

**HR PRACTICES ON RETAINING WORKFORCE IN SMALL AND MEDIUM
ENTERPRISES (SMEs) IN PUTRAJAYA, MALAYSIA**

By

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ABSTRACT

Retaining workforce in small and medium enterprises (SMEs) is based on the determinations of HR practices. The aim of this study is to determine the relationship between HR practices of training and development, performance management, rewards, benefit package and employee engagement on retaining workforce in small and medium enterprises (SMEs). This cross sectional study was conducted among 101 small and medium enterprises (SMEs) from W.P Putrajaya. Random sampling technique was the sampling technique used in this study. Five adapted questionnaire from the journal “The Impact of Human Resource Management Practices on Marketing Executive Turnover of Leasing Companies in Sri Lanka” by Ruwan Abeysekera (2007) were used to measure the HR practices on retaining workforce in small and medium enterprises (SMEs). Regression analysis was applied to test the hypotheses. The result showed that training and development is the influencing HR practice of the respondents in retaining workforce in small and medium enterprises (SMEs). Finally discussion, implication of the study, limitation of the study, recommendation and conclusion also were discussed in order to create platform for future researcher to enhance this study. In the nut shell, it was proven that the HR practice namely training and development contributed in retaining workforce in small and medium enterprises (SMEs).

Keywords: HR Practices, Training and Development, Performance Management, Rewards, Benefit Package, Employee Engagement, Retaining Workforce and Small and Medium Enterprises.

ABSTRAK

Mengekalkan tenaga kerja dalam perusahaan kecil dan sederhana adalah berdasarkan kepada penentuan amalan-amalan sumber manusia. Tujuan kajian ini adalah untuk mengkaji hubungan antara amalan-amalan sumber manusia seperti latihan dan pembangunan, pengurusan prestasi, ganjaran, pakej faedah dan penglibatan pekerja, dan mengekalkan tenaga kerja dalam perusahaan kecil dan sederhana. Kajian keratin rentas telah dijalankan di kalangan 101 perusahaan kecil dan sederhana dari W.P Putrajaya. Teknik persampelan rawak adalah teknik persampelan yang digunakan dalam kajian ini. Instrument yang digunakan untuk mengumpul data dalam kajian ini adalah boring soal selidik dan terdapat lima boring soal selidik yang telah disesuaikan daripada jurnal bertajuk “Kesan Amalan Pengurusan Sumber Manusia pada Peletakan Jawatan di kalangan Eksekutif Pemasaran di Syarikat Pemajikan di Sri Lanka” oleh Ruwan Abeysekera (2007) dan digunakan untuk mengukur amalan-amalan sumber manusia seperti latihan dan pembangunan, pengurusan prestasi ganjaran, pakej faedah dan penglibatan pekerja dan mengekalkan tenaga kerja dalam perusahaan kecil dan sederhana. Analisis regresi telah digunakan untuk menguji hipotesis. Secara keseluruhannya, dapatan kajian menunjukkan bahawa amalan yang mempengaruhi responden untuk mengekalkan tenaga kerja dalam perusahaan kecil dan sederhana. Didalam kajian ini juga, perbincangan, batasan kajian, cadangan dan kesimpulan juga telah dibincangkan dengan bertujuan untuk mewujudkan satu platform kepada para penyelidik masa depan untuk meningkatkan kajian ini. Kesimpulannya, telah terbukti bahawa amalan pengurusan sumber manusia iaitu latihan dan pembangunan yang menyumbang dalam mengekalkan tenaga kerja dalam perusahaan kecil dan sederhana.

Kata kunci: Amalan-Amalan Sumber Manusia, Latihan dan Pembangunan, Pengurusan Prestasi, Ganjaran, Pakej Faedah, Penglibatan Pekerja, Menguruskan Tenaga Kerja dan Perusahaan Kecil dan Sederhana.

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CHAPTER 1

INTRODUCTION

1.0 Background of the Study

The globalization arena has changed the business environment and therefore the world flatter more competitive in economic sector. The countries are competing with each other to become global economic players. Every government completely persuaded for the emergence of numerous new business and industry. Eventually, due to the existence of multitude organizations in same industry as well as different industry tend to opponent each other towards lead the economic. Every organization acquires several methods to ensure their continuous growth and sustainability in the market. In the conjunction with these circumstances, the organizations make responding for distinction on organizational culture, principle, business direction and last but not least HRM.

However, as per agreed on a national scale the Human Resource Management is the foremost vital part for an organization. This is because; employees are company's primary asset that lead and direct the company's other investment. According to Goold and Quinn (1990), Human Resource Management (HRM) is reckoned as the primary apparatus whereby Managers assimilate the contribution and efforts of employees to ensure those actions are fitting to the organizations goal. Fundamentally, it is extent to which "how an organization manage the employees towards achieve its goal". The overall Human Resource Management in an organization comprised with three major elements such attract, motivate and retain the employees in their organization. Based on Singh (2003), the tradition function of HR is attraction, retention; motivation and development of human resource align with current and future requirements.

In addition, it is an elementary aspect HR team to manage workforce within an organization as managing workforce becoming vital in current knowledge-based economic and companies are competing with each other for well trained and skilled employees to master the economic. In strong concern on this, Morgan (2008) in an article namely “I hired you; you’re perfect... now stay! (The top ten lists for retaining talent)”, furnishes certain sensible, realistic keepsake towards keep an organization’s most significant asset which is known as workforce. In addition, Morgan coherent few fundamental home-truths in regards to the ways a business ought to recognize and care for is “star” employees and steer clearing of most oblivious drawback of unprofessional conduct, behind them to competitors.

The same scenario described by Cheese (2008), that the increasing variability of global labor markets, changing workforce demographic, and changes in the temperament of work make it more intricate to attract, engage and retain the significant employees that creates value for the organization. This is the good platform for us to know on the classification of workforce in an organization. Talents define as potential and outstanding performing employees within an organization who equipped with special skill, knowledge, ability and also unique attributes in certain job field. According to Taleo (2010), talents drives performance and teams with the best people perform at a higher level. These employees being as strong back bone for the continuous business growth and development. In conjunction with this, talent management takes in further managing and processing the openings that are ended accessible to individual in an organization which is considered as painstaking to be “talent”.

Therefore, noticeable large business entities deposits their effort to retain their workforce in organization towards conquer the economic in today's competitive business environment. They, incorporate variety of effective HR practices towards attract, motivate and retain their employees. However, the small and medium enterprises (SMEs) failed and still lacking in this term. They fall short to aware that it is HRM processes to retain the people in organization who are considered talents and contributor for the organization development.

1.1 Background of Small and Medium Enterprises (SMEs)

SME Corporation Malaysia (2013) defines SMEs in “*Guideline for New SME Definition*” as business that believed as SME in term it achieve either one of the particular decisive factor, namely turnover or full time employees which ever lower. Below table shows the details of SME definition:-

Figure 1.1: SME Definition by Size of Operation

Category	Small	Medium
Manufacturing	Sales turnover from RM300,000 to less than RM15 million <u>OR</u> full-time employees from 5 to less than 75	Sales turnover from RM15 million to not exceeding RM50 million <u>OR</u> full-time employees from 75 to not exceeding 200
Services & Operation	Sales turnover from RM300,000 to less than RM3 million <u>OR</u> full-time employees from 5 to less than 30	Sales turnover from RM3 million to not exceeding RM20 million <u>OR</u> full-time employees from 30 to not exceeding 75

Source: Retrieved from *Guideline for New SME Definition October 2013*

According to Baublyte (2010), in the journal “*Talent Management: Myth or Reality in Today’s SMEs?*”, it was recognized that SMEs are identify the value and the crucial role of handling the employees specifically, in today’s competitive economic environment. However, it is typically conducted in normal method. Although, as largest the organization the more systematic their HR practices and procedures whereby likely medium sized organizations might would have an HR department or Mangers whereas mostly of small companies do not. The HR practices are more evolving somewhat than premeditated due to the upper stage ambiguity experience in the marketplace surroundings which is contrast with large scale of enterprises (LSEs). Besides, it also reckoned as the employers responsibility to forming the HR practices in an organization.

The statement brings us to classification of HR practices. HR practices define as the overall ingredient of Human Resource Management (HRM) whereby it is encompasses the process, steps, procedures and task that carried out under this management. Based on Boxall and Purcell (2008), HRM can be defined as all activities associated with the management of people in firms. In line with this, according to Mondy (2010), these activities are encompasses HR planning whereby recruitment and selection, HR Development known as training, development and career planning, Compensation which is direct and indirect financial compensation and non-financial compensation, Safety & Health and Employee Relations. HR practices make possible the determining of employees mindset, values, abilities, skills and behaviors trough recruiting socializing and developing a firm’s pool of human.

These HR practices plays vital role in an organization when dealing with attract, develop, motivate and retain the employees within an organization. Storey (1995) stated that during 1990s, there was a vast argument on differences between Personal Management and Human Resource Management as distinct approach to the people management.

It is also often spell out that human resource management (HRM) started as an US concept based on Beaumont (1992), whereby he concluded that it was stresses on people management and the function of human resource ways projected towards employees' dedication in order to achieve organizational goal McGunnigle (2000). In addition, Storey (1992) claimed that the main aspects of HRM is the placement in amid organization's policy and the system which employees are well managed and people are managed and conviction that in the case employees are managed properly, they are input to viable benefit and accentuated on people flexibility and the exploitation of a range of human resource methods that initiated to stimulate employees' dedications.

Hence, it is clearly exhibits that HRM & HR practices plays crucial role in develop and particularly retain employees who considered as key competitive advantage for an organization. Companies that set their focal point on HRM as long term investment are able to retain their employees particularly in current business environment whereby the world is craving for employees.

According to Baublyte (2010), recession has changed the business scenario and environment and therefore, now we are at the edge of “Talent War”. There are possibilities for many employees starts migrating as job market becomes more attractive between companies and attracting perks starts flowing on top of workforce. Having committed employees would retain within the company while critical employees would make a transitions to a better company.

In conjunction with this, according to Baublyte (2010), in the journal ‘Talent Management: Myth or Reality in Today’s SMEs?’ typically large companies are greatly grown-up with extensive understanding of HRM practices and customary their name in the market place. Publication like “The Sunday Times Best 100 Companies to Work For” influences perception of labor market towards big organizations. They able to equip their employees with enhanced working condition, competitive salary, attractive benefit package, and job security. Regrettably SMEs not always able provide such elements. Thus attracting and thereafter retaining workforce becoming very difficult among SMEs. According to Ghoshal (2003), maintaining workforce is not a simple job. It engages a composite route of scheming HR practices, procedures and policies of organization for recruitment, motivation, development and retention of proficient employees. Based on Datta (2006), sensible to presume that various looms may be essential to attract, motivate and retain employees. Jackson and Schuler (1995) said that now it is broadly received those HR practices are situation oriented and not all the organizations are leaning to accept a whole set of HR practices.

However, SMEs are encouraged and advised to execute selected effective HR practices towards retaining their workforce. Subramony (2006), described that organizations are to be expected to build strategic options by captivating up some exclusive HR practices and rejecting the others. This is simplifying that small and medium enterprises (SMEs) not required implementing all the HR practices that practicing by large business entities due to its size. Nevertheless, small and medium enterprises (SMEs) are recommended to execute certain HR practices in order to perform proper Human Resource Management in an organization as well as to keep up employees in an organization.

In the nut shell, HR practices are crucial to retain workforce in an organization and it is evidently shows that HR practices underpin for retaining workforce in SMEs. Thus, in order to retain workforce in small and medium enterprises (SMEs), the company or management required to implement effective HR practices properly. Therefore, the researcher intended to examine HR practices on retaining workforce in small and medium enterprises (SMEs).

