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**COMMITMENT-BASED HR PRACTICES AND
ORGANIZATIONAL PERFORMANCE:
THE MEDIATING ROLE OF
ORGANIZATIONAL LEARNING
CAPABILITY AND SOCIAL CAPITAL**



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UNIVERSITI UTARA MALAYSIA**

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PERFORMANCE:
THE MEDIATING ROLE OF ORGANIZATIONAL LEARNING
CAPABILITY AND SOCIAL CAPITAL**



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**Thesis Submitted to
Othman Yeop Abdullah Graduate School of Business,
Universiti Utara Malaysia
in Fulfilment of the Requirement for the Degree of Doctor of Philosophy**

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ABSTRACT

The main objectives of this study were to investigate (a) the relationship between commitment-based HR practices (e.g. selection, compensation, training and development) and organizational performance, organizational learning capability, and organizational social capital; (b) the relationship between organizational learning capability and organizational performance; (c) the relationship between organizational social capital and organizational performance; and (d) the mediating role of organizational learning capability and organizational social capital on the relationship between commitment-based HR practices and organizational performance. Specifically, this study hypothesized that (a) commitment-based HR practices, organizational learning capability and organizational social capital relationship are positively related to organizational performance and (b) the relationship between commitment-based HR practices and organizational performance is mediated by organizational learning capability and organizational social capital. To test the hypotheses, the Partial Least Square – Structural Equation Modelling (PLS-SEM) statistical technique was employed to analyze the survey data collected from 401 Japanese MNCs organizations in Kedah, Pulau Pinang, Perak, Selangor, Kuala Lumpur, Melaka and Johor. The results of the study showed that (a) commitment-based HR practices are positively related to organizational performance, organizational learning capability and organizational social capital; (b) organizational learning capability has no influence on organizational performance; (c) organizational social capital is positively related to organizational performance; and (d) organizational learning capability does not mediate the relationship between commitment-based HR practices and organizational performance, and organizational social capital fully mediates the relationship between commitment-based HR practices and organizational performance. Theoretically, the study contributes to knowledge by providing support for the importance of commitment-based HR practices and the mediating role of organizational social capital which influence the organizational performance of Japanese MNCs in Malaysia. Practically, this study provides guidelines to policy-makers and HR practitioners to understand that business success depends on the organization's capabilities and abilities to utilize its human resources to achieve its business objectives and goals. The result of this study is able to offer evidence that commitment-based HR practices help promote mutual and long-term relationships in the organization at all levels. Hence, HR practitioners need to institute HR practices that encourage network-building relationships characterized by trust, cooperation and commitment towards the organization.

Keywords: commitment-based HR practices, organizational learning capability, organizational social capital, organizational performance, Japanese MNCs.

ABSTRAK

Objektif utama kajian ini ialah untuk mengkaji hubungan antara komitmen berasaskan pengurusan sumber manusia (pengambilan pekerja, ganjaran, latihan dan pembangunan) dengan prestasi organisasi, kemampuan pembelajaran organisasi dan kemampuan sosial organisasi. Selain itu, objektif kajian ini juga adalah untuk mengkaji hubungan antara komitmen berasaskan pengurusan sumber manusia dan prestasi organisasi dengan kemampuan pembelajaran organisasi dan kemampuan sosial organisasi sebagai pemboleh ubah pengantara. Secara khususnya, hipotesis kajian ini adalah merangkumi hubungan antara komitmen berasaskan pengurusan sumber manusia, kemampuan pembelajaran organisasi dan kemampuan sosial organisasi yang secara positif berkaitan dengan prestasi organisasi. Manakala hipotesis hubungan antara komitmen berasaskan pengurusan sumber manusia dengan prestasi organisasi dipengaruhi secara positif oleh pemboleh ubah kemampuan pembelajaran organisasi dan kemampuan sosial organisasi. Bagi menguji hipotesis, teknik statistik *Partial Least Square – Structural Equation Modelling* (PLS-SEM) digunakan untuk menganalisis data soal selidik yang dikumpul daripada 401 buah organisasi multinasional dari Jepun yang berada di negeri Kedah, Pulau Pinang, Perak, Selangor, Kuala Lumpur, Melaka dan Johor. Keputusan kajian menunjukkan bahawa hubungan antara komitmen berasaskan pengurusan sumber manusia dengan prestasi organisasi, kemampuan pembelajaran organisasi dan kemampuan sosial organisasi adalah positif. Manakala kemampuan pembelajaran organisasi tiada hubungan positif dengan prestasi organisasi dan kemampuan sosial organisasi pula adalah signifikan dengan prestasi organisasi. Hasil kajian juga menunjukkan bahawa kemampuan pembelajaran organisasi tidak signifikan sebagai pemboleh ubah pengantara dalam hubungan antara komitmen berasaskan pengurusan sumber manusia dengan prestasi organisasi dan kemampuan sosial organisasi adalah signifikan sebagai pemboleh ubah pengantara dalam hubungan antara komitmen berasaskan pengurusan sumber manusia dengan prestasi organisasi. Secara teorinya, kajian ini menyumbang kepada pengetahuan dengan memberi sokongan terhadap kepentingan komitmen berasaskan pengurusan sumber manusia yang mempengaruhi prestasi organisasi multinasional Jepun di Malaysia. Di samping itu, kajian ini dapat meningkatkan pengetahuan tentang peranan kemampuan sosial organisasi sebagai pemboleh ubah pengantara antara komitmen berasaskan pengurusan sumber manusia dengan prestasi organisasi multinasional Jepun di Malaysia. Secara praktiknya, kajian ini dapat memberi panduan kepada pihak pengamal sumber manusia untuk memahami bahawa untuk mencapai kejayaan dalam pengurusan perniagaan, ia bergantung kepada kemampuan organisasi dengan memanfaatkan sumber manusia melalui komitmen berasaskan pengurusan sumber manusia dan kemampuan sosial organisasi. Hasil kajian ini membuktikan bahawa pengurusan sumber manusia yang efektif boleh meningkatkan komitmen serta mempromosikan hubungan jangka panjang yang menguntungkan semua peringkat dalam organisasi. Oleh itu, pihak pengamal dan pengurusan sumber manusia perlu menggalakkan hubungan sosial dalam organisasi yang berteraskan kepercayaan, kerjasama dan komitmen terhadap organisasi.

Kata kunci: komitmen berasaskan pengurusan sumber manusia, kemampuan pembelajaran organisasi, kemampuan sosial organisasi, prestasi organisasi, multinasional Jepun

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LIST OF ABBEVIATIONS

ABB

FULL LIST

JETRO

Japanese External Trade Organization

JAP

Japanese Association Penang

MIDA

Malaysia Investment Development Authority

MATRADE

Malaysia External Trade Development Corporation

MITI

Malaysia of International Trade and Industry

MOFA

Ministry of Foreign Affairs

OLC

Organizational Learning Capability

OSC

Organizational Social Capital

OP

Organizational Performance



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CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter introduces the background of study, followed by the problem statement, research questions, and objectives, the significance of the study, the scope, and the definitions of key terms. The organization of the chapters and its summary are also presented.

1.1 Background of the Study

Business organizations play a significant role in today's civilization because they serve as a driving force in the national economy and social development (Gavrea, Ilies, & Stegeran, 2011) by providing employment opportunities to the people and generating income for the government, contributing subsequently towards the growth of a country's gross domestic product (GDP) (MIDA, 2015). Realizing their crucial role in the national development, many researchers have been analysing the performance of organizations for the last 25 years. In doing so, researchers have been able to find out why some organizations managed to achieve best performance while others failed to do so (Bashaer Almatrosshi, Sanjay Kumar Singh, Sherine Farouk, 2016; Florian, 2013; Gavrea et al., 2011; Overstreet, Hanna, Byrd, Cegielski, & Hazen, 2013; Popova & Sharpanskykh, 2010; Richard, Devinney, Yip & Johnson, 2009).

In order to perform well, organizations must have the resilience to withstand the challenges (e.g., market volatility, control of market share, surveillance of competitors, increase of raw materials prices, currency pressures, international regulations and shortage of competent human resources) derived from the market

and act fast in response to the market changes (Farhad Alipour, Khairuddin Idris, Ismi Arif Ismail, Jegak Anak Uli & Roohangiz Karimi, 2012; Schuler, Jackson, & Tarique, 2011). This suggests that organizations must quickly configure their human resource capability and empowerment in order to meet up with the market changes in the current business atmosphere (Charkhabi, 2015). Particularly, developing a pool of competent human resource in the organization, determine their commitment and motive them to perform efficiency to ensure optimum performance (Dineen & Williamson, 2012). By doing so, they can meet their core objectives of generating profits and maximizing the wealth of their stakeholders (Becker & Huselid, 1998; Horngren, Foster, & Datar, 2000; Mir Mohammed Nurul Absar, Balasundaram Nimalathan & Munshi Muhammad Abdul Kader Jilani, 2010). However, due to the constant changes and volatilities in the external environment, organizations find it increasingly challenging to achieve their best performance. Today's organizations are consistently pressured by economic and social developments, such as the instability of global economies, strong competitions in various industries, and changes in customer and investor demands (Alqhtani Khaled Mohammed & Raja Irfan Sabir, 2011; Goldman & Grinstein, 2010; Ho, 2011; Lee, Lee, & Wu, 2010).

In order to meet the business performance and to survive, it is necessary for the organizations to understand the factors that influence their business operations and adopt the appropriate strategies to compete with their rivals. One of the ways they can do so is by developing their competitive competence by being more flexible, adaptable, and proactive (Kuo, 2011). Scholars, such as Gavrea et al., (2011), argue that adopting a new approach to a good strategy, i.e., one that combines speed, openness and flexibility of business strategies will likely result in the enterprises increasing their performance. This means that the organization has to improve

organizational performance progressively by adopting cost efficiency, enhancing productivity, engaging in differentiation and innovation of products and process as well as increasing its speed into the market (Christopher & Russell, 2008; Ning-He, 2012). Also, it is crucial for organizations to manage tangible resources (e.g., capital, facilities, technology, production process) and non-tangible resources (e.g., employees) effectively (Cheese, Thomas & Craig, 2008; Ho, 2011). This is because organizational performance is affected by the utilization of each resource, which supports each other to exploit opportunities and neutralize the threats from the external environment.

Based on the above discussion, the concept of organizational performance is derived from the idea of how flexible organizations manage their business strategies, which is associated closely with tangible and non-tangible resources. Raduan Che Rose and Naresh Kumar (2006) stated that tangible resources like facilities and capital are essential tools for organizations to sustain and deliver the best performance. However, it is also vital for business organizations to develop their non-tangible resources (e.g., employee). The underlying assumption is that employees' abilities (e.g., skill, knowledge, and experience) are necessary components for organizations to achieve their best performance (Ho, Noor Hazlina Ahmad, & Ramayah Thurasamy, 2013; Reza Salehzadeh, Ali Asadi, Javad Khazaei Pool, Mohammad Reza Ansari, & Alireza Haroni, 2014; Ting & Lean, 2009). This means that organizations have to be proactive in looking for ways on how to manage their human resources effectively for the purpose of increasing their productivity, performance, and profitability, and for ensuring that they will be resilient to withstand the unforeseen external environment challenges (Brown, Adams, & Amjad, 2007; Crook, Todd, Combs, Woehr, & Ketchen, 2011; Jeswani & Sarkar,

2008; Seyed Alireza Mosavi, Shekoufeh Nekoueizadeh, & Mahnoosh Ghaedi, 2012; Tang, 2012).

Indeed, previous studies in human resource management (HRM) have demonstrated that employees' abilities serve as the main element in improving productivity, competitiveness, as well as performance (Abang Azlan Mohamed, Lo & La, 2009; Azmi Feza Tabassum, 2011; Bourne, Pavlov, Franco-Santos, Lucianetti & Mura, 2013; Brown & Ostroff, 2004; Mansoor Hussain & Mushtaq Ahmad, 2012, Seyed Alireza Mosavi et al., 2012; Tang, 2012; Tiwari & Saxena, 2012; Theriou & Chatzoglou, 2014; Vanhala & Stavrou, 2013). In other words, the ability of organization to be highly competitive in the global market depends on how they manage their internal resources effectively.

Despite having a thorough understanding of the role of human resources in affecting business performance, MNCs today do not perform at their optimal level due to the severe shortage of talent-intensive skilled employees (e.g., those who have a combination of a high degree of expertise, who are knowledgeable, skilled, capable, experienced, and possess a great skill of learning ability, tactfulness, integrity and will) (Manpower Group, 2011). Additionally, due to the complexity of bridging the cultural, social and economic gaps between the geographically dispersed MNCs, attracting, upgrading and retaining an adequate stock of competent employees who understand the complexity/diversity of the emerging markets becomes a tough task (Dean, 2013; Hadijah Iberahim, 2013). Similarly, many developing and developed countries face a shortage of skilled employees and mismatches in the labor market (Hadijah Iberahim, 2013). MNCs in Malaysia are also confronting a severe shortage of the skilled employees, affecting the performance of the organization adversely.

Specifically, the Japanese MNCs in accordance to Japanese External Trade Organization (Jetro) in 2012 revealed that 63% of Japanese organizations faced several challenges including difficulties in recruitment, problems of employee job hopping, and trade union. Another issues facing in the Japanese MNCs is the lack of communication between the departments (Essays, 2013), which prevents the organization to expand its learning capability, internal coordination, knowledge creation, and social relationship (Jetro, 2012; Strach & Everett, 2006) and makes it challenging for them to strengthen their performance and prosper in a competitive environment. An effective communication is crucial as it is able to disseminate new ideas and share innovative development that benefit the organizations in the long term. It is also key to help employees understand what is required and expected of them toward accomplishing the organizational performance. Therefore, it is crucial to recruit employees whose values match the values of the organization (Lee et al., 2010; Raduan Che Rose & Naresh Kumar, 2006; Zheng, Soosav & Hyland, 2008). According to Armstrong and Baron (2002), the significant contribution to the organizational performance derived from people willingness to deploy their capabilities and abilities in the interest of the organizations growth and prosper.

Despite the strong evidence, scholars have repeatedly called to investigate the effectiveness of the bundle of HRM practices and its influence on organizational performance (Alagaraja, 2013; Armstrong & Taylor, 2014; Batt, 2002; Becker & Huselid, 1998; Becker & Gerhart, 1996; Delaney & Huselid, 1996; Delery & Shaw, 2001; Gaafar Mohamed Abdalkrim, 2012; Gong, Law, Chang & Xin, 2009; Guest, 2011; S.A. Mufeed & Rafia Gulzar, 2015; Sacchetti, Ermanno & Lopez Arceiz, 2016; Savaneviciene & Stankeviciute, 2012; Takeuchi, Lepak, Wang & Takeuchi, 2007; Theriou & Chatzoglou, 2009; Zhai & Liu, 2010). The call is made because it is

still uncertain which specific HRM practices have a stronger effect than others on enhancing organizational performance. Other scholars such as (Armstrong, 2010; Hesketh & Fleetwood, 2006; S. Abdul Hameed & N. Shaik Mohamed, 2016; Savaneviciene & Stankeviciute, 2012; Wall & Wood, 2005) also contended that it is premature to conclude that HRM practices and organizational performance relationship have been adequately established.

Additionally, there are calls for more empirical research to support the relationship between HRM practices and organizational performance from different contexts and perspectives. The existing literature highlights that the majority of the studies that investigated the relationship between HRM practices and organizational performance has been conducted on organizations in their country of origin (e.g. West). However, the findings may not be generalizable to multinational organizations situated in Southeast Asian countries such as Malaysia (Budhwar & Debrah, 2009; Darwish, 2013; Debroux, 2010; Guest, Michie, Conway & Sheehan, 2003; Huselid, 1995; Sekiguchi, Froese & Iguchi, 2016; Zurina Adnan, Hazman Shah Abdullah & Jasmine Ahmad, 2011; Shaira Ismail, 2012; Yusra Y. Lazim, 2016). Therefore, there is a need for additional studies to examine the relevance of the HRM practices and organizational performance in multinational organizations located outside the country of origin. In line with this call, this study intends to investigate the relationship between specific HRM practices known as commitment-based HR practices and organizational performance.

As discuss above, it is notice that the impact of HRM practices on organizational performance is significant, especially when the organization considers the competitive requirements (Hooi & Ngui, 2014). However, in the past 30 years, the

literature on organizational studies has emphasized organizational learning capability as one of the key elements of competitive advantage. Organizational learning capability is the process of acquisition of new knowledge or skills that assist in achieving better performance (Huber, 1991; Aradhana Khandekar & Anuradha Sharman, 2006; Kontoghiorghers, Awbrey & Feurig, 2005; Lopez, Peon & Ordas, 2005, 2006). It has been suggested that some of the HRM practices should be tailored to encourage individuals to create, acquire, transfer and integrate knowledge in the business process (Edwards, 2009; Jerez-Gómez, Lorente & Cabrera, 2005; Lopez-Cabrales, Real & Valle, 2011; Norashidah Nordin & Hanisah Kasbon, 2013). When an organization utilizes new knowledge and integrate it in its current management practices, productivity and performance are likely to be enhanced (Norashidah Nordin & Hanisah Karbon, 2013). Also, scholars have shown that HRM practices and organizational learning capability are interrelated (e.g., Jerez-Gómez et al., 2005; Lopez et al., 2005, 2006; Lopez-Cabrales et al., 2011; Raj & Srivastava, 2013). Despite these findings, scholars such as Aradhana Khandekar and Anuradha Sharman (2005), Theriou and Chatzoglou (2009) and Hooi and Ngui (2014), argued that more studies are required to assess whether the different characteristics of HRM practices may influence organizational learning capability.

Furthermore, Jimenez, Valle, and Espallardo (2008), Lopez et al., (2005), and Yeo (2003) indicated that other factors, such as organizational learning capability, also significantly influenced organizational performance. However, not many studies have tested the influence of organizational learning capability as a mediator between HRM practices and organizational performance (Goh, Elliott, & Quon, 2012; Prieto & Revilla, 2006). Hence, this study intends to enhance the body knowledge of how

organizational learning capability as a mediator can influence the relationship between commitment-based HR practices and organizational performance.

Chuang, Chen and Chuang (2013), Maurer, Bartsch & Ebers (2011), Subramaniam and Youndt (2005) proposed that organizations can benefit from its inter-organizational relationship through organizational social capital relationship. The authors (Chuang et al., 2013; Maurer et al., 2011; Subramaniam & Youndt, 2005) cited that adopting organizational social capital as part of the management tool enables the organizations to enhance growth and innovation. In turn, it increases the organizations ability to gain competitive advantage. Organizations learn to capitalize and incorporate organizational social capital to achieve higher organizational performance (Ofori & Sackey, 2010). Additionally, organizational social capital assists the organization to accomplish its goals through knowledge-exchange, better communication, and improved trust and commitment (Collins & Smith, 2006; Jackson, Chuang, Harden & Jiang, 2006; Kianto & Waajakoski, 2010; Ofori & Sackey, 2010; Potts, 2007).

Consequently, many organizations have turned to HRM because its practices are able to facilitate and foster organizational social capital (Chuang et al., 2013; Gittel, Seidner & Wimbrush, 2010; Kang, Morris, & Snell, 2007; Leana & Van Buren, 1999). Scholars such as Payne, Moore, Griffis, and Autry (2011) and Sendogdu and Erdirencelebi (2014) shared the same view but argued that it is still unclear how HRM practices influence the creation and sustaining of organizational social capital. Therefore, organizational social capital is regarded as a mechanism to strengthen the role of HRM practices, which subsequently influence organizational performance. Besides, it is interesting to understand whether the relationship between HRM

practices and organizational performance is mediated by organizational social capital (Chuang et al., 2013; Fang, Tsai & Lin, 2010). In other words, organizational social capital is the glue that connects community's organization together, thus facilitating action and cooperation for mutual benefits. Subsequently, organizational social capital also acts as a management tool to meet the organization's objectives and achieve better performance (Abili, 2011; Abili & Faraji, 2009).

1.2 Problem Statement

The volatile external environment and internal domestic issues serve as the main challenges to strengthen the Malaysian economy today. The challenges such as heightened volatility in the financial markets, declining commodity prices pulling down the market strength and stock markets, as well as the slowdown in the global economy are likely to have a direct and indirect influence on the economy especially through trade and financial demands (Suzy, 2015). Despite the headwinds ahead in 2016, Malaysia's fourth quarter real gross domestic product (GDP) grew by 4.5 percent bringing the full year 2015 growth of 5.0 percent (MITI, 2016). However, most economists predict that the economic growth to be slightly lower for 2016 (Focus-Economics, 2016) due to the uncertainty of the current world market.

Nevertheless, despite the challenges of the world market, the positive trend of foreign investment in Malaysia continues to reach a record of RM 39.5 billion in 2015 compared to RM 35.3 billion in 2014 (MIDA, 2015). This record indicates that the establishment of multinational corporations (MNC) is significantly important for the country. However, the current global competition and financial crisis, it has lead MNCs organizations to face greater pressure to remain survive, competitive and grow on the local and international level. Besides, the shortage of competent

employees adds pressure to the organizations. Competent employees are regarded as critical assets due to their ability to support the organization's growth and success (Rizwan Qaiser Danish & Ali Usman, 2010). The shortage of competent employees will cause the organization to risk losing knowledge, expertise, skills, experience, and teamwork capacity, thus preventing it to meet its business objectives and goals (Hsu & Fang, 2009; Hormiga, Batista-Canino & Sanchez-Medina, 2011; Mehran Zohdi, Reza Shafeai & Hoshyar Kheirkhah, 2013). These pressures force organizations to re-think about their current strategies. The traditional business strategies based on pricing, differentiation of products and quality seem to offer less value because the other organizations may also use similar strategies in the market (Barney, 2007; Edwards, 2009; Lee et al., 2010), causing the organization to lose its competitive advantage. Hence, an organization needs to formulate new strategies that blend creativeness with innovativeness to address the unpredictable business environment (Gavnea et al., 2011). This means that it is imperative for the organization to improve its internal processes and capability, such as its human resources. Human resources consist of individual knowledge, skills, and experience (Raish & Brikinshaw, 2008), which are regarded as a strategic asset to help organizations to continuously succeed and achieve the best performance in the competitive marketplace (Alpkan, Bulut, Gunday, Ulusory & Kilic, 2010; Ho, 2011; Mohd Samsul Mohd Shoid, Norliya Ahmad Kassim & Mohd Idzwan Mohd Salleh, 2011).

Despite having a thorough understanding of the role of human resources in affecting business performance, MNCs today do not perform at their optimal level due to the severe shortage of talent-intensive skilled employees (e.g., those who have a combination of a high degree of expertise, who are knowledgeable, skilled, capable,

experienced, and possess a great skill of learning ability, tactfulness, integrity and will) (Manpower Group, 2011). Additionally, due to the complexity of bridging the cultural, social and economic gaps between the geographically dispersed MNCs, attracting, upgrading and retaining an adequate stock of competent employees who understand the complexity/diversity of the emerging markets becomes a tough task (Dean, 2013; Hadijah Iberahim, 2013). Similarly, many developing and developed countries face a shortage of skilled employees and mismatches in the labor market (Hadijah Iberahim, 2013). MNCs in Malaysia are also confronting a severe shortage of the skilled employees, affecting the performance of the organization adversely. The statistics below indicate the performance of Japanese manufacturing organizations in Malaysia for the past five years. The overall performance of the organization in 2009 was 44%, 40% in 2010, 35% in 2011, 33% in 2012, and subsequently dropped to 32% in 2013.

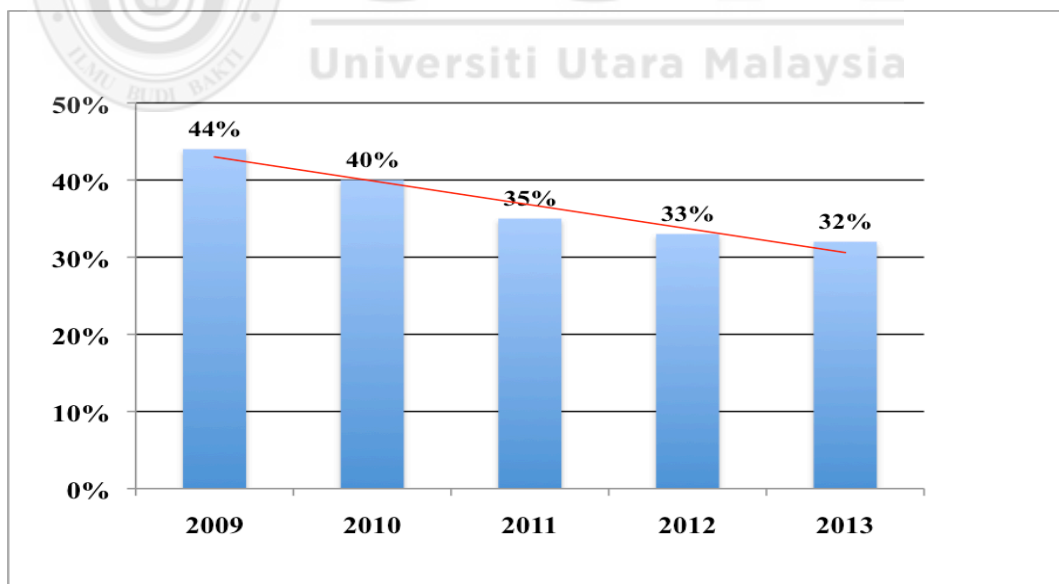


Figure 1.0
Japanese organisations performance in Malaysia

Source: Japanese Association Malaysia, 2014

Second, the Japanese External Trade Organization (Jetro) in 2012 revealed that 63% of Japanese organizations faced several challenges including difficulties in recruitment, problems of employee job hopping, and trade union. Among these, the most serious was employee recruitment. They were looking for competent employees who could execute their roles to meet the organization objectives and goals. The Japanese management style of top-executive is different from that of the Western style in that the former does not involve a top-down approach, but rather it is a circular process (Chew, 2004; Jetro, 2012).

Third, the decision-making process is based on consensus, which implies a smooth flow of information within the organization. However, one characteristic of Japanese organizations is the lack of communication between the departments (Essays, 2013), which prevents the organization to expand its learning capability, internal coordination, knowledge creation, and social relationship (Jetro, 2012; Strach & Everett, 2006) and makes it challenging for them to strengthen their performance and prosper in a competitive environment. An effective communication is crucial as it is able to disseminate new ideas and share innovative development that benefit the organizations in the long term. It is also key to help employees understand what is required and expected of them toward accomplishing the organizational performance. Therefore, it is crucial to recruit employees whose values match the values of the organization (Lee et al., 2010; Raduan Che Rose & Naresh Kumar, 2006; Zheng, Soosav & Hyland, 2008). According to Armstrong and Baron (2002), the significant contribution to the organizational performance derived from people willingness to deploy their capabilities and abilities in the interest of the organizations growth and prosper.

This study specifically focuses on investigating the role of HRM in enhancing organizational performance. Past studies (Bourne et al., 2013; Delery & Doty, 1996; Delaney & Huselid, 1996; Guthrie, 2001; Reader, Knorr & Hilb, 2012; Raduan Che Rose, Naresh Kumar & Hazril Izwar Ibrahim, 2008) showed that HRM policies and practices affected an organization's outcomes, such as productivity, production, financial situation, and turnover. In other words, the organization's competitiveness in the global market depends on its capability to fully utilize its human resources. As demonstrated by past scholars (e.g., Burke & Ng, 2006; Mahsud, Yukl & Prussia, 2011; Raduan Che Rose & Naresh Kumar, 2006), human resources contribution had a significant effect on organizational performance.

According to Muhammad Asif Khan (2010), incorporating human resource management (HRM) in the organizational strategy is essential to improve organizational performance and for the organization to remain competitive. This is because human resources are the crucial assets for the organization (Bohlander & Snell, 2010; Dessler, 2011; Tang, 2012). For this reason, organizations need to combine HRM practices with other elements, such as organizational learning capability and organizational social capital to enhance organizational performance. This argument is in agreement with Barney (2001), who argued that organizations must integrate their human resources with management tools (e.g., HRM policies and practices, organizational learning capability and organizational social capital) and develop them so that they become valuable, rare and non-substitutable.

By doing so, organizations would be able to gain competitive advantage and sustain its performance significantly. This argument is also in line with the resource-based view (RBV) which proposes that organizations focus on their human resources'

unique skills, knowledge and technology towards achieving competitive advantage and organizational performance (Barney, 2001; Newbert, 2007). Thus, many organizations have viewed HRM as a strategic partner because human resources are the most valuable asset. In this regard, HRM policies and practices serve as a bridge upon which organizations can build their relationship with employees for the sake of enhancing organizational performance (Poole, 1990; Prowse & Prowse, 2010; Schuler, 2000).

The literature reveals that HRM practices are a vibrant tool for influencing employees' efficiency and effectiveness, sustaining competitive advantage, and improving the level of organizational performance (Aradhana Khandekar & Anuradha Sharma, 2005; Christiansen & Higgs, 2008; Comb, Ketchen, Hall & Liu, 2006; Intan Osman, Ho & Maria, 2011; Johanim Johani, Khulida Kirana Yahya & Mohamad Nassruddin Ahmad, 2012; Singh, 2004; Valchos, 2009). HRM practices develop employees' positive attitude towards learning and encourage them to search for new knowledge and skills (Raj & Srivastava, 2013). In light of this assertion, many scholars (e.g., Lopez et al., 2005; Moideenkutty, Al-Lamki & Murthy, 2011; Vlachos, 2009) suggested that further studies are required to gain insight into which HRM practices can influence organizational performance.

Therefore, it is interesting to understand whether HRM practices can further enhance organizational performance in different contexts, especially that many of the past studies in this field were carried out in the West and very few in the Asian countries (Raduan Che Rose & Naresh Kumar, 2006). Thus, it is necessity that a strategic approach of HRM practices to ensure the organizations able to anticipate new direction and response to any changes across the business. Hence, rather than

investigate bundles of HRM practices, this present study choose to examine the specific HRM practices (e.g., commitment-based HR practices) relationship with organizational performance particularly, Japanese MNCs performance in the East context. The primary objective is to explore the underlying processes and the mechanisms by which commitment-based HR practices exert influence on employment relationship that influence organizational performance.

Even though past studies have demonstrated a strong correlation between HRM practices and organizational performance, other factors are purported to influence organizational performance, such as organizational social capital (Kemper, Schilke & Brettel, 2013; Leana & Pil, 2006) and organizational learning capability (Weldy & Gillis, 2010; Wong, Cheung, Yiu & Hardie, 2012). Organizational learning capability determines an organization's effectiveness in transforming inputs into outputs (Collins & Smith, 2006; Goh et al., 2012). The transformation of inputs (e.g., knowledge) to outputs (e.g., skills and method) can be used as strategies to assist the organization to sustain its competency and competitive ability, thus enabling it to enhance its performance (Archana Sharma & Gurdeep Singh Narang, 2012; Carton, 2004; Jantunen, 2005). Thus, organizational learning capability is regarded as a process of creating, acquiring, transferring, and integrating knowledge within the organization (Jerez-Gomez et al., 2005; Ho et al., 2013). Through this process, organizations can preserve knowledge and avoid the repetition of mistakes (Hamid Tohidi, Seyed Mohsen Seyedaliakbar, & Maryam Mandegari, 2012), resulting in enhanced organizational performance (Camps & Luna-Arocas, 2010; Ghorbanizadeh & Mofradnia, 2012; Ho et al., 2013; Shahabi, 2007).

In fact, past studies have demonstrated a link between organizational learning capability and organizational performance (Aradhana Khandekar & Anuradha Sharma, 2006; Chen, 2007; Hsu, Lee, Chih & Chiu, 2009; Hung, Lien, McLean & Kuo, 2010; Prieto & Revilla, 2006; Raduan Che Rose et al., 2009). However, there is no consensus on the measurement of organizational performance as it is related to organizational learning capability (Goh et al., 2012). Past studies mostly measured organizational performance in terms of finance performance (Bhatnagar, 2006; Ellinger, Ellinger, Yang & Howton, 2003; Panayides, 2007), even though some scholars proposed that organizational learning capability could affect the non-financial outcomes, such as employee job satisfaction (Raduan Che Rose et al., 2009) and innovation and efficiency (Spicer & Sadler-Smith, 2006; Wu & Fang, 2010). Hence, to enrich the existing literature, this study tests the relationship between organizational learning capability and organizational performance by considering the non-financial indicators.

Scholars argued that social capital relationship among the organization's members is crucial to enhance organizational performance (Sendogdu & Erdirencelebi, 2014). Social capital relationship encompasses social confidence, social norms, and social relationship which enable the organization to achieve its goal through mutual trust, commitment, cooperation, interaction and sharing of information of its members (Adler & Kwon, 2002, Andrews, 2010; Chuang et al., 2013; Ellinger et al., 2011). Even though Collins and Clark (2003), Chiu, Hsu, and Wang (2006), Lin, Li, and Chen (2006) and Payne et al., (2011) showed a strong relationship between organizational social capital and organizational performance, they recommended that more studies are conducted to investigate further the relationship with other

variables, such as commitment-based HR practices and organizational learning capability and their effects on organizational performance.

The success of an organization is built on the social relationships between the organization's members because organizational social capital facilitates internal coordination, knowledge sharing, building of trust, and competitiveness (Chuang et al., 2013; Leana & Pil, 2006; Maurer et al., 2011; Subramaniam & Youndt, 2005; Wu, 2008). Hence, it is essential to understand the relationship between HRM practices, organizational learning capability, and organizational social capital as they may assist organization to implement its strategies to achieve its goals.

Theoretically, the relationship between commitment-based HR practices, organizational learning capability, organizational social capital and organizational performance can be explained through resource-based view (RBV) and social capital theory (SCT). According to RBV theory (Rubin, 1973), it is important to process raw resources (e.g., human resources, capital, technology) and make full use of it to strengthen organization's competitive advantage in the market. Barney (2001) supported this motion as RBV argued the organizations possess their resources to enable them to achieve greater competitive advantage, and a subset of those that create a path way for long-term performance.

Human resources has been regarded as the unique source as they are able to assist the organizations to achieve greater performance through their knowledge, skills, abilities and experience needed by the organizations. Therefore, implementing effective management tools such as commitment-based HR practices, organizational learning capability and organizational social capital will help to achieve organizations objectives and goals. This is because these 3 management tools (e.g.,

commitment-based HR practices, organizational learning capability and organizational social capital) play an important role in determining the type of skills and behaviour of employees which facilitates the creation of a sustainable competitive advantage and thus, improve organizational performance (Aragon, Jimenez & Valle, 2014; Barney, 2001; Jerez-Gomez et al., 2005; Lopez et al., 2005b, Maurer et al., 2011).

On another hand, social capital theory (SCT) proposes the collective value derived from organizational social capital such as trust, reciprocity, information, and goal orientation between employees and organizations (Dorothea, 2012; Leana & Van Buren, 1999). Both scholars posited that organizational social capital is able to improve organizational performance because such resources that are inherent in social relations are likely to engender employee commitment, trust, and willingness to flexible work. In this sense, commitment-based HR practices are able to facilitate employees trust in the management that supports the organizational learning capability and improve the social network relationship. As a result, it enhance the cooperation and create an environment that supports the growth of organizational performance (Johnson, Schnatterly & Hill, 2013; Lin et al., 2006).

