Chapter 4: Research Results and Findings

4.0 Introduction

This chapter outlines the results and findings obtained from the planned and structured analysis in Chapters 3 and 4. This chapter will begin by presenting the results and findings obtained from the data collection. They are filtered and manipulated. The universalistic perspective (i.e. best practices) used in this study included the independent, mediator and dependent variables which are being tested. The discussion consists of the descriptive analysis on the demographic data, normality test, reliability test and other tests such as the bivariate analysis, Pearson's correlation to interpret the relationship of the individual variables. Moreover, the Sobel Test will also be used to evaluate the mediating role of the company's policy on innovation (MV) in the relationship between human resource practices (IVs) and organizational performance (DV). The hypotheses will be answered at the end of this Chapter.

The researcher distributed the questionnaires to 475 respondents in SMEs in the Klang Valley. The respond rate was 45 percent (i.e. 213 respondents).The questionnaire were distributed using the non-probability sampling based on the convenience method. The questionnaire containing questions on the human resource practices, the company's policy on innovation and organizational performance. The data were treated as the primary data from respondents' answers to the research questions and objectives regarding the relationship between human resource practices and organizational performance, mediated by the company's policy on innovation. The questionnaire also has questions on the respondent's gender, age group, ethnic group, educational level achieved, management role, departmental role, and the length of service in the company. Further, the respondent was asked to indicate the number employees, the industry sector and the annual sales turnover of the company.

In results, 94.8 percent of the respondents have been heard about the innovation and agreed that innovation is good for Malaysian SMEs (Refer to Appendix 1b).

4.1 Profile of Respondents

Table 4.1 shows the respondents' characteristics. The descriptive analysis was carried out in order to understand the population of the research study in terms of frequency and percentage.

The researcher used the SPSS system to analyze the descriptive statistics. Table 4.1 shows the respondents were categorized into two groups, female 60 percent and male 40 percent. For ethnic grouping, 64.30 percent of the respondents were Chinese, 26.80 percent of the respondents were Malays, and 8 percent were Indians while others made up of 0.9 percent. There was participation from the three main races in Malaysia i.e. Malays, Chinese and Indians. It was found to be not distributed evenly as the majority of the Malaysian SMEs were owned by the Chinese.

Table 4.1 shows that 39.40 percent of the respondents are 26 – 35 of years, 25.40 percent are between 36 – 45 years. In terms of education level, more than half of the respondents (53.10 percent) have a first degree or professional program (i.e. ACCA, CPA and CIMA as Accounting Professional qualification). This shows that the majority of the employees in SMEs are young and educated. 37.60 percent of the respondents were holding positions such as executives or junior executives and 35.70 percent respondents are in first line management. Hence, they play an important role as decision-makers and are also responsible in designing human resource practices and the company's policy on innovation towards organizational performance to sustain competitive advantage (Gollan, 2005). 27.7 percent of the respondents are in Finance or Administration department and 26.30 percent are from Sales and Marketing. 152 respondents out of 213 respondents (i.e. 71.36 percent) have served less than 10 years in their organizations. Generally, it is easier for fresh graduates to get their first job in the SMEs.

Table 4.1: Profile of the Respondents

Items	Frequency (N = 213)	Percent (%)
Gender		
Male	85	39.9%
Female	128	60.1%
Age Group		
25 years and below	24	11.3%
26 - 35 years	84	39.4%
36 - 45 years	54	25.4%
46 - 55 years	43	20.2%
More than 55 years	8	3.8%
Ethnic Background		
Malay	57	26.8%
Chinese	137	64.3%
Indian	17	8.0%
Others	2	0.9%
Education Level		
SPM/STPM	21	9.9%
Certificate or Diploma	60	28.2%
First Degree / Professional Qualification	113	53.1%
Postgraduate Degree (e.g. Masters or Doctorate)	19	8.9%
Management Role		
Top/Middle Management (e.g. CEO/CFO/Managing Director, Regional and Divisional Managers)	38	17.8%
First -Line Management (e.g. Department Manager, Supervisor or Team Leader)	76	35.7%
Executive / Junior Executive	80	37.6%
Support / Administration / Clerical staff	19	8.9%
Department		
Human Resource	15	7.0%
Finance / Administration	59	27.7%
Sales and Marketing	56	26.3%
Business Development / Planning	29	13.6%
Others	54	25.4%
Length of Service		
Less than 2 years	33	15.5%
3 years - 5 years	66	31.0%
6 years - 10 years	53	24.9%
11 years - 20 years	45	21.1%
More than 20 years	16	7.5%

Table 4.2 shows the organizations' characteristics. The descriptive analysis was carried out in order to understand the population of the research study in terms of frequency and percentage.

