

CHAPTER 2

THEORY AND LITERATURE REVIEW

2.1. Literature Review

In this section, literature review will be discussed based on recent research as references for creating the current research.

2.2.1. Recent Research

The success of company is depend on many factors. Most research suggests that Human Resouce Management is a vital in order for an organisation to achieve organisational success (Abdullah et al, 2009). Human Resource Management is now often seen as the major factor which differentiates between successful and unsuccessful organizations (Sameen et al, 2014). The better the human resource management, the better system will achieved and all of jobs can be handled.

In order to improve company's system, they should understand about their goals also problems and issues happened related to the company. After that, they can plot the strategy and trained their employee based on company's requirement. An organization could achieve its competitive strategy by implementing effective HRM practices (Vui & Ali, 2011). In a rapidly changing competitive environment, human resources are one important source of competitive advantage. Human resource systems can contribute to sustained competitive advantage through facilitating the development of competencies that are firm specific (Çalışkan, 2010). Businesses must plan for their human resources needs before setting out to find the right person for the job (Practices et al, 2014).

Based from Suthar, McCormick said that job analysis is collection and processing of job related information and other related tasks and qualifications through job analysis was a base for Human Resource Management (Suthar et al., 2014). Job analysis is a family of procedures to identify the content of a job in terms of activities involved and attributes or job requirements needed to perform the activities (Arts & College, 2014). In every job, it should be inform clearly about the duties and responsibilities. Job analysis is the systematic process of determining the skills, duties, and knowledge required for performing jobs in an organization. It is an essential and pervasive human resource technique. (Sirbu &

Pintea, 2014). Therefore, job analysis become strategic and important practice with potential contribution for organizational performance.

Performance management identifies the organization's objectives, the necessary results to achieve. Performance assessment is part of the performance management process, which is a collection of communication for a certain period between the manager and the employee (Osmani and Ramoli, 2012)

Through job analysis and performance assessment , company easilly managing their employee and directing them in order to achieve company's goals.

2.2.2. Current Research

Tirta Jaya is a small medium enterprise which has two division (Marketing Division and Administration Division) in their office. As the company grows, management plan to build financial division to evaluate their financial condition. Human Resource Management approach will be suitable to create successful organization. Job analysis and performance assessment as tools of Human Resource Management technique are corresponding methods in order to build new division.

2.2. Basic Theory

This part will discuss about theory used in this research, such as Human Resource Management and Job Analysis.

2.2.1. Human Resource Management

As the name, human resource management will handle human in the workplace. The definition of human resource management is inseparable from the term "management". Management is thus understood as organizing, planning, supervising, and controlling. Management pertains to internal company's affairs. (Batarliene et al., 2017)

De Cenzo and Robins in Sameen said that human resource management is the part of the organization that is concerned with the "people" dimension. It is one of important part in organization. Human resource management is very important for the organization to get more powerful and develop its self to be the standard and success one. (Sameen et al., 2014).

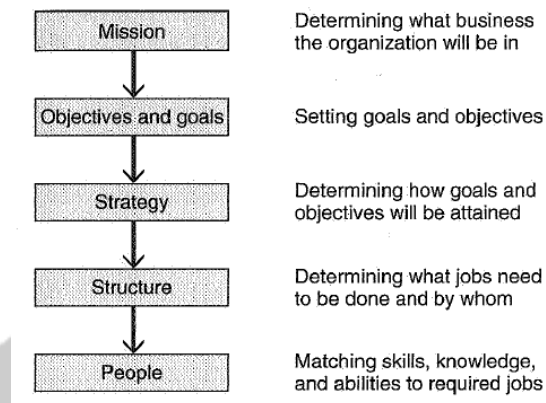


Figure 2.1. Human Resource Linkage

Source: (David, 2005)

Figure 2.1 shown the strategic direction of human resource linkage. Based on David A and Stephen P in Fundamentals of Human Resource Management 8th edition, employment planning must be linked to organization's overall strategy started by knowing the mission of company. Mission statement is the foundation on which every decision in the organization should be made. Then, objectives and goals are set to compose strategy. During this phase, company begins to analyze its goals, its current strategies, its external environment, its strength and weakness, opportunities and threats (SWOT Analysis). This analysis lead the organization structure that determine jobs which need to be done and by whom. Then, organization needs people with matching skills, knowledge, and abilities to do job as required. This aspect become critical as people has important role for successful organization.

