

# FACTORS AFFECTING HUMAN RESOURCE PRACTICES IN A SAMPLE OF DIVERSIFIED PALESTINIAN ORGANIZATIONS

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## ABSTRACT

This research aimed at studying the factors that affect HR practices in some Palestinian organizations. The factors in this paper include firm size (No. of employees), sector (whether government, private or non-government organization), and profitability (profit Vs non-profit organization). A stratified random sample of 70 establishments that employ more than 50 employees was selected to cover government, private and non-government sectors.

Findings show that larger firms apply more formalized HR practices than smaller firms do. Taking into account certain contextual factors, the direct relation with firm size becomes substantially less; in addition non-government organization (NGO) sector proved to be significantly related with the implementation of HRM practices better than private and public establishments regardless of their size, i.e., their number of employees.

## KEY WORDS

Factors affecting Human resource practices, Organizational context, Palestinian organizations (Non-government organizations, Government organizations and private organizations).

## 1. INTRODUCTION

It is well-known that Human Resource Management is the only living factor of production and controlling the other factors. Imagine leading companies with impressive buildings and lofty offices without well talented employees; definitely, these companies will collapse (Jabari, 2011; Dessler, 2010).

As an emerging "state" with the absence of natural resources, the human factor in Palestine becomes the only mean for establishing its solid foundation.

Research on HR practices in businesses that employ less than 500 workers has captured increased attention in recent years (De Kok & Uhlaner, 2003). A number of studies have identified several HR practices and challenges that managers face in executing their jobs, and have used these findings to provide theoretical and practical insights from a developing country context (Ghebreorgis and Karsten, 2006); relatively little research has focused on human resource management practices in firms employing less than 500 individuals (Al-Hasan, et al, 2009). Those firms comprise the extreme majority of Palestinian establishments.

Many aspects affect the implementation of HRM practices including: cultural, economic, legal, gender and many other aspects. In this regard, Budhwar and Baruch (2003) examined the developments of certain HR practices in developing economies, their findings were associated with certain organizational and cultural characteristics; in this regard, Oinas Paivi and Van Gils (2001) attempted to identify the contextual resources that can build up human resource competencies. These include elements in the external and internal environment, such as organizational size, ownership of these organizations, other corporations, networks, industries, sectors, regions, and nations.

This paper investigates the extent to which HRM practices become more formal as firms progress in size, differ in sector (government, private, or Non Government Organization "NGO"), and whether it is profit versus non-profit organizations. The HRM practices examined are recruitment, selection, training and development, compensation and performance appraisal, thus the paper tries to fill the gap in our knowledge by examining several organizational context variables that impact the formalization of HRM practices in Palestine.

Particularly this study intended to examine the factors that affect HR practices in some Palestinian organizations in the following areas: the size of an establishment (number of employees), sector (government, private, or NGOs), and profitability (profit versus non-profit organizations).

## **2. LITERATURE REVIEW**

Different studies show that several HRM practices at small and medium enterprises are influenced by organizational contextual variables including ownership, age and size of firms (Zheng and Morrison, 2009), even though the level of formality of HR practices at these firms is low (Kotey and Slade, 2007). Using data from micro, small, and medium firms in Australia leads to the fact that human resource practices increase with increasing firm size (Kotey and Slade, 2007). There are two key reasons why this research might expect to find a positive relation between firm size and formalization of HRM practices:

First, if organizations become larger, the need to decentralize and communicate between employees and departments increases. This, in turn, requires a certain level of standardization, specialization and formalization of HRM (Nooteboom, 1993). Second, most formalized HRM practices require considerable development costs (Klaas et al., 2000). This results in a cost advantage for larger firms, which is strengthened by the limited supply of financial resources of many small firms.

While most studies prove that organization size has a positive substantial influence on HR practices (De Kok and Uhlener, 2003; Kotey and Slade, 2007; Mayson and Barrett, 2005; Mazzarol, 2003; Wiesner and McDonald, 2001), other studies show that organizational size has a limited effect on HR practices (Ding and Akhtar, 2006).

At the Palestinian level the economy has been faced with overwhelming challenges since September 2000. It has been dealing with a tight closure policy, geographical fragmentation, a separation barrier that significantly reduces agricultural land, uncertain public revenue and donor aid, eroded productive capacity, an array of donor agendas, and limited government and institutional capacity.

