

**THE ROLE OF COMPETENCE AS A  
MEDIATOR BETWEEN HRM PRACTICES  
AND EMPLOYEE'S JOB PERFORMANCE: A  
STUDY OF THE PALESTINIAN NATIONAL  
AUTHORITY IN GAZA**

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OF THE PALESTINIAN NATIONAL  
AUTHORITY IN GAZA**

by

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## **LIST OF ABBREVIATIONS**

HRM	Human Resource Management
PNA	Palestinian National Authority
PDM	Participative Decision Making
SPSS	Statistical Package for Social Science

**PERANAN KOMPETENSI SEBAGAI MEDIATOR DI ANTARA AMALAN  
PENGURUSAN SUMBER MANUSIA DAN PRESTASI KERJA PEKERJA:  
SATU KAJIAN DARIPADA BADAN PENTADBIRAN PALESTIN DI GAZA**

**ABSTRAK**

Kajian ini bertujuan mengkaji hubungan di antara amalan sumber manusia dalam pengambilan dan pemilihan, latihan, kompensasi, penilaian prestasi dan prestasi kerja pekerja. Kajian ini juga mengambil kira tentang peranan pengantaraan dan penyederhanaan daripada peranan kompetensi dan penyertaan dalam pembuatan keputusan (PDM). Kajian ini juga menyediakan satu gambaran menyeluruh tentang amalan sumber manusia dalam konteks Badan Pentadbiran Palestin (PNA). Sejumlah 277 soal selidik dikumpul daripada para pekerja sektor awam di Gaza. Perisian *Statistical Package for Social Science (SPSS)* digunakan untuk menguji perkaitan hipotesis. Keputusan kajian menunjukkan bahawa pengambilan dan pemilihan, latihan, kompensasi, dan penilaian prestasi mempunyai pengaruh yang signifikan terhadap kompetensi pekerja. Kesan secara langsung daripada semua dimensi amalan HRM dan prestasi kerja pekerja didapati signifikan. Sebagai tambahan, ujian pengantaraan menunjukkan bahawa kemahiran asas memainkan peranan positif dalam hubungan di antara amalan latihan dan prestasi kerja. Ujian ini juga menunjukkan bahawa kemahiran insaniah turut memainkan peranan positif dalam perkaitan di antara pengambilan dan pemilihan, latihan, dan amalan kompensasi, dan prestasi kerja pekerja. Selanjutnya, analisa penyederhanaan menunjukkan bahawa PDM memainkan peranan positif dalam hubungan di antara kemahiran dan prestasi kerja. Sebagai kesimpulan, kajian ini menyediakan beberapa implikasi dan cadangan bagi para pengurus PNA yang berhasrat menambahbaik usaha mereka dalam meningkatkan prestasi kerja pekerja sektor awam di Gaza, Palestin.

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**ABSTRACT**

The present study aims to examine the relationship between the HRM practices of recruitment and selection, training, compensation, and performance appraisal and employees’ job performance, taking into consideration the mediating and moderating roles of competence and participative decision making (PDM). This study provides an overview of the HRM practices in the context of the Palestinian National Authority (PNA). A total of 277 questionnaires were collected from the employees in the Public sector organizations. Statistical Package for Social Science (SPSS) software was employed to test the hypothesized relationship. The results of the present study revealed that recruitment and selection, training, compensation, and performance appraisal have a significant influence on employee hard and soft competencies. The direct effects of all the dimensions of HRM practices and employee job performance were found to be significant. In addition, the mediation test showed that hard skills played a positive mediating role in the relationship between training practice and job performance. The mediation test also showed that soft skills played a positive mediating role in the relationship between recruitment and selection, training, and compensation practices and employee job performance. Furthermore, the moderating test indicated that PDM played a positive moderating role in the relationship between employee hard skills and job performance. Finally, the present study provides several implications and recommendations for existing PNA managers aiming to improve their efforts in improving employee job performance in Gaza, Palestine.



## CHAPTER 1

### INTRODUCTION

#### 1.0 Introduction

The concept of the Human Resource Management (HRM) emerges not only from the review of the literature but also from practitioner-related activities worldwide (Ivo, 2006). The authors examined HRM from the perspective of outcomes of organizations by utilizing HRM to achieve their strategic goals (Beardwell & Claydon, 2004) and to gain a source of competitive advantage (Barney, 1991; Ghebreorgis & Karsten, 2007). HRM is a proactive process, as it involves the continuous development of policies for the purpose of improving an organization's workforce (Dessler, 2004; Franklyn, 2006).

Usually, conventional HRM is considered the most suitable employee management practices for the public sector organizations. However, HRM practices are considered to be the most challenging aspects for developing countries (Khilji, 2013). Accordingly, these HRM practices should be deemed an essential part of any research conducted in the field of the developing countries. Therefore, the current study focuses on HRM practices due to their relevant importance for the organizations of the developing countries. Importantly, the current study focuses on the HRM practices within the Palestinian National Authority (PNA) that may lead to employee competence and improved level of employee performance.