Human Resource Management is important because human is affecting many things. Operator can be replaced by robot, but idea is only came from human. Other resources depend on human resource without which they are worthless because if there would be no human then who will plan, organize, or monitor the other resources (Sameen et al., 2014). Effective HRM practices can have positive impact on business performance. (Abdullah et al., 2009). At least there are four importance of human resource:

- a. HR policies refer to human behaviour, which is complex, often conflict-ridden, and culturally dependent.
- b. There are many different HR policy instruments and practices.

- c. The success or otherwise of different HR policies, programmes and plans is difficult to evaluate.
- d. Many managers believe that people management is just common (Hoque et al, 2013)

Based on Dessler in Human Resource Management 13th Edition, human resource management also important for all managers for several reasons:

- a. Avoid personnel mistakes

Human Resource Management helps manager avoid the sorts of personnel mistake that lead to any problems such as hire the wrong person for the job, experience high turnover, have people not doing their best, and many more.

- b. Improve profits and performance

Many managers have been successful even with inadequate plans, organizations, or controls. They were successful because they had knack of hiring the right people for the right job and motivating, appraising, and developing them.

Human Resorce Management deals with the behavior, responsibilities, function, and importance of employee. Khan in Sameen stated that HR practices are more likely to make a contribution to competitive success when introduced as a comprehensive package, or 'bundle' of practices. HRM practices influence business performance: training and development, compensation/incentives, and HR planning. (Abdullah et al., 2009). Sameen also cite Redman and Matthews that some key practices are identified as an 'HRM bundle' being:

- a. Careful recruitment and selection, for example, 'total quality recruitment', 'zero defects recruitment', 'right first time recruitment'.
- b. Extensive remuneration systems, for example, bonuses available for staff willing to be multi-skilled.
- c. Team working and flexible job design, for example, encouraging a sense of cohesiveness and designing empowered jobs.
- d. Training and learning, for example, front line staff having enhanced interpersonal and social skills.
- e. Employee involvement, for example, keeping employees informed of key changes in the organization.
- f. Performance appraisals with links to contingent reward systems, for example, gathering customer feedback to recognize the work by employees

over and above their expected duties, which in turn is likely to lead to a bonus for staff.

2.2.2. Job analysis

Job analysis is a tool for human resource management in designing and evaluating job. It has received considerable attention in Western countries as a useful HR planning tool, affects organizational performance in a developing country. (Siddique, 2004). Job analysis provides an objective picture of the job, not the person performing the job, and as such, provides fundamental information to support all subsequent and related human resource activities, such as recruitment, training, development, performance management and succession planning. (Saif et al., 2013). Job analysis drills into units of a job depending on the focus. The process breaks down a job into different components. By adjusting the scope of the analysis, job analysts can obtain specific information to fit the needs of their organization (Ne, 2012)