1.2 Problem Statement

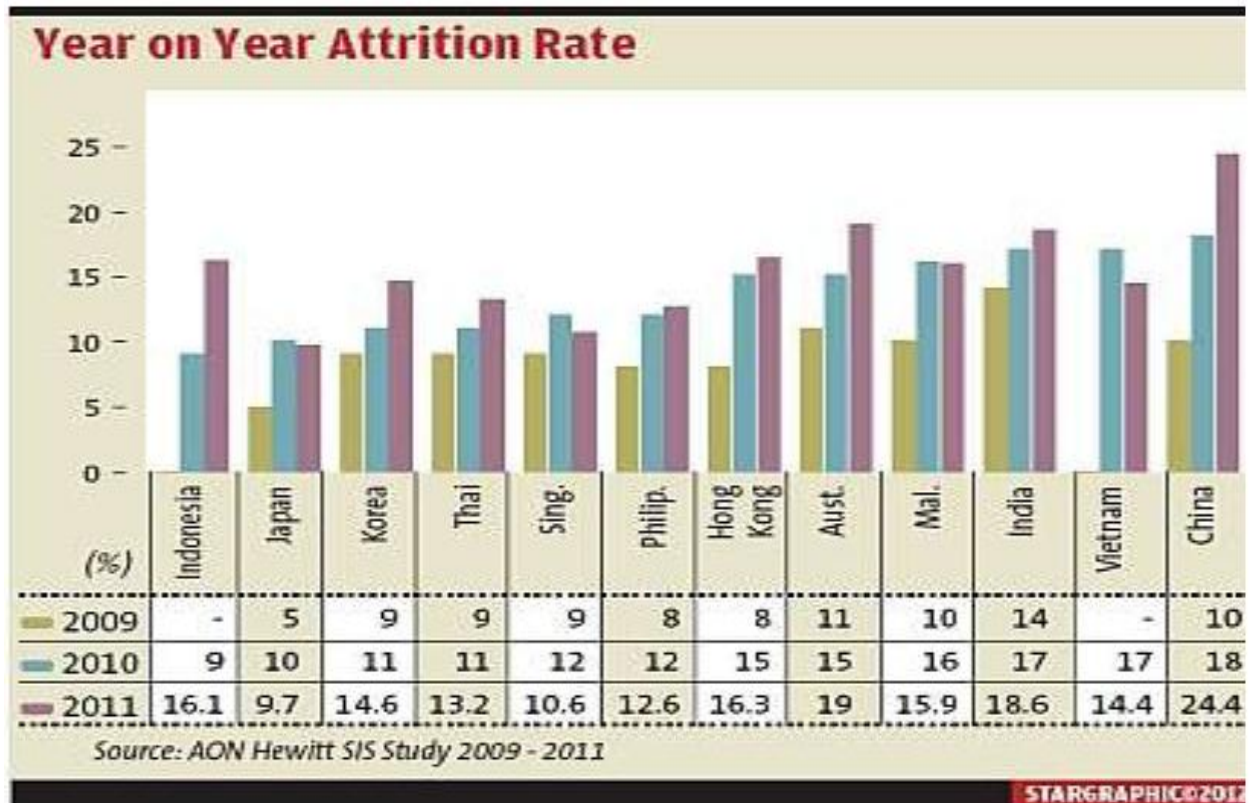
Small and medium enterprises (SMEs) are one of important contributor for a country's economic growth. Daiva Baublyte (2010), SMEs comprise biggest portion of market plane and therefore very vital for countries' economic development. Present business environment is reckoned as hard time for retaining workforce in small and medium enterprises (SMEs). Different companies are implements different distinctive mechanism to attract and retain workforce to their companies.

The possibilities for talent employees hopping from one company to another company are wide due to various reasons. However, HR practices measured as an import mechanism to retain workforce in an organization. Studies shows that large business entities grab hold of this principle and executes effective HR practices to retain its workforce. While, small and medium enterprises (SMEs) still lacking in this term whereby most of the SMEs are not equipped with proper HR department and the companies are not implementing appropriate HR practices which is strongly underpin for retaining workforce in organizations. Based on Heneman, (2000), research on HR practices of SME as made broad stride. However, he concluded that no research has been pays attention in regards to the framework of the ways SME's HR practices lead for sustainability. Thus, it considered that research on this scope is needed to be guideline for small and medium enterprises (SMEs) retain workforce in their organizations.

Small and medium enterprises (SMEs) also compulsory to equipped with HR department in order to carry out HR practices. Whenever, this term is missing, consequently small and medium enterprises (SMEs) faces challenges in managing it human resources. Hence, effective business strategies happen to foreseeable for SME sector. Therefore, it roles as one of the causes for the difficulties that faces by small and medium enterprises (SMEs) in retaining workforce within an organization via HR practices. According to the article published in *SME World magazine (Sep 2011)*, in today's market scenario, that is tremendously explosive and unhinged prospective employees look for security in a job and they look at SMEs as a less stable job option. They be apt to consider that the probability of smaller companies getting effected are more as do not have the deep pockets to dig into retain workforce when compare to

established players in the market. The statement clearly shows that small and medium enterprises (SMEs) deficient in retaining workforce compare to big companies. The below graph shows the turnover rate in emerging market:-

Figure 1.2: Turnover Rate in Emerging Market



Source: Retrieved from Malila, J (2011). Managing Rewards in Asia. *Global Benefits Outsourcing Conference*, 1-20

This put small and medium enterprises (SMEs) under the risk of high employee turnover. According to Haines, Jalette and Larose (2010), there are several factors contribute for employee turnover, but many studies found that HR practices able to reduce the turnover intention among employees and it could retain the employees within an organization as well.

According to Ruzainy Alwi (2012), Malaysian SMEs are frequently come across with many confronts as well as troubles such output efficiency, high rate of employee turnover, lack of knowhow, financial restriction, lower lever of loyalty, occupational stress, low job satisfaction and the various works factors that lead for such problems. He also concluded in the journal that employee turnover is one of the confront or problem that faces by SMEs in Malaysia.

As per elaborated by Kishore, Majumdar and Jiran (2012), in the journal *“Innovative HR Strategies for SMEs”* the small and medium enterprises are by nature being volatile in taking risk. Besides, they further the subject that HR has challenges of attracting workforce on role measurement and then retaining those workforces by offering professional organization culture. Based on the conclusion, the point which simplified is the size being a barrier for small and medium enterprises (SMEs) to implement the HR practices as per big companies. In addition, based on article published in *“ST Breaking News”* by Yeo Sam Joe dated Oct 2013; SMEs can do more to retain talent in competitive job market. To support this point, the Minister of State for Trade and Industry, Mr. Teo suggested that long service reward and variable pay based on performance results as some examples. Hence, it defines as small and medium enterprises (SMEs) need more deliberation on these aspects for employment retention.

This scenario describes that small and medium enterprises (SMEs) required focusing on more effective HR practices such as compensation and benefit, remuneration and recognition, and performance management towards retain workforce. Moreover, the article also mentions that some SMEs, because of its small size, are unable to implement many good HR practices to retain their workforce. However, the companies always can

customized and implement HR practices based on its scale of operation and number of staff. As per above statement, it is in reality feasible to recognize the factors that underpin workforce in small and medium enterprises (SMEs).

In fundamental nature, the HR practices on efforts to retain workforce in an organization vary in small and medium enterprises (SMEs). According to Baublyte (2010), there is high scale of diversity in HR practices within SMEs. As per notified in above and it will be illuminated later in literature review section on how does HR practices underpins to retain workforce in small and medium enterprises (SMEs). Hence, this reclines as heart of the problem for this proposed study. In the case a link can be establish between HR practices and retaining workforce in small and medium enterprises (SMEs), then it might be possible to look HR practices as a strategy to retain workforce in small and medium enterprises (SMEs).

1.3 Research Questions

According to the literature review that will be distinguished later part in this proposal, the main hypotheses of this study will direct the analysis of data. The foremost is, hypothesized that HR practices will be related to retaining workforce in small and medium enterprises (SMEs). Those enterprises that execute higher degree of effective HR practices tend to have higher level of retention among workforce in an organization. While low degree of HR practice in talent management will be related to low retention of workforce in organization.

Consequently, it will be feasible to forecast the retention of workforce in small and medium enterprises (SMEs) by deliberate the HR practices in the organization. Eventually, it hypothesized that the HR practices may influence the retention among workforce in small and medium enterprises (SMEs). The five HR practices served to elicit of this research.

The particular hypotheses to be tested are shown as per below in null form:-

1. Is there a relationship between HR practice of training & development and retaining workforce in small and medium enterprises (SMEs).
2. Is there a relationship between HR practice of performance management and retaining workforce in small and medium enterprises (SMEs).
3. Is there a relationship between HR practice of benefit package and retaining workforce in small and medium enterprises (SMEs).
4. Is there a relationship between HR practice of rewards and retaining workforce in Small and medium enterprises (SMEs)
5. Is there a relationship between HR practice of employee engagement and retaining workforce in small and medium enterprises (SMEs)

1.4 Research Objective

The main rationale of this research is to recognize the relationship between HR practices and retaining talents small and medium enterprises (SMEs). This research has set it target aims to achieve its objective. In order to accomplish the aim of this research, the following particular objectives will be addressed. Purposely, the focal point of this study is five principal objectives:

- 1) To identify the relationship between HR practices of training and development and retaining workforce in small and medium enterprises (SMEs).
- 2) To identify the relationship between HR practices of rewards and retaining workforce in small and medium enterprises (SMEs)
- 3) To identify the relationship between HR practices of compensation and benefits and retaining workforce in small and medium enterprises (SMEs).
- 4) To identify the relationship between HR practices of performance management and retaining workforce in small and medium enterprises (SMEs).
- 5) To identify the relationship between HR practices of employee engagement and retaining workforce in small and medium enterprises (SMEs).

1.5 Significant of Study

It is strongly believed that the study will make contributions to areas of talents retention in small and medium enterprises (SMEs). First the study believed to contribute the basic knowledge of retaining talents in SMEs. Besides, room to know more on relationship of retaining talents in small and medium enterprises (SMEs) and HR practices. It would be feasible to evidently understand the meaning of retaining talents in small and medium enterprises (SMEs), the importance of retaining talents and how to retain talents through HR practices. Furthermore, this research is the effort to utilize the retention of talents in small and medium enterprises (SMEs) with a sample of SMEs in W.P Putrajaya settings. The study will contribute a better understanding about retaining talents in small and medium enterprises (SMEs) through HR practices.

Finally, the ultimate issue essential for the study is HR practices. It is estimated that the study will be able to come out with the ways which HR practices contributes for the retention of workforce in small and medium enterprises (SMEs). At the same time, it is considered as vast undertakings that could prove a small step in this direction.

1.6 Scope and Limitation of the Study

In the wider perception, the intent of this proposed research is to concentrate on the population in small and medium enterprises (SMEs) under manufacturing sector in W.P Putrajaya, Malaysia. Hence, delimit the setting is important to identify where the sample for the proposed research will be drawn.

In the conjunction of these, the proposed research contents with individual exist within the one setting. It will be focusing small & medium enterprises (SMEs) in W.P Putrajaya. Choosing this setting will offer sample of workforce within a small geographic area therefore, make possible for data collection of mentioned grouping.

However, the findings of this study were subject to numerous limitations. Some of the caveats to this study are stated below. This research focuses on HR practices in small and medium enterprises (SMEs). To some extent, this may considered as a limitation. As shared, this study was also focusing on one of the demographical area known W. P Putrajaya. Thus sample size may act as barrier to analyze the findings. However, this limitation is specifically supported with the limitation of budget, response from the respondents, time constraint and lack of experience. As an academic paper, common restriction such time, cost, lack of experience and difficulties are fundamental barriers that should take into consideration.

In fact, the findings from study was derived from a cross-sectional analysis of data. The nature of cross-sectional analysis made the findings more restrictive to the specific times when data were collected. Other than that, only one component of independent variable which is HR practices is examined against the dependent variable.