The present study aims to explore how employee competencies improve employee performance based on past studies identify performance as a product of competence and indicates that organization have to analyse competence issues in order to understand related to poor performance problems (Rethans, et al., 2002).

## **1.1 Background of the Study**

From the historical viewpoint of Palestine, the twentieth century has been marked by a long-term military occupation. The West Bank and the Gaza Strip form parts of Palestine. The Israelis occupied the West Bank and the Gaza Strip territories in 1967 and they continued the occupation of these territories until Oslo Agreement in 1993. Based on the Oslo Agreement, the Palestinian National Authority (PNA) was established in 1994 to govern the West Bank and the Gaza Strip. The PNA governs a combined area of about 6000km<sup>2</sup>. The population of the Palestinian territories is approximately 4 million (Palestinian Center Bureau Statistics, 2016). The population in the West Bank is about 2.5 million, and in Gaza it is about 1.5 million (World Bank, 2015). According to the main body of information collected from the Palestinian General Personnel Council records in Gaza (GPC, 2015), the total number of all employees within PNA ministries are 23,648. However, those employee servicing 1.5 million population in different kind of services within 24 civil organizations. In general, PNA organizations and its' employees are working under critical condition.

Economically, Palestine is small, as the country is poorly developed and is extremely dependent on Israel, further making the Palestinian economy becoming increasingly less sustainable. Furthermore, Palestine is not rich with economic resources (World Bank, 2015). For the existing PNA organizations, the land is limited, due to the Israeli settlements within the PNA territories occupying an important part of the PNA territories. Furthermore, Israel army imposes constraints on the use of local raw materials. Therefore, there are shortages of the main economic resources and this is combined with the occupation restrictions causing serious economic problems (World Bank, 2015; CPDE Global Synthesis Report, 2015; Al-Madhoun & Analoui, 2003; The Palestinian State Audit and Administrative Control Bureau, 2016).

Palestine state is unique because it is one of the very few places in the world, if not the only one, where organizations were built from scratch, with challenging condition because Palestine is not yet a fully independent country (Olof Palme International Center, 2016; World Bank, 20015; Sayigh, Shikaki & Rocard, 1999). For that reason, the PNA organizations have been operating under difficult conditions and have established their unique characteristics (Telford, Baker, Kanaan, Mashni, Nashasibi & Assi, 2005). Generally, these not profitable organizations were established to provide services for citizens, to achieve the goals of the PNA and thus their success should strengthen the survival of the PNA. Thus, the HRM practices in Palestine has become unique, and a challenging experience. Thus, it becomes clear that the success of the PNA organizations depends on its ability to realize a sustainable HR (World Bank, 2007). Accordingly, the solution to these PNA challenges commences with well-defined HRM processes. Therefore, organizations ought to regularly move forward to improve their HRM in terms of the recruitment and selection, training, compensation, and performance appraisal (Marwat, Arif & Jan, 2009).

Yet, recent studies have concluded that the performance levels of PNA organizations and employees are considered weak (World Bank, 2015). At length, the World Bank predicted that without a substantial lessening of the HRM, the Gross Domestic Product (GDP) per capita in Palestine would gradually continue to drop (Brynen, 2005). In fact, an assessment of the PNA performance was made by donor organizations such as the World Bank, European Union and the United Nation Relief. These donors granted a conditional assistantship to achieve better employee performance (Shahwan, 2003). In reaction to poor performance, the Palestinian Development Plan (PDP) was devised to provide a focus to improve the level of

competence and performance of PNA employees. With regard to this in 2007, a government-related PNA reform, entitled the Palestinian Reform and Development Plan (PRDP) was created with the aim of advancing HRM practices as well as improving employee performance. These reforms include different areas such as: conducting a thorough analysis of human resources and preparing a comprehensive human resource development plan; strengthening existing HRM procedures; and pursuing the development of a new HRM system (World Bank, 2007). In this particular issue, PRDP plan (2008-2010) placed an emphasis on employees' weaknesses in order to improve their level of competence and performance.

Unfortunately according to the claims from the international organization, the employee performance within the PNA organizations is still weak, and it needs improvement, since the PNA employees are unable to carry out their tasks professionally (World Bank, 2015). Thus, (World Bank, 2006, 2007, 2009) recommends that the PNA should strengthen the capacity of its civil service, creates a competitive organizational restructuring program, with a competitive HRM utilised across the civil service (World Bank, 2015). Therefore, under the situation described above, the PNA ought to be further developed. In that vein, international donor organizations such as the World Bank, and the European Union continuously supervises the performance of PNA organizations in order to improve the performance level of both the employees and the organizations.