Closure feeds a vicious circle whereby the resulting loss in income constrains output from the demand side, while uncertainty and the higher cost of imported inputs, transportation and storage constrain output from the supply side. Israel's closure policy is widely recognized as one of the most devastating factors limiting the Palestinian economy (PNA, 2008; International Labor Office, 2007).

Consequently, little is known of human resource management processes within the Palestinian territories and how modernization has shaped, and is shaping, management philosophies and practices, and the goal of this study is to create a better understanding of the factors affecting HR practices in diversified Palestinian organizations.

### 3. METHODOLOGY

The population consisted of Palestinian organizations in the government, private and non-government organizations (NGOs) that employ 50 employees and above. Table No.1 shows both the number of organizations for each sector, usable returns of the questionnaires, number of surveyed organizations and the percentage of surveyed ones for each sector.

**Table 1: Number of organizations and surveyed ones for each sector**

Sector	No. of organizations for each sector	Usable returns of the questionnaires	No. of surveyed organization-al respondents	Percentage of surveyed organizations for each sector
Government	44	28	14	32%
Private	141	78	39	28%
NGOs	51	34	17	33%
Total	236	140	70	-----

A stratified sample was drawn in order to distinguish three sectors (Government, Private, and NGOs) and three size classes (50-99 employees, 100-199 employees and above 200). This classification was adopted by De Kok and Uhlaner (2003). Two hundred questionnaires were distributed and addressed to the three levels of management in 70 organizations located in the West Bank. The decision to limit the study to firms in West Bank only is due to the closure of Gaza Strip and Jerusalem. One hundred and forty questionnaires were returned, sixty questionnaires were dropped from analysis as they were invalid; the respondents were two per establishment. The response rate was 70% and is acceptable compared to others such as Huselid (1995), as it was 28%. A panel of five experts in the field of HRM examined the questionnaire and the interview questions in order to establish validity.

Reliability analysis conducted on all items on the original instrument resulted in an overall Cronbach's  $\alpha = 0.918$ . Cronbach's  $\alpha$  coefficient is a measure of internal consistency; it indicates how well the set of items on a questionnaire measured a single latent construct.

The acceptable range of Cronbach's  $\alpha$  coefficient is between 0.7- 1.0. As a result, the instrument, on which the questionnaire was based, was shown to have sufficient internal consistency (Creswell, 2005). In addition the reliability for each sub-scale has been computed.

The Cronbach alpha exceeds 0.70 of four out of the five subscales; table 2 clarifies the results of the subscales.

The reliabilities of these subscales are comparable with those reported by e.g. Huselid (1995) and Delery and Doty (1996) which were one of their subscales 0.43. The exception is recruitment with a Cronbach alpha of 0.67, the reliability of this subscale is unsatisfactory. Given the importance of this subscale and given that Huselid (1995) and Delery and Doty (1996) included a 0.43 Cronbach alpha, it is included in the study.

**Table 2: Cronbach alpha for each sub- sectors and for overall HR practices**

Scale	Value of Cronbach alpha
Recruitment	0.67
Selection	0.72
Training	0.87
Compensation	0.83
Appraisal	0.78

**4. PRESENTATION AND ANALYSIS OF DATA**

This data that sought from the respondents are presented in table 3 and show that 41 establishments (58%) of the sample organizations are employing 50-99 workers, 39 organizations (56%) of the sample organizations were drawn from the private sector, and 39 establishments (56%) are profit-oriented establishments.

**Table 3: Descriptive statistics of independent variables**

Variables	Number of cases (N)	Percentage
<b>No. of employees</b>		
50-99	41	58%
100-199	15	21%
More than200	14	21%
<b>Sector</b>		
Government	14	20%
Private	39	56%
NGO	17	24%
<b>Profit organizations</b>		
Yes	39	56%
No	31	44%

**4.1 Testing Hypotheses**

To examine the factors affecting Human resource management practices three hypotheses formulated as follows:

**H1:** There is a positive relationship between firm size and formalization of HRM practices.

Multiple regression carried out and tables below conclude that the size of the firm is positively related with the formalization of HRM practices as "R" = 73% and R square = 0.539.