1.7 Organization of the Thesis

In chapter one, research background, problem statement, list of research question and the research objectives of this study are plainly elaborated. It showed the direction to carry the research further on line that HR practices in retaining workforce in small and medium enterprises (SMEs). The chapter two covers on how the independent variables influenced the dependent variable based on past studies review which are narrated to this study and also explains previous studies on HR practices on retaining workforce in small and medium enterprises (SMEs). Consequently, chapter three attends to the research design, population, sampling plan, data collection procedures, measurements and data analysis. In line with this, chapter four discusses about the analysis of the collected data and research findings. The final chapter of the study which chapter five, summarizing according to the research objective, which is to identify whether there is a relationship between HR Practices and retaining workforce in small and medium enterprises (SMEs).

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

The Chapter two covers on how the independent variables influenced the dependent variable based on past studies review which are narrated to this study. Besides, this chapter also explains previous studies on HR practices on retaining workforce in small and medium enterprises (SMEs). In addition, a proposed theoretical framework has been established based from past studies. Moreover, hypothesis have been drawn out in order to ensure those hypothesis align with the researcher's objectives and also to ensure the validity. Prior the body of literature, we are supposed to aware that retaining workforce in an organization has not only fallen within the small and medium enterprises (SMEs).

2.1 Definition & Conceptualization of Variables

2.1.1 Retaining Workforce

The relationship between HR practices and retaining workforce in small and medium enterprises (SMEs) has occupied many researchers during the past decades. As per Tziner and Birati (1996), retaining high performers is an immense subject for an organization, since it can be overwhelming for an organizational efficiency. According to Horwitz (2003), the employment association is enduring elementary transformation that have connotation for attract, motivate and retain of employees. Veloutsou and Panigyraksi (2004) said that as per managerial perspective, retaining the high performance employees are important. Retaining talent is an incorporated process of ensuring to maintain potential, high productive, skilled, experienced, motivated, and leadership individuals

within an organization. Besides, retaining talents in organization is sustain talent employees into traditional process.

Organizations internationally looking forward for retain workforce within their organization in order to better utilization of the talent towards the company's development. Survey shows that the retention of workforce is the top concern for more than 60% employer all over the world. This is because; holding best people within organization render competitive advantages in present business environment. Retaining workforce in an organization is relevant to all the industry, form of business and entity. Johnson (2000), clearly stated that retention management of talents is an ability to hold on to those employees that a company wants to keep for longer than competitor. This is because, current economic known as knowledge based economic and the business environment fighting for talent people. Pedestal to Agarwal (2000), the preservation of capable, qualified, dynamic and conversant employees can be store of viable benefit for the organization. Moreover, Based on Cappelli (2000), retention of employees make available employee immovability, which underpin for organizational knowledge sustainability and Mothwani and Frahm (1994) support this point by enlighten that training and development offers possibilities to raise quality standards trough constant upgrading practices.

Every organization looking forward for workforce to be retain within their organization. Therefore, over the past decades, numerous publications have been done to address the issue on employee retention. At the same time based on Mitchell (2001), HR Managers are pushed to exert a pull on and maintain key people in an organization that have competencies that are decisive for an organizational continued existence.

Therefore, Human Resource Management plays an important role in retaining workforce in an organization. Based on Haines, Jalette and Larose (2010) there are several factors contribute for turnover intention, however many studies found that HR practices able to reduce turnover intention among employees.

In recount to this statement, Daud (2006) claimed that HR practices can be classified into staffing, training, goal setting, compensation and firms in urgent market implementing these significant practices in order to attract, retain, develop and motivate the talented employees. According to the Academic Research that has been conducted by Horwitz (2003), concentrated on the association among particular type of HR practices like work family inventiveness or career development and employee retention. Based on the Journal *Pride and Professionals: Retaining Talents in Emerging Economics*, performance management and training & development had a positive relationship with satisfaction on job and organization and have strong relationship with intention to leave and subsequent turnover. In line with this, according to study conducted by Chang and Chen (2002) on Taiwanese High-Tech firms, HR practices including training & development, benefit packages, HR planning and performance review or appraisal have momentous consequence on employee yield and negative relationship with employee turnover. In addition, Batt and Valcour (2003) desirable compensation packages such as higher wages provided to employees are workable in retaining them.

Retaining workforce subject not only cover large business scale (LBS), however it is also given important consideration for small and medium business enterprise (SMEs). Based on comparison with large business enterprises, SMEs are incompliance in term of HR strategies in retention. According to *Innovative HR Strategies for SMEs* by Krishna,

Mousumi, and Vasanth (2012), the major challenge of SMEs is to retain the workforce as lack of competitive salary. They concluded that HR personnel should retain the workforce by efficient HR practices such as competitive benefit package, reward, employee engagement, performance management system and retention interview. Based on Maertz and Griffeth (2004), the prevalent for the issue of employee retention disparity with the lack of research that is expansively integrate employees' motivations for staying or leaving their organizations. In addition, the journal also concluded that SMEs are at the drawback on their ability abilities in offering viable packages which directly play the role as an obstruction to attract and retain of workforce.

As mentioned in Whitepapaer (2013), the ability of the SMEs units to attract and retain the workforce and develop them along with organization's growth would be at least. Whitepaper look into the point that retention of workforce is a strategic thinking within SMEs for long term. However, small and medium enterprises SMEs still struggle to communicate and retain workforce to build a long term vision trough people.

Based on Lepak and Snell (2002) compensation is elaborated as an enticement of reward or in other word pay that has been constructed and planned to motivate employees to stick together, retain, and perform outstanding over time to the firm and therefore, small and medium enterprises (SMEs) need to furnish reasonable reward policy that can retain and motivate employees to execute their proficiency in their work related activities efficiently and effectively. Consequently, the current discussion focus primarily on findings and issues associated with small and medium enterprises (SMEs) as considered still absent in retaining workforce within their organization.

2.1.2 HR Practices

Human Resource Practices (HR Practices) is premeditated skills, attitude and behavior among staff that support the organization in order to attain its goals. As highlighted by (Boxall and Purcell, 2008) HRM can be defined as all activities associated with the management of people in firms. Based on Ashill (2008), identified that HR practices like reward, empowerment, training, job enrichment and stability to cause high turnover via job satisfaction and organizational commitment.

HR practices comprised with values for managing the workforce via its policies and practices. It consist a range of tasks such as employee relation, recruitment, reward and recognition, training, performance management and staffing. Based on Chandra and Kumar (2000) organizations need HR practices such as training, compensation, reward system and etc in order to attain specific successful capabilities.

Besides, HR practices must alight with the organization's mission, vision and goal. Consequently, Huselid (1995), highlighted that organizations are gradually more put in time and money to take up high sophisticated HR practices to make better their competitiveness and uphold employees' development and engagement. Shub and Stonebraker (2009), claimed that HR practices such as staffing, training, job design, performance management, reward management and etc are reckoned crucial for assembly an incorporated organization that turns to improve organization's performance in term of flexibility, delivery, quality and cost. It is essential to creating different strategies for all groups of employees in the organization based on their knowledge, skill, responsibilities and workforce. HR practices influences the employees' feeling and reaction. It patents the workforce's satisfaction, motivation, product quality, involvement, sense of

belonging and retention. According to Tett and Meyer (1993), willingness to leave the organization defined as turnover regarded as significant HRM outcome for several reasons. Ineffective HR practices in an organization would mainly affect the retention of staff and lead for high turnover through dissatisfaction and de-motivation.

Large business entities, more focus on HR practices in order to improve employees' motivation and retention compare to small and medium enterprises (SMEs). Based on the study conducted by a Cornell University, exhibits that small and medium enterprises (SMEs) HR practices seems informal and it highly impact their values. According to Daiva Baublyte (2010), in the journal "*Talent Management: Myth or Reality in Today's SMEs*", as bigger a organization, more systematic the HR procedures tend to be whereby medium size organizations would have an HR Department or Managers. This is how most of small organization do not. The author concluded that it is understood that as SMEs are greatly less problematical and smaller in size, their HR implementations are feeble or nonexistent.

HR Department of an organization in the necessity to find the effective practices to attract, recruit and retain potential workforce into their organization in present competitive labor market. Current globalization business arena requires complex and diverse HR practices to meet well workforce management. These requirements translate through HR practices and policies.

Furthermore, the practices and policies must align to resolve the current critical issues in organization like high turnover. HR may refer the better HR practices from successful organization and successful HR practices will facilitate the staff in successful way.

2.1.2.1 Training and Development

Training and development reckoned as one of the HR practices whereby able to mold an employee with sufficient skill, ability, knowledge and spectacular standard towards achieve organizational goal. According to Richey (2001) training and development is a huddle in regards to attitudes, skills and knowledge, which connects with effectual performance which can be deliberated and appraisde and that can be enhanced via training. As per Garavan (1997) for the current study, training is defined as “a planned and systematic effort to modify or develop knowledge, skills and attitude through learning experience, to achieve effective performance activity or a range of activities”. *The Global Journal of Management and Business Research* by Ghafoor Khan, Ahmed Khan and Aslam Khan (2011) training and development have positively affect organizational performance.

The journal also added that training is vital to upgrade the abilities and capabilities of employees in an organization. Besides, according to R.J Human Resource Management (2002), training has the diverse role in the attainment of an organizational aim by integrating the interest of organization and the workforce. In addition, Boxall and Purcel (2011), claimed that training and development systems were also apparent as mechanism for retain workforce. The facts and studies evidently show that providing access to training and development underpins to retain key workers in an organization which is known as talent employees. Based on Switzer and Kleiner (1996), the company's commitment towards training employees optimistically impact on retaining employees and leads for pleasing outputs via various sort and type of trainings. Furthermore, the study on “*The Way to Retain IT Employees (2002)*” discovers that

training and development programs underpin for retain workforce within the organization. The other side, Bushardt (1994), concluded that training employees create the way to bring employees' satisfaction to better level, helps in updating skills and also work on to an increased sense of belonging and benefits, increased employees commitment to the organization.

However, small and medium enterprises (SMEs) are still least aware on the important of training and development practices in their organization. This would be one of the reasons for their lack of ability in retaining their workforce within organization. As per Devins (2004), the employees in small and medium sized enterprises (SMEs) are alleged by a number of critics as shortcoming among the labor force as studies that conducted in some countries recognized that SMEs are noticeably fewer probable in providing formal training programs than larger business. To hold up this fact, Storey and Greene (2010), stated that somewhat fewer training and development in SMEs curtails from and informed appraisal of the cost and benefits from training provisions. On the other hand, studies shows that small and medium enterprises (SMEs) required to give consideration in training and development for the employees up to their level best. Green and Martinez-Solano, (2011), said that employee involvement in training and development is vital in SMEs sector is endorse the broadly detained view that training and development is critical in enhancing business recital and local economic development. The management able retain employees in an organization via the long term personal growth and career development that obtained by employees trough training and development. This is how deliberate by Winterton (2007), that training and development is paying attention further on employees than on the assignment or job as it

is connected with long term personal and career development. McCauley (1998) added points to this fact by saying that training and development defined as “proper process and actions mainly slanting towards rising people in conducts that balancing organization and its goals as well as appropriate for attain people’s own career growth and development needs.

Personal growth and career development is one of the considerable expectation among talent employees and if an organization able to fulfill this needs whereby the organization would able to retain them. Burden and Proctor (2000) wrapped up that over attainment objective on retention of staff, specific goals required specific training initiatives and it contains the enhancement of employees performance on assign job, development, knowledge, skills, and attitudes as well as it means to achieve competitive edging.