Table 4.2: Profile of the Organizations

Items	Frequency (N = 213)	Percent (%)
The Number of Employees in Organization		
Less than 5	5	2.3%
6 – 50	66	31.0%
51 – 100	63	29.6%
101 – 150	24	11.3%
More than 150	55	25.8%
The Industry Sector		
Manufacturing	94	44.1%
Non-Manufacturing	49	23.0%
Trading	55	25.8%
Others	15	7.0%
Annual Sales Turnover (in RM)		
From RM250,000 to less than RM1 million	23	10.8%
From RM1 million to less than RM5 million	55	25.8%
From RM 5 million to less than RM10 million	53	24.9%
From RM 10 million to less than RM25 million	29	13.6%
More than RM25 million	53	24.9%

From Table 4.2, the majority of the respondents is 44.10 percent are employed in the manufacturing sector. 60.56 percent of the respondent are employed in organizations which employees numbered more than 5 to 100. Furthermore, 25.80 percent of the respondents reported that their organizations had more than 150 employees. About 25.8 percent of the organizations have annual sales turnover range from RM1 million to less than RM5 million; 24.9 percent range from RM5 million to less than RM10 million and 24.9 percent of the organization's annual sales turnover exceed RM25 million. The SMEs are from various industry sectors 44.1 percent from the manufacturing sector; non-manufacturing sector at 23 percent; trading at 25.8 percent and others at 7 percent.

4.2 Mean, Standard Deviation and Normality Test

As discussed in Chapter 3, this study consisted of eight independent variables, which cover incentive compensation, training, selective hiring, performance evaluation, organization work, information sharing, job security as well as social activities and sports perceived to be human resource practices. The mediation variable is the company's policy on innovation in the relationship between HR practices and organizational performance. Lastly, the dependent variable concerned the efforts and outcomes for organizational performance which has been contributed by the employees. These variables were inputted and analyzed with the statistical tool i.e. SPSS programmes as to determine those outliers, missing values, normality, reliability and other checking purposes.

The mean, standard deviation, skewness and kurtosis for variables are presented in Table 4.3 as below:

Table 4.3: Summary of Mean, Standard Deviation, Skewness and Kurtosis for Independent Variables, Mediation Variable and Dependent Variable

Variables	Statistics			
	Mean	Std Deviation	Skewness	Kurtosis
Independent Variables				
1. Incentive Compensation	13.0235	3.0164	-0.6310	0.3650
2. Training	6.4977	1.8496	-0.3620	-0.5420
3. Selective Hiring	9.1455	2.3816	-0.2630	0.0300
4. Performance Evaluation	6.4554	1.7602	-0.2290	-0.3350
5. Organization Work	12.2488	2.8746	-0.2980	-0.1330
6. Information Sharing	11.7230	3.4427	-0.0250	-0.4340
7. Job Security	3.5023	0.9695	-0.4930	0.2270
8. Social Activity and Sports	10.5070	3.0135	-0.7360	-0.1870
Mediating Variable				
Degree of Innovation	5.9202	1.7316	-0.1290	-0.1720
Dependent Variable				
Organizational Performance	24.0376	4.1662	-0.2570	-0.1800

Note: Only loading above 0.3 and higher in each component is shown (n=213)

All the variables were computed accordingly and accurately. The summary of computation is presented in Table 4.3. Also, the normality test is carried out to determine whether the data collection is normally distributed. Normality can be tested by skewness and kurtosis (Sekaran, 2003). Values of that must fall between -2 and +2. Only then is the distribution considered normal. Besides, an alternative way to determine whether the sample is a normal distribution is through a normal probability box plot diagram reading, by observing the cases falling more or less in a straight line (refer to Appendix 2) for individual variables in this study. From the normal probability box plot diagram, the researcher could determine whether the data is normally distributed as well as the skewness and kurtosis could be calculated. The parametric test has been carried out in order for the other analysis activities. All variables are normally distributed as the values fall in between the said ranges (Hair et al., 2006).

