1** is therefore supported by this result.

For testing the influence of WOPJ and pay on SGR, item PJ9 (pleasant) and PJ10 (useful) are found to be predictive of SGR, **hypothesis 5-2** is therefore supported by this result.

For testing the influence of WOPJ and pay on ROE, item PJ3 (satisfying) is found to be predictive of ROE, **hypothesis 5-3** is therefore supported by this result.

In sum, the overall results suggest that **hypothesis 5** is supported.

The summary of the results of hypothesis testing is shown in Table 4.14.

Table 4. 14. *Results of hypothesis testing*

| <i>Hypothesis Testing</i> | | <i>Result</i> |
|---------------------------|---|------------------|
| H1 | There is a significant difference in HR effectiveness among different companies. | Supported |
| H2 | There is a significant difference in job satisfaction among different companies. | Supported |
| H2-1 | There is a significant difference in employees' perceptions of the content of their jobs among different companies. | Supported |
| H2-2 | There is a significant difference in employees' perceptions of their salaries among different companies. | Supported |
| H3 | The higher the HR effectiveness, the higher the job satisfaction of the employees will become. | Supported |
| H3-1 | The higher the HR effectiveness, the more satisfied the employees will feel toward the content of their jobs. | Supported |
| H3-2 | The higher the HR effectiveness, the more satisfied the employees will feel toward their salaries. | Supported |
| H4 | The higher the HR effectiveness, the better the organizational performance will become. | Partly Supported |
| H4-1 | The higher the HR effectiveness, the higher the PGR will become. | Supported |
| H4-2 | The higher the HR effectiveness, the higher the SGR will become. | Rejected |
| H4-3 | The higher the HR effectiveness, the higher the ROE will become. | Supported |
| H5 | The higher the job satisfaction of the employees, the better the organizational performance will become. | Supported |
| H5-1 | The higher the job satisfaction of the employees, the higher the PGR will become. | Supported |
| H5-2 | The higher the job satisfaction of the employees, the higher the SGR will become. | Supported |
| H5-3 | The higher the job satisfaction of the employees, the higher the ROE will become. | Supported |

CHAPTER V. CONCLUSIONS AND RECOMMENDATIONS

This chapter comprises three parts: the first part is the conclusions of this research study, the second part is the limitations of this research study and the third part is the recommendations for management and future research.

Conclusions

Significant difference in HR effectiveness

The one-way ANOVA test results show that hypothesis 1 is supported, there is indeed a significant difference in HR effectiveness among different companies. This indicates that different companies have different HR practices and policies, which result in the difference of HR effectiveness.

Significant difference in job satisfaction

The one-way ANOVA test results regarding WOPJ show that hypothesis 2-1 is supported. There is indeed a significant difference in WOPJ among different companies. This indicates that companies of different industries have different types of job design, which result in the difference of perception of satisfaction toward their jobs.

The one-way ANOVA test results regarding pay show that hypothesis 2-2 is supported. There is indeed a significant difference in pay among different companies. This implies that companies of different industries have different C & B systems and policies, which result in the difference of perception of satisfaction toward their pay.

The one-way ANOVA test results regarding job satisfaction show that hypothesis 2 is supported. There is indeed a significant difference in job satisfaction among different companies. This suggests that companies of different industries have different types of job design and different C & B systems and policies, which result in the difference of perception

of job satisfaction.

Influence of HR effectiveness on job satisfaction

For HR effectiveness against WOPJ, the regression analysis results show that hypothesis 3-1 (the higher the HR effectiveness, the more satisfied the employees will feel toward the content of their jobs) is supported. This suggests that HR effectiveness is predictive of employees' perceptions of their job content and can be used to improve employees' perceptions of their job content.

For HR effectiveness against pay, the regression analysis results show that hypothesis 3-2 (the higher the HR effectiveness, the more satisfied the employees will feel toward their salaries) is supported. This implies that HR effectiveness is predictive of employees' perceptions of their pay and can be used to improve employees' perceptions of their pay.

With the two sub-hypotheses established, hypothesis 3 (the higher the HR effectiveness, the higher the job satisfaction of the employees will become) is therefore supported. This shows that HR effectiveness is predictive of job satisfaction and can be used to improve job satisfaction.

Influence of HR effectiveness on organizational performance

For HR effectiveness against PGR, the regression analysis results show that hypothesis 4-1 (the higher the HR effectiveness, the higher the PGR will become) is supported. This suggests that HR effectiveness is predictive of PGR and can be used to improve PGR.

For HR effectiveness against SGR, the regression analysis results show that hypothesis 4-2 (the higher the HR effectiveness, the higher the SGR will become) is rejected. This implies that HR effectiveness is not predictive of SGR at all.

For HR effectiveness against ROE, the regression analysis results show that hypothesis 4-3 (the higher the HR effectiveness, the higher the ROE will become) is supported. This

shows that HR effectiveness is predictive of ROE and can be used to improve ROE.