2.1.2.2 Performance Management

Performance management refer to the systematic approach where an employer or company manage their employees performance align with company’s mission, vision, business direction and organizational goal in order to ensure the employees working to fulfill employers’ expectation and as well as to create job satisfaction among employees. Performance management primarily focuses on the inter-relation between organizational objective, strategy, and performance measurement system which stated by Kaplan and Norton (2008). Besides, according to Neely (1998) performance management is a tool which offers information on the matters communication, promotes motivation, provides a mechanism on control and creates a mechanism for interventions and learning improvement.

Aguinis (2013), said that performance management is known as ongoing process which recognizing, evaluating and upgrading the individual employee's and the team's and also ensuring it is aligning with the organizational strategic goals. The author also deliberating that performance management involves six distinctive repeated steps which are prerequisites, performance planning, performance execution, performance assessment, performance review and performance review and contracting. In addition, Radnor and Lovell (2003), claimed it became one of the favored strategic tools of performance management for numerous prominent public and private sector organizations.

Therefore, the needs for an effective performance management system keep on escalating in current business environment. Even though performance management system is one, different company modifies it according to their organizational mode and conveniences. Based on Linge and Schiemann (1998) it has been exhibited that the make use of performance management overall quality and performance of an organization.

Moreover, performance management also lead to job satisfaction which is underpin for retaining high performing employees in an organization. As we know high employee turnover creates problem for the organizations. According to Mitchell (2001) departing talented employees would take away a great deal of accumulated knowledge with them. Thus, retaining workforce in an organization plays a crucial role in sustaining the company's business growth. Systematic performance management creates effective platform for retention of workforce through job satisfaction. According to MC Shane, and Glinow (2005) job satisfaction refer to how employees perceive their jobs and has been found that job satisfaction is important tool for employee retention.

Effective performance management leads for employees' job satisfaction which makes the employees to retain in an organization. Pedestal on the journal "*Using Performance Management to Win the Talent War*" by Aguinis, Ryan, Gottfredson and Joo (2012) performance management is an effectual instrument to retain key people and avoid the rival from pinching of organization's important source of competitive characteristic. Based on this, we may conclude that performance management is important for all organization regardless of size, nature of business, industry, business mode and etc.

Hence, small and medium business entities (SMEs) also cover the scope of performance management. As per mentioned by Hudson, Smart and Bourne (2001), required to build up and relate well planned performance management system that is suit and convenient for the SME sector. However, the authors also conclude that there are generous obstacles to develop a strategic performance management system in SMEs. In the nut shell, even in small and medium enterprises (SMEs) properly executed performance management can be an useful tool in workforce retention and preventing these employees from wooing away by competitors.

2.1.2.3 Rewards

Rewards extent to which an acknowledgement or appreciation element by organization for employees good job in order to encourage employees for their continuous contribution towards better business functionality. According to Edward and Christopher (2006), have highlighted that people would not routinely come to work or continue to work hard for an organization whereby employees necessitate motivation to share and fulfill the organization's vision. Undoubtedly, rewards are the mechanism that makes this

happens. Many studies on rewards and importance of rewards has been conducted worldwide. However, according only few studies Malaysia has focused on this scope. Based on "*International Journal of Business, Humanities and Technology, 2012*" mentioned that Malaysian companies do agreed that rewards is competent instrument to motivate employees and consequently leads to an boost in the company's financial performance.

In addition, as per Armstrong, (2000) rewards strategy is extent to which principle that furnishes spectacular guidelines for the company to expand and formulate programs which will make certain that rewards the performance result underpin the attainment of its business goals. Armstrong (2006) also added points to his statement that total rewards is the mixture of both non-financial and financial rewards made obtainable to employees. He concluded that total rewards involves all form of rewards and remuneration such direct and indirect, as well as extrinsic and intrinsic. In conjunction with this, rewards also plays a crucial role in retaining workforce in an organization especially talent employees within an organization. According to Chen and Hsieh (2006), the rewards approach is transform from a simplex to a multiplex circumstance due to the hurriedly shifting business environment.

This is how the acceptance of entire rewards system supports to retain workforce and guarantee the company stay in a best placed for future access. All over the word, studies evidently exhibits that rewards underpin for workforce retention. Chiu, Luk and Tang (2002), identified that both employees in Hong Kong and China are currency oriented and money oriented components such as merit pay, base salary, as well as yearend bonus for stunning performance were the much significant rewards in regards to

the initiation on retaining and motivating employees. Hence, rewards assists to retain and motivate workforce as to sustain competitive in the global market.

Meanwhile, based on WorldatWork (2007), a global human resource association in US with its main focal point on benefits, compensation, work life, and integrated total rewards, has elaborated as total rewards. This is because all of these tools accessible to the employer that might be used to attract, retain and motivate employees. Rewards scope not only restricted up to large business scale. However, small and medium enterprises (SMEs) also required offering considerable anxiety on rewards in order to retain its talent people. This is because, as per current state the small and medium enterprises (SMEs) still lacking in term of retaining employee through effective HR practices such as rewards. Not many aware the significance of rewarding employees in a systematic manner. As per mentioned in *“Journal of Business and Management”* (2012), the primary challenge for SMEs in its initiative to retain their pool is competitive salary. Conversely, HR practices could retain workforce in SMEs via proper and effective rewards system. Furthermore, (Gupta and Singhal, 1993) said that along with the HR course of action should in specific focus on employees’ innovations through rewarding, motivating and managing the employees at appropriate time to improve the competitive advantage to sustain the company’s current state in market and as well as for the continuous development in competitive global business environment. In conjunction with this, Organ (1988), claimed that organizational residency behavioral symbolize employee behavior that is unrestricted, not frankly or openly acknowledged by the proper rewards system whereby the in total promotes the helpful performance of the organization. Therefore, small and

medium enterprises (SMEs) required giving spectacular consideration in rewards system towards retaining workforce in their organization.

2.1.2.4 Benefit Package

Benefit package delineate as monetary and non-monetary compensation that provided to employees by an employer in come again for work performed as necessary. Benefit package includes payment such over time, bonuses and profit sharing sales commission, insurance coverage, recognition rewards, check and medical entitlements. These benefits are fall under monetary side whereas a non-monetary benefit includes perks such as stock option in certain instances, company paid car, company paid housing and etc. As per “*The International Journal of Education (2013)*”, employees benefit can be separated into monetary and non-monetary compensation. The journal concludes that monetary compensation is reckoned as any form of benefit which are includes tangible values meanwhile non-monetary involves social rewards like job security, career, opportunity for growth, flexible hours, recognition and praise, and task enjoyment.

On the other hand, How (2001) described that benefits offered to the employees can be classified into leave insurance, loans, retirements and termination, employee services and other benefits. Besides, “*The International Journal of Education (2003)*”, added that employees benefit package typically includes retirement plans, health life insurance, life insurance, disability insurance, vacation, employee stock ownership plans and others. Offering attractive benefit package considered as an important function of HR in order to attract and retain worforce in an organization. According to Milkovich and Newman (2008), employee benefits are part of the total compensation package, other than pay for the time worked, provided by the employers payments to employees in

whole or in part. In fact many companies are seeking ways to offer attractive and competitive benefit package in order to increase loyalty among employees towards retain workforce in organization.

Based on Milkovich and Newman (2008), employees' benefit packages are widely claimed to help in retention of workforce. In addition, Losey, (1998) highlighted that benefit package might help to retain the employees if there were well designed benefit, especially in a competitive labor market. Therefore, benefit management reckoned as critical area in HRM whereby it is necessary to be concerned as it can be a tool to lure and retain capable, focused and productive employees in the organization. According to "*The State of Employees Satisfaction Journal, 2004*", proposed that there are very strong correlations between compensation and employee commitment. Hence, (Bobbie, 2006) claimed that "*Diversified Investment Advisors' Report on Retirement Plans*", declared the majority of U.S companies (84%) currently offer a defined benefit plan such as a traditional pension plan, cash balance plan, or a pension equity plan believe their plan may directly impact employees' retention.

However, the small and medium business enterprises (SMEs) still lack of aware on the importance of attractive benefit perks which is plays vital role in retaining employee especially talented employees in an organization. In conjunction with this, "*The International Journal of Business & Science (2012)*", finding shows that small and medium business enterprises (SMEs) does not engage as much in employee benefit practices. The journal also bring to a close that it leads to the acceptance of the likelihood of organizational competitiveness increases as favorable perception on employee benefit practices increases. Based on (McEvoy, 1984) small firms tend to practice informal

system of compensation such as recognition and reinforcement, pay increment, job security and etc. In relate to this statement, Carlson (2006) ; Delery and Doty (1996) ; Tzafriri (2006) to attract more and good applicants and sustain quality and talented employees, SMEs should design an effective formal system of compensation since it is a potential source of achieving competitive advantage which sequentially enhancing organizational performance.

They concludes that therefore, small and medium enterprises (SMEs) need to offer equitable compensation policy so that they can attract, retain and motivate employees to apply their proficiency in their work related activities efficiently and effectively. Hence, Ngah and Ibrahim (2009) stated that Malaysian SMEs have to realize their own competencies, particularly their internal strengths such as the human resource and their HRM practices in order to support SMEs to be innovate and competitive.

2.1.2.5 Employee Engagement

Employee engagement extent to which the good relationship between employee and employer that leads for employees loyalty, commitment and willingness towards company's success. According to Perrin's Global Work Study (2003) employee engagement is defined as employees' willingness and ability to help their company succeed, largely by providing discretionary effort on sustainable basis. Besides, based on Shuck (2009), the employee engagement is an emergent working condition and positive cognitive, emotional and behavioral state directed towards organizational outcomes.

On the other hand (Scarlett Survey) another study shows that analysis employee engagement as measurable degree of an employee's emotional attachment to their job, colleagues, and organizations that profoundly influences their willingness to learn and

perform at work. In addition, Demovsek (2008) added value to this point that employee engagement as a positive employee's emotional attachment and employees commitment.

Employee engagement holds an important affirms in retaining employees in an organization. Employees who positively engaged with an organization tend to retain in organization. Based on, Corporate Leadership Council Report (2008) the highly engaged organizations have potential to reduces the staff turnover by 87%, the disengaged are four times more likely to leave organization than average employees. Thus, it is evidently exhibits that employee retention can be improve or sustain via employee engagement. Since employee engagement reckoned as one of the HR practices, Human Resource Management (HRM) plays crucial role in effectively and successfully implementing such practices in respective organization toward retain their workforce.

According to "*The International Journal of Business and Management Invention, 2013*", Human Resource Management (HRM) plays important role in retention of employees. Stein (2000); Beck (2001); Clarke (2001) Parker and Wright (2001) deliberated that many organizations now utilize extensive range of Human Resource Management (HRM) factors that influence employee commitment and retention. They concluded that the factors that influence employee retention are work environment, supervisor support, organization image, employee value match, remuneration, reward and recognition, employee career development, and etc.

However, as per current HRM scenario, small and medium enterprises (SMEs) are not much concerned on this compare to large business entities. Small and medium enterprises (SMEs) still lacks in term of employees engagement which can be highly supportive to their workforce retention. As per elaborated by Kishore, Majumdar and

Kiran (2012), in the journal *“Innovative HR Strategies for SMEs”*, for SMEs it is even more important to have emotionally engaged and passionate employees. Gupta (2009) added point to this statement by highlighting that emotionally engaged employees are generally more willing to recommend the organization to others and commit times and effort to help the organization succeed. Thus, employee engagement is even crucial for small and medium enterprises (SMEs) towards retaining workforce within their organization in current competitive labor market and small and medium enterprises (SMEs) required offer spectacular concern on this matter.

