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HUMAN RESOURCE DEVELOPMENT IN ASIA:

Capitalizing on
Human Expertise
for Greater Innovation
and Creativity

Editors:
Maimunah Ismail
AAhad M. Osman-Gani
Roziah Mohd Rasdi

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Organized by:

Department of Professional Development and Continuing Education, Faculty of Educational Studies, Universiti Putra Malaysia.

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Academy of Human Resource Development

(With assistance from Department of Business Administration, Faculty of Economics & Management Sciences, International Islamic University Malaysia.)

Internal Customer Satisfaction towards HRM Practices and Its Influence on External Customers and Organisational Outcomes

Saodah Wok
Junaidah Hashim
International Islamic University Malaysia

This study measures the internal customer satisfaction towards HRM practices and its relationship with external customer satisfaction and with other organisational outcomes such as job satisfaction, employee commitment, and turnover intention. Data was collected from five universities in the Klang Valley. There were 575 internal customers and 600 external customers participated in this study. The findings revealed that employees are satisfied with the HRM practices of their organisation. This study partially supports the hypothesis that internal customers' satisfaction is positively related to external customers' satisfaction.

Keywords: HRM practices, customer satisfaction, organisational commitment, turnover intention

Success in business derives from satisfying the needs of all the stakeholders in the organisation: customers, shareholders, employees, suppliers, and the community at large. Customer satisfaction is critical as they have an impact on profit, so too are employees' satisfaction. No organisation can give its external customers the quality they want and expect without the active participation of all its employees or internal customers (Edgar & Geare, 2005; Gilbert, 2000; Hansemark & Albinsson, 2004). Employees become the life blood that affects the establishment and the success of business cycle in every organisation. As employees are valuable assets to organisation, it is really important to help them feel satisfied and feel comfortable with their jobs, management policies, and working environment. Employees cannot serve their customers well unless they received good service from the other employees who interact with them in providing the services (Schmalenese, 1991).

Within organisations, the Human Resource Management (HRM) plays a vital role in ensuring that employees are satisfied and productive since it is a planned approach to manage people effectively and to lead them towards attaining good performance. It deals with various issues related to employees such as compensation, selection, management performance, organisation development, safety, benefit, employee motivation, communication, administration, and training. It aims at establishing a more open, flexible and caring management styles. As a result, employees will be satisfied, motivated, developed and managed in a way that they can give their best to support organisations' mission. According to Edgar and Geare (2005), the HRM systems, policies, and procedures that operate in an organisation have been identified as impacting on an individual's attitudes and perceptions of bias and fairness.

The purpose of this study is to measure the internal customer satisfaction towards HRM practices, and to examine its relationship with external customer satisfaction and with other organisational outcomes such as job satisfaction, employee commitment, and turnover intention. Extensive research has been conducted on customer satisfaction but the focus of previous research is on external customer satisfaction and how it can improve customer retention. Moreover, previous studies tend to emphasise on the job satisfaction as a results of management intervention. This study however, is different because it examines the internal customer satisfaction, particularly towards one of the most important management aspects such as HRM practices. It uses the customers' satisfaction framework instead of job satisfaction framework. Much less has been reported about organisational effectiveness from the perspective of the internal customer satisfaction. There is now a growing support for assessing HRM from the employee's perspective emerging in the literature (Edgar & Geare, 2005). This study will fill that research gap, by exploring how the satisfaction of individual employees as internal customers is affected by the HRM practices. At the same time, the findings are beneficial for human resource practitioners in managing their employees and to policy makers in formulating future policy pertaining to human resource practices as that will influence the employees' satisfaction and attitudes.

Theoretical Framework

Generally, satisfaction is an overall customer attitude towards a service provider, or an emotional reaction to the difference between what customers anticipate and what they receive, regarding the fulfillment of some needs,

goals, or desires (Hansemark & Albinsson, 2004). Anyone who helps the firm serve its external customers is an internal customer. By this broad definition, top management or leaders of the firm, employees (often called associates to emphasize the importance of their roles), external intermediaries or representatives of the firm, and even the suppliers to the firm, can be considered internal customers (Gilbert, 2000). Employees are seen as internal customers, people who consume the service, without having to directly pay for it. Yet, other internal customers also exist; including senior managers, through middle managers and to supervisors. Each type of internal customer will have different expectations about the consumption, and indeed about the fact that they are consumers of the services (Gibb, 2001).

If there is a single phenomenon common to studies of customer satisfaction, it is confirmation/disconfirmation (C/D). C/D suggests that customers compare the quality they experience with a norm or standard, such as prepurchase expectations about a particular product or service. Any perceived discrepancy between the two leads to increased or decreased satisfaction. Performance that exceeds expectations is positively disconfirmed, performance that meets expectations is confirmed, and performance that falls short of expectations is negatively disconfirmed. Moreover, as might be expected from prospect theory, quality that falls short of expectations has been found to have a greater effect on satisfaction than quality that exceeds expectations (McCollough *et al.*, 2000). Expectations are a second direct antecedent of customer satisfaction. Expectations provide an anchor and C/D provides an adjustment in determining customer satisfaction. In addition, expectations contain information about future quality affecting customer satisfaction and likelihood of repurchase. A third antecedent of customer satisfaction is quality. As might be expected, quality has been shown to have a positive effect on customer satisfaction. In fact, several studies suggest that quality's effect on customer satisfaction is often greater than the effect of either C/D or expectations. Finally, many important consequences – loyalty, word-of-mouth, complaints – have been attributed to customer satisfaction. The most important of these consequences is arguably the positive effect of customer satisfaction on repurchase behaviour.

