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The influence of human resources management practices, and government's role in the organizational performance of small businesses in Malaysia

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ABSTRACT

This study tries to examine a model involving human resources management practices, employees' outcomes, governmental support, and organizational performance of small businesses in Malaysia. It was hypothesized that HRM practices will be positively related to the organizational performance (financial and operational), and that employees' outcomes would serve as a mediator in the relationship between HRM practices and performance. Also it was hypothesized that the governmental support will be positively related to organizational performance. The statistical results on data gathered from a sample of 265 small manufacturing businesses will demonstrate the nature of relationships among the study variables. Theoretical and practical implication will be suggested depending on the results.

Keywords: Small businesses, HRM practices, employees' outcomes, governmental support, and organizational performance.

1. Introduction

All economic point of views are consensus about the growing importance of small business, whether in the industrially developed countries or developing countries. Several statistics indicate that these businesses represent more than 90% of the total number of the enterprises in most economies of the world, small businesses also contribute in about 46% of both local and global outcome and, as well as they provide between 40%- 80% of total employment.

The importance of small businesses lies in their ability to achieve the following:

1. Supporting economic and social growth and activating the economic cycle.
2. Providing work opportunities and promoting policies aimed at combating unemployment and chronic poverty reduction.
3. Configuring value-added for industrial domestic product.
4. Configuring forward and backward linkage for large firms through a network of supply, distribution, maintenance, and providing needed services to these firms.
5. Attracting small capitals, exploitation available resources, enhancing competitive forces and developing humane and technical capabilities.
6. Contributing towards export and reducing import.

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In Malaysia, small businesses constitute 99% of the total enterprises within the three major economic sectors (industrial, services, agricultural) with 519.000 businesses (Normah, 2006).

The importance of small businesses in Malaysia rises through its active contribution in generation income and value-added, in 2003, small businesses achieved a net income of RM 405 billion and RM 154 billion value added.

Currently, small businesses are facing many challenges and problems due to rapid environmental changes represented through the diversity of the labor market, development of information systems, globalization, and the constant change in product demands. These hasty changes are confronted by the inability of most of these businesses to keep up with these changes and trying to utilize them in their favor, due to the weakness of available resources for small businesses (necessary funding, advanced information system and active human resource).

To achieve success, businesses in general and specially the small ones must have the ability to improve performance by creating products and new work strategies, reducing costs, improving quality and productivity (Luthans and Sommers, 2005), through using available resources and facilities such as the human resource by focusing on the ways and means capable of improving the ability of workforce.

Many researchers have called for taking care of HRM in small businesses of its decisive influence to create and increase knowledge, motivation, trust, involvement and commitment, which is reflected in turn as a source of sustainable competitive advantage. Huselid (1995) has confirmed the fact that HRM practices represent a single path that can be used by businesses to conform attitudes and behaviors of their employees in order to serve the desired goals through the creation of conditions that make their employees on a high degree of engagement and thus making all efforts to achieve the organizational objectives.

Studies mostly concentrated on HRM and its impact over organizational performance in large firms (Delancy and Huselid, 1996; Huselid, 1995; Paul and Anantharaman, 2003; DeanHartog and Verburg, 2004). However, few studies have looked at the influence of HRM practices over organizational performance in small businesses (Collins, Allen and Wright, 2004, 2005).

There has been a prior concession by most of the organizations, regional and international agencies and researchers all around the world, about the importance of small businesses as a cornerstone in the economies of most countries and the fact that these businesses have suffered from negligence for a long period of time, which is reflected in the performance and their effective participation in the improving of economic and social reality throughout countries.

Several studies have proved that human resources is the decisive factor to improve the organizational performance and to achieve the sustainable competitive advantage. The importance of human resources requires attention towards managing this resource and following the best possible practices in selecting, recruiting and organizing human resource.

Different definitions have been put forward by researchers to HRM (Jackson, 1987; Delery and Doty, 1996; Dittmer, 2002). In general, HRM is represented in a range of practice,

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official policies and philosophies designed to attract, develop, motivate and retain the workforce who represent the mainstay of effective organizational performance and to ensure the survival of the businesses.

