

Chapter 5: Conclusion and Discussion

5.0 Introduction

This Chapter provides the conclusion to the research. The following will be discussed: summary of conclusion, limitation of the research study, suggestions for future research, implications and overall conclusion.

5.1 Summary of conclusion

Human resource practices are important to enable a company to gain competitive advantage (Barney & Wright, 1998) and enjoy global sustainability (Gollan, 2005). Effective implementation of strategic human resource management is essential and significant in shaping the success of a business (Hoque, 1999) as well as in building human capital or people management as a competitive advantage. Many Malaysian SMEs face challenges and difficulties (Ting, 2004), one of which is in the implementation of human resource practice or policies in a strategic manner (Mosadeghrad et al., 2008). This study concluded there is a positive relationship between the training and organization work towards organizational performance, mediated by company's policy on innovation.

The five research questions that were posted in Chapter 1 were tested and the results are as follows:

The summary of the hypotheses testing results in Table 5.1

Table 5.1 Summary of hypotheses testing results

Results of Hypotheses Testing	Results
1. There is relationship between human resource practices and organizational performance in SMEs in the Klang Valley	Accepted
2. 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	Rejected (*Note 1)
3. There is significant relationship between selective hiring; performance evaluation and organizational performance in SMEs in the Klang Valley	Accepted
4. There is positive relationship between sharing information, job security and social activity as well as sports and organizational performance in SMEs in the Klang Valley	Accepted
5. There is a significant relationship between the organization of work and organizational performance, mediated by company's policy on innovation in SMEs in the Klang Valley	Accepted

***Note 1:** The overall relationship show only training (P-value=0.0001) has strongly affected by organizational performance, mediated by the company's of policy of innovation.

5.1.1 Research Objective One:

To determine which of the HR practices have the most effect on organizational performance in SMEs in the Klang Valley.

The results from the regression analysis show there is a positive relationship between the independent variables (i.e. human resource practices) incentive compensation ($\beta = 0.205$, $p < 0.05$) as well as society activities and sports ($\beta = 0.216$, $p < 0.05$) and organizational performance. There is a positive significant relationship between incentive compensation and organizational performance, as attractive incentive compensation to reward employees for the contribution of time and effort leads to retention of employees and this will improve organizational performance (Kerr, 1999). Further, studies in Malaysia (Ahmad & Seet, 2009; Asma, 1996) have found that society activities and sports allow employees and workers to work as a group in gathering trust, belief and information. This will encourage them to facilitate their new knowledge, ideas and insights towards innovation success and roles as a communication platform (Harris, Coles & Dickson, 2000). Thus, the positive relationship found in this study between the incentive compensation as well as society activities and sports towards organizational performance support the earlier studies.

5.1.2 Research Objective Two:

To determine whether there is a significant relationship between incentive compensation; training and organizational performance mediated by the company's policy on innovation in SMEs in the Klang Valley.

The Sobel analysis results in Table 4.9 show a significant relationship between the IVs (i.e. incentive compensation and training) and DV (i.e. organizational performance). However, the indirect path shows that the relationship between IV (i.e. incentive compensation) towards DV (i.e. organizational performance) is significantly mediated by the company's policy on innovation ($\beta = 0.316, p < 0.05$). This could be due to the subject organizations are SMEs that are more flexible and could adjust its employees' incentive compensation to encourage or motivate their employees to contribute innovative and creative ideas. In addition, 50.7 percent of the respondents are below 35 years who usually prefer monetary motivation. The results in the indirect path show incentive compensation is more flexible for adjustment compared to training. However, based on the determinant on the strength of overall relationship, training (P-value=0.0001) strongly affects organizational performance mediated by company's policy on innovation.

Therefore, SMEs should also provide training as previous studies showed that SMEs usually have short term planning and provide training to meet immediate needs. Further, training is vital to enhance knowledge, skills and abilities (i.e. KSAs) in order to distinguish the knowledge exchange and learning experience in the employees' daily planned or unplanned job-related events. According to Wright et al. (1994), incentive compensation and training are strategic components for sustainable competitive advantage. Lowe et al. (2002)'s study found that training and incentive compensation are important for the organization in the long run.

Thus, SMEs should be encouraged to implement both non-monetary and monetary benefits to motivate and encourage employees in pursuing innovation.

5.1.3 Research Objective Three:

To determine whether there is a significant relationship between selective hiring; performance evaluation and organizational performance in SMEs in the Klang Valley.

From the regression analysis results in Appendix 4, the results show that there is a significant relationship between IVs (i.e. selective hiring and performance evaluation) and the DV (i.e. organizational performance). This supports Boxall (1996) who found that selective hiring of the right candidates for the job and the retention of employees through fair performance evaluation will save the organization time and cost. However, studies on Malaysian SMEs revealed that some SMEs do not have clear recruitment policy. Selective hiring is based on the person-organization fit such as close relationship or biases in decision making that benefits individual (Cardon & Stevens, 2004). However, this might be motivated by the performance evaluation that is a tool to determine and observe the individual job performance. Further the fair performance evaluation will maximize the employees' satisfaction through implementation of work recognition and fair performance rewards or compensation (Mondy, 2010; Cassell et al., 2001).