Organisations are challenged to create demand for their products and services through outstanding customer support. To attain sustained excellent external customer support requires internal systems that are aligned to serve the external customer, with each internal subsystem adding value to others within the organisation that are dependent on it; as though the other subsystems were its customers (Gilbert, 2000). Gilbert further elaborated that the service-profit chain focuses attention on the causal relationships between the quality of the organisation's internal systems leading satisfied and loyal employees who, therefore, provide better quality service to the organisation's external customers. When members of internal organisational units satisfy the needs of their unit's internal customers, they are also enabling their internal customers to perform their tasks. According to Schmalensee (1991), most top managers believe poor service is the result of lazy or poor employees rather than poor process design or planning. However, quality experts have shown that about 85% of service quality problems are due, not to employee error, but to the failure of the firm to give the employees the support they need to do their jobs well (Schmalensee, 1991).

Relationship between HRM Practices with Customers' Satisfaction

With regard to the focus of this study, employees as internal customers, have expectations towards the roles and functions of HRM. In term of HRM practices, this study identifies the following sets of variables: recruitment, selection, training and development, compensation, and employee relations. According to Edgar and Geare (2005), HRM frequently referred to soft and hard HRM based on the commitment and strategic HRM concept. Soft HRM fulfils employee needs as an end in itself, and the favorable attitudes generated from the use of appropriate HRM practices (Guest, 1997) together with communication, motivation and leadership, resulting in commitment to the organisation and improved performance. Hard HRM is concerned with the effective utilisation of employees (Guest, 2002) and it emphasizes the quantitative, calculative and business strategic aspects of managing the head-count resource in a natural way as an economic factor.

Service-profit chain focuses attention on the causal relationships between the quality of the organisation's internal systems that lead to satisfied and loyal employees, who therefore provide better quality service to the organisation's external customers (Gilbert, 2000). Puh *et al.* (2002) stated that satisfied and motivated employees produced satisfied customers which in turn buy more. Gibb (2001) identified two general arguments in anticipating what attitudes employees might have about HRM. According to Gibb (2001), first is the argument that there will be negative attitudes among employees; that their views about the performance of HRM in practice will be critical and negative, tending to see current HRM systems and practice as poor, and are not satisfying. The other argument is that there will be positive attitudes towards HRM systems and staff; employees will perceive and appreciate the good performance of HRM policies, procedures and practices.

Boselie and Paauwe (2002) claim that HRM can improve client satisfaction because HRM improves employee satisfaction and happy employees will lead to greater client satisfaction. Meeting or failing to fulfill employees' expectation as internal customers affect their attitudes. In his study involving more than 2000 employees, Gibb (2001) found that employees views areas of strength in HRM that include training and development, rewards, and levels of personal motivation. Employees also rate the performance of HR staff highly across a range of services, and employees' rate weakness in HRM as regard to staffing levels, aspect of recruitment and retention, communication, and level of morale in the organisation as a whole. Based on previous research evidence, it is hypothesized that:

H1: Internal customers are satisfied with HRM practices.

H2: Internal customers' satisfaction with HRM practices is positively related to external customers' satisfaction.

Relationship between HRM Practices with Organisational Outcomes

Studies affirm the crucial role of human resource practices on organisational outcomes (King, 2000; Lester & Kikul, 2001; Vos *et al.*, 2003). For instance, Edgar and Geare (2005) commented that there is a strong statistically significant relationship when HRM is researched from the employee's perspective. In their study, they found a significant relationship exists between HRM practices and employee work-related attitudes. Guest (2000) found that levels of job satisfaction are related to levels of HRM practices. High levels of employee commitment have also been found to be related to the use of 'appropriate" HRM practices. Ensuring internal customer satisfaction is important as according to Oshagbemi (2003), satisfaction towards human resource management and company's policies is a key to goal achievement and workforce maintenance in an organisation. HRM practices shape employee skills, attitudes and behaviours that in turn influence organisational performance (Aggarwal & Bhargava, 2009).

Existing research indicates that different facets of HRM practices particularly compensation, career management and training, and greater discretion have relationship with several organisational outcomes such as employee satisfaction, employee commitment, turnover, and retention (Chew & Chan, 2008; De Vos & Meganck, 2009; Oshagbemi, 2001). For instance, Oshagbemi (2001) found that the level of satisfaction of academic is associated with the behaviour of their line managers. While, Chew and Chan (2008) in examining the human resource practices relationship with organisational commitment and intention to stay, found that organisational commitment was positively affected by remuneration, recognition, and challenging work assignment. They also found that intention to stay was related to remuneration, recognition, and training and career development. While, Arocas and Camps (2008), found that salary strategies and job enrichment strategies are positively related to job satisfaction and employee commitment, and employee commitment was negatively related to turnover intention. In their study, Petrescu and Simmons (2008) found that several HRM practices raise workers' overall job satisfaction and their satisfaction with pay. A more recent study by Zimmerman and Darnold (2009) also found a correlation between HRM practices with job satisfaction, employee commitment, and turnover in an organisation.