Unfortunately, these deficient levels of performance have been linked to an increase in the PNA's fiscal deficit (Said & Badawi, 2004). Therefore, as job performance is critically linked to an organization's HRM practices, it is for this reason that the current study will investigate HRM practices in order to better understand the

factors affecting employees' job performance. Ultimately, HRM can be used as a tool to increase an individual's performance through efficiency (Guest, 2002).

Furthermore, the effectiveness of employees in the workplace is dependent upon the impact of HRM on the competence of the employees (Huselid, 1995). Therefore, under the constraints of the Israeli occupation, and the critical condition that PNA organizations faced, the importance of attaining competent employees in PNA organizations are, therefore, justified (Dervitsiotis, 1995; Ma & Allen, 2009; Porterfield & Clark, 2011). Competent employees play a vital role in the workplace, as their well-equipped fundamental capabilities and skill sets, coupled with the correct skills and attitudes that position them to succeed in their occupations and which enable these employees to satisfactorily perform their role in the workplace with the aim to achieve a competitive advantage for their organization (Dervitsiotis, 1995). Thus, their important contributions to PNA organizations are well recognized, and in addition to this, these competent employees are able to perform well and support the survival of PNA organizations during substantially difficult circumstances (World Bank, 2007).

## **1.2 Job Performance in the Palestinian Public Sector**

Performance is a behavior and it is what people do while at work. It is perceived that an individual's performance assists an organization in reaching its goals (Motowildo, Borman & Schmit, 1997). Unfortunately, there is a considerable amount of concern within PNA organizations that the performance of employees has been recorded at low levels. This was confirmed by the recent assessment report issued by donor organizations which indicated that the level of performance of the PNA employees and organizations was still low (World Bank, 2009, 2013; 2015; International Monetary Fund, 2015).

Although the PNA organizations have attempted to improve their employees' levels of performance, the performance levels have remained low. However, as recently as 2008, a government-related PNA reform, entitled the Palestinian Reform and Development Plan (PRDP) was created with the aim of advancing organizational and employee performance (World Bank, 2007). The PRDP plan (2008-2010) paid a great deal of attention to the need for employee training, as these programs are essential to overcome problems associated with employee's poor performance, in order to lead to improved levels of performance. The PNA reported that the employees' level of performance did not improve as desired, despite the PNA spending millions of dollars to improve employees' performance (World Bank, 2013; 2015).

Unfortunately, even though the new reform and development was planned, World Bank still criticized the performance within the PNA organizations, and this established the fact that the level of performance had not improved (World Bank, 2011; 2015). As a result, the recent internal and external assessment reports still account for a poor level of performance among the public institutes of the PNA (PCDCR, 2016; UNISPAL, 2006). In general, PNA employees and organizations are not providing efficient services for their citizens mainly due to the low levels of employee performance (PCDCR, 2016; UNISPAL, 2006).

### **1.3 HRM Practices in the Palestinian Public Sector**

Palestinian related studies concluded that Palestine organizations have the HRM policy and plans in place, and generally these policies are employed (Abu-zayd, 2008; Shorrab, 2007; Al-Oksh, 2007). However, dissimilar to private sector organizations, PNA organizations employed those particular HRM practice that are designed for public sector organizations. PNA organizations employed the HRM practices which were generally implemented in similar developing countries and public sector

organisations. PNA employed the HRM practices prescribed in developing countries such as India, Pakistan, Malaysia, Taiwan, and Iran. Studies conducted in the developing countries suggested the importance of the four HRM elements of recruitment and selection, training, compensation, and performance appraisal practices in these countries (Marwat, et al., 2009; Aggarwal & Bhargava's, 2009; Zakaria, Zainal and Nasurdin, Ghebreorgis & Karsten, 2007; 2011; Namazie & Frame, 2007; Chiang, Shih and Hsu, 2014). However, these four practices are considered to be critical dimensions and are important for improving performance and survival of the PNA organizations (World Bank, 2009).

More similar to public sector organization, PNA organizations are focusing on these particular HRM practices that were considered most valid to the particular employee performance outcome. These particular practices are described in public sector literature (Schmidt & Hunter, 1998; Marwat, Arif & Jan, 2009; Marwat, et al., 2006)

Still, several studies recommended that PNA organizations should modernize their HRM practices within the PNA organizations in order for these organizations to conform to the latest HR practices within the public sector (International Monetary Fund, 2013; Al-Oksh, 2007; Shorrab, 2007). However, as a relatively newly established organization PNA, was tasked to examine the reasons for dissatisfactory levels of HRM practices. However, taking into account the Palestinian history, it was the first time for the Palestinians to develop their own organizations (World Bank, 2009). In less than twenty years, senior managers, supervisors, and subordinates have been appointed within the organizations of the Palestinian government. Accordingly, it could be considered that there is a lack of HRM experience. Furthermore, another reason for dissatisfactory levels of HRM practices may be attributed to the PNA

government, after its establishment, it was forced to work with two different rules and regulations inherited from Jordanian and Egyptian administrative laws (Institute of Law, 2008). Therefore, such duplication of regulations causes confusing work standards that may affect HRM practices. In response to such unsatisfactory HRM practices, PNA government enacted the Palestinian Plan aimed to advancing HRM practices. This Plan helped rationalize the HRM practices of the different PNA Ministries (World Bank, 2007).