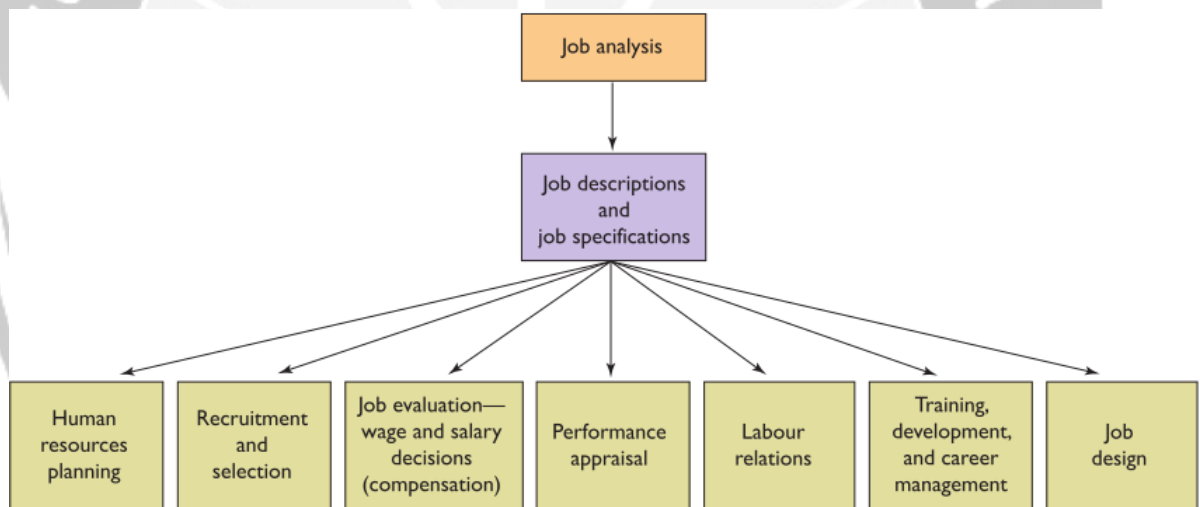


Figure 2.2. Uses of Job Analysis

Source: Dessler, 2013

Based on Figure 2.2., the output of job analysis are job description and job specification that can be used for several function, such as human resource planning, recruitment and selection, job evaluation, performance appraisal, labor relations, training development, and job design. Job analysis serves two critical functions with respect to these processes. It helps ensure that decisions made with respect to human resource processes are good decisions, i.e. fair and accurate (e.g. selection of the right person for the job, appropriate decisions

about training, performance management, development, etc) and ensure the defensibility of decisions made to employees which resulting in good HR management and to the court which resulting in savings of costs, time and reputation. (Saif et al., 2013). The effectiveness of these human resource practices requires that jobs must be clearly understood by both the jobholders and the organization. The practice of job analysis provides this understanding. (Siddique, 2004).

Job analysis provides information about jobs currently being done and the knowledge, skills and abilities that individuals need to perform the jobs adequately. (Saif et al., 2013). It focused on the collection of work-related information for the job as it currently exists and/or has existed in the past (Rodríguez Rivero, 2013). Job analysis help in preparing job descriptions and job specifications which in turn help hire the right quality of workforce into an organization. The general purpose of job analysis is to document the requirements of a job and the work performed. (Arts & College, 2014). The goal of job analysis is to secure all necessary job data for a variety of human resource management function (Ne, 2012).

Job analysis consists of collecting data and applying it by preparing job descriptions, job specification and job standards (Lanka, 2015). Different types of information are collected during a job analysis, and a variety of methods can be used. Information is most commonly collected on job activities, educational requirements, types of equipment or tools used, working conditions, supervisory or management responsibilities, interpersonal or communication skills, agency contacts, and external contacts (Club & Job, 2013). Therefore, a job description is a result of a job analysis. Where the job analysis describes the general requirements of a certain job, the job description will explain in detail the different tasks to accomplish during the day (Lanka, 2015). The job description outlines the job tasks, duties and responsibilities and serves as a guide for the recruitment and selection process going forward In general, a job description can be seen as relating to all the technical, administrative and managerial aspects of the job, the job title, job summary, job duties, tasks and outputs (Suthar et al., 2014).