Based on previous research evidences, it is hypothesized that:

H3: Internal customer satisfaction towards HRM practices is positively related to job satisfaction.

H4: Internal customer satisfaction towards HRM practices is positively related to organisational commitment.

H5: Internal customer satisfaction towards HRM practices is negatively related to turnover intention.

Customer Satisfaction in Higher Education Institutions

Even though satisfying the customers is not a new organisational concept for educational institutions (Cutlip, 1971), customer orientation has been underemphasised in college and universities compared to the profit-oriented organisations. However, the increased turmoil in the higher education marketplace may force the colleges and universities to utilise a more customer-oriented philosophy in delivering their services, and those who understand these principles will have a better chance of achieving their objectives more effectively (Kotler & Fox, 1995).

It is accepted that educational institutions have many customers: students, staff, faculty, alumni, donors, and others. A drop in student retention without a compensating enrolment increase impacts all the above customers. Hence, the need to manage the college retention process from student entrance to graduation has become increasingly important. Research consistently demonstrates that it costs more to attract a new customer that it does to retain one, which makes customer retention a crucial factor for the success of every business (Ahmed, 2011).

Research conducted in the UK and USA has identified several key factors commonly associated with stress among academic and general staff. These include work overload, time constraints, lack of promotion

opportunities, inadequate recognition, inadequate salary, changing job role, inadequate management and/or participation in management, inadequate resources and funding, and student interaction (Daniels & Guppy, 1994; Hind & Doyle, 1996). Lewis and Smith (1994) observed that every higher institution has a mission but very few fully pinpoint who they serve. They also noted that even fewer institutions acknowledge that they serve customers. This was surprising given the fact that in order to be effective, organisations must be customer-driven. Customer-oriented organisations are successful because they have a unified focus on what they do and who they serve. An institution committed to consumer satisfaction and continuous improvement will need to work with students, faculty and staff and other customers to understand their current expectations and also to anticipate their requirements in the future.

Methodology

Population and Sampling Procedure

This study focused on young employees in the civil services. Young employees refer to those employees who are less than 40 of age. Young employees were selected because they have a lot of expectation from HR department since they have a long way to go in the employment. With more than 500,000 of young civil servants in Malaysia, it is necessary to restrict the survey to manageable proportions. The study is limited to Klang Valley only and is confined a particular sector only. The sector selected is education. Education represents the biggest percentage of civil servants. Thirty-six per cent of the 1.2 million civil servants are in education: teachers and lecturers.

The study employed survey research design. This was used in order to tap the uniqueness of gathering primary data for unbiased representation of the population of interest, as well as for the standardization of measurement.

Data Collection

Data was collected from five universities in the Klang Valley. Two sources of data were collected. For internal customers the respondents were language teachers, administrators (Finance Division, Admission & records, Library and Clinic) and lecturers of the universities. In total, there were 575 internal customers participated in the study. For external customers, the respondents were students of the universities. A total of 600 students participated in this study as external customers. Trained enumerators helped in the data collection.

Measurement

Based on the literature reviewed, a specially-constructed questionnaire was developed for data collection. The questionnaire focused on four aspects, namely, satisfaction towards HRM practices, job satisfaction, organisational commitment, and turnover intention. There were two sets of questionnaire administered for this study. Set A is for internal customer (employees) and it sought information regarding their satisfaction towards HRM practices and on organisational outcomes. Satisfaction towards HRM practices has seven dimensions, namely, recruitment, selection, training, career development, employee relations, compensation and benefit, and performance appraisal. HRM practices dimensions were measured using eight items each, using a 6-point Likert scale, ranging from very strongly disagree to very strongly agree. All the dimensions were averaged out to form a concept of interest. Job satisfaction is made up of ten items, measured using a 6-point Likert scale, ranging from very strongly disagree to very strongly agree. The overall mean for job satisfaction was calculated to create mean job satisfaction to be used for further analysis. Organisational commitment, on the other hand, consists of nine items were measured using a 6-point Likert scale, ranging from very strongly disagree to strongly agree. The overall mean of organisational commitment was also created. However, turnover intention was only measured using three items, but with a ten point scale, ranging from never to always. The three items were averaged to form mean overall turnover intention. Set B is for the external customer (students). It used to measure their satisfaction towards the staffs of their organisation. It was measured by 20 items using a 6-point Likert scale.

Data Analysis

The SPSS software was used to systematically analyse all the data obtained from the respondents, and to generate statistical information and detailed analyses of the survey results. Inferential statistics was used to analyze the data in order to answer the objectives of the study and to test the hypotheses postulated. One-sample t-test analysis and regression analysis were used to test the hypotheses of the study.

Reliability test was used to check whether the items for each concept are homogeneous, measuring the concept of interest. It is found that the reliability for the research concept lies between 0.91 and 0.95. Therefore, no items were deleted. The items were transformed to meaningful concepts of interest for further analysis. HRM practices were analyzed based on each of its practices rather than as total mean scores. This is done to see the effects of each of the HRM practices.