The importance of HRM practices lies in their power to influence the organizational performance not directly but through the positive influence on the employees' performance that named (employees' outcomes).

Many studies have been conducted to examine the relationship between HRM practices and employees' outcomes that lead to influence the organizational performance, but a few of those studies were dedicated to small businesses. Also, many of those studies devoted to examine the relationship between HRM practices and one variable of the employees' outcomes such as trust, commitment, engagement and involvement (Collins, Jackson and Allen, 2005; Huselid, 1995; Becker and Huselid, 1998; Wright and Snell, 1998; Guest, 2000).

The study of Cornell University/ New York along with Gevity institution is regarded a pioneer study that highlighted the importance of human resources in small businesses, and on the effective strategies followed by HRM in these businesses and their impact on the employees' outcomes and then on the organizational performance.

Based on Cornell University study, the main objective of this study is to examine the relationship between HRM practices and organizational performance of small businesses through the mediator variable (employees' outcomes).

In spite of the growing importance of small businesses in the economies of most countries in the world, these businesses suffer many difficulties that limit their capability to succeed and withstand the challenges faced and which sometimes lead many to fail and withdrawal from the market. These problems are seen in the difficulties of obtaining the necessary funding, legal restrictions and bureaucratic procedures that govern the work of these businesses and the lack of managerial qualifications which can deal with these constraints effectively, and the difficulty to take advantage of opportunities for innovation due to lack of the necessary skills to turn creative ideas into commercial products that bring profit back to the businesses (Vinnell and Hamilton, 1999; Cosh and Hughes, 2003).

Most countries including developed, transitional, and developing countries have put forward various programs and policies to support small businesses in order to improve their ability to grow and step up their performance in innovation, promoting managerial skills, and to adopt the best practices to improve the efficiency of their human resources.

Most (OECD) countries have programs to support small businesses, and allocate ¼ government aid programs for them. In Germany, Iceland, Japan, and New Zealand nearly 50% of the total government support programs is allocated for small businesses. In USA a large portion of public money is devoted to help small businesses in the starting stages, getting the equipment, research and development, training and advisory services.

Robert J. Lucas in 1995 confirmed that small businesses are the backbone of long-term economic growth, and that free competition is the driving force for them. Therefore, the policy of the European Union aims to provide the right climate that allows the development of small businesses through:

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1. Reducing taxes.
2. Reform of social systems and increase their flexibility.
3. Ensure free competition in open markets.

The Canadian government has realized the importance of the small businesses sector in job creation by about 80% of the total employment, thus it created many structures and programs of financial and technical assistance through a specialized institution.

As for transitional countries, the governments have realized the great importance of small businesses in job creation, income generation, diversification of the economy, the creation of added-value, and therefore they adopted many long and short-term strategies to help these businesses to improve their ability to face all encountered challenges and difficulties.

In Indonesia, the government has a number of effective policies to backing up small businesses including securing of necessary funding, strengthening managerial and organizational abilities, strengthening networks and partnerships, and supporting small businesses access to global markets and increasing marketing opportunities.

In India, small businesses are considered the spoiled son of the Indian government in its different types and orientations, where diverse forms of government support include four main channels:

1. Protection from competition.
2. Providing the basic constituents for these businesses including training, setting up industrial complexes, improving managerial and technical skills, and assisting in marketing.
3. Providing needed funds and on concessional credit terms.
4. Obliging large industries to export 50% of small businesses products with similar products.

Since independence Malaysia has achieved many national development goals and nearly all of the Millennium Development goals (MDGs). For example the MDGs target to reduce the proportion of the population living below the poverty line by 50% between 1990 and 2015 was achieved in 1999, when the poverty rate fell from 16.5% in 1990 to 7.5%. By 2006 the poverty rate was just 5%. The growth and development of small businesses in Malaysia have contributed significantly in creating employment and thus in reducing the poverty rate.

