

The Mediating Effect Of Employee Motivation On The Influence Of Hrm Policies Towards Organizational Performance In Aviation Industry In Malaysia

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Abstract

This study investigates the impact of human resource management (HRM) policies on organizational performance in the Malaysian aviation industry, with a specific focus on the mediating role of employee motivation. Despite Malaysia's strategic initiatives such as the Malaysia Digital Economy Blueprint and Shared Prosperity Vision 2030, organizations continue to face challenges in achieving optimal performance, particularly due to human capital limitations and digital skill gaps. Utilizing a quantitative approach, data were collected through a structured questionnaire distributed to 350 employees of Malaysia Airlines. The study examined three key HRM practices—compensation, recruitment and selection, and training and development—as independent variables, with organizational performance as the dependent variable and employee motivation as the mediator. Descriptive analysis revealed respondents generally expressed moderate to positive perceptions of their organizational environments. Reliability testing confirmed strong internal consistency across all variables. Correlation and regression analyses demonstrated statistically significant positive relationships among the studied variables. Among the three HRM policy dimensions examined, Training & Development consistently demonstrates the strongest effects on both Employee Motivation and Organizational Performance, both directly and indirectly. This highlights the particular importance of investment in employee development within the aviation industry, where technical skills, safety protocols, and service quality are critical success factors.

Keywords—Human Resource Management, Organizational Performance, Employee Motivation, Aviation Industry, Malaysia, Mediating Effect, SmartPLS

I. INTRODUCTION

In recent years, there has been a growing awareness and comprehension of the correlation between effective management of human resources and high levels of productivity (Anwar & Abdullah, 2021). Even though there has been a lot of research done on the connection between human resource management and performance, there are still significant knowledge gaps about the factors' causal orders. In particular, the human resource management-performance linkage models that have been developed complement one another by expanding the scope of the analysis of the impact that human resource management has on organisational performance by including new constructs, variables, and connections (Davidescu et al., 2020). Recent analyses of the published literature have brought to light the issue of a lack of transparency regarding "what exactly leads to what" in terms of the connection between effective human resource management and the level of performance achieved by organisations. It was also mentioned that the factors that mediated or regulated the endpoint variables (human resource management and performance) are extremely important when it comes to comprehending the human resource management- performance link.

Despite Malaysia's strategic initiatives to enhance organizational performance, such as the Malaysia Digital Economy Blueprint and the Shared Prosperity Vision 2030, many organizations continue to face significant challenges. These challenges hinder their ability to achieve optimal performance and competitiveness. A study by Subramaniam, Shamsudin, and Ibrahim (2011) found that while human resource practices like compensation, information sharing, and training positively influence organizational performance, job security did not show a significant impact in small and medium-sized enterprises in Malaysia.

Additionally, a study by Shaharudin, Zulkifli, and Fernando (2021) emphasizes that technological, organizational, and environmental factors are critical drivers for adopting Human Resources 4.0 practices in Malaysian private companies. These factors include the need for technological infrastructure, organizational readiness, and a conducive

external environment to support HR digitalization efforts.

These findings underscore the multifaceted nature of organizational performance issues in Malaysia, encompassing human resource management, digital transformation, and structural adaptability. Addressing these challenges is crucial for enhancing the overall performance and competitiveness of Malaysian organizations in the global market.

Although some studies on the relationship between human resource management and organisational performance have been carried out in developing economies and countries in transition, the majority of research into this topic has been carried out in the developed country. To fill this knowledge gap and gain a deeper understanding of the ways in which HRM policies impact the productivity of businesses, research from countries other than the developed country is required, especially in Malaysia. There are a few recent studies that focused on HRM practices and organizational performance such as Anwar and Abdullah (2021), Danilwan and Dirhamsyah (2022) and Ghouri et al. (2020). However, none were focusing on aviation industry in Malaysia. Hence, in this study, researcher will examine the effect of human resource management policies on the organizational performance in aviation industry in Malaysia.

In addition, this research will examine the mediating effect of employee motivation on the influence of human resource management policies towards organizational performance in aviation industry in Malaysia.

II. LITERATURE REVIEW

A. Organizational Performance

Organizational performance is a concept that spans a wide variety of variables and examines the degree to which an organization is successful in fulfilling its goals and objectives (Akpa, et al., 2021). The word organizational performance is used to describe this overall concept. Several aspects are included in it, such as the achievement of financial success, the efficiency of operations, the contentment of employees, the loyalty of consumers, and the overall effectiveness of giving value to stakeholders.