In sum, this study intended to 1) enrich the body of knowledge in the human resource management studies by adding a valued work to explain the influence of commitment-based HR practices on employees competence development, elicit motivation and commitment and enhance organizational learning capability (e.g., increase employees ability to create, acquire and integrate knowledge) as well organizational social capital (e.g., strengthen the relationship between employer and employees which enables the foster of knowledge /information sharing). The other

reasons why commitment-based HR practices as it signals a long-term investment in human resources development. This is because no matter how strong the financial of the organization, probability of achieving higher performance will be vain if the employees do not perform as expected. Low effectiveness of employees means that the organizations slog on reaching it objectives and goals set forth for the future. For example, Armstrong (2014, p.11 and p.20), “human resource management (HRM) goals is to support the organization in achieving its objectives through people”. Also, he emphasised that “HRM strategies is to ensure that the organization has engaged the talented people it needs to contribute to the development of high performance culture and how they will support the achievement of business goals”.

2) Fill in the current gaps by considering the mediation of organizational learning capability (OLC) and organizational social capital (OSC) in the relationship between commitment-based HR practices and organizational performance. Literature considers OLC as how people learn in organizations. It focuses on the development and acquisition in organizational knowledge, understanding, insights, technique and practices in order to improve organizational performance (Aragon, et al., 2014; Armstrong, 2014; Camps & Luna-Aroca, 2012; Hamid Tohidi, Seyed Mohsen Seyedaliakbar & Maryam Mandegari, 2012). Hence, the organizations need to strengthen the OLC, to manage, utilize and acquire it continuously for the aim to gain superior organization efficiency and achieving outstanding performance. Given the importance of OLC to organizational performance, it is stated that commitment-based HR practices are the primary method by which organization can use to influence the development of individual behaviour, attitudes and skills and its role in the creation of organizational learning capability (Camps & Luna-Aroca, 2012; Chen & Huang, 2009; Collins & Smith, 2006; Lopez et al., 2005). Furthermore,

commitment-based HR practices can develop an organizational culture and context that encourage the OLC to be enhanced, resulting in enhanced organizational performance (Edvardsson, 2008; Fong, Ooi, Tan & Lee, 2011; Goh et al., 2012). This is to say that the management needs to implement specific HR practices such as commitment-based HR practices to give support to the OLC process inside the organization. Hence, this study suggests OLC mediate the relationship between commitment-based HR practices and organizational performance.

There is a general agreement in the literature about the human resource management and its practices play significant role in influencing employee's capabilities, commitment and subsequent organizational performance (Armstrong, 2014; Caliskan, 2010; Ceylan, 2013; Delery & Shaw, 2001; Huselid, 1995; Normala Daud, 2006; Schuler, 2000). Therefore, continual investment in employees help to differentiate an organization's human capital development from others through knowledge, skills, capability and so on, thereby reduce the potential of imitation by organization's competitors (Jiang & Liu, 2015). In spite of such arguments, some researchers suggested to investigate another line of HR research with a focus on organizational social capital (OSC) relationship in the organizations (Chuang et al., 2013; Mahajan & Benson, 2013; Ofori & Sackey, 2010; Wu, 2008).

The ability to enhance its OSC add value to the organizations when stronger interpersonal relationship among organizations built internally and thus, result greater sources of information, facilitating collective actions as well as enhancing organizational intellectual capital (Adler & Kwon, 2002; Chuang et al., 2013; Collins & Clark, 2003; Nahapiet & Ghoshal, 1998). Consequently, this assists organizations to strengthen its performance. In addition, Nahapiet and Ghoshal (1998) as well as

Leana and Van Buren (1999) suggested that the development of OSC by organizations facilitate a distinctive organizational capability and become a source of competitive advantage and with a likelihood of success (Inkpen & Tsang, 2005; Wu, 2008). However, without directly examining the mediating effect of OSC on the relationship between HRM practices and organizational performance, the understanding of how specific HR practices (e.g. commitment-based HR practices) function is still limited (Chuang et al., 2013; Collins & Smith, 2016; Jiang & Liu, 2015). As a result, it is still unclear how significant the influence of OSC in the present of commitment-based HR practices and organizational performance. Therefore to fill the gap, this study intends to investigate how OSC mediate the relationship between commitment-based HR practices and organizational performance.

As most research works have been done in the Western countries, the present study considers a non-Western context by examining Japanese organizations located in a host country like Malaysia to understand whether commitment-based HR practices, organizational learning capability, and organizational social capital have any effect on organizational performance due to the differences in management practices between Japanese and non-Japanese organizations.

1.3 Research Questions

Based on the gaps identified above, this study attempted to address the research questions as follows;

- (a) Is there a relationship between commitment-based HR practices and organizational learning capability, organizational social capital and organizational performance?

- (b) Do organizational learning capability and organizational social capital influence organizational performance?
- (c) Do organizational learning capability and organizational social capital mediate the relationship between commitment-based HR practices and organizational performance?

1.4 Research Objectives

Based on the above research questions, three objectives have been set for this study;

- (a) To examine the relationship between commitment-based HR practices (e.g. selection, compensation and training and development) and organizational learning capability, organizational social capital and organizational performance?
- (b) To determine the relationship between organizational learning capability, organizational social capital and organizational performance.
- (c) To examine the mediating role of organizational learning capability and organizational social capital in the relationship between commitment-based HR practices (e.g. selection, compensation and training and development) and organizational performance.

1.5 Significance of the Study

The main objective of this study is to examine the relationship between commitment-based HR practices and organizational performance in the presence of mediator variables, i.e., organizational learning capability (OLC) and organizational social capital (OSC). This study intends to highlight the importance of commitment-based HR practices, OLC and OSC in the organization. It is also hoped to enrich the

literature in human resource management field by offering theoretical and practical contributions.

In relation to the theoretical perspective, this study considered the literature on commitment-based HR practices, OLC, and OSC in predicting organizational performance. Strategic human resource scholars (Huselid, 1995; Delery & Doty, 1996; Wright, Dunford & Snell, 2001) argued that different HR practices are able to influence employee's behaviours, motivation, and commitment. In this regard, many scholars have shown a strong relationship between HRM practices and organizational performance (Ahmad & Schroeder, 2003; Darwish, Singh & Mohamed, 2011; Fathi Mohamed Abduljlil Aldamoe, Mohamed Yazam & Kamal Ahmid, 2011; Intan Osman et al., 2011; Muhammad Asif Khan, 2010; Lee et al., 2010; Namusonge et al., 2012; Paauwe, 2009; Rizov & Croucher, 2009; Reader et al., 2012; Tan & Aizzat Mohd Nasurdin, 2010; Theriou & Chatzoglou, 2014; Tiwari & Saxena, 2012; Veeri Chettiar Arumugam et al., 2011).

Nevertheless, scholars, such as Bourne et al., (2013), Collins and Smith (2006), and Wright, Dunford and Snell (2001), argued no comprehensive HRM practices model allows the configuration of HRM practices. Arthur (1992), Bourne et al., (2013), Collins and Smith (2006), and Tsui et al., (1997) suggested that a distinction can be drawn between the transaction-based HR practices and commitment-based HR practices in HRM. The transaction-based HR practices focus on a short-term exchange relationship and emphasize efficiency and outputs, whereas commitment-based HR emphasizes a long-term exchange relationship to increase effectiveness and encourages employees to work together to accomplish the organizational objectives.

According to Arthur (1994) and Walton (1985), by adopting a set of practices named ‘commitment-based human resource practices’, it encouraged the organizations to achieve higher performance result through genuine commitment of employees. The researchers (Arthur, 1994; Gooderham, Parry & Ringdal, 2008; Lin & Tang, 2016; and Walton, 1985) believed by using the term ‘commitment’, it enables the organizations to shape positive attitude and lead high commitment between organizational and employees goals. Similarity, Appelbaum, Bailey, Berg and Kalleberg (2000), Gooderham, Parry and Ringdal (2008) and Lin and Tang (2016) noted that a certain set of HR practices always generate better performance regardless of the contexts for instance, commitment-based HR practices also being called as ‘high-involvement work system’ or ‘high-involvement work practices’ (Guthrie, 2001). Therefore, it is generally accepted that a certain set of HR practices called a commitment-based, high-involvement work system or high-involvement work practices as the objective is to motivate employees to develop a strong commitment to the organization and exert their effort to accomplish the organizational objectives (Arthur, 1994; Collins & Smith, 2006; Jung, 2014; Lee & Kim, 2010; Tsui et al., 1997). As this study aim to shape the employees attitudes and link between the organizations and employee goals, the commitment-based HR practices term being used in the present study.

In meeting the research objectives, the present study applied the resource-based view (RBV) and social capital theory (SCT) to link the commitment-based HR practices, OLC, OSC, and organizational performance. Understanding commitment-based HR practices purported to influence organizational performance is essential so that organizations could formulate and implement appropriate strategies to enable them to compete well in the global market (Andrews, 2010; Leana & Pil, 2006; Maurer et al.,

2011; Chuang et al., 2013). Furthermore, for the organization to remain competent, it is essential that OLC continuously take places within the organization. OLC is a mechanism to acquire, interpreting and utilize knowledge which in turn, enable organization to coordinate and combine the knowledge into the organizational processes within a common direction for identify market needs, meeting customer requirements and response to changes in the environment (Ali Ekber Argun et al., 2014; Cambra-Fierro et al., 2011). This way organizations can embrace strategies consistent with OLC to achieve better performance. Hence, OLC is considered as important mechanism to boost organizational performance for this study.

To develop the learning capability process effectively, it is crucial to create and strengthen organizational social capital (Beheshtifar & Noroozi, 2013; Veismoradi, Akbari & Rostami, 2012) because it allows to facilitate access to information and vital sources in order to integrate diverse knowledge among employees, enhancing organizational learning capability further (Beheshtifar & Noroozi, 2013; Heidari & Rostami, 2012; Johnson, Schnatterly & Hill, 2013) and subsequent organizational performance (Chuang et al., 2013; Jerez-Gómez et al., 2005; Roya Golmoradi & Farzad Sattari Ardabili, 2016). Besides, it can also stimulate value to be shared by people in the social network within the organization due to the common norms, mutual trust, effective interactions and personal relationship. Consequently, OSC become an intangible asset to the organizations and can use it to strengthen employees commitment and increase self-confidence in them and their organizations (Roya Golmoradi & Farzad Sattari Ardabili, 2016). Therefore, this present study considers OSC as another mechanism to enhance organizational performance.

From the practical perspective, the findings could help HR practitioners to develop relevant strategies of implementing commitment-based HR practices to enhance OLC, OSC, and subsequent organizational performance. The commitment-based HR practices provide a work environment in which employees will be motivated and committed to learn and share knowledge with each other through their social capital networks, thereby increasing the OLC. This way organizations can dynamically generate new ways of gathering, interpreting and utilize the new knowledge and incorporate the knowledge to improve the business process. Consequently, it enables the organizations to coordinate and combine of resources and capabilities through reducing the costs and time in identifying market needs, increasing customer satisfaction as well fast response to the changes of the environment and subsequently enhancing organizational performance.

Furthermore, as OLC involves a social interaction, an organization can build a strong relationship with its employees, resulting in enhanced trust and legitimacy. In other words, the interaction between organizational learning capability and organizational social capital could offer an added value that improves the organization's competitive advantage and performance. OSC also acts as management tool for achieving organizations' goals effectively with less cost and time. This is because OSC includes norms, values, networks and social relations governing behaviours and interaction among the organizations members. Consequently, it foster the knowledge sharing, shared interested as well as facilitates the cooperation between individuals and coordination which enables them to act collectively.

Other practical findings of this study may support the notion that investment in specific HRM practices (e.g. commitment-based HR practices) will align with

organizations objective is worthwhile. It is proven in the literatures that employees play important role in executing business strategies. To do so, organizations must use different HRM configuration to tap employee's unique set of beliefs, talents, goals and life experiences drive their performance to achieve set for the business objectives. By doing so, it helps to clarify to organizations business objective and then implement commitment-based HR practices that send clear message to employees. More importantly, the commitment-based HR practices can improve employees' ability to interact with co-workers, increase their willingness to build good relationships internally, provide them with more opportunities, and thus boost their commitment towards the organizations. Subsequently, it embrace changes, develop implementation plans and create operating models that make sense, the organizations can take the loftiest of visions and transform them into a profitable business operations and thus fulfilling organizations objectives and goals. In this regards, organizations must communicate with their employees and send strong message in a way that the adoption of such HRM practices is for long term benefits to them and organizations.

This study involved multinational manufacturing organizations in Malaysia. The importance of the manufacturing sector to the Malaysian economy, especially in providing employment opportunities and enhancing technology-based skills is undeniable (MIDA, 2013). However, in the current economic environment characterized by uncertainties and intense competition, appropriate strategies are required to ensure the effective utilization of human resources toward achieving organizational goals. Hence, it is hoped that the findings of this study would serve as a guide to HR practitioners to maintain the quality of human resources in the Malaysian context.

1.6 Scope of the Study

This present study focuses on the manufacturing sector specifically foreign investment MNCs manufacturing organizations in Malaysia. The manufacturing sectors in Malaysia has growth at the fastest pace, driven by the strong performance of electronic and electrical cluster as external demand have increased significantly, particularly global semiconductor. The manufacturers of electrical, electronic and optical products accounted for Ringgit Malaysia (RM) 232.2 billion (23.0%) while petroleum, rubber and plastic manufacturers contributed RM 307.0 billion (30.4%). These two categories of manufacturers contributed 53.4 per cent of total manufacturing output in Malaysia (Department of Statistics Malaysia, 2015). With this indication (53.4%), it is proven that manufacturing sector play significant role in boosting Malaysia economy for now and many years. Further, in accordance to new suitability index by Cushman and Wakefield, Malaysia remains as an attractive location of foreign investment (Business Circle, 2014).

Subsequently, according to Malaysia Investment Development Authority (MIDA, 2015), the total manufacturing foreign investment approved into Malaysia recorded RM 21.9 billion in 2015 compared to 2014 which was RM 39.6 billion. The main source of foreign investment was from Japan, USA, European Union, Singapore, Hong Kong and China (MIDA, 2015). This cited that the foreign investment from Japan is still important for Malaysia although partnership with other foreign investors have gradually rise up. Based on this fact, the present study emphasis on Japanese MNCs in Malaysia as to achieve the continuous growth in the manufacturing section, it is crucial for the organizations in this sector to gain a better insight of what influence organizational performance. Further, Japanese MNCs were selected because of the Malaysia and Japan Partnership that has been developed over

many decades. The Partnership program aims to promote an amicable relationship and bilateral trade and investments between the two countries. Additionally, Malaysia's Look East Policy started in the early 1980's has contributed further to the close relationship between the two countries. The following statistics show the values of total trade, export, and import of both countries.

Table 1.1
Total Trade, Export and Import Value between Malaysia and Japan

Year	Trade Value (Malaysia trade with Japan)	Export Value (Malaysia to Japan)	Import Value (Japan to Malaysia)
2011	RM 146.80 billion	RM 80.00 billion	RM 65.30 billion
2012	RM 145.30 billion	RM 82.93 billion	RM 62.39 billion
2013	RM 136.10 billion	RM 79.80 billion	RM 56.40 billion
2014	RM 137.45 billion	RM 82.71 billion	RM 57.75 billion
2015 (Jan to Nov)	RM 127.40 billion	RM 73.81 billion	RM 53.59 billion

Source: Ministry of International Trade and Industry (MITI), 2011, 2012, 2013, 2014, 2015 and Malaysia External Trade Development Corporation (MATRADE), 2014.

It is also worthy of note that Japan remains as the largest foreign direct investor (FDI) in Malaysia with a total of 60 projects approved at RM 4.00 billion in 2015. As a result, 2,440 jobs opportunities for Malaysian citizens were created (MIDA, 2016). The Japanese MNCs not only boost the Malaysian economic growth, they also offer other benefits for the country (MIDA, 2016) as follows:

- 1) The Japanese MNCs encourage Research and Development (R&D) programs in the country. Japanese MNCs tend to cooperate with the local R&D to develop new technology that benefits both parties. Consequently, it has led Malaysia to create its niche value and competitive advantage compared to other Asian countries.

- 2) The achievement in new technology also offers significant impacts on the setting of quality and productivity standards, particularly in industrial production and products. In turn, it has helped Malaysia to enhance its image as a producer of high-quality products and services.

- 3) Another important area where the Japanese MNCs have made a great impact is human resource development (HRD). The investment in human resources is one of the most tangible contributions of MNCs to Malaysia. It is a standard practice for Japanese MNCs to send their employees to the headquarter to expose them to new learning experiences, which in turn creates a larger pool of talents that benefit the organizations. The new skills and knowledge gained through such programs add value to the Malaysian labor force.

As Malaysia aspires to become a high-income nation by 2020, the investment from Japan will help its economy grow through improved administrative ability, higher education, and the development of human resources. The success of Japanese MNCs in creating investment, production output, exports and level of employment could set an example for Malaysian organizations especially manufacturing companies to learn and upgrade its value chain by offering high technological products, thereby enhancing product quality and increasing the productivity index (Shaira Ismail, 2012). By supporting Malaysia's socio-economic development, Japan aims to promote the ASEAN integration through regional cooperation in East Asia. By doing so eventually, strengthens Japan's relationship with Malaysia as both countries can work together as global development partners. Indeed, Malaysia has achieved

remarkable economic growth through the development assistance, trade and investment synergies gained from Japan (MOFA, 2010).

1.7 Definitions of Key Terms

The variables in this study are committed-based HR practices, organizational social capital, organizational learning capability, and organizational performance. The definition of each variable is offered below.

1.7.1 Dependent Variable

Organizational Performance

Refers to the ability of organization to achieve its objectives and goals including financial and non-financial performance (Tang, 2012). Financial performance relates to perceived market performance in terms of sales growth, profitability, market share, and marketing of products or services while non-financial performance focuses on operational outputs and human resources factors.

1.7.2 Independent Variable

Commitment-based HR practices are defined as a mechanism that influences employee behaviours and capabilities, thus contributing to organizational performance (Brown & Ostroff, 2004; Collins & Smith, 2006). The activities included in commitment-based HR practices are selection, compensation, and training and development. The commitment-based HR practices are different from HRM practices as they emphasize a mutual and long-term exchange relationship between employer and employees, encouraging employees to align their individual and organizational interest (Arthur, 1992; Bourne et al., 2013; Collins & Smith, 2006; Tsui et al., 1997).

Selection in commitment-HR practices is defined as the process of selecting qualified employees to fill the vacant position in the organization and match the broad organizational criteria rather than specific job requirements (Bourne et al., 2013; Collins & Smith, 2006).

Compensation in commitment-based HR practices is defined as the incentive package that focuses on employees' commitment to the organization (Bourne et al., 2013; Delery & Doty, 1996; Collins & Smith, 2006).

Training and development in commitment-based HR practices are defined as the process to enable employees' growth and development (Arthur, 1992; Collins & Smith, 2006).

1.7.3 *Mediator Variables*

Organizational learning capability refers to the organization's capability to enhance a higher degree of learning through the management commitment, appropriate system perspective, openness and experimentation, and knowledge transfer and integration within organization members (Jerez-Gomez et al., 2005).

Organizational social capital is defined as a social pool between an employer and employees that promote information sharing (structural criteria), trust (relational criteria) and shared vision (cognitive criteria) in the organization (Andrews, 2010).

1.8 Organisation of the Chapters

This study is organized into five chapters as listed below.

Chapter I provides the background of the study, problem statement, research questions and objectives, significance and scope of the study, and definition of terms. It also details the organization of the thesis.

Chapter II begins with the definition and conceptualization of each variable, followed by a review of the literature related to commitment-based HR practices, organizational learning capability, organizational social capital, and organizational performance. The underlying theories, the gap of the study and the relationship between the variables are also discussed.

Chapter III focuses on the research design, population and sample, sampling technique, data collection, measurements, questionnaire design, and finally, techniques and analysis.

Chapter IV details the research methods used in this study and presents the data analysis as well as the results.

Chapter V discusses the findings, implications, limitations of the study as well as recommendations for future studies.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter discusses the related literature of commitment-based HR practices, organizational learning capability, organizational social capital, and organizational performance. The first section of the chapter focuses on the definition and conceptualization of all variables. The subsequent section touched on the related theories and the development of the research framework. The last part explains the relationship between the variables, followed by the development of the hypotheses.

2.1 Definition and Conceptualization of Organizational Performance

The definition of performance is complex and subjective (Ismael Younis Abu-Jarad, Nor' Aini Yusof, & Mohd Wira Mohd Shafei, 2010; Kibry, 2005; Richard, Devinney, Yip, & Johnson, 2009) because researchers have different interpretations of performance based on their interest of the study. For instance, three indicators of organizational performance are usually used from the economic perspective: (a) financial performance (e.g., profitability, return on assets, and return on investment), (b) shareholder return and economic value added, and (c) product market performance (e.g., sales, market growth, and branding position) (Richard et al., 2009). On the other hand, for Folan and Browne (2005) organizational performance means the organization has achieved its objectives by meeting its strategies and policies. Similarly, Li, Ragu-Nathan, Ragu-Nathan, and Rao (2006) related organizational performance to the organizational achievement of the market-oriented and financial goals. For Barney (2002) and Carton (2004), organizational performance refers to how well human, physical, and capital resources are being utilized to accomplish the organization's shared purpose.

The above definitions clearly show that conceptualizing organizational performance is not an easy task, because, according to Ismael Younis Abu-Jarad et al. (2010), each researcher has his or her own definition of performance depending on the objective of his or her study. Similarly, Lebas and Euske (2002) and Neely (2007) stated that the best definition of organizational performance corresponds to the purpose of the study, be it financial, non-financial or a combination. Following this definition, this study examined organizational performance from two perspectives: (a) non-financial perspective which covers aspects such as customer satisfaction, product quality, new product development, ability to attract employees, ability to retain employees, and relations between management and employees, and (b) financial perspective which looks at aspects such as marketing of products or service, growth in sales, profitability, and market share.

It is important that the organizations to evaluate its financial and non-financial as it covers the management, process, managing and monitoring performance. This is important to the organization executives since many of them are focused on strengthening their organizations deliver on objectives and goals. Financial and non-financial assessment is essential to achieve success, and it involves deep understanding of the linkages between financial and non-financial factors. By doing so, it enables the organizations to ensure the operational activities are carried out effectively and efficiently. This means, strategies and plans need to be informed by financial and non-financial insights and a sound understanding of the external competitive environment and internal organizational performance. Consequently, it helps the organizations to answer few questions such as 1) are the organizations adapting to meet changing market demands and anticipating future trends, 2) are the organizations delivering the results and sustainable values expected by the

stakeholders, 3) are the organizations productive capacity, resources and capabilities for a range of economic conditions and 4) are the organizations resource decisions aligned with strategic direction, objectives and goals.

Past researchers, such as Abu Kasim et al. (1989), Birdi et al. (2008), Davis et al. (2000), and Moideenkutty et al. (2011), emphasized that how well an organization achieves its performance is by looking into its financial success, such as sales growth, profit growth, and net profit. This is because financial success can be regarded as a great achievement for any organization. Chung and Lo (2007), Garnett et al. (2008), Green and Iman (2007) and Hancott (2005) had the same view because financial indicators, such as profit growth, assets growth rate, sales growth, shareholders return, growth in the market share and return of net assets, enable the organization to gauge its profitability and performance. However, Griffin (2003), Hatem (2001) and Hofmann (2001) argued that financial indicators are insufficient to predict future performance as they communicate about financial objectives only. Therefore, they suggested that the evaluation of organizational performance should be supplemented by non-financial performance measures, such as customer satisfaction, product quality, new product development, the ability to attract employees, the ability to retain employees, and relations between management and employees.

Similarly, McNair et al. (1990) viewed that non-financial performance is essential for operational control purposes as it enables the organization to avoid the risks associated with the financial measures. Gavrea et al. (2011) contended that non-financial performance should also be used, besides financial performance measures, to enable the organization to perform continuously. Besides financial performance,

organizational performance depends partly on the employees because of their skills, knowledge, creativity, productivity, and motivation. Authors, such as Barney (1991), Becker and Gerhart (1996) and Pfeffer (1998), shared the same opinion indicating that investing in human resources is one of the ways to enhance organizational performance because they are valuable, rare, inimitable, and non-substitutable. Therefore, considering the non-financial perspective is equally important as the financial perspective because the latter indicates the internal process of the organization (Deshpande & Farley, 2004).

2.2 Definition and Conceptualization of Commitment-Based Human Resource Practices

Human resource (HR) management used to be known as personnel management. In the earlier stage, HR functions focused on recruiting candidates who are able to fulfil the organization's requirements, ensured that the hired candidates fulfil the working contract, organized salary and other administration benefits for employees, and took action in terminating employees who did not perform up to the organization's expectation or when their services were no longer needed. In short, the HR functions were primarily regarded as playing an administrative role rather than a strategic partner in the organization's development and growth, thus failing to receive much attention from the top management.

However, the constant changes in the internal and external environments have significantly demanded that the HR functions deviate from their administrative role to being a strategic partner (Nazlina Zakaria, Siti Rohaida Mohamed Zainal, & Aizzat Mohd Nasurdin, 2011; Zheng, O'Neill, & Morrison, 2009). As a result, personnel management was transformed and known as human resource management

(HRM). HRM, according to Bratton and Gold (2007), is the policies, practices and systematic approach of managing employment in the organization. Noe et al. (2010) defined HRM as a philosophy, policy, practices and system that is able to affect employee's behaviour, attitudes, and performance. Also, as remarked by Armstrong (2006), the HRM functions are to manage human resources development effectively and efficiently while at the same time establish a solid relationship between the employer and employees and to establish a sense of belonging in the work environment so that employee motivation, commitment, and productivity are enhanced.

Based on the current definitions above, HRM in today's business context has two distinguished roles to play: (1) to foster performance of an organization (Stavrou, Brewster, & Charalambousa, 2010; Delery & Doty, 1996; Nazlina Zakaria et al., 2011; Singh, 2004; Zheng et al., 2009), and (2) to support competitiveness through people (Collins & Smith, 2006; Huselid, 1995; Muhammad Asif Khan, 2010; Wright, Dunford, & Snell, 2001). In this regard, emphasis has been given on the type of HRM practices that an organization can implement. According to Arthur (1994) and Walton (1985), by adopting a set of practices named 'commitment-based human resource practices', it encouraged the organizations to achieve higher performance result through genuine commitment of employees. These researchers (Arthur, 1994; Gooderham et al., 2008; Lin & Tang, 2016; and Walton, 1985) believed by using the term 'commitment', it enables the organizations to shape positive attitude and lead high commitment between organizational and employees goals.

Similarity, Appelbaum et al. (2000), Gooderham et al. (2008) and Lin and Tang (2016) noted that a certain set of HR practices always generate better performance

regardless of the contexts for instance, commitment-based HR practices also being called as ‘high-involvement work system’ or ‘high-involvement work practices’ (Guthrie, 2001). Therefore, it is generally accepted that a certain set of HR practices called a commitment-based, high-involvement work system or high-involvement work practices as the objective is to motivate employees to develop a strong commitment to the organization and exert their effort to accomplish the organizational objectives (Arthur, 1994; Collins & Smith, 2006; Jung, 2014; Lee & Kim, 2010; Tsui et al., 1997).

According to Arthur (1992), Bourne et al. (2013), Collins and Smith (2006), and Tsui et al. (1995), two approaches of HRM practices have emerged in the literature. The first approach emphasizes individual short-term exchange relationships known as transaction-based HR practices while the second one focuses on the long-term exchange and mutual relationship known as commitment-based HR practices. While both approaches are purported to help achieve organizational performance, commitment-based HR practices are likely to attract employees because it entails a combination of practices that aim to motivate employees to perform a high degree of discretionary behaviours that could benefit the organization (Arthur, 1992; Collins & Smith, 2006). Indeed, past studies have showed that organizations that implement commitment-based HR practices tend to have a positive relationship with organizational performance compared to organizations that utilize transaction-based HR practices (Batt, 2002; Bourne et al., 2013; Collins & Smith, 2006; Huselid, 1995; Youndt et al., 1996).

Based on the notion that the objective of commitment-based HR practices to establish long-term exchange and mutual relationship between employees and

organizations, the key focus is to allow the organizations developing skilful, motivated and committed employees who can ultimately create superior value for organizations (Bourne et al., 2013; Collins & Smith, 2006; Lin & Tang, 2016). In particular, commitment-based HR practices has been regarded as the effective tool to improve the psychological links between employees and organizations (Gooderham et al., 2008). Therefore, past scholars have adopted different HR practices as component of commitment-based HR practices across different studies, including recruitment and selection, job description, training, compensation, employees security, incentive pay, internal career opportunities, team work (Collins & Smith, 2006; Huselid 1995; Sun et al., 2007).

However, in the recent study by Bourne et al. (2013) and Ghosh and Gurunathan (2015) cited that the different organizations may use different HR practices in creating a commitment work atmosphere. The commitment-based HR practices comprises specific practices (e.g. selection, compensation and training and development) are often considered as the tools to enhance employees commitment, acquisition and development of knowledge and skills process and strengthening the social relationship (Collins & Smith, 2006; Ghosh & Gurunathan, 2015). The selection practice in commitment-based HR practices emphasis on the process of selecting the employees who fit to the organizations, compensation practice focus on facilitating employees motivation and commitment, and training and development practices emphasis on development of knowledge, skills and encourage long-term growth (Collins & Smith, 2006). As a result, it helps the organizations to become productive and create sustainable competitive advantages.

From this discussion, this study includes commitment-based HR practices result in a work environment characterized by commitment:

1. Selection practices that emphasize opportunities for employment and selecting employees who match the broad organizational criteria rather than specific job requirements.
2. Compensation practices that stress on enhancing employees' commitment and thus encouraging them to perform their job effectively to facilitate the accomplishment of the organization's goals.
3. Training and development practices that focus on the long-term development of the knowledge, skills and encourage long-term growth required for the organizational effectiveness.

The next section will discuss in detail each dimension of commitment-based HR practices.

2.2.1 Selection

Selection is a process of choosing candidates who have the qualification that matches with the organization's requirement to fill the vacant position in the organization (Dessler, 2009). In the selection process, human resource practitioners need to make an effort to inform the individual about the qualifications needed, and provide information of all the legal requirements relating to the employment, career opportunities and benefits that the organization can offer to its employees (Asuinura, 2011, Dessler, 2009). The closer the candidates who possess the characteristics of the organization's need, the higher their chances of being hired to fill up the vacant position. In this study, commitment-based HR practices selection is defined as a

process of selecting qualified employees to fill the vacant position in the organization and match the broad organizational criteria rather than specific job requirements.

Peter et al. (2000) asserted that selection is the main activity of human resource management. This is because organizations continuously seek growth opportunities and having the qualified candidates can help them achieve their goals. Paul and Anantharaman (2003) contended that employees are able to assist the organization to achieve higher performance if effective selection and hiring process are handled strategically. The stiff competition in the business world today demands organizations to stress on the type of employees to be selected. In particular, the employees must possess the requisite mix of knowledge, skills, aptitude and motivations to enable the organization to grow, develop a competitive edge, and compete against their rivals.

2.2.2 Compensation

In today's business world, employees are regarded as one of the important assets which have to be managed in an effective manner. Organizations want to attract, motivate and retain their employees so that they could contribute towards the organizational effectiveness. Toward this end, compensation management is one of the tools the organization can use. "Compensation" is a broad term that encompasses financial (e.g., base-compensation, salary and pay incentives) and non-financial rewards (e.g., awards, recognitions, compliments and status) to attract and retain employees (Amuedo-Dorantes & Mach, 2003). Therefore, in this context of study, commitment-based HR practices compensation is defined as the incentive package provided by the organization for its employees to increase their commitment and thus

encouraging them to perform their job effectively to facilitate the accomplishment of the organization's goals.

Past researchers such as asserted that compensation is able to improve the performance of the employees toward achieving the organizational desired objectives (Appelbaum & MacKenzie, 1996; Bateman & Snell, 2007; Cherrington, 1995; Delery & Doty, 1996; Henderson, 2000; Noe et al., 2004; Lepak & Snell, 2002). When the employees' efforts are recognized and rewarded, they are more likely to develop positive feelings and have the willingness to contribute towards the organization. In this regards, it is necessary for the organization to manage the compensation system strategically so that it is aligned effectively with the organizational objectives (Barney & Hesterly, 2008; Chiu et al., 2002; Philips & Fox, 2003) alluded that organizations must develop compensation strategies to achieve organizational objectives. Past studies have showed a significant and positive relationship between compensation and organizational performance (Barringer et al., 2005; Dessler, 2009; Ilias, 2009; William & Kinicki, 2008).

2.2.3 Training and Development

Training refers to the formal training organized internally to assist employees to acquire the necessary skills and abilities needed to perform their tasks (Noe et al., 2010). To Dessler (2009), training is a method to provide the employees with the skills required in performing their job in the organization. In regard to development, Noe et al. (2010) defined it as an opportunity for the employees to enhance their career development in the organization. In this study, commitment-based HR practices training and development refer to the long-term development of the

knowledge, skills and encourage long-term growth required for the organizational effectiveness

Training involves the process of designing learning activities so that the employees are able to develop the necessary skills and knowledge toward the accomplishment of the overall organization objectives. In other words, training is an investment in upgrading the employees' knowledge and skill, which result in efficiency and productivity for the organization (Salas et al., 2012). Tai (2006) argued that organizations should increase their training budget in order to develop and expand the skills of employees so that they can be an adaptable and flexible workforce. Schemelter et al. (2010) indicated that training also helps the employees to adapt to the changes at the workplace.

On the other hand, development gives employees an opportunity to upgrade their positions in the organization. Dowling and Welch (2005) mentioned that the purpose of training is to improve the existing knowledge, skills, and behaviour, whereas development aims to widen the career path opportunities for the employees. Development opportunity means preparing employees for further career advancement. Therefore, through training and development practices, organizations are able to develop competencies of its workforce and this helps to expand organizational performance.

2.3 Definitions and Conceptualization of Organizational Learning Capability

The early notion of organizational learning was introduced by Teylor in 1900. He demonstrated that knowledge transfer positively affected performance and improved productivity in the factory. However, Cyert and March (1963) were the first scholars

who promoted organizational learning as a process in that knowledge moves from the individual to the group level and then to the organizational level and back again. This informal process promotes the creation of knowledge through transfer and the integration process (Jerez-Gomez et al., 2005). When collective knowledge is established, it enables the shift of knowledge and information sharing to take place in the organization. Having the first-hand information assists the organizations to generate new business strategies and allow them to act faster than their competitors. Consequently, it contributes to better organizational performance (Lopez et al., 2006; Weldy & Gillis, 2010). Due to the importance of collective knowledge for organizations, research on organizational learning capability has seen an exponential growth for over 30 years (Crossan & Guantto, 1996, Cohen & Sproull, 1996, Hamid Tohidi et al., 2012; Jyothibabu, Farooq & Pradhan, 2010; Lopez et al., 2005; Mohd Shamsul Mohd Shoid et al., 2011).