The full realization of the importance of small businesses may incited the government to set up several institutions, incubation centers and banks allocated to these businesses, such as NSDC, SMIDEC, MECD, HRD portal.

Malaysia has given priority to small businesses and developed policies that meet the development needs. Strategies of the Eight Malaysia plan (2001-2005) have focused on the development of small businesses operation in the manufacturing sector, and large allocations used in order to confront the basic challenges and problems facing the development of small businesses and through arrange of institutions.

Despite the fact that there is a broad governmental support for small businesses, but the

researches that concern with studying the influence of this support on the organizational performance for small businesses is still scarce, if not non-existent. The need is still urgent to examine the feasibility of the various forms of government support for small businesses from the point of view of those businesses.

Thus the second objective of this study was to examine the relationship between governmental support and the organizational performance for small businesses.

2. Review of literature

Numerous studies are devoted to addressing organizational performance. In order to determine the means of achieving high-level performance in organizations through putting strategies that are capable of helping organizations arrive at a high level performance. The present study addresses this issue relying on a model taken from Cornell University, with some modifications applied to that model by the researcher. The model of this study examines the effect of HRM on organizational performance through employees' outcomes at first, as well as the effect of the role played by the governmental support to small businesses on organizational performance, especially small businesses in Malaysia. The present study comprises four sections:

1. The relationship between HMR and organizational performance
2. The relationship between HRM and employees outcome.
3. The relationship between employees' outcome and organizational performance.
4. The governmental support and its link to the performance of an organization.

2.1 HRM and its relation to organizational performance

During the 1990's, the field of management witnessed the introduction of a new factor which became the differentiator for businesses. What is meant by this factor are humans. Human resources started replacing products, markets cash, buildings and equipment and it became the main differentiator in businesses. Assets in a business are considered incomplete if they do not include human resources. Thus, such assets without human resources represent in fact passive resources which are unable to bring about the desired value without human resources practices. In fact, the major significant element that helps businesses to accomplish sustainable and profitable economy is workforce. However, there is some controversy regarding defining the concept of human resources management particularly if compared with personnel management practices of the past and industrial relations which play a significant role in theories of management adopted by the west.

Practices of human resources were first introduced during the early decades of the twentieth century. The period extending from 1950 up to the late 1970's witnessed a concentration by research literature on the expansion and development of human resources management practices in large businesses. (Scott 1915). Special emphasis was given to practices relevant to the selection of personnel and motivation factors. (Guion 1965); (Cann at-al 1981). The most contemporary literature relevant to HRM practices focuses on human resources management practices and their impact on the performance of an organization. Studies have shown a positive influence by HRM practices on company's performance. HRM practices are also strongly linked to performance. (Tenbrunsel at-al 1996); (Delery and D.H. 1996); (Guest 1997); (Huselid 1995); (Huselid at-al 1997); (Ichniowski at-al 1997); (Koch and R. G.

1996); (De Kok and L.M. 2001); (Litz and A. C. 2000); (MacDuffie 1995); (Schulze at-al 2001); (Schulze at-al 2003); (Welbourne and Andrews 1996); (Wynarczyk at-al 1993); (Arthur 1994); (Ngo at-al 1998); (Bae and Lawler 1998) ; (Fey and Bjorkman 2001); (Becker and Gerhart 1996) ; (Becker and Huselid 1997); (Gratton at-al 1999); (Beer at-al 1984); (Fombrun 1984); (Becker and Huselid 1998); (Boselie and Boon 2005); (Paauwe 2009); (Nishii and Wright 2008); (Guest at-al 2003); (D'Annunzio-Green 2002); (Richardson and Thompson 1999); (Voorde at-al 2010).

Wright, et-al., and Gardner (2005) stressed that , “One of the first issues that must be settled in the effort to understand how HR practices impact performance is to theorize the means through which this relationship occurs, in essence specifying the intervening variables between the measure of HR practices and the measure of firm performance.” Accordingly, it can be drawn from the above quote that HRM practices and firm performance are linked to each other by certain mediating variables. As mentioned before, most literature connected to the study of human resources management demonstrated on the existence of a direct link between HRM practices and firm performance (Cappelli and Crocker-Hefter 1996); (Boselie at-al 2005); (Combs at-al 2006).