In term of doing job analyst, there are several methods of collecting job analysis information stated by DeCenzo in Fundamental of Human Resource

Management and Dessler in Human Resource Management 13th Edition, such as:

a. Observation Method

With this method, analyst will watches employees directly or review films of workers on the job

b. Interview Method

There are some kinds of interview methods such as individual interview method, group interview method, and technical conference method. In individual interview method, analyst meet the employee to conduct the interview and determine what his or her job entails. Group interview method has similarity with individual interview method except the number of employee. Technical conference method involves supervisors to get information about the job characteristic. Analyst ask the supervisor as an expert to obtain the detail job that done by employee.

c. Structured Questionnaire Method

Analyst provide the structured questionnaire to employee which need employee to check or rate items they performed in their job from a long list of possible task items. This will help analyst gather information about the job

d. Diary Method

The diary method requires employee to record his or her daily activities.

e. Quantitative Job Analysis Technique

Position Analysis Questionnaire (PAQ)

PAQ method generates job requirement information applicable to all types of jobs. This method involves 194 elements that are grouped within six major categories. The categories are information input, mental processes, work output, relationship with other people, job context and other job characteristics. The use of elements should be suitable with The PAQ strength is an assigning jobs to job classes for pay purposes.

| CATEGORY | NUMBER OF JOB ELEMENTS |
|--|------------------------|
| 1. <i>Information input</i> Where and how does the worker get the information he or she uses on the job? | 35 |
| 2. <i>Mental processes</i> What reasoning, decision making, planning, etc., are involved in the job? | 14 |
| 3. <i>Work output</i> What physical activities does the worker perform and what tools or devices are used? | 49 |
| 4. <i>Relationships with other people</i> What relationships with other people are required in the job? | 36 |
| 5. <i>Job context</i> In what physical and social contexts is the work performed? | 19 |
| 6. <i>Other job characteristics</i> What special attributes exist on this job (e.g., schedule, responsibilities, pay)? | 41 |

Source: Reprinted with permission from the Position Analysis Questionnaire, Copyright 1969, Purdue Research Foundation.

Figure 2.3. PAQ Categories

Source: (Armstrong, 1972)

The number of job elements are depends on the needed. For the most part, it appears more applicable to higher level and professional jobs.

The best result of collecting data usually achieved with some combination of those method, at least three methods of them including interview, questionnaire, and observation.

Based on Dessler, 2013, there are six steps in doing job analysis as follows:

- a. Decide how you'll use the information

The information that analyst try to figure out should be based on the purpose of the job analysis itself.

- b. Review relevant background information such as organization charts, process charts, and job description

Organization chart show the organization wide division of work, while process chart show the flow of input and output from the job that will be analyzed. In order to do job analysis, it is necessary to conduct work flow analysis. Work flow analysis is detailed study of the flow of work from job to job in a work process. In the big scope, knowing business process also important before going detail on work flow. This information can be used for evaluating job and conducting job redesign if it is needed. Job redesign solutions can be job enlargement, job rotation, and job enrichment.

Herzberg in Dessler said empowered employees would do their jobs well because they wanted to, and quality and productivity would rise. Robertson and Smith (1985) in A Handbook of Human Resource Management Practice suggest the following five approaches to job design:

- i. To influence skill variety, provide opportunities for people to do several tasks and combine tasks
- ii. To influence task identity, combine tasks and form natural work units
- iii. To influence task significance, form natural work units and inform people of their work
- iv. To influence autonomy, give people responsibility for determining their own working system
- v. To influence feedback, establish good relationship and open feedback channels

c. Select representative positions

Focus only on selected positions that will be analyzed

d. Analyze the job

Conducting analysis by collecting data on job activities, working conditions, human traits, and abilities needed to perform the job.

e. Verify the job analysis information with the worker and supervisor

This step will help analyst to make sure that the information is correct and acceptable

f. Develop a job description and job specification

Lanka, S. in International Journal 2015 also discussed about job description and job specification which stated that job description can be the best thought of as a blue print of position. It outlines the essential duties and responsibilities that are expected of the employee and the basic purpose of the work the employee is expected to perform. It also defines accountability in an organization, which helps to prevent overlap of duties and as signs task responsibility. The other resource; David A in Fundamentals of Human Resource Management Eight Edition said that job analysis process generates tangible outcomes: job description, job specification, and job evaluation.