Organizational learning capability (OLC) has been widely discussed in the business and strategic management literature (Bauman, 2005; Chiva, Alegre, & Lapiedra, 2007; Flores et al., 2008; Hung et al., 2010; Jones, 2000; Lopez et al., 2005; Mohd Shamsul Mohd Shoid et al., 2011). Spicer and Sadler-Smith (2006) considered learning as a fundamental aspect of competitiveness and link it with knowledge acquisition and performance improvement. Therefore, OLC is defined as a process of creation, acquisition, and integration of knowledge aimed at the development of resources and capabilities, thereby enhancing organizational performance (Jerez-Gomez et al., 2005). Likewise, Goh et al. (2012) related OLC as a continuous learning process for a steady improvement to help organizations succeed. This is because OLC increases an employee's capabilities for understanding and managing the organization's environment better toward the achievement of organizational

performance. OLC also enables the organization to implement appropriate management practices, structures and procedures to encourage learning (Jones, 2000; Mohd Shamsul Mohd Shoid et al., 2011).

For OLC to develop, four requirements are necessary: (a) managerial commitment, (b) systems perspective, (c) openness and experimentation, and (d) transfer and integration (Jerez-Gomez et al., 2005). It is assumed that each criteria of the OLC will result in a stronger learning capability throughout the organizations. Following the Jerez-Gomez et al. (2005) definition, this study conceptualizes organizational learning capability in the following criteria:

1. *Managerial commitment* means that the management spearheads the process and supports employee involvement in organizational learning capability. By doing so, a culture that encourages organizational learning capability to increase knowledge acquisition, sharing and utilization for purpose to achieve organizational performance is created.

2. *Systems perspective* means the existence of a collective conscience that allows the organization to be seen as a system in which each element makes its contribution to obtain a satisfactory result. It also enables the organization's members to share a common understanding of how each individual contributes to the organizational objectives.

3. *Openness and Experimentation* means that the organization must be open to new ideas and be willing to experiment them on a collective level. Predisposition to openness helps develop organizational knowledge, based on the transfer and integration of knowledge acquired individually. Furthermore,

openness to new ideas favours experimentation that will help create innovative and flexible solutions, which enable the organization to tackle problems that may arise.

4. *Transfer and integration* emphasize the gathering and maintaining knowledge for future use. In order to establish the organizational learning capability, the organization must adopt suitable mechanisms to encourage the transfer of knowledge from individuals to the whole organization. Hence, the organization must go beyond adaptive learning and make changes in search for more innovative and flexible alternatives, i.e., generative learning (McGill et al., 1992) which requires an open mentality towards new ideas and lots of experimentation.

2.4 Definitions and Conceptualization of Organizational Social Capital

Social capital is known as a gray zone in sociology due it is an ambiguous concept (Fukuyama, 1995). However, many scholars tried to define social capital in a more concrete way. Portes (1998) cited the benefits that accrue to actors due to their insertion into broader social structures. Putnam (2000) defined social capital as the connections established among individuals known as social networks and certain norms of reciprocity and trustworthiness are established across members. To Coleman (1998), social capital refers to the specific relationship and interactions that occur at different levels, for example, micro (individual), meso (group) and macro (society). Based on Coleman's definition, two types of social capital exist, namely, organizational social capital and community social capital. This study focuses on organizational social capital (OSC).

Organizational social capital (OSC) relates to the structural, relational and content aspect of the organization's network. According to Nahapiet and Ghoshal (1998), OSC is "the sum of actual and potential resources embedded with, available through, and derived from the network of relationship possessed by an individual or social unit" (p. 243). Adler and Kwon (2002) defined OSC as "the goodwill available to individuals or groups. Its source lies in the structure and content of the actor's social relations" (p. 23). Meanwhile, Andrews (2010) noted that OSC is inherent in the social relations within the organizations and could be considered a critical asset in maximizing organizational advantage. This is because social capital allows the organization to create and nurture a social context that shapes the values, goals, and expectations of organizational members (Ghoshal & Moran, 1996; Houghton, Smith & Hood, 2009). As a result, OSC enables the organization to achieve higher levels collaboration and goodwill among the organization members. Such collaboration subsequently promotes the innovation process (Maurer et al., 2011; Subramaniam & Youndt, 2005), organizational growth (Maurer et al., 2011), organizational competitiveness and better performance (Wu, 2008).

OSC important for organizations because individuals who know, understand and trust each other are more likely to work together efficiently and effectively, resulting in enhanced organizational performance (Adler & Kwon, 2002; Mahajan & Benson, 2013; Nahapiet & Ghoshal, 1998; Walker, Kogut, & Shan, 1997). Therefore, concentrating on OSC is appropriate because social capital serves as the bonding resources between individuals within the organization (Adler & Kwon, 2002; Chuang et al. 2013; Mahajan & Benson, 2013; Maurer et al., 2011; Merlo et al., 2006). In addition, it also facilitates the creation and sharing of knowledge among the individuals, which promote teamwork (Nahapiet & Ghoshal, 1998).

This study followed Nahapiet and Ghoshal's (1998) conceptualization of OSC as a resource pool that reflects the social relationship within the organization. In addition, Nahapiet and Ghoshal's framework of social capital identifies the antecedents of social capital and its impact on organizational performance (Mahajan & Benson, 2013). Nahapiet and Ghoshal (1998) stated that organizational social capital emphasis on structural, relational and cognitive aspects:

1. *Structural capital* provides the configuration of interpersonal relations between employees within an organization (Mahajan & Benson, 2013). It consists of network of ties, configuration, and appropriate organization (Nahapiet & Ghoshal, 1998). Through the network of ties, people and resources are connected within and outside the organization. Such connection enables the employees to gain access to knowledge or information (Andrews, 2010). Meanwhile, network configuration influences the speed of information diffused among the employees in different functional areas and departments, and this helps discover unidentified opportunities within the organization (Andrews, 2010; Nahapiet & Ghoshal, 1998; Walker et al., 1997). It is essential for the information to flow within the organization so that knowledge is absorbed (Leana & Pil, 2006). Additionally, information sharing facilitates individual learning because new knowledge from dialogue or collaborative discussions may differ from the formal documented practices. Through this kind of learning, the relationship between the organization members is strengthened, allowing higher commitment to develop that benefits the organization in the long term (Leana & Phil, 2006).

2. *Relational capital* refers to the kind of relationships people develop with each other (Nahapiet & Ghoshal, 1998). It is defined as the level of interpersonal trust, existence of norms, obligation, and identification with the organization (Mahajan & Benson, 2013). According to Leana and Pil (2006), when employees have a high trust level, they are likely to be open and flexible. Relational capital also encourages employees to share information, which in turn generates valuable knowledge for the organization. A higher level of trust between organization management and employees offers the likelihood exchanging sensitive information that is unavailable to those beyond the cycle of trust (Andrews, 2010; Mayer et al., 1995; Mishra, 1996). On the other hand, norms and obligations represent a consensus among employees regarding the behaviour that is expected of them (Nahapiet & Ghoshal, 1998). Norms are either internalized by employees or are enforced through various organizational policies and procedures (Akerlof, 1982; Coleman, 1988). As an example, norms of cooperation may come from internalized beliefs of employees because of the value they derive from the collaboration. Besides, it also develops a sense of obligation due to the value created from the collaboration and thus, results a strong attachment the organizations from the employees. (Thau et al., 2007). As a result for this positive relationship, employee performance, and subsequent organizational performance are enhanced (Cunningham & MacGregor, 2000).
3. *Cognitive capital* refers to the interaction between employees as part of a collective and integration responsibility (Coleman, 1994). As a result, a common set of goals and shared visions are formed in the organization (Nahapiet & Ghoshal, 1998). The shared goals and vision combined with

collective values of employees may enable the employees to cope with the uncertain environment and potentially create positive externalities for organizational performance (Andrews, 2010, Scott, 2001). Leana and Van Buren (1999) pointed out this phenomenon as “the willingness and ability to define collective goals that are then enacted collectively” (p. 542). When employees hold common objectives or goals, information sharing, and resource exchange are fostered (Atuahene-Gima & Murray, 2007), leading to a greater overall synchronization of organizational efforts (Andrews, 2010).

In conclusion, the three aspects of OSC – structural, relational and cognitive – are able to improve the integration and sharing of information between employees (Nahapiet & Ghoshal, 1998), promoting a stronger collaboration among them and reducing the chances of negative opportunism, which in turn increase organizational performance (Bosse et al., 2009).

2.5 Gaps in the Literature

Based on the review of the literature, this study intends to fill two research gaps: (a) to highlight the influence of commitment-based HR practices on multinational organizations in Malaysia (e.g., Japanese MNCs), and (b) incorporate OLC and OSC as the mediator variables in the relationship between commitment-based HR practices and organizational performance. These gaps are discussed next.

Continuous performance is the main focus for any organization it enables the organization to grow, progress, and sustain its presence in the market. Thus, the organization needs to use its resources efficiently and effectively. This understanding leads to the discussion on the influence of commitment-based HR practices on organizational performance. Scholars of human resource management have widely

acknowledged the role employees play as an important source of competitive advantage for the organization and subsequent organizational performance (Barney, 1991; Pfeffer 1994; Maria-Ianos 2012; Sharma & Narang, 2012). According to resource-based view (RBV), human resources (e.g., employees) are crucial to the organization because they are hard to copy and are valuable as compared to physical and financial resources (Alimin Ismadi Ismail, Raduan Che Rose, Jegak Uli, & Haslinda Abdullah, 2011). Armstrong and Baron (2002) strongly argued that organizational performance largely depends on the capabilities and abilities of its employees. In addition, RBV suggests that employees are considered a resource advantage due to their broad knowledge, experience, and skills, which in turn helps the organization grow and succeed (Offstein et al., 2005).

Realizing the importance of human resources, many practitioners and academicians began to study HRM because its practices could influence employees' behaviour and attitudes (Johanim Johari, Khulida Kirana Yahya, & Mohamad Nassruddin Ahmad, 2012), and subsequently organizational competitiveness (Sharma & Narang, 2012). Many studies have found HRM practices to positively influence organizational performance (Absar & Mahmood, 2011; Ahmad & Schroeder, 2002; Chew, 2004; Delery & Doty, 1996; Freyermuth, 2007; Gelade & Ivery, 2003; Guest, 2011; Huselid, 1995; Michie & Sheehan, 2005; Moideenkuthy et al., 2011; Theriou & Chatzoglou, 2008; Tzafrir, 2006; Vos & Meganck, 2009; Voorde et al., 2011; Wei & Lau, 2008). Table 2.0 summarizes several studies on HRM practices.

Table 2.1

Summary of HRM Practices Studies by Various Researches

Researcher	Sample	HRM practices dimension	Dependent variables
Absar, Nimalathasam & Mahmood (2012)	Manufacturing firms in Bangladesh	<ol style="list-style-type: none"> 1. Recruitment & Selection 2. Training & Development 3. Performance appraisal 4. Compensation 	Perceived market performance
Intan Osman et al. (2011)	Manufacturing organizations in Malaysia	<ol style="list-style-type: none"> 1. HR planning 2. Staffing 3. Job work design 4. Training & Development 5. Performance appraisal 6. Compensation 7. Employee relations and communication 8. Health & Safety 9. Job satisfaction 	Organizational performance
Nazlina Zakaria (2013)	SMEs in Malaysia	<ol style="list-style-type: none"> 1. Training & Development 2. Reward system 3. Performance appraisal 4. Staffing 5. Communication and information sharing 	Organizational performance
Singh (2004)	Manufacturing firms in India	<ol style="list-style-type: none"> 1. Selection 2. Job definition 3. Training 4. Performance appraisals 5. Compensation 6. Career planning 7. Employee participation 	Organizational performance and market performance

Subramaniam et al. (2011)	Small & Medium organizations in Malaysia	<ol style="list-style-type: none"> 1. Compensation policy 2. Information sharing 3. Training & Development 4. Job security 	Organizational performance
Zaini Abdullah, Nilufar Ahsan & Syed Shah Alam (2009)	Private business organizations	<ol style="list-style-type: none"> 1. Training & Development 2. Teamwork 3. Compensation /incentives 4. HR planning 5. Performance appraisal 6. Employee security 	Business performance
Katou (2008)	Manufacturing firms in Greece	<ol style="list-style-type: none"> 1. Selection 2. Training & Development 3. Performance appraisal 4. Compensation 5. Promotion 6. Incentives 7. Work design 8. Participation 9. Involvement 10. Communication 	Organizational performance

Table 2.0 shows that even though the relationship between HRM practices and organizational performance had been demonstrated, the terms used to identify the practices varied, such as the best HRM practices (Pfeffer, 1994), high-performance work systems or practices (Appelbaum & Batt, 1994), and high commitment practices (Wood, 1999). Secondly, it is still unclear which HRM practices could create a commitment-based environment in the organization (Theriou & Chatzoglou, 2009; Wright, Dunford, & Snell, 2001) even though there is a consensus among scholars that commitment-based HR practices enable the organization to develop a

mutual and long-term exchange relationship with its employees (Collins & Smith, 2006; Rousseau, 1995; Tsui et al., 1997).

To create such a long-term relationship, the organization could adopt HR practices such as selection, compensation, and training and development. Selection creates a growth opportunity for employees through the internal labour market (Delery & Doty, 1996; Tsui et al., 1997) while compensation could increase knowledge sharing and commitment to the organization (Delaney & Huselid, 1996; Delery & Doty, 1996). On the other hand, training and development enables employee growth and builds organization-specific knowledge and career development (Arthur, 1992; Youndt et al., 1996). In this study, commitment-based HRM practices were considered because employee commitment encompasses employee involvement (Collins & Smith, 2006; Reader et al., 2012; Wright et al., 2003). This study was also conducted in response to calls for more research works to be carried out in different regions to evaluate the global applicability of HRM (Absar & Mahmood, 2011; Guest, 2011; Paauwe, 2009) particularly outside the USA and Europe because different countries may apply HR practices differently (Gerhart, 2005). Hence, this study aimed to fill the gap by examining the influence of commitment-based HR practices on multinational organizations in Malaysia.

The present study also aimed at filling the gap in the literature is by incorporating OLC and OSC as mediator variables in the relationship between commitment-based HR practices and organizational performance. According to Jerez-Gomez et al. (2005,) OLC is an organization's capability to create, acquire, transfer and integrate knowledge in the business process for the purpose of improving its performance. An organization that continuously learns is able to detect problems and take preventive

actions. The knowledge also enables the organization to respond faster to changes (Awasthy & Gupta, 2012; Jimenez et al., 2008; Norshidah Nordin & Hanisah Karbon, 2013; Tippins & Sohi, 2003). In other words, OLC facilitates behavioural changes that lead to improved performance (Cavaleri, 2004; Reza Salehzadeh et al., 2014; Lopez et al., 2005). Indeed, past studies have demonstrated a positive effect of OLC on organizational performance (Flores et al., 2008; Jones, 2000; Lopez et al., 2006; Spicer & Sadler-Smith, 2006; Wang, 2008). However, the majority of the studies measured the financial performance of the organization and neglected other indicators such as non-financial performance (Delaney & Huselid 1996; Theriou & Chatzoglou, 2008; Wright et al., 2003). Hence, this study filled the gaps by considering both financial and non-financial performance indicators and including OLC as a mediator between commitment-based HR practices and organizational performance.

This study also incorporated organizational social capital (OSC) as another mediator between commitment-based HRM practices and organizational performance. Previous studies showed that through OSC facilitates organizational knowledge resource exchange and increases innovation capabilities (Maurer et al., 2011; Subramaniam & Youndt, 2005; Tsai & Ghoshal, 1998). OSC is an important organizational resource that is able to affect the human development and intellectual capital within an organization (Nahapiet & Ghoshal, 1998; Mahajan & Benson, 2013). Thus, it is essential for the organization to create a sharing atmosphere among employees for the benefit of the organization (Adler & Kwon, 2002; Kemper et al., 2013; Leana & van Buren, 1999). In this aspect, commitment-based HR practices could foster OSC in the organization because such practices are able to enhance the

employees' motivation and commitment towards the organizations (Nazlina Zakaria et al., 2011).

A growing number of empirical studies have investigated the relationship between OSC, HRM practices, and organizational performance using multivariate statistical techniques (Chuang et al., 2013; Leana & Pil, 2006). For example, Leana and Pil (2006) showed that the three aspects of OSC (e.g., structural, relational and cognitive) were positively related to the urban public school performance in the north-eastern United States. Similarly, Collins and Smith (2006) demonstrated that the three aspects of OSC were positively related to the revenue and sales growth of 136 US technology companies, but the effects were mediated by the capability to transfer knowledge. To date, very few studies on the mediating effect of OSC on the relationship between commitment-based HR practices and organizational performance at the organization level. The present study considered the mediation of OSC for two reasons: (a) several studies have found a significant relationship between OSC and organizational performance (Andrews, 2010; Leana & Phil, 2006), and (2) research has revealed the role of OSC as a mediator in the relationship between employment practices and organizational performance (Leana & Van Buren, 1999; Mahajan & Benson, 2013).

It is also expected that OLC and OSC have a significant impact on organizational performance for several reasons. Firstly, the empirical evidence supports the relationship between commitment-based HR practices and organizational performance (Chenevert & Tremblay, 2009; Inyang, 2011, Muhammad Asif Khan, 2010; Lee et al., 2010) and the relationship between commitment-based HR practices with OLC and OSC (Chuang et al., 2013; Jerez-Gomez et al., 2005; Jackson et al.,

2006; Kang et al., 2007). Secondly, the empirical evidence also shows that OLC and OSC contribute to organizational performance (Andrews, 2010; Flores et al., 2008; Jones, 2000; Leana & Phil, 2006; Lopez et al., 2006; Spicer & Sadler-Smith, 2006; Wang, 2008). Thirdly, studies have also supported the relationship between four variables, namely, commitment-based HR practices, OLC, OSC and organizational performance (Andrews, 2010; Camps & Arocas 2010; Garavan et al., 2000; Jaw & Liu, 2003; Leana & van Buren, 1999; Lopez-Cabrales et al., 2011; Lopez et al., 2005; Nahapiet & Ghoshal, 1998; Raj & Srivastava, 2013; Theriou & Chatzoglou 2008).

2.6 Underpinning Theory

This study utilized resource-based view (RBV) theory and social capital theory (SCT) in developing the theoretical framework in this study.

2.6.1 Resource-Based View (RBV) Theory

Edith Penrose (1959) was one of the first scholars to identify the importance of internal (e.g., human resources, capital, technology) and external (e.g., networks, value chain) resources to an organization's competitive position. Aside from Penrose (1959), Rubin (1973) added that the organization should process the raw resources to make them useful for the organization to increase its competitiveness and growth. Barney (1997) asserted that the RBV could be applied to understand how organizational resources contribute to a sustained competitive advantage and subsequent organizational performance. Indeed, the RBV has become an important theory in the strategic management literature as it explains the fundamental sources and drivers of organization's competitive advantage and superior performance (Barney, 1986; 1991; 2001; Flint & Van Fleet, 2005; King, 2007).

Generally speaking, the resource-based view (RBV) theory stresses that the organization's resources are fundamental in determining competitive advantage and performance. The theory addresses the main issue of how best performance can be attained through acquiring and exploiting the organization's resources (Wade & Hulland, 2004). In this regard, many organizations have shifted their attention to human resource management (HRM) as a key player to facilitate the creation and transform the human resources to valuable, rare, imperfectly imitable, and exploitable by the organizations. By doing so, the organization is able to ensure the resources (e.g., valuable, rare, imperfectly imitable) are available in the organization and harder for competitors to copy (Barney, 2001). Therefore, among the studies on the relationship between HRM practices and organizational performance, some attempt to demonstrate that a specific practices (e.g., commitment-based HR practices) has effect not only on organizational performance but also organizational learning capability and organizational social capital (Chuang et al., 2013; Goh et al., 2012; Jerez-Gomez et al., 2005; Lado & Wilson, 1994; Lopez et al., 2005; Maurer et al., 2011; Mohd Shamsul Mohd Shoid et al., 2011; Taleghani et al., 2009; Reza Salehzadeh et al., 2014; Wu, 2008) because it is assumed that human resources are unique, difficult to imitate or duplicate, and are not interchangeable with other sources. As a result, organizations can get ahead of their competitors and hence perform well by acquiring, owning and using human resources effectively (Chadwick & Dabu, 2009, Tang, 2012).

Commitment-based HR practices play a significant role to facilitate organizational learning capability (Jerez-Gomez et al., 2005) and organizational learning capability has a positive effect on organizational performance (Chuang et al., 2013, Collins & Smith, 2006; Jerez-Gomez et al., 2005; Lopez et al., 2005; Roya Golmoradi &

Farzad Sattari Ardabili, 2016). Past scholars such as Ali Ekber Argun et al. (2014), Collins and Smith (2006) and Shipton et al., (2002) finds that the employment of commitment-based HR practices (e.g., selection, compensation and training and development) affect employee attitudes and behaviour, indicating that they play a pivotal role in the success organizational learning capability. For example, the selection of employees should focus on choosing candidates who are willingness to create and share knowledge. Appropriate compensation should be in place to encourage employees to engage in continuous learning and enhance cooperative behaviour and training and development programs help employees gain a new set of knowledge and skills which help organizations to achieve it set forth purposes.

In sum, human resources are unique because they are equipped with the relevant knowledge, skills, abilities and experience needed by the organization as a result of the implementation of effective systems in place such as commitment-based HR practices, organizational learning capability, and social capital process (Dorothea, 2012; Jerez-Gomez et al., 2005; Tang, 2012). Furthermore, Priem and Butler (2001) demonstrated that organizational social capital and commitment-based HR practices within organizations cause a fundamental heterogeneity in their employees' development and thus, increase higher productive. This is because HR practices, organizational learning capability, and social capital play an important role in determining the types of skills and behaviour of employees which are aligned with the strategic goals of the organization (Barney, 2001; Boxall & Purcell, 2003; Jerez-Gomez et al., 2005; Lopez et al., 2005; Maurer et al., 2011).

2.6.2 Social Capital Theory (SCT)

According to Dorothea (2012) and Leana and Van Buren (1999), social capital theory proposes the collective value derived from organizational social capital (OSC) such as trust, reciprocity, information, and goal orientation between employees and organizations. Leana and Van Buren (1999) posited further that OSC is able to improve organizational performance because such resources that are inherent in social relations are likely to engender employee commitment, trust, and willingness to flexible work. In this sense, social capital resources encourage employees to prioritize the organization's needs rather their own interests and to invest in learning capabilities (e.g., acquire more specialized skills and knowledge). This theory postulates that the organization can enhance the social network relationship in order to facilitate trust and cooperation and create an environment that supports the growth of organizational performance (Lin et al., 2006). More specifically, SCT emphasizes that OSC is an important source because it allows individuals to work together effectively and efficiently when they trust each other.

Commitment-based HR practices are able to facilitate employee trust in the management that supports the process of intensive knowledge exchange and coordination among employees (Collins & Smith, 2006; Gittell et al., 2010). In the organizational context, this process serves as a competitive resource which reflects successful collective actions between the members in the social networks. Moreover, organizations that are able to handle effectively the competitive environment that requires access to information and coordination between the resources by incorporating SCT are likely to achieve good organizational performance (Ofori & Sackey, 2010; Dorothea, 2012).

Scholars contend that commitment-based HR practices are able to motivate employees to build stronger social relationships and thus foster organizational performance (e.g., Collins & Smith, 2006; Leana & Van Buren, 1999; Morris et al., 2005). For example, the selection process is an important step toward this purpose because the organization has to choose its employees carefully. An effective compensation system is likely to motivate employees to be committed toward sharing information to foster organizational productivity (Collins & Smith, 2006; Morris et al., 2005). Lastly, HR practices also facilitate employees' abilities to develop interpersonal skills and good teamwork within the networks through a training and development process (Collins & Smith, 2006; Jackson et al., 2006; Lopez-Cabrales et al., 2006, 2009). In this respect, training and development practices are initiatives by the organization to foster learning among employees.

In essence, commitment-based HR practices are vehicles to develop OSC to enable the organization to achieve its goals by strengthening social relationship and encouraging cooperation, organizational learning, and accountability (Chuang et al., 2013; Sparrowe, Liden, Wayne & Kramer, 2001). Research has shown that SCT is an important organizational theory that influences human development and intellectual capital (Nahapiet & Ghoshal, 1998; Mahajan & Benson, 2013).

In sum, this study utilized the RBV as the main theory supported by SCT to explain the relationship between commitment-based HR practices, organizational learning capability, organizational social capital, and organizational performance.

2.7 Theoretical Framework

The proposed theoretical framework of the relationship between commitment-HR practices, organizational learning capability, organizational social capital, and

organizational performance is illustrated in Figure 2.1. In this framework, the dependent variable is organizational performance while the independent variable is commitment-based HR practices (selection, compensation, training and development). Organizational learning capability and organizational social capital are the mediator variables.

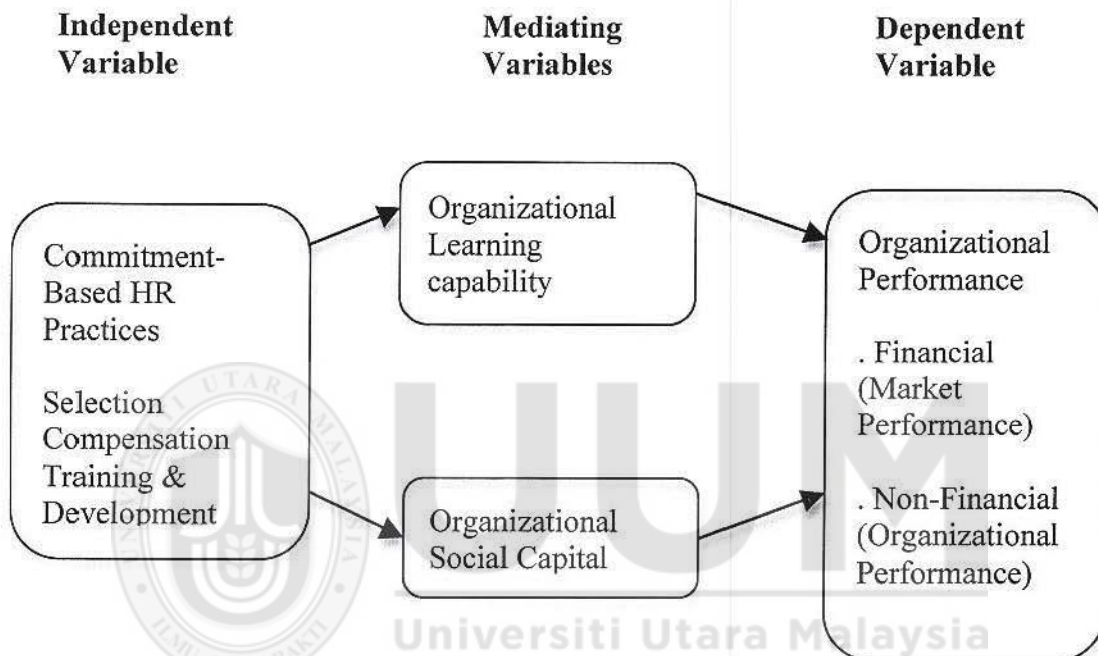


Figure 2.0
Theoretical Framework

2.8 The Relationship Between Variables and Formation of Hypotheses

The following section presents detailed explanations of the theoretical links between the constructs in the proposed model.

2.8.1 Commitment-Based HR Practices and Organizational Performance

Drastic competition in the global marketplace has forced organizations regardless small or large to develop more strategic approaches to responding to the challenges of the market. One of the strategic approaches is the effective management and utilization of human resource capabilities to achieve the business objectives and

goals (Caliskan, 2010). Human resource management (HRM) consists of policies and practices that have a strong influence on employees' capabilities and subsequent organizational performance (Caliskan, 2010; Ceylan, 2013; Normala Daud, 2006; Schuler 2000). Empirical studies have demonstrated the influence of HRM policies and practices on organizational level outcomes such as organization growth, productivity and performance in the last two decades (Becker & Huselid, 1998; Delery & Doty, 1996; Chenevert & Tremblay, 2009; Inyang, 2011, Muhammad Asif Khan, 2010; Lee et al., 2010; Zheng, 2009; Sang, 2005). The literature indicates that HRM practices can enhance employees' knowledge, skills, and productivity, resulting in improved organizational performance (Boohene & Asuinura, 2011; Bourne et al., 2013; Reader et al., 2012). Scholars also asserted that it is important to enhance the employer-employee relationship and motivate employees by implementing the HRM practices that are commitment oriented (Collins & Smith, 2006; Ramsay et al., 2000; Rousseau, 1995; Takeuchi et al., 2007; Tsui et al., 1997).

Human resource management aims at building productive, committed, and engaged employees to help an organization sustain its business purposes compete in the global marketplace. The organization needs to develop and enhance the employees' capabilities by implementing specific HRM practices to accomplish the organizational goals (Becker & Huselid, 1998; Moideenkutty et al., 2011; Rashid Saeed, Rab Nawaz Lodhi, Anam Iqbal, Moeed Ahmad Sandhu, Muhammad Munir & Sana Yassen, 2013). Commitment-based HRM practices, which emphasize a long-term exchange relationship, are practices that can help the organization toward the end as they are concerned about selecting the right candidates and developing their competencies and skills for the benefit of the organization in the long run (Collins & Smith, 2006). Past studies have demonstrated that commitment-based HR practices

could assist organizations to achieve innovation performance (Chen & Huang, 2009; Lopez-Cabrales et al., 2011; De Winne & Sels, 2010), productivity (Glavin & Chilingerian, 2010), and employee commitment (Fong et al., 2011; Kown et al., 2010). Also, Delaney and Huselid (1996) found that employee-oriented HRM (e.g., selection, compensation and training and development) was positively related to organizational performance. Past research has also indicated that commitment-based HR practices improve organizational performance in a variety of industries, such as manufacturing organizations and high technology firms (Arthur, 1994; Youndt et al., 1996), service organizations (Batt, 2002; Harley et al., 2007) and government organizations (Nadia Newez Rimi & Yusliza Mohd Yusoff, 2013).

This study considered commitment-based HR practices because it recognizes that they have a strong influence on organizational performance. The role the practices play can be summarized in three ways: (a) maximize the human resource ability to increase efficiencies that offer the business a competitive edge; (b) enhance the commitment and collaboration between the organization and employees; and (c) achieve better organizational performance (Boohene & Asuinura, 2011; Bourne et al. 2013; Collins & Smith, 2006; Reader et al., 2012). In their review of the literature, Collins and Smith (2006) identified three HR practices appeared to be critical for meeting the three criteria discussed above. They are selection, compensation, and training and development.

a) Selection

Authors such as Collins and Smith (2006) and Rashid et al. (2013) contended that the accomplishment of improved organizational performance depends on the employees hired. An effective selection practice enables the organization to assess which

employees are qualified to fill the existing or projected job openings. Selection is a process of choosing the right employees who have the right abilities and skills required for the vacant position. It is important for the organization to have qualified employees to meet its goals because such employees have the required competency (Bratton & Gold, 2007; Noe et al., 2010; Shehzad & Mahr Muhammad, 2012; Williamson, 2000). Therefore, effective selection practice is vital in the HRM process because having the right employees can enhance organizational performance and organizational image. Having the right employees can help the organization to avoid undesirable costs such as those associated with high staff turnover, poor performance, and dissatisfied customers. Also, effective selection may result in negative outcomes such as low productivity, poor service to customers, high turnover, absenteeism, and disciplinary problems (Chukwu & Igwe, 2012). Worse, the organization will be at risk of losing its competitiveness and fail to fulfill its objectives and goals.

b) Compensation

Organizations utilize resources to achieve their objectives and goals. Of the resources, intangible resources (i.e., employees) are the most valuable asset because they are inimitable, unique, and not transferable. To ensure employees offer optimum productivity to achieve higher organizational performance, they need to be appropriately compensated. Compensation practice is an essential element in HRM as it has a significant impact on organizational performance (Lai, 2011). It is a mechanism to motivate employees to increase their performance and enhance their skills, experiences, and expertise, subsequently leading to organizational performance (Sopiah, 2013). According to Khan (2010) and Jane and Nyaroo (2013), an effective compensation practice is likely to motivate employees to perform,

especially when their efforts are rewarded. Compensation practice should be communicated directly to the employees (Lai 2011; Lee et al., 2004; Lin, 2001; Singh, 2005; Tsai, 2006; Wimbush, 2005) so that they know how they will be rewarded for the efforts made toward the accomplishment of the organizational goals and objectives.

c) Training and Development

As employees are an important asset and a backbone of the organization, investment in their development towards the accomplishment of organizational performance is necessary (Cania, Korsita, Nexhipi, & Hoda, 2016; Fathi et al., 2011). One of the ways to strengthen the employees' capability is through training and development (Lo et al., 2009). Training and development also prepare the employees to be ready to withstand the challenges of today's competitive business environment by equipping them with the necessary skills and knowledge (Rathnawerera, 2010). When the employees have the required skills, competencies, and motivation, they are likely to perform their job better, resulting in enhanced organizational productivity (Amstrong, 2000; Muhammad Asif Khan, 2010).

In sum, commitment-based HR practices are likely to develop highly motivated and committed employees toward the accomplishment of organizational performance. Bohlander, Snell, and Sherman (2001) and Bohlander and Snell (2010) contended that organizations would achieve high performance when they can release the full potential of their human resources (e.g., employees) through the implementation of interdependent HR practices. Based on the above discussion, the first hypothesis on the relationship between commitment-based HR practices and organizational performance was developed as follows:

H1a: There is a positive relationship between selection and organizational performance.

H1b: There is a positive relationship between compensation and organizational performance.

H1c: There is a positive relationship between training and development and organizational performance.

2.8.2 Commitment-based HR Practices and Organizational Learning Capability (OLC)

OLC consists of organizational characteristics that facilitate and encourage the learning process in the organization (Goh, 2003). Sayyed, Somaye, and Sayyed (2010) posited that OLC is the organizational and managerial features that promote organizational learning process in the organization. In order to foster the organization's capability to learn, it requires managerial commitment, systems perspective, openness and experimentation, and knowledge transfer and integration are imperative (Jerez-Gomez et al., 2005). Taking into account of these four criteria, Snell et al. (1996) highlighted that certain HR practices (e.g., training and development, compensation, selection) are OLC facilitators because they could develop positive learning attitudes. Past research showed the connection between commitment-based HR practices and organizational learning capability (Jerez-Gómez et al., 2005).

Scholars maintained the organizational learning capability process allows knowledge to be created (Huber, 1991; Lopez et al., 2006; Pastor et al., 2010; Raj & Srivastava, 2013). But whether knowledge continues to exist in the organization depends much on the employees. Hence, the selection of individuals who are willing to learn is

crucial because they are able to determine the continuity of knowledge creation in the organization (Lepak & Snell, 1999). Thus, to foster OLC, the organization must select employees who are willing to learn new sets of knowledge and skills (Raj & Srivastava, 2013).

Swart and Kinnie (2003) studied about HR practices of a software company and found that technical skill was not the main criteria used when selecting employees. The company looked for individuals who are willing to integrate and share their knowledge with the team members and organization. The findings suggest the importance of choosing individuals who are willing to learn and share knowledge because such behavior influences the organizational learning capability process (Lopez-Cabrales et al., 2011). Hence, this finding supports the understanding that the selection and organizational learning capability is related with each other.

To strengthen OLC further, it is necessary for the organization to invest in training and development as it helps to increase employee performance and align knowledge as well as the skills with the organization's objectives (Raj & Srivastava, 2013, Shipton et al., 2002). For this reason, the organization must invest in training activities not merely to improve employees' knowledge and skills but also other aspects such as delegation of responsibilities, joint decision-making, and career planning. Offering such programs are likely to enhance the employees' commitment towards OLC, leading the organization to be open about experimentation. Minbaeva (2005) also concurred that empowerment and joint decision-making process in the organization are able to strengthen OLC. This is because both processes (empowerment and joint decision-making) lead the flow of information and knowledge within the organization.