4.3 Reliability Test

After the normality test, the reliability test was used to assess the internal consistency and the content validity of the questionnaire instrument. Therefore, higher scores achieved have shown that the data were more reliable and high degree of inter-collection from the generation of scale was possible. It has been indicated that more than 0.7 is an acceptable reliability coefficient (Nunnaly, 1994).

The Cronbach's Alpha scores covered the human resource practices i.e. incentive compensation, training, selective hiring, performance evaluation, organization of work, sharing information, job security as well as society activities and sports through the company's policy on innovation towards organizational performance. Referring to Table 4.4, Cronbach's Alpha is considered a high score and exceeding 0.7 in all scales, ranging from 0.839 to 0.861.The most reliability variable is organizational performance at 0.861 and the least reliable is incentive compensation at 0.839.

Table 4.4 Cronbach's Alpha – All Variables

	Cronbach's Alpha
Independent variables	
Total_IV_Incentive Compensation	**0.839**
Total_IV_Training	**0.846**
Total_IV_SelectiveHiring	**0.850**
Total_IV_PerformanceEvaluation	**0.851**
Total_IV_OrganizationWork	**0.840**
Total_IV_InformationSharing	**0.840**
Total_IV_JobSecurity	**0.860**
Total_IV_SocialActivitiesSport	**0.852**
Mediating variable	
Total_MV_DegreeOfInnovation	**0.851**
Dependent variable	
Total_DV_OrganizationalPerformance	**0.861**

4.4 Correlation Analysis

The results of correlation coefficients displayed in Table 4.5 show means and standard deviations of the variables were to describe the degree of the relationship between two variables. In this study, the Pearson's Correlation has been used and the statistical significant correlations are briefly discussed. It is shown that the incentive compensation ($r = 0.480$, $p<0.01$); training ($r = 0.414$, $p<0.01$); selective hiring ($r = 0.351$, $p<0.01$); performance evaluation ($r = 0.351$, $p<0.01$); organization work ($r = 0.361$, $p<0.01$); information sharing ($r = 0.382$, $p<0.01$); job security ($r = 0.390$, $p<0.01$) as well as social activities and sports ($r = 0.454$, $p<0.01$) are positively correlated to organizational performance. From the universalistic perspective (i.e. best practices), a significant positive relationship between the implementation of incentive compensation ($r = 0.480$, $p<0.01$); social activities and sports ($r = 0.454$, $p<0.01$) as well as training ($r = 0.414$, $p<0.01$) can be seen in the Malaysian SMEs context. However, all the above variables have been found to have a significantly strong relationship with organizational performance. Details of the results of the hypotheses testing are discussed in this Chapter.

Table 4.5: Correlation Coefficient between Human Resource Practices and Organizational Performance