With only two sub-hypotheses established, hypothesis 4 (the higher the HR effectiveness, the better the organizational performance will become) is therefore partially supported, meaning HR effectiveness is partially predictive of organizational performance.

Influence of job satisfaction on organizational performance

For job satisfaction against PGR, the regression analysis results show that hypothesis 5-1 (the higher the job satisfaction of the employees, the higher the PGR will become) is supported. This suggests that job satisfaction is predictive of PGR and can be used to improve PGR.

For job satisfaction against SGR, the regression analysis results show that hypothesis 5-2 (the higher the job satisfaction of the employees, the higher SGR will become) is supported. This implies that job satisfaction is predictive of SGR and can be used to improve SGR.

For job satisfaction against ROE, the regression analysis results show that hypothesis 5-3 (the higher the job satisfaction, the higher the ROE will become) is supported. This shows that job satisfaction is predictive of ROE and can be used to improve ROE.

With the three sub-hypotheses established, hypothesis 5 (the higher the job satisfaction of the employees, the better the organizational performance will become) is therefore supported, meaning job satisfaction is predictive of organizational performance and can be used to improve organizational performance.

Recommendations

Recommendations for management

There are some recommendations the researcher would like to address, grounded on research findings and conclusions.

Firstly, higher effectiveness of the HR systems or practices leads to higher job satisfaction of the employees. If a company regards the employees as assets and holds the opinions of the employees as the very basis for developing HR practices, especially practices, such as staffing, compensation, training and development, and employee rights, the HR effectiveness of this company will definitely become higher. It is because the company values the employees' perceptions of HR effectiveness. Through constantly monitoring what the employees think of the HR practices, HR professionals are able to identify the problems and hence take care of the problems by reviewing staffing policies, compensation systems, training schemes, employee rights, and making necessary and timely changes in order to improve the employees' perceptions of HR effectiveness. Once the employees have better perceptions of HR effectiveness (staffing, compensation, training and development, and employee rights) in the light of better staffing policies, better pay, better training or more rights, they will become more satisfied toward their jobs, both the content and the pay.

Secondly, higher HR effectiveness leads to better organizational performance in terms of financial indicators such as PGR and ROE. If a company is dedicated to improving the employees' perceptions of HR effectiveness particularly the practices, including work flows, training and development, employee relations, and international management by facilitating better work flows, reviewing training schemes, bettering the relations between employees and employer, and broadening HR professionals' sense of internationalization when designing HR activities, the PGR and ROE will be higher. Thus, it is vital for HR professionals to continuously monitor employees' perceptions of HR effectiveness, to spot the irregular and deal with any problem immediately once arisen. By doing so, it can help the organization to

attain better financial performance and show the management level a more clear link between HR effectiveness and organizational performance, which could enhance the strategic values of HR functions in the organization.

Thirdly, higher job satisfaction leads to better organizational performance in terms of financial indicators, such as PGR, SGR and ROE. If a company focuses on ameliorating employees' perceptions of the job content and the pay, it will yield higher PGR, SGR and ROE. For improving the employees' perceptions of job content, HR professionals can make the job content more pleasant, more useful and more satisfying by redesigning the job content from individual level through means of job enlargement, job enrichment or job rotation. They can also do this from group level by forming integrated or autonomous work teams depending on what the business environment calls for. As for improving employees' perceptions of their salaries, it is really a dilemma for the company especially in a time like this. The everlasting global financial crisis leaves the employers no choice but cutting down all kinds of costs as much as possible for the survival of the business, and leaves the employees no room for bargaining. The message is clear: there is barely any room for any form of salary advancement. Hence, it's very difficult for employees not to feel underpaid in a time like this. The best the employers can do at this point, is to make sure every employee can be compensated the same way as agreed and contracted by both parties in the beginning, and employees should also be informed of any change to be made to the contracts by the employers, so the rights of employees will not be violated unnoticed. In addition, employees' benefits should be kept as intact as before. It is extremely important for HR professionals to pay extra attention to the compensation and benefit policies because it directly matters to the output of both the employees and the organization.

Recommendations for future research

There are some recommendations the researcher would like to address for future research.

Firstly, data should be collected from various sources instead of one to avoid Common Method Variance (CMV).

Secondly, the sample size should as large as possible. By the law of large numbers, the more observations you make, the more coherent your observation results (e.g. the percentage of a particular event to occur) will become with the entire population. This indicates that the more samples you have, the more likely you can predict the parameter of the population from the statistics of the sample. Nevertheless, the law of large numbers does not apply to all kinds of research studies because of the difference between hypothetical situation and actual situation, and the high heterogeneity among populations. Thus, apart from sample size, sampling technique is also critical to the success of a research study because if the researcher does not adopt the proper sampling technique by the nature of research (e.g. descriptive research, correlational research or casual-comparative research), even the sample size is very large, the results could still seriously lack of representation.