Job Description

Based on Club & Job in 2013, a job description identifies the tasks, duties, and responsibilities of a job. There is no standard format for writing job description.

Refer to Dessler and Club & Job, most of job descriptions contain the following information as can be shown in Figure 2.6.

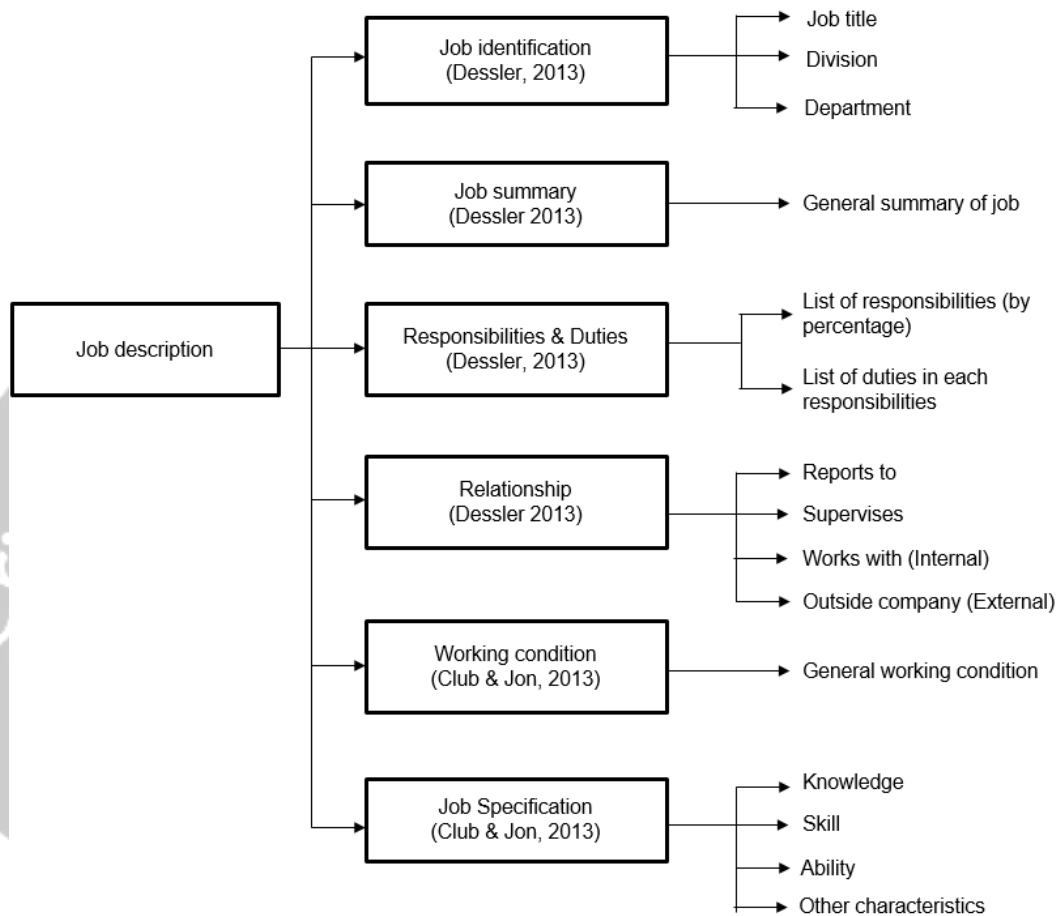


Figure 2.4. Job Description Aspects

a. Job Identification

This information provides job title, division, and department

b. Job summary

The job summary should summarize the essence of the job, and include only its major functions or activities. This is the brief statement of the general job components that make the job different from others

c. Relationship

This information contain relationship statement with other inside and outside the organization. The elements of this parts are reports to, supervise, works with, and outside the company. Elements “work with” refer to internal relationship, while “outside company” refer to external relationship.