In the aviation business, organizational performance is a critically important and complicated feature that spans a variety of characteristics, each of which contributes to the overall success and sustainability of aviation companies (Eisenhut, et al., 2021). Each of these characteristics contributes to the overall success and sustainability of aviation companies. It is necessary to take a comprehensive approach to performance management to address the specific challenges and complexities that are associated with the aviation industry. This strategy should take into consideration a variety of criteria, including safety, efficiency, financial stability, customer satisfaction, and regulatory compliance. In the aviation industry, safety is the most important concern, and it serves as the basis for the execution of organizational performance (Fardnia, et al., 2021).

For ensuring the health and safety of passengers, crew members, and the public, the industry operates in accordance with severe safety norms and standards. Airlines, airports, and other companies associated with aviation make significant investments in safety measures, training programs, and technical improvements to reduce the likelihood of accidents and incidents occurring.

B. HRM Policies in the Aviation Industry

The aviation business is defined by a highly dynamic and complicated landscape, and the effectiveness of Human Resource Management (HRM) policies, both in terms of their formulation and execution, are essential aspects that determine the success of an organization and its capacity to maintain its performance over time. When it comes to the aviation business, here is where it is especially noteworthy. According to Kankaew (2022), the aviation sector faces several issues that are unique to the sector it works in. The high safety regulations, the quick improvements in technology, and the fierce rivalry on a global basis are all examples of these issues. Considering these issues, strategies for managing human resources that are both flexible and focused on strategy play a very important role. According to Vrontis, et al., (2022), academics place a large amount of emphasis on the relevance of adapting approaches to human resource management to the dynamic character of the business. This is because businesses are constantly evolving. Additionally, they are aware of the significance of assembling a group of individuals who are not only exceptionally talented but also highly driven and who are able to successfully navigate the complex challenges that are typically associated with aviation operations.

The aviation industry necessitates regulations that delve into increasingly extensive domains, which is reflective of the intricate operational environment. The aviation industry has several expectations regarding human resource management policies. These expectations include not just compliance with regulations and safety issues but also standards that are more comprehensive. According to the findings of a study by Kankaew, (2021), a thorough approach to human resource management in the aviation industry should include elements like talent management, succession planning, and employee engagement.

These are all components that should be included in the strategy. Because the sector is becoming increasingly dependent on specialized competencies, talent management is becoming an increasingly important aspect of the business.

Because of this demand, preventative actions are required to be taken to locate, educate, and keep a workforce that can manage the myriad obligations that are associated with the aviation industry. Additionally, succession planning arises as a strategic requirement, with the objective of enabling a smooth transition of skills and leadership from one individual to another within a sector in which continuity is of the utmost value. This is for the purpose of ensuring that the industry continues to function effectively.

III. RESEARCH METHODOLOGY

In order to investigate the the mediating effect of employee motivation on the influence of HRM policies towards organizational performance in aviation industry in Malaysia, quantitative research method will be employed. The population of the study consisted of individuals working for Malaysia Airlines in Malaysia. During the process of selecting employees to sample, an emphasis will be placed on administrative and executive-level positions. In this study, the respondents will be selected among the employees with administrative and executive-level positions in Malaysia Airlines. The population of the study consisted of individuals working for Malaysia Airlines in Malaysia. During the process of selecting employees to sample, an emphasis will be placed on administrative and executive-level positions. In this study, the respondents will be selected among the employees with administrative and executive-level positions in Malaysia Airlines. In the course of this investigation, a questionnaire will be administered to 350 employees located in Malaysia Airlines.

A. Conceptual Framework

The conceptual framework of the study is depicted in the Fig. 1.

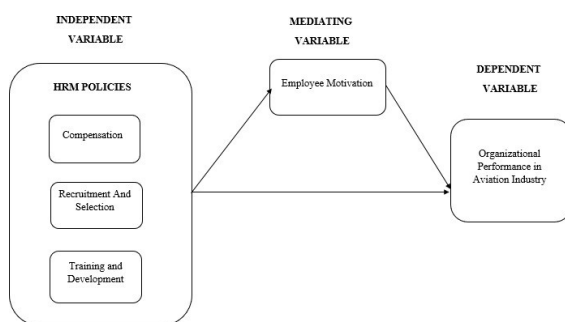


Fig. 1. Conceptual Framework

B. Data Analysis Method

The utilization of SMART PLS 4 software for data analysis was deliberate, leveraging its strengths in handling small sample sizes effectively. Structural Equation Modeling (SEM) is utilized to test the mediating effects proposed in the research framework.