5.1.4 Research Objective Four:

To determine whether there is a positive relationship between sharing information, job security, social activities and sports and organizational performance in SMEs in the Klang Valley.

The regression analysis results show that the relationship between the IVs (i.e. sharing information, job security as well as social activities and sports) and the DV (i.e. organizational performance) is significant ($P\text{-value} < 0.05$) (See Appendix 5). However, the results revealed that the job security has no significant effect on organizational performance.

Bowen et al., (1996) have commented that the information sharing may be through formal or informal channel, and may indirectly reduce the conflict level and increase the employee's commitment and retention. Moreover, working in a team encourages exchange of knowledge and open communications. This will lead to improvement in organizational performance (Jackson & Schuler, 2002). Therefore, an effective informal communication practice is essential.

Social activities and sports are some of the ways to encourage employees to work as a team to achieve organizational performance. They will be committed to implement new work procedures and policies towards organizational change (Guest, 1987).

However, job security is not important to retain talented employees who may look out for better opportunities and better employee's benefits than those offered by SMEs. The result in this study differed from Pfeffer (1998) who studied bigger organizations. In his study, Pfeffer found that good work environment, salary paid, working flexibility and mobility are related with the employment security.

5.1.5 Research Objective Five:

To determine whether there is a significant relationship between organization of work and organizational performance, mediated by the company's policy on innovation in SMEs in the Klang Valley.

The Sobel analysis results shown in Table 5.0, proved the indirect (intervening) effect of company's policy on innovation between the organization of work and organizational performance. The results show that the effect of organization of work towards organizational performance is positively intervened by the company's policy on innovation, hypotheses no. 5 is supported (P-value=0.00000). Also, Yahya and Goh (2002) found there is relationship between organization work and organizational performance, mediated by the company's policy on innovation.

5.2 Limitation of this research study

According to Marshal and Rossman (1999) all researches have its limitations. Due to time constraint, this study conducted a quantitative method through questionnaire survey distribution. To be more robust, qualitative methods such as semi-structured face-to-face or phone interview with top-management should have been done.

The convenient sampling may result in potential biasness. Most of the respondents may be from the same group in terms of age, education background, position and company size and sector inequity questionnaire distribution. Further, the respondents are restricted to persons who are employed by SMEs in the Klang Valley area. Thus, the findings in this study cannot be generalized to the population in Malaysia.

5.3 Suggestion for future research

In view of the above limitations, it is suggested that future research could be carried out to include service sectors such as telecommunication provider, leisure activities, information communication technology provider and education. This is to provide a more relevant study within a single sector. Moreover, larger sample size through random sampling should be targeted. This would improve the generality of the research results and findings.

Future studies should also be explored in relation of the findings of the effect of organizational learning (Miller, 1996), knowledge sharing, intervening variables between innovation and organizational performance in order to attempt the contingency and configurational perspective in creating a customized HR practices and policies to suit the targeted SMEs industry sector as well as to test and review both vertical and horizontal fit (Gooderham & Nordhaug, 2003).

5.4 Implications and overall conclusion

In the twenty-first century, the competitive landscape is becoming increasingly more dynamic and uncertain. A clear understanding nature of approach for competition and competitive dynamics is vital to the success of SMEs business. It helps them to manage their resources (i.e. human capital) and capabilities effectively and efficiently. Human capital or people are the most important resource and key of success to achieve outstanding organizational performance (Arthur, 1994; Huselid, 1995; MacDuffie, 1995).

In conclusion, this researcher suggests that empirical study should be carried out not only from primary resources but also secondary resources to determine the strategic human resources management in current SMEs' business environment. It can be considered as a source of competitive advantage (Wright et al., 1994). Indirectly, SMEs should continuously implement and adopt a suitable set of HR practices (Pfeffer, 1998) to sustain competitive advantages.

This study has attempted the universalistic perspective (i.e. best practices) and found there is a relationship between HR practices and organizational performance, mediated by the company's policy on innovation. Rowley and Abdul Rahman (2007) pointed out that locally owned SMEs do not give priority to HR practices compared with MNCs operating in Malaysia. However, SMEs should continuously implement an effective SHRM to reduce significantly employees' turnover and increase the company productivity (Arthur, 1994; MacDuffie, 1995; Gardiner, 2001). Therefore, it is important for Malaysian SMEs to fully utilize their flexibility to formulate appropriate HR practices which will lead them to be more effective in terms of performance and competitiveness. The company's policy on innovation