Links between policies of human resources and business performance and the way human resources management practices influence company's performance may be shown through these precise mechanisms (Wright at-al 2003); (Purcell at-al 2003); (Gerhart 2007); (Becker and Gerhart 1996); (Ahlstron 2005) What makes the scientists focus on the direct relationship between human resource management and company's performance is the difficulty and complexity of the statistical analysis in the indirect relationship.

2.2 The relationship between HRM and Employees' Outcomes.

Paul and Anantharaman (2003) said in their study “it is more important to see “how” something is done compared with just “what” has been done”, This sentence has been said to discuss the cause of high performance and human resource management applications, where it is important to study and discuss the steps of this relationship and the mediating or moderating variables overlapping between human resource management applications and organizational performance (Becker and Gerhart 1996) ; (Boselie at-al 2005); (Hutchison at-al 2001). Employee skills like (cooperation and employee competences), employee behavior such as (presence, retention), and employee attitudes like (commitment, motivation, and satisfaction) is considered as classifications of outcomes of HRM (Appelbaum at-al 2000). Those were commonly used as mediator variables (Paauwe 2004); (Lepak at-al 2006). Therefore, researches which illustrate the results of human resources management as mediator variables also brought about the causal order models that explain the nature of relationships among the variables (Wright at-al 2005).

It was debated whether organizational performance is improved and enhanced by direct mechanism usage of human resource management practices; that is to say, whether indirect effect of human resources management practices that are considered as alternative factors to increase the firm performance. This arising view assumes that the increase and decrease of organizational performance result from the outputs of employees in the organization such as trust, commitment as well as effort of involvement.

HRM has, in some literatures, been distinguished to (hard and soft) (Storey 1992), or (low road and high road) of HRM that influence directly or indirectly in the performance of

organizations. Employees' outcomes are motivated by effective human resources management practices, usage HRM practices efficiency and effectively derives to high level of employee outcomes (Guest 1999); (Baldwin 1959); (O'Reilly and Chatman 1994); (Hame and Prahalad 1994); (Dess and Picken 1999); (Steijn 2004) ; (Podsakoff 1990); (Heider 1958).

Indeed, two factors have an important and a vital role during the process of application of HRM. The first one is line managers, who have turned to play a wide role in HRM practices (Purcell and Hutchinson 2007) whereas the second factor is employees, as they represent the main target of human resources management practices aiming to arrive at a positive impact on organizational performance. In General, HRM studies have shown that employees tend to best perceive and experience the activities followed or adopted by their supervisors; (Paauwe and Boselie 2005) (Becker and Huselid 2006); (Bowen and Ostroff 2004); (Den Hartog et-al 2004). This shows that the effect human resource management practices have on performance is at two levels; the level of the whole organization, and at the level of employees in the organization. The difference in the implementation of human resources management practices creates a different effect on both employees and organizations. Nishii and Wright (2008) also mentioned the importance of the intended or designed human resources management system (what is implemented) and the perceived human resources management system (how individuals interpret it) to explain the HRM' effects on performance. Thus, the diversity of HRM process and HRM implementation from organization to organization may lead to contrasting outcomes with respect to employees' interaction and response.

During the last twenty years, literature relevant to HRM focused on finding an answer to essential points: Is the positive organizational performance made by human resources practices? Then, how is high level impact accomplished? The most recent discussions focus on the second question, because the issue is not only whether the practice of human resource management is a good thing for the organization or not. Causal relationships between the human resources practices and outcomes must be given more attention (Huselid and Becker 2005); (Schuler and Jackson 1987); (Barney 1991); (Appelbaum 2000); (Boxall and Steeneveld 1999).