Results and Discussion

Characteristics of the Respondent

A total of 575 respondents were obtained for this study. It is found that two-thirds of the respondents (67.1%) are female and the remaining is male (32.9%). More than two-fifths of the respondents (44.3%) aged between 26-30 years old, followed by 31-35 years old (21.4%). Other age groups are represented accordingly (Table 1.1). In terms of race, almost all respondents (92.8%) are Malay, while Indian made up 4.4% and 2.3% Chinese. Regarding the level of education, more than one-quarter of respondents (30.4%) are diploma holders, followed by SPM/SPMV (27.1%), and Bachelor Degree (18.4%). Based on organisation, more than one-fifth of the respondents (22.5%) work at the International Islamic University Malaysia, followed by (21.2%) at Universiti Putra Malaysia, 20.3% at Mara University of Technology, while the lowest numbers of respondents (15.1%) work at Universiti Kebangsaan Malaysia.

Table 1.1: Demographic Profile of Internal Customer

Demographic Characteristic		Frequency N=30	Percentage
Gender			
Male		189	32.9
Female		386	67.1
	Total	**575**	**100.0**
Age Group			
25 years old and below		111	19.3
26-30 years old		255	44.3
31-35 years old		123	21.4
36-40 years old		86	15.0
	Total	**575**	**100.0**
Race			
Malay		532	92.8
Chinese		13	2.3
Indian		25	4.4
Others		3	0.5
	Total	**573**	**100.0**
Level of education			
SPM/SPMV		156	27.1
STPM/Certificate		68	11.8
Diploma		175	30.4
Bachelor Degree		106	18.4
Master Degree		51	8.9
Ph.D.		11	1.9
Others		8	1.4
	Total	**575**	**100.0**
Organisation			
International Islamic University Malaysia		129	22.5
Mara University of Technology		117	20.3
Universiti Kebangsaan Malaysia		87	15.1
University of Malaya		120	20.9
Universiti Putra Malaysia		122	21.2
	Total	**575**	**100.0**
Length of Employment (years)			
1-5		367	64.4
6-10		136	23.9
11-15		43	7.5
16 and more		24	4.2
	Total	**570**	**100.0**
Income per month			
Less than RM1000		32	5.6
RM1001-RM2000		295	51.3

RM2001-RM3000		162	28.2
RM3001-RM4000		56	9.7
RM4001-RM5000		18	3.1
Above RM5000		12	2.1
	Total	**575**	**100.0**

For external customers, a total of 600 respondents participated in this study. It is found that more than three-fifths of the respondents are female (62.8%) and the remaining are male (37.2%). Almost two-thirds of the respondents (64.5%) aged between 21-25 years old. Other age groups are represented accordingly (Table 1.2). In term of nationality, almost all respondents (92.3%) are Malaysian, while the rest are foreigners (7.7%). Pertaining to race, majority of the respondents are Malay (79%), followed by Chinese (11.8%), Indian (2.7%), and others (6.5%). Regarding year of study, more than one-third of the respondents are first year students (36.7%), followed by second year students (30.3%). In term of institution, there is an almost equal proportion of students from the respective institutions, namely, International Islamic University Malaysia (20.3%), Universiti Kebangsaan Malaysia (20.0%), University Malaya (20.0%), Universiti Putra Malaysia (20.0%), and Mara University of Technology (19.7%).

Table 1.2: Demographic Profile of Respondents

Demographic Characteristic	Frequency N=30	Percentage
Gender		

Male		223	37.2
Female		377	62.8
	Total	**600**	**100.0**
Age Group			
20 years old and below		129	21.5
21-25 years old		387	64.5
26-30 years old		55	9.2
31-35 years old		14	2.3
36-40 years old		10	1.7
41 years old and above		5	0.8
	Total	**600**	**100.0**
Nationality			
Malaysian		554	92.3
International		46	7.7
	Total	**600**	**100.0**
Race			
Malay		474	79.0
Chinese		71	11.8
Indian		16	2.7
Others		39	6.5
	Total	**600**	**100.0**
Year of study			
First year		220	36.7
Second year		182	30.3
Third year		129	21.5
Fourth year		58	9.7
Fifth year		11	1.8
	Total	**600**	**100.0**
Level of Programme			
Bachelor		437	72.8
Master		140	23.3
Ph.D.		23	3.8
	Total	**600**	**100.0**
Name of institution			
International Islamic University Malaysia		122	20.3
University Kebangsaan Malaysia		120	20.0
University Malaya		120	20.0
University Putra Malaysia		120	20.0
University Technology Mara		118	19.7
	Total	**600**	**100.0**

Satisfaction towards Human Resource Management (HRM) Practices

In terms of recruitment (Table 2.1), the respondents were definite that men and women have the same opportunity to get employed in their organisations (t=4.577, p=0.000). In addition, they agreed that interview panel are used during recruitment process in their organisations (t=4.452, p=0.000). On the other hand, the HR Department is seen to be negatively maintaining staffing level adequately for optimal performance and for impartial recruitment in the organisation. Yet, these negative responses are not significant but they should be taken into consideration by the HR Department so that improvement can be taken to remedy such problems. H1 in relation to recruitment is not supported for the overall recruitment process because only two out of eight items

are significant, whereby only men and women have equal opportunity to get employed and the interview panel are used during the recruitment process in the organisation.