d. Working condition

This section gives information to the employee related to working condition of the job, such as environment, temperature, and noise.

e. Job Specification

Job specification establishes the qualifications required of applicants for the job openings. Job specification provides a basis for attracting qualified applicants & discouraging unqualified ones. This provides the qualification needed to perform the job successfully. The job specifications list the KSAOCs. *Knowledge* is the information required for this position. It can be factual, procedural, or conceptual and is related to the performance of tasks. The example of knowledge are minimum education and working experience. *Skills* are the observable competencies required to perform the particular tasks of the position. *Abilities* are the applicant's aptitudes for performing particular tasks. *Other characteristics* include attitudes, personality factors, or physical or mental traits needed to perform a job.

2.2.3. Performance Management

Performance management refers to a systematized behavior to make evaluation on the working (Weimei & Feng-e, 2012). Performance management includes all activities that ensure the organization's objectives are being met effectively (Osmani and Ramoli, 2012)

If an organization chooses the path of growth and excellence, then it needs to evaluate its performance. If an organization's efficiency, effectiveness, productivity and other factors affecting performance are low, the output of the organization is not desirable and will not create the value-added; and the organization will eventually fail (Anvari et al, 2016).

Performance assessment is part of the performance management process, which is a collection of communication for a certain period between the manager and the employee. Based on Osmani & Ramolli in 2012, here are the objective, types, and example of performance assessment.

The objectives of the assessment performance are as below:

- a. To review the performance of employees for a period of time
- b. To assist the manager in conducting the control/audit
- c. To help in improving relationships and communication between managers and employees
- d. To establish the strengths and weaknesses of employees, in order to identify training needs and future development

- e. To provide the feedback from employees regarding their performance
- f. To evaluate the effectiveness of other functions of the organization's human resources such as recruitment, selection, training and development

There are six step to create performance assessment as refer in Figure 2.5.