Thirdly, the researcher recommends future researchers to always run a pilot test to ensure the reliability and validity of your questionnaire before administering the official questionnaire. If not, the quality and accuracy of your research work may be compromised to certain degrees. The reality is, the researcher of this research study failed to recognize the variance of cultural difference, meaning the questionnaire with considerably high reliability and validity in one place does not necessarily mean that it applies to another place. Hence, future researchers must be aware when it comes to the confirmation of the reliability and validity of your questionnaire.

Fourthly, the researcher strongly recommends future researchers to evaluate HR effectiveness from the organizational perspective in their studies and do a comparison on the

results between individual perception and organizational perception of HR effectiveness, to see how much the results differ or resemble. It has never been done before, so the results should be very interesting.

Fifthly, the researcher encourages future researchers to identify other variables besides job satisfaction and examine the moderate effect of those variables along with job satisfaction on the relationship between HR effectiveness and organizational performance, to see how it turns out. The researcher had attempted to examine whether job satisfaction could moderate the relationship between HR effectiveness and organizational performance, but the results showed that the influence of HR effectiveness (β value =.267, $p < 0.01$) on organizational performance was very significant and the influence of job satisfaction (β value =-.051,-.072, $p > 0.05$) on organizational performance was insignificant (when running regression analysis with the two sub-variables, WOPJ and Pay, merged into one variable tagged as Job Satisfaction), therefore it would be pointless to examine the moderate effect of job satisfaction on HR effectiveness and organizational performance.

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APPENDIX

『人力資源效性暨員工工作滿意度』問卷調查表

親愛的先生、女士：您好

很抱歉打擾您！這是一份純學術的研究問卷，目的是想探討貴公司人力資源效性暨員工工作滿意度兩種變數之間的關係，懇請您協助並仔細閱讀。

問卷中需要您提供寶貴的經驗，所填答的資料將僅作為研究分析之用，衷心祈望您依真實情況與看法，詳盡地填寫本問卷，並請您不要遺漏任何一個題目，以保持此問卷之完整性。

本問卷採不計名方式，您所提供的資料僅供學術分析之用，不做其他用途，內容絕對保密，請您安心填答。再次感謝您於百忙中協助與支持，由衷地感謝您。

敬祝

身體健康、萬事如意

此問卷調查表聯絡資訊

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連絡電話：0960249627

2009年2月

電子郵件：shuliken@hotmail.com

【作答說明】

以下列的項目為依據，請您依直覺在最適合的格子中填上√或■。

第一部份：人力資源效性 (HR Effectiveness)

| 您對於貴公司的人力資源實務在以下九種策略性人力資源管理功能的表現感到： | 很不滿意 | 不滿意 | 無意見 | 滿意 | 很滿意 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1. 工作效率(Work Flows)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. 人員配置(Staffing)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. 離職率(Employee Separations)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. 績效評估(Performance Appraisal)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. 訓練與發展(Training and Development)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. 薪酬系統(Compensation)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. 員工(之間)關係(Employee Relations)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. 員工權益(Employee Rights)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. *國際性管理(International Management)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

*國際性管理：對於如何從宏觀的角度來進行人力資源管理所發展出的一連串方案。

第二部份：員工工作滿意度 (Job Satisfaction)

| 我目前的工作 (Work on Present Job) | 很不同意 | 不同意 | 無意見 | 同意 | 非常同意 |
|---------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1. 吸引人的(Fascinating)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. 一成不變的(Routine)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. 令人滿意的(Satisfying)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. 令人厭煩的(Boring)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. 良好的(Good)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. 有創意的(Creative)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. 受尊重的(Respected)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. 環境熱而不舒適的(Uncomfortable)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. 令人愉快的(Pleasant)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. 有用的(Useful)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. 令人疲倦的(Dull)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

- | | | | | | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 12. 有益身心健康的(Can see results)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 13. 具有挑戰性的(Challenging)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 14. 需走動或站著去做的(Uses my abilities)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 15. 令人有挫折感的(Uninteresting)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 16. 簡單的(Simple)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 17. 永遠做不完的(Repetitive)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 18. 令人有成就感的(Gives sense of accomplishment)---- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

我目前的薪水 (Pay)

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|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1. 收入足夠平常的支出(Income adequate for normal expenses)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. 福利分配令人滿意(Fair)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. 收入勉強夠生(Barely live on income)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. 不好的(Bad)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. 收入可供奢華的生活(Income provides luxuries)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. 無保障(Insecure)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. 少於我應得的(Less than I deserve)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. 薪給非常優渥(Well-paid)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. 薪給太薄(Underpaid)----- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

第三部份：個人基本資料

一、您的年齡

- 25 歲以下 26-30 歲 31-35 歲 36-40 歲 41-45 歲 45 歲以上

二、性別

- 男性 女性

三、婚姻狀況

- 未婚 已婚

四、教育程度

- 高中 專科 大學 研究所以上

五、在此公司服務之年資

- 0-2 年 3-5 年 6-10 年 11-15 年 16 年以上

本問卷到此結束，再次感謝您的填答!!