		Incentive Compensation	Training	Selective Hiring	Performance Evaluation	Organization Work	Information Sharing	Job Security	Social Activities Sport	Organizational Performance
Incentive Compensation	Pearson Correlation	1	.533**	.406**	.480**	.544**	.536**	.480**	.461**	.480**
	Sig. (2-tailed)		.000	.000	.000	.000	.000	.000	.000	.000
	N	213	213	213	213	213	213	213	213	213
Training	Pearson Correlation	.533**	1	.485**	.530**	.526**	.552**	.257**	.365**	.414**
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.000	.000	.000
	N	213	213	213	213	213	213	213	213	213
Selective Hiring	Pearson Correlation	.406**	.485**	1	.510**	.441**	.412**	.334**	.381**	.351**
	Sig. (2-tailed)	.000	.000		.000	.000	.000	.000	.000	.000
	N	213	213	213	213	213	213	213	213	213
Performance Evaluation	Pearson Correlation	.480**	.530**	.510**	1	.519**	.542**	.288**	.266**	.351**
	Sig. (2-tailed)	.000	.000	.000		.000	.000	.000	.000	.000
	N	213	213	213	213	213	213	213	213	213
Organization of Work	Pearson Correlation	.544**	.526**	.441**	.519**	1	.630**	.415**	.376**	.361**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.000	.000	.000
	N	213	213	213	213	213	213	213	213	213
Information Sharing	Pearson Correlation	.536**	.552**	.412**	.542**	.630**	1	.491**	.374**	.382**
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.000	.000	.000
	N	213	213	213	213	213	213	213	213	213
Job Security	Pearson Correlation	.480**	.257**	.334**	.288**	.415**	.491**	1	.553**	.390**
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000		.000	.000
	N	213	213	213	213	213	213	213	213	213
Social Activities Sport	Pearson Correlation	.461**	.365**	.381**	.266**	.376**	.374**	.553**	1	.454**
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000		.000
	N	213	213	213	213	213	213	213	213	213
Organizational Performance	Pearson Correlation	.480**	.414**	.351**	.351**	.361**	.382**	.390**	.454**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	
	N	213	213	213	213	213	213	213	213	213

****Correlation is significant at the 0.01 level (2-tailed).**

4.5 Regression Analysis

There is a multi-correlation relationship existing among the factors of human resource practices. Hence, the multiple linear regression analysis was used to analyze the relationship between a single dependent variable and more than two independent variables (Hair, Black, Babin, Anderson, & Tatham, 2006). Also, it was used to determine the hypotheses testing for predicting whether the human resource practices would affect organizational performance. From this framework, the researcher has found an indirect relationship between the HR practices and organizational performance through the company's policy on innovation. A procedure for regression analysis has been suggested by Baron and Kenny (1986) as well as Frazier et al., (2004) to examine the relationship between HR practices and organizational performance, mediated by the company's policy on innovation.

In this research study, the results were also discussed to find out whether the independent variables consisting of incentive compensation, training, selective hiring, performance evaluation, organization work, sharing information, job security as well as social activities and sports had any relationship towards the dependent variable of organizational performance. The results obtained from the regression analysis show there was a significant relationship between the variables incentive compensation, training, social activities and sports, and organizational performance. Based on the independent variables there was 33.5 percent of the variance (as R square) towards organizational performance, which is one third of the significance as stated by the F-value of 12.847 in the Table 4.6 below. The researcher has perceived a normal distribution for the independent variables and the dependent variable. The HR practices of incentive compensation as well as society activities and sports (assumed P-value <0.10) have contributed a strong influence on these HR practices (Delery and Doty,

1996). However, no significant effect of selective hiring, performance evaluation, organization work, sharing information and job security (assumed P-value >0.10) were proven in the list universalistic perspective or best practices approach in the regression analysis.

Table 4.6 Results of the regression analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	11.876	1.303		9.111	.000
	Total_IVIncentiveCompensation	.283	.109	.205	2.591	.010
	Total_IVTraining	.312	.179	.138	1.742	.083
	Total_IVSelectiveHiring	.089	.126	.051	.709	.479
	Total_IVPerformanceEvaluation	.153	.183	.065	.838	.403
	Total_IVOrganizationWork	-.018	.117	-.013	-.156	.876
	Total_IVInformationSharing	.023	.103	.019	.224	.823
	Total_IVJobSecurity	.415	.329	.097	1.260	.209
	Total_IVSocialActivitiesSport	.299	.101	.216	2.954	.004

a. Dependent Variable: Total_DVOrganizationalPerformance (assumed acceptable P-value < 0.10)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.579[a]	.335	.309	3.46336

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1232.750	8	154.094	12.847	.000[a]
	Residual	2446.949	204	11.995		
	Total	3679.700	212			

a. Predictors: (Constant), Total_IVSocialActivitiesSport, Total_IVPerformanceEvaluation, Total_IVSelectiveHiring, Total_IVJobSecurity, Total_IVTraining, Total_IVOrganizationWork, Total_IVIncentiveCompensation, Total_IVInformationSharing