Compensation practices include incentives to reward innovative behaviour and encourage learning in the organization. Therefore, it is essential for organizations to develop incentive schemes that promote flexibility, cooperative attitudes, knowledge creation and knowledge sharing among employees (Lopez-Cabrales et al., 2011; Jerez-Gómez et al., 2005; Lopez et al., 2006). More importantly, the compensation system has to be designed in such a way that the learning process is aligned with the organizational objectives so that the organizational performance is accomplished (Pil & MacDuffie, 1996; Lopez et al., 2005; Md. Zohurul, 2013).

The above discussion suggests that commitment-based HR practices are an important driver of success of OLC (Lopez-Cabrales et al., 2011). Commitment-based HR practices assist the development of OLC, which in turn is related to organizational performance. This statement implies that organizations need to provide an environment conducive for learning, thereby increasing their absorptive capacity (Mathew et al., 2011). Thus, the second hypothesis was formulated as follows:

H2a: There is a positive relationship between selection and organizational learning capability.

H2b: There is a positive relationship between compensation and organizational learning capability.

H2c: There is a positive relationship between training and development and organizational learning capability.

2.8.3 Commitment-based HR practices and Organizational Social Capital (OSC)

OSC can be regarded as the social relationships among employees which facilitates coordination in the organization (Sendogdu & Erdirencelebi, 2014). OSC promotes resource exchange and use of organizational knowledge that lead to the improvement of organizational productivity (Greve et al., 2010; Maurer et al., 2011). As a result, employees are motivated to work when knowledge is created and shared, thereby increasing their willingness to work closely in the pursuit of common objectives (Mahajan & Benson, 2013). As a result, organizational competencies are enhanced (Andrews, 2010; Mahajan & Benson, 2013; Tagliaventi & Mattarelli, 2006). Scholars asserted that it is important to deploy the resources that create value for the organization to enhance organizational competencies (Chuang et al., 2013; Jackson et al., 2006; Kang et al., 2007). In this regard, commitment-based HR practices play an important function in facilitating OSC (Gittell et al., 2010; Kang et al., 2007; Morris et al., 2005). Subsequently, Kase et al. (2009) indicated that commitment-based HR practices such as incentives and training and development promote interpersonal relationships. Further, Chen and Huang (2009), Shipton et al. (2006) and Walsworth and Verma (2007) posited that employment practices like selection and compensation are mechanisms for forming OSC.

The selection of personnel is essential for the success of OSC. This is because the right employees are able to internalize the organization's norms and values, which are reflected in their performance. Norms and values such as shared learning, helping one other, and subordinating personal desires to collective goals are likely to develop OSC (Adler & Kwon, 2002; Leana & Van Buren, 1999) because the shared norms and values promote a conducive workplace environment in which employees could

interact with each other in a healthy manner. The development of OSC can be enhanced further with an appropriate design of a compensation package that rewards relevant behaviours. For instance, giving rewards for participating in collective actions, or rewarding those who help others is likely to motivate employees to communicate with each other in a constructive manner. Fragile or instrument trust (a component of OSC in Leana and Van Buren's [1999] model) is based on perceptions of immediate likelihood rewards. This type of trust will form if the organizational members obtain something as a result of communication. This means that individuals calculate their outputs and inputs while building relations. If they are compensated, they will be willing to form in- organization social relations.

Leana and Van Buren (1999) also proposed that employees' ability to form OSC could be boosted through training and development programs. Training and development are the most important of HR practices to obtain adequate human resources for organizational performance. Training and development build a solid relationship between employer and employees and form a norm and institutional trust (Brown & Van Buren, 2007). The training and development programs enable employees to develop knowledge and collaborate with their peers better, reflecting the collective efforts toward a common goal (Lengnick-Hall & Lengnick-Hall, 2003; Muhammad Rizwan, Kamran Javed, Muhammad Ijaz Nawaz, Aliya Erum, Samra Afzal, Saiqa Azam, & Aneesa Rehman, 2013). When employees are given training and development opportunities, they are likely to be satisfied, which could influence the development of skill levels, teamwork skills and the ability to use and combine the knowledge sources and the subsequent development of OSC (Collins & Smith, 2006; Jackson et al., 2006; Lopez-Cabrales et al., 2011).

The arguments above propose that the three commitment-based HR practices (e.g., selection, compensation and training and development) work together to create an atmosphere that supports OSC. This leads to the following hypotheses:

H3a: There is a positive relationship between selection and organizational social capital.

H3b: There is a positive relationship between compensation and organizational social capital.

H3c: There is a positive relationship between training and development and organizational social capital.

2.8.4 Organizational learning capability (OLC) and Organizational Performance

Numerous studies in learning organization show that organizations that practice organizational learning capability (OLC) improve not only teamwork but also organizational performance (Egan et al., 2004; Sony & Naik, 2012). Organizational learning capability is the process of obtaining the new knowledge and integrating it with existing knowledge in order to generate new uses of the resources (Lopez et al., 2005; Sony & Naik, 2012). Through OLC, the organization is able to develop and sustain its competitive advantage in response to an unpredictable business environment (Weldy & Gillis, 2010) as knowledge resulting from learning implies an improvement in response capacity due to a broader understanding of the environment (Dodgson, 1993; Sinkula, 1994). In other words, knowledge is a strategic asset that assists the organization to maintain its competitive ability in the unpredictable business environment (Jantunen, 2005).

As Ho (2011) pointed out, OLC encourages employees to learn and act quickly on to solve problems. This means that OLC establishes a link between the organization and the environment that encourages proactive behaviour such as collective capacity to reflect on the existing system and make the necessary changes before actual problems occur (Azharuddin Hashim, 2013; Lopez et al., 2005, 2006), leading to enhanced organizational performance and survival (Yeo, 2003). Scholars contended that OLC is a fundamental element in competitiveness, which links knowledge acquisition with organizational performance improvement (Nonaka, 1994, Jones, 2000; Lopez et al., 2005, 2006; Stata, 1989). From this perspective, OLC can be considered a process that aims to improve the development of the organization through new methods in technology, production or sales. Knowledge development encourages behavioural modification and hence performance (Lei et al., 1999). Organizations that are regularly learning stand a better chance of withstanding the changes in the marketplace (Tippins & Sohi, 2003). For instance, when the organization knows customer demands, it will be able to offer the goods and services to meet those demands (Lukas et al., 1996; Slater & Narver, 1995). As a result, superior outcomes, such as new product success, superior customer retention, higher customer-defined quality, and ultimately, superior growth and/or profitability could be achieved (Bontis et al., 2002; Hurley & Hult, 1998; Lukas et al., 1996; Slater & Narver, 1995). In short, it is essential to develop new knowledge and allow knowledge transfer across the organization for better performance (Cavaleri, 2004, Lopez et al., 2005, 2006).

Jerez-Gomez et al. (2005) stated that OLC consists of four criteria, i.e., managerial commitment, systems perspective, openness and experimentation, and knowledge transfer and integration. Management commitment dictates that management should

articulate a strategic view of learning, support and develop a culture that promotes the acquisition, creation, and transfer of knowledge as the basic values (Nonaka & Takeuchi, 1995). Such commitment is the key point for product innovativeness and organizational performance (Akgun, Keskin, Byrne, & Aren, 2007). To achieve this, the management has to be open, committed and embrace new learning processes. Past research works have demonstrated that managerial commitment has a significant influence on organizational performance (Bhatnagar, 2006; Jyothibabu et al., 2010; Lopez-Sanchez et al., 2010). For example, Akgun et al. (2007) found that when managers were committed to OLC and learning process, employee commitment in providing the best service increased, leading to enhanced organizational performance.

The second criteria of the organization's system perspective entails organizational members to have a clear view of the organization's objectives and understand how they can help toward the goals (Jerez-Gomez et al., 2005). The system perspective facilitates a common identity, shared visions, and relationship based on the exchange of information (Akgun et al., 2007). When employees systematically share and exchange knowledge within the organization, the organization could sustain its position in the competitive market (Guta, 2013).

The third criteria of OLC is openness and experimentation, which require that the organization welcomes new ideas from inside and outside so that individual knowledge can constantly be upgraded, extended and improved (Solcum et al., 1994; Sinkula, 1994). By being open and experimental, organizations are able to look for flexible solutions to face the challenges from the marketplace through the creation of

new products and services (Akgun et al., 2007) which are demanded by customers, resulting in good organizational performance.

Lastly, knowledge transfer and integration in OLC encourages fluid communications and debates among organizational members about how the organization can best achieve its goals and objectives (Jerez-Gomez et al., 2005). When knowledge is transferred and well integrated, organizations are able to respond faster to environmental changes, resulting in enhanced performance (Guta, 2013; Jerez-Gomez et al., 2005).

In conclusion, OLC is valuable to an organization because it focuses on how the knowledge is transferred and integrated through a systematic method. It generates new uses of the resources for the development of a competitive advantage to help the organization increase its effectiveness and performance. Hence, the following hypothesis is formulated:

H4: There is a significant relationship between organizational learning capability and organizational performance.

2.8.5 Organizational Social Capital (OSC) and Organizational Performance

In today's challenging business world, OSC is becoming a valuable asset because it is associated with the social structure that focuses on organization members' social relations and interaction (Ferrer, Bousoño, Jorge, Lora, Miranda, & Natalizio, 2013). OSC is able to influence social networks in the organization and acts as a supplier of information, knowledge, and support. Many OSC scholars have indeed emphasize the need for organizations to encourage the development of OSC toward the accomplishment of its goals through better communication and coordination, sharing

of information, and enriched trust and commitment (Adler & Kwon, 2002; Chuang et al., 2013; Cunningham, 2002; Ferrer et al., 2013; Ofori & Sackey, 2010).

Further, the role of OSC is heightened when resources such as knowledge flows well in the organization as this helps the organization to gain better productivity and higher performance (Kianto & Waajakoski, 2010; Maurer et al., 2011; Rizwan Ali, Muhammad Akram Nasseem, & Mian Muhammad Farooq, 2011; Van Wijk, Jansen, & Lyles, 2008). Collective actions become essential as organizations seek for new knowledge (Maurer et al., 2011; Tsai & Ghoshal, 1998) and skill to enhance organizational innovation and performance (Chuang et al., 2013; Subramaniam & Youndt, 2005).

According to Piskorski (2011), a successful organization in the social network is the one that encourages connection, knowledge sharing and collaboration among employees. In this regard, OSC encompasses structural (networks) and attitudinal (norms) features. The structural and attitudinal features of OSC are expressed clearly in Nahapiet and Ghoshal's (1998) framework that explains OSC and explores its impact on organizational performance. Nahapiet and Ghoshal (1998) specified structural (connections among actors), relational (trust among actors) and cognitive (shared goals and values among actors) aspects of OSC that are purported to affect organizational performance. The structural aspect refers to the linkages between employees, groups, and the organization. Through connections, employees obtain and share new knowledge with others. As a result, cooperation between employees is enhanced that benefits the organization in the long term (Rizwan et al., 2011; Andrews, 2010; Kianto & Waajakoski, 2010; Nahapiet & Ghoshal, 1998; Willem & Scarborough, 2006). The relational aspect focuses on the quality and depth of

relations among employees (Bolino et al., 2002). This aspect emphasizes the level of interpersonal trust, existence of norms, obligations, and identification within the organization (Mahajan & Benson, 2013).

It is essential for the organization to develop a high level of trust between the organization and its employees in order to encourage the transfer of sensitive information that is unavailable to those beyond the boundaries of trust. As a result, a positive intra-organizational relationship is developed, leading toward better employee productivity as well as better organizational performance (Cunningham & MacGregor, 2000; Ferrer et al., 2013). Subsequently, it also encourages strong relational ties which reduce turnover intention and develop stronger organizational commitment (Ofori & Sackey, 2010).

Finally, the cognitive aspect refers to the context that facilitates the exchange of knowledge and forms a collective action (Andrews, 2010; Druskat & Pescosolido, 2002) as a result of the shared vision and goals (Coleman, 1994; Lazarova & Taylor, 2009; Nahapiet & Ghoshal, 1998). When employees share a common purpose, a strong bond between them will ensue, which helps knowledge integration in the organization (Inkpen & Tsang, 2005; Kemper et al., 2013). When knowledge and information are free flowing, the organization is able to cope with environmental uncertainties (Willem & Scarborough, 2006) and achieve the desired performance.

The number of empirical studies that investigated the relationship between OSC and organizational performance using multivariate statistical techniques is growing over the years (Langbien & Jorstad, 2004; Leana & Pil, 2006). Many have demonstrated the positive association of OSC with organizational productivity and performance. Leana and Pil's (2006) analysis indicated that OSC had a significant influence on the

performance of urban public schools in the north-eastern United States. Meanwhile, Collins and Smith (2006) found that OSC had a positive and significant direct effect on the revenue and sales growth of 136 US technology companies. Other studies (e.g., Fischer & Pollock, 2004; Shaw, Duffy, Johnson, & Lockhart, 2005; Tortoriello & Krackhardt, 2010) showed that OSC influenced the resource transfer process and fostered organizational performance through the process of transfer and sharing of knowledge.

In sum, each aspect of OSC plays an important role in the social relationship development in the organization and subsequent organizational performance. Hence, it is anticipated that:

H5: There is a positive relationship between organizational social capital and organizational performance.

2.8.6 Mediating effect of Organizational Learning Capability (OLC) on the relationship between Commitment-based HR Practices and Organizational Performance.

Scholars contended that commitment-based HR practices and organizational learning capability (OLC) should be considered in achieving organizational performance (Brown & Ostroff, 2004; Collins & Smith, 2006; Lopez et al., 2005). In fact, the influence of OLC and commitment-based HR practices on the organization's productivity and performance have been reported in numerous studies (Batt, 2002; Camps & Luna-Arocas 2012; Garavan et al., 2002; Jaw & Liu, 2003; Lopez-Cabrales et al., 2011; Lopez et al., 2005; Raj & Srivastava, 2013; Theriou & Chatzoglou 2008). Organizational learning capability encourages employees to learn so that they could develop the competencies required by the organization (Gupta &

Govindarajan, 2000; Rhodes et al., 2008). In this context, committed-based HR practices could achieve this purpose as they offer a conducive environment for organizational learning capability to be enhanced, resulting in enhanced organizational performance (Goh et al., 2012; Lopez et al., 2006).

Further, the literature suggests that commitment-HR practices are able to shape employee attitudes and behaviour, indicating that they play a pivotal role in the success of OLC (Collins & Smith, 2006; Shipton et al., 2002). This can be achieved in several ways. For example, the selection of employees should focus on choosing candidates who are willing to create and share knowledge. Appropriate incentives and rewards should be in place to encourage employees to engage in continuous learning and enhance cooperative behaviour as they are purported to be important drivers of organizational performance (Raj & Srivastava, 2013). In addition, training and development programs help employees gain a new set of skills, knowledge and abilities toward helping the organization the goals and objectives (Collins & Smith, 2006; Lopez et al., 2006). In other words, the commitment-based HR practices could facilitate the organization to develop a unique capability (organizational learning capability) in which knowledge is generated as a way to modify behavior toward improving organizational performance (Ho et al., 2013). Hence, the following hypotheses are forwarded:

H6a: Organizational learning capability mediates the relationship between selection and organizational performance.

H6b: Organizational learning capability mediates the relationship between compensation and organizational performance.

H6c: Organizational learning mediates the relationship between training and development and organizational performance.

2.8.7 Mediating effect of Organizational Social Capital (OSC) on the relationship between Commitment-based HR Practices and Organizational Performance.

The core objectives of human resource management are to manage employees so that they could perform toward accomplishing the organizational objectives and goals. In this regard, certain sets of HRM practices have been found to influence OSC and subsequent organizational performance (Becker & Gerhart, 1996; Huselid, 1995; Kang et al., 2007; Morris et al., 2005; Ofori & Sackey, 2010). Other researchers have also documented the influence of HRM practices on organizational outcomes like productivity, better service performance, and overall organizational performance (Bartel, 2004; Chang & Chen, 2002; Delaney & Huselid, 1996; Guest et al., 2003; Jiang, Lepak, Hu, & Baer, 2012; Katou, 2008; Wright et al., 2005). Many scholars argued that HR practices which emphasize long-term exchange relationships with the organization could encourage employees to create value for the organization to achieve its best performance (Cabello-Medina, Lopez-Cabrales, & Valle-Cabrera, 2011; Yang & Lin, 2009; Youndt & Snell, 2004).

To enable the long-term relationship to flourish, OSC serves as a bond because it underlines the development of interpersonal relationships within the organization. OSC is a network that ties mutual support, trust, sharing of common language and norms (Adler & Kwon, 2002; Cohen & Prusak, 2001; Mahajan & Benson, 2013; Ofori & Sackey, 2010). Nahapiet and Ghoshal (1998) as well as Leana and Van Buren (1999) suggested that the development of OSC by organizations facilitates a

distinctive organizational capability and becomes a source of competitive advantage (Inkpen & Tsang, 2005; Wu, 2008). Simply put, OSC exists when individuals build relationships characterized by trust and sharing of a sense of vision which enable them to pursue common goals toward the accomplishment of organizational performance (Andrews, 2010; Chuang et al., 2013; Veismoradi et al., 2012).

Based on the above, it can be concluded that OSC enables the employees to access the resources (e.g. knowledge) that exist in their organization and facilitates the transfer of knowledge within a given network (Levin & Cross, 2004; Leana & Pil, 2006; Nahapiet & Ghoshal, 1998; Seiber, Kraimer & Liden, 2001). Other scholars suggested that OSC facilitates relation coordination so that better quality communications are developed to support the sharing of knowledge and promote mutual respect that enable the organization to achieve its desired performance outcome (e.g., Adler & Kwon, 2002; Faraj & Sproull, 2000; Gittell, 2000; Kwon & Adler, 2014). Toward this end, Gittell (2000) and Collins and Smith (2006) posited that HR practices such as selection, compensation and training and development could foster such social interaction.

The selection of employees is the first step toward building a social relationship. Organizations have to select candidates who share common norms, objectives, and goals so that they could contribute to the development of OSC (Collins & Smith, 2006; Morris et al., 2005). Compensation could encourage a collective goal orientation and information sharing, and this helps to foster the development of OSC (Chuang et al., 2013; Leana & Van Buren, 1999). The organization also needs to provide training and development to its employees to enhance their professional growth, improve relation building, and retain social networks (Collins & Smith,

2006; Jackson et al., 2006; Lopez-Cabrales et al., 2009; Swart & Kinnie, 2003). In short, commitment-based HR practices help to create the opportunities for employer and employees to build a social relationship (Chuang et al., 2013; Collins & Smith, 2006; Jackson et al., 2006), which potentially leads to positive organizational performance. Therefore, based on the preceding explanation, the following hypotheses are proposed:

H7a: Organizational social capital mediates the relationship between selection and organizational performance.

H7b: Organizational social capital mediates the relationship between compensation and organizational performance.

H7c: Organizational social capital mediates the relationship between training and development and organizational performance.

2.9 Summary of the Chapter

This chapter presents a review of the literature on the relationship between the independent variable (commitment-based HR practices), mediator variables (organizational learning capability and organizational social capital), and organizational performance. Based on the review, the research framework and hypotheses were formed. The next chapter discusses methodological issues such as population and sample, sampling procedure, data collection procedure, and analysis.

CHAPTER 3

METHODOLOGY

3.0 Introduction

This chapter discusses the research methodology used to carry out the actual study to answer the research questions and fulfil the research objectives outlined earlier. In particular, this chapter elucidates the research design, population and sample, sampling technique, measurements of variables, the design of the questionnaire, data collection, and techniques of analysis.

3.1 Research Design

The main objective of this study was to examine the relationship between commitment-based HR practices, organizational learning capability, organizational social capital, and organizational performance. This study used a quantitative research method to test the link between the variables. Bernard (2013), as well as Bryman and Bell (2011), highlighted that quantitative and qualitative research are the two key methodological approaches that are distinctly different from each other. Quantitative research seeks to test hypotheses, looks at the cause and effect and makes predictions through a deductive approach (Bernard, 2013; Johnson & Christensen, 2008; Neuwan, 2014). Additionally, Bryman (2012) and Creswell (2014) stated that quantitative research begins from a theory that proposes or explains about a social phenomenon, for example, organizational performance (Brewster & Mayrhofer, 2012; Dhingra, 2015; Guest, 2011; Katou, 2008; Khan, 2010; Paauwe, 2009; Pauwe & Richardson, 1997; Theriou & Chatzoglou, 2009).

Qualitative research, on the other hand, aims to understand and interpret social interactions (Creswell, 2014; Patton, 2015; Robert, 2011). Qualitative research

usually adopts an inductive approach because it does not require a hypothesis to begin the research (Frankel & Devers, 2000; Maxwell, 2013; Patton, 2015). Qualitative research is about understanding the phenomenon by observing what people do and recording it in its natural setting (Anderson & Taylor, 2009; Creswell, 2009; 2014; Maxwell, 2013). When the observations are deemed to be adequate, it seeks to integrate them into a theory to explain the phenomenon under study. Qualitative research uses different approaches to collecting information such as focus group, in-depth interview (Creswell, 2014; Maxwell, 2013; Robert, 2011). Thus, the sample size tends to be smaller, which limits the generalizability of the findings to a larger population (Creswell, 2014; Johnson & Christensen, 2008; Lichtman, 2010; Maxwell, 2013; Merriam, 1998; Miles, Huberman & Saldana, 2014; Sekaran, 2000). Because the researcher is the instrument for data collection, researcher bias is likely which could affect the reliability and validity of the findings (Creswell, 2014; Miles, Huberman & Saldana, 2014).

This study used a cross-sectional survey design to test the relationship between commitment-based HR practices and organizational performance, and the mediating effect of organizational learning capability and organizational social capital. The unit analysis is organization level and respondents of this study were HR managers or other senior management staffs. The study sample was Japanese MNCs organizations in Malaysia (as specify in section 3.2.1 population and sample frame) and random sampling method was used to select the sample from the population. This sampling method was used due to the reasons as stated in section 3.2.3.

Since this study aimed at explaining the relationship between the variables, qualitative research method was not suitable. Moreover, since this study was

interested to make inferences to a larger population, quantitative research was apt (Sekaran & Bougie, 2013). The researcher used survey questionnaires as the tool to gather the required data due to several reasons as listed below,

- 1) It is a convenient and easy to analyse.
- 2) The survey format is familiar to most respondents.
- 3) Information is collected in a standardised way.
- 4) Survey questionnaires allow the researcher to gather a significant amount of data at low cost.
- 5) Respondents have time to think about their answers.
- 6) Researcher biases could be avoided because there was no verbal or visual clues given to participants.

The survey questionnaires also serve as a useful method to understand the pattern shifts in respondent attitudes and opinions and trends (by repetition over time).

As this study focuses on organizational level, it is important to know what the respondents are thinking through their choice of answers from the given questionnaires. The feedback from the respondents allows the researcher to gather numerical data that could be analysed and transform into a useful information. Subsequently, it enables the researcher to confirm the hypotheses of the study and find correlations of the tested variables. Because of this, the analysis result gathered from the survey questionnaires could be considered to be more objectives and thus more scientific.

3.2 Sampling Technique

Two types of sampling methods or approaches can be identified: probability and non-probability sampling. The differences between both sampling methods were 1) probability sampling was a sampling technique that allows every subject or individual of the population have the equal chance to be selected as sample while 2) non-probability sampling is a method that do not offer equal chance to the subjects or individuals to be selected as a sample for the population. Therefore, this study employed the probability sampling technique because it enables the results to be generalized from the sample to the population (Cavana et al., 2001). In probability sampling, four techniques are available: (a) simple random sampling, (b) stratified sampling, (c) cluster sampling, and (d) systematic sampling. Non-probability sampling method was not chosen for this study because it does not allow the findings of the study to be generalized from the sample of the population. Furthermore, this non-probability sampling method will prevent the researcher from calculating sampling statistics that provide the precision of the results (Sekaran & Bougie, 2013).

The focus of this study was the Japanese multinational manufacturing-based (MNC) organizations. The importance of Japanese MNCs was explained in chapter one under the heading Scope of Study. This study has used probability sampling method to generalize the sample from the population According to Gay and Diehl (1992), simple random sampling technique served as the best method to achieve a representative sample needed in a research. By doing so, the targeted population have a “known and equal chance of being selected as a [test] subject” (Sekaran, 2003). That is, simple random sampling is the most relevant technique to use since the organizations in the population have an equal chance of being selected and

represent the Japanese manufacturing organizations in Malaysia. As the samples were drawn from the same population, simple random sampling could represent the said population (Banning, Camstra, & Knottnerus, 2012). It also allows for the use of inferential statistics such as regression analysis, which was the analysis performed in this study. Furthermore, simple random sample offer advantages include ease of use and accuracy of representation. This is because simple random sampling method do not require to divide the population into sub-populations or take any steps further than plucking the number of research subjects needed at random from the larger group. For any type of research on a population, the selected sample is used to make inferences and generalizations about the larger population is critical point. Therefore, this study opt for simple random sampling as it allows each sample of the larger population has an equal probability of selection.

In this study, the sampling procedure involved the following steps: (a) identifying the population, (b) determining the desired sample size, and (c) performing a random selection of the sample (Banning, Camstra, & Knottnerus, 2012).

3.2.1 Population and Sample Frame

The target population of this study was Japanese multinational manufacturing-based organizations located in Kedah, Pulau Pinang, Perak, Selangor, Kuala Lumpur, Melaka, and Johor. Following Japan External Trade Organization (Jetro) 2011 report, there were 730 Japanese multinational organizations at the time of the study. The following criteria were used to determine the participants:

- a) According to the definition given by Malaysia Central Bank (BNM) 2013 report, the organizations which has sales turnover not exceeding Ringgit Malaysia 50 million or full-time employees not exceeding 200 employees are

qualified to categorize as manufacturing category. Based on this guidance list, the study has chosen the organizations which have number of employees above 100. Having larger sales turnover and high number of employees enable these organizations to implement comprehensive human resource management (HRM) policies and practices (Hasliza Abdul-Halim & Norbani Che-Ha, 2009; Tang, 2012; Tzafrir, 2006) because of the huge sum of capital investment involved (Jackson & Schuler, 1995; Tang, 2012; Tzafrir, 2006).

- b) The companies should be operating for not less than five years so that the measures of financial and non-financial performance indicators would be meaningful. This is because the organizations which operating not less than five years have better financial viability (i.e. profitability, growth of sales, market share), customer satisfaction (i.e. performance on customer satisfaction surveys) and employees satisfaction (i.e. performance on employees satisfaction surveys) (Gjerde & Hughes, 2009; Joshi, Kumar & Al-Ajmi, 2011). Financial indicators refer to the growth of sales, profitability, marketing of products and services, and market share. Non-financial indicators relate to operational outputs and human resource factors.
- c) The companies should be actively involved in exporting. This is important because MNCs can generate growth rates in the industries they enter and consequently boost the productivity levels as well as increase the economy growth for the country. It is also promoting skill upgrading and increase innovation (Henckel, 2012).

Based on the above criteria, this study has selected 650 Japanese MNCs organizations as the target population for analysis purpose.

3.2.2 Size of Sample

To select an appropriate sample size, the researcher used the sample determination table developed by Krejcie and Morgan (1970). According to the formula, if the size of population (N) is 650, the sample size is 242. Hence, the size sample of 242 was sufficient to represent the population in this study. Furthermore, the sample size of 242 was deemed appropriate following Hair et al. (2010), who stated that to run multivariate data analysis, it is sufficient with a sample size of 200 to 500. Consistently, Sekaran and Bougie (2013) indicated that a general rule of thumb to run statistical analysis such as multiple regression analysis, a sample size larger than 30 and less than 500 is appropriate. Hair et al. (2010) also suggested that a minimum sample size should be at least ten times for the arrowheads pointing at the variables. In this study, six variables were considered; hence, the minimum sample size should be 60 (6 x 10). Thus, the sample size of 242 was appropriate for the reasons cited above. However, anticipating of a low response rate, this study increased the sample size from 242 to 500.

3.2.3 Random Selection of Sample

After the sample size had been determined, a simple random procedure was used to select the sample. This procedure can be manually employed by using a random number table or computer software to generate a random number (Saunders et al., 2009). According to Hair et al. (2012) and Babbie (2007), a random sampling procedure begins by putting numbers to all units in the population to generate a set of numbers. Any unit in the list of the population, which has the number, will be selected as the sample. In this study, the researcher used Microsoft Excel program to do the random sampling process using the following steps:

- 1) Open the new Excel workbook and enter the data.
- 2) Insert two empty columns to the left of the data by clicking the A column and select 'insert' from the menu bar then clicking on 'Columns'.
- 3) Type = RAND() into A column under any heading row. The function generates a random number between 0 and 1 in the cell.
- 4) Copy the RAND() formula and paste it to A column so that every piece of data has a random number next to it.
- 5) Highlight and copy the whole column of random numbers.
- 6) Go to the menu bar and select 'Paste special' and 'Values' option then paste the random values in B column.
- 7) Sort the random values in B column by using 'Data' in the menu bar and press 'Sort' then select 'Ascending'.
- 8) Select the data starting from the top of the list to make as a sample.

The above sampling procedure fulfilled three basic requirements: (a) identify the population, (b) determine the desired sample size, and (c) select the sample (Banning, Camstra & Knottnerus, 2012) randomly.

3.3 Data Collection

Data collection is a process of collecting feedback from participants selected in a particular study by using a specific tool. This study used a survey questionnaire as the key tool to collect data. This tool allows the data to be analyse quantitatively for understanding the trends of the targeted participants. According to some researchers, a survey questionnaire tool has several advantages: it is a quick method to collect

data, allows feedback from a large sample and in a relatively time and cost effective way, enables data to be analyzed quickly and scientifically through the use of a software package, and allow each participant to provide anonymous feedback without the influence from the researcher or any other personnel in their organizations (Bryman, 2016; Cohen, Manion, & Morrison, 2000; Crewell, 2014; Sekaran & Bougie, 2014; Veal, 2005).

The distribution of 500 sets of questionnaire to the Japanese MNCs was handled by the Penang Japanese Association which located in Penang (PJA). It was not possible for the researcher to collect the data personally due to practical limitation such as the obligation of an individual or organization to safeguard entrusted information. Furthermore, it was also a collective nature of Japanese organization to know about the outsiders character and history before they disclosed any information (Jetro, 2014). As the relationship between PJA and Japanese MNCs organizations in Malaysia has been established therefore, they are confidence with PJA to conduct the survey data confidentially. Due to highly confidential of survey questionnaires, the PJA had assigned their administrative personnel to act on behalf of the researcher. As PJA is a non-government-related organization that oversees Japanese MNCs development worldwide, it has access to Japanese MNCs located in Malaysia. PJA is only exclusive for Japanese MNCs due to the agreement had been PJA and Japanese MNCs. Hence, it was practical for them to assist with the survey distribution. Furthermore, their management of the survey would solicit a good response because it was not seen as rival business companies.

Before the collection of data had taken place, a cover letter was sent to PJA to explain the purpose of the research. The researcher waited for eight weeks for their

feedback. Once the feedback was received, the researcher was asked to present and explain in detail the purpose of the present study, the administration of the survey questionnaires, and the number of responses needed. The researcher was then requested to sign a letter of understanding to ensure all information and data obtained were strictly for academic purposes.

The process of distributing the questionnaires to the targeted Japanese MNCs took approximately five months with the assistance of the PJA personnel. The researcher briefed the PJA personnel before they began distributing the questionnaires. The targeted participants were human resource director, senior manager, and manager who understood the operations and performance of the whole organization. Due to the tight working schedule of the participants, the PJA personnel gave the participants three days to complete the questionnaire. To ensure that the questionnaire was returned on time, the PJA personnel sought assistance from the organization management to oversee the progress. Upon completion, the survey questionnaires were deposited in a box provided by the PJA personnel.

The researcher has encountered two hurdles during collecting the data from the targeted sample. The first hurdle was the researcher encountered difficult to get back the completed questionnaires on timely manner even with PJA personnel assistance. Second, some of the participants refused to take part in the study because they were occupied with their work and were given a limited period to respond. As a result, of 500 questionnaires distributed, only 484 questionnaires were returned to PJA and response rate as shown in Table 4.1.

3.4 Measurements

It is essential to operationalize the construct in order to identify its measurement that is supposedly reflective of the underlying theoretical concept (Hair et al., 2010; Neuman, 2006, 2014). An operational definition of the construct measurement provides a guideline as to what is to be measured and rightly measured and differentiates between one variable and another. The subsequent section explains the instruments employed to measure each variable.

3.4.1 Commitment-based HR practices

Commitment-based HR practices comprises selection, compensation, and training and development. The measurement was adapted from Collins and Smith (2006), who reported a Cronbach's alpha value of 0.87. Ceylan (2013), Ghosh and Gurunathan (2015), Jung (2014) and Mullins (2011) has used the same measurement in their studies whereas all the dimensions were assessed and validated. To measure commitment-based HR practices items, participants were requested to rate their opinions based on a seven-point Likert scale with 1 being strongly disagree, 2 = disagree, 3 = disagree somewhat, 4 = undecided, 5 = agree, 6 = agree somewhat, and 7 = strongly agree. The commitment-based HR practices were measured using 16 items as illustrated in Table 3.1.

Table 3.1

Operational Definition and Items for Independent Variable Commitment-Based HRM Practices

Dimension	Operational Definitions	Items
Selection	Selection policies to hire and promote the candidates that fit to the organization.	<ol style="list-style-type: none"> 1. Internal candidates are given consideration over external candidates for job openings. 2. We select employees based on an overall fit to the company. 3. Our selection system focuses on the potential of the candidates to learn and grow with the organization. 4. We ensure that all employees in these positions are made aware of internal promotion opportunities.
Compensation	The incentive policies provided by the organization.	<ol style="list-style-type: none"> 1. Employee bonuses and incentive plans are based primarily on the performance of the organizations. 2. Salaries for employees in these positions are higher than those of our competitors. 3. Shares of stock are available to all core employees through stock purchase plans. 4. Goals for incentive plans are based on business unit or company performance.



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Training and Development	The training and development policies in the organization to enhance the employees' knowledge, skills and career development.	<ol style="list-style-type: none"> 1. We provide multiple career path opportunities for employees to move across multiple functional areas of the company. 2. We provide training focused on team-building and teamwork skills training. 3. We sponsor company social events for employees to get to know one another. 4. We offer an orientation program that trains employees on the history and processes of the organization. 5. We use job rotation to expand the skills of employees. 6. We have a mentoring system to help develop these employees. 7. Performance appraisal are used primarily to set goals for personal development. 8. Performance appraisals are used to plan skill development and training for future advancement within the company.
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Source: Collins and Smith (2006).

3.4.2 Organizational Social Capital

In measuring organizational social capital, the researcher has adapted the scale from Leana and Pil (2006) which derived from Nahapiet and Ghoshal research in 1998. The Cronbach's alpha value was reported to range from 0.81 to 0.93 (Leana & Pil, 2006). Past studies that had used this scale reported a Cronbach's alpha value ranging from 0.81 to 0.98 (Chuang et al., 2013, Felicio, Couto & Caiado, 2014, Mehran Zohdi, Reza Shafeai & Hoshyar Kheirkhah, 2013, Reza, Nopasand & Mostafa, 2013). Participants rated their opinions on a seven-point Likert scale with 1 being strongly disagree, 2 = disagree, 3 = disagree somewhat, 4 = undecided, 5 = agree, 6 = agree somewhat and 7 = strongly agree. Table 3.2 provides the instrument.