Hence, stemming from the above, we may arrive at the following hypothesis:

1. Employees' Outcomes is influenced by HRM Practices.

2.3 Employees' Outcomes and its relation to Organizational Performance.

It is commonly believed by specialists and practitioners of HRM that employees' performance owns critical entanglements on a company's performance. (Huselid 1995). Nonetheless, in the recent years, focus on HRM practices that help achieve the highest employee performance, leading to maximum performance by the company, has increased. Specialists and researchers have suggested that when employees of a company perform collectively, this will lead to a major source of competitive advantage.

Some researches that related and based on resource-based view emphasize that people are the most importance assets to get to the success of the organizations especially in the competitive environment. In spite of what has been said by Michael Hammer about the human being "people our greatest asset" is not a factual issue in contemporary American business, human resources management is the term that has been known and the most famous in the literatures.

HRM term has been the most comprehensive and expresses all practices that are concerned with the nature of people in all kinds of organizations (Peters and Waterman 1982); (Collins and Porras 1994).

Numerous studies backed the suggestion that there is a strong relation between employees' outcomes which is satisfaction to performance. (Hackman and Oldham 1975); (Judge 2001); (Taris and Schreurs 2009). A Survey has been done in UK by Guest and others from the Institute of Personnel and Development which included 610 companies, this survey tried to examine the nature of relationship between the HRM and performance, this study concluded that the linkage between human resources management and performance is indirect, due to the impact on employees quality, flexibility, and commitment (Guest 2000). On the same tone Patterson and colleagues (1997) Sheffield has conducted a considerable study, specified the vital role of HR practices on employees behavior and attitudes through some of employees' outcomes such as commitment and satisfaction of workforce that has a positive impact on organizational performance (Guest 1999); (Boselie at-al 2005); (Legge 2005); (Nishii and Wright 2008); (Paauwe 2009). Training as one of the most importance practices of HRM is valuable in strengthening the performance through the high quality of human capital (Becker 1975) (Delaney and Huselid 1996); (Koch and R. G. 1996), as Becker writes: "Most on-the-job training presumably increases the future marginal productivity of workers in the firms providing it. So, there are many researchers, scholars and writers who suggested many models to demonstrate the indirect relationship between HRM and performance. For example, the model that has been proposed by Wright and Snell (1998) and the model that has been suggested by Becker and Huselid (1998), assert the policies of human resources management effect on employees' skills and behaviour which thereby influence the performance of firms. Nevertheless, there has not been a strong positive relationship in some studies that were conducted between mediating variables (Employees' Outcomes) and performance (O'Reilly 1991).

From the above, the following hypothesis might be concluded:

Hypothesis 2. Organizational Performance is influenced by Employees' Outcomes.

2.4 The governmental support and its relation to organizational performance.

The government's support and its relation to organizational performance is of paramount importance to small businesses and this prompts most countries around the globe to adapt many kinds of programs to support small businesses and back them to encounter the several challenges they face.

In developed countries, the governments offer various supporting services (financial and nonfinancial), with strong belief in the vital role played by a small business in the development of their economies.

In developing countries, including Malaysia, the demand for governmental support increases because of barriers that face the small businesses.

In order to highlight the importance of the governmental support for small businesses and its role in the organizational performance, it is important to find and discuss some studies in this respect particularly in Malaysia.

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Although the fact of existence of governmental support for small businesses, yet the literatures relating this subject are scarce, and almost are published by international and governmental agencies as reports statistically demonstrate the amount and kind of governmental support that are offered to small businesses.

There are many studies of governmental role in developed countries (Berry, et-al 2006); (Ian and Sure 1998); (Jianzhong and Hong 2009); (Mole, et-al 2009); (Schaper and Vallery 2004).

On the contrary, there are drought literatures pertaining to governmental support to small businesses in developing countries including Malaysia. Moha Asri (1997) assigns a chapter in this book to discuss briefly the government support.

Because the Enterprise plays a vital role in communities' prosperity through creating jobs, increasing technology and the competition in markets, adopting and developing innovative ideas, as well as increasing productivity, governments are supposed to support enterprises, particularly as they realize how a significant and vital role enterprises can play in economic growth. This support could be represented in working with the company to overcome the difficulties a company's performance and growth might face. In fact, several countries do focus on small businesses since the governments of these countries realize the vitality these small businesses have with respect to the overall economic growth of the country. Therefore, when these small businesses face difficulties, be them financial or others, governments run to help them overcome these difficulties.