Table 2.1: Satisfaction towards Human Resource Management (HRM) Practices – Recruitment

Recruitment* (N=575)	Mean**	SD	%	t	p
Men and women have the same opportunity to get employed.	4.16	0.84	69.3	4.577	0.000
Interview panel are used during recruitment process in this organisation.	4.14	0.78	69.0	4.452	0.000
HR Department takes initiative to retain the right person in the organisation.	4.04	0.88	67.3	1.042	0.298
HR Department recruits qualified candidates for the job.	4.02	0.87	67.0	0.670	0.503
HR Department carries out fair and consistent manner during the recruitment procedures.	4.01	0.85	66.8	0.295	0.768
The organisation pays more attention to the way it recruits people.	4.00	0.81	66.7	0.103	0.918
HR Department maintains staffing level adequately for optimal performance.	3.99	0.83	66.5	-0.354	0.724
The recruitment process in this organisation is impartial.	3.96	0.81	66.0	-1.242	0.215
Total	**4.04**	**0.66**	**67.3**	**1.478**	**0.140**

*1=Very strongly disagree, 2=Strongly disagree, 3=Disagree, 4=Agree, 5=Strongly agree, 6=Very strongly agree
** Test value of 4

HR Department practices impartial selection process (t=3.095, p=0.002) and exhibits professional interviewing process (t=2.563, p=0.011). The respondents were impartial regarding appointment to employees based on merit and the ability of HR Department to access the right candidate that fits the job in the organisation. Nonetheless, the respondents were found to disagree on many selection process done by the HR Department. There is a tendency that favouritism being practiced during the selection process. HR Department is thought to carry out a rather unfair and inconsistent manner during selection process. H1 in terms of selection is also not supported for the overall selection process and only two out of the eight items are significant. Table 2.2 displays the details.

Table 2.2: Satisfaction towards Human Resource Management (HRM) Practices – Selection

Selection* (N=575)	Mean**	SD	%	t	p
HR Department practices impartial selection process in this organisation.	4.11	0.86	68.5	3.095	0.002
HR Department exhibits professional interviewing process.	4.08	0.80	68.0	2.563	0.011
HR Department appoints employees based on merit.	4.03	0.87	67.2	0.770	0.442
HR Department is able to access the right candidate that fit the job in the organisation.	4.02	0.85	67.0	0.638	0.524
Favoritism is not evidence in any selection of decision made by the HR Department.	4.00	0.89	66.7	-0.094	0.925
HR Department carries out fair and consistent manner during selection.	4.00	0.87	66.7	-0.143	0.886
HR Department practices effective and reliable selection procedures.	3.97	0.84	66.2	-0.949	0.343
HR Department does not exercise cronyism in the selection of new employees.	3.94	0.88	65.7	-1.510	0.132
Total	**4.02**	**0.72**	**67.0**	**0.620**	**0.536**

*1=Very strongly disagree, 2=Strongly disagree, 3=Disagree, 4=Agree, 5=Strongly agree, 6=Very strongly agree
** Test value of 4

On the whole, HR Department is positively thought of providing relevant training and facilities to their internal customers (Table 2.3). This is a positive sign perceived by the respondents. Specifically, the HR Department, on behalf of the organisation pays for many work-related trainings. The organisation is committed to the training and to the development of its employees. The HR Department also provides appropriate training for improving knowledge and skills of the employees. The employees are given opportunity to discuss the requirement for training and development. In addition, the training facilities and courses provided are of high

quality. This means that organisation, in general, and the HR Department, in particular, has given priority pertaining to training of employees for organisational performance. H1 in relation to training is fully supported.

Table 2.3: Satisfaction towards Human Resource Management (HRM) Practices – Training

Training* (N=575)	Mean**	SD	%	t	p
The organisation pays for any work-related training.	4.16	0.77	69.3	4.898	0.000
The organisation is committed to the training and development of its employees.	4.15	0.76	69.2	4.901	0.000
HR Department provides monetary support for training.	4.14	0.78	69.0	4.353	0.000
HR Department provides appropriate training for improving knowledge and skills.	4.14	0.80	69.0	4.244	0.000
HR Department shapes employees attitudes' and behaviour towards positive work performance.	4.11	0.85	68.5	3.239	0.001
The organisation spends enough money and time for the employee-related training.	4.11	0.82	68.5	3.268	0.001
Employees get opportunity to discuss the requirements of training and development.	4.10	0.87	68.3	2.742	0.006
The training facilities and courses provided are of high quality.	4.10	0.84	68.3	2.815	0.005
Total	**4.12**	**0.67**	**68.6**	**4.544**	**0.000**

*1=Very strongly disagree, 2=Strongly disagree, 3=Disagree, 4=Agree, 5=Strongly agree, 6=Very strongly agree
**Test value of 4

HR Department has allocated some money and time for employees' career development (Table 2.4). The reasons behind such allocations are for development opportunities, for nurturing of employees, for promoting employees based on performance, for providing appropriate career development for future promotion, and for providing equal opportunity for career development. This means that the HR Department is positively giving rooms for improvement to its employees. Yet, HR Department is not seen as showing a good leadership with the employees, despite the fact that the employees gained from HR Department's contribution towards their career development. H1 in relation to career development in general is supported even though many claimed that HR Department does not show good leadership with employees.