Table 3.2

Operational Definition and Items for Mediator Variable Organizational Social Capital

Dimension	Operational Definitions	Items
Organizational Social Capital	The ability of an organization in enhancing the social relationship by increasing trust, information sharing and sharing vision.	<ol style="list-style-type: none"> 1. Employees engage in open and honest communication with one another. 2. Employees at this organization have no hidden agendas or issues. 3. Employees share and accept constructive criticisms without making it personal. 4. Employees discuss personal issues if they affect job performance. 5. Employees willingly share information with one another. 6. Employees at this organization keep each other informed at all times. 7. Employees can rely on the managers they work with in this organization. 8. Employees in this organization are usually considerate of one another's feelings. 9. Employees have confidence in one another in this organization. 10. Employees in this organization show a great deal of integrity. 11. There is team spirit among employees in this organization. 12. Overall, employees at this organization are trustworthy. 13. Employees are committed to the organizational goals. 14. Employees enthusiastically pursue collective goals and mission. 15. Every employee is in total agreement on the organization's vision.

Source: Leana and Pil (2006)

3.4.3 Organizational Learning Capability

To measure organizational learning capability, the researcher has adapted the instrument from Jerez-Gómez et al., (2005), who reported a Cronbach's alpha value of 0.81. Past research works that has used this scale reported a Cronbach's alpha value ranging from 0.73 to 0.837 (Hamid Tohidi et al., 2012, Hooi & Ngui, 2014, Lopez-Cabrales et al., 2011, Raduan Che Rose, Naresh Kumar & Pak, 2009). Participants rated their opinions on a seven-point Likert scale with 1 being strongly disagree, 2 = disagree, 3 = disagree somewhat, 4 = undecided, 5 = agree, 6 = agree somewhat and 7 = strongly agree. Table 3.3 indicates the items used to measure the mediating variable of organizational learning capability.

Table 3.3
Operational Definition and Items for Mediator Variable Organizational learning capability

Dimension	Operational Definitions	Items
Organizational Learning Capability	The capabilities of an organization to acquire, create, transfer and integrate knowledge for the purpose of improving its performance.	<ol style="list-style-type: none"> 1. The managers frequently involve their employees in important decision-making process. 2. Employee learning is considered more as expenses than investment. 3. The organization's management looks favourably on carrying out changes in any area to adapt to and/or keep ahead of new environmental situations. 4. Employee learning capability is considered a key factor in this organization.

5. This organization follows up what other organizations in the sector are doing, adopting those practices and techniques it believes to be useful and interesting.
6. Experiences and ideas provided by external sources (advisors, customers, training, etc) are considered a useful instrument for this organization's learning.
7. Part of this organization's culture is that employees can express their opinions and make suggestions regarding the procedures and methods in place of carrying out tasks.
8. Errors and failures are always discussed and analysed in this organization on all levels.
9. Employees have the chance to talk among themselves about new ideas, programs and activities that might be of use to the organization.
10. In this organization, teamwork is not the usual way to work.



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Source: Jerez- Gómez *et al.* (2005)

3.4.4 Organizational Performance

In this study, organizational performance were measured of market performance that refer as financial indicators relate to the growth of sales, profitability, marketing of products and services, and market share. Internal organizational performance that refer as non-financial indicators relate to operational outputs and human resource factors. The items used to measure this variable were adapted from Singh (2004), who reported a Cronbach alpha value ranging from 0.80 to 0.89. Other scholars had also used the same scale in their study and reported a Cronbach alpha value ranging from 0.72 to 0.922 (Mir Muhammad Azeem, Muhammad Abrar, Mohsin Bashir &

Ali Zubair, 2015, Muslim Amin, Wan Khairuzzaman Wan Ismail, Siti Zaleha Abdul Rashid & Selemani, 2014, Nazim Hussain & Babar Shahzad, 2014). To measure this dependent variable, a five-point scale with 1 being worse, 2 = not good, 3 = satisfactory, 4 = good, and 5 = very good. Table 3.4 illustrates the items.

Table 3.4
Operational Definition and Items for Dependent Variable Organizational Performance

Dimension	Operational Definitions	Items
Organizational performance	The ability of organization to achieve its market and organizational internal performance.	<ol style="list-style-type: none"> 1. Marketing of products or services? 2. Growth in sales? 3. Profitability? 4. Market share? 5. Satisfaction of customers. 6. Quality of products or services. 7. Development of new products or services. 8. Ability to attract employees. 9. Ability to retain employees. 10. Relations between management and employees.

Source: Singh (2004)

3.5 Questionnaire Design

The questionnaire was prepared in English as it is a language understood by the HR manager or other senior management staff. The organization of the questionnaire is illustrated in Table 3.5.

Table 3.5
Organization of the Questionnaire

Sections of Questionnaires	Description
Section one	This section consists of 1) organization's profile such year of establishment of organization, number of employees, type of ownership and industry group, 2) respondent's profile such as job position, service length, years of employment and working experiences.
Section two	Contains 16 questions of measuring commitment-based HR practices.
Section three	Contains 15 questions of measuring organizational social capital.
Section four	Contains 10 questions to measure organizational learning capability.
Section five	Contains 10 questions of measuring organizational performance.

3.6 Pre-Test

Although all items in the questionnaires were retrieved from the validated instruments, a pre-test was deemed necessary because the instruments had been examined in the western context (Babbie, 2013). Besides, it also helped the researcher to improve the working of the items, identify potential errors and estimate time needed to complete the survey questionnaire (Babbie, 2013). Most importantly, the pre-test activity was to ensure the items reflected the theoretical model development.

In February 2015, the researcher has contacted eight Senior HR managers from the MNC manufacturing organizations located in Selangor to conduct the pre-test. The eight senior managers from MNC organizations were chosen using convenience sampling. The senior managers are selected due to the reason that they are easiest to

recruit to run the pre-test and the researcher did not consider selecting participants that are representative of the entire population. The researcher provided a survey questionnaire to each participant for assessment and evaluation. The participants were required to answer the questionnaire. They were also asked to indicate in writing whether the items were clearly worded and not confusing and whether the items were comprehensively asked. There were also required to estimate the time taken to complete the survey. Based on their estimate, the survey took approximately 15 to 25 minutes to complete. Also, the participants were encouraged to give suggestions on how to improve the survey. The outcome of the pre-test is illustrated in Table 3.6.

Table 3.6
Summary of Feedbacks from The Selected Respondents

Aspect	Feedbacks	Remarks
1. i) Overall survey questionnaires	Four out of eight respondents pointed out that the questionnaires are quite similar from the previous questionnaires they have received. However, three of the respondents commented that questionnaire was interesting and insightful.	The cover letter accompanying the questionnaire specifically stated the main purpose of this survey.
ii.) Clarify of the questionnaires	Five of the respondents opined that the questionnaires are found to be comprehensible and the sentences are short and easy to understand.	Nil.

iii.) Time consuming for the survey	All respondents mentioned that the survey questionnaires took them about 15 to 25 minutes to complete it. However, none of the respondents neither showed negative expression nor complain about the time consuming.	Nil.
2. ii.) Appropriateness of times	The measurement items of commitment-based HR practices are found appropriate and satisfactory as it covers the important aspects of HR practices.	Nil
	<p>However, four of the respondents pointed out the unclear wording of ‘these positions’ in section two (question number 4 and 6) of the questionnaires. Respondents suggested that ‘their positions’ is more suitable in these questions rather than ‘these positions’.</p> <p>Three of the respondents felt that question 7 may be ‘too personal’.</p>	<p>The comment was deemed appropriate as it reflects a clearer understanding. Hence, question number 4 and 6 have been modified by replacing ‘these positions’ to ‘their positions’ in the final questionnaire.</p> <p>Upon checking with other respondents, the question in mentioned to be retained in the questionnaires as some organizations do offer such benefit to their employees.</p>



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	The measurement items of organizational learning capability, organizational social capital and organizational performance are found satisfactory.	No changes made on the questionnaires.
ii.) Suggestions	<p>i.) During the discussion, six of the respondents mentioned that organizational social capital and organizational learning capability are interesting for local organization to improve its competitiveness and performance.</p> <p>ii.) All of the respondents agreed that organizational performance is much related to the internal capability to improve quality, service, product development and relationship between clients, employees and organization.</p>	<p>These two variables are maintained in the questionnaires.</p> <p>No changes on the questionnaires for the organizational performance.</p>

Based on the comments and suggestions given by the eight participants, minor changes are made to ensure all questionnaires are clear and understood by the participants. The next sections discuss the pilot test and technique of analysis.

3.7 Pilot Test

A pilot test was conducted from March 03 to April 24, 2015, to verify the survey questionnaires and to examine the reliability value of each dimension in the instrument. A pilot test is a significant step before the actual survey to ensure clear

wordings and content relevancy. Furthermore, the pilot test result enables the researcher to obtain an assessment of the validity of questionnaire (Bryman, 2016; Saunders et al., 2009). The participants for the pilot study were MNCs manufacturing organizations and non-MNCs manufacturing located in Malaysia. The purpose of running the pilot test in non-MNCs manufacturing organizations to understand how far the organizations evaluate the questionnaires and learn what goes well and what does not before full-scale implementation. Of 85 participants, 50 responses were from MNCs manufacturing organizations and 35 from non-MNCs manufacturing organizations. As suggested by Tharenou et al., (2007), to run a pilot test, the number of participants from 3 to 30 is sufficient to generate the needed result. Some studies have suggested between 10 and 40 participants (Hertzog, 2008; Julious, 2005). Additionally, Lewis et al., (2005) suggested that above 50 participants are enough for a pilot test. Of 85 participants identified, the researcher managed to gather feedback from 70 of them.

The researcher used the Statistical Package of the Social Sciences (SPSS) version 20 to carry out the reliability analysis for all the scales. Three methods to assess the reliability of measurement scale are available, namely, test-retest, internal consistent and alternative forms (Cooper & Schindler, 2006; Sekaran & Bougie, 2014). This study evaluated the reliability of scale by using measuring the internal consistency of the constructs by examining the coefficient of Cronbach's alpha, which emphasizes how well a set of variables measure a unidimensional latent construct (Schwaninger et al., 2006; Sekaran & Bougie, 2014). A Cronbach's alpha measures the internal consistency or the average correlation of items in a survey instrument. Thus, when the inter-correlation among indicators increases, the Cronbach's alpha values also increase. The recommended threshold value for a Cronbach's alpha is 1.0, which the

highest internal reliability while a value less than 0.50 is considered to be poor. However, value above 0.70 is regarded as good for consistency of the data (Sekaran, 2003; Delafrooz, Paim & Khatibi, 2009). Table 3.7 illustrated the reliability of each variable and its dimension.

Table 3.7
The Reliability Results from Pilot Test

Variables and Dimensions	Number of items	Cronbach's Alpha
INDEPENDENT VARIABLE		
Commitment-based HR Practices		
Selection	4	0.753
Compensation	4	0.885
Training and Development	8	0.764
MEDIATING VARIABLES		
Organizational learning capability	10	0.730
Organizational social capital	15	0.783
DEPENDENT VARIABLE		
Organizational performance	10	0.750

Overall, an alpha value was found to be more than 0.70. According to Sekaran (2003) and Delafrooz, Paim and Khatibi (2009), a value above 0.70 is considered to be satisfactory. Thus, the Cronbach's alpha values suggested that the scales had met the reliability requirement.

3.8 Data Analysis Techniques

In accordance to Tharenou et al. (2007), the purpose of running a data analysis in the study is to get the results for the suggested hypotheses. Based on this statement, the research has chosen two steps to run the data analysis. The Statistical Package for the Social Sciences (SPSS 20.0) was used to conduct a preliminary analysis on missing values, outliers, normality, and multicollinearity of the constructs as the first step. Once the preliminary analysis is completed, the subsequent step is to conduct the

main analysis which focuses on the second generation technique of structural equation model. Specifically, partial least square (PLS) path modelling was employed to test the hypotheses.

3.8.1 Preliminary Analysis

A preliminary analysis must be performed to ensure that the data are clean and useable. The preliminary analysis looks at four aspects of the data, i.e., missing values, outliers, normality, and multicollinearity.

In this present study, the missing values were identified through frequency tables. As cited by Allison (1999) and Salkind (2011), the missing data could happen due to several reasons such as participants did not answer the question, overlooked the questions, or refused to respond. Therefore, the missing values in this study were dealt through a mean value replacement as proposed by Hair et al. (2010). The missing values per item are less than five percent can only use the mean value replacement. By doing so, the values that are to be replaced with valid values (e.g., mean) of a specific item. Upon screening the data, none of the responses exceeded 15 percent of the missing values. Therefore, all 484 cases were used for the next analysis. Furthermore, since the PJA personnel had checked each questionnaire for completeness, no missing value or incomplete responses were obtained.

After missing values had been identified, the analysis proceeded with determining outliers because they can potentially impact the results (Tabachnick & Fidell, 2009). Two methods could be used to identify the outliers namely univariate or multivariate outliers. The differences between these two methods are that univariate outliers focus on the extreme values within each construct while multivariate outliers refer to the extreme values in the constructs (i.e. two or more constructs) that are combined

(Hair et al., 2010). The standardized z -score is the most common method used to detect univariate outliers in a standard deviation analysis. According to Hair et al. (2010), the recommended threshold value for z -score should be above 4.00. In contrast, Mahalanobis distance method is used to detect the outliers in multivariate analysis (Yuan & Zhong, 2008). The purpose of Mahalanobis distance method is to measure how far the distance of all observations from the mean center. If Mahalanobis distance result indicated high value, it means that the outlier in the data is more distant from the mean center (Hair et al., 2010).

Third, the next analysis which is normality assessment to be conducted on the 484 dataset to ensure the validity of the results (Nornadiah Mohd Razali & Wah, 2011) apply the statistical analysis to the data (Hair et al., 2010). According to Nornadiah Mohd Razali and Wah (2011), normality can be identified either by a graphical method, numerical method, and/or formal normality test. Since some of the statistical methods are sensitive towards a sample size, more than one has been suggested to “access the actual degree of departure from normality” (Hair et al., 2010, p. 71). Following the suggestion by Hair et al., (2010), this study used statistical tests to assess normality that were univariate normality and multivariate normality (both numerical methods). Univariate normality could be assessed through skewness and kurtosis. Skewness measures the distribution of the constructs positively shifted to the right tail or negatively shifted to the left tail. Kurtosis measures the peakedness or flatness of the constructs. A positive value indicates a peaked distribution while a negative value refers to a flat distribution. A rule of thumb of skewness and kurtosis value is that it should be within the range of +1.0 to – 1.0 and any value falling outside this guideline indicates that the data are not normally distributed (Hair et al., 2010).

Multivariate normality was assessed through Mahalanobis D^2 method. This method evaluates each observation no matter how many variables are considered. The highest value of D^2 represents the observations farther removed from the distribution of observations. For the purpose of interpretation, the Mahalanobis D^2 is measured by statistical method for significance test. “The D^2 measured divided by the number of variables involved D^2/df is approximately distributed in t -value. A rule of thumb was a threshold value for the D^2/df measured conservative levels of significance (e.g., .005 to .001), resulting in values of 2.5 for smaller sample while 3 or 4 for large samples” could be regarded as potential outliers (Hair et al., 2010, p.67).

The last step in the preliminary analysis was multicollinearity assessment. The purpose examining multicollinearity is to understand the linear relationship or correlation among the predictor constructs (Hair et al., 2014). The evaluation of multicollinearity was performed by examining the coefficient table of the SPSS output where variance inflation factor (VIF) had been provided. The VIF values should be more than 0.20 but lower than 5.00 (Hair et al., 2014). When the VIF values reach its maximum limit, the next step was to decide either merged or removed the constructs (Hair et al., 2014).

3.8.2 Main Analysis

This study chose a second-generation technique, i.e., Structural Equation Model (SEM), due to its capability to allow the modelling of multiple independent and dependent constructs simultaneously, which enables researchers to analyse more complex models as compared with the first generation techniques (Grefen et al., 2000; Hair et al., 2014; Lowry & Gaskin, 2014). The SEM gives the flexibility to the researchers to assemble unobservable variables (latent variable) by using the

indicators and on the same time, the measurement error in the same model (Chin, 1998b; Haenlien & Kaplan, 2004; Hair et al., 2014).

There are two approaches of SEM that can be used to analyse the data. The first approach is covariance-based structural equation modelling (e.g., AMOS, LISREL, MPLUS) and the second approach is variance-based structural equation modelling (e.g., SmartPLS, PLS Graph, and WrapPlus). The choice of approach depends on the research objectives as well as the complexity of the proposed model. The model of the current study consists of independent variables, mediating variables, and a dependent variable which is quite complex. In this case, the SEM facilitated the researcher in analysing the model as a whole and accounting for possible errors.

The present study chose Partial Least Squares Structural Equation Modelling (PLS-SEM) to analyse the data for several reasons. First, PLS-SEM was suitable for the study because it maximizes the explained variance of an endogenous latent variable by using ordinary least squares (OLS) regression to estimate the partial model relationships (Hair et al., 2013). Second, the research model has two mediator variables and first order constructs (which serve as reflective indicators). Hence, to run the analysis of such a complex relationship, PLS-SEM is considered an appropriate statistical modelling technique method as recommended by many scholars (Gefen et al., 2000; Hair et al., 2010). Third, PLS-SEM is recommended for the research model that require analysing the relationship consists of multiple latent variables simultaneously. PLS-SEM has been acknowledged as second generation technique that enable to evaluate the overall model, easily handle the measurement models with both reflective and formative indicators and single-item constructs

(Chin & Newsted, 1999; Hair et al., 2010; Hair et al., 2014; Marcoulides, Chin & Saunders, 2009).

Third, PLS-SEM uses a principal component approach in which the PLS factor loadings are rotated orthogonally. Thus, the estimate derived will be relatively robust even when there is multicollinearity in the data (Cassel et al., 1999; Chumney, 2013). Fourth, compared to CB-SEM model which requires a set of assumptions to be fulfilled, including the multivariate normality of data and targeted sample size (Diamantopoulos & Siguaw, 2006), PLS-SEM is the preferred method as it often provides a robust estimation of the structure model when these assumptions are violated (Henseler, Ringle & Sinkovics, 2009). Lastly, PLS-SEM works efficiently with smaller sample sizes and complex research model and do not assumptions regarding the underlying data (Hair et al., 2011; Henseler & Fassott, 2009). Nevertheless, it does not mean that PLS-SEM can be used for any sample size. To run any statistical analysis, it is essential to gather larger sample size to support the conclusion. A strong rule of thumb suggesting that the sample size must be equal or ten times larger than the structural paths directed to a particular construct in the structural model (Hair et al., 2011; Henseler & Fassott, 2009).

Finally, by using PLS-SEM technique, it assists the researchers to solve the interrelated research questions systematically through comprehensive analysis even in situations with complex model structures (multiple constructs and multiple indicators) (Gefen et al., 2000; Johnson & Wichern, 2014; Hair et al., 2013; Tabachnick & Fidell, 2009) simultaneously. The analysis of PLS-SEM emphasis on the exogenous variables (also known as independent variables) and endogenous variables (known as dependent variables) that explained the relationships in a

structural model rather differentiates between independent variable and dependent variable (Hair et al., 2013; Stevens, 2009; Tabachnick & Fidell, 2009). Therefore, the first important step is to develop a research model that illustrates the hypotheses and determine the relationship of the variables which to be examined. This model is commonly known as a path model. This path model consists of two interrelated models which known as 1) the structural model (also known as the inner model) which explain the relationship of latent variables in the model, and 2) the measurement model (also called as the outer model) which describe the relationships between the latent variable and observable indicator (Hair et al., 2013; Stevens, 2009; Urbach & Ahlemann, 2010).

3.8.2.1 Evaluation of PLS Path Model Results

The measurement model and the structural model are the process for evaluating the PLS model estimation and interpretation of the results (Hair et al., 2010).

3.8.2.1.1 Assessment of Measurement Model

To determine the construct validity and reliability of the research model, the assessment of the measurement model is the main step. Cronbach and Meehl (1955) argued that the construct validation is implicated when a test is to be inferred as a measure of some attribute or quality, which is not operationally defined. Hair et al. (2011) defined construct validity as measuring a set of measured variable to what it claims or purports following the grounded theory. In other words, it can be assumed that construct validity is essential step for testing and development of the theory (Jarvis et al., 2003). There are two methods used to measure construct validity namely convergent and discriminant validity.

3.8.2.1.1.1 Convergent Validity

Convergent validity refers to the measurement of measures that theoretically are interrelated to each other in the same concepts (Hair et al., 2013). To establish convergent validity in the reflective scale measurement, the common procedures or steps are 1) analysing the factor loadings of the items, 2) analysing the average variance extracted (AVE), and lastly composite reliability (CR) assessment (Hair et al., 2010). In accordance to Hair et al. (2014) , the value of the factor loading of items must above 0.50. When the value is less than 0.50, this means error indicators are present. Average variance extracted (AVE) is defined as the grand mean value of the squared loadings of the indicators associated with the construct. An AVE value of 0.50 or higher indicates that, on average, the construct able to explain more than half of the variance of its indicators is regarded as sufficient (Hair et al., 2013; Henseler & Fassott, 2009).

The traditional criterion for assessing the internal consistency is Cronbach's alpha which assume all indicators have equal outer loadings on the construct. However, in PLS-SEM, it prioritizes indicators according to their reliability during a model estimation. Due to the limitation of Cronbach's alpha which sensitive to the number of items, it has the tendency to underestimate the internal consistency reliability. Therefore, it is more suitable to use composite reliability (CR) to measure the internal consistency of the measurement items (Barroso et al., 2010). According to Hair et al. (2014), the CR value between 0.70 and 0.90 is considered satisfactory.

In term of measuring the formative scale, Becker et al. (2012) as well as Marcoulides, Chin and Sauders (2009) suggested the assessment of convergent validity to be performed through three step namely the indicators' weight,

significance of weight, and multicollinearity of indicators (VIF). The indicators' weight determined an item's relative contribution to its specific construct therefore the suggested indicator weights is > 0.1 (Lomoeller, 1989) or 0.2 (Chin, 1998b). When the indicator is relevant to forming the constructs, the indicator weight should achieve a significance level of at least 0.05 (Thien et al., 2014). The final step to assess the convergent validity is by examining variance inflation factor (VIF) to determine the level of multicollinearity because high level of multicollinearity indicated that indicators' information become redundant and possibility cause the indicators to be nonsignificant (Hair et al., 2011). Generally, VIF is used to assess the degree of multicollinearity among the formative indicators and the value must be below 3.33 and if the value more than 3.33 , it indicates the presence of multicollinearity in the formative measures (Diamantopoulos & Sigauw, 2006). Table 3.9 summarizes the criteria of reflective and formative measurement models.

3.8.2.1.1.2 Discriminant Validity

Discriminant validity is another form of statistical method used to assess the reflective scale measurement validity. Discriminant validity focuses on examining the measures that not supposed to be related in the same concepts (Henseler & Fassott, 2009). There are two approaches namely Fornell-Larcker criterion and cross loadings commonly used to examine the discriminant validity (Hair et al., 2014; Henseler & Fassott, 2009). Cross loadings approach focus on the loading of each indicator on associated construct must be greater than that of the rest of its cross-loadings (Goetz et al., 2010; Hair et al., 2013). The presence of cross loadings that not exceeding the indicators loadings indicated no discriminant validity and vice versa. The Fornell-Larcker's criterion is the second approach to access discriminant validity. Specifically, each construct AVE should exceed any other constructs'

highest squared correlation with other construct in the model, sufficient discriminant validity is evident (Hair et al., 2014).

Discriminant validity is only applicable for reflective scale measurement and not require when analysing the formative scale measurement (Hair et al., 2014).

Table 3.8
Criteria of Reflective and Formative Measurement

Criterion	Description
Reflective Measurement	
Composite reliability	Different measure of internal consistency reliability and the value should be lower than 0.70.
Indicator reliability	The standardized outer (component) loadings must above 0.70. However, loadings between 0.40 – 0.70 remain valid with condition that composite reliability and validity head reached its recommended threshold.
Average variance extracted (AVE)	AVE exceeded 0.50.
Fornell-Larcker criterion	AVE of each latent variable should be higher that the squared correlations with all other constructs to ensure discriminate validity. Therefore, each construct intend to share bigger variance within its own block of indicators than with another constructs representing a different block of indicators.
Cross-loading	Cross loadings is another method to use to check discriminant validity. If an indicator has a higher correlation with another constructs, that with its respective construct represents discriminant validity problem. Hence, the suitability or fitting for a model must be reconsidered.

Formative Measurement

Indicators' relative contribution to the constructs Refer to indicators weight.

Significance of weights Refer to *t*-values.

Multicollinearity VIF must less than 5. If insignificant indicators weights or VIF value above the limit or both, it is essential to perform a bivariate correlation test between indicators and construct.

Source: Adopted from Cenfetelli and Bassellier (2009) and Henseler and Fassott (2009).

3.8.2.1.2 Assessment of Structural Model

A structural model (also known as the inner model in PLS-SEM analysis), which describes the relationship between latent variables hypothesized (Duarte & Raposo, 2010). After establishing the measurement model, the next step is to gather the evidence for supporting the theoretical model as exemplified through the structural portion of the model (Chin, 2010). Four criteria need to be fulfil before establishing the hypothesized relationships between the latent variables (Henseler & Fassott, 2009). The criteria are represented by R^2 of endogenous latent variables, estimates of path coefficients, effect size (f^2), and predictive relevance (Q^2).

The most common method to evaluate the goodness of the structural model is the coefficient of determination - R^2 value (Hair et al., 2011; Henseler & Fassott, 2009). The primary objective is to have higher R^2 value in PLS-SEM aiming at explaining the latent endogenous variance. The general rule of thumb by Cohen (1988), R^2 between 0.02 and 0.12 is considered weak, 0.13 and 0.25 is regarded as moderate,

and 0.26 and above is considered as substantial. However, Hair et al. (2011) cited the context of specific research play a significant influence to determine whether R^2 level is considered high or otherwise.

The individual path coefficients in the PLS-SEM structural model can also be interpreted as standardized beta coefficients of ordinary least square regression (Goetz et al., 2010). The bootstrapping procedure is performed to determine each path coefficient's significance. When each path coefficient is significant in the hypothesized direction, it means that the empirical evidence supports the proposed causal relationship (Hair et al., 2011; Yung & Bentler, 1994). In PLS-SEM, bootstrapping is regarded as a non-parametric test. To create a bootstrap sample and to obtain standard errors for hypothesis testing, it involves repeated random sampling with replacement from the original sample (Hair et al., 2011). To perform bootstrapping, it requires 1000 resample in terms of the number of re-sampling (Chin, 2010). Following the recommendation by Chin (2010), this study run the bootstrapping procedure with 1000 re-samples for testing the significance of the path coefficients (regression coefficients). The standardized path coefficients values fall between -1 and +1 and if the estimated path coefficient near to +1, it means a strong positive linear relationship has established. If the estimate path coefficient near to -1, it offers the negatives value in the relationships between the constructs (Hair et al., 2013).

The effect of a predictor latent at the structural level is the next assessment criterion. The assessment can be performed by using (f^2) effect size, which can be evaluated the changes in the R^2 value relative to the proportion of variance of the endogenous latent variable that remains unexplained (Henseler & Fassot, 2009). As a rule of

thumb, Cohen (1988) described f^2 value of 0.02-0.14 as weak, 0.15-0.34 as moderate, and greater than 0.35 as strong, respectively.

The assessment of predictive relevance (Q^2) is the last criterion. The common technique known as the Stone-Geisser's Q^2 value and this technique able the researchers perform 1) to calculate a cross-validated predictive relevance criterion that the prediction of observable or potential observable is of much greater relevance compare to other methods such as estimation of artificial construct parameters and 2) evaluating the magnitude of the R^2 as a criterion of predictive accuracy (Geisser, 1975). Moreover, Henseler and Fassot (2009) also suggested to utilize this approach to assess the research model's capability for prediction purposes. To adopt this approach in PLS-SEM, it is essential to use blindfolding technique that begins with first data point and omits part of data in the endogenous construct's indicators. The omitted data points are known as missing values and shall be treated during PLS-SEM algorithm analysis (e.g. using the mean value replacement). The remaining data points then to be used when running the estimation of the PLS path model parameters and the estimate result to be used as predict the omitted data points.

The difference between the predicted omitted data and omitted data points is considered as the input for the Q^2 measure (Chin, 2010). Following the blindfolding procedure, Q^2 evaluates the predictive validity of a large complex mode using PLS. A Q^2 value larger than zero indicates that the exogenous constructs have predictive relevance of the endogenous construct (Hair et al., 2011).

3.8.2.2 Testing Mediation in PLS-SEM

A mediating effect is created when a third variable serves as an intervening variable between two constructs (e.g. independent variable and dependent variable)

(Iacobucci et al., 2007). In this study, the mediation effect was tested in accordance to Hayes's (2013) and Preacher and Hayes's (2008a, 2008b) suggestion.¹

Generally, in the PLS-SEM path models, the common approach for testing mediating effects is examining the path from the independent variable to the mediator and then path from the mediator to the dependent variable (Eberl, 2010). However, for the PLS-SEM analysis, Hair et al. (2014) recommended two approaches which 1) apply Preacher and Hayes (2008a, 2008b) suggestion which indicated the medication effect exists between the relationships, the indirect path becomes statistically significant and 2) bootstrapping as this method do not assume on the sampling distribution of the statistics and suitable for smaller sample sizes. Hence, in the statistical formula, if both $a \times b$ (indirect effect) and c (direct effect) are significant, the sign of $a \times b \times c$ is determined by multiplying the three coefficients or by multiplying c by the mean value of $a \times b$ from the bootstrap output. If $a \times b \times c$ is positive, complementary mediation is said to occur. However, if $a \times b \times c$ is negative, competitive mediation is said to exist (Zhao et al., 2010).

Therefore, to access the mediation effect of the variables of this study, the researcher has used Preacher and Hayes (2008a, 2008b) recommended method. The t -test via non-parametric procedure bootstrapping was carried out to test the mediation effect as suggested by Hair et al. (2013).

¹ Before Hayes's (2013) and Preacher and Hayes's (2008a, 2008b) approach, the widely used method to test mediation was Baron and Kenny's (1986), which requires the researcher to assess each of the paths in the model and determine that the variable functions as a mediator after fulfilling some statistical criteria. For example, if both (a) and (b) paths in a model are statistically significant and c' is closer to zero than c , then M is deemed a mediator in the relationship between X and Y . Some scholars argued whether one's data meet these criteria only if there is evidence of a total effect of X (i.e., if c is statistically significant), which is one of the requirements of mediation outlined by Baron and Kenny (1986). Zhao et al. (2010) noted this shortcoming is inherent in the Baron and Kenny method. The method also suffers from low statistical power in most situations.

The mediation effect is computed using the formula:

$$t = \frac{\text{indirect Effect (path a + path b)}}{\text{Standard Error}}$$

Path a - provides standardized regression coefficients of independent variable to the mediating variable path.

Path b - provides standardized regression coefficients of mediating variable to the dependent variable path.

3.9 Summary of Chapter

In this chapter, the research design, population and sample, sampling technique, data collection, measurements, questionnaire design and techniques of data analysis had been discussed. The pre-testing, pilot testing and data preparation procedures were also explained. In addition, this chapter also outlines the types of assessment carried out using the Partial Least Square (PLS) approach. In the following chapter, the results of the data analysis are presented.

CHAPTER 4

DATA ANALYSIS AND RESULTS

4.0 Introduction

Chapter four demonstrates the results of the statistical data analysis. A profile of the participants was developed from the socio-demographic data. To evaluate the response bias, a common method bias (CMB) was performed by using Harman's single factor test method. Smart PLS 2.0 version was used to run the PLS-SEM and the results include structural model to test the hypotheses, validity and reliability of the measurement model, and predictive inference of the research.

4.1 Overview of Data Collection

An overview of the data collection is to understand the characteristics of the data such as response rate and demographic characteristics that might influence the generalization of findings (Williams & Tsang, 2015). As mentioned in Section 3.2.1 and 3.2.2, 242 Japanese MNCs organizations in Kedah, Pulau Pinang, Perak, Selangor, Kuala Lumpur, Melaka, and Johor were identified as a sample size. However, to ensure a higher response rate and allow multivariate data analysis to be run, the sample size was increased to 500 following the recommendation by Hair et al. (2010) and Sekaran and Bougie (2013), who stated that a sample size of 200 to 500 was sufficient. The researcher gave 500 questionnaires to the Penang Japanese Association (PJA) which later distributed them to the targeted sample.

After five months of data collection, 484 questionnaires were returned, yielding a response rate of 83 percent. Of 484 returned questionnaires, 83 questionnaires were removed from analysis because they were incomplete. Therefore, 401 were valid responses usable for further analysis, leading to a valid response rate of 80.20

percent. Table 4.1 summarizes the response rate.

Table 4.1
Response Rate

Response	Frequency /Rate
Number of distributed questionnaires	500
Returned questionnaires	484
Usable questionnaires	401
Not usable questionnaires	83
Response rate	83.00%
Usable response rate	80.20%

4.1.1 Demographic Characteristics

Table 4.2 shows the demographic characteristics of the participants in this study. It indicates that the oldest MNC organizations established in Malaysia were more than 20 years ago (27.1 percent) and between 16 and 20 years ago (28.1 percent). Regarding the number of employees, almost half of the surveyed organizations had between 501 and 1,000 people (46.8 percent). The participants involved were human resource managers (81.2 percent) who had been working for more than ten years (53.4 percent). The majority of the human resource managers were male (69.6 percent). All participants were Malaysian. Concerning the education level, almost half of them had a bachelor's degree (49.6 percent).

Table 4.2
Demographic Characteristics of The Respondents

Variable	Frequency	Per cent
Year of establishment (Organizations)		
1-5	24	6.1
6-10	49	12.4
11-15	104	26.3
16-20	111	28.1
21 and above	107	27.1
Number of employees (Organizations)		
51-150	8	2.0
151-500	140	35.4
501-1000	185	46.8
1001 and above	62	15.7
Job position		
HR Manager	323	81.8
HR. Sr. Manager	72	18.2
Gender		
Male	275	69.6
Female	120	30.4
Service duration		
1-3 years	10	2.5
4-6 years	50	12.7
7-9 years	124	31.4
> 10 years	211	53.4
Highest Academic Qualification		
Diploma	33	8.4
Bachelor Degree	196	49.6
Master Degree	81	20.5
Doctoral Degree	8	2.0
Professional Degree	77	19.5
Nationality		
Malaysian	395	100.0

4.2 Preliminary Analysis Results

The preliminary analysis dealt with missing values, outliers, normality and multicollinearity issues. The results are as follows:

4.2.1 Missing Values

As suggested by Hair et al., (2010), the missing values could be dealt by using a mean value replacement. However, the mean value replacement only applicable with a condition that the missing values per item not above than five percent. Furthermore, JAP personnel had checked each questionnaire for completeness, no missing value or incomplete responses were obtained.