In this research establishments sizes ( Number of employees) are classified into three types: size<sub>1</sub>: number of employees 50-99; size<sub>2</sub>: number of employees 100-199; size<sub>3</sub>: number of employees 200 and above. Table 4 shows that size<sub>2</sub> and size<sub>3</sub> are significant with  $p = 0.000$  at a confidence level  $\alpha = 0.05$ .

**Table: 4: R square and predictors of firm size**

R Square		Unstandardized Coefficients	T	Sig.
0.539		B	B	Std. Error
	<b>(Constant)</b>	2.356	50.403	.000
	<b>Siz<sub>3</sub></b> (more than 200 employees)	.660	12.060	.000
	<b>Siz<sub>2</sub></b> (100-199 employees)	.238	3.566	.000

Dependent Variable: overall HRM scale

**H2:** There are no differences between government, private and NGOs in implementing HRM practices. Analysis of variance (ANOVA) is conducted to see the differences between government, private and NGOs in implementing HR practices. From the below tables it is clear that there are differences in HR practices as table 5 (a) clarifies. In order to explore the sector that implements HR practices the most, Post Hoc Tukey HSD is conducted. Results in table 5(b) clarifies that NGO sector is statistically significant with  $\alpha$  less than 0.05

**Table 5(a): ANOVA test for sector dimensions (Government, private, and NGOs)**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	3.715	2	1.858	15.748	.000
Within Groups	16.161	68	0.118		
Total	19.877	70			

**Table:5(b): Multiple Comparisons between (Government, private, and NGOs)**

Sector	sector	Mean Difference	Std. Error	Sig.
		Lower Bound	Upper Bound	Lower Bound
Govt	private	0.13711	.07567	.169
	<b>NGO</b>	0.25867(*)	.08765	<b>.010</b>
private	Govt	0.13711	.07567	.169
	<b>NGO</b>	0.39578(*)	.07058	<b>.000</b>
<b>NGO</b>	Govt	0.25867(*)	.08765	<b>.010</b>
	private	0.39578(*)	.07058	<b>.000</b>

\* The mean difference is significant at the .05 level.

**H3:** There are no differences whether the organization is profit oriented or non-profit oriented and the formalization of HRM practices.

Here, research intended to know if there are any differences in the application of HRM practices between profit and non-profit organizations. For this purpose an independent sample t-test is employed. Table 6 (a) shows that the mean for the profit organizations is 1.8 with SD=0.4 and the

mean for non-profit organizations is 2.1 with SD = 0.26. Table 6 (b) shows that there is a significant difference with  $p = 0.000$  at confidence level  $\alpha = 0.05$ . So the hypothesis is rejected. Therefore, there is a difference in HR practices between profit oriented and non-profit organizations. This difference is in favor of non-profit ones as the means denoted.

**Table 6(a): T-test and mean differences between profit and non-profit establishments**

overall HRM scale	profit oriented organizations	N	Mean	Std. Deviation	Std. Error Mean
	Yes	39	1.8013	.40936	.04635
	No	31	2.0802	.26504	.03366

**Table 6(b): T-test and mean differences between profit and non-profit establishments**

overall HRM scale	t-test for Equality of Means					
	T	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference
	4.870	68	.000	.27896	.05728	.39227 .16565

**4.2 Interview results:**

Selection of a quota sub-sample of 24 establishments for in-depth interviews was done. These firms are part of the original firms selected for this study. The 24 establishments included five government establishments; six NGOs, and thirteen private firms in the service and manufacturing sectors. Ten personnel/HRM professionals and fourteen line and top managers participated in the in-depth interviews. Line managers were interviewed because they are too involved in human resource activities (Papalexandris and Panayotopoulou, 2004).

The questions are based on the literature by Delery and Doty (1996). The following questions were asked:

- (1) What are the responsibilities of HR professionals in your firm?
- (2) What methods do you use in recruitment and selection?
- (3) What type of training do you offer to your employees?
- (4) What are your current HR policies and practices?
- (5) Is the salary at your organization based on seniority or merit?
- (6) What are the most appraisal techniques practiced at your organization?
- (7) What are the prospects of HRM in Palestine?

Selected interviewees had to be one or more of the following: an HRM professional, a functional manager, a managing director or a president of a company.