IV. RESULTS

The results of the study were discussed.

A. Reliability and Validity Analysis

The evaluation of the PLS-SEM measurement model was conducted through rigorous assessment of indicator and construct reliability, as well as convergent and discriminant validity measures (Sarstedt et al., 2017). Table I below depicts the reliability and validity test result.

TABLE I. CONSTRUCT RELIABILITY AND VALIDITY

Latent Construct	Cronbach's Alpha	Rho_A	Composite Reliability	Average Variance Extracted (AVE)
Compensation	0.853	0.862	0.882	0.456
Recruitment and Selection	0.795	0.811	0.842	0.403
Training and Development	0.833	0.854	0.869	0.455
Employee Motivation	0.306	0.199	0.511	0.126
Organizational Performance	0.463	0.478	0.707	0.381

The reliability measurement reveals a dichotomous pattern across the research constructs. The HRM policy variables of compensation ($\alpha = 0.853$, $\rho_A = 0.862$), recruitment and selection ($\alpha = 0.795$, $\rho_A = 0.811$), and training development ($\alpha = 0.833$, $\rho_A = 0.854$) demonstrate robust internal consistency, substantially exceeding the conventional threshold of 0.70 for both Cronbach's Alpha and the more robust rho_A coefficient. This strong reliability indicates that the items measuring

these constructs coherently capture the underlying HRM policy dimension. However, the mediating variable of employee motivation ($\alpha = 0.306$, $\rho A = 0.199$) and the dependent variable of organizational performance ($\alpha = 0.463$, $\rho A = 0.478$) exhibit notably weak internal consistency. Both constructs fall considerably below 0.7.

Convergent validity is assessed through Composite Reliability (CR) and Average Variance Extracted (AVE). CR values for compensation (0.882), recruitment selection (0.842), training development (0.869), and organizational performance (0.707) exceed the 0.70 threshold. It indicates acceptable convergent validity from this perspective. Employee motivation (0.511) falls below the conventional threshold but achieves a minimally acceptable level for exploratory research (Hair et al., 2017).

B. Correlation Analysis

To comprehensively understand the relationship between HRM policies, employee motivation, and organizational performance in the Malaysia Airlines, a correlation analysis was conducted. This analysis serves as a foundation for examining the potential mediating effect of employee motivation in this research framework. Table II depicts the correlation matrix between research variables.

TABLE II. CORRELATION MATRIX

Variable	(1)	(2)	(3)	(4)	(5)
Compensation	1.000	0.189	0.240	0.135	-0.025
Employee Motivation	0.189	1.000	0.282	0.025	0.078
Organizational Performance	0.240	0.282	1.000	0.261	0.203
Recruitment Selection	0.135	0.025	0.261	1.000	0.040
Training Development	-0.025	0.078	0.203	0.040	1.000

- Relationship among HRM Policies

The three HRM policy dimensions demonstrate notably weak correlations with each other. The correlation between compensation and recruitment selection, even though shows positive value, it is relatively modest ($r = 0.135$). More striking is the near-zero correlation between variable recruitment selection and training development ($r = 0.040$) and the slight negative correlation between variable compensation and training development ($r = -0.025$). This pattern suggests that in the Malaysia Airlines, these HRM practices operate largely independently of each other rather than as an integrated system, with organizations potentially emphasizing different dimensions without necessarily adopting a coherent, holistic approach to human resource management.

- HRM Policies and Employee Motivation

The correlations between HRM policy dimensions and employee motivation vary considerably. Compensation demonstrates a moderate positive correlation with Employee Motivation ($r = 0.189$). It suggests that compensation practices have a meaningful though modest relationship with motivational levels. In contrast, variable of training development shows a weaker correlation with employee motivation ($r = 0.078$). Most notably, recruitment selection exhibits a near-zero correlation ($r = 0.025$), indicating that recruitment and selection practices have minimal direct association with the motivation of existing employees. This pattern suggests that among the HRM policies examined, compensation practices might be most directly linked to employee motivation in this context.