4.2.2 Outliers

Identifying an outlier is important because it potentially impacts the score thus falsifying the results (Tabachnick & Fidell, 2009). Two methods could be used to identify outliers namely univariate or multivariate outliers. To perform a univariate analysis, the SPSS program was used. The standardized z score is the most common method used to detect univariate outliers in the standard deviation analysis. The outlier is detected based upon the criterion that if the sample is larger than 80, a case is an outlier if the value exceeds 4.0. The outcome of the analysis of this study provided the result that none of the items more than the threshold value of 4.00, but have found six multivariate outliers exceeded the Mahalanobis distance cut-off limit, which was 87.88 in this study. Based on the outlier's detection indicated in Table 4.3, six cases namely 82, 113, 126, 212, 275 and 301 were regarded as outliers because they had a value of D^2/df exceeding 2.5 as suggested by Hair et al. (2010). Consequently, these cases were removed from the dataset, and 395 cases were used for the next analysis.

Table 4.3 summarizes the result of multivariate outliers.

Table 4.3
Results of Multivariate Outliers

Case Number	Mahalanobis D^2	D^2/df (df = 5)
82	52.452	2.890
113	43.113	2.956
126	41.246	2.753
212	54.334	2.678
275	42.489	2.945
301	44.182	2.838

Note: D^2/df value < 2.5 are not included in this table.

4.2.3 Normality

The normality assessment was performed on the remaining dataset of 395 so that a statistical analysis can be run on the data (Hair et al., 2010). According to Nornadiah Mohd Razali and Wah (2011), normality can be identified either by using a graphical method, numerical method, and/or formal normality test. However, since some of the statistical methods are sensitive to a sample size, more than one methods are recommended to be used to evaluate the degree of departure from the normality (Hair et al., 2010). Hence, following this suggestion, this study used two methods which are the numerical method and a formal normality test.

4.2.3.1 Numerical Method: Skewness and Kurtosis Test

According to Kline (2011) and Nornadiah Mohd Razali and Wah (2011), skewness and kurtosis is descriptive statistics analysis. These measures indicate that the data distribution is normal if the value achieved is zero. Skewness represents the extent to which the constructs are symmetrical data distribution (shift to the right or left tail distribution) while Kurtosis represents the peak of the data distribution in that the peak can be flat or narrow (Hair et al., 2014). A general rule of thumb stated that the value for skewness and kurtosis ranged between +1.0 and -1.0 represent data are normally distributed (Hair et al., 2014; Meyers et al., 2006). If the values exceed this rule, it means that the data are not normally distributed.

In this study, the normality assessment was performed on three latent constructs (e.g., commitment-based HR practices, organizational learning capability, and organizational social capital) and the observed constructs. The evaluation of the skewness value of this study showed that all latent constructs and the observed constructs ranged from +1.0 to -1.0. Similarly, the evaluation of the kurtosis value of all the latent and observed constructs also ranged from +1.0 to -1.0. As a result, it is concluded that the constructs and data were regarded as normal distribution as illustrated in Table 4.4.



Table 4.4

Skewness and Kurtosis for the Assessment of Normality

Item	Observed variables	Skewness		Kurtosis	
		Statistics	z value	Statistics	z value
Commitment-based HR practices					
1	Selection 1	-.600	-2.49	-1.132	-2.37
2	Selection 2	-.550	-2.28	.735	1.54
3	Selection 3	.605	2.51	.765	1.60
4	Selection 4	.456	1.89	.801	1.68
5	Compensation 1	-.195	-.81	-1.154	-2.41
6	Compensation 2	.665	2.76	.881	1.84
7	Compensation 3	.467	1.94	.778	1.63
8	Compensation 4	-.235	-0.98	-1.235	-2.58
9	Training & Development 1	.421	1.75	.842	1.76
10	Training & Development 2	.576	2.39	.798	1.67
11	Training & Development 3	.632	2.62	.888	1.86
12	Training & Development 4	.657	2.73	.836	1.75
13	Training & Development 5	.684	2.84	.766	1.60
14	Training & Development 6	.481	2.00	-.903	-1.89
15	Training & Development 7	.472	1.96	.786	1.64
16	Training & Development 8	.662	2.75	-1.390	-2.91
Organizational Learning Capability					
1	Organizational Learning Capability 1	.323	1.34	1.235	2.58
2	Organizational Learning Capability 2	.657	2.73	1.267	2.65
3	Organizational Learning Capability 3	.610	2.53	.898	1.88
4	Organizational Learning Capability 4	.576	2.39	1.233	2.58
5	Organizational Learning Capability 5	.475	1.97	.754	1.58
6	Organizational Learning Capability 6	.498	2.07	.880	1.84
7	Organizational Learning Capability 7	.688	2.85	-1.298	-2.72
8	Organizational Learning Capability 8	.565	2.34	.903	1.89
9	Organizational Learning Capability 9	.543	2.25	.867	1.81
10	Organizational Learning Capability 10	.618	2.56	.756	1.58
Organizational Social Capital					
1	Organizational Social Capital 1	.632	2.62	-1.267	-2.65
2	Organizational Social Capital 2	.657	2.73	-1.345	-2.81
3	Organizational Social Capital 3	.684	2.84	.785	1.64
4	Organizational Social Capital 4	.610	2.53	.820	1.72
5	Organizational Social Capital 5	.576	2.39	.756	1.58
6	Organizational Social Capital 6	.498	2.07	-1.279	-2.68
7	Organizational Social Capital 7	.481	2.00	1.321	2.76
8	Organizational Social Capital 8	.472	1.96	-1.235	-2.58
9	Organizational Social Capital 9	.657	2.73	.876	1.83
10	Organizational Social Capital 10	.628	2.56	.935	1.96
11	Organizational Social Capital 11	.635	2.63	1.238	2.59
12	Organizational Social Capital 12	.701	2.91	.987	2.06
13	Organizational Social Capital 13	.596	2.47	.933	1.95
14	Organizational Social Capital 14	.625	2.59	.855	1.79
15	Organizational Social Capital 15	.628	2.61	.735	1.54

Organizational Performance					
1	Organizational Performance 1	.368	1.53	.738	1.54
2	Organizational Performance 2	.437	1.81	.759	1.59
3	Organizational Performance 3	.625	2.59	-.903	-1.89
4	Organizational Performance 4	.620	2.57	.890	1.86
5	Organizational Performance 5	.488	2.02	-.950	-1.99
6	Organizational Performance 6	.378	1.57	.868	1.82
7	Organizational Performance 7	.656	2.72	.832	1.74
8	Organizational Performance 8	.538	2.23	-1.133	-2.37
9	Organizational Performance 9	.567	2.35	.903	1.89
10	Organizational Performance 10	.621	2.58	1.235	2.58

Note: The z values are derived by dividing the statistics by standard error of .241 (skewness) and .478 (kurtosis).

As shown, four variables indicated a negative value for skewness while 13 variables had a negative value for kurtosis. Based on the critical values of ± 2.58 (.01 significance level) and ± 1.96 that corresponds to a .05 error level, the skewness and kurtosis values of all the latent and observed constructs were within the range of the significance level of .01 to .05. Thus, the data distribution of all variables was approximately normal.

4.2.3.2 Formal Normality Test: Shapiro-Wilk Test

Other methods such Anderson-Darling test, Kolmogorov-Smirnov test, Lilliefors test and Shapiro-Wilk test are used to test normality. However, Nornadiah Mohd Razali and Wah (2011) indicated that Shapiro-Wilk test is the most powerful one because it can handle any sample size between 3 and 5,000 (Hair et al., 2010, Royston, 1995). Since the sample size of this study was 395, the researcher considered Shapiro-Wilk the most suitable. Table 4.5 illustrates the result of the formal normality test.

Table 4.5
Shapiro-Wilk Normality Test Result

Variables	Shapiro-Wilk		
	Statistic	Df	Sig.
Commitment-based HR practices			
Selection	.978	114	.054
Compensation	.999	113	.214
Training & Development	.986	114	.216
Organizational learning capability (mediating variable)	.988	112	.204
Organizational social capital (mediating variable)	.968	113	.208
Organizational Performance (dependent variable)	.997	110	.328

The result showed that the significance values for all variables ranged from .054 to .328. As the values had exceeded the significance level of .05, the distribution of data of all variables were approximately normal. Hence, the result was consistent with the skewness and kurtosis test (Argyrous, 2011).

4.2.4 Multicollinearity

The multicollinearity assessment was conducted by considering the coefficient Table produced by the SPSS where the variance inflation factor value (VIF) was provided. The VIF values should be above 0.20 but not exceeding 5.00 (Hair et al., 2014). If the VIF values exceed 5.00 of the maximum value, it is suggested that the constructs either merged or removed (Hair et al., 2014). Table 4.6 shows the result.

Table 4.6
Multicollinearity Assessment

Analysis	Variables	Collinearity Statistics	
		Tolerance	VIF
Analysis 1	CBHRP	.615	1.388
Analysis 2	CBHRP	.601	1.308
Analysis 3	CBHRP	.678	1.449
Analysis 4	OLC	.515	1.333
Analysis 5	OSC	.700	1.568
Analysis 6	CBHRP	.740	1.357
	OLC	.601	1.238
Analysis 7	CBHRP	.780	1.678
	OSC	.713	1.890

Note: CBHRP = commitment-based HR practices; OLC = organizational learning capability;
 OSC = organizational social capital; OP = organizational performance

Analysis 1 – Dependent variable is organizational performance; Analysis 2 – Dependent variable is organizational learning capability; Analysis 3 – Dependent variable is organizational social capital; Analysis 4, 5, 6 & 7 – Dependent variable is organizational performance.

Tolerance > 0.20; VIF < 5.0 indicates no collinearity (Hair et al., 2014)

The Table 4.6 indicates that the tolerance values for all analyses were above 0.20 while the VIF values were lower than 5.0, which suggested no collinearity.

In conclusion, the preliminary analyses showed that the collected data were approximately normal, and there were no signs of multicollinearity. The next subsection discusses the main analysis used in this present study.

4.3 Measurement Model

This section presents the results of the main analysis of PLS-SEM. The first phase of PLS-SEM evaluated the measurement model through convergent and discriminant validity, or simply called construct validity. Then, descriptive statistics and assessment of common method bias (CMB) were performed. The second phase of PLS involved evaluating the structural model to confirm the hypothesized

relationship regarding predictive inference. Also, the coefficient of determination (R^2) was computed. In the structural equation modelling (SEM) analysis, there are choose two approaches which have been used to analyse the relationship in a research model. The most common and widely applied known as covariance-based SEM (CB-SEM) while the new statistical technique called as partial least square (PLS-SEM) (Hair et al., 2013; 2014). The software application which enable to run CB-SEM analysis known as AMOS, LISREL, EQS and MPLUS while PLS-SEM analysis used software application such as SmartPLS and PLS Graph.

In CB-SEM, the analysis must strictly abide to a default parameter estimation known as maximum likelihood (ML) procedure and focus is “*reproducing the covariance matrix [i.e. minimizing the difference between the observed and estimate covariance matrix], without focusing on explained variance*” (Hair et al., 2011, p.139). In other words, ML procedure attempts to estimate the parameter of the models by examining the loadings and path values to reduce the differences between the observed variable covariance and the variable that predicted in the research model. (Barroso et al., 2010). Hence, in general, CB-SEM main goal is more towards theory testing and theory confirmation and best suited for confirmatory factor analysis (Gefen et al., 2000; Hair et al., 2013).

Meanwhile, it is important to note that ML procedure only applicable when the data to be analysed fulfil the normal distribution assumption as criteria set forth in CB-SEM (Hair et al., 2013; Urbach & Ahlemann, 2010). The second assumption is CB-SEM analysis can be performed with the sufficient sample size of 100 – 200 for the research model with five or less constructs and each construct has more than three indicators (Chin & Newsted, 1999; Hair et al., 2013; Stevens, 2009).

In comparison to CB-SEM, the estimation procedure for PLS-SEM is an ordinary least squares (OLS) regression-based method. PLS-SEM work efficiently with smaller sample size or non-normally distributed and use the available sample (data) to estimate the path relationships in the research model with the objective to minimize the residual variances of the endogenous constructs (Hair et al., 2014). In other words, PLS-SEM estimate the path model relationship that maximize the variance (prediction) of the endogenous constructs explained by the exogenous constructs of the model (Haenlein & Karpal, 2004; Hair et al., 2014). Conceptually, PLS-SEM can be viewed as quite similar to a multiple regression analysis in examining the possible relationships with less emphasis on the measurement model (Hair et al., 2011, 2014). Practically, PLS-SEM can be used for theory development or explanation of prediction of the constructs (Chin et al., 2003; Hair et al., 2014).

In addition, Goetz et al. (2010) cited that PLS-SEM is a valuable tool for testing theories as it demands categorically fewer requirements than covariance. Further, PLS-SEM can easily handle both formative and reflective indicators which exist in one structural equation model and thus, makes it suitable for analysing an explorative analysis and offer a significant contribution to the theory development. Therefore, PLS-SEM is regarded as a soft and flexibility modelling approach as the assumption that needs to be fulfilled more easy to handle in comparison to CB-SEM (Esposito Vinzi et al., 2010; Hair et al., 2013).

While both CB-SEM and PLS-SEM have their own merits and demerits, the choice of the approach depends much on the theoretical model and objectives which the researchers intend to achieve in the research context. Table 3.8 summarized the

general rules of thumb which serves as a guideline when deciding on the appropriate analysis approach for model assessment.

Table 4.7
Rules of Thumb for Selecting PLS-SEM or CB-SEM

Criterion	PLS-SEM /CB-SEM Description
Research goals	<ul style="list-style-type: none"> - Select PLS-SEM if the goal is predicting key target constructs or identifying key ‘driver’ constructs. - Select CB-SEM if the goal is theory testing, theory contribution or comparison of alternative theories. - Select PLS-SEM if the research is exploratory or an extension of an existing structural theory.
Measurement Model Specification	<ul style="list-style-type: none"> - If formative constructs are part of the structural model, select PLS-SEM. (Note that formative measures can also be used with CB-SEM to do so requires accounting for relatively complex and limiting specification rules). - If error terms require additional specification, such as covariation, select CB-SEM.
Structural Model	<ul style="list-style-type: none"> - Select PLS-SEM if the structural model is complex (due to many constructs and many indicators exist in the model). - Select CB-SEM if the model is non-recursive.
Data Characteristics and Algorithm	<ul style="list-style-type: none"> - If the data fulfil the CB-SEM assumption even the sample size is smaller and also the distributional assumptions, choose CB-SEM otherwise PLS-SEM can be used to interpret CB-SEM results.
Sample size consideration	<ul style="list-style-type: none"> - PLS-SEM approach is more appropriate for smaller size sample. If the data sets are larger, CB-SEM and PLS-SEM offer the results similarly which condition that many

indicator variables are consistency at large used to measure the latent constructs.

- PLS-SEM minimum sample size should fulfil either two conditions which are 1) ten times the largest number of formative indicators used to measure one construct or (2) ten times the largest number of structural paths directed at a particular latent construct in the structural model.
- If the data consist certain extent non-normality, choose PLS-SEM; otherwise, under normal data distribution, CB-SEM and PLS-SEM offer similar results but CB-SEM is able to offer slightly precise estimate model.
- If CB-SEM requirements not fulfil (e.g., model specification, identification, non-convergence, data distributional assumptions), PLS-SEM can be used to interpret CB-SEM results.
- CB-SEM and PLS-SEM results closed with each other otherwise it is essential to reconsider the model specification to determine CB-SEM was appropriately applied. If not, PLS-SEM can be used to interpret CB-SEM results.

Model
Evaluation

- If require latent variables scores in subsequent analyses, PLS-SEM technique is the best approach.
- If the research needs a global goodness-of-fit criterion, CB-SEM technique is the suited well approach.
- If to test for measurement model invariance, use CB-SEM technique.

Source: Adopted from Hair et al., (2011)

In the present study, the independent variables are commitment-based HR practices namely selection, compensation, and training and development practices. Organizational learning capability and organizational social capital are the mediating variables while dependent variable is organizational performance.

4.3.1 Assessment of Measurement Model

The evaluation of the measurement model was done by using two methods namely convergent and discriminant validity. The measurement model is also referred to as the outer model in PLS-SEM that explains the relationship between the constructs and indicator variables (Hair et al., 2014). The reliability and validity of the measurement items were conducted to assess the measurement model. Reliability assessment focuses on the internal consistency of the model by looking into Cronbach's alpha and composite reliability results. In the case of validity assessment, it emphasizes on convergent validity (e.g., average variance extracted (AVE)), and discriminant validity which involves the cross-loadings and Fornell-Larcker's criterion. The assessment of reliability and validity is important to ensure the measurements are reliable, valid, and fit before evaluating the relationship in the structural model (Hair et al., 2014).

At the initial stage, the goodness of the measurement model was assessed by examining the construct validity. According to Hair et al. (2011) and Rönkkö and Ylitalo (2010), construct validity is the degree to which a test measures what it is claim or supposed to measure based on theory. Construct validity is defined as the degree to which the constructs and their measures are related with each other, which is required during the development of theory and testing the theory (Jarvis et al.,

2003; Rönkkö & Ylitalo, 2010). There are two methods to measure the construct validity which known as convergent validity and discriminant validity.

4.3.1.1 Convergent Validity

Convergent validity can be defined as the degree where multiple items used in the research to measure the same concept are in agreement (Ramayah et al., 2011). In this study, all items were reflective; thus convergent validity was performed through three approaches that were 1) analysing the main loading, 2) analysing the AVE (average variance explained), and 3) analysing CR (composite reliability). The first approach is to ensure the indicators reliability and this can be done through examining the main loading and cross loading of items. The loading value of 0.60 and higher, the items to be retained as proposed by Chin (2010). In this study, the result showed that all items had loadings more than 0.50, thus fulfilling the requirement by Chin (2010). However, while checking factor loading and cross loadings, a total of 18 items were dropped for not meeting the requirement and for increasing the AVE value. Two reasons for dropping the items are advanced. First, dropping the items that possibility tapped by other items of the same construct in the scale. Second, because all items were reflective, therefore dropping them might not affect the meaning of the construct with the condition that sufficient internal consistency of the scale is maintained (Chin, 2010; Hair et al., 2014). Upon completion of the analysis process, several items were dropped from the scale and the internal consistency of all constructs was still within an acceptable range.

AVE criterion value is defined as the grand mean value of the squared loadings of the indicators associated with the construct. Scholars such as Hair et al. (2013) and Henseler et al. (2009) suggested that a latent variable which can explain more than

half of the variance of its indicators on average, and it is considered sufficient when the AVE value for each latent variable greater than 0.50. When AVE is greater than 0.50, the variance shared with a construct and its measures is greater than the error (Ashill et al., 2005; Kline, 2011). In this present study, the result showed that the AVE for each latent variable achieved above 0.50.

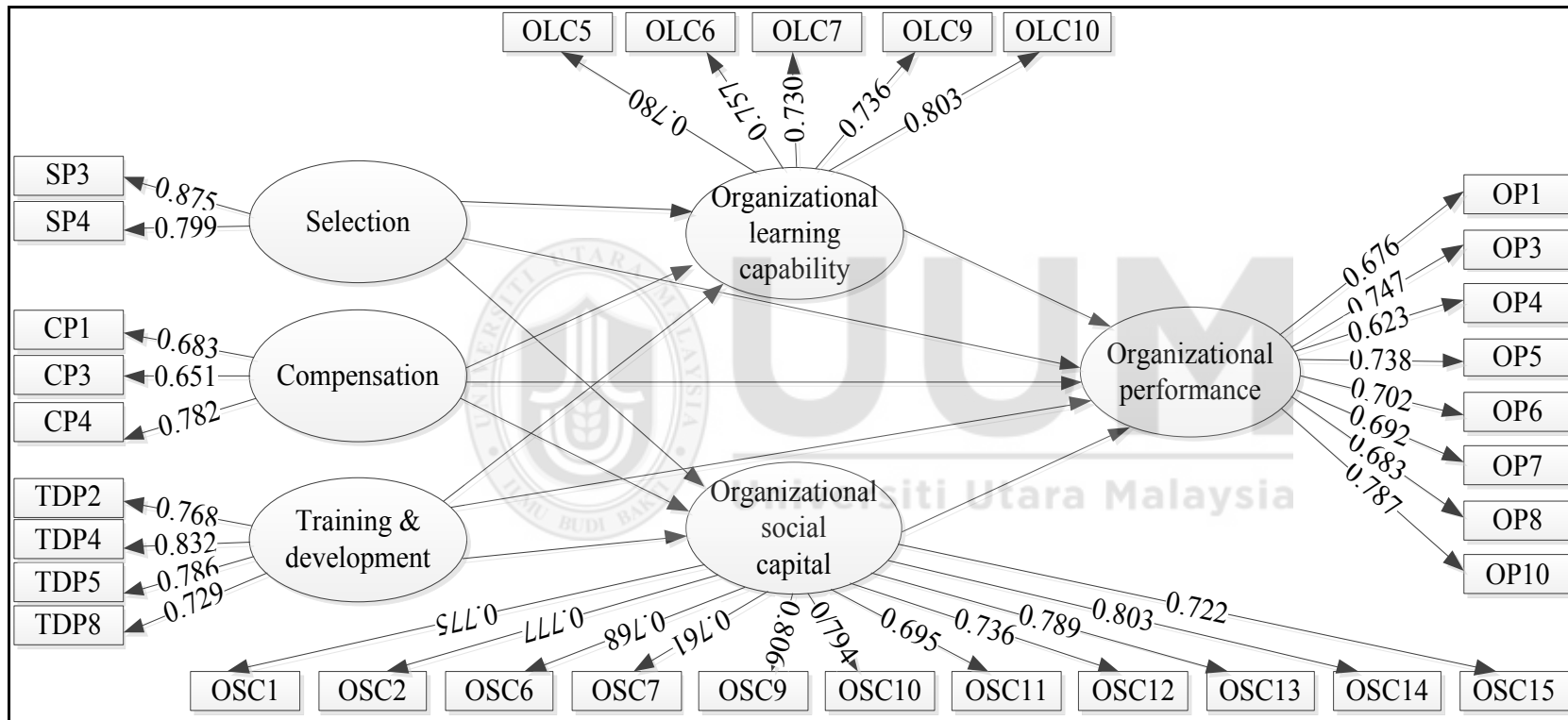
In term of assessing the consistency of the measurement items used, Composite Reliability (CR) has been proposed. In comparison to Cronbach's alpha, CR is more suitable for PLS-SEM because it emphasis on the reliability of the indicators during model estimation (Hair et al., 2011). Therefore, Nunnally and Bernstein (1995) and Hair et al. (2011) suggested that CR value should be higher than 0.70. Based on this suggestion, the analysis showed that CR value for each variable was above than 0.70. As a result, the convergent validity for scale measurement requirement was achieved as summarized in Table 4.8 and Figure 3.0. As exhibited in Table 4.8, the minimum factor loading of items was 0.623 and the maximum was 0.875. AVE ranged from 0.500 (compensation practice), 0.608 (training and development practice) to 0.702 (selection practice). The minimum CR value was 0.749 (compensation practice), and the maximum was 0.940 (organizational social capital).

Table 4.8
The Result of Measurement Model

Variable	Item	Factor loading	AVE	Composite Reliability	Cronbach's Alpha				
Selection	SP3	0.875	0.702	0.825	0.580				
	SP4	0.799							
Compensation	CP1	0.683	0.500	0.749	0.501				
	CP3	0.651							
	CP4	0.782							
Training & Development	TDP2	0.768	0.608	0.861	0.784				
	TDP4	0.832							
	TDP5	0.786							
	TDP8	0.729							
Organizational Learning Capability	OLC5	0.780	0.580	0.874	0.819				
	OLC6	0.757							
	OLC7	0.730							
	OLC9	0.736							
	OLC10	0.803							
Organizational Social Capability	OSC1	0.775	0.588	0.940	0.930				
	OSC2	0.777							
	OSC6	0.768							
	OSC7	0.761							
	OSC9	0.806							
	OSC10	0.794							
	OSC11	0.695							
	OSC12	0.736							
	OSC13	0.789							
	OSC14	0.803							
	OSC15	0.722							
	Organizational Performance	OP1				0.676	0.501	0.889	0.857
		OP3				0.747			
		OP4				0.623			
		OP5				0.738			
OP6		0.702							
OP7		0.692							
OP8		0.683							
OP10		0.787							

Figure 3.0

Measurement model for Commitment-based HR practices, Organizational Learning Capability, Organizational Social Capital and Organizational Performance



4.3.1.2 Discriminant Validity

After the convergent validity had been established, the discriminant validity of the scale measurement was tested. There were two methods of discriminant validity that have been suggested in the statistical analysis. The first method of assessing discriminant validity by examining the cross-loadings of the items while, the Fornell-Larcker's (Fornell & Larcker, 1981) criterion was the second method. The difference between the first and second methods is that the first method examines cross-loadings at the indicator level and the Fornell-Larcker's criterion was employed at the construct level. This study used the second method - Fornell-Larcker criterion as the results indicated no cross-loadings among the items.

To conduct the discriminant validity, it began with the comparison of the squared correlations between the square root of average variance extracted (AVE) values with the constructs' correlations (Fornell & Larcker, 1981; Hair et al., 2014). Specifically, the square root of average variance extracted (AVE) of each construct should be greater than the squared correlations of any construct, indicating adequate discriminant validity. Thus, the discriminant validity criterion was established and fully satisfied.

Table 4.9 showed the results of the discriminant validity of constructs based on the Fornell-Larcker criterion.

Table 4.9
Discriminant Validity of Constructs, Fornell-Larcker Criterion

	1	2	3	4	5	6
1 Compensation	0.707					
2 OLC	0.492	0.762				
3 OSC	0.627	0.725	0.767			
4 OP	0.336	0.380	0.482	0.707		
5 Selection	0.361	0.576	0.606	0.365	0.838	
6 Training & Development	0.466	0.699	0.745	0.475	0.533	0.780

Note: Diagonals (in bold) represent the squared root of average variance extracted (AVE) while the other entries represent the correlations.

OLC = Organizational Learning Capability; OSC = Organizational Social Capital; OP = Organizational Performance

Based on the above analysis, the reflective measurement model of this study had fulfilled the internal consistency, convergent validity and discriminant validity requirements. All the constructs, namely commitment-based HR practices, organizational learning capability, organizational social and organizational performance were valid measures. Subsequently, the structural model assessment could proceed. Before the assessment of the structural model and hypotheses testing, a descriptive analysis was performed first.

4.3.1.3 Descriptive Statistics of the Latent Constructs

With reference to the table 4.10, the mean average scores ranged from 4.28 to 6.35 for all the six variables with a standard deviation ranging from 0.80 to 1.10. However, the mean values for all the variables were found to be above the midpoint of 3.50. Selection practice scored the highest with a mean value of 6.35 while organizational performance had the lowest mean value of 4.28. The highest standard deviation value showed by organizational social capital was 1.10 and the lowest value was organizational performance at 0.80. The descriptive statistics result are illustrated in Table 4.10.

Table 4.10
Descriptive Statistics

Variable	Mean	Std. Deviation
Selection	6.35	0.91
Compensation	5.45	0.90
Training & Development	5.98	1.01
OLC	6.08	0.98
OSC	6.05	1.10
OP	4.28	0.80

n=395

OLC = Organizational Learning Capability; OSC = Organizational Social Capital;
OP = Organizational Performance

4.3.1.4 Correlational Analysis

Table 4.11
The Mean and Standard Deviation of Correlation of Latent Constructs

Constructs	Mean	S.D.	1	2	3	4	5	6
1. S	6.35	0.91	1					
2. C	5.45	0.90	.36**	1				
3. TD	5.98	1.01	.53**	.47**	1			
4. OLC	6.08	0.98	.58**	.49**	.70**	1		
5. OSC	6.05	1.10	.61**	.62**	.75**	.72**	1	
6. OP	4.28	0.80	.36**	.34**	.47**	.38**	.48**	1

Note: N = 395. C = Compensation; OLC = Organizational Learning Capability; OSC = Organizational Social Capital; OP = Organizational Performance; S = Selection; TD = Training & Development.

** = $p < 0.01$.

Table 4.11 shows that the relationship between compensation, organizational learning capability, organizational social capital, organizational performance, selection, and training and development was significant at $p < 0.01$ and the results were captured from 0.34 to 0.75.

The relationship between selection and organizational learning capability ($r = .58$, $p < .01$), organizational social capital ($r = .61$, $p < .01$), and organizational performance ($r = .36$, $p < .01$) was significantly correlated. Compensation was also significantly correlated with organizational learning capability ($r = .49$, $p < .01$),

organizational social capital ($r = .62, p < .01$), and organizational performance ($r = 0.34, p < .01$). Similarly, training and development was significantly correlated with organizational learning capability ($r = .70, p < .01$), organizational social capital ($r = .75, p < .01$), and organizational performance ($r = .47, p < .01$).

The above results also showed that the correlation between mediator constructs was positively significant. For instance, the relationship between organizational learning capability and organizational performance was proven significantly correlated ($r = .72, p < .01$) and organizational social capital also was significantly correlated with organizational performance ($r = .38, p < .01$).

4.3.1.5 Assessment on Common Method Bias (CMB)

The data of this study was collected from a single source hence a common method bias may serve as a potential problem. However, this threat can be assessed using Harman's single factor test and following the procedural guideline by Podsakoff and Organ (1986), the common method bias (CMB) there are two conditions showed that common method bias (CMB) exists in the data:

- 1) In the factory analysis of all question items, just a single factor emerge and
- 2) It is just one general factor will account for the majority of the common variance present in the data.

In this present study, all 51 indicators (constructs) available in the research framework were regarded as exploratory factor analysis, and nine factors which have been extracted with a cut-off eigenvalue greater than 1 as indicated in Table 4.11. The first factor total percentage of variance was 32.707 which did not exceeded 50 as suggested by Podsakoff and Organ (1986). Further, the total variance explained by

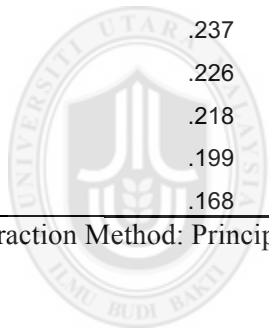
the nine factors was 56.205 which was well above the prescribed specification of 50 percent. Since a single factor did not emerge and the first factor did not account for most of the variance, this study concluded that common method bias was not a major concern in this study.

Table 4.12
Common Method Bias (CMB)

Total Variance Explained						
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	16.681	32.707	32.707	16.681	32.707	32.707
2	3.012	5.905	38.612	3.012	5.905	38.612
3	1.555	3.049	41.662	1.555	3.049	41.662
4	1.515	2.971	44.632	1.515	2.971	44.632
5	1.318	2.584	47.216	1.318	2.584	47.216
6	1.278	2.506	49.722	1.278	2.506	49.722
7	1.209	2.371	52.094	1.209	2.371	52.094
8	1.080	2.118	54.212	1.080	2.118	54.212
9	1.017	1.993	56.205	1.017	1.993	56.205
10	.984	1.930	58.136			
11	.977	1.915	60.051			
12	.954	1.870	61.921			
13	.915	1.795	63.715			
14	.880	1.726	65.442			
15	.830	1.627	67.068			
16	.827	1.621	68.689			
17	.775	1.520	70.209			
18	.771	1.512	71.721			
19	.728	1.428	73.149			
20	.705	1.382	74.532			
21	.693	1.358	75.890			
22	.686	1.345	77.235			
23	.666	1.306	78.541			
24	.651	1.277	79.818			
25	.628	1.231	81.049			
26	.599	1.175	82.224			
27	.574	1.125	83.349			
28	.562	1.102	84.452			

29	.521	1.021	85.472
30	.501	.983	86.456
31	.488	.957	87.412
32	.461	.903	88.316
33	.456	.894	89.210
34	.430	.842	90.052
35	.425	.833	90.886
36	.400	.783	91.669
37	.393	.771	92.440
38	.369	.724	93.163
39	.359	.703	93.866
40	.341	.668	94.535
41	.334	.654	95.189
42	.325	.637	95.826
43	.298	.584	96.411
44	.275	.540	96.950
45	.261	.511	97.461
46	.247	.484	97.945
47	.237	.465	98.410
48	.226	.443	98.853
49	.218	.427	99.280
50	.199	.391	99.671
51	.168	.329	100.000

Extraction Method: Principal Component Analysis



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4.4 Structural Model

The second phase of PLS includes testing of structural equation modeling to confirm the hypothesized relationship regarding predictive inference. Also, the predictive relevance and coefficient of determination (R^2) were computed. Lastly, the hypotheses were tested.

4.4.1 Assessment of Structural Model

After establishing the validity of the measurement model, it is important to assess the validity of the theoretical model which is demonstrated by the structural model (Chin, 2010). According to Duarte and Raposo (2010), a structural model described the relationship which has a cause-and-effect between the hypothesized latent variables in the particular research model. Hair et al. (2011) highlighted that the evaluation criteria to assess the goodness of the structural model are the R^2 measures the coefficient of determination and the level of significance of the path coefficients (beta values).

First, following Hair et al. (2011), this study examined the coefficient of determination (R^2). In PLS analysis, R^2 values are the amount of explained variance of endogenous latent constructs in the study model. Further, Hair et al. (2011) cited that how high or low of the R^2 value depends on the research context. The higher the R^2 value, the better it is as it indicates the values of the constructs can be well predicted through the PLS analysis. On another hand, Cohen (1988) cited that how multiple regression model fit depends on R^2 value which break into three levels 1) if R^2 value fall between 0.02 and 0.12, the model is considered weak, 2) if R^2 value fall between 0.13 and 0.25, the model is regarded as moderate, and 3) if R^2 value is 0.26 and above, the model is good. The result of R^2 is provided in Table 4.13.

Table 4.13
The Result of (R^2)

Endogenous latent constructs	R^2
Organization Learning Capability	0.57
Organizational Social Capital	0.70
Organizational Performance	0.30

Note: Threshold values: R^2 weak = 0.02 – 0.12; R^2 moderate = 0.13 – 0.25 and R^2 substantial = 0.26 (Cohen, 1988)

The result showed that the R^2 value for organizational learning capability was 0.57, suggesting that 57% of the variance in organizational learning capability can be explained by the selection, compensation, and training and development practices. The R^2 value for organizational social capital was 0.70, indicating that 70% of the variance in organizational social capital can be explained by the selection practice, compensation practice, and training and development practices. The R^2 value for organizational performance was 0.30, indicating that 30% of the variance in organizational performance can be explained by the selection, compensation, training and development practices, organizational learning capability, and organizational social capital.

In addition of evaluating the R^2 magnitude for model's predictive accuracy, the Stone-Geisser's Q^2 value is another analysis indicator to assess the model predictive relevance (Hair et al., 2014, p. 178). Subsequently, Hair et al., (2014, p. 178) and Henseler et al. (2009) cited that Q^2 is an indicator of the research model's predictive relevance. This means, when a research model exhibits predictive relevance and Q^2 value larger than zero, it offers accurate predict that the exogenous constructs have predictive relevance for endogenous construct (Hair et al., 2011).

As summarized in Table 4.14, the Q^2 value of organizational performance, organizational learning capability and organizational social capital were 0.134, 0.329,

and 0.406 respectively. This result showed that the structural model had predictive relevance as the endogenous latent constructs value higher than zero. It is important to note that by using blindfolding procedure to estimate the Q^2 value, it leads to understand how well the path model can predict the original observed values (Hair et al., 2014 , p.183). Therefore, similar to the f^2 access the effect size R^2 in values, the effect of predictive relevance was examined by using q^2 index following the formal as follows:

$$q^2 = \frac{Q^2_{\text{included}} - Q^2_{\text{excluded}}}{1 - Q^2_{\text{included}}}$$

Hence, as shown in Table 4.14, the q^2 effect in the estimated model suggested a no to small effect as the value of q^2 effect sizes fall between 0.00 to 0.10 (Hair et al., 2014).