Finally, Palestine as an emerging 'State' with the absence of natural resources, thus the role of human resources is crucial. Also, human factor becomes the only means for economic and social development (World Bank, 2011). Therefore, PNA organizations can develop human resources by using a competitive human resource practices. Thus, investigating HRM practice in the context of Palestine is necessary in order to attain better human capital outcomes.

### **1.3.1 Compensations Practices in the Palestinian Public Sector**

Unlike private sector, compensation practices in PNA are more similar to those in developing countries (Shahzad, Bashir and Ramay, 2008; Soomro, et al., 2011; Khatibi, Asgharia, SeyedSaleki & Manafi, 2012; Altarawmneh & Al-Kilani, 2010).

According to the Palestinian Civil Law, the employees in the public sector are entitled to get financial support and incentives. Furthermore, the PNA organizations employ compensations which include monetary and non-monetary rewards, which the organization exchanges for the contributions of its employees in both job performance and personal contributions (Miaari, 2009). Additionally, Shorrab (2007) claimed that the PNA compensation practices were intended for the attainment of employee performance. The compensation practices included standard wages and salary, in addition to intangible practices. In this context, Al-Oksh (2007) added that



compensation practices were utilized to provide incentives and rewards, and promotion. Furthermore, Bassiso (2009) identified financial compensation and calculated that several compensation practices utilized job allowances, salary, bonuses, promotions, benefits associated with end-of-service and retirement. Abu-Alrous and Alsaggah (2010) identified compensation practices to be related to retirement and end-of-service financial benefits, and more recently Abu-sultan and Habil (2011) examined the compensation system in term of employees' salary, insurance and pensions.

Studies by Abu-sultan and Habil (2011) and Al-Oksh (2007) which assessed the PNA compensation practices indicated that the employees regarded the pension as the most valuable among compensation practices, as employees prefer to feel secure in the long term rather than the short term. On the other hand, employees considered that insurance is necessary, but a monthly salary is the least effective compensation practice (Abu-sultan & Habil, 2011). Al-Oksh (2007) suggested that PNA organizations ought to update the compensation system, as improvement is required in order to match the expectations of the employees as well as to link the compensation practices with the appraisal system for more effective outcomes. Thus, for PNA organizations, it is crucial to provide the best compensation practices as there is a trend to standardize salary rates among private sector competitors (Miaari, 2009). Additionally, Bassiso (2009) indicated that the compensation system needs more important improvements to be effective. In that vein, the PNA government is to set a reliable standard to be fixed within the scope of the civil service, and the government to improve its contribution in the fund insurance and pensions. Reviewing the compensation system of PNA organizations, Abu-Alrous and Alsaggah (2010)

suggested to make it more appropriately related to the job, salary, bonuses and benefits associated with end-of-service and retirement as well.

### **1.3.2 Recruitment and Selection Practices in the Palestinian Public Sector**

Many Palestinian professionals continue to migrate and leave the PNA organizations and this results in 'brain drain' from the Palestinian territory. This is partly caused by the confidence in their competence and professionalism to find better opportunities to secure employment and a safer lifestyle outside Palestine (World Bank, 2007). This, therefore, presents a challenge in recruiting, and selecting qualified professionals in PNA organizations. However, the PNA government has written policies and procedures to organize recruitment and selection processes which are able to achieve the selection of suitable employees (Jarghoun, 2009).

In context of recruitment and selection, the PNA organizations implemented various recruitment and selection practices such as written examination in employment test and interview (Civil Services Law, 2005). As these particular practices were considered most valid to the particular employee performance outcome (Schmidt & Hunter, 1998). Furthermore, most recruitment and selection practices begin with the job analysis, web-recruitment, university-recruitment, written exams, essential interviews, medical exam, and finally, appointment (GPC, 2011). Thus, in order to advance recruitment and selection in the PNA context, it is proposed to include creating scientific criteria for the processes of recruitment and selection (Al-Farra & Al-Zanoun, 2007; Jarghoun, 2009).

### **1.3.3 Training Practices in the Palestinian Public Sector**

Generally, in the Palestinian context, similar to the Arab and developing countries, employee development and training efforts have become an increasing concern, and an increased level of effort is required to increase the efficiency and to upgrade the

employee performance (Madhoun & Analoui, 2003). Palestinian Development Plan (PDP) focuses on the development of human capital. This plan was heavily financed by the general budget. As a result, many training programs were established. The PDP has included government training programs intended to developing the PNA organizations. Training departments in ministries, the national center for public administration, and professional training organizations are tasked to deliver the training programs. The training programs outlined in the PDP (2008-2010) are essential learning programs which are crucial for employees' professional development and for improving the level of employee performance and also their level of competence. Accordingly, as more training programs were carried out, the Palestinian agencies (PECDAR) claimed that the training responsibility was heading towards improving employee performance (Al-Madhoun & Analoui, 2002).