2.2 Relationship between Variables

HR practices play a crucial part in retaining workforce in an organization. According to Schuler (2000) most of the companies believed that without efficient HRM programs and activities companies would not achieved and sustained effectively. Thus, the large business entities set down a formal HR practices and deposits meticulous important on this matter. However, small and medium enterprises (SMEs) still in short to put rigorous effort on HR practices to retain workforce as large business entities. Since, the HR practices has a strong link in retaining workforce in organization small and medium entities (SMEs) requires to explore effective HR practices in their organization. *“The International Journal of Business and Management (2009)”*, highlighted that considering needs of HR practices, Malaysian SMEs can motivate and retain their talented employees into their organization. Research has examined on HR practices in large business entities to retain the workforce. However, the exact various HR practices to retain workforce in small and medium enterprises (SMEs) are not comprehensible. This study will include

the literature by constructing a foundation to identifying and recognizing the specific HR practices to retain workforce in small and medium enterprises (SMEs).

Training and development which is being one of HR practices fortify for retaining employees especially talent employees in an organization. According to David, Phillip and James (2010) training and development opportunities tend to reduce the desire to leave an organization, and linking these opportunities to tenure whereby requiring tuition reimbursement to be repaid if the employees leaves within a certain time frame which helps the organization to retain the competencies acquired. Besides, based on David, 2008 in the journal *“A Guide to Analyzing and Managing Employee Turnover”* stated that the investment that made by companies in training and development may prevent the company from high turnover which is seeing a return on this investment. Hence, training and development directly impact the employees’ preferences to leave an organization and positively retain them into organization.

Besides, effective performance management implementation through HR practices support an organization in high degree to retain workforce or key people within the organization. In addition, as per the journal *“Using Performance Management to Win the Talent War”* by Aguinis, Ryan, Gottfredson and Joo (2012) performance management is an effective tool to retain workforce and prevent competitors from stealing firm’s crucial source of competitive advantages. This is clearly elaborated by Deeproose (1994) that the success of an organization is based on the fact that how it retains its valued employees by motivating them and how it evaluates their performance for compensation rewards. Thus, proper performance management able to retain key people in an organization regardless size of business whereby even small and medium enterprises (SMEs). According to the

“Asian Journal of Research in Social Science & Humanities (2012), successful handling of performance management system helps to retain its employees with improvement of productivity by achievement of economics of scales with the help of learning effect and retention of experience employees.

Subsequently, rewards also reckoned as one of the HR practices which underpin for retaining workforce in an organizations. Based on the *“WorldWork Journal (2007)”*, executive leaders in the surveyed companies have dramatically adapted compensation, reward and retention practices to match changing talent management needs. The journal also concludes that leader form the study companies described a variety of pay and total rewards practices that have been successful in retaining workforce. Hence, it is evidently shows workforce within an SME also can be retain trough effective rewards. As per mentioned in *“Journal of Business and Management” (2012)*, the major challenge for SMEs is to retain their workforce because of competitive salary.

In addition, benefit package plays a crucial role in retaining workforce into organization. According to the journal *“Turnover Drivers and Retention Factors Affecting Hourly Workers (2007)”* highlighted that in a time where pay and benefits are expected, an organization’s culture can be the deciding factor in an employee’s decision to remain with their employer. In relate to this statement, (Carlson, 2006; Delery and Doty, 1996; Tzafriri, 2006) to attract more and good applicants and sustain quality and talented employees, SMEs should design an effective formal system of compensation since it is a potential source of achieving competitive advantage which sequentially enhancing organizational performance.

Moreover, employee engagements also cover the scope of retaining workforce within an organization through the execution of HR practices. It is considerably known as one of the popular HR practice in recent days in order to retain workforce. According to Robinson, 2004 employee engagement has become a widely used and popular term. Employee engagement referred as more to an employee's personal attachment with the organization, work commitment, loyalty, sense of pride being as member of an organization and so on which leads employees sustain in an organization. Based on (Perrin's Global Work Study, 2003) employee engagement is defined as employees' willingness and ability to help their company succeed, largely by providing discretionary effort on sustainable basis.

This rule not only suit for large business entity. However, studies proved that it is also widely applicable and beneficial for SMEs. As per dyed by Krishna Kishore, Mousumi Majumdar and Vasanth Kiran, 2012) in the journal "*Innovative HR Strategies for SMEs*" small and medium enterprises (SMEs) are worst affected during challenging economic era when resources are scarce, competition is intense and customers are more demanding than ever. Thus, for small and medium enterprises (SMEs) it is even important to have emotionally engaged and passionate employees.

2.3 Chapter Summary

The chapter covers reviews and discusses the studies on dependent variable and independent variables. Besides, the chapter also shows that designed theoretical framework and hypotheses that has been drawn towards examine the topic further and also study on the relationship between independent variables and dependent variable. In the subsequent chapters, the researchers will discuss the research methodology meticulously and bring to a close with the findings on the relationship between variables.

CHAPTER 3

METHODOLOGY

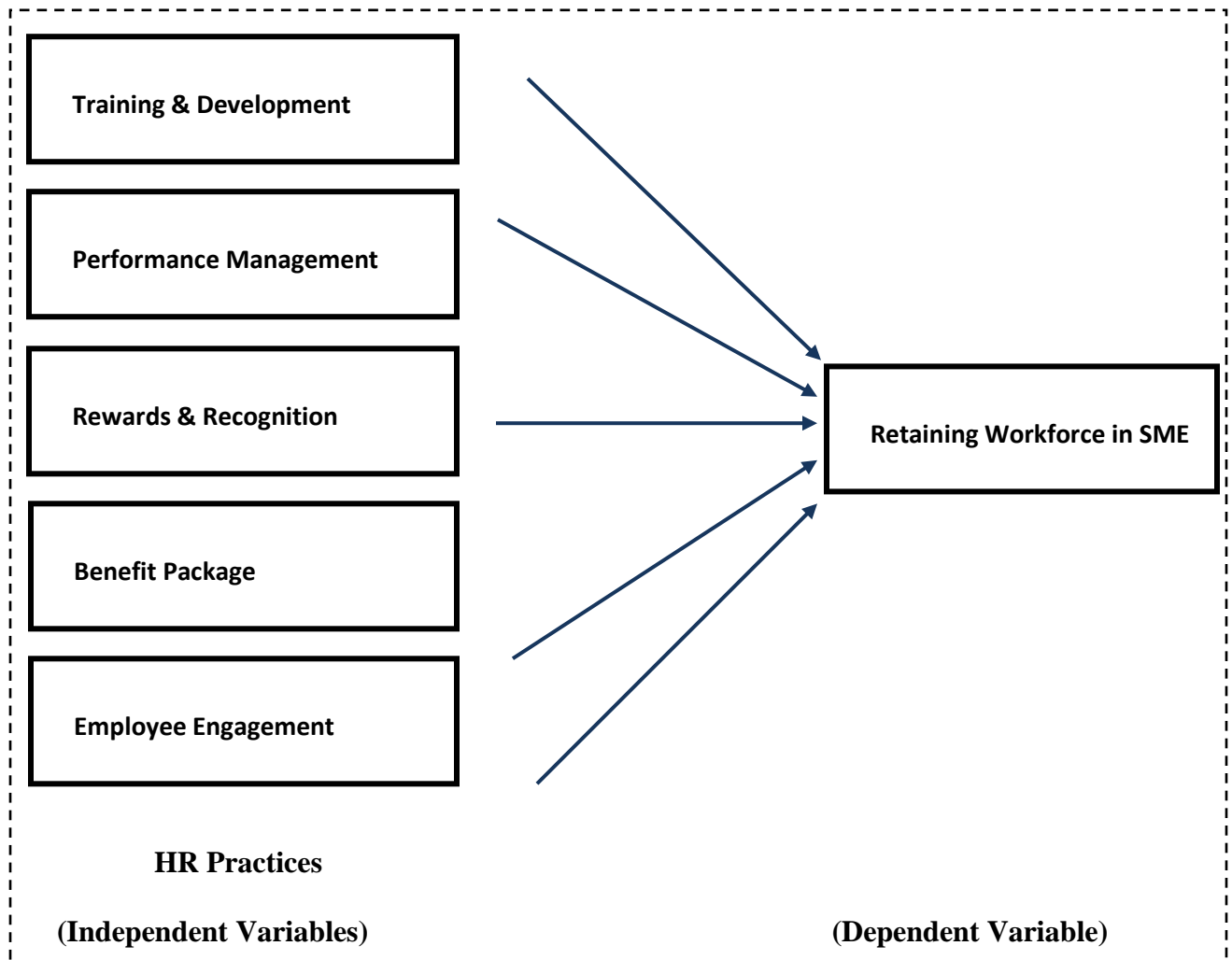
3.0 Introduction

This chapter attends to the research design, population, sampling plan, data collection procedures, measurements and data analysis. This chapter also would be the sketch out on how the researcher going to carry out the study. In addition, the chosen methodology for this study is in order to identify the relationship between the variables explicitly that HR practices and retaining workforce in small and medium enterprises (SMEs).

3.1 Theoretical Framework

The below figure 2.4 exemplifies the proposed conceptual framework of the study. The framework comprised with independent variables such training and development, performance management, rewards, benefit package and employee engagement as independent variable while retaining workforce in small and medium enterprises (SMEs) deliberates as dependent variable. On the other hand, all these independent variables generally known as HR practices whereby have linked to retaining workforce in small and medium enterprises (SMEs).

Figure 3.1: Theoretical Framework



3.2 Hypothesis Development

Hence, based on the above declared affirmation; and also below literature reviews, it has been hypothesized as per below:-

Based on Boxall and Purcel (2011), training and development systems were also apparent as mechanism for retain workforce. The facts and studies evidently show that providing access to training and development underpins to retain key workers in an organization which is known as workforce. Based on Switzer and Kleiner (1996), the

company's commitment towards training employees optimistically impact on retaining employees and leads for pleasing outputs via various sort and type of trainings.

Hypothesis 1: There is a positive relationship between HR practice of training and development and retaining workforce in small and medium enterprises (SMEs).

As we know high employee turnover creates problem for the organizations. According to Mitchell (2001) departing talented employees would take away a great deal of accumulated knowledge with them. Thus, retaining workforce in an organization plays a crucial role in sustaining the company's business growth. Systematic performance management creates effective platform for retention of workforce through job satisfaction. According to MC Shane, and Glinow (2005) job satisfaction refer to how employees perceive their jobs and has been found that job satisfaction is important tool for employee retention.

Hypothesis 2: There is a positive relationship between HR practice of performance management and retaining workforce in small and medium enterprises (SMEs).

As per Chen and Hsieh (2006), the rewards approach is transform from a simplex to a multiplex circumstance due to the hurriedly shifting business environment. This is how the acceptance of entire rewards system supports to retain workforce and guarantee the company stay in a best placed for future access. All over the word, studies evidently exhibits that rewards underpin for workforce retention. Chiu, Luk and Tang (2002), identified that both employees in Hong Kong and China are currency oriented and money oriented components such as merit pay, base salary, as well as yearend bonus for stunning performance were the much significant rewards in regards to the initiation on retaining and motivating employees.

Hypothesis 3: There is a positive relationship between HR practice of rewards and retaining workforce in small and medium enterprises (SMEs).

According to Milkovich and Newman (2008), employees' benefit packages are widely claimed to help in retention of workforce. In addition, Losey, (1998) highlighted that benefit package might help to retain the employees if there were well designed benefit, especially in a competitive labor market. Therefore, benefit management reckoned as critical area in HRM whereby it is necessary to be concerned as it can be a tool to lure and retain capable, focused and productive employees in the organization.

Hypothesis 4: There is a positive relationship between HR practice of benefit package and retaining workforce in small and medium enterprises (SMEs).

Based on Demovsek (2008), employee engagement as a positive employee's emotional attachment and employees' commitment. Employee engagement holds an important affirms in retaining employees in an organization. Employees who positively engaged with an organization tend to retain in organization. Based on, Corporate Leadership Council Report (2008) the highly engaged organizations have potential to reduces the staff turnover by 87%, the disengaged are four times more likely to leave organization than average employees. Thus, it is evidently exhibits that employee retention can be improve or sustain via employee engagement.