Table 4.14
The Result of the R^2 , Q^2 and q^2 Values

Predictor	Endogenous	R^2	Q^2	Predictive Relevance	q^2
Selection Compensation	Organizational Learning Capability	0.57	0.329	Yes	0.01 0.04
Training & Development					0.00
Selection Compensation Training & Development	Organizational Social Capital	0.70	0.406	Yes	0.05 0.03 0.07
Organizational Learning Capability	Organizational Performance	0.30	0.134	Yes	0.03 0.10
Organizational Social Capital					

Second, effect size f^2 refers to the impact of an exogenous latent construct (e.g. commitment-based HR practices, organizational learning capability, organizational social capital) on the endogenous latent construct (e.g. organizational performance) by examining the changes of R^2 , following the guideline of Chin (2010). As shown in Table 4.15, organizational learning capability had a minor effect on selection, compensation, and training & development since the f^2 ranged from 0.04 to 0.10. Organizational social capital had a medium effect on selection, compensation, and training & development ranged from $f^2 = 0.15$ to 0.19. Subsequently, organizational learning capability had a small effect on organizational performance ($f^2 = 0.12$) while organizational social capital had a large effect on organizational performance ($f^2 = 0.36$).

Table 4.15
The Result of f^2

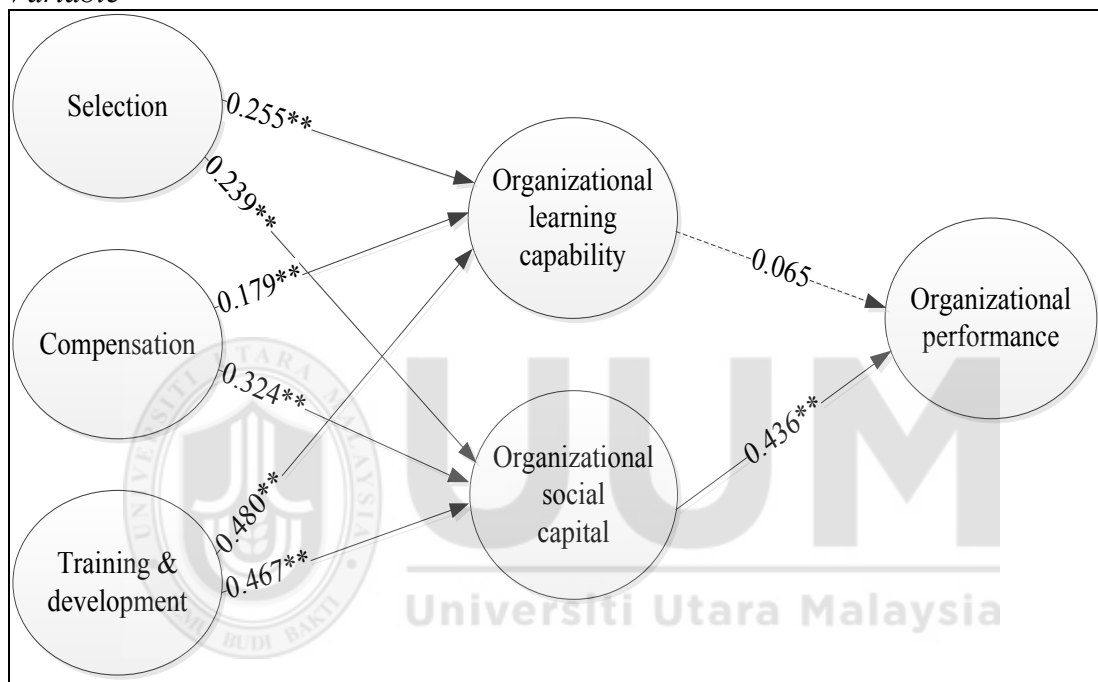
Predictor	Endogenous	f^2
Selection	Organizational Learning	0.04
Compensation	Capability	0.08
Training & Development		0.10
Selection	Organizational Social	0.16
Compensation	Capital	0.19
Training & Development		0.15
Organizational Learning Capability	Organizational Performance	0.12
Organizational Social Capital	Organizational Performance	0.36

Note: Threshold values: f^2 small = 0.02; f^2 medium = 0.15 and f^2 large = 0.35 (Cohen, 1988)

Third, the path coefficients and their significance level were examined. Path coefficients of the structural model were assessed, and bootstrap analysis was performed to evaluate the statistical significance of the path coefficients. The standardized values of the path coefficients ranged between -1 and +1. The estimated

path coefficients being close to +1 signifies a strong and positive linear relationship and the estimated path coefficients being close to -1 signifies negative values (Hair et al., 2013). Figure 4.0 presents the results of the path coefficients of the independent, mediating and dependent variables.

Figure 4.0
Path Coefficient of Independent Variable, Mediating Variables and Dependent Variable



**= $p < 0.01$

Note: Commitment-based HR practices consist of selection, compensation and training and development.

According to Efron (1979) and Yung and Bentler (1994), to obtain the robust statistics in SEM, the bootstrap is a potential analysis method. As to Hair et al., (2011), bootstrapping serves as nonparametric test in PLS. This is because bootstrapping analysis depends on a repeat of random sampling with replacement from the original sample for purpose 1) to create a bootstrap sample and 2) to develop standard errors for hypothesis testing. In the term of re-sampling sample, Chin (2010) suggested 1000 to 5000 resamples to perform bootstrapping. However, according to Preacher and Hayes (2008b), the number of bootstrap sample should be high but must

be at least equal to the number of valid observations in the data set. Therefore, a rule of thumb for the bootstrap, 5,000 bootstrap samples are recommend. Following the notion of Preacher and Hayes (2008b), this study has used 5,000 re-samples to test the significance of the path coefficients (regression coefficients). The result of bootstrapping is illustrated in Table 4.16.

In this study, 11 direct relationships were hypothesized. Based on the findings, ten direct relationship hypotheses were supported while one relationship was not. Organizational learning capability and organizational social capital were hypothesized as mediating variables and six hypotheses were developed. To fulfil the requirements of mediation effect test, it could be analysed by using t-test via non-parametric procedure bootstrapping method. Therefore, to conduct the non-parametric PLS path modeling, Hair et al., (2013) stated that to test the significance of the mediating effect, it is required to use a non-parametric bootstrapping procedure. The formula to compute the mediation effect as stated below:

$$t = \frac{\text{indirect Effect (path a + path b)}}{\text{Standard Error}}$$

Path a provides standardized regression coefficients of independent variable to the mediating variable path.

Path b provides standardized regression coefficients of mediating variable to the dependent variable path.

In this research study, the mediation takes place when an indirect relationship between independent and dependent variables is significant (Hayes, 2013; Preacher & Hayes, 2008b). In this study, three indirect relationships out of six were found to be significant. The result are indicated in Table 4.16.

Table 4.16: *The Result of Structural Model*

Hs	Direct relationship	Beta (β)	SE	t-value	Decision	Bootstrapped Confidence Interval			
H1a	S -> OP	0.136	0.031	4.365**	Supported				
H1b	C -> OP	0.157	0.041	3.886**	Supported				
H1c	TD -> OP	0.329	0.037	8.801**	Supported				
H2a	S -> OLC	0.255	0.061	4.213**	Supported				
H2b	C -> OLC	0.179	0.048	3.726**	Supported				
H2c	TD -> OLC	0.480	0.048	10.116**	Supported				
H3a	S -> OSC	0.239	0.048	4.977**	Supported				
H3b	C -> OSC	0.324	0.035	9.160**	Supported				
H3c	TD -> OSC	0.467	0.047	9.992**	Supported				
H4	OLC -> OP	0.065	0.043	1.508	NS				
H5	OSC -> OP	0.436	0.039	11.300**	Supported				
Indirect relationship		Path a	Path b	Indirect Effect (β)	SE	t-value	Decision	95% LL	95% UL
H6a	S-OLC-OP	0.255	0.065	0.017	0.012	1.347	NS	-0.008	0.041
H6b	C-OLC-OP	0.179	0.065	0.012	0.009	1.324	NS	-0.006	0.029
H6c	TD-OLC-OP	0.480	0.065	0.031	0.021	1.502	NS	-0.010	0.072
H7a	S-OSC-OP	0.239	0.436	0.104	0.024	4.433**	Supported	0.058	0.150
H7b	C-OSC-OP	0.324	0.436	0.141	0.021	6.847**	Supported	0.101	0.182
H7c	TD-OSC-OP	0.467	0.436	0.204	0.027	7.598**	Supported	0.151	0.257

*p<0.05; **p<0.01;

NS= not supported

S = Selection; C = Compensation; TD = Training & Development; OLC= Organizational Learning Capability; OSC= Organizational Social Capital; OP = Organizational Performance; SE = Standard error; LL = Lower level; UL = Upper level

4.5 Hypotheses Testing Results

This section provides the result of direct relationships and indirect relationships of the variables of this study.

4.5.1 Direct Relationship

In this study, 11 direct relationships were hypothesized. Based on the findings, ten direct relationship hypotheses were supported while one relationship was not. The result is indicated Table 4.16.

4.5.1.1 The Relationship between Commitment-based HR Practices (independent variable) and Organizational Performance (dependent variable)

The result of path coefficients showed that the influence of selection practice on organizational performance was statistically significant with the standardized beta value of ($\beta=0.136$, $p<0.01$). The result supported hypothesis H1a that selection practice is positively related to organizational performance. Hypothesis H1b stated the compensation practice is positively related to organizational performance. The results showed that the path of compensation practice and organizational performance ($\beta=0.157$, $p<0.01$) was significant. Thus, hypothesis H1b was accepted. The path from training and development practice to organizational performance ($\beta=0.329$, $p<0.01$) was also significant. Hence, hypothesis H1c was supported.

4.5.1.2 The Relationship between Commitment-based HR Practices (independent variable) and Organizational Learning Capability (mediating variable)

The result of path coefficients showed that the standardized beta value of selection practice on organizational learning capability ($\beta=0.255$, $p<0.01$) was statistically

significant. Hence, hypothesis H2a that indicates a positive relationship between selection practice and organizational learning capability was supported. The relationship between compensation practice and organizational learning capability ($\beta=0.179$, $p<0.01$) was also significant. Thus, hypothesis H2b was accepted. The path from training and development practice with organizational learning capability ($\beta=0.480$, $p<0.01$) was also significant, supporting hypothesis H2c that training & development is positively related to organizational performance.

4.5.1.3 The Relationship between Commitment-based HR Practices (independent variable) and Organizational Social Capital (mediating variable)

Hypothesis H3a stated that selection practice has a relationship with organizational social capital. The result of path coefficients showed that the influence of selection practice on organizational social capital was statistically significant with the standardized beta value of ($\beta=0.239$, $p<0.01$). The relationship between compensation practice and organizational social capital ($\beta=0.324$, $p<0.01$) was also significant which supporting hypothesis H3b. Moreover, the relationship between training and development practice with organizational social capital ($\beta=0.467$, $p<0.01$) was also significant hence supported hypothesis H3c. Thus, hypotheses H3a, H3b, and H3c were supported.

4.5.1.4 The Relationship between Organizational Learning Capability (mediating variable) and Organizational Performance (dependent variable)

Hypothesis H4 proposed that organizational learning capability is positively related to organizational performance. However, the result of path coefficients showed that the

standardized beta value of organizational learning capability and organizational performance ($\beta=0.065$ at $p>0.05$) was not significant. Thus, hypothesis H4 was not supported.

4.5.1.5 The Relationship between Organizational Social Capital (mediating variable) and Organizational Performance (dependent variable)

Hypothesis H5 proposed that organizational social capital has a positive relationship with organizational performance. The result of path coefficients showed that the standardized beta value of organizational social capital and organizational performance ($\beta=0.436$, $p<0.01$) was statistically significant. Hence, hypothesis H5 was supported.

The following section presents the result of six mediation hypotheses.

4.5.2 Indirect Relationship

There were six mediation hypotheses (H6a, H6b, H6c, H7a, H7b, and H7c) on the mediating role of organizational learning capability and organizational social capital in the relationship with organizational performance.

The bootstrapping procedure in SPSS (22.0) which created by Preacher and Hayes (2008) has been used to analysis mediation hypothesis as partial least square analysis method did not compute the test of indirect effects of individual mediation paths. The first step to conduct the bootstrapping procedure was importing the latent construct scores into SPSS. In this study, 2000 bootstrap samples at 95 percent level of confidence for confidence intervals was used to test the significance of the path coefficients. In testing mediation, when a confidence interval does not include zero, it

means an indirect effect is significant. Table 4.16 summarizes the result of the mediation hypotheses analysis based on bootstrapping procedure.

4.5.2.1 The Relationship between Organizational Learning Capability (mediating variable), Commitment-based HR Practices (independent variable) and Organizational Performance (dependent variable)

Hypothesis H6a specified that organizational learning capability mediates the relationship between selection practice and organizational performance. However, the analysis showed the indirect effect was not significant within the confidence intervals of -0.008, 0.041 with t-value of 1.347. Hence, hypothesis H6a was not supported. Meanwhile, hypothesis H6b indicated that organizational learning capability mediates the relationship between compensation practice and organizational performance. The result of the indirect effect however was not significant within the confidence intervals of -0.006, 0.029 with t-value of 1.324. Therefore, hypothesis H6b was rejected. Hypothesis H6c stated that organizational learning capability mediates training and development practice and organizational performance. However, hypothesis H6c was not supported due the indirect effect was not significant within the confidence intervals of -0.010, 0.072 and t-value of 1.502. These results showed organizational learning capability did not mediate the relationship between commitment-based HR practices and organizational performance. Therefore, it was concluded that H6a, H6b, and H6c were not supported.

4.5.2.2 The Relationship between Organizational Social Capital (mediating variable), Commitment-based HR Practices (independent variable) and Organizational Performance (dependent variable)

Hypothesis H7a proposed that organizational social capital mediated the relationship between selection practice and organizational performance and the analysis of indirect effect showed significant result within the confidence intervals of 0.058, 0.150 and t-value of 4.433. Therefore, hypothesis H7a was supported. Hypothesis H7b specified that organizational social capital mediated the relationship between compensation practice and organizational performance. The indirect effect was significant within the confidence intervals of 0.101, 0.182 with t-value of 6.847 and thus, hypothesis H7b was also supported. Lastly, hypothesis H7c stated that organizational social capital mediated between training and development practice and organizational performance. The indirect effect was significant within the confidence intervals of 0.151, 0.257 with t-value of 7.598 which supported hypothesis H7c. Hence, the findings provided an evidence that support the mediation hypotheses of hypothesis H7a, H7b and H7c. In conclusion, Table 4.17 presents a summary of the hypotheses results.

Table 4.17
Summary of The Hypotheses

Hypotheses	Description	Results
H1a	Selection practice has a positive relationship with organizational performance.	Supported
H1b	Compensation practice has a positive relationship with organizational performance.	Supported
H1c	Training and Development practice has a positive relationship with organizational performance.	Supported
H2a	Selection practice has a positive relationship with organizational learning capability.	Supported

H2b	Compensation practice has a positive relationship with organizational learning capability.	Supported
H2c	Training and Development practice has a positive relationship with organizational learning capability.	Supported
H3a	Selection practice has a positive relationship with organizational social capital.	Supported
H3b	Compensation practice has a positive relationship with organizational social capital	Supported
H3c	Training and Development practice has a positive relationship with organizational social capital.	Supported
H4	Organizational learning capability has a significant relationship with organizational performance.	Not Supported
H5	Organizational social capital has a positive relationship with organizational performance.	Supported
H6a	Organizational learning capability mediates the relationship between selection and organizational performance.	Not supported
H6b	Organizational learning capability mediates the relationship between compensation and organizational performance.	Not supported
H6c	Organizational learning capability mediates the relationship between training and development and organizational performance.	Not supported
H7a	Organizational social capital mediates the relationship between selection and organizational performance.	Supported
H7b	Organizational social capital mediates the relationship between compensation and organizational performance.	Supported
H7c	Organizational social capital mediates the relationship between training and development and organizational performance.	Supported

4.6 Summary of the Chapter

This chapter presented the results of the data analysis. The profile of manufacturing organizations and their representative was described. Harman's single factor test was conducted to examine common method bias, which was not a major concern in this study. Subsequently, the evaluation of the measurement model and its constructs, three analysis tests namely adequate reliability, convergent validity, and discriminant validity were performed. The result showed the model was acceptable and satisfactory

After the measurement model had been assessed, the structural model was examined. Table 4.16 summarizes the results of the hypotheses. In attempting to predict the hypothesized relationships, a bootstrapping procedure was applied to determine the significance of the relationships. The results provided empirical evidence supporting the significant linear relationship between selection, compensation, and training and development practice and organizational performance. Hence, H1a, H1b, and H1c were supported.

Next, the relationship between the independent variables (commitment-based HR practices namely selection, compensation and training and development) and the mediating variables (organizational learning capability and organizational social capital) was analyzed. The results showed a significant relationship between commitment-based HR practices and organizational learning capability. Similarly, commitment-based HR practices were found to have a significant relationship with organizational social capital. Thus, H2a, H2b, H2c, H3a, H3b, and H3c were accepted.

However, there was no relationship between organizational learning capability and organizational performance, rejecting H4. However, there was a significant

relationship between organizational social capital and organizational performance, supporting H5.

Subsequently, further analysis was undertaken to determine the mediating effect of organizational learning capability and organizational social capital on the relationship between the independent variable – commitment-based HR practices (selection, compensation, and training and development) and organizational performance. The result showed that organizational learning capability did not mediate but organizational social capital mediated the relationship. As a result, H6a, H6b and H6c were not supported while H7a, H7b, and H7c were supported.

The next chapter discusses the findings, theoretical and practical implications, limitations of this study, and suggestions for future research.



CHAPTER 5

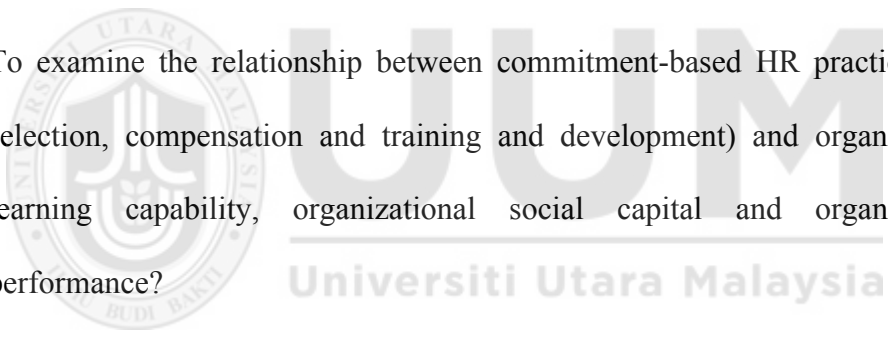
DISCUSSION, RECOMMENDATION AND CONCLUSION

5.0 Introduction

In this final chapter, the research results are discussed in detail, followed by theoretical and practical implications. This chapter also highlights the limitations of the study and suggestions for future research. Finally, a conclusion of the whole study is presented.

5.1 Recapitulation of Study and Summary of Findings

This study embarked on meeting the following objectives:

- 
- (a) To examine the relationship between commitment-based HR practices (e.g. selection, compensation and training and development) and organizational learning capability, organizational social capital and organizational performance?
 - (b) To determine the relationship between organizational learning capability, organizational social capital and organizational performance.
 - (c) To examine the mediating role of organizational learning capability and organizational social capital in the relationship between commitment-based HR practices (e.g. selection, compensation and training and development) and organizational performance.

To achieve the above objectives, the researcher employed a quantitative approach. Since the study was conducted at the organizational level, the researcher selected randomly the Japanese MNCs using a simple random technique. Questionnaires,

developed from the literature, were employed as the primary data collection technique. A Harman's single factor test has been performed to examine common method bias by using un-rotated principle component analysis. The outcome of the result showed that common method bias was not presented. Thus, it fulfilled the criteria of the first factor variation was not exceeded 50 per cent and the remaining factors variation above 50 per cent which were extracted. The PLS-SEM (version 2.0) analysis was applied to test the relationship among the variables in the research model.

The findings showed that the relationship between commitment-based HR practices, organizational learning capability, organizational social capital, and organizational performance was significant. The relationship between organizational learning capability and organizational performance was insignificant compared to the relationship between organizational social capital and organizational performance which was positively significant. No mediation effect of organizational learning capability was found in the relationship between commitment-based HR practices and organizational performance. However, organizational social capital function was found to act as a mediator in the relationship between commitment-based HR practices and organizational performance.

5.2 Discussion of Findings

This sections discuss the findings of the direct hypotheses as reported in chapter 4. It follows by the discussion of indirect hypotheses of the relationship with organizational learning capability and organizational social capital as the mediators in the relationship between commitment-based HR practices and organizational performance.

5.2.1 Commitment-based HR Practices and Organizational Performance

One of the objectives of this study was to determine the relationship between commitment-based HR practices and organizational performance. Commitment-based HR practices refer to the organizations selection, compensation and training and development practices. They were found to be positively and significantly related to organizational performance. Selection of employees is the main core function of an organization because the organization is likely to be effective when the right employees are selected and placed in the right position. Employees who possess multi-dimensional skills, knowledge, and competency will be able to perform their job well to the expectation of the organization. Japanese MNCs value their employees because they are the heart and soul of the business (Jetro, 2016). So, if unqualified employees are hired, not only the organizational productive outputs will suffer but also the cost the organization has to incur as a result of poor employee performance. For instance, poor performing employees could damage the reputation or image of the organization when they interact with external parties, such as customers. The finding can also be explained by resource-based view theory (Barney, 1991). According to this theory, the ability of an organization to create an employment relationship through a selection process helps create growth opportunities in the internal labour market so that candidates who fulfil the organization's requirements can be identified. It also enables the organization to proper manage the employees' knowledge and skills (Delery & Doty, 1996; Aradhana Khandekar & Anuradha Sharma, 2005). By doing so, the organization can benefit from the utilization of its resources and capabilities. In turn, the organization retains its core competencies and, thus, increases organizational performance.

Compensation practice was also found to be positively related to organizational performance. This finding was expected because today's organizations such as Japanese MNCs want to recruit, retain and motivate employees to work together to achieve the organizational objectives. Japanese MNCs realize that human resources are one of the organization's assets that need to be effectively and efficiently managed (Jetro, 2016). One of the tools organizations use to keep their human resources is compensation. A comprehensive and well-designed compensation system would benefit the organization in terms of the development and retaining of employee knowledge and skills for the organization (Delaney & Huselid, 1996; Delery & Doty, 1996). The knowledge and skills enable the organization to possess valuable, rare, and inimitable assets that allow it to be competitive as espoused by resource-based view theory (Barney, 1991). Additionally, an attractive compensation scheme motivates because it rewards employees for achieving their expected work goals and targets (Intan Osman et al., 2011; Singh, 2004; Tang, 2012), resulting in their commitment.

Besides selection and compensation practices, training and development practice was also found to be significantly related to organizational performance. Training and development practice enables employees to build and develop their knowledge and skills in yielding better output for the organization (Arthur, 1992; Richard & Johnson, 2001). Subsequently, the organization has the advantage of meeting current and future challenges. In other words, training and development are important to improve organizational performance. The resource-based view theory provides support for this idea. According to this theory, the competitive advantage of an organization is derived from its intangible resources (Barney, 1991), one of which is human knowledge, skills, and attitudes. Although all HRM practices are interrelated in the development of intangible resources, training and development are responsible for

developing employee skills and knowledge (Barba-Argon, Jimenez-Jimenez, Sanz-Valle, 2014; Velada & Caetano, 2007). When the employees are equipped with sufficient skills and knowledge, they can perform their job well and help accomplish the organizational objectives.

Based on the above discussion, it showed that the result of finding is consistent with previous studies (Arthur, 1992, 1994; Batt, 2002; Collins & Smith, 2006; Delaney & Huselid 1996; Hooi & Ngui, 2014; MacDuffie, 1995; Nadia Newaz Rimi & Yusliza Mohd Yusoff, 2013) and supports the resource-based view theory (RBV) that postulates the deployment of the unique bundle of resources available in the organization to achieve competitive advantage and growth (Barney, 1991, 1997; Penrose, 1959; Wernerfelt, 1984). The finding of this study is consistent with previous studies because Japanese management practice regarded the employees of an organization as 'resources' that need to be managed and developed. By doing so, it assists the organization to enrich their business system as they believe people enable the systems to operate smoothly (Ono, 2010; Kate & Hideo, 2011). The rising competition in the markets have forced organizations to strengthen the internal potential which emphasis on people. Therefore, the Japanese MNCs organizations pursuing the best HRM practices to achieve continuous higher performance. As commitment-based HR practices emphasize on long-term investment in employees, it meets the organizations objectives to strengthen their investment in the human capital and employment security to all their employees, in exchange for their dedication, knowledge and skill formation. Consequently, it enables the organizations to utilise the accumulate firm-specific skills that increase productivity, but to realize this objective, the management must have the right employees. With this in mind, organizations can utilise commitment-based HR practices component such as

selection practice to choose the employees fulfil the organizations criteria; compensation practice enable the management to design a package which motivate employees in skill formation and lastly, training and development practice allows the employees to accumulate firm-specific skills that enhance productivity. As a result, it strengthen the organizational performance.

Therefore, the organization must handle its human resources well by implementing specific HR practices to enhance the potential of the human resources (Paauwe & Boselie, 2002; Jackson et al., 2009). As commitment-based HR practices emphasize a long-term investment in employees, creating an organizational environment that elicits appropriate employee behaviours and capabilities that contribute to the organization's competitive advantage is essential (Aradhana Khandekar & Anuradha Sharma, 2005; Brown & Ostroff, 2004; Collins & Clark, 2003) so that the organization can achieve produces better organizational performance (Aradhana Khandekar & Anuradha Sharma, 2005; Porter, 2008; Sun et al., 2007).

Overall, the findings of this study provide empirical support that Japanese MNCs need to utilize the bundle of HR practices and maximize human resources capability to accomplish their performance. Additionally, the results are in line with the findings of other researchers such as Combs et al. (2006), Xiao and Bjorkman (2006), and Tang (2012) who demonstrated a positive relationship between specific HRM practices and organizational performance. The findings are also consistent with previous works that found commitment-based HR practices significantly enhanced organizational performance (Arthur, 1992, 1994; Batt, 2002; Bourne et al., 2013; Collins & Smith, 2006).

5.2.2 Commitment-based HR Practices and Organizational Learning

Capability

The result of the structural model assessment shown in Table 4.16 indicated that selection practice was positively and significantly related to organizational learning capability. This finding suggests that Japanese MNCs emphasizes a continuous learning process and ensures that the HR practices are implemented towards the end. In this regard, the selection practice must ensure that the selected employees possess the right characteristics that encourage them to learn new knowledge and skills so that the organizational learning process is strengthened (Dyer & Shafer, 2003; Huber, 1991; Lopez-Cabrales et al., 2011; Schmidt & Hunter, 1998; Swart & Kinnie, 2003; Williams, 2001). Japanese MNCs' emphasis on the development of employee knowledge and skills is part of their business strategy. With the new knowledge, skills and expertise, the organizations can apply novel techniques, processes or even new growth models to sustain their business in the current competitive market.

The finding of the study is supported by Lopez-Cabrales et al. (2011) and Raj and Srivastava (2013) who demonstrated that organizational learning capability occurs when employees search for new knowledge and skills and are willing to integrate and share with their team and the organization. Additionally, the organization must look for positive employee characteristics of interpersonal adaptability, openness, flexibility, teamwork and commitment in the selection process to improve their learning capability. According to Visser (2012), the concept of organizational learning capability is not about the technical skills and knowledge people have, but it is closely related to their attributes, attitudes, and behaviours.

The result of this study also found a significant and positive relationship between compensation practice and organizational learning capability. The result suggests that a good compensation practice can attract and motivate employees to acquire new knowledge and skills in the organization (Kang et al., 2007; Lopez-Cabrales et al., 2011). Compensation practices that include incentives may enhance cooperative behaviour and motivation for individuals to experiment with new ideas and develop new knowledge and skills (Jerez-Gomez et al., 2005; Lawler et al., 2001). The practice also encourages employees to improve their capabilities when they are perceived to be adequately rewarded (Rahardjo, 2015).

Finally, it was found that training and development practice could significantly promote organizational learning capability. In Japanese MNCs, training and development practice is the key to ensure that they can continually meet the current business pressures (Jetro, 2016) through continuous upgrading of their knowledge management capabilities. Through the training and development practices, organizations can also gauge how successful the learning process is, how well knowledge and skills have been generated and transferred to the organization for use to formulate better strategies, which making it difficult for competitors to imitate (Cross & Baird, 2000; Cavaleri, 2004; Lopez et al., 2005; Nonaka & Takeuchi, 1995). The Japanese MNCs emphasize training and development as an approach to accelerating new skills and enriching the organizational knowledge. By keeping abreast with the development of new knowledge, skills as well as their capabilities, the organizations are better able to operate their business in today's fierce competitive market (Kogut, 2000; Collins & Smith, 2006; Norashikin Hussein et al., 2014).

This is due to the Japanese management philosophy that the organization success has always been built on its employees as they believe the employees serve as the backbone strength for the organization. Through commitment-based HR practices (e.g., selection, compensation and training and development), the organization can create supportive, motivating workplace where everyone can flourish. Therefore, Japanese MNCs use the advantage of commitment-based HR practices to foster organizational learning capability culture so that each employee in the organization has the chance to enrich their knowledge and skills. In short, organizational learning capability is described as the building block for better performance and responsiveness to external pressures (Armstrong & Foley, 2003; Jerez-Gomez et al., 2004; Norashikin Hussein & Noormala Amir Ishak, 2006; Norashikin Hussein et al., 2014).

For Japanese MNCs, the ability of having sufficient knowledge and skills would be important for innovations and gaining competitive edge over their rivals. In-fact, according to the recent studies, the high performance of MNCs is relying on how much capacity the organizations have to assimilate, generate and integrate knowledge on worldwide basis (Saka-Kelmhout, 2010). Hence, it is a widely accepted idea that human resource management is essential to successfully developing organizational learning capability. The management can show strong commitment to developing a learning culture by implementing specific HR practices to support the learning process at the individual, group, and organization levels. According to Minbaeva (2005), specific HR practices will exert a substantial impact on organizational learning capability when the practices are complement each other and have a positive impact on the employees development. That is, employees can enhance their

knowledge and skills essential for the organization to survive in the turbulent marketplace (Katou & Budhwar, 2010; Raj & Srivastava, 2013).

Overall, the findings support the resource-based view (RBV) (Barney, 1991) and previous studies (Hooi & Ngui, 2014; Jerez-Gomez et al., 2005; Lei et al., 1999; Lopez-Cabrales et al., 2011; Lopez et al., 2005; Minbaeva, 2005; Raj & Srivastava, 2013). According to RBV theory, human resources are the valuable assets that enable an organization to be competitive by building and enhancing the organization's learning capability (Barney, 1995) to allow the organization to anticipate and understand the market needs better, leading to sustained growth and success (Lei et al., 1999; Snell et al., 1996; Raj & Srivastava, 2013).

5.2.3 Commitment-based HR Practices and Organizational Social Capital

The result of the present study showed that selection practice was positively related to organizational social capital (see Table 4.16). This is because selection practices underline internal promotion that offers growth opportunities for employees, encouraging them to develop mutual cooperation, share common interests, and act collectively in different levels of the organization, leading to knowledge creation and sharing, learning, social support, and group problem solving (Nakamura & Yorks, 2011; Storberg & Gubbins, 2007; Yorks, 2005). As a result, the organization is likely to perform better. Furthermore, organizational social capital facilitates employees' access to knowledge and resources that enhance organizational efficiency (Hung, Lien, & McLean, 2009; Nakamura & Yorks, 2011). As employees familiarize themselves with the organization's norms, values and goals (Collins & Smith, 2006; Morris et al., 2005), they will perform better as they understand what is expected of them.

When the right employees are selected, it is essential to reward them for their performance. The finding of this study revealed a significant and positive relationship between compensation practice and organizational social capital, indicating that compensation practice serves as a significant source of recognition for the efforts contributed by the employees. It is also a form of feedback that enables the employees know whether they had performed or not. When the employees are rewarded for their collective and cooperative behaviour as well willingness to share information, organizational social capital will be developed and enhanced (Leana & Van Buren, 1999). In this case, the organization needs to ensure that the compensation practice is not simply about rewarding the employees, but it also serves as a crucial platform for building strong relationship between them. This finding supports the viewpoints of Baker and Dutton (2005), Kang et al. (2007) and Leana and Van Buren (1999), who asserted that compensation practice can facilitate economic and community development and foster a social relationship that can yield higher labour efficiency and improve productivity and quality, leading to organizational effectiveness and enhanced performance.

Leana and Van Buren (1999) posited that employees' ability to form organizational social capital is being derived from one of the HRM practices, that is training and development practice. The result of the present study supports their postulation since a significant and positive relationship was found between training and development practice and organizational social capital (see Table 4.16). The result is significant because training and development are an important function to enhance employees' capabilities and confidence. When the employees feel that the organization is making efforts in investing on them, they will be committed and develop trust with the

organizations, leading to a solid relationship between them (Collins & Smith, 2006; Jackson et al., 2006; Lengnick-Hall & Lengnick-Hall, 2003; Lopez-Cabrales et al., 2011). To develop a good relationship with their co-workers, it is essential that employees enhance their interpersonal skills. According to Collins and Smith (2006), Jackson et al., (2006) and Lopez-Cabrales et al., (2011), training and development programs that focus on teamwork are able to improve relationship building and teamwork skills and promote organizational social capital.

The above discussion offers insight of the significant positive relationship between commitment-based HR practices and organizational social capital. This significant finding due a reason that Japanese MNCs used commitment-based HR practices (e.g., selection, compensation, training and development) to increase the frequent and intense interactions which encourage employees to focus on cooperation and expand the social relationship network in the organization. For example, selection practice in the Japanese MNCs focus on selecting employees who are to facilitate good social relationship with other organizational members and thus unify their communicational resources (Faranak Khodabakhsi & Badri Abbasi, 2015). Compensation practices is used to enhance employees commitment and motivation and subsequently, assist them to improve their interpersonal and team work skills. It is also providing the employees more opportunities to interact and develop good relationship with others. Lastly, training and development practices enable employees to acquire new knowledge and skills which help them to be more disciplinary in coordinating and integration to effectively perform the job task assigned to them. To achieve effective job performance, employees will realize that they should not merely based on the knowledge and higher technical skills level but also effective social relationship within the organizations (Faranak Khodabakhsi & Badri Abbasi, 2015).

Overall, the significant link between commitment-based HR practices and organizational social capital is consistent with social capital theory (SCT) (Putnam, 1993a, 1993b) that proposed that building social relationship, norms and trust will result in cooperation (Chuang et al., 2013; Gittell et al., 2010; Kase et al., 2009; Jackson et al., 2006; Kang et al., 2007). According to SCT theory, a collective value such as trust, reciprocity, information and goal orientation built in employees will make them committed and encourage them to focus on the common strategic goals. Consequently, it helps increase organizational performance, and enable the employees to get better jobs, better wages, and greater promotions through the social capital network they have built. Therefore, commitment-based HR practices (e.g. selection, compensation and training and development) could contribute to the capacity of the organization to enhance social capital development (Lin & Tang, 2016). It has been posited that HR practices facilitate the creation of a climate in which productive and harmonious relationship thrives (Armstrong, 2006).