There are many institutions that support small businesses, especially in the developed countries. Small businesses sometimes cannot get diverse sources, especially in relation to the financial assistance to start the project (Robinson 1998). Financial institutions are trying to provide assistance, especially for projects that are held to help the poor in both vast areas and remote ones, and this means increased costs and difficulty in delivering services to all consumers in those areas, so the goal of these institutions is trying to reduce the cost as much as possible through outreaching to community groups (IBRF 2002). One of the institutions that works to provide similar financial services and other services called microfinance which is recognized as a developmental tool due to its services such as Loans, tax breaks, pay a small rent, employment, counseling and advice, especially in the beginning of the establishment of a small businesses (Robinson 1998).

SMEs are characterized by a number of attributes, but these characteristics are often considers disadvantages or problems, this is due to the nature of small projects (this is due to the nature of small projects) in terms of lack of human resources, material resources, administrative resources, and financial resources. Small businesses have trouble negotiating with customers and suppliers to get the best price and the liabilities and payment conditions more than big businesses, due to Trade name, brand, and large market share owned by large organizations. Small businesses also have limitations in the managerial resources, like the problems that relate to planning and organizing, where the difficulty of long term plans, the old methods used to organize work, given tasks and responsibilities, and to attract and motivate individuals and retention and last but not least, the lack of strategic vision of mangers of small businesses. Compared to large businesses, small companies have smaller and less complicated managements systems, with not as developed and up to date payment and reward arrangements. However, and despite the lack of resources that enables them of competing with large companies; these small businesses can become innovative. Many Small businesses plan to use and enhance government's support, which has a vital influence

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on their performance, in order to achieve the highest desired level of performance.

The Central Bank of Malaysia made a study in (2001) which brought to surface the difficulties that small businesses suffered from. According to this study, an enabling environment for small businesses development has been created to ensure the small businesses development plans are focused.

In this study, Khairudin (2007), focused on small businesses awareness about governmental support, particularly on credit guarantee scheme. The result of the study showed that only 10% of the respondents were aware of the services provided by the government.

Another study conducted by Mustafa, Khairudin and Sha'ri (2006) demonstrated the financing approach to small businesses, source of financing and financial needs.

Another study about small businesses development in Malaysia Salleh and Ndubisi (2006) stated the problems faced by the local small businesses which are related to business advisory services. The problems, among others, were:

1. Lack of coordination among service providers.
2. Low usage rate of governmental support services.
3. Low level of knowledge on governmental support.
4. Bureaucracy in the governmental agencies.

In another study conducted by Faziah, Aziz and Sudin (2006) where they referred to usage of the governmental financial support services among small businesses in the northern part of Malaysia. While they found that most small businesses tend to ask for financial aids from commercial banks rather than the government support agencies. The lack of knowledge about the services and bureaucracy were two common contributing factors to the phenomenon.

Many studies showed similar results of the lack of awareness about governmental support among small businesses (Hakimin, at-al 2009); (Hakimin, at-al 2010); (Norliya, at-al 2010).

A related study on the development of governmental supports was conducted by Rosli (2000). The study focused on the formulation of the government policy in supporting small businesses in the different phases of economic development,

In short, it is not easy to find some studies devoted to study the links between the governmental support and the organizational performance in small businesses.

Therefore, this study will try hard to prove this relationship between government's role and the organizational performance in small businesses in Malaysia. It can be argued that the support presented by governments to small businesses stimulates them to achieve a higher level of performance. It can also be said that among the most difficult challenges a small company faces is poorer governance. Bellalah (2004); Zafft (2002).

This might lead us to the hypothesis shown below:

Hypothesis 3: Organizational Performance is influenced by The Government's.