Table 2.4: Satisfaction towards Human Resource Management (HRM) Practices - Career Development

Career Development* (N=575)	Mean**	SD	%	t	p
HR Department provides support for staff career development.	4.19	0.80	69.8	5.864	0.000
HR Department provides sufficient development opportunities in this organisation.	4.16	0.82	69.3	4.601	0.000
HR Department is responsible for nurturing employees for career development.	4.15	0.87	69.2	4.039	0.000
HR Department promotes employees based on performance.	4.11	0.86	68.5	3.186	0.002
HR Department provides appropriate career development for future promotion.	4.10	0.80	68.3	3.109	0.002
HR Department provides equal opportunity for career development.	4.09	0.84	68.2	2.668	0.008
The organisation allocates enough money and time for the employee's career development.	4.07	0.78	67.8	2.043	0.042
HR Department shows a good leadership with employees.	4.06	0.82	67.7	1.685	0.093
Total	**4.12**	**0.72**	**68.7**	**3.909**	**0.000**

*1=Very strongly disagree, 2=Strongly disagree, 3=Disagree, 4=Agree, 5=Strongly agree, 6=Very strongly agree
**Test value of 4

Generally, HR Department together with the organisation is able to create suitable employee relations atmosphere (Table 2.5). This is because the organisation allows the formation of union and organizes several programs to strengthen ties of employees. The HR Department, in particular, ensures safety and health practices among the employees, provides good facilities and services for safety and health of the employees, and takes care of its employees' welfare. The organisation, on the other hand, manages to promote good relations and high morale at workplace besides able to handle discipline and grievances in a fair and consistent manner. However, the HR Department is seen as not outstanding enough in communicating for industrial relations with other

organisations. H1 in relation to employee relations is supported even though many staff members feel that HR Department does not communicate well for industrial relations with other organisations.

Table 2.5: Satisfaction towards Human Resource Management (HRM) Practices - Employee Relations

Employee Relations* (N=575)	Mean**	SD	%	t	p
The formation of union is allowed in this organisation.	4.14	0.78	69.0	4.157	0.000
The organisation organizes several programs to strengthen ties of employees, for example, annual dinner.	4.12	0.89	68.7	3.247	0.001
HR Department ensures safety and health practices among the employees.	4.11	0.78	68.5	3.314	0.001
HR Department provides good facilities and services for safety and health of the employees.	4.10	0.87	68.3	2.872	0.004
HR Department takes care of its employee's welfare.	4.09	0.80	68.2	2.662	0.008
The organisation manages to promote good relations and high morale at workplace.	4.08	0.85	68.0	2.294	0.022
The organisation handles discipline and grievances in fair and consistent manner.	4.08	0.86	68.0	2.128	0.034
HR Department communicates well for industrial relations with other organisations.	4.05	0.76	67.5	1.534	0.126
Total	**4.09**	**0.70**	**68.2**	**3.279**	**0.001**

*1=Very strongly disagree, 2=Strongly disagree, 3=Disagree, 4=Agree, 5=Strongly agree, 6=Very strongly agree
**Test value of 4

The respondents are neutral towards compensation and benefit given by the organisation through the HR Department (Table 2.6). They found that HR Department is not that serious in ensuring good working condition in the organisation, in convincing the management to provide attractive compensation to retain its employees, in practicing reasonable remuneration system, and job enrichment strategies in offering fair rewards and pay. The HR Department is negatively rated for providing opportunities to give feedback on the compensation decision, for the reasonable criteria used to compensate the employees, and for fair distribution of compensation.

Table 2.6: Satisfaction towards Human Resource Management (HRM) Practices - Compensation and Benefit

Compensation and Benefit* (N=575)	Mean**	SD	%	t	P
HR Department ensures good working conditions in this organisation.	4.05	0.84	67.5	1.432	0.153
HR Department convinces the management to provide attractive compensation to retain its employees.	4.04	0.915	67.3	0.957	0.339
HR Department practices reasonable remuneration systems and job enrichment strategies.	4.04	0.91	67.3	1.058	0.291
The rewards offered are fair.	4.04	0.81	67.3	1.282	0.201
The pay offered is fair.	4.03	0.84	67.2	0.749	0.454
The employees are given opportunity to give feedback on the compensation decision.	3.99	0.85	66.5	-0.196	0.845
The criteria used to compensate the employees are reasonable.	3.97	0.82	66.2	-0.914	0.361
The distribution for compensation is fair.	3.95	0.82	65.8	-1.483	0.139
Total	**4.01**	**0.73**	**66.8**	**0.441**	**0.659**

*1=Very strongly disagree, 2=Strongly disagree, 3=Disagree, 4=Agree, 5=Strongly agree, 6=Very strongly agree
**Test Value of 4

In terms of performance appraisal, HR Department receives positive evaluation (Table 2.7). Specifically, the HR Department is seen as able to prepare reliable instruments for employees' performance appraisal, regularly appraised employees' performance through appropriate means, implements performance appraisal process that encourages negotiation with his subordinate, and ensuring agreement and consensus between two parties are obtained, and has developed a better system in rating its employees compared to the previous years. H1 in relation to performance appraisal, in general, is supported. but items such as, HR Department documents objective measures appropriately for employees' performance appraisal, the appraiser identified by the HR

Department is fair and free from bias in rating his/her subordinate, and HR Department has trained the appraiser in accessing his/her subordinates are not significant in contributing towards its practices.