Organizational social capital has a significant function in meeting an organization's needs and contributes to its successful survival in today's fierce business competition. To meet the needs, organizational social capital acts as a management tool for fulfilling the organization's core objectives and goals more effectively through associability and trust (Abili, 2011; Leana & Van Buren, 1999). According to Leana and Van Buren (1999), associability is the willingness and ability of participants to subordinate individual goals and associated actions to bigger goals. From this perspective, it shows the quality and quantity of relations among the employees in the organization is significantly essential. Hence, it requires HR practitioners to pay attention because human resource management (HRM) practices serve as a strategic and coherent approach to developing the organizational social capital (Kang et al.,

2007; Leana & Van Buren, 1999). Therefore, organizations must invest in developing and managing organizational social capital because it can produce socio-economic benefits by promoting knowledge sharing, value creation, competitiveness and better performance (Abili & Faraj, 2009; Kang et al., 2007).

5.2.4 Organizational Learning Capability and Organizational Performance

The findings of this study showed that the relationship between organizational learning capability and organizational performance (see Table 4.16) was not supported. This result is contrast to the initial conceptualization of the link. The reason could be that this study focused on a sample of Japanese MNCs established in Malaysia for many years. Japanese MNCs could exercise different management practices from other western MNCs in Malaysia. Previous studies conducted on western organizations found a positive and significant association between the two (Chaiporn & Thoumrungroje, 2011; Goh et al., 2012; Imamoglu, Ince, Keskin, Karakose, & Gozukara, 2015; Lopez et al., 2005; Ruiz-Mercader et al., 2006; Spicer & Sadler-Smith, 2006), suggesting that western organizations used organizational learning capability as part of their strategies to increase organizational performance.

In contrast, Japanese MNCs have their own policy regarding the process of acquiring new knowledge and skills and implementing business strategies and management practices. The management practices in Japanese MNCs have a strong influence from their own country's unique culture developed as a result of a century-long seclusion of the country (Haghirian, 2010). The management practices include kaizen and total quality management, human resource management (which emphasize uchi-soto (inside-outside relationship), senpai-kohai (senior-junior relationship), production management (e.g., just-in-time management), and knowledge management

(Haghirian, 2010). The subsidiaries of Japanese MNCs strictly follow the management philosophy of the headquarters and corporate identity (Firkola, 2006) for standardization, formalization, specialization, and hierarchical authority (Yokozawa & Steenhuis, 2013). Having the same management philosophy and style enables the headquarters to control over their subsidiaries more systematically. Subsequently, it can cultivate shared values and facilitate better coordination and control through Japan MNCs.

Secondly, Japanese MNCs usually takes longer time to consider adopting other management skills (e.g., organizational learning capability), hence, limiting them from understanding the benefits of adopting new management skill (Kono & Clegg, 2001; Yokozawa & Steenhuis, 2013). The typical Japanese ways of thinking reflect the unique character of 'We', which is unyielding in Japanese organizations; hence, any new management tools (e.g., organizational learning capability) to be implemented in the organization must go through the 'consensus' process. To the Japanese, the consensus process is the essential step in a decision-making process (Chen, 2004; Howe, 2010). For instance, subsidiaries need to present ideas or methods in detail to the headquarters before approved for implementation. As a result, it takes a longer time to implement management tools that may benefit the organization.

Another possible reason might be due to the similarity between organizational learning capability and Japanese knowledge management practices. Western organizations view organizational learning capabilities as a strategic management tool to improve overall acquiring new knowledge to maintain sustainable existence and development. In the Japanese knowledge management (i.e., kaizen), learning is a vital

part of a daily process in which knowledge is managed and communicated to all members of the organization (Haghirian, 2010; Imai, 1986, 2004, 2012; Kobayashi, 1990). According to Aoki (2008) and Yokozawa and Steenhuis (2013), kaizen management practices are regarded as organizational learning capability that involves three levels of the learning process. First, the fundamental level which stresses that performance is consistently maintained by focusing on the core element of acquiring relevant knowledge and skills to complete a task. The second level stresses on the improvement capability or performance improvement by following work practices. The third level involves building capability that emphasizes that employees at all levels in the organization combine their collective talents and work together proactively to achieve greater improvement for better organizational performance results (Liker, 2004; Suárez-Barraza & Smith, 2014).

Kaizen management practice has been incorporated in Japanese MNCs around the world. Kaizen has been deeply ingrained in the minds of the employees that it has become a part of their identity. As kaizen emphasizes improving the process rather than focusing on the results, employees are encouraged to acquire new knowledge and skills to improve their working environment. In short, kaizen has a great influence on Japanese MNCs and has been a very successful management philosophy.

Even though the link between organizational learning capability and organizational was found to be insignificant, the result should not be taken to mean that Japanese MNCs reject the role of organizational learning capability in improving the management practices and business process. However, it could be that Japanese MNCs have already had a system that promotes and develops learning capability established since a century ago.

5.2.5 Organizational Social Capital and Organizational Performance

The findings of this study showed that organizational social capital and organizational performance were significantly related. An organization with a high level of organizational social capital in which trustworthiness, understanding, connections and sense of membership among employees exist strengthens organizational performance. The finding being consistent with social capital theory which states that organizational social capital is the degree to which the organization or its individual employees use such mechanism as network, trust, norms and values in group and organization levels to achieve organizational goals. The result also matches with that reported in past studies (Andrews, 2010; Cunningham & Gerrard, 2002; Leana & Van Buren, 1999; Leana & Pil, 2006; Mahajan & Benson, 2013; Nahapiet & Ghoshal, 1998; Ofori & Sackey, 2010). Solid social relationship among employees facilitates the formation of corporate value and fosters cooperation and participation, making the organization effective.

In Japanese MNCs, the Japanese culture values the development of social capital as it emphasizes good relationship among members in the society in which common values are shared and trust is built. Hence, it is not surprising that Japanese organizations embracing such culture are able to foster cooperative efforts among the employees for the sake of the organization (Ueda, 2010). In other words, organizational social capital allows the organization to enhance its performance as a result of social harmony developed due to trust among the members in the organization (Hamada & Takao, 2008; Ueda, 2010).

According to social capital theory (Putnam, 1993a, 1993b), employees with more resources (in this case, stronger social relationship, trustworthiness, and connection)

would feel motivated to contribute towards organizational performance. When the employees feel that the organization has confidence and trust towards them, they will be more connected and committed and work diligently to achieve the organizational objectives and goals. The shared purpose among the employees facilitates collective action and hence organizational productivity and performance (Ali, Naseem, & Farooq, 2011; Kianto & Waajakoski, 2010; Leana & Van Buren, 1999; Nahapiet & Ghoshal, 1998).

Organizational social capital enables the organization to deal with the competitive environment that requires access to information and coordination between resources (e.g., knowledge, skills, and expertise). Organizational social capital can be regarded as the organization's intangible resources as they refer to a network of relationships with a bundle of valuable resources (Nahapiet & Ghoshal, 1998). Employees in the social network possess the valuable resources that could strengthen their organization's ability to improve its business processes and hence subsequent performance.

The above discussion elaborate the findings of direct relationship while in the following sections, the discussion focus on the findings of indirect relationship involving mediation.

5.2.6 The Mediating Role of Organizational Learning Capability on the Relationship between Commitment-based HR Practices and Organizational Performance

The finding of this study revealed that organizational learning capability did not mediate the relationship between commitment-based HR practices and organizational performance in Japanese MNCs in Malaysia (see Table 4.17). This result contradicts

previous studies by Batt (2002), Brown and Ostroff (2004), Collins and Smith (2006), Camps and Luna-Arocas (2010), Garavan et al. (2002), Jaw and Liu (2003), Lopez-Cabrales et al. (2011), Rahul Raj and Kailash B.L. Srivastava (2013), and Theriou and Chatzoglou (2008). The finding of this study is different from previous studies for two reasons. Firstly, since Japanese MNCs operate in different countries, they may encounter a higher cost of developing a new learning process or method to suit the geographical, political, and cultural backgrounds of the host country. If each subsidiary has different learning methods, inconsistencies will arise between the headquarters and subsidiaries. To reduce such conflict, a global policy of learning capability and process is established (Almond & Ferner, 2006; Firkola, 2006). For example, the implementation of kaizen in every subsidiary of Japanese MNCs can ensure consistent practices throughout the whole organization, on-shore or off-shore.

Secondly, cross-cultural differences may also influence organizational learning capability in Japanese MNCs. Organizational learning capability is about the ability to learn and create new forms of knowledge. In a high context culture, communication is explicit where facts need to be presented to support views or perspectives. However, in a low context culture like Japan, communications are less straightforward as social relationships are emphasized. Hence, tacit knowledge is easily put into words or other explicit forms (Haghirian, 2010). For example, a person may be able to perform certain tasks (e.g., driving a car) but he or she may not be able to articulate the way he or she managed to perform the tasks. Being able to perform the tasks does not mean the person is able to explain the action. Such as learning capability not only is located in each individual but also throughout the organization (Haghirian, 2010). This method enables Japanese MNCs to preserve knowledge from being leaked to their competitors and use it to build the organizations competitive advantage. Therefore,

organizational learning capability in this case may not be suitable for Japanese MNCs as a result of culture (Haghirian, 2010; Walczak 2008, Xiao & Björkman, 2006; Zhang et al., 2009).

5.2.7 The Mediating Role of Organizational Social Capital on the Relationship between Commitment-based HR practices and Organizational Performance

As discussed in sub-sections 5.2.1 and 5.2.5, the relationship between commitment-based HR practices and organizational performance was significant and the same result applied to the organizational social capital and organizational performance relationship. That is, commitment-based HR practices and organizational social capital were found to play an important role in improving organizational performance. As indicated earlier, commitment-based HR practices focus on a long-term investment in human resources that result in enhanced organizational social capital where trust, understanding, cooperation, and shared purposes are nurtured and fostered among organizational members. Consequently, it leads the employees to work closely together to achieve common objectives (Sendogdu & Erdirencelebi, 2014; Zhao, Lu, Wang, Chau, & Zhang, 2012). Furthermore, it also enables the organization to utilize the social capital to facilitate the value creation derived from the prevalence of trust and loyalty culture among the employees. According to Weber and Weber (2007), trust and loyalty are two crucial elements in strengthening a social relationship, and the organization must preserve these elements to achieve its objectives and goals.

As commitment-based HR practices could enhance mutual understanding and cooperation among employees (i.e., foster social interaction), which are crucial for

organizational performance, it is therefore important to implement good human resource management practices such as selection, compensation and training and development in Japanese MNCs. Selection, compensation, and training and development should be designed in such a way that employees could develop the necessary capability and share their knowledge for the sake of the organization.

The mediating role of organizational social capital between commitment-based HR practices and organizational performance supports social capital theory (Putnam, 1993a, 1993b) that emphasizes the development of a strong social relationship at all levels in the organization for enhanced employee productivity and efficiency and subsequent organizational profitability. A positive work environment characterized by good social network and relationship has an effect on employee loyalty. According to SCT theory, organizational social capital is developed when employees perceive that the organization is supportive towards social development (Rhodes et al., 2008), resulting in better work performance. In this regard, specific HR practices are essential means to affect organizational social capital in which trustworthiness, shared norms, and values are enhanced (Berker & Gerhart, 1996; Huselid, 1995; Kang et al., 2007; Morris et al., 2005).

5.3 Implication of the Study

The findings of the present study have important implications for theory and practice. The following sections discuss them.

5.3.1 Theoretical Implications

A number of implications of the findings for theory can be noted. Firstly, this study analysed the influence of commitment-based HR practices on organizational performance in Japanese MNCs in Malaysia. Past studies in this field tended to be

carried out in the West and very few in ASEAN countries (Raduan Che Rose & Naresh Kumar, 2006). Thus, past findings may not be relevant to MNCs in ASEAN countries. As shown, the finding of the present study is consistent with past studies on the significant role of commitment-based HR practices in contributing to improved organizational performance (Delery & Doty, 1996; Nazlina Zakaria et al., 2011; Singh, 2004; Stavrou et al., 2010). Specifically, selection, compensation, and training and development were found to enhance organizational performance.

Secondly, the findings add to the existing literature on the mediating role of organizational social capital in explaining the relationship between commitment-based HR practices and organizational performance in Japanese MNCs. The finding means that commitment-based HR practices are an important organizational tool in influencing the development of a positive social relationship between employer-employees in the organization, which helps toward the improvement of organizational productivity. When employees develop trust, mutual understanding, and cooperative relations with one another (Bullock & McEvoy, 2012), they could work together toward the accomplishment of enhanced organizational performance.

Finally, the present study was able to support resource-based view (RBV) and social capital theory (SCT) to explain the relationship between commitment-based HR practices, organizational social capital and organizational performance. The RBV theory postulates a bundle of resources that can sustain organizational performance and competitive advantage. The findings of this study are consistent with RBV in that commitment-based HR practices can create a competitive advantage for the organization through the development of highly productive, motivated and committed employees. As a result, it helps organizations to sustain its competitive advantage and

lead to better organizational performance. In other words, commitment-based HR practices are all resource-based, since they serve as tools to maximize organizational performance. This is because all elements of commitment-based HR practices are valuable, difficult to imitate, cannot be interchanged with other sources as well as hard to copy by competitors. Thus, the practices of this construct were arranged by using research based view theory and the practices have provided the evidence as powerful tools to enhance organizational performance.

This study supports social capital theory by providing empirical evidence that organizational social capital should be part of management practices because it plays a significant role in building a solid social relationship at all levels in the organization characterized by trustworthiness, connection, shared norms, values, obligations, expectations, and identification (Salajegheh & Pirmoradi, 2013). In this regard, commitment-based HR practices serve as a tool to facilitate the development of employees' skills, trust, and shared that could transform the human resource as a key to sustaining competitive advantage.

5.3.2 Practical Implications

This study guides policymakers and HR practitioners to understand that business success depends on the organization's capabilities to utilize its human resources. In particular, they have to design strategies to implement effective human resource management practices to create the capabilities. The result of the study was able to offer evidence that commitment-based HR practices help promote mutual and long-term relationship in the organization at all levels. Hence, HR practitioners need to institute HR practices that encourage network-building relationship characterized by trust, cooperation and commitment towards the organization. To encourage the

organization that characterized by strong commitment, trust and cooperation from the employees, HR practitioners need to select the employees who have shared the common objectives, goals and value as the organization. When the right employees have selected, it is necessary to develop the training and development program that related to collaborative behaviour so that it supports the development of network-building relationship. When the collaboration grow stronger, HR practitioners play a critical role to foster the relationship by creating policies or practices that uniquely represented the organization's culture and business strategy. Therefore, when seeking to improve organizational performance, HR practitioners, policy makers, stakeholders and Malaysia government agency should consider the following suggestions in the next sub-section.

5.3.2.1 Policy Makers & HR Practitioners of Japanese MNCs

This study sets out as a guide to the policy makers and HR practitioners to understand that business success depended on the organization capabilities to utilize it human resources. They have to design strategies to drive human resource management practices in order to create those capabilities. To create such capabilities and deliver results, the policy makers and HR practitioners must identify the function of human resource management practices and give attention or focus to improve the existing practices. Based on the study findings, it suggested few implications be given consideration by the policy makers and HR practitioners. The result of the study was able to offer evidence that commitment-based HR practices help to promote a high degree of discretionary behaviours and commitment thus, drive the employees to align their personal objectives with the organization altogether. By doing so, it helps the organization to develop new strategy that could motivate employees to elicit high levels of discretionary behaviours by aligning their interests with their organization

objectives. Having this strategy grow in the organization, could facilitate the development of employee-base capability such as integrate and transfer information to create new knowledge and create new learning platform that help the organizations to achieve an extra edge.

Thus, the managers are highly recommended to look into several HR practices that offer a synergistic effect and develop mutual and long-term exchange relationship among the individual, group and organizational levels. As discussed earlier, business success depended on the organization capabilities to utilize its human resources therefore HR practices must work as an organizational system that lead more consistent of managing the people. Therefore, the policy makers and HR practitioners must create mechanisms to ensure HR function is able to focus on building the right set of competencies in the employees and deploying the competencies in most effective way to meet business objectives. One of the methods is to enhance the efficiency of designing and administering commitment-based HR practices to enhance the performance of the organizations.

The implementation can be done in two major aspects: firstly, to focus on how to nurture and support commitment-based HR practices in developmental rather than instrumental ways. This can be achieved when the organizations understand the benefits of commitment-based HR practices as a mechanism that support organization day to day operations as well as maximizing the utilization of their human resources. Secondly, the policy makers and HR practitioners who implement the development programs need to emphasize on soft and creative skills such as counsel employees to increase their potential to achieve better career position in the organization, encourage employees to work diligently, learning new knowledge and skills to upgrade self-

capability and thus, enhance their competencies and finally share the organizational interests. In doing so, it helps to build more integrated capabilities (i.e. collective skills, knowledge, expertise, innovation) to produce sustained high organizational performance.

The finding of this study proof that associated the role of organizational social capital with commitment-based HR practices would boost the performance of the organizations. That is, this study provided some useful guidance for policy makers and HR practitioners in adopting organizational social capital particularly appropriate for the level of organizational performance, with the purpose of taking advantage of their human resources. This is to say that organizations which acquire their human resources and capabilities as the main source to achieve its objectives; appropriate organizational social capital must be developed to create opportunities for enhancing employer and employees' relationship. To achieve this, HR practitioners need to facilitate HR practices that encouraged the network-building relationship which contents high level of trust, cooperation and commitment towards the organization.

By doing so, it makes the employees easily communicate, share idea, have a positive work attitude, competitive and not just being comfortable. It is essential to create such environment that make employees feel connected to the organizations, and thus create stronger collaboration, higher level of goodwill and comfortable in exchanging ideas among organization members. In return, it promotes innovation process that enables organizations to achieve better performance. Hence, it is practical to implement the policies that blended the commitment-based HR practices and organizational social capital in Japanese MNCS as it enabled (1) enhance the cooperation among employees and thus allows the information flowed within the organization, (2) enable

Japanese MNCs to strike the balance between employees' commitment, work motivation and their outputs was crucial to maximizing their performance and reduce the potential problems. In turn, it led to the satisfaction of employees and thus enhanced their organizational performance.

The above recommendations to be forwarded to policy makers and HR practitioners are consistent with the results of the current study. The researcher suggests Japanese MNCs to give full consideration of the suitable method that parallel with the levels of development of their employees for the purpose of 1) reaping maximum advantages of their human resources and 2) to drive greater business values and thus business performance.

5.3.2.2 Stakeholders of Japanese MNCs

Today's organizations were facing hyper competition derived from factors such as instability of socio-economic, decreased tariffs, increased inflation as well as the global competition. These hyper competitions affected the multinational organizations such as Japanese MNCs. Hence, to ensure the organization continuously achieved the best performance, it is important to keep close eyes on the changes of internal and external environment and come up with the solutions how to fit in such environment. To continue to survive in such challenging situation, Japanese MNCs are looking for the best management tools or practices and then combine them into the right structure might be helpful to meet the organization's objectives. It was not about what they could control but what they can access served as the key to sustaining organizational performance. When the performance of the organization exceeded the set forth targets or objectives, the long-term interests of stakeholders would be ultimately satisfied.

Accordingly, the overall findings of this study, it is suggested that if the organizations intend to achieve or sustain its best organizational performance, incorporating the role of organizational social capital is essential. Organizational social capital encompasses the community of practices that connect the employees, partners, suppliers, regulatory and customers, knowledge and skills exchange and information sharing. To facilitate the role of organizational social capital, it is vital to combine commitment-based HR practices as part of management practices that was not only concerned about the administration of people but also the relationship with the organizations. It was undoubtedly that good human resource helped the organizations to achieve their objectives, enhance productivity and create competitive edge over their competitors. Conversely, the uniqueness of commitment-HR practices promotes long-term, and mutual exchange relationship between employer and employees might lead to the improved of the learning process and social relationship. Hence, the combination of commitment-HR practices and organizational social capital might be able to create new competitive landscape that emphasis on stronger employer and employees relationship, mutual cooperation and shared interests in developing new processes, products, and improve services that benefit the organization in the long run. Consequently, it also helps to enhance the values of network and overall competitiveness.

In other words, the stakeholders should give prompt attention to implement the commitment-based HR practices comprehensively and continue to enhance learning process and social relationship development within their organizations. This is because commitment-based HR practices (e.g. selection, compensation and training and development) emphasis on long term mutual cooperation between employer and employees that help them to reach common objectives for meeting the business needs.

The organizations which take steps to foster the learning process and development of social relationship, it will shape a more positive and creative work environment. As a result, it assists the organizations to utilize the human resources for a value-creating strategy that reduce the stakeholders and investor's risk to near zero. Additionally, it develops the full set of commitments, decision and actions require for the organizations that seek to achieve above-average returns for investors through the effective use of the human resources in the organizations. Subsequently, it helps the organizations to improve and transform itself as desired, it could possess the ultimate organizational performance.

5.3.2.3 Implication for Japanese Association in Malaysia

In the current competitive environment, it is essential for organizations to have a clear understanding of their business objectives and goals set out in the business strategy. To achieve this, organizations must integrate all the possible options and sources to create the right mind-set, and then developing and deploying it in the right way at the right time. The findings of this study proof that by deploying commitment-based HR practices as strategic function leads to transformational possibilities of multiplying human resources to increase the organization's learning capability, social capital, and thus enhance organizational performance. Organization need to assemble and structuring human resources capabilities, knowledge and skills for generating high performance. Therefore, consistently managing human resources is essential characteristics of being a truly global organization because it affects the way people work together and decision being made, and is reflected in policies and procedures of the organizations.

The findings can also benefit the Japanese Association in Malaysia in the following ways:

- Encourage modernizing the HR function to enable the development of HR capabilities that could best support the business.
- Work with business leaders of MNCs to identify and develop the social relationship needed for the betterment of the organizational performance.
- Encourage strong leadership involvement in building a high performance culture for employees to grow in the organizations.
- Encourage collaboration between business leaders and academia toward the innovative skills which response to the needs in the business world.

5.3.2.4 Implication to the economic and citizens in Malaysia

The present of Japanese MNCs in Malaysia has significantly contributed towards the economic growth, transferring of technology, research and development programs and human resource development. Therefore, the Malaysian government should ensure Japanese MNC continue to foster and gain competitiveness in the world market. The result of the study provided an insight that the success of an organization hinges on how well human resource management practices influence organizational performance.

The Malaysia government through Malaysian Human Capital Development (HCD) Strategic Reform Initiative (SRI) plan under the New Economic Model emphasis on complementing the government's measure to diverse the composition of the modern workforce and strengthening their potential in the country, it is necessary to develop an efficient human resource management policies and practices. Having a strategic

human resource management policies and practices, it provides more consistency in how people are managed and support the organizations to achieve its desired objectives and goals. Considering the critical role of human resource management, findings of the study could offered an insight to Malaysia government agencies such as Ministry of Human Resources to assist the MNCs organizations by transforming of the human resource management practices and capabilities.

Based on the findings of the study, it was found that commitment-based HR practices were inter-related and support each other in developing human resources capability. For example, selection practice aimed to recruit the workforce who possessed flexible, commitment and high learning capability of the critical roles and skills that needed by the organizations to win the future. Meanwhile, compensation practice that included incentives and rewards tend to encourage employees to engage in the continuous learning capability and enhance cooperative behaviour along the workforce. Lastly, training and development practice which focus on refreshing and develop new multi-dimensional skills, knowledge and expertise can ensure the employees improve their capability and other responsibilities. Based on that, it entailed the specific role of the commitment-based HR practices to enhance human resources ability and if well implemented either in MNCs organizations or local organizations, it could motivate and retain the talented and skilled workforce in the Malaysian context.

In addition to commitment-based HR practices, emphasis should be given to the role of organizational social capital as it enhanced the social relationship, increase trustworthiness, shared norms and values among the workforce in the organizations. The results of this study showed that organizational social capital has the capability to

facilitate the socio-economic benefits through engaging knowledge sharing, creation of trust, values and norms, competitiveness and significantly affect organizational performance. Consequently, it leads the employees to work closely together to achieve the shared objectives and pave way for higher organizational performance. Hence, to ensure the organizations remains at high performance, it is suggested that Malaysia government agencies to assess the role of commitment-based HR practices and organizational social capital. In turn, it would (1) potentially strengthen the competitiveness of the Japanese MNCs in the Malaysian market and (2) the commitment from the government to the private organizations (e.g. Japanese MNCs) made the country as an attractive destination to establish a business, making a win-win situation for private organizations and Malaysia.

5.4 Limitations

This study has presented seven useful findings about the relationships based on the variables such as commitment-based HR practices, organizational learning capability, organizational social capital and organizational performance. However, it is necessary for the researcher to present the limitations that underlie these findings.

Firstly, the sample was restricted to Japanese manufacturing MNCs based in Malaysia. The Japanese MNCs were the second largest foreign investor with a total of 60 approved projects (MIDA, 2016). This figure indicates the significant role of Japanese MNCs in boosting the Malaysian economy in addition to other areas of development such as research, human resources, and advancement of technology. Therefore, the result of the study may not be generalizable to other organizations that do not have similar characteristics. However, for this present study, the focus is to

provide information of the importance of the variables and how it will influences the organizational performance specifically Japanese MNCs.

Secondly, this study was cross-sectional and the findings provided a snapshot of the phenomenon in a specific period of time. This design does not allow researchers to detect changes that have happened over time. However, the cross-sectional data can be collected at a given point in time which sufficient and fit into the research model of this study. In the future, a longitudinal approach can be used if future researchers wish to understand in-depth of the changes in attitudes, perspectives, or behaviour in the organizations. Consequently, it is enable the researcher to learn more of the cause and effect and the relationship between variables can be made clearly. Besides, larger data can be collected over a longer period that allows for better and more concise results.

5.5 Suggestions for Future Research

The present study offers opportunities for future research. Firstly, future research should run the cross-validate to determine the results of this study and expand the collection of data from other MNCs of other industries to allow the generalizability of the results as well as model validation. Different cultural contexts will offer a meaningful comparison about how MNCs in different countries operate and to what extent their HRM practices are effective in enhancing organizational performance.

Secondly, future research might consider using qualitative or mixed method of analysis involving the use of interviews with managers to get detailed information of the practices of the organization. The qualitative findings may be used to complement quantitative data in that the qualitative design can address the gaps and limitations of the quantitative approach. By using the mixed methodology, a comprehensive picture organizational performance in Japanese MNCs can be developed.

Thirdly, even though the research finding showed a non-significant result of organizational learning capability in achieving organizational performance, it is not conclusive. Future researchers may consider to investigate the role of organizational learning capability and how it may be useful for Japanese MNCs to implement it as part of their management development. For instance, there may be other types of organizational learning capability that can be deployed to achieve significant result for Japanese MNCs that has not been investigated in this study. Therefore, the organizational learning capability as recommended by this study should not treat as inclusive and conclusive.

5.6 Conclusion

The findings of this study contribute to the understanding of the relationship between commitment-based HR practices, organizational learning capability, organizational social capital, and organizational performance. Generally speaking, the findings this study supported the idea that human resources are a crucial tool to create a competitive advantage for business success. In particular, the present study showed that good HRM practices are essential for the development of organizational social capital as it was found to lead to improved organizational performance of Japanese MNCs in Malaysia. Hence, it is imperative that Japanese MNCs and other organizations, so far as they are practicable, design and deliver HRM practices toward that end.

Good HRM practices enable employees or social actors of the organization to develop close working relationships with each other as a result of collective orientation and shared trust. Compensation practice, for instance, needs to be designed in such a way that it rewards collective orientation and teamwork. Hiring practices that select

employees that have the tendency to demonstrate willingness to put the interests of the organization first above and beyond personal goals will promote the development of organizational social capital. When employees work together as a group to promote the organizational interests, the performance of the organization is likely to improve.



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APPENDIX





HUMAN RESOURCE DIRECTOR /MANAGER

Dear Sir /Madam

I am a PhD student in COB, Universiti Utara Malaysia, Kedah. Currently, I am conducting a research on '**Commitment-based HR Practices and Organizational Performance: The mediating role of Organizational Learning Capability and Organizational Social Capital**'.

Your participation in completing the questionnaire is important to the success of this research. It will be grateful if you are able to return the completed questionnaires by soonest. The information you provide will remain strictly anonymous and confidential.

I would appreciate your returning the questionnaire at your earliest convenience. Thank you in advance for your cooperation. Should you have any enquiries, please do not hesitate to contact me or my supervisors.

Yours sincerely,
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SECTION ONE:

1. ORGANIZATION PROFILE

In year your organization established in Malaysia:

1 – 5 6-10 11 – 15
16 – 20 21 and above

Number of employees in 2015:

1 – 50 51 – 150 51 – 500
501 – 1,000 1,001 and above

Type of industry:

Manufacturing Non-manufacturing

2. RESPONDENT PROFILE

Job position: _____

Service Duration:

2-3 years 7 - 9 years
 4-6 years >10 years Others, please specify _____

Highest academic qualification:

Bachelor Degree Doctoral Degree
 Master Degree Others, please specify _____

Nationally:

Malaysian Non-Malaysian

Years with this organization /department: _____

Years of working experience: _____

SECTION TWO

INSTRUCTION: With reference to your organization HR practices, please indicate the level of agreement to the following statements by circling the appropriate number in the scale given.

Strongly degree (1) ————— Strongly agree (7)

	Strongly disagree	Disagree	Disagree somewhat	Undecided	Agree	Agree somewhat	Strongly agree
1 Internal candidates are given consideration over external candidates for job openings.	1	2	3	4	5	6	7
2 We select employees based on an overall fit to the company.	1	2	3	4	5	6	7
3 Our selection system focuses on the potential of the candidates to learn and grow with the organization.	1	2	3	4	5	6	7
4 We ensure that all employees in these positions are made aware of internal promotion opportunities.	1	2	3	4	5	6	7
5 Employee bonuses and incentive plans are based primarily on the performance of the organizations.	1	2	3	4	5	6	7
6 Salaries for employees in these positions are higher than those of our competitors.	1	2	3	4	5	6	7
7 Shares of stock are available to all core employees through stock purchase plans.	1	2	3	4	5	6	7
8 Goals for incentive plans are based on business unit or company performance.	1	2	3	4	5	6	7
9 We provide multiple career path opportunities for employees to move across multiple functional areas of the company.	1	2	3	4	5	6	7
10 We provide training focused on team-building and teamwork skills training.	1	2	3	4	5	6	7
11 We sponsor company social events for employees to get to know one another.	1	2	3	4	5	6	7

12	We offer an orientation program that trains employees on the history and processes of the organization.	1	2	3	4	5	6	7
13	We use job rotation to expand the skills of employees.	1	2	3	4	5	6	7
14	We have a mentoring system to help develop these employees.	1	2	3	4	5	6	7
15	Performance appraisal are used primarily to set goals for personal development.	1	2	3	4	5	6	7
16	Performance appraisals are used to plan skill development and training for future advancement within the company these employees.	1	2	3	4	5	6	7



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SECTION THREE

INSTRUCTION: With reference to your organization social capital, please indicate the level of agreement to the following statements by circling the appropriate number in the scale given.

Strongly degree (1) ————— Strongly agree (7)

	Strongly disagree	Disagree	Disagree somewhat	Undecided	Agree	Agree somewhat	Strongly agree
1 Employees engage in open and honest communication with one another.	1	2	3	4	5	6	7
2 Employees at this organization have no hidden agendas or issues.	1	2	3	4	5	6	7
3 Employees share and accept constructive criticisms without making it personal.	1	2	3	4	5	6	7
4 Employees discuss personal issues if they affect job performance.	1	2	3	4	5	6	7
5 Employees willingly share information with one another.	1	2	3	4	5	6	7
6 Employees at this organization keep each other informed at all times.	1	2	3	4	5	6	7
7 Employees can rely on the managers they work with in this organization.	1	2	3	4	5	6	7
8 Employees in this organization are usually considerate of one another's feelings.	1	2	3	4	5	6	7
9 Employees have confidence in one another in this organization.	1	2	3	4	5	6	7
10 Employees in this organization show a great deal of integrity.	1	2	3	4	5	6	7
11 There is team spirit among employees in this organization.	1	2	3	4	5	6	7

12	Overall, employees at this organization are trustworthy.	1	2	3	4	5	6	7
13	Employees are committed to organizational goals.	1	2	3	4	5	6	7
14	Employees enthusiastically pursue collective goals and mission.	1	2	3	4	5	6	7
15	Every employee is in total agreement on the organization's vision.	1	2	3	4	5	6	7



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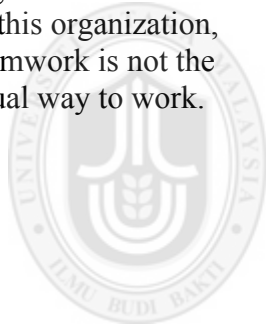
SECTION FOUR

INSTRUCTION: With reference to your organization learning capability, please indicate the level of agreement to the following statements by circling the appropriate number in the scale given.

Strongly degree (1) ————— Strongly agree (7)

	Strongly disagree	Disagree	Disagree somewhat	Undecided	Agree	Agree somewhat	Strongly agree
1 The managers frequently involve their employees in important decision-making process.	1	2	3	4	5	6	7
2 Employee learning is considered more as expenses than investment.	1	2	3	4	5	6	7
3 The organization's management looks favorably on carrying out changes in any area to adapt to and/or keep ahead of new environmental situations.	1	2	3	4	5	6	7
4 Employee learning capability is considered a key factor in this organization.	1	2	3	4	5	6	7
5 This organization follows up what other organizations in the sector are doing, adopting those practices and techniques it believes to be useful and interesting.	1	2	3	4	5	6	7
6 Experiences and ideas provided by external sources (advisors, customers, training, etc) are considered a useful instrument for this organization's learning.	1	2	3	4	5	6	7

- | | | | | | | | | |
|----|--|---|---|---|---|---|---|---|
| 7 | Part of this organization's culture is that employees can express their opinions and make suggestions regarding the procedures and methods in place of carrying out tasks. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 8 | Errors and failures are always discussed and analyzed in this organization on all levels. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 9 | Employees have the chance to talk among themselves about new ideas, programs and activities that might be of use to the organization. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 10 | In this organization, teamwork is not the usual way to work. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |



SECTION FIVE

INSTRUCTION: With reference to your organization performance, please indicate the level of agreement to the following statements by circling the appropriate number in the scale given.

Worse (1) ————— Very good (5)

1 Compare to other organization's that do the same kind of work, how do you compare your organization's market performance and internal performance over the last three years in terms of:

	Worse	Not good	Satisfactory	Good	Very good
a) Quality of products and services.	1	2	3	4	5
b) Development of new products and services.	1	2	3	4	5
c) Ability to attract employees.	1	2	3	4	5
d) Ability to retain employees.	1	2	3	4	5
e) Satisfaction of customers or clients.	1	2	3	4	5
f) Relations between management and employees.	1	2	3	4	5
g) Marketing of products and services?	1	2	3	4	5
h) Growth in sales?	1	2	3	4	5
i) Profitability?	1	2	3	4	5
j) Market Share?	1	2	3	4	5

Thank you for sparing your valuable time to complete this survey