The interviews lasted on an average of about 30 minutes and notes were taken as managers refused to record the interviews. The transcripts were analyzed using direct interpretation. According to

Cassell and Symon (2004), direct interpretation is considered as one of the approaches for qualitative data analysis. This method involves an evaluation of respondents' answers and making meaning from them. The purpose of this method is to generate a list of codes representing themes identified in the text.

Face-to-face interviews:

- Responsibilities of HR Professionals

The most practiced HR responsibilities were recruitment and selection, while other practices are used intensively only in NGOs and are used by government agencies but are not communicated.

- Recruitment and Selection

When considering recruitment and selection procedures, twenty out of the 24 interviewees said they had different systems for recruiting and selecting new members of staff. They stated that when selecting new employees they rely on interviewing as a main way of selection. Here are some of the comments made by interviewees:

"The most frequent methods we use in our recruitment efforts are newspaper announcements".

"We frequently use newspaper advertisements and internal advertising for recruiting new staff".

"Publications and visits to university and college campuses have been used for two years but were less frequently used".

- Training and Development

Fifteen out of the 24 interviewees suggested that they have employee training and development in their organization. There was a diverse set of responses ranging from just sending employees on courses to take a company-wide view of training, development and learning. Only in NGOs, was training seen as an important investment. Contrary to the NGO sector, the majority of government managers look at training as an entertainment and a waste of time, while the private sector sees that the pure technical aspect is important, like programs concerning quality, operating newly installed equipments.

- HRM Policy and Current Practices

When asked about the current policies and practices of HRM in their organizations, all interviewees from NGOs indicated that their current most important practices and policies include: recruitment/selection, written job description, performance appraisal, training, monitoring/evaluating HR practices, and administration of compensation and benefits. All managers from government and private sectors said that they use selection interview for all jobs and newspaper advertising for most jobs. These results were identical to the findings of the questionnaire survey.

- Performance Appraisal

A variety of informal systems were used for appraisal, with half of the interviewees suggesting that a form of appraisal existed in their firm. In most cases appraisal was of a fairly ad hoc nature. One interviewee noted: "The appraisal system has caused us a lot of problems. It differs from one

department to another and it doesn't result in better achievement. It is very informal. It is not linked to anything, such as promotion, salary increases, etc". Half of the 24 interviewees expressed a caution about appraisals and the difficulties they had encountered in implementing them.

- Salary linkages to seniority or merit

In this context, answers differ widely. The government sector salary is based on seniority with few exemptions. On the private and NGOs sectors salaries are linked to both seniority and merit.

- Prospects of HRM

When asked about the future prospects of HR in Palestine, the majority of the interviewees indicated that the merit system of recruitment, promotion and salary increases connote that the best candidates are selected from among the pool of qualified candidates rather than recruiting candidates on the basis of nepotism, favoritism, or other considerations. This is not the case in most of the companies selected for this study. The interviewees stated that promotion should be based on merit, which may help us to verify the overall performance of the worker. Promotion and merit increases here are based on favoritism, nepotism, and in most instances on political grounds. In terms of productivity improvement programs, respondents indicated that instituting an employee incentive system helped to boost morale, productivity and dramatically reduced employee turnover. To quote one:

"As we started pay-for-performance programs four years ago, our sales have increased by 10 percent; performance and productivity have also increased considerably, and our rationale for the programs is that most people believe that employees should be rewarded for good performance".

## **5. DISCUSSION AND RECOMMENDATIONS**

Research findings are similar in some aspects to the Western practices, especially those of the USA and Europe. The reason for this similarity may be the result of management practices in organizations becoming similar due to the influence of globalization and Western management theories and practices that affect Palestinian management practices.

However, two interesting conclusions are produced in this research as follows:

**First:** sector has a drastic effect on the level of HRM practices in Palestine as the NGO sector proved to have a much higher level than both private and government sectors.

**Second:** non-profit sector is practicing HR higher than profit sectors.

### **5.2 Recommendations:**

From the above discussion the researcher recommended that managers from different organizations should be educated about the importance of human resources and its major role for the achieving better results. This can be done through seminars, workshops, and conferences.



Universities and research institutes should play a major role by holding conferences and conveying the experiences of NGOs in this context. Also results show that NGOs are applying HR practices at a higher level when compared with both government and private sectors; based on this result, the researcher recommending prospective researchers to study the implications of HR practices on NGOs performance.

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