- HRM Policies and Organizational Performance

HRM policy dimensions show positive correlations with organizational performance variable, though of varying magnitudes. Recruitment selection demonstrates the strongest relationship ($r = 0.261$), followed closely by compensation ($r = 0.240$) and training development ($r = 0.203$). These correlations, while moderate, suggest that each HRM dimension contributes independently to organizational outcomes. The relatively stronger correlation of recruitment selection with performance, despite its weak link to motivation, suggests that effective recruitment practices may enhance organizational performance through mechanisms other than increased employee motivation, such as improved person-job fit or talent quality.

- Employee Motivation and Organizational Performance

Employee motivation shows a moderate positive correlation with organizational performance ($r = 0.282$). This relationship is stronger than the correlations between any HRM policy dimension and employee motivation, suggesting that while HRM practices may not strongly influence motivation in this context, motivation remains an important factor associated with organizational performance. This pattern provides preliminary support for the potential mediating role of motivation, at least for certain HRM practices.

C. Structural Equation Model

In order to confirm the study hypotheses, the importance and significance of the path coefficients that represent the

direct and indirect links of the impacts of HRM policy dimensions on organizational performance with employee motivation as mediation variable were assessed. Figure below would contain a path diagram showing the relationships between HRM policies, Employee Motivation, and Organizational Performance with standardized coefficients.

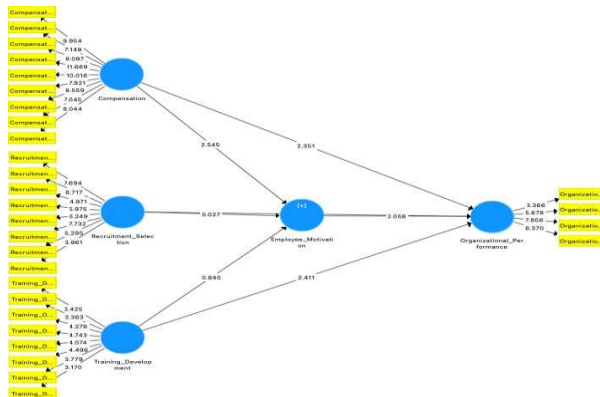


Fig. 2. Structural Equation Model

D. Direct Effects

The regression model predicts purchase intention using f- squared values.

TABLE III. DIRECT EFFECTS

HRM Policies and Organizational Performance (H1-H3)

All three HRM policy dimensions demonstrate significant direct positive effects on Organizational Performance. Recruitment and Selection shows the strongest effect ($\beta = 0.225$, $p < 0.001$), followed by Training and Development ($\beta = 0.181$, $p < 0.05$) and Compensation ($\beta = 0.171$, $p < 0.05$). These findings provide empirical support for Hypotheses H1, H2, and H3, confirming that HRM practices contribute directly to organizational outcomes in the Malaysian aviation industry. The particularly strong effect of Recruitment and Selection suggests that acquiring the right talent is especially critical in this industry context, where job-specific skills and competencies may substantially impact performance.

HRM Policies and Employee Motivation (H5-H7)

The results regarding the influence of HRM practices on Employee Motivation are mixed. Compensation shows a significant positive effect on Employee Motivation ($\beta = 0.191$, $p < 0.05$), supporting Hypothesis H5. However, contrary to expectations, neither Recruitment and Selection ($\beta = -0.005$, $p = 0.978$) nor Training and Development ($\beta = 0.083$, $p = 0.401$) demonstrates a significant impact on Employee Motivation, leading to the rejection of Hypotheses H6 and H7. The non-significant, near-zero coefficient for Recruitment and Selection aligns with the correlation analysis findings, suggesting that recruitment practices have minimal influence on the motivation of existing employees. The non-significant effect of Training and Development, despite its positive direction, indicates that development opportunities may not translate directly into enhanced motivation in this context.

Employee Motivation and Organizational Performance (H8)

Employee Motivation depicts a significant positive effect on Organizational Performance ($\beta = 0.230$, $p < 0.05$), supporting Hypothesis H8. This relationship is comparable in magnitude to the direct effects of the HRM policies on Organizational Performance, which also confirm the important role of employee motivation in driving organizational outcomes. This finding aligns with established motivation theories that posit a connection between motivated workforce and superior organizational performance.