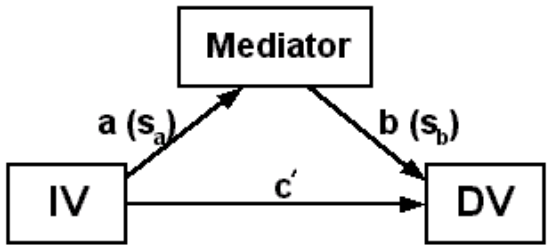
b. Dependent Variable: Total_DVOrganizationalPerformance

4.6 Sobel Test

The Sobel Test was used to test whether the mediator variable carried any significant influence between the IVs i.e. independent variables and the DV i.e. dependent variable. However, the Sobel Test can be considered a very conservative test. It has a very low power of influence but it is popularly used statistically based on the mediation method when formally assessable (MacKinnon, Warsi and Dwyer, 1995). Here the paths of a (i.e.S_a) and b (i.e. S_b) are treated independently. The tests were done through multiple regressions in getting the derivation for the Sobel standard error. In addition, the researcher used the online Sobel Test calculator together with the value input of coefficient and standard errors among the IVs (i.e. human resource practices), MV (i.e. company's policy on innovation) and DV (i.e. organizational performance). A summary of the Sobel Test, the path coefficient a*b roles as the "indirect effect" between the IVs and DV via the mediator i.e. MV, whereby the "direct" effect will appears in the path coefficient c' from IVs to DV. Therefore, the multiple regressions have been used to determine the coefficient of individual variables as a predictor for IVs, MV and DV.

Table 4.8 will display an illustration of how mediates effect occurs between IVs and DV as

below:**Table 4.8: An illustration of Mediation**



Process 1(i.e. Path a (S_a): Human Resource Practices (IVs) -> Company's Policy on Innovation (MV)

Process 2 (i.e. Path b (S_b): Human Resource Practices (IVs) + Company's Policy on Innovation (MV) -> Organizational Performance (DV)

The researcher used the regression analysis to generate values input of the IVs (i.e. human resource practices) predicting the MV (i.e. company's policy on innovation) to perceive the result of path a (i.e. S_a) in process 1, whereas process 2 will generate input values of MV (i.e. company's policy on innovation) determinant of improved DV (i.e. organizational performance) for the result of path b (i.e. S_b). This Sobel Test has allowed the researcher to perceive the relationship between the human resource practices and the company's policy on innovation towards organizational performance.

4.7 Testing of Hypotheses

Prior to these data analyse, the researcher would review the research questions as below:

1. What the HR practices which has the most significant effect on organizational performance in SMEs in the Klang Valley?

2. Is there a significant relationship between incentive compensation; training and organizational performance, mediated by the company's policy on innovation in SMEs in the Klang Valley?

3. Is there a significant relationship between selective hiring; performance evaluation and organizational performance in SMEs in the Klang Valley?

4. Is there a positive relationship between sharing information; job security; social activities and sports and organizational performance in SMEs in the Klang Valley?

5. Is there a significant relationship between organization of work and organizational performance, mediated by the company's policy on innovation in SMEs in the Klang Valley?

Hypotheses no. 1 H_0: There is no relationship between human resource practices and organizational performance in SMEs in the Klang Valley

H_1: There is relationship between human resource practices and organizational performance in SMEs in the Klang Valley

From the results (refer to Table 4.6), it is shown that the coefficients of the independent variables (i.e. human resource practices) incentive compensation ($\beta = 0.205$, $p<0.05$) as well as society activities and sports ($\beta = 0.216$, $p<0.05$) were found to be positively significant towards organizational performance. It was believed that the improvement of knowledge, skills and abilities (i.e. KSA) was vital to enhance organizational performance through innovative and creative ways. Scholars who supported the perspective view on incentive compensation (Lowe et al., 2002) as well as society activities and sports (Ahmad & Seet, 2009 and Asma, 1996) have significantly predicted that the SMEs' human resource practices would have a positive factor affecting organizational performance. Hence, the null hypothesis (i.e H_0 is rejected).