With respect to training practices within the PNA organizations in 2010, the PNA organizations offered a public training diploma program. However, this program was proposed for those employees who have already demonstrated improvement. Furthermore, until 2011 this program conducted 28 training courses benefiting 7766 employees, while in 2012 the program held 14 training courses benefiting 821 employees (GPC, 2011).

The studies which have measured the effect of these training programs have revealed that the training programs need to be upgraded. Palestinian managers stress that these programs ought to be given more attention to the issues related to Human Resource Development (HRD) (Al-Madhoun & Analoui, 2002). In addition, the establishment of a modern training centre would enhance the state's training objectives, would also be able to develop strategic plan and link it with organizational outcomes. Such a centre could adopt modern training methods in the delivery of the

training courses, and would be able to conduct training needs analysis (Abu-Utwan, 2008).

#### **1.3.4 Performance Appraisal Practices in the Palestinian Public Sector**

With regard to performance appraisal practices, the PNA organizations utilized appraisal practices as described by Bradley (2003).

In context of appraisal practices, supervisors within PNA organizations are required to complete their subordinates' annual performance appraisal reports, in order to determine their job performance. Accordingly, managers ought to have a clear view with respect to the performances of their subordinates, in order to decide on their performance score. In examining the overall success scores, the level of 65% and above is considered as a minimum score for acceptable performance. Rewards can be offered to those employees with high performance scores of above 85%. The sources of information concerning employee performance can be obtained from the employee's file, achievement reports, the supervisor's remarks, and the record of office hours worked. The employee performance appraisal form comprises five categories for rating: (1) does not meet expectations; (2) needs improvement; (3) meets expectations; (4) exceeds expectations; and (5) mastery. An appraisal in this form provides the basis for examination of three performance categories and they are: (a) efficiency and productivity; (b) personal behaviors and attributes; and (c) attendance at work (Palestinian Civil Service Law (PCSL) (2006).

The studies examining PNA performance appraisal practices criticizes the confidential appraisal report conducted by the supervisors (Awwad, 2005; Alnono, 2004). It is claimed that this method could lead to an individual bias. Additionally, the appraisal process takes place only once a year, therefore, the organization might

inadvertently become involved in the time appraisal bias because insufficient time is spent on the employee evaluation (Awwad, 2005; Alnono, 2004).

Furthermore, studies have investigated the effectiveness of the PNA performance appraisal practices. Awwad (2005) assessed the performance appraisal system for employees in the PNA in Gaza. Awwad's (2005) study confirmed that the performance appraisal practices were intended to improve the level of the employee performance. However, the study illustrated a shortcoming in the appraisal practices as the appraisals were performed by the supervisors only once a year. Additionally, it is recommended that senior-level management ought to be committed to this appraisal process to make it effective, and more trustworthy. Similarly, Alnono (2004) provided a number of recommendations with regard to appraisal practices which are as follows: that these practices ought to depend on more different sources for the evaluation practices; that attention should be given to analyse the performance appraisal results; and that the importance raised in providing an employee feedback process (Alnono, 2004).

#### **1.4 Participative Decision Making in the Palestinian Public Sector**

Primarily, in examining the Palestinian culture in Gaza, Abu Ma'ammr (2009); and Almasri (2007) indicated that administrative participation in the decision-making has been adopted, thereby providing employees the opportunity to decide on the means for implementing the tasks, which in turn leads to improved levels of performance. In general, the PNA public sector organizations are considered to respect employees' participative decision-making. Furthermore, the participation level in the decision-making is evaluated as good (Magary, 2009). Unfortunately, this view of the good level of participation did not necessarily carry on over time (Bahar & Rady, 2010; El-Farra, 2007; Al-Khatib, 2004).

With participative decision-making in mind, Al Hadidi (2009) recommended the necessity of the participation of the heads of divisions in the civil service administration planning. This was also recommended for the head teachers in the Gaza Governorates (Issa, 2008). El-Farra (2007) considered that the managers are not satisfactorily encouraging employees to participate in sharing ideas. The regulations allow participation but the managers sometimes do not encourage subordinates to participate in producing creative ideas. The study recommended managers to conduct long-term training programs in order to empower their subordinates for more participation.