3. Research questions

Present day literature in the field of business indeed focus greatly on small businesses and on what these small businesses need in order for them to achieve success. A wide range of research is in progress to find out what is needed for successful Small business. There are a lot of strategies that could help small businesses to survive and grow. There is an internal strategy such as human resource, which may not receive attention and care what gets capital, technology, raw materials, and other production inputs. It may be because of the difficulty of determining the role of the human element factor in the success of these projects first, as well as the difficulty of determining the role of the management of the human element in improving the performance of these projects. Some countries have supportive governments such as Malaysia, where the Malaysian government has paid great attention to small enterprises through a lot of programs offered by specialized institutions. Under these care is a success achieved by small businesses, not only because of internal strategies, but this success is due to external strategies it is a role for government.

From here came the research problem, which tries to link all of the human resources management practices (internal strategy) and the role of government (external strategy) with Organizational performance for small enterprise.

Accordingly, the research problem focuses on:

“Attempts to prove a model for human resources management practices, employees’ outcomes, the governmental support, and organizational performance in small businesses.”

This can be expressed in the following three questions:

First: Is there positive influence by human resources management practices used in small businesses on the employees’ outcomes?

Second: Is there positive influence by the positive employees’ outcomes on organizational performance for small businesses?

Third: Is there positive influence by government policies on organizational performance?

4. Theoretical framework

Numerous studies and researches were conducted in the different countries of the world in the field of the importance of small businesses, and methods of attention and sponsorship of small businesses, due to the fact that small businesses the foundation stone in the process of economic and social advancement. This scheme is based on the study on the trends study conducted by a research team at the University of Cornell \ New York collaboration with Gevity institution specialized in human resource management research in small businesses. This model has been applied on a sample of small businesses in the United States of America and on sample of small businesses in Iraq, aimed to determine the causal order of the influences HRM practices exert by following the influence of practices on the level of employees first and leading to find some positive behaviours of employees, and then track the impact of these behaviours (employees outcomes) on Organizational performance of both types of the operational and financial. This model has been modified when the researcher wanted to test this model on a sample of small businesses in Malaysia, which has been added a new variable that is named (government’s role)

because the researcher cannot ignore or neglect the role of the Malaysian government in supporting small businesses. Figure (1) demonstrates the model of study.

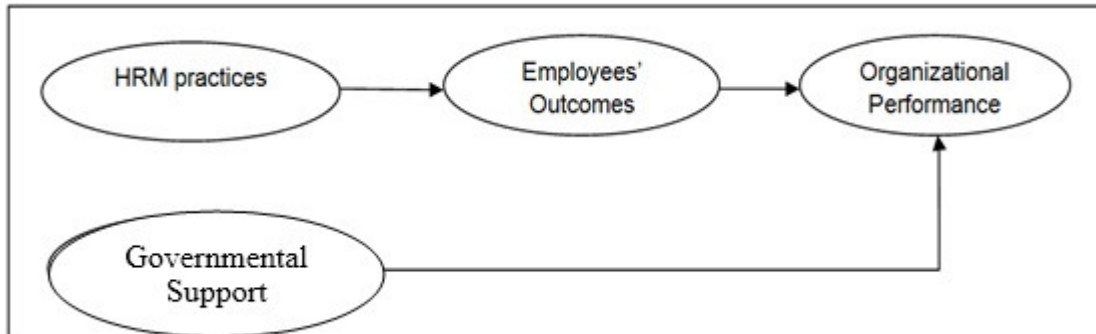


Figure 1: Mode of study source by research.

The above-mentioned model consists of four variables:

Human Resources Management Practices (Independent variable). Consist of three sub-variables:

1. Employees' selection practices.
2. Employees' management practices.
3. Employees' Retention and motivation practices.

Employees' Outcomes (mediating variable). Consist of five sub-variables:

1. Effort of involvement.
2. Cooperation.
3. Trust in management.
4. Intention to turnover.

Governmental Support (Independent variable).