Hypotheses no. 2 H_0: There is no significant relationship between incentive compensation; training and organizational performance, mediated by the company's policy on innovation in

SMEs in the Klang Valley.

H_1: There is significant relationship between incentive compensation; training and organizational performance, mediated by the company's policy on innovation in SMEs in the Klang Valley.

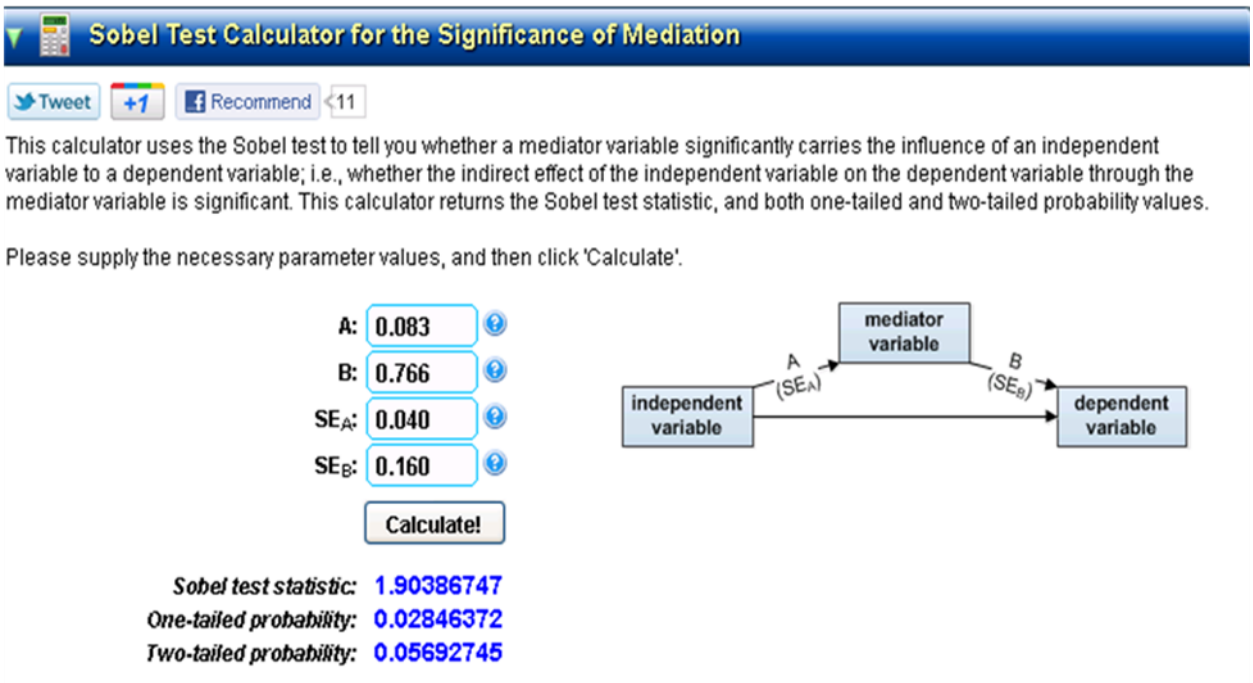
In order to evaluate the significance of the indirect path a and path b from the IV to the DV via the MV (i.e. mediator), the Sobel Test as well as the multiple regressions analysis were conducted to search the regression coefficient (refer to the Appendix No. 3).

The Table 4.9 provided the regression coefficients and associated p-values used for the mediation model. The results of the indirect path a and path b have shown a significant relationship between the incentive compensation ($\beta = 0.145$, $p<0.05$) and training ($\beta = 0.440$, $p<0.05$) where both of IVs have strongly affected the organizational performance though the mediating factor of company's policy on innovation. In addition, indirect path i.e. IVs, MV to DV only showed a significant relationship between the incentive compensation ($\beta = 0.316$, $p<0.05$) and organizational performance ($\beta = 0.318$, $p<0.05$) but not for training ($\beta = 0.081$, $p>0.05$) where that relationship was non-significant. Before the researcher can conclude the overall effect of the relationship (Baron & Kenney, 1986), the Sobel Test calculation has been used for the determinant of the strength of the overall relationship between human resource practices and the company's policy on innovation subsequently affecting organizational performance. The results are displayed in Table 4.9. They were found to be significantly insignificant in explaining the relationship between incentive compensation (P-value=0.0569) and training (P-value=0.0001). Only training strongly affected organizational performance mediated through the company's policy on innovation and it was positively associated. Some of research studies have shown that small companies may find it easier to