Hypothesis 5: There is a positive relationship between HR practice of employee engagement and retaining workforce in small and medium enterprises (SMEs).

3.3 Research Design

Fundamentally, this is a cross sectional and quantitative research study whereby clutching the title of HR Practices on Retaining Workforce in Small and Medium Enterprises (SMEs). Cross sectional study known as observational in nature and also reckoned as descriptive research. Typically, the flow of this study plan will be engage gathering and recording of information in regards to HR practices on retaining workforce in small and medium enterprises (SMEs) from the area setting. There is no manipulation required on variables by researcher will be feasible. Initially, the researcher has drawn up the occurrence of limitation in analyzing the data which drives clearer understanding and contributes facts to the study. Sounders, Lewism and Thornhill (2007) have carried out explanatory research method basically to study a condition explaining the relationship between variables. In such a way, correlation study was carried out towards identify the relationship between variables. Therefore, this research has examined the association between HR practices and degree of retaining workforce in small and medium enterprises (SMEs) in order to come up to the conclusion of the study.

3.4 Operational Definition

HR Practices – Based on Goold and Quinn (1990), functions that carry out under human resource management (HRM) which being the primary instrument for managers to assimilate the actions of individuals to keep their behavior congruent with the interests of the firm.

Rewards - According to Armstrong (2000), reward is the policy offers specific directions for the organization to develop and design programs which will ensure its rewards the performance outcomes supporting the achievement of its business goals.

Training and Development – Based on McLagan (1983) training and development is a cluster related to knowledge, skill and attitude that correlate with effective job performance. It can be measured, evaluate and improved through training and development.

Performance Management – According to Houldsworth and Jirasinghe (2006), performance management is a possible force for helping organizations to build clarity and support mechanism for employees as they work towards shared goals and consider as discretionary effort which is seen to add motivation and engagement.

Compensation & Benefits – Based on Bernadin (2007), compensation and benefits as a concept refers to all forms of financial returns and tangible benefits that the employees receive as part of employment relationship.

Employee Engagement – According to International Survey Research (2003), employee engagement is the practice by which a firm enhances the commitment and contribution of its human resources to achieve greater business outcomes.

Retain Workforce – Based on Jhonson (2000) retaining is an ability to hold on to those employees with skilled engaged and committed which a company wants to keep for longer than competitor.

Talents Employee – As per Cappelli (2008), those people who considered potential in the company that provides a platform successful growth and new opportunity for business.

Small & Medium Enterprises (SME) – SME measured as companies which employ up to 250 people and can be domestic and international. SME Corporation Malaysia (2013) define SMEs in “Guideline for New SME Definition” as business that deemed as SME if

it meets either one of the specified criterion, namely sales turnover or full-time employees which ever lover.

3.5 Measurement of Variables and Instruments

The researcher used a six-point Likert scale for measuring the relationship between HR practices and retaining workforce in small and medium enterprises (SMEs); (1) extremely disagree, (2) very disagree, (3) somewhat disagree, (4) somewhat disagree, (5) very agree and (6) extremely agree. All privacy of collected data is to be concealed. The question for Part B, C, D, E, F and G which measures the HR practices on retaining workforce in small and medium enterprises (SMEs) were solely adapted from the journal on “*The Impact of Human Resource Management Practices on Marketing Executive Turnover of Leasing Companies in Sri Lanka*” in (2007) by Abeysekera.

The questions for HR practices which are training and development. Performance management, rewards, benefit package, employee engagement and also the questions for retaining workforce in small and medium enterprises (SMEs) also were adapted from Abeysekera (2007). Besides, the questions for dependent variable which is retaining workforce in small and medium entities also were adapted from the same source Abeysekera (2007). The adapted questions were rephrased in view of that the independent variables which describes the HR practices and the dependent variable which sounds as retaining workforce in small and medium enterprises (SMEs) are being responded. The details of the adapted questionnaire and the source are summarized in Table 3.1.

Table 3.1 generally provided the definition of the variables. The operational definition grants the fundamental understanding for each variable and the list of questions to measure those variables. Indirectly, the table also will be explaining whether those questions are aligning with the operational definition.

Table 3.1: Operational Definition and Sample Item

Variable Name	Operational Definition	Statement	Source
<p><u>Dependent Variable</u></p> <p>Retaining workforce in small and medium enterprises (SMEs)</p>	Degree of retaining workforce in small and medium enterprises (SMEs)	<ol style="list-style-type: none"> 1. The company's annual turnover rate is low. 2. Seldom have the employees had an intention to resign from this organization within shorter time. 3. The employees extremely glad that chose this organization to work for over others that was considering at the time they joined. 4. Employees feel that this is the best of all possible organizations for which to work. 5. Seldom employees leave this organization whenever they get job in another company. 6. The employee retention in this company is high. 	Abeysekera (2007)

<p><u>Independent Variables</u></p> <p>Training and development</p>	<p>HR practices of training and development able to retain workforce in small and medium enterprises (SMEs)</p>	<ol style="list-style-type: none"> 1. Employees get the training from the company for their next promotion. 2. Employees equipped with training that need to do their job well. 3. Employees have opportunities to learn and grow. 4. The company creates the platform for employees to execute their knowledge. 5. Employees being sent to training which is related to their job. 	<p>Abeysekera (2007)</p>
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<p><u>Independent Variables</u></p> <p>Performance management</p>	<p>HR practices of performance management able to retain workforce in small and medium enterprises (SMEs)</p>	<ol style="list-style-type: none"> 1. The last performance appraisal accurately reflected employees' performance. 2. The performance appraisal system is fair and employees satisfy with it. 3. Frequent employees performance review being conducted by their superiors. 4. Job promotions are fair and equitable which is purely based on employees' performance. 5. Employees have a clearly established career path at company. 	<p>Abeysekera (2007)</p>
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<p><u>Independent Variables</u></p> <p>Rewards</p>	<p>HR practices of rewards able to retain workforce in small and medium enterprises (SMEs)</p>	<ol style="list-style-type: none"> 1. Employees are happy with the number of increments in their pay. 2. If employees' performance good and outstanding they can count on making more money (incentives for performance, achieving targets). 3. Employees' good performance in this company leads for promotion. 4. Company gives enough recognition for well done work. 5. Employees satisfied with the value of increment in pay. 	<p>Abeysekera (2007)</p>
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<p><u>Independent Variables</u></p> <p>Benefit package</p>	<p>HR practices of benefit package able to retain workforce in small and medium enterprises (SMEs)</p>	<ol style="list-style-type: none"> 1. Benefits available are appropriate for employees' needs and those of their family. 2. Amount of health care paid is sufficient. 3. Amount of vacation is sufficient. 4. Sick leave policy and insurance policy (safety, health) are satisfactory. 5. Employees have no objections with assistance given by the company in terms of money, leave for exams, subscriptions. 	<p>Abeysekera (2007)</p>
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<u>Independent Variables</u>			
Employee Engagement	HR practices of employee engagement able to retain workforce in small and medium enterprises (SMEs)	<ol style="list-style-type: none"> 1. Employees feel they valued at the company. 2. Employees often talk up this organization to their friends as a great organization to work for and recommend them to join. 3. Employees proud to tell others that they are part of this organization. 4. Employee loyalty level in this organization is high. 5. Employees committed on their job and would accept almost any type of job assignment in order to keep working in this company. 	Abeysekera (2007)

Note: ® Reverse statement

An introduction letter was attached with the questionnaire. The letter serves as welcome note to the respondents, introduced the researcher and highlighted the objectives of this research. The questionnaire contained mainly close ended questions and comprises two parts. The questionnaire is written in English. The questionnaire is consists of seven sections which are section A, B, C, D, E, F and G. Section A required the respondent s to fill in their demographic information such as age, gender and race. Section B consists of one dependent variable which retaining workforce in small and medium enterprises (SMEs). In line with this, section C, D, E, F, and G consists of five independent variables which HR practices such as training and development, performance management, rewards, benefit package and employee engagement respectively which adapt form the journal titled “*The Impact of Human Resource Management Practices on Marketing Executive Turnover of Leasing Companies in Sri Lanka*” by Abeysekera (2007).

Table 3.2: Layout of the Questionnaires

Section	Variable	Number of Items
<u>Section A</u>	Age	1
	Gender	1
	Race	1
<u>Section B</u>	Retaining workforce in small and medium enterprises (SMEs)	6
	Training and development	5
	Performance management	5
	Rewards	5
	Benefit package	5
	Employee engagement	5

3.6 Data Collection of Random Sampling

In general, questionnaire was used as main tool to accomplish the objective of this study. As such, questionnaire survey was been distributed to 101 respondents. The researcher distributed the questionnaires to the respondents trough email. Prior to sending the questionnaires, the researcher has communicated with respondents via telephone call and briefly explained the objective of this research.

Each respondent took about five to ten minutes to complete the questionnaire. The researcher required to closely follow up with respondent in order to obtain the completed questionnaire. Essentially, the questionnaire distributed to the respondents in order to obtain information about the variables as stated by researcher.

3.7 Population and Sampling Plan

The population of this study is comprises of 101 small and medium enterprises (SEMs) form one of the fairly developed demographic spot which is the state of Wilayah Persekutuan Putrajaya (W.P Putrajaya). The population was confirmed by SME Corporations, Malaysia's official website, (<http://www.smecorp.gov.my/vn2/>). The SMEs in W.P Putrajaya were targeted as the population for this research primarily due to the contact that the researcher has with the SMEs in this demographic concerning which would help for the researcher to achieve the samples within the short period of time. Besides, the researcher also found difficulties in gathering information about SMEs from other demographic areas. Moreover, due the time constraints, the selection of W.P Putrajaya as population could be the wise decision where could gather the relevant information for this research with limited time period. In conjunction with this, the researcher has decided to conduct the study with the W.P Putrajaya. According to the statistic from SME Corporation, Malaysia (Version 1.0), there are around 101 small and medium enterprises (SMEs) operates in W.P Putrajaya includes all the industries such as Food Beverage, Manufacturing, Telecommunications, Healthcare, Textiles, Travel & Tour and etc. Based on, Krejcie and Morgan, (1970) recommended formula for sample size calculation, respondents from the total SMEs were targeted as sample for this research.

The sample size as 81 respondents was calculated through Krejcie and Morgan (1970) formula on determining sample size for research activities.

$$s = \frac{X^2 NP(1 - P)}{d^2 (N - 1) + X^2 P(1 - P)}$$

s = required sample size.

X^2 = the table value chi-square for 1 degree of freedom at the desired confidence level (3.841).

N = the population size.

P = the population proportion (assumed to be 0.50 since this would provide the maximum sample size).

d = the degree of accuracy expressed as a proportion (0.05).

Below would be the calculation to identify the sample size:-

s = required sample size.

X^2 = the table value chi-square for 1 degree of freedom at the desired confidence level (3.841).

N = 101

P = assumed to be 0.50

d = the degree of accuracy expressed as a proportion (0.05).

$$s = \frac{3.841 (101)(0.5)(0.5)}{(0.05)^2 (100) + 3.841(0.5)(0.5)}$$

$$s = 80.1365$$

$$s \approx 81$$

Since the population is known, as per Krejcie and Morgan (1970), the Random sampling technique was been used as the sampling technique in this research. The researcher has randomly distributed 101 questionnaires to the SMEs from W.P Putrajaya. It is align with the researcher's aim whereby the study's focal point is on HR practices on retaining workforce in small and medium enterprises (SMEs). According to Ruzainy Alwi, (2012), Malaysian SMEs are very much faced by many challenges and problems such productivity efficiency, high labor turnover, lack of knowhow, financial constraints low organizational commitment, low job satisfaction, occupational stress, and the various works factors that caused these problems. They concluded that employee turnover is one of the challenge or problem that faces by SMEs in Malaysia. Even though the study covers small and medium enterprises (SMEs) as whole, as mentioned earlier the SMEs in W.P Putrajaya were targeted as the respondents due to the time constrain and the researcher also found the difficulties in gathering information about SMEs from other demographic areas. Therefore, these circumstances serves as reason for the researcher to chose small and medium enterprises (SMEs) in W.P Putrajaya as the respondents.