### **1.5 Problem Statement**

To propose a robust problem statement, in accordance with Sekaran and Bougie (2010), this statement should provide an indication that it can identify the problem that currently exists within an organization. Accordingly, the focus of the current problem statement is to highlight the current low level of employees' performance discovered within the PNA organizations. Early assessment mentioned in the internal reports prepared by both internal agencies (e.g., the Palestinian State Audit and Administrative Control Bureau) and international organizations (e.g., World Bank) have indicated poor performances among the employees of the PNA organizations (PCDCR, 2008; UNISPAL, 2006). Similar to the reports, empirical studies also confirmed that the employees' performance in PNA organizations is weak in the public sector (Shorrab, 2007).

Crucially, not only has the performance of employees have been recorded at low levels, the levels of performance have been poor for a long time without essential improvement. Regrettably, recent assessment by international organizations claim that the employee performance within PNA organizations is still discouraging, and it is a

significant problem which needs to be addressed (World Bank, 2013, 2014; Centre for Global Development, 2011; International Monetary Fund, 2013). In view of the above, recently the World Bank (2014) recommended the PNA to take several essential steps for the implementation of reform within their organizations. Accordingly, in line with the World Bank recommendations, it is important for the PNA to take steps for a comprehensive review of the weaknesses in relation to employees' performance (World Bank, 2014). Most recently, World Bank report published in 2015 mentioned job-performance related issues in PNA. The International Monetary Fund report issued in 2015 also confirmed the low level of employee performance, and PNA still needed to take necessary steps to improve employee job performance. Same as Olof Palme International Centre (2016) also commented on employee performance problem in the Palestinian context.

Unfortunately, the deficient levels of employee performance resulted in the low level of organization performance. Moreover, PNA employees failed to provide proper services for the general public which has led to a decline in the quality of public service delivery as well (World Bank, 2013; 2015). The continued level of low performance of employees is considered as a constraint to the organizational achievement as well. The poor performance among the public organizations is attributed to the poor employee performance of the employees within PNA organizations. Consequently, the low level of PNA organization performance and efficiency caused by the ineffective levels of employee performance is also bringing these organizations down in performance rating scale. The Centre for Global Development in 2011 ranked the Palestinian organizations performance at 100 out of 133 as an overall ranking of performance and efficiency levels. This ranking is alarming for PNA organizations as

Center for Global Development was judged as the ideal criteria for ranking of countries around the world in performance (Leo & Thuotte, 2011).

Unfortunately, regardless of all these efforts to overcome poor job performance problem, the employees' level of performance was not up to adequate levels of the standard required. As a consequence of the above discussion which highlighted the problem, the researcher was motivated to examine the factors responsible for the low levels of performance in PNA organizations.

Furthermore, as the employees' performance is critically dependent on the organizations' HRM practices (Huselid, 1995; Guest, 2002). It is for this reason the current study will investigate the HRM practices in order to understand and gather better information to improve the employees' performance in their roles in the workplace since the impact of HRM on employees' performance is dependent upon the worker's response to HRM practices (Paauwe & Boselie, 2005; Huselid, 1995; Guest, 2002; Cooke, 2001; Boon, Den Hartog, Boselie & Paauwe, 2011; Marwat, et al., 2006).

Past studies have proven that recruitment and selection practices will enable employees to attain superior level of job performance (Kehoe & Wright, 2013; Soomro, Gilal & Jatoi, 2011; McClean & Collins, 2011); employing training practices will lead to greater level of employee job performance (Khan, Nawab & Wali, 2012; Diamantidis & Chatzoglou, 2012; Sultana, Irum, Ahmed, & Mehmood, 2012); compensation practices will gain greater level of employee job performance ( Shim, Kwon, Park & Hwang, 2011; Bryson, Buraimo & Simmons, 2011; Soomro, Gilal & Jatoi, 2011); and, performance appraisal practices will improve level of employee job performance (Shim, Kwon, Park, and Hwang, 2011; Agbola, Hemans, & Abena, 2011; Werbel & Balkin, 2010).



Therefore, in order to solve the employee performance problem, the mechanism suggested to the decision makers to understand the benefit of employing relevant HRM practices in PNA context. In this particular problem, researchers as well as decision makers in PNA context to realize the importance of establishing relevant HRM practices (recruitment and selection, training, compensation, performance appraisal practices) in order to attain a superior level of employee job performance outcome.

Improvement of performance is an essential part of PNA organizational plan (World Bank, 2013; 2015). Therefore, referring to the poor performance of employees and seeking to improve the competence level of employees within the Palestinian Ministries to enable the PNA to face its challenges, El-Farra (2007) recommended improving employees' competencies with the employees being encouraged to systematically develop their competencies and skills.

For PNA as well as decision makers to recognize the suggested approach for solving such problem, advocated by the empirical studies, is related to employee competence. The employee competence was considered as the main solution for addressing and solving the worrying employee performance problem (Jones, 1993; Vazirani, 2010; Jayan, 2006).