adjust their employees' incentive compensation to encourage or motivate them to contribute innovative efforts than the large organization. But the "training" is the only way to distinguish the knowledge exchange and learning experience. It should be daily planned or unplanned job-related events in a long run (Harrison, 1996). Rather than to implement separately between the non-monetary and monetary incentives, it is better to recognize the beneficial supplement for human capital development in order to motivate and encourage employees to pursue consistency in the products or services innovation (Lowe et al., 2002). Hence, the null hypothesis (i.e. H_0 is accepted)

Table 4.9: Sobel Test Results (for Hypothesis No. 2)

Hypotheses No.2a -Incentive Compensation



Hypotheses No.2b - Training

Sobel Test Calculator for the Significance of Mediation

Tweet +1 Recommend 11

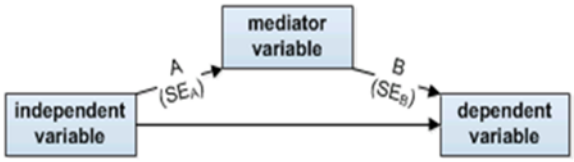
This calculator uses the Sobel test to tell you whether a mediator variable significantly carries the influence of an independent variable to a dependent variable; i.e., whether the indirect effect of the independent variable on the dependent variable through the mediator variable is significant. This calculator returns the Sobel test statistic, and both one-tailed and two-tailed probability values.

Please supply the necessary parameter values, and then click 'Calculate'.

A: 0.412
B: 0.766
SE_A: 0.065
SE_B: 0.160

Calculate!

Sobel test statistic: 3.82024195
One-tailed probability: 0.00006666
Two-tailed probability: 0.00013332



Coefficients variance

Process 1(i.e. Path a (S_a): Incentive compensation (β=0.145, p<0.05) and Training (β=0.440, p<0.05) (IVs) - > Company's Policy on Innovation (MV)

Process 2 (i.e. Path b (S_b): Incentive compensation (β=0.316, p<0.05) and **Training (β=0.081, p>0.05)** (IVs) + Company's policy on innovation (β=0.318, p<0.05) (MV) -> Organizational Performance (DV)

Hypotheses no. 3 H_0: There is no significant relationship between selective hiring; performance evaluation and organizational performance in SMEs in the Klang Valley.

H_1: There is significant relationship between selective hiring; performance evaluation and organizational performance in SMEs in the Klang Valley.

The relationship between the independent variables i.e. selective hiring and performance evaluation and the dependent variable i.e. organizational performance is obtained by examining the null hypothesis and whether there is an interaction between these variables to produce any influence positively or negatively. From the results, both independent variables can be explained by 16.40 percent of the variance i.e. R-Square towards organizational performance. This is considered a lower significance with the F-value of 20.53 in Appendix

no. 4. Hence, in answering the research question No. 3, the researcher can conclude that selective hiring and performance evaluation significantly predicted organizational performance (P-value <0.05). These variables were strongly inter-related and were positively impacted for business sustainability (Hoque, 1999; Huang 2001) and also enhance innovative activities (Galia & Legros, 2003; Roffe, 1999; Michie & Sheehan, 1999; Holbrook & Hughes, 2003). Hence, the null hypothesis (i.e. H_0 is rejected.)

Hypotheses no. 4 H_0: There is no positive relationship between sharing information; job security; social activities as well as sports and organizational performance in SMEs in the Klang Valley.

H_1: There is a positive relationship between sharing information; job security; social activities as well as sports and organizational performance in SMEs in the Klang Valley.