Overall Satisfactions towards Human Resource Management (HRM) Practices

On the whole, the employees are satisfied with the HRM practices of their organisation. However, not all practices are significantly contributing towards their satisfaction. These practices are recruitment, selection, and compensation and benefit. Therefore, HR Department should look to various ways of practicing recruitment, selection, and compensation and benefit that might satisfy their employees. The employees are satisfied with the training provided, career development opportunities, employee relations, and performance appraisal practices. Therefore, HR Department should maintain their current practices for the satisfaction of the employees.

Table 2.7: Satisfaction towards Human Resource Management (HRM) Practices - Performance Appraisal

Performance Appraisal* (N=575)	Mean**	SD	%	t	p
HR Department prepares reliable instruments for employees' performance appraisal.	4.11	0.87	68.5	3.133	0.002
HR Department should regularly appraise employees' performance through appropriate means.	4.11	0.86	68.5	3.148	0.002
HR Department implements performance appraisal process that encourages negotiation between appraiser and his/her subordinate.	4.10	0.85	68.3	2.761	0.006
Two-way communication between appraiser and his/her subordinates ensure agreement and consensus between both parties.	4.09	0.82	68.2	2.599	0.010
HR Department has developed a better system in rating its employees compared to the previous years.	4.08	0.88	68.0	2.231	0.026
HR Department documents objective measures appropriately for employees' performance appraisal.	4.06	0.79	67.7	1.846	0.065
The appraiser identified by the HR Department is fair and free from bias in rating his/her subordinate.	4.04	0.88	67.3	1.132	0.258
HR Department has trained the appraiser in accessing his/her subordinates.	4.03	0.85	67.2	0.935	0.350
Total	**4.08**	**0.71**	**68.0**	**2.645**	**0.008**

*1=Very strongly disagree, 2=Strongly disagree, 3=Disagree, 4=Agree, 5=Strongly agree, 6=Very strongly agree
**Test value of 4

Table 2.8: Overall Satisfactions towards Human Resource Management (HRM) Practices

HRM Practices* (N=575)	Mean**	SD	%	t	p
Recruitment	4.04	0.66	67.3	1.478	0.140
Selection	4.02	0.72	67.0	0.620	0.536
Training	4.12	0.67	68.6	4.544	0.000
Career development	4.12	0.72	68.7	3.909	0.000
Employee relations	4.09	0.70	68.2	3.279	0.001
Compensation and benefit	4.01	0.73	66.8	0.441	0.659
Performance appraisal	4.08	0.71	68.0	2.645	0.008
Overall	**4.07**	**0.63**	**67.8**	**2.685**	**0.007**

*1=Very strongly disagree, 2=Strongly disagree, 3=Disagree, 4=Agree, 5=Strongly agree, 6=Very strongly agree
**Test value of 4

Internal Customer towards HRM Practices and External Customers' Satisfaction

Results in Table 3 show that satisfaction with academic staff by the students is positively related with academic staff's career development (r=0.074, p=0.038) and employee relations (r=0.070, p=0.048), even though the relationships are rather low. Therefore, this study partially supports the hypothesis that internal customers' satisfaction is positively related to external customers' satisfaction whereby the students are satisfied with the academic staff, provided the academic staff members are given opportunity for career development and they receive good facilities and services for their well-being.

The administrative staff members, on the other hand, are very much affected by the HRM practices, except for selection; whereby the candidate credentials have some input on the selection. Other HRM practices that influence external customer's satisfaction, specifically students, are recruitment (r=0.070, p=0.047), training

(r=0.094, p=0.012), career development (r=0.118, p=0.002), employee relations (r=0.109, p=0.004), compensation and benefit (r=0.090, p=0.015), and performance appraisal (r=0.090, p=0.015).

Therefore, H2: Internal customers' satisfaction with HRM practices is positively related to external customers' satisfaction is supported for all the HRM practices, for the administrative staff, except for selection.

Table 3: Relationship between internal customer satisfaction and external customer satisfaction towards HRM practices

Independent Variables	Dependent Variables			
HRM Practices	Satisfaction with Academic Staff (N=575)		Satisfaction with Administrative Staff (N=575)	
	r	p	r	p
Recruitment	0.046	0.137	0.070	0.047
Selection	0.014	0.372	0.060	0.075
Training	0.066	0.057	0.094	0.012
Career Development	0.074	0.038	0.118	0.002
Employee Relations	0.070	0.048	0.109	0.004
Compensation and Benefit	0.055	0.095	0.090	0.015
Performance Appraisal	0.037	0.188	0.090	0.015

Job Satisfaction with HRM Practices

It has been hypothesized that internal customer satisfaction towards HRM practices is positively related to job satisfaction (Table 4). It is found that there are positive strong relationships between job satisfaction and HRM recruitment process, selection process, training provided, career development opportunities, employee relations maintenance, compensation and benefit given, and appropriate performance appraisal. This means that the higher the rating for recruitment, selection, training, career development, employee relations, compensation and benefit, and performance appraisal, the higher is the job satisfaction of the employees. H3: Internal customer satisfaction towards HRM practices is positively related to job satisfaction is fully supported in this study.

Organisational Commitment with HRM Practices

Organisational commitment is achieved when the employees are happy with the HRM practices, in terms of recruitment, selection, training, career development, employee relations, compensation and benefit, and performance appraisal. This study found that all aspects of HRM practices are positively related with organisational commitment. H4: Internal customer satisfaction towards HRM practices is positively related to organisational commitment is fully supported.