With regard to this, the present study aims to explore how employee competencies improve employee performance based on the previous studies. Previous studies identify performance as a product of competence and indicates that organization have to compute the competence in order to analyse the poor performance problem (Rethans, et al., 2002). Moreover, performance, is seen as a function of both hard and soft competencies. In this regard, Whetten (2014) as well as Jones (1993) highlighted that the employee's ability and attitude competencies determine his or her

performance level (Performance = ability x attitude). Significantly, identifying both hard and soft skills are important and suggested as vital solutions for improving the employee job performance (Reber, Walkenfeld & Hemstadt, 1991; Borman & Motowidlo, 1993; Neal & Griffin, 1999; June, Kheng & Mahmood, 2013). Therefore, in order to solve the employee performance problem, researchers as well as decision makers in PNA context will gain benefit from studying the HRM practices as a predictor for competence as well as job performance.

For solving such poor performance problem, two different approaches for improving employee performance existed. The above-mentioned authors suggest the "direct" relationship between HRM practices and employee performance (e, g. Boon, et al., 2011). However, "indirect" effect of HRM practices on employee performance was also suggested by previous studies (Ferris et al,1999; Edwards & Wright, 2001). In this regard, the general agreement that developed among researchers is that HRM-performance has long been recognized that mechanisms of HRM- performance link and intermediate outcomes are central to a complete understanding of how HRM drives individual actual performance (Theriuo, Chatzogou, 2009; Lytras, Ordonez de Pablos, 2008). Thus, for solving poor performance problem within PNA employees, introducing competence as a mediating variable can explain the process (how and why) through which HRM create better employee performance. Mediating variable can explain in depth the exact mechanism shaping the link between HRM and performance. Furthermore, mediating variable can explain what goes in between HRM and performance. Thus, the current study argues that the employee competence will explain the "causal pathway" between HRM practices and job performance. The competence variable can identify the process through which, and how these HRM practices can lead to better performance. Therefore, in order to address employee

performance problem, researchers as well as decision makers in PNA context will gain benefit from studying competence as a mediator between HRM practice and employee job performance.

Besides, in order to examine the employees' job performance, the present study suggests scrutinizing the interaction between the variables of competence and participative decision-making for validating and improving employee performance. Accordingly, it is stated that conducive organizational environment will interact with employee competence to result in superior job performance (Hackman & Lawler 1971; Miller & Monge, 1986; Cotton, Vollrath, Froggatt, Lengnick-Hall, & Jennings, 1988). Nevertheless, if the participation is low, competent employees may have feelings of being powerless to act, and as a result, it will lead to a constraint on the performance improvement (Nasurdin, Ramayah & Beng, 2006; Lait & Wallace, 2002). The present study also seek to address the moderating role of participative decision making in the relationship between employee competencies and employee performance.

From the practical perspective, the ineffective levels of employee performances have been linked to an increase in the PNA's fiscal deficit (Said & Badawi, 2004). In this regard, the PNA is facing a very deepening fiscal crisis because public sector wage bill represents 50 percent of total PNA expenditures. The wage expenditures exceed one billion in the year 2014 (World Bank, 2015). This high percent of wage bill indicates that if the performance levels remain at a low level, this situation will force the PNA to waste their scarce monetary sources in support of paying salaries for individuals employees who are performing at poor level. This will, in turn, lead to an increase in the PNA's fiscal obligations and ultimately damage the PNA's quality of services and efficiency (Sayigh, Shikaki, & Rocard, 1999).

Furthermore, this scenario will adversely affect the PNA's ability to survive in an unstable world condition (Sangeetha, 2010; World Bank, 2007). Due to the continuing low level of employee performance problem, the international donors threaten PNA that they will re-evaluate their monetary assistance to the PNA. Additionally, these donors provide advice to the PNA to strengthen their employee performance in order to increase their organizational performance and to continue receiving assistance from the donors (World Bank, 2014). In conclusion, failure to address poor performance problem could cause a negative impact on the survival of the organizations in future (Becker, Huselid, Pickus & Spratt, 1997; Paauwe & Boselie, 2005; Shen, 2008). Therefore, the low level of performance of the PNA employees has now become a critical issue that undermines the success of the PNA itself.

From practical and financial view, the suggested approach for solving poor performance problem could originate from executing relevant HRM practices since the literature suggested that HRM practices is considered the main predictor for better level of employee job performance (Boon, Den Hartog, Boselie & Paauwe, 2011; Marwat, et al., 2006). HRM practices will improve employee level of job performance, which can fulfil the assistance condition to maintain monetary assistance to PNA government. Improved level of employee job performance, can convince the international donors to continue providing the monetary assistance to the PNA government (World Bank, 2015). A international donors assistant level was considered crucial since those donors provide US\$1.2 billion per year in order to strengthen PNA financial condition (World Bank, 2015). Thus, in the Palestinian context, the current study argue that HRM practices will improve employee job performance which can lead to more financial assistant and then better financial condition.

Therefore, in PNA context the current study argues that HRM practice will improve the level of employee job performance resulting in improved quality of organizational service.