3.8 Pilot Test

As kick-start, the researcher has proceeded with pilot test where 30 questionnaires were distributed to the small and medium enterprises (SMEs) form W.P Putrajaya by using email to ensure that the respondents are clear and understand well the list of questions. According to Burns and Bush (1998), a pre test minimum of 30 representative participants is sufficient to validate the questionnaire. Pilot test is considered as one of the important test as it helps to solve the misleading element beforehand the actual research is being conducted.

Basically, the researcher needs to ensure the respondents are clear with the entire questions which are being asked. The researcher would make some amendments or rephrase the sentence if he found the respondents are unclear with the questions during pilot test. The researcher could ensure the validity, reliability and detect the errors by conducting the pilot test. Pilot test performs as preliminary stage before any research is being carried out. Based on Zikmund (2003), pilot test act as examining research method where the test conducts sampling without applying specifics standard.

The table 3.3 shows the Cronbach's Alpha for the dimensions of HR practices on retaining workforce in small and medium enterprises (SMEs). The Cronbach's Alpha value for dependent variable which retaining workforce in small and medium enterprises (SMEs) would be 0.817. The Cronbach's Alpha values for all the independent variables were above 0.6. HR of employee engagement has ranked the highest with 0.932, secondly HR practices of rewards with 0.904, consequently HR practices of training and development, benefit package and performance management has placed at third, fourth and fifth rank where the Cronbach's Alpha were 0.878, 0.859 and 0.823 respectively.

Table 3.3: Cronbach's Alpha Reliability Test

Variables	Number of Items	Cronbach's Alpha Values
Employee engagement	5	0.932
Rewards	5	0.904
Training and development	5	0.878
Benefit package	5	0.859
Performance management	5	0.823
Retaining workforce in SMEs	6	0.817

3.9 Techniques of Data Analysis

Analysis technique refers to the process on how the data is being analyzed and information is gathered reflecting the relationship between variables. Sekaran (2003) has stated that analysis technique comprises three components which are measuring central tendency and variability (descriptive analysis), testing developed hypotheses (inferential analysis) and reliability (scale measurement). SPSS program will support to generate the descriptive analysis by computing the means and standard deviations for dependent items and independent variable's items. In addition tables are also drawn where it can make the analyzing easier. The means will represent the degree of depend to variables high mean indicates that respondents extremely agree with a particular statement and contrast if the respondents extremely disagree with the statement.

The researcher has developed the reliability test in order to find the Cronbach's Alpha of each variable. Cronbach's Alpha test is generated to examine whether the reliability of respondents' answer for each independent variable in the direction of dependent variable or not. Besides, Pearson's coefficient correlation and multiple linear regression also was been exercised in order to find out the degree of relationship between variables. The collected data was been entered into Statistical Package for Social Science (SPSS) software version 20.0 and was continued with the data analysis.

3.10 Chapter Summary

Methodology applied has been discussed in detail in this chapter by explaining the entire stages involve and on how the research is going to be executed and performed. Each subtopic has exclusively addresses questions in designing and conducting the research. The end result of the collected data will be tabulated and detailed analysis will be discussed in the following chapter.

CHAPTER 4

RESULT AND DISCUSSION

4.0 Introduction

Chapter 4 will discuss about the analysis of the collected data and research findings. This chapter will also answer the research question, accomplish the research objectives and test the hypotheses which were developed earlier. This chapter is one of the most important chapters where the researcher will analyze the data obtained from questionnaires that were distributed to respondents. A total of 101 questionnaires were distributed to respondents and only 64 questionnaires were successfully collected for analysis. However, according to Sekaran (2000), a response rate of 30% is regarded as acceptable for most research purposes whereby it is adequate and represents the targeted population. The researcher has analyzed the data by using descriptive analysis, reliability test, inferential analysis which covers Pearson correlation analysis and multiple linear regression analysis. The data was generated by using SPSS 20.0 program.

4.1 Respondents' Demographic Characteristics

A total 101 questionnaires were distributed to the respondents in W.P Putrajaya whereby 64 questionnaires or 64 percent were successfully been collected for analysis. The characteristics of respondents' demographic respondents' are offered in Table 4.1.

Table 4.1: Respondents' Demographic Characteristics

Demographic	Characteristics	Frequency	Percentage (%)
Age	20 – 33 years old	45	70.31%
	34 – 49 years old	12	18.75%
	50 and above	7	10.93%
Gender	Male	27	42.18%
	Female	37	57.81%
Race	Malay	36	56.25%
	Chinese	6	9.37%
	Indian	18	28.12%
	Others	4	6.25%

Based on the Table 4.1, most of the respondents fall into the group of age between 20 and 33 years old. They occupied 70.31% or (45) of the respondents were from the said group. Meanwhile 18.75% or (12) of the respondents were from the age range between 34 and 49 years old. Seven respondents were from the age group between 50 and above which holding 10.93%. Generally, 45 respondents are from generation Y as their age group is below 34 years old. The frequency analysis revealed that 27 respondents (42.18%) were male, while 37 respondents (57.81%) were female. Table 4.1 also shows the respondents' races which were generally grouped as Malay, Chinese, Indians and others. Malays respondents were the upmost respondents with 36 respondents or (56.25%), followed with Indian respondents with (28.12%) or 18 respondents. Chinese respondents were with (9.37%) or 6 respondents. Finally, four respondents whereby about 6.25% were from 'Others' category.

4.2 Reliability Analysis

Table 4.2 shows the reliability of variables in this study. Respondents were asked to evaluate their perception towards six point likert scale. The, the data was analyzed to identify the reliability of each variable. The Cronbach's Alpha value for dependent variable which is retaining workforce in small and medium enterprises (SMEs) would be 0.868. The Cronbach's Alpha value for all the independent variables were **above 0.60**. HR practice of employee engagement has ranked highest with 0.935, secondly HR practice of rewards with 0.911. Besides, HR practice of training and development and benefit package has placed at third rank where the Cronbach's Alpha was 0.858 and 0.858 respectively. Consequently, HR practice of performance management has ranked has bottom where the Cronbach's Alpha value were 0.843. These results show that the data are reliable which contribute more than 0.60 and can be used for further analysis.

Table 4.2: Reliability Analysis

Variables	Number of Items	Cronbach's Alpha Values
Employee engagement	5	0.935
Rewards	5	0.911
Training and development	5	0.858
Benefit package	5	0.858
Performance management	5	0.843
Retaining workforce in SMEs	6	0.868

4.3 Descriptive Analysis

Table 4.3: Descriptive Statistics

Variable Name	M	SD
Training and development	3.9094	0.86552
Performance management	3.7281	0.84731
Rewards	3.5594	1.02983
Benefit package	3.1781	0.91902
Employee Engagement	3.5188	1.12050
Retaining workforce in SMEs	3.3932	1.00763

Note: M = Mean; SD = Standard Deviation

Table 4.3 highlights the main score and standard deviation for each item. Descriptive analysis also being used to analyze the HR practices towards retaining workforce in small and medium enterprises (SMEs). The result shows that the mean for dependent variable is one of the convince side (M=3.39, SD=1.00). The mean for HR practice of training and development is ranked the topmost (M=3.90, SD=0.86). This is followed by HR practice of performance management (M=3.72, SD=0.84) and HR practice of rewards (M=3.55, SD=1.02). Following, HR practice of employee engagement has ranked (M=3.51, SD=1.12). Last but not least, the HR practice of benefit package has ranked at the bottom that is (M=3.17, SD=0.91).

4.4 Correlation Analysis

Table 4.4: Correlation Analysis

	Reta	Trai	Perf	Rewa	Bene	Empl
Reta Sig. (2-tailed)	1.000 -					
Trai Sig. (2-tailed)	0.535** 0.000	1.000 -				
Perf Sig. (2-tailed)	0.459** 0.000	0.680** 0.000	1.000 -			
Rewa Sig. (2-tailed)	0.367** 0.000	0.557** 0.000	0.776** 0.000	1.000 -		
Bene Sig. (2-tailed)	0.279* 0.026	0.249* 0.047	0.477** 0.000	0.566** 0.000	1.000 -	
Empl Sig. (2-tailed)	0.154 0.223	0.318* 0.010	0.380** 0.002	0.344** 0.055	0.379** 0.002	1.000 -

Note: ** $p < 0.01$; * $p < 0.05$; Reta = Retaining; Trai = Training Development; Perf = Performance Management; Bene = Benefit Package; Empl = Employee Engagement

The Pearson product-moment correlation coefficient (r) is basically being carried out to measure the strength of a linear association between the variables. The linear association between the variables provides a basic understanding to the researcher and correlation analysis also perform as one of the requirement fulfillment in order to run the multiple regression analysis. According to Taylor (1990) correlation analysis is carried out to measure the closeness of the linear relationship between the defined variables. The correlation coefficient indicates how closely the data fit a linear pattern. Generally, correlation analysis also includes further investigation into defining the pattern of the existing relationship which known regression analysis (Taylor, 1990).

Hypothesis 1

Hypothesis 1 is stated in alternate as follows:

Ha1: Training and development has relationship with retaining eorkforce in SMEs.

Table 4.4.1: Correlation between Training and Development and Retaining Workforce in SMEs

		Retaining
Training and Development	r Sig. (2-tailed)	0.535** 0.000

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

Table 4.4.1 indicates the correlation between HR practices and retaining workforce in small and medium enterprises (SMEs). The result of analysis shows that there is significant and positive relationship between training and development and retaining workforce in small and medium enterprises (SMEs) as the p-value < 0.01. However, the relationship moderate due to the value of $r = 0.535$ at p level = 0.000.

Hypothesis 2

Hypothesis 2 is stated in alternate as follows:

Ha2: Performance management has relationship with retaining workforce in SMEs.

Table 4.4.2: Correlation between Performance Management and Retaining Workforce in SMEs

		Retaining
Performance Management	r Sig. (2-tailed)	0.459** 0.000

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

Table 4.4.2 shows that performance management has significant relationship and correlate with retaining workforce in small and medium enterprises as the p-value < 0.01 and the relationship reckoned moderate due to the value of $r = 0.459$ at p level = 0.000.

Hypothesis 3

Hypothesis 3 is stated in alternate as follows:

Ha3: Rewards has relationship with retaining workforce in SMEs.

Table 4.4.3: Correlation between Rewards and Retaining Workforce in SMEs

		Retaining
Reward	r Sig. (2-tailed)	0.367** 0.000

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

Table 4.4.3 result shows that there is a significant correlation between rewards and retaining workforce in small and medium enterprises (SMEs) through the p-value < 0.01. Consequently, the value of $r=0.367$ at p level = 0.000 indicates that the two variables are positively and moderately correlate.

Hypothesis 4

Hypothesis 4 is stated in alternate as follows:

Ha4: Benefit package has relationship with retaining workforce in SMEs.

Table 4.4.4: Correlation between Benefit Package and Retaining Workforce in SMEs

		Retaining
Benefit Package	r Sig. (2-tailed)	0.279* 0.026

*Correlation is significant at the 0.05 level (2-tailed)

Table 4.4.4 indicates that the benefit package has significantly correlates with retaining workforce in small and medium enterprises (SMEs) as the p-value < 0.05. Besides, the value of $r=0.279$ at p level = 0.026 indicates that there is positive and low relationship between this two variables.

Hypothesis 5

Hypothesis 5 is stated in alternate as follows:

Ha5: Employee engagement has relationship with retaining workforce in SMEs.