1. Financial supporting.
2. Nonfinancial supporting.

Organizational Performance (dependent variable). Consist of five sub-variables:

1. Financial performance.
2. Operational performance.

4.1 Definition of key concepts

1. Small business: there is no single uniformly acceptable definition of small business (Story, 1994) due to the different criteria used by different countries and agencies. There was no standard definition in Malaysia, but different institutions and agencies developed

different definitions according to the criteria credited by those agencies. In 2005, NSDC introduced a new uniform of small business depending on the criteria of the value of annual sales and number of employees where the small business in the manufacturing sector has been defined as "Enterprise with annual sales turnover between RM 250000 and less than RM 10 million and has full time employees between 5-50 employees". For this study, the definition of NSDC has been adopted.

2. HRM practices: Story (1995) defined HRM as "a distinctive approach to employment management which seeks to obtain competitive advantage through the development of a highly committed and skilled workforce using an array of techniques". Whereas, Delery and Doty (1996) suggested that HRM is "a set of internally consistent policies and practices designed and implemented to ensure that firm's human capital contribute to the achievement of its business objectives".
3. Employees Outcomes: for this study employees' outcomes may be a combined of attitudes and behaviours of employees which affect their performance and influence the organizational performance. In this study the employees' outcomes might include: commitment, trust, cooperation, involvement, and tend to leave the work.
4. Organizational Performance: organizational performance can explained from several different kinds of perspectives. In this study organizational performance refers to the overall performance that organization aims to achieve, and can be expressed in terms of financial measurement or operational measurement.
5. Governmental Support: the definition of governmental support differs considerably amongst countries the world (Harper, 2005). Mole (2002) noted that governmental support is an approach for the governmental support can be defined as assistance from the government and its institutions for small businesses in the form of financing advice, training, and mentoring in order to improve and develop them.

5. Methodology

1. Population: according to Welman and Kruger (2002) a population is the study object which may be individuals, groups, organization, human products and events, or the conditions to which they are exposed. In this study, the population studied comprise small manufacturing businesses in Malaysia.
2. Sampling: random sampling was used to choose (265) small manufacturing businesses.
3. Data Collection: two questionnaires were prepared to gather data, one for owners/managers and the other for employees. Some structured interviews were used to gather data.
4. Data analysis: In practice, many multivariate data sets are obtained by using complex sampling designs. In this study the target population has a multilevel (hierarchical) structure. The model of study somewhat complicated, due to it is contents two parts. First one is causal order model, to investigate the influence of managers/owners of small businesses on the employees of small businesses, then the influence of the employees on organizational performance. Second part is to examine the direct relationship between the government's role and organizational performance.

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Hypotheses of study will be tested through the following: Hierarchical Linear Modelling HLM with HLM 7 software, Structural Equation Modelling SEM with AMOS, and cluster analysis with SPSS. The ordering, analysis and tabulating of the collected data were performed through using The Statistical Parcel for Social Science SPSS16.0. Therefore, factor analysis, reliability, statistical descriptive, normality is all emphasized. Three software will be used in this study maybe for many reasons:

1. This study look into causal relationships, SEM represents causal processes that generate observations on multiple variables (Hair, et-al, 2010).
2. This study has two large samples, which are considered sufficient to conduct SEM (Hair, et-al, 2010).
3. This study have two levels, it is a multilevel (hierarchical) structure. HLM is appropriate for this case (Phan, 2008).
4. The first effective relationship is between managers and employees, that is mean the influence of small data on big data. Therefore, only HLM can be suitable for this case.
5. Cluster analysis is suitable to classify the data and configured to examine the influence of employees' outcomes on organizational performance.

5.1 Conclusion

According to the model of study the researcher expects:

1. Significant relationship between HRM practices and employees' outcomes.
2. Significant relationship between employees' outcomes and organizational performance.
3. Significant relationship between government's role and organizational performance.

These expectations due to the:

1. Commitment from owners/ managers of small businesses to use human resource management practices makes small businesses face the obstacles and achieve success.
2. The attention from owners/ managers of small businesses to human element makes small businesses look like big families.
3. The benefits from support of government's institutions makes small businesses achieve high level of organizational performance.

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