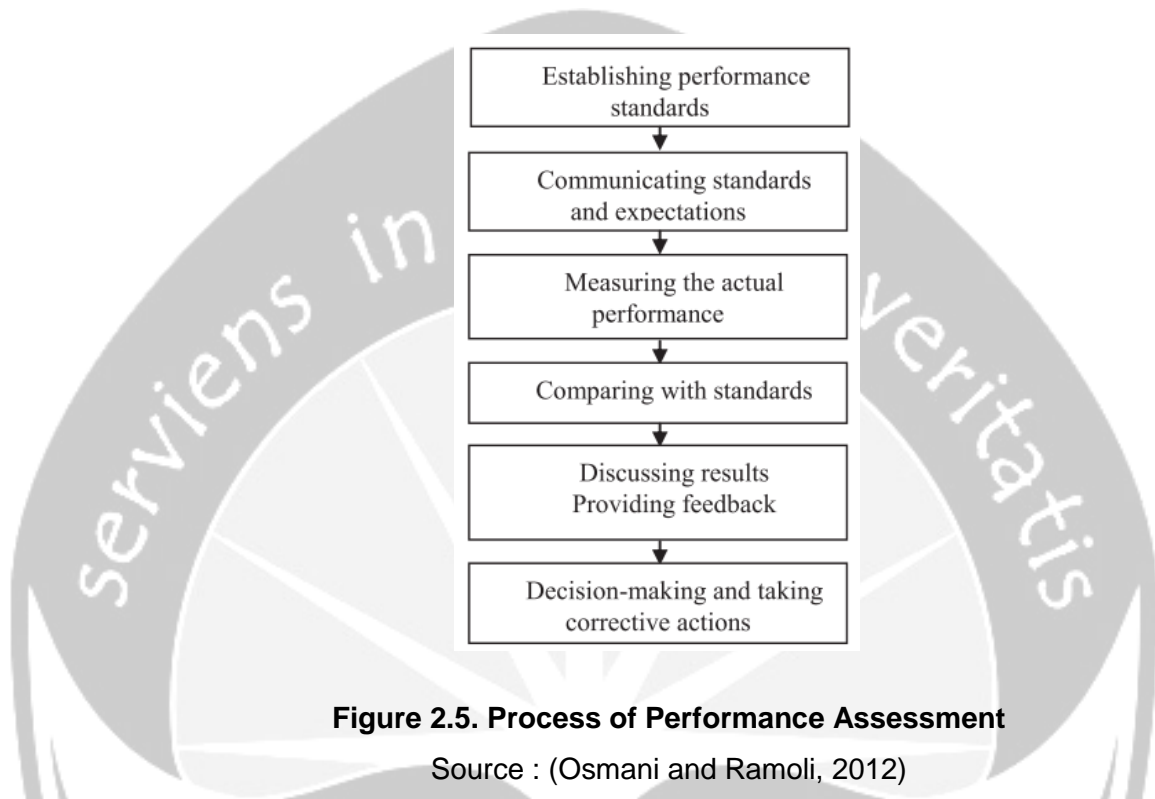


Figure 2.5. Process of Performance Assessment

Source : (Osmani and Ramoli, 2012)

The first step is establishing performance standard. This step requires the definition of criteria for assessing the performance of employees as successful or unsuccessful and the level of their contribution to the realization of objectives of the organization.

After set the standards, manager has responsibility to communicate them to all employee. The next step is measuring the actual employee performance by assessing them. The assessment result can be used to compare with the standards, whether the performance is lower, higher, or same as standard.

The performance assessment process is incomplete without the communication of feedback or the result of performance assessment to employees by the manager. This enables employees to high scores to know that their efforts are appreciated and rewarded, while to the employees with poor performance make aware that their performance should be improved.

The last step is decision making and taking corrective actions. Management involves decisions-making regarding employee's performance and steps to be taken against him/her according to the assessment made, such as: compensation, promotion, degradation, transfer, and etc.

These are types of performance assessment systems that focus on assessment of features / attributes of personal character, behaviors, results, and self-assessment.

a. Assessment of features / attributes of personal character

This assessment enables managers to evaluate the personal characteristics of their employees that are relevant to their work performance such as skills, talents and personality.

b. Assessment of behavior

Through the evaluation of behavior (action reaction), managers assess how performing the employees. While evaluation of the character features estimates the employees, behavioral assessment evaluates what they do and how employees react to the work process. Since for the employees is easier to change their behavior in the work process than character features, then the feedback is more likely to lead to better performance than in the first case.

c. Assessment of the results

People differ from their abilities and inclinations. There is always a difference between the quality and quantity of the same work which is performed by two different persons. An employee may engage more but does not contribute at all to achieve the objectives of the organization. An example of this is the case when each employee in manual mode compiles every form and procedure, while the other carries them using computer technology. Therefore, for the organization is necessary the performance evaluation based on results and quality in order to understand each employee skills, competencies and values.

d. Self-assessment

This is another method of evaluation that puts the employee to assess and evaluate its performance in meeting the objectives of the organization. However, the problem of performance evaluation by the individuals themselves followed by suspicion that people can be subjective. For this reason it is not even realistic to expect that of themselves will be the right assessments by employees.

The example of performance assessment in Osmani & Ramolli in 2012 is annual assessment form which classified into five sections.

a. Section A

This part is about employee details such as name, birthday, date of beginning work, place of work, and current position.

b. Section B

This part contains of general purpose and objective of work that already specified by manager. The objective of work is according to the importance and the score indicate the level of assessment for each objective

c. Section C

This part determine the level of basic skills. Manager set the items of basic skills which needed in the division, then assess the employee by indicating the level attained for each skill from 1 to 4. Score 1 means not sufficient while score 4 means the extremely well

d. Section D

This part is the overall superior assessment. Manager gives comments and score for overall performance. This section ended with signature and name of the rater.

e. Section E

This part is proof making notification which provide signature of the relevant employee. This section make sure that the employee receive and read their assessment for self- evaluation