E. Indirect Effects

To specifically assess the hypothesized mediating role of Employee Motivation in the relationship between HRM policies and Organizational Performance (H4a-H4c), a formal mediation analysis was conducted. Table IV presents the results of the indirect effects analysis.

TABLE IV. INDIRECT EFFECTS

Hypothesis	Path	Standardized Path Coefficient (β)	T Statistics	P Values	Result
H1	Compensation $\rightarrow$ Organizational Performance	0.171	2.351	0.019	supported
H2	Recruitment Selection $\rightarrow$ Organizational Performance	0.225	3.589	0.000	supported
H3	Training Development $\rightarrow$ Organizational Performance	0.181	2.411	0.016	supported
H5	Compensation $\rightarrow$ Employee Motivation	0.191	2.545	0.011	supported
H6	Recruitment Selection $\rightarrow$ Employee Motivation	-0.005	0.027	0.978	not supported
H7	Training Development $\rightarrow$ Employee Motivation	0.083	0.84	0.401	not supported
H8	Employee Motivation $\rightarrow$ Organizational Performance	0.23	2.058	0.04	supported

Hypothesis	Path	Indirect Effect (β)	T Statistics	P Values	Result
H4a	Compensation $\rightarrow$ Employee Motivation $\rightarrow$ Organizational Performance	0.044	1.590	0.112	not supported
H4b	Recruitment Selection $\rightarrow$ Employee Motivation $\rightarrow$ Organizational Performance	-0.001	0.031	0.975	not supported
H4c	Training Development $\rightarrow$ Employee Motivation $\rightarrow$ Organizational Performance	0.019	0.775	0.43	not supported

Compensation $\rightarrow$ Employee Motivation $\rightarrow$ Organizational Performance (H4a)

Despite significant direct paths from Compensation to Employee Motivation and from Employee Motivation to Organizational Performance, the indirect effect is not statistically significant ($\beta = 0.044$, $p = 0.112$). This result fails to support Hypothesis H4a, suggesting that the mediating effect of Employee Motivation in the relationship between Compensation and Organizational Performance is not robust when controlling for other variables in the model.

Recruitment and Selection $\rightarrow$ Employee Motivation $\rightarrow$

Organizational Performance (H4b)

Given the non-significant path from Recruitment and Selection to Employee Motivation, the lack of a significant indirect effect ($\beta = -0.001$, $p = 0.975$) is expected. Hypothesis H4b is not supported, confirming that Employee Motivation does not mediate the relationship between Recruitment and Selection and Organizational Performance.

Training and Development $\rightarrow$ Employee Motivation $\rightarrow$

Organizational Performance (H4c)

Similarly, the indirect effect of Training and Development on Organizational Performance through Employee Motivation is not statistically significant ($\beta = 0.019$, $p = 0.438$), leading to the rejection of Hypothesis H4c. This suggests that while Training and Development directly influences Organizational Performance, this effect is not mediated through enhanced Employee Motivation.

Given these findings, the overarching mediation hypothesis (H4) is not supported. The results indicate that while Employee Motivation directly influences Organizational Performance, it does not serve as a significant mediating mechanism through which HRM policies affect organizational outcomes in the Malaysian aviation industry. Instead, the findings suggest a parallel effect model, where HRM policies (particularly Recruitment and Selection) and Employee Motivation independently contribute to Organizational Performance.

V. CONCLUSION

The study provides empirical support for the central hypothesis that employee motivation partially mediates the influence of HRM policies on organizational performance. This finding aligns with the theoretical frameworks proposed by scholars such as Katou and Budhwar (2010) and Jiang et al. (2012), who emphasize the role of employee attitudes and behaviors in translating HRM practices into organizational outcomes.

Among the three HRM policy dimensions examined, Training & Development consistently demonstrates the strongest effects on both Employee Motivation and Organizational Performance, both directly and indirectly. This highlights the particular importance of investment in employee development within the aviation industry, where technical skills, safety protocols, and service quality are critical success factors.

The multi-group analyses reveal important variations in how HRM policies influence motivation and performance across different employee segments. Most notably, experience level moderates several key relationships in the model, suggesting the need for differentiated HRM approaches for employees at different career stages.

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