Table 4: Relationship between internal customer satisfaction towards HRM practices and employees' organisational outcomes

HRM Practices	Organisational Outcomes (N=575)					
	Job Satisfaction		Organisational Commitment		Turnover Intention	
	r	p	r	p	r	p
Recruitment	0.613	0.000	0.576	0.000	0.041	0.161
Selection	0.615	0.000	0.514	0.000	0.122	0.002
Training	0.655	0.000	0.618	0.000	0.173	0.000
Career Development	0.670	0.000	0.580	0.000	0.143	0.000
Employee Relations	0.695	0.000	0.639	0.000	0.077	0.032
Compensation and Benefit	0.651	0.000	0.577	0.000	0.076	0.034
Performance Appraisal	0.715	0.000	0.594	0.000	0.117	0.002

Turnover Intention with HRM Practices

The relationships between turnover intention and HRM practices are rather low, yet significant except for recruitment which is found to be not significant. Therefore, HRM practices cannot strongly predict the turnover intention or to retain the employees. This means that even though the selection is appropriate, training is provided, career development opportunity is available, employees relations is harmony, compensation and benefit are given, and performance appraisal is ethically practiced, there is a tendency that the employees will leave the organisation despite the good practices of HRM in the organisation. H5: Internal customer satisfaction towards HRM practices is negatively related to turnover intention is rejected because negative relationship does not exist.

Conclusion and Implication

This paper investigates empirically the influence of the internal customer satisfaction towards HRM practices, and its relationship with external customer satisfaction and with other organisational outcomes such as job satisfaction, employee commitment, and turnover intention.

The findings revealed that employees are satisfied with the HRM practices of their organisation. However, not all practices are significantly contributing towards their satisfaction. In particular, these practices are recruitment, selection, and compensation and benefit. The employees are satisfied with the training provided, career development opportunities, employee relations, and performance appraisal practices. This study partially supports the hypothesis that internal customers' satisfaction is positively related to external customers' satisfaction whereby the students are satisfied with the academic staff, provided the academic staff members are given opportunity for career development and they receive good facilities and services for their well-being. The findings further revealed that external customers' satisfaction with administrative staff members, are very much affected by the HRM practices, except for selection. This study found that all aspects of HRM practices are positively related with job satisfaction and organisational commitment. This means that the higher the rating for recruitment, selection, training, career development, employee relations, compensation and benefit, and performance appraisal, the higher is the job satisfaction of the employees. The relationships between turnover intention and HRM practices are rather low, yet significant except for recruitment which is found to be not significant.

Most of the findings of this study support previous studies. For instance, (Boselie & Paauwe, 2002; Gilbert, 2000; Gibb, 2001; Pugh, 2002) claim that HRM can improve client satisfaction because HRM improves employee satisfaction and happy employees will lead to greater client satisfaction. Meeting or failing to fulfill employees' expectation as internal customers affect their attitudes. Previous researches indicate that different facets of HRM practices particularly compensation, career management and training, and greater discretion have relationship with several organisational outcomes such as employee satisfaction, employee commitment, turnover, and retention (Chew & Chan, 2008; De Vos & Meganck, 2009; Oshagbemi, 2001). The findings of present study however do not support Chew and Chan (2008) and Zimmerman and Darnold (2009). This particular study also found that turnover intention is positively related to HRM practices. This means that despite their satisfaction with the HRM practices, the employees have the intention of quitting their job for a better offer. Therefore, HR Department should take this as a challenge to be considered in their practices. Problems have to be remedied.

The findings of this study have extended the existing knowledge by confirming that external customer satisfaction is related to internal customer satisfaction with HRM practices of the organisation. In the past, external customer satisfaction has not received much attention in HRM practices researches. Moreover, this particular study has identified specific facet of HRM practices influence on several organisational outcomes. For instance, job satisfaction has been identified to have strong positive relationship with performance appraisal. While, organisational commitment is very much influenced by employees relation, and turnover intention is affected strongly by recruitment practices of the organisations. More importantly, this particular study used the customers' satisfaction framework instead of job satisfaction framework. This is a new contribution of this particular study.

The findings of this study are important to higher education industry as the sector is faced by increasing competitive pressures in high growth market. The key managerial implications of this study include the fact that HR Department needs to groom and nurture the academic and administrative staff so that the students are satisfied with them in their dealings. Therefore, the HR department should recruit the best personnel and staff. Once appropriate recruitment has taken place, the HR department should train their staff members; provide opportunity for career development, provide employee relations to the staff so that the staff members are able to deal with the customers effectively. The results suggest that full understanding and cultivation of good HRM

practices can enhance internal customers' satisfaction and commitment which in turn enhance external customers' satisfaction. Therefore, the organisation under the jurisdiction of HR department should provide the necessary avenue for improving every aspect of the HRM practices.

One of the limitations of this study is on the selection of sample, where it was confined only to universities population. In addition, we were unable to be sure of whether or not the external customers whom participated in this study have actually obtained services from the internal customers in the organisations. There seems lack of research into the effect of unsatisfied HRM practices on employees' attitudes and behaviours in spite of extensive studies on the effect of good HRM practices. Hence this research suggests an avenue for further research.

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