Table 4.4.5: Correlation between Employee Engagement and Retaining Workforce in SMEs

		Retaining
Employee Engagement	r	0.154
	Sig. (2-tailed)	0.223

*Correlation is significant at the 0.05 level (2-tailed)

Table 4.4.5 indicates that the employee engagement has not significantly correlate with retaining workforce in small and medium enterprises (SMEs) as the p-value $0.223 > 0.05$.

Besides, the value of $r = 0.154$ at p level = 0.223.

Thus, four independent variables which are training and development ($r = 0.535$, $p < 0.01$), performance management ($r = 0.459$, $p < 0.01$), rewards ($r = 0.367$, $p < 0.01$) and benefit package ($r = 0.279$, $p < 0.05$) found correlated with the HR practices in retaining workforce in small and medium enterprises (SMEs). However, one dependent variable which is employee engagement ($r = 0.154$, $p > 0.05$) has not consequently correlate with retaining workforce in small and medium enterprises

4.5 Regression Analysis

Regression analysis was applied to test the hypothesis of the research. The result of the analysis shows in Table 4.5. The five HR practices were able to explain 32.2% of the variance of retaining workforce in small and medium enterprises (SMEs). The regression analysis on all five HR practices which are namely training and development, performance management, rewards, benefit package and employee engagement were

significant at $p < 0.05$, at $F = 5.509$. However, it was found that out of five only one HR practice were significant which have $p\text{-value} < 0.05$, namely HR practice of training and development. Another four HR practices such as performance management, rewards, benefit package and employee engagement were not significant to retaining workforce in small and medium enterprises (SMEs) since the $p\text{-value}$ of each was 0.400, 0.685, 0.238 and 0.468 respectively whereby $p > 0.005$.

Based on table 4.5, only training and development has an influence on retaining workforce in small and medium enterprises while performance management, reward, benefit package and employee engagement has no influences. We may conclude by saying that at least one HR practice namely training and development has impact on retaining workforce in small and medium enterprises (SMEs). In summary H1 was accepted and whereas H2, H3, H4 and H5 were rejected. The result shows in Table 4.5.

Table 4.5: Regression Analysis

Unstandardized Coefficient			Standardized Coefficient		
	B	Std. Error	β	t	Sig
Training and development	0.524	0.175	0.451	2.992	0.004
Performance management	0.199	0.235	0.167	0.847	0.400
Rewards	- 0.074	0.180	-0.075	-0.408	0.685
Benefit package	0.179	0.180	0.163	1.192	0.238
Employee engagement	-0.080	0.109	-0.089	-0.730	0.468

Note: $*p \leq 0.05$, $R^2 = 0.322$; F – Statistic = 5.509; Dependent Variable = Retaining workforce in small and medium enterprises (SMEs)

4.6 Summary Result of Hypotheses Testing

The hypotheses testing for this research can be summarized in Table 4.6 as below:

Table 4.6: Summary Result of Hypotheses Testing

Hypotheses	Outcome
H1 There is a positive relationship between HR practice of training and development and retaining workforce in small and medium enterprises (SMEs).	Accepted
H2 There is a positive relationship between HR practice of performance management and retaining workforce in small and medium enterprises (SMEs).	Rejected
H3 There is a positive relationship between HR practice of rewards and retaining workforce in small and medium enterprises (SMEs).	Rejected
H4 There is a positive relationship between HR practice of benefit package and retaining workforce in small and medium enterprises (SMEs).	Rejected
H5 There is a positive relationship between HR practice of employee engagement and retaining workforce in small and medium enterprises (SMEs).	Rejected

4.7 Chapter Summary

After referring to the findings which were analyzed, the researcher has concluded that the hypothesis alternative one (H1) is accepted and rejected the hypothesis null except hypothesis alternative two (H2), three (H3), four (H4) and five (H5) because there is no significant relationship between HR practice of performance management, rewards, benefit package and employee engagement and retaining workforce in small and medium enterprises (SMEs).

CHAPTER 5

CONCLUSION AND RECOMMENDATION

5.0 Introduction

This chapter is summarizing according to the research objective, which is to identify whether there is a relationship between HR Practices and retaining workforce in small and medium enterprises (SMEs). This chapter also will discuss and conclude the whole dissertation. Finally, some recommendations are presented as final thoughts for the readers.

5.1 Discussion

In this research, HR practice of training and development was found to be the most important factor which underpin in retaining workforce in small and medium enterprises (SMEs). The respondents prefer the HR practice of training and development to be emphasize more in small and medium enterprises (SMEs) when compare with other HR practices. The employees in small and medium enterprises believe that the training and development program which are mainly execute by HR department plays a vital role in polish or enhancing employees spectacular knowledge, skills, special attributes and work related ability in order for them furnish effective performance towards given task. According to (McLagan, 1983, Richey, 2001) training and development is a cluster in regards to knowledge, skills, and attitude that correlates with effective job performance which can be measured and evaluated and that can be improved trough training and development. This scenario directly or indirectly would leads for other relevant aspects which retaining workers in small and medium enterprises (SMEs) such as outstanding performance, promotion, recognition, good benefit perks and employee engagement.

This finding is fitting with (Garavan, 1997) that training is defined as “a planned and systematic effort to modify or develop knowledge, skills and attitude through learning experience, to achieve effective performance activity or a range of activities”.

In addition, *The Global Journal of Management and Business Research* by (Aslam Khan, 2011) training and development have positively affect organizational performance. Hence, the facts and studies evidently show that providing access to training and development underpins to retain key workers in an organization which is known as talent employees.

However, as highlighted before in this study, small and medium enterprises (SMEs) are still least aware on the important of training and development practices in their organization. This would be one of the reasons for their lack of ability in retaining their workforce within organization. As per Devins (2004), employees in small and medium sized enterprises (SMEs) are perceived by some commentators as a disadvantage within the workforce as studies in several countries have found that SMEs are considerably less likely to provide formal training and development than larger business (Bishop and Ritzen, 1991). The management able retain employees in an organization via the long term personal growth and career development that obtained by employees trough training and development. This is how deliberate by (Winterton, 2007) that training and development is focused more on individual than on the task or job and is connected with long term personal growth and career development.

However, HR practices of performance management, rewards, benefit package and employee engagement are unlikely with retaining workforce in small and medium enterprises (SMEs) probably because it all reckoned as supporting elements. This mean that, if an employee well trained and developed by the company or employer through the training and development initiative which mainly conducted by HR, it would directly or indirectly effect the employees performance and ensure it outstanding. The outstanding performance would lead for good recognition and reward form the management together with attractive benefit package which could make the eorkforce satisfy and retain within the organization.

Besides, they also might assume that performance management, rewards, benefit package and employee engagement is not applicable in small and medium enterprises (SMEs) which not up to small and medium enterprises financial capacity and business size. This finding congruent with Baublyte (2010), there is high degree of variety in HR practices within SMEs. However, small and medium enterprises (SMEs) not afford to implement all the practices in term of financial and size of business. However, it is advisable to execute selected exclusive HR practice which could retain workforce in small and medium enterprises (SMEs).

5.2 Implication of the Study

The research acts as a milestone to identify the important factor to retain workforce in small and medium enterprises. On the other hand, the research elucidate that not only HR practices are adequate to retain the workforce in small and medium enterprises (SMEs). However, there are other factors also to be covered to accomplish the retention of workforce in an organization.

This is clarified by the findings of analysis that conducted by the researcher. The researcher would suggest that future research on measuring the retention of workforce in small and medium enterprises (SMEs) should be extended by not only concentrates on HR practices but also in other factors as well.

In addition, the employees' most desired factors or elements from an organization or factors that influencing them to retain in an organization could provide a clear understating for small and medium enterprises (SMEs) and creates and opportunity for them to alter their retention strategies.

According to the findings that applies correlation analysis the Pearson correlation results shows that among the five HR practices namely training and development, performance management, rewards, benefit package and employee engagement, only the first four HR practices are significantly correlated with retaining workforce in small and medium enterprises (SMEs). The correlation values are at the value of $r = 0.535$, $r = 0.459$, $r = 0.367$ and $r = 0.279$. The research also found that the overall HR practices have a significant and positive relationship with retaining workforce in small and medium enterprises. Since the r value $= 0.535$, it indicated that a positive and moderated relationship is exists.

Moreover, based on the findings which applies regression analysis to test the hypotheses of the research, mentioned that all five HR practices only explained 5.51% of the variance in retaining workforce in small and medium enterprises (SMEs). However, there is remaining 94.49% of other factors that were not examined in this study but also contribute in retaining workforce in small and medium enterprises (SMEs). This 94.9% of unknown factors should be examined in future research. Besides, this research targeted

about 101 respondents. The total respondents should be increased in order to get more reliable data for data analysis and expand more on statistical tools used for analysis. As such, the findings will be handy for comparison with the existing study in order to get a better view on the factors that retaining workforce in small and medium enterprises (SMEs).

5.3 Limitation of Study

The findings of this study were subject to numerous limitations. Some of the caveats to this study are stated below. This research focuses on HR practices in small and medium enterprises (SMEs). To some extent, this may be considered as a limitation. As shared, this study was also focusing on one of the demographical area known W. P Putrajaya. Thus sample size may act as barrier to analyze the findings. However, this limitation is specifically supported with the limitation of time constraint and budget. As an academic paper, common restriction such time, cost, lack of experience and difficulties are fundamental barriers that should take into consideration.

In fact, the findings from study was derived from a cross-sectional analysis of data. The nature of cross-sectional analysis made the findings more restrictive to the specific times when data were collected. Other than that, only one component of independent variable which is HR practices is examined against the dependent variable. R square of 5.51% shows that there is another factors influence DV.

5.4 Recommendation for Future Research

The future research should be extended to the other factors or elements from both employer and employee perspective to retain workforce in small and medium enterprises. It may speak and contribute more ideas on workforce retention in small and medium enterprises (SMEs).

Besides, the future research might add in other IV such organizational culture in retaining workforce. The information gathered and studied could also wider if another one or two independent variables include in the future studies. In addition, the it also recommended to broadened the scope of the future research by including the small and medium enterprises (SMEs) in other demographic areas in Malaysia in order obtain huge number of targeted respondents which would highly supportive for the analysis and findings.

5.6 Conclusion

The study examines the relationship between HR practices and retaining workers in small and medium enterprises (SMEs). It was proven that one HR practice namely training and development contributing in retaining workforce in small and medium enterprises (SMEs). The talent people looking forward for training and development initiative form HR department in their organization and believe that it could develop their career and retain in the organization.

The finding of this study has some implications. As expected, the study has explained whether HR practices do have significant relationship in retaining workforce in small and medium enterprises (SMEs). This study provides a basis understanding for further research on retaining workforce in small and medium enterprises (SMEs). Small

and medium enterprises' (SMEs') employers also could alter the retention strategic accordingly in order to retain workforce within their organization. The retention factors has undergone revolution over the years where classical method such only promotion and salary increment are no longer attracting and retaining the workforce.

The workforce from small and medium enterprises (SMEs) looking forward other factor such training and development which furnish them immediate support for better and outstanding performance that could develop their career growth and retain them within their existing organization.

Further to the analysis, it was been concluded that, HR practice of training and development have significant relationship on retaining workforce in small and medium enterprises (SMEs). According to (Boxall & Purcel, 2011), training and development schemes were also perceived as mechanism for retaining key staff. The facts and studies evidently show that providing access to training and development underpins to retain key workers in an organization which is known as talent employees.

Finally, there were some limitations to this study which need to be considered. Firstly, the research was focused only one demographic area namely W.P Putrajaya. The research should involve more demographic areas and employees from various small and medium enterprises (SMEs) in order to get better results. Secondly, the accuracy of responded questionnaires would be another concern of this research. Ideally, future research would be able to study on retaining workforce in small and medium enterprises (SMEs) form different perspective.

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