This study also attempted to examine the individual relationship respectively between sharing information, job security as well as social activities and sports to organizational performance. The results have shown that independent variables together were 26.60 percent of the variance (R Square) in organizational performance, and it is considered to be of lower significance, an indication by the F-value 25.268 in Appendix 5. The researcher can conclude the information sharing as well as social activities and sports respectively have shown significant relationship towards organizational performance, P-value <0.05. However, job security was not a significant predictor. A study of Bowen et al., (1996) has commented that the individual HR practices will effectively enhance organizational performance through information sharing as well as social activities and sports. Hence, the null hypothesis (i.e. H_0

is rejected.)

Hypotheses no. 5 H_0: There is no significant relationship between the organization of work and organizational performance, mediated by company's policy on innovation in SMEs in the Klang Valley.

H_1: There is a significant relationship between the organizational of work and organizational performance, mediated by company's policy on innovation in SMEs in the Klang Valley.

For this hypothesis, the common Sobel Test has been used again to test the significance between the indirect path a and path b from the IV to the DV via the MV (Mackinnon et al., 2002). Also, the multiple regressions analysis was conducted to search for the regression coefficient (refer to Appendix No. 6). The results of indirect path a and path b have shown a relationship significantly for organization of work ($\beta = 0.512$, $p<0.05$) and it has strongly affected the implementation of the company's policy on innovation. In addition, the path of c' i.e. IVs to DV has only shown a significant relationship between the organization of work ($\beta = 0.156$, $p<0.05$) and the company's policy on innovation ($\beta = 0.400$, $p<0.05$) towards organizational performance. So, the researcher can conclude that the overall effects of the relationship (Baron & Kenney, 1986) as well as the Sobel Test calculations have been taken to determine the strength of relationship between human resource practices and the company's policy on innovation to affect the organizational performance. Results are displayed in Table 5.0.They have found a significant positive relationship between the organization of work (P-value=0.00000) and organizational performance. Human resource practices have strongly affected organizational performance through the company's policy on innovation and positively associated with the organization of work. Hence, the null

hypothesis (i.e. H_0 is rejected.)

Table 5.0: Sobel Test Results (for hypotheses No. 5)

Hypotheses No.5 – Organization Work

Sobel Test Calculator for the Significance of Mediation

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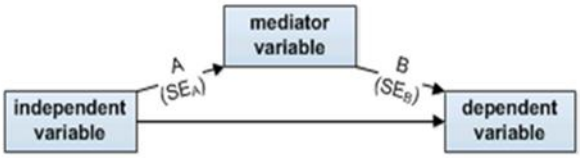
This calculator uses the Sobel test to tell you whether a mediator variable significantly carries the influence of an independent variable to a dependent variable; i.e., whether the indirect effect of the independent variable on the dependent variable through the mediator variable is significant. This calculator returns the Sobel test statistic, and both one-tailed and two-tailed probability values.

Please supply the necessary parameter values, and then click 'Calculate'.

A: 0.308
B: 0.963
SE_A: 0.036
SE_B: 0.168

Calculate!

Sobel test statistic: 4.76211262
One-tailed probability: 0.00000096
Two-tailed probability: 0.00000192



Coefficients variance

Process 1(i.e. Path a (S_a): Organization work (β=0.512, p<0.05) (IV) - > Company's Policy on Innovation (MV)

Process 2 (i.e. Path b (S_b): Organization work (β=0.156, p<0.05) (IV) + Company's policy on innovation (β=0.400, p<0.05) (MV) -> Organizational Performance (DV)

4.8 Conclusion

This chapter presents the findings of the descriptive statistics analysis through obtaining sample selection and the variables used in the study. There were multi-regression, Pearson's correlation and the Sobel Test which were adopted for testing of the hypothesis. Overall, these results have shown that there have been a significant positive impact and strong influence of these HR practices in SMEs in the Klang Valley towards organizational performance (Delery and Doty, 1996). Moreover, the Sobel Test was conducted to determine the significance of the intervening effects between the human resource practices and the company's policy on innovation towards organizational performance (Damanpour, 1991). However, with regards to these hypothesis, they were purely tested and examined on the internal factors which were strongly influenced by the Universalistic perspective view (i.e. best practices) in the context of SMEs in Malaysia resulting in higher organizational performance (Anuar & Mohd Yusuff, 2011).