Based on the above-mentioned literature, it is apparent that the success and survival of any organizations depend largely upon their human resources. Specifically, for PNA their HRM practices must be perceived to be effective by their employees and this will result in their desired outcome for the organization. Thus, the study seeks out to investigate the effectiveness of HRM practices implementation and its' effect on employees' job performance.

### **1.6 Research questions**

Based on the background and the statement of the problem of this research undertaken, the following questions will be addressed:

1. Do HRM practices (recruitment and selection, training, compensation, performance appraisal) have a direct relationship with employee's job performance in the PNA organizations?
2. Do HRM practices (recruitment and selection, training, compensation, performance appraisal) have a direct relationship with employee's competence (hard and soft skills) in the PNA organizations?
3. Does employee competence mediate the relationship between HRM practices and employee's performance in the PNA organizations?
4. Does participative decision-making play a role in moderating the relationship between employee's competence and employee job performance?

## **1.7 Research objectives**

The aims of this study are:

1. To investigate the relationship between the HRM practices and employee's job performance in the PNA organizations.
2. To investigate the relationship between the HRM practices and employee's competence in the PNA organizations.
3. To examine if employee competence mediate the relationship between HRM practices and employee's performance in the PNA organizations.
4. To examine if participative decision-making plays a role in moderating the relationship between employee's competence and employee performance.

## **1.8 Significance of this Study**

This study looks forward to adding some more information to the body of the HRM knowledge of theoretical and practical viewpoints, and the particular expected contributions from the researchers and managers will be highlighted in the next two sub-sections.

### **1.8.1 Theoretical Contribution**

This study has subsequent theoretical contributions. First of all, the study, for the first time, introduces employee competence as a mediator and examines the mediating effect on the association between HRM practices, and employee job performance. However, previous studies were considering the employee competence as one of the HRM outcomes and such studies include (Dyer & Holder, 1987; Katou 2011; Fey, Björkman & Pavlovskaya, 2000; Lado & Wilson, 1994). At the same time, previous studies were conducted employee competence variable in association with employee job performance. However, these studies are confirmed the significant positive relationship between employee competence and job performance (Robertson, et al.

1999; Vathanophas, 2007; Boyatzis, 1982). The current study combines the ideas from the literature to consider the mediating variable of employee competence between HRM practices and employee job performance.

Secondly, the current study combines the literature to consider four HRM dimension outcomes. These particular four HRM dimensions are recruitment and selection, training, compensation, and performance appraisal practices. These four HRM dimensions were intended to contact their outcomes (mediating outcomes). Additionally, these four HRM dimensions were considered as the most vital HRM dimensions.

Thirdly, this study expands the existing HRM literature and its outcomes, particularly on employee competence by conducting the competencies as a two-dimensional construct, hard and soft skills and competencies (Rainsbury, Hodges, Burchell, & Lay, 2002). This represents progress over previous studies which investigated only one variable without the dimensions for conducting the HRM outcomes. Therefore, this study enriches the body of the competence and HRM literature.

Next, the study, for the first time, introduces participative decision-making as a moderator and examines the moderating effect on the association between employee competence, and employee job performance.

Next, to the author's knowledge it is the first of such studies to examine these mediating and moderating roles in the relationship between HRM and job performance in PNA organizations.

Also, the current study contributes to the HRM system research by testing the systems theory framework, which argues that the organization's system can be described as input, throughput, and output systems involved in the transaction with the

surrounding internal environment. The current study can offer a good contribution because the systems are goal-oriented (employee performance); that they have inputs and throughputs (HRM practices); and the outputs to achieve their goals (employee competence and performance); and there are feedbacks from the environment about the output (Bowen & Ostroff, 2004). On top of it all, the systems theory describes a theory of the linear causal mediating model which includes the increasingly “mediating boxes” between HR practices and organization outcomes. We can describe the causal mediating model, which considers the HRM system to affect employee competence, which leads to employee performance, consequently leading to the overall firm performance (Bowen & Ostroff, 2004).

Next, the current study contributes to the HRM system research by testing the HR system theory framework, which more recently improved from the basic “systems theory”. It was proposed that the HR systems theory enhances the HR outcomes and employee performance (Lepak, Liao, Chung & Harden, 2006). However, it can suggest analyzing the integration process within the HR sub-system (Kidron, Tzafir, Meshulam & Iverson, 2013), and argue that the HRM is a system, and hold that the employee serves as the input to the system, but the HRM practices (recruitment & selection, training, compensation, performance appraisal) are the process, while the performance is the output of this system (Nguyen, Truong & Buyens, 2010). More importantly, the HR system theory originated from the configurational theory of HR, since this configuration theory is worried about how the pattern of multiple independent variable (HR practices and its four dimensions (recruitment & selection, training, compensation, and performance appraisal practices) is related to a dependent variable rather than to how any individual of these independent variables